FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

INCOME STATEMENT (*)

(EUROS)	NOTE	2020	2019
Revenue	5	531,223,744	534,005,629
Other income	6	12,884,123	14,335,309
Purchases	7	(24,819,193)	(26,553,872)
Personnel	8	(25,955,930)	(22,681,309)
Services and other costs	9	(484,010,216)	(487,105,947)
Amortization, depreciation and write-downs	10	(1,977,953)	(1,378,856)
Other operating and non-recurring income/(expenses)	11	55,433	(2,102,000)
Operating income		**7,400,007**	**8,518,955**
Gain/(loss) on equity investments	12	73,706,187	72,561,906
Financial income/(expenses)	13	(7,277,504)	9,708,821
Income before taxes		**73,828,690**	**90,789,682**
Income taxes	14	(421,464)	(1,540,684)
Net income		**73,407,227**	**89,248,998**
Net and diluted income per share	*15*	*1.96*	*2.40*

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Income Statement are reported in the annexed Tables and further described in Note 36.

STATEMENT OF COMPREHENSIVE INCOME

(EUROS)	NOTE	2020	2019
Profit of the period (A)		**73,407,227**	**89,248,998**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	28	(24,045)	(29,248)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**(24,045)**	**(29,248)**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	28	1,089,317	(1,156,830)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**(1,089,317)**	**(1,156,830)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):		**1,065,272**	**(1,186,078)**
Total comprehensive income (A)+(B)		**74,472,498**	**88,062,920**

STATEMENT OF FINANCIAL POSITION (*)

(EUROS)	NOTA	31/12/2020	31/12/2019
Tangible assets	17	333,489	208,885
Goodwill	18	86,765	86,765
Intangible assets	19	6,646,657	4,661,803
RoU assets	20	755,027	722,294
Equity investments	21	144,527,524	142,118,922
Other financial assets	22	248,530,974	174,871,137
Deferred tax assets	23	6,112,288	5,538,988
Non-current assets		**406,992,725**	**328,208,793**
Trade receivables	24	320,790,536	353,511,710
Other receivables and current assets	25	72,109,275	27,350,198
Financial assets	26	27,349,313	47,493,994
Cash and cash equivalents	27	184,012,136	161,330,565
Current assets		**604,261,260**	**589,686,466**
TOTAL ASSETS		**1,011,253,985**	**917,895,259**
Share Capital		4,863,486	4,863,486
Other reserves		389,243,196	318,380,775
Net income		73,407,227	89,248,998
NET EQUITY	**28**	**467,513,909**	**412,493,259**
Due to minority shareholders	29	-	1,019,980
Financial liabilities	30	18,024,304	23,871,428
IFRS 16 financial liabilities	30	383,955	394,992
Employee benefits	31	810,266	703,702
Deferred tax liabilities	32	776,201	2,978,117
Provisions	35	6,065,000	5,942,347
Non-current liabilities		**26,059,725**	**34,910,565**
Financial liabilities	30	156,251,633	95,775,792
IFRS 16 financial liabilities	30	373,712	324,907
Trade payables	33	289,681,517	313,652,192
Other current liabilities	34	61,373,490	50,738,544
Provisions	35	10,000,000	10,000,000
Current liabilities		**517,680,351**	**470,491,435**
TOTAL LIABILITIES		**543,740,076**	**505,402,000**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,011,253,985**	**917,895,259**

(*) 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 36.

STATEMENT OF CHANGES IN EQUITY

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	TOTAL
Balance at 1 January 2019	**4,863,486**	**(24,502)**	**79,183,600**	**258,615,553**	**(1,372,438)**	**(2,030)**	**341,263,668**
Dividends distributed	-	-	-	(16,833,330)	-	-	(16,833,330)
Increase for acquisition of treasury shares	-	-	50,000,000	(50,000,000)	-	-	-
Total profit	-	-	-	89,248,998	(1,156,830)	(29,248)	88,062,920
Balance at 31 December 2019	**4,863,486**	**(24,502)**	**129,183,600**	**281,031,221**	**(2,529,268)**	**(31,278)**	**412,493,259**

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

STATEMENT OF CASH FLOWS

(EUROS)	2020	2019
Result	73,407,227	89,248,998
Income taxes	421,464	1,540,684
Amortization and depreciation	1,977,953	1,378,856
Other non-monetary expenses/(income)	1,214,697	2,554,555
Change in trade receivables	32,721,173	(11,782,297)
Change in trade payables	(23,970,675)	(16,340,023)
Change in other assets and liabilities	(32,972,780)	39,596,901
Income tax paid	(1,540,684)	(2,038,858)
Interest paid	(2,596,763)	(1,104,836)
Interest cashed	18,633	31,692
Net cash flows from operating activities (A)	**48,680,245**	**104,085,671**
Payments for tangible and intangible assets	(3,653,037)	(2,639,844)
Payments for financial assets	(73,942,893)	(17,521,273)
Change in right of use assets	-	(452,654)
Payments for the acquisition of subsidiaries net of cash acquired	(2,755,765)	(1,250,700)
Net cash flows from investment activities (B)	**(80,351,695)**	**(21,864,472)**
Dividends paid	(19,451,848)	(16,833,330)
In payments from treasury shares	500,000	2,800,000
Payment of financial liabilities	(12,928,571)	(16,785,715)
Change in financial liabilities from RoU IFRS 16	(445,188)	122,690
Other changes	-	(29,248)
Net cash flows from financing activities (C)	**(32,325,608)**	**(30,725,603)**
Net cash flows (D) = (A+B+C)	**(63,997,058)**	**51,495,597**
Cash and cash equivalents at the beginning of period	129,375,965	77,880,368
Cash and cash equivalents at period end	65,378,907	129,375,965
Total change in cash and cash equivalents (D)	**(63,997,058)**	**51,495,597**

DETAIL OF CASH AND CASH EQUIVALENTS

(EUROS)	2020	2019
Cash and cash equivalents at beginning of period:	**129,375,965**	**77,880,368**
Cash and cash equivalents	161,330,565	71,016,284
Transaction accounts – surplus	47,493,994	67,655,451
Transaction accounts - overdraft	(79,448,593)	(56,786,827)
Bank overdrafts	-	(4,004,540)
Cash and cash equivalents at the end of the year:	**65,378,907**	**129,375,965**
Cash and cash equivalents	184,012,136	161,330,565
Transaction accounts - surplus	27,066,257	47,493,994
Transaction accounts - overdraft	(145,699,486)	(79,448,593)

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL POSITION- LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE 28	Shareholders' equity
	NOTE 29	Due to minority shareholders
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NOTE 1 – GENERAL INFORMATION

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

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

NOTE 2 - ACCOUNTING PRINCIPLES AND BASIS OF CONSOLIDATION

COMPLIANCE WITH INTERNATIONAL ACCOUNTING PRINCIPLES

The 2020 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the provisions implementing Article 9 of Legislative Decree No. 38/2005.
The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

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

GENERAL PRINCIPLES

The Financial Statements were prepared under the historical cost convention, modified as required for the measurement of certain financial instruments. The criterion of fair value was adopted as defined by IFRS 9.

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

FINANCIAL STATEMENTS

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

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

TANGIBLE ASSETS

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.
Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.
In compliance with IAS 36 – Impairment of assets, the carrying value is immediately remeasured to the recoverable value, if lower.
Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

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

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

GOODWILL

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

OTHER INTANGIBLE ASSETS

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

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

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

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

Development costs	33%
Software	33%

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

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 long term car-rental.

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

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

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

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

IMPAIRMENT

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

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

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

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

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

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

Equity investments in other companies, comprising non-current financial assets not held for trading, are measured at fair value, if it can be determined. Any subsequent gains and losses resulting from changes

in fair value are recognized directly in Shareholders' equity until the investment is sold or impaired; the total recognized in equity up to that date are recognized in the Income Statement for the period.
Minor investments in other companies for which fair value is not available are measured at cost, and adjusted for any impairment losses.

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

CURRENT AND NON CURRENT FINANCIAL ASSETS

Financial assets are classified, on the basis of both contractual cash flow characteristics and the entity's business model for managing them, in the following categories:

(i) financial assets measured at amortized cost;
(ii) financial assets measured at fair value through other comprehensive income (hereinafter also OCI);
(iii) financial assets measured at fair value through profit or loss.

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

(i) interest income determined using the effective interest rate, foreign exchange differences and any impairment losses (see the accounting policy for "Impairment of financial assets") are recognized in the profit and loss account;
(ii) changes in fair value of the instruments are recognized in equity, within other comprehensive income.

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

instrument and is recognized in "Finance income (expense)", within "Net finance income (expense) from financial assets held for trading".
When the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, the transaction is accounted for on the settlement date.

TRANSFER OF FINANCIAL ASSETS

The Company derecognizes financial assets from its Financial Statements when, and only when, the contractual rights to the cash flows deriving from the assets expire or the Company transfers the financial asset. In the case of transfer of the financial asset:

- If the entity substantially transfers all of the risks and benefits of ownership associated with the financial asset, the Company derecognizes the financial asset from the Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
- If the Company maintains substantially all of the risks and benefits of ownership associated with the financial assets, it continues to recognize it;
- If the Company does not transfer or maintain substantially all of the risks and benefits of ownership associated with the financial asset, it determines whether or not it has maintained control of the financial asset. In this case:
  - › If the Company has not maintained control, it derecognizes the financial asset from its Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
  - › If the Company has maintained control, it continues to recognize the financial asset to the extent of its residual involvement with such financial asset.

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

TRADE PAYABLES AND RECEIVABLES AND OTHER CURRENT ASSETS AND LIABILITIES

Trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
At initial recognition they are measured at fair value adjusted for transaction costs and subsequently measured at amortized cost determined using the effective interest rate, to account for foreign exchange differences and any impairment losses.
At each reporting date, all financial assets, with the exception of those measured at fair value through profit and loss, are analysed for any impairment indicators.
Under IFRS 9, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying

the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it from the moment of its origination or acquisition.
Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

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

FINANCIAL LIABILITIES AND EQUITY INVESTMENTS

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

- Bank borrowings

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

- Equity instruments

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

- Non-current financial liabilities

Liabilities are stated according to the amortization cost.

DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER HEDGING TRANSACTIONS

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

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

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.
For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.

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

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

EMPLOYEE BENEFITS

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

Employee termination indemnities (“TFR”) are classified as a “post-employment benefit”, falling under the category of a “defined benefit plan”; the amount already accrued must be projected in order to estimate the payable amount at the time of employee termination and subsequently be discounted through the “projected unit credit method”, an actuarial method based on demographic and finance data that allows the reasonable estimate of the extent of benefits that each employee has matured in relation to the time worked. Through actuarial measurement, interest cost is recognized as financial gains or losses and represents the figurative expenditure that the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities (“TFR”).

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

SHARE-BASED PAYMENT PLANS

The Company has applied the standard set out by IFRS 2 “Share-based payment”.

Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders’ equity, on a straight-line basis and over the (vesting period).

The fair value of the option, measured at the granting date, is assessed through actuarial calculations, taking into account the terms and conditions of the options granted.

The stock options resolved in the previous financial years have been exercised and therefore the Company does not have existing stock option plans.

PROVISIONS AND RESERVES FOR RISKS

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

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

REVENUE RECOGNITION AND OTHER REVENUES

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.

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”.
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.

Interest income is recognised in application of the principle of time jurisdiction, on the basis of the amount financed and the applicable effective interest rate, which represents the discount rate of future receipts estimated over the expected life of the financial asset to bring them back to the book value of the asset itself. Dividends from investments in subsidiaries are recognised when the right of shareholders to receive payment is established.

FINANCIAL INCOME AND EXPENSES

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

GOVERNMENT GRANTS

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

TAXATION

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

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

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

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

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

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

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

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

EARNINGS PER SHARE

Basic earnings per share is calculated with reference to the profit for the period of the Company and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.

Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

USE OF ESTIMATIONS

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

The estimates are mainly referred to:

- goodwill
- equity investments
- trade receivables and work in progress
- leasing liabilities and RoU assets
- provisions, contingent liabilities and employee funds
- derivative instruments and equity instruments.

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

ESTIMANTIONS CHANGES AND RECLASSIFICATIONS

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY FROM 1 JANUARY 2020

Reply S.p.A. applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2020. Reply S.p.A. has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.
The nature and the impact of each amendment is described below:

IAS 1 AND IAS 8: DEFINITION OF MATERIALITY

On November 29, 2019, the European Union has published the Regulation no. 2019/2104 which amended to its definition of material in IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates.

AMENDEMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARD

On November 29, 2019 the European Union has published the Commission Regulation no. 2019/2075 endorsing 'Amendments to References to the Conceptual Framework in IFRS Standards'.

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7

On January 15, 2020 the European Union has published the Commission Regulation no. 2020/34 that issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

IFRS 3 – BUSINESS COMBINATIONS

On April 21, 2020 European Commission published the Commission Regulation no. 2020/551 that issued amendments to IFRS 3 - Business Combinations which change the definition of a business.

COVID-19 RELATED RENT CONCESSIONS (AMENDMENT TO IFRS 16)

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

The adoption of these amendments/interpretations had no impact on the Financial Statements at December 31, 2020.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

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

The Company does not expect any significant effects on its financial statements deriving from the new Standards/Interpretations the company is in the process of analysing the standards mentioned above and evaluating if their adoption will have a significant impact on the financial statements.

NOTE 3 - RISK MANAGEMENT

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

CREDIT RISK

For business purposes, specific policies are adopted in order to guarantee that clients honour payments. With regards to financial counterparty risk, the company does not present significant risk in credit-worthiness or solvency. For newly acquired clients, the Company accurately verifies their capability in terms of facing financial commitments. Transactions of a financial nature are undersigned only with primary financial institutions.

LIQUIDITY RISK

The Company is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of companies are monitored and managed on a centralized basis through the Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's current and future capital resources (maintaining an adequate level of cash and cash equivalents and the availability of reserves of liquidity that are readily convertible to cash and committed credit).
The difficulties both in the markets and in the financial markets require special attention to the management of liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and on maintaining an adequate level of available liquidity. The Company therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

RISKS ASSOCIATED WITH FLUCTUATIONS IN CURRENCY AND INTEREST RATES

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

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

NOTE 4 - OTHER INFORMATION

EXCEPTION ALLOWED UNDER PARAGRAPH 5 OF ARTICLE 2423 OF THE ITALIAN CIVIL CODE

No exceptions allowed under Article 2423, paragraph 5, of the Italian Civil Code were used in drawing up the annexed Financial Statements.

FISCAL CONSOLIDATION

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

NOTE 5 - REVENUE

Revenues amounted to 531,223,744 Euros and are detailed as follows:

(EUROS)	2020	2019	CHANGE
Revenues from services	458,481,101	464,569,348	(6,088,246)
Royalties on "Reply" trademark	35,432,545	34,343,249	1,089,296
Intercompany services	24,992,376	24,401,517	590,859
Other intercompany revenues	12,317,721	10,691,515	1,626,206
Total	**531,223,744**	**534,005,629**	**(2,781,885)**

Reply manages business relationships on behalf of some of its major clients. Such activities were recorded in the item Revenues from services to third parties which decreased by 6,088,246 Euros.
Revenues from Royalties on the “Reply” trademark refer to charges to subsidiaries, corresponding to 3% of the subsidiaries’ turnover with respect to third parties.
Revenues from Intercompany services and Other intercompany revenues refer to activities that Reply S.p.A. carries out for the subsidiaries, and more specifically:

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

Other intercompany revenues mainly refer to recharges for employee courses, software licenses, mobile costs and social activities.

NOTE 6 - OTHER INCOME

Other revenues that as at 31 December 2020 amounted to 12,884,123 Euros (14,335,309 Euros at 31 December 2019) mainly refer to expenses incurred by Reply S.p.A. and recharged to the Group companies and include expenses for social events, telephone and training courses.

NOTE 7 - PURCHASES

Detail is as follows:

(EUROS)	2020	2019	CHANGE
Software licenses for resale	13,011,444	13,092,017	(80,573)
Hardware for resale	11,339,767	13,017,288	(1,677,521)
Other	467,982	444,567	23,415
Total	**24,819,193**	**26,553,872**	**(1,734,679)**

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

The item Other mainly includes the purchase of supplies, e-commerce material, stationary and printed materials (282,937 Euros) and fuel (149,867 Euros).

NOTE 8 - PERSONNEL EXPENSES

Personnel expenses amounted to 25,955,930 Euros, with an increase of 3,274,621 Euros and are detailed in the following table:

(EUROS)	2020	2019	CHANGE
Payroll employees	18,444,043	17,200,218	1,243,825
Directors	7,511,887	5,481,091	2,030,797
Total	**25,955,930**	**22,681,309**	**3,274,621**

Detail of personnel by category is provided below:

(NUMBER)	2020	2019	CHANGE
Directors	74	68	6
Managers	6	8	(2)
Staff	13	12	1
Total	**93**	**88**	**5**

The average number of employees in 2020 was 89 (in 2019 they were 87).

NOTE 9 - SERVICES AND OTHER COSTS

Service and other costs comprised the following:

(EUROS)	2020	2019	CHANGE
Commercial and technical consulting	4,285,502	2,557,271	1,728,231
Travelling and training expenses	1,593,746	2,521,638	(927,892)
Professional services from group companies	441,659,977	443,506,335	(1,846,358)
marketing expenses	2,237,797	5,001,256	(2,763,459)
Administrative and legal services	3,321,887	1,729,293	1,592,594
Statutory auditors and Independent auditors fees	280,432	192,280	88,152
Leases and rentals	965,694	1,027,674	(61,981)
Office expenses	2,978,538	2,764,971	213,567
Other services from group companies	13,683,273	13,213,410	469,864
Expenses incurred on behalf of group companies	8,225,983	11,286,890	(3,060,907)
Other	4,777,388	3,304,931	1,472,457
Total	**484,010,216**	**487,105,947**	**(3,095,731)**

Professional Services from Group companies, which changed during the year by 1,846,358 Euros, relate to revenues from services to third parties.

Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.

Office expenses include services rendered by related parties in connection with service contracts for the use of premises, legal domicile and secretarial services, as well as utility costs.

NOTE 10 - AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Depreciation of tangible assets was calculated on the basis of technical-economic rates determined in relation to the residual useful lives of the assets, and which amounted in 2020 to an overall cost of 176,017 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2020 to an overall cost of 1,367,562 Euros. Details of depreciation are provided at the notes to intangible assets.

Amortization related to RoU assets arising from the application of IFRS 16 amounted to 434,374 thousand Euros.

NOTE 11 - OTHER OPERATING AND NON-RECURRING INCOME/(EXPENSES)

Other operating and non-recurring expenses, related to events and transactions that do not occur in the regular course of business, amounted to 55,433 and refer to provisions for risks and reversal in relation to contractual, commercial and legal disputes.

NOTE 12 - GAIN/(LOSSES) ON EQUITY INVESTMENTS

Detail is as follows:

(EUROS)	2020	2019	CHANGE
Dividends	78,246,187	81,145,000	(2,898,813)
Loss on equity investments	(4,540,000)	(8,583,094)	4,043,094
Total	**73,706,187**	**72,561,906**	**1,144,281**

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

Detail is as follows:

(EUROS)	2020
Aktive Reply S.r.l.	1,290,000
Atlas Reply S.r.l.	355,000
Blue Reply S.r.l.	9,100,000
Bridge Reply S.r.l.	210,000
Business Reply S.r.l.	2,530,000
Cluster Reply Roma S.r.l.	1,080,000
Cluster Reply S.r.l.	8,595,000
Data Reply S.r.l.	2,450,000
Discovery Reply S.r.l.	1,930,000
E*finance Consulting S.r.l.	1,620,000
Ekip Reply S.r.l.	135,000
Eos Reply S.r.l.	459,000
Go Reply S.r.l.	225,000
Hermes Reply S.r.l.	720,000
Hermes Reply Polska Zo.O.	334,187

Iriscube Reply S.r.l.	3,525,000
Like Reply S.r.l.	65,000
Open Reply S.r.l.	2,570,000
Pay Reply S.r.l.	1,620,000
Portaltech Reply S.r.l.	270,000
Power Reply S.r.l.	2,650,000
Reply Consulting S.r.l.	375,000
Reply Digital Experience S.r.l.	1,050,000
Reply Services	140,000
Retail Reply S.r.l.	800,000
Ringmaster S.r.l.	658,000
Santer Reply S.p.A.	550,000
Security Reply S.r.l.	6,725,000
Sprint Reply S.r.l.	40,000
Storm Reply S.r.l.	1,460,000
Syskoplan Reply S.r.l.	770,000
Sytel Reply Roma S.r.l.	3,560,000
Sytel Reply S.r.l	8,795,000
Tamtamy Reply S.r.l.	690,000
Target Reply S.r.l.	2,160,000
Technology Reply Roma S.r.l.	875,000
Technology Reply S.r.l.	6,150,000
Whitehall Reply S.r.l.	1,715,000
Total	**78,246,187**

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

For further details, see Note 21 herein.

NOTE 13 - FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(EUROS)	2020	2019	CHANGE
Interest income from subsidiaries	6,325,110	6,070,410	254,700
Interest income on bank accounts	18,633	31,692	(13,060)
Interest expenses	(1,169,522)	(751,582)	(417,940)
Other	(12,451,725)	4,358,301	(16,810,025)
Total	**(7,277,504)**	**9,708,821**	**(16,986,325)**

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

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

The item Other mainly includes a loss on exchange rate differences amounting to 10,670,600 Euros arising from the translation of balance sheet items not recorded in Euros and the non-effective portion of the IRS amounting to 1,846,631 Euros.

NOTE 14 - INCOME TAXES

The details are provided below:

(EUROS)	2020	2019	CHANGE
IRES	2,837,541	1,631,159	1,206,383
IRAP	585,000	163,000	422,000
Corporate tax - previous years	(225,862)	(535,964)	310,102
Current taxes	**3,196,679**	**1,258,195**	**1,938,485**
Deferred tax liabilities	(2,201,915)	1,053,622	(3,255,537)
Deferred tax assets	(573,300)	(771,132)	197,832
Deferred taxes	**(2,775,216)**	**282,489**	**(3,057,705)**
Total income taxes	**421,464**	**1,540,684**	**(1,119,220)**

IRES THEORETICAL RATE

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

(EUROS)	AMOUNT	TAXATION
Result before taxes	**73,828,690**	
Theoretical tax rate	**24.0%**	**17,718,886**
Temporary differences, net	(62,985,380)	
Taxable income	10,843,310	2,602,395
Total IRES		**2,607,000**
Start-up replacement tax fee - controlling stake	230,642	
Benefit arising from the National Fiscal Consolidation	101	
Total current IRES		**2,837,541**

Temporary differences, net refer to:

- deductible differences amounting to 84,346 thousand Euros arising mainly from the non-taxable share of the dividends received in the financial year (74,334 thousand Euros), Directors' fees to be paid (3,838 thousand Euros) and the deduction of the implicit goodwill of the investment in Xister (1,442 thousand Euros);
- non-deductible differences amounting to 21,361 thousand Euros owing mainly to reversal of earnings on valuation changes (9.350 thousand Euros), write-down/losses of equity investments (4,540 thousand Euros), Directors' fees to be paid (5,772 thousand Euros) and provisions for non-deductible risk funds (715 thousand Euros).

CALCULATION OF TAXABLE IRAP

(EUROS)	AMOUNT	TAXATION
Difference between value and cost of production	**7,400,007**	
IRAP net	6,950,663	
Taxable IRAP	**14,350,670**	
Total IRAP		**585,000**

Temporary differences, net refer to:

- non-deductible differences amounting to 9,375 thousand Euros mainly due to emoluments to Directors (7,316 thousand Euros);
- deductible differences amounting to 2,424 thousand Euros mainly due to the implicit goodwill of the investment in Xister (1,442 thousand Euros).

NOTE 15 - EARNINGS PER SHARE

Basic earnings and diluted earnings per share as at 31 December 2020 was calculated with reference to the net profit which amounted to 73,407,227 Euros (89,248,998 Euros at 31 December 2019) divided by the weighted average number of shares outstanding as at 31 December 2020, net of treasury shares, which amounted to 37,407,400 (37,407,400 at 31 December 2019).

(EUROS)	2020	2019
Net profit of the year	73,407,227	89,248,998
Weighted number of shares	37,407,400	37,407,400
Basic earnings per share	1.96	2.40

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

NOTE 16 - CONTRIBUTIONS

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

Pursuant to Article 1, paragraph 125 of Law 124/2017, the Company in 2020 has received the following public contributions from Italian entities:

SERVICES

ENTITY (EUROS)	2020
Banca Generali Spa	469,700
Fondazione istituto Italiano di tecnologia	26,000
Ministero della Difesa-Stato Maggiore dell'aeronautica militare	80,008
Università campus bio-medico di Roma	33,247
Total	**608,956**

NOTE 17 - TANGIBLE ASSETS

Tangible assets as at 31 December 2020 amounted to 333,489 Euros are detailed as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Plant and machinery	116,188	39,640	76,548
Hardware	63,596	64,209	(613)
Other	153,705	105,036	48,669
Total	**333,489**	**208,885**	**124,604**

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

Change in Tangible assets during 2020 is summarized below:

(EUROS)	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	760,639	1,707,062	1,303,140	3,770,841
Accumulated depreciation	(720,998)	(1,642,853)	(1,198,104)	(3,561,956)
31/12/2019	**39,640**	**64,209**	**105,036**	**208,885**
Historical cost				
Increases	123,629	55,116	156,636	335,380
Disposals	(4,050)	(9,082)	(58,455)	(71,587)
Accumulated depreciation				
Depreciation	(43,031)	(53,999)	(78,986)	(176,017)
Utilized	-	7,353	29,475	36,828
Historical cost	880,218	1,753,095	1,401,321	4,034,634
Accumulated depreciation	(764,030)	(1,689,499)	(1,247,616)	(3,701,145)
31/12/2020	**116.188**	**63.596**	**153.705**	**333.489**

During the year under review the Company made investments amounting to 335,380 Euros, which mainly refer to screen monitors, furniture and fittings, hardware and mobile phones.

The disposals are mainly related to the transfer of vehicles.

NOTE 18 - GOODWILL

Goodwill as at 31 December 2020 amounted to 86,765 Euros and refers to the value of business branches (consulting activities related to Information Technology and management support acquired in July 2000.

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

NOTE 19 - OTHER INTANGIBLE ASSETS

Intangible assets as at 31 December 2020 amounted to 6,646,657 Euros (4,661,803 Euros at 31 December 2019) and are detailed as follows:

(IN EUROS)	31/12/2020	31/12/2019	CHANGE
Software	6,110,593	4,125,739	1,984,854
Trademark	536,064	536,064	-
Total	**6,646,657**	**4,661,803**	**1,984,854**

Change in intangible assets in 2020 is summarized in the table below:

(EUROS)	SOFTWARE	TRADEMARK	TOTAL
Historical cost	11,435,049	536,064	11,971,113
Accumulated amortization	(7,309,310)	-	(7,309,310)
31/12/2019	**4,125,739**	**536,064**	**4,661,803**
Historical cost			
Increases	3,352,416	-	3,352,416
Accumulated amortization			
Amortization	(1,367,562)	-	(1,367,562)
Historical cost	14,787,465	536,064	15,323,529
Accumulated amortization	(8,676,872)	-	(8,676,872)
31/12/2020	**6,110,593**	**536,064**	**6,646,657**

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

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

NOTE 20 - ROU ASSETS

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

(EUROS)	31/12/2019	NET CHANGES	AMORTIZATION	31/12/2020
Vehicles	722,294	467,107	(434,374)	755,027

The net change mainly refers to the signing of new lease agreements, resulting in an increase in the value of the right of use.

NOTE 21 - EQUITY INVESTMENTS

The item Equity investments at 31 December 2020 amounted to 144,527,524 Euros, with an increase of 2,408,603 Euros compared to 31 December 2019.

(EUROS)	BALANCE AT 31/12/2019	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSAL	WRITE DOWNS	OTHER MOVEMENTS	BALANCE AT 31/12/2020	INTEREST
Air Reply S.r.l.	558,500					558,500	85.00%
Aktive Reply S.r.l.	512,696					512,696	100.00%
Arlanis Reply S.r.l.	588,000					588,000	100.00%
Atlas Reply S.r.l.	12,575					12,575	100.00%
Avvio Reply S.r.l.	-	10,000	154,000			164,000	100.00%
Avantage Ltd	3.499,102			(756,000)		2,743,102	100.00%
Blue Reply S.r.l.	527,892					527,892	100.00%
Breed Reply Investment Ltd.	103	1,888,784				1,888,887	91.00%
Bridge Reply S.r.l.	6,000					6,000	60.00%
Business Reply S.r.l.	268,602					268,602	100.00%
Cluster Reply S.r.l.	2,540,848					2,540,848	100.00%
Cluster Reply Roma S.r.l.	296,184					296,184	100.00%
Consorzio Reply Public Sector	32,500					32,500	33.33%
Core Reply S.r.l.	9,000					9,000	90.00%
Data Reply S.r.l.	317,662					317,662	100.00%
Discovery Reply S.r.l.	1,311,669					1,311,669	100.00%
e*finance Consulting Reply S.r.l.	3,076,385					3,076,385	100.00%
Ekip Reply S.r.l.	30,000					30,000	100.00%
Envision Reply S.r.l.	1,283,800		295,000			1,578,800	88.00%
Eos Reply S.r.l.	495,369					495,369	100.00%
Forge Reply S.r.l.	1,000		2,610,000	(2,610,000)		1,000	100.00%
Go Reply S.r.l.	1,920,000					1,920,000	100.00%
Hermes Reply Polska Zo.O.	10,217					10,217	100.00%
Hermes Reply S.r.l.	199,500					199,500	100.00%
Hermes Reply Consulting Nanjing Co.	250,000	750,000				1,000,000	100.00%
IrisCube Reply S.r.l.	6,724,952					6,724,952	100.00%
Lem Reply S.r.l.	360,012		155,000		(515,012)	-	0.00%

(EUROS)	BALANCE AT 31/12/2019	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSAL	WRITE DOWNS	OTHER MOVEMENTS	BALANCE AT 31/12/2020	INTEREST
Like Reply S.r.l.	87,317		110,000	(110,000)		87,317	100.00%
Logistics Reply S.r.l.	1,049,167					1,049,167	100.00%
Open Reply S.r.l.	1,417,750				207,415	1,625,165	100.00%
Pay Reply S.r.l.	10,000					10,000	100.00%
Portaltech Reply S.r.l.	106,000					106,000	100.00%
Power Reply S.r.l.	2,500,850				207,415	2,708,265	100.00%
Protocube Reply S.r.l.	1,000		288,000	(288,000)		1,000	70.00%
Reply Consulting S.r.l.	3,518,434					3,518,434	100.00%
Reply AG	57,835,781					57,835,781	100.00%
Reply Digital Experience S.r.l.	4,227,019					4,227,019	100.00%
Reply do Brasil Sistemas de Informatica Ltda	206,816					206,816	98.50%
Reply Inc.	2,814,625					2,814,625	100.00%
Reply Ltd.	11,657,767					11,657,767	100.00%
Reply Sarl	-	12,000				12,000	100.00%
Reply Services S.r.l.	1,000					1,000	100.00%
Retail Reply S.r.l.	100,000					100,000	100.00%
Ringmaster S.r.l.	5,000					5,000	50.00%
Santer Reply S.p.A.	11,386,966					11,386,966	100.00%
Sense Reply S.r.l.	15,700					15,700	90.00%
Spark Reply S.r.l.	1,042,500		200,000	(200,000)		1,042,500	100.00%
Security Reply S.r.l.	392,866					392,866	100.00%
Sprint Reply S.r.l.	155,000		80,000	(80,000)		155,000	100.00%
Storm Reply S.r.l.	986,000					986,000	100.00%
Syskoplan Reply S.r.l.	949,571					949,571	100.00%
Sytel Reply S.r.l.	5,513,232					5,513,232	100.00%
Sytel Reply Roma S.r.l.	894,931		496,000	(496,000)		894,931	100.00%
Tamtamy Reply S.r.l.	263,471					263,471	100.00%
Target Reply S.r.l.	600,338					600,338	100.00%
Technology Reply Roma	10,000					10,000	100.00%
Technology Reply S.r.l.	216,658					216,658	100.00%
Technology Reply S.r.l. (Romania)	9,919					9,919	100.00%
Whitehall Reply S.r.l.	160,212					160,212	100.00%
Xister Reply S.r.l.	9,150,465					9,150,465	100.00%
Total	**142,118,922**	**2,660,784**	**4,388,000**	**(4,540,000)**	**(100,182)**	**144,527,524**	

ACQUISITIONS AND SUBSCRIPTIONS

Avvio Reply S.r.l.

In the month of January 2020 Avvio Reply S.r.l. was constituted, a company in which Reply S.p.A, holds 100% of the share capital.

Reply Sarl

In the month of December 2020 Reply Sarl was constituted in Luxembourg, a company in which Reply S.p.A, holds 100% of the share capital amounting to 12.000 Euros. The company will manage the investments in European companies currently held by Reply Ltd.

FINANCIAL LOAN REMISSION

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

WRITE-DOWNS

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

The list of equity investments in accordance with Consob communication no, 6064293 of 28 July 2006 is included in the attachments.

The negative differences arising between the carrying value of the investments and the corresponding portion of their shareholders' equity are not related to permanent impairment of value, as the carrying value is supported by positive economic and financial forecasts that guarantee the recoverable amount of the investment.

NOTE 22 - NON CURRENT FINANCIAL ASSETS

Detail is as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Guarantee deposits	251,061	241,061	10,000
Loans to subsidiaries	248,066,913	174,517,076	73,549,837
Investments in other parties	213,000	113,000	100,000
Total	**248,530,974**	**174,871,137**	**73,659,837**

Guarantee deposits are mainly related to deposits on lease contracts.

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

COMPANY	AMOUNT
Breed Reply Investments Ltd	50,156,859
Cluster do Brasil	1,215,000
Core Reply S.r.l.	300,000
Hermes Reply Polska Zo.O.	319,500
Implico LLC	244,479
Reply AG	35,000,000
Reply do Brasil Sistemas de Informatica Ltda	2,181,740
Reply Inc.	74,234,544
Reply Ltd	66,958,922
Reply Services S.r.l.	16,955,870
Sense Reply S.r.l.	300,000
Technology Reply S.r.l. Romania	200,000
Total	**248,066,913**

NOTE 23 - DEFERRED TAX ASSETS

This item amounted to 6,112,288 Euros at 31 December 2020 (5,538,988 Euros at 31 December 2019), and included the fiscal charge corresponding to the temporary differences on statutory income and taxable income related to deferred deductible items.

TEMPORARY DEDUCTIBLE DIFFERENCES	TAXABLE AMOUNT	TAX
Total deferred tax assets at 31/12/2019	**21,702,741**	**5,538,988**
Accrued	6,548,743	1,599,583
Utilization	(4,227,430)	(1,026,283)
Total deferred tax assets at 31/12/2020	**24,024,054**	**6,112,288**
Of which:		
- directors fees and employee bonuses accrued but not yet paid	11,737,000	3,049,515
- unrealized foreign exchange losses	8,943,130	2,146,351
- taxable amounts greater than book value	3,343,924	916,422
Total	**24,024,054**	**6,112,288**

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

NOTE 24 - TRADE RECEIVABLES

Trade receivables at 31 December 2020 amounted to 320,790,536 Euros and are all collectible within 12 months.

Detail is as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Third party trade receivables	186,165,891	223,901,257	(37,735,365)
Credit notes to be issued	(11,254)	(3,124,644)	3,113,390
Allowance for doubtful accounts	(681,593)	(564,349)	(117,244)
Third party trade receivables	**185,473,045**	**220,212,264**	**(34,739,220)**
Receivables from subsidiaries	135,291,174	133,286,154	2,005,020
Receivables from Parent Company	26,317	13,291	13,026
Trade receivables from subsidiaries and Parent Company	135,317,491	133,299,445	2,018,046
Total trade receivables	**320,790,536**	**353,511,709**	**(32,721,173)**

Reply manages business relationships on behalf of some of its major clients. This activity is reflected in the item Third party trade receivables which decreased by 34,739,220 Euros.

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

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

In 2020 the provision for doubtful accounts, following a specific risk analysis of all the trade receivables, was increased by 117,244 Euros and calculated by using the expected credit loss approach pursuant to IFRS 9; detail is as follows:

BALANCE AT 31/12/2019	ACCRUAL	BALANCE AT 31/12/2020
564,349	117,244	681,593

The carrying amount of Trade receivables in line with its fair value.

NOTE 25 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Tax receivables	29,707,798	1,169,677	28,538,121
Other receivables from subsidiaries	23,980,005	17,950,920	6,029,085
Other receivables	1,521,165	849,708	671,457
Accrued income and prepaid expenses	16,900,307	7,379,893	9,520,415
Total	**72,109,275**	**27,350,198**	**44,759,077**

The item Tax receivables mainly includes VAT receivables net amounting to 29,520,278 Euros (8,354 Euros at 31 December 2019). The change compared to the previous year is a temporary phenomenon due to the dynamics of receiving and posting invoices in the last month of the fiscal year.

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

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

The carrying value of Other receivables and current assets is deemed to be in line with its fair value.

NOTE 26 - CURRENT FINANCIAL ASSETS

This item amounted to 27,349,313 Euros (47,493,994 Euros at 31 December 2019) and mainly refers to the total of interest yielding cash pooling accounts of subsidiaries included in the centralized pooling system of the Parent Company Reply S.p.A.; the interest yield on these accounts is in line with current market conditions.

NOTE 27 - CASH AND CASH EQUIVALENTS

This item amounted to 184,012,136 Euros, with an increase of 22,681,571 Euros compared to 31 December 2019 and is referred to cash at banks and on hand at year-end.

NOTE 28 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

As at 31 December 2020 the fully subscribed paid-in share capital of Reply S.p.A., amounted to 4,863,486 Euros and is made up of no. 37,411,428 ordinary shares having a nominal value of euro 0.13 each.
The number of shares in circulation as at 31 December 2020 totalled 37,407,400 unchanged compared to year-ended 2019.

TREASURY SHARES

The value of the Treasury shares, amounting to 24,502 Euros, refers to the shares of Reply S.p.A. that at 31 December 2020 were equal to no. 4,028, unchanged compared to year-ended 2019.

CAPITAL RESERVES

At 31 December 2020 amounted to 205,880,909 Euros, and included the following:

- Treasury share reserve amounting to 24,502 Euros, relating to the shares of Reply S.p.A. which at 31 December 2020 were equal to no. 4.028.
- Reserve for the purchase of treasury shares amounting to 99,975,498 Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 21 April 2020 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 200 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.
- Reserves arising from the merger operation of Reply Deutschland AG. in Reply S.p.A, and include:
  - › Share swap surplus reserve amounting to 3,445,485 Euros;
  - › Surplus annulment reserve amounting to 2,902,479 Euros.

EARNINGS RESERVE

Earning reserves amounted to 258,289,291 Euros and were comprised as follows:

- The Legal reserve amounting to 972,697 Euros (972,697 Euros at 31 December 2019);
- Extraordinary reserve amounting to 181,086,666 Euros (187,986,824 Euros at 31 December 2019);
- Retained earnings amounting to 2,822,701 Euros (2,822,701 Euros at 31 December 2019);
- Net result totalling 73,407,227 Euros (89,248,998 Euros at 31 December 2019).

OTHER COMPREHENSIVE INCOME

Other comprehensive income can be analysed as follows:

(THOUSAND EUROS)	31/12/2020	31/12/2019
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) from employee benefit plans	(24,045)	(29,248)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**(24,045)**	**(29,248)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	1,089,317	(1,156,830)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**1,089,317**	**(1,1456,830)**
Total Other comprehensive income, net of tax (B) = (B1) + (B2)	**1,065,272**	**(1,186,078)**

NOTE 29 - DUE TO MINORITY SHAREHOLDERS

Due to minority shareholders at 31 December 2020 are equal to 0 (1,019,980 Euros on 31 December 2019) and are detailed as follows:

(EUROS)	31/12/2019	FAIR VALUE ADJUSTMENTS	PAYMENTS	31/12/2020
Due to minority shareholders	1,019,980	(175,000)	(845,000)	-

The item Fair value adjustments in 2020 amounted to 175,000 Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition. The item Payments in 2020 amounted to 845,000 Euros refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 30 - FINANCIAL LIABILITIES

Detail is as follows:

	31/12/2020			31/12/2019		
(EUROS)	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Bank loans	10,517,429	14,354,000	24,871,429	13,428,571	23,871,428	37,299,999
Transaction accounts	145,699,486	-	145,699,486	79,448,593	-	79,448,593
Derivative financial instruments	34,718	3,670,304	3,705,022	2,898,628	-	2,898,628
IFRS 16 financial liabilities	373,712	383,955	757,667	324,907	394,992	719,899
Total financial liabilities	**156,625,345**	**18,408,258**	**175,033,603**	**96,100,699**	**24,266,420**	**120,367,120**

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

	31/12/2020				31/12/2019			
(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 loans	9,071,429	500,000	-	9,571,429	13,428,571	8,571,428	-	21,999,999
Mortgage loans	1,446,000	5,784,000	8,070,000	15,300,000	-	5,782,040	9.517.960	15,300,000
Transaction accounts	145,699,486	-	-	145,699,486	79,448,593	-	-	79,448,593
IFRS 16 financial liabilities	373,712	383,955	-	757,667	324,907	394,992	-	719,899
Derivative financial instruments	34,718	734,450	2,935,853	3,705,022	2,898,628	-	-	2,898,628
Total	**156,625,345**	**7,402,405**	**11,005,853**	**175,033,603**	**96,100,699**	**14,748,460**	**9,517,960**	**120,367,120**

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

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

- On 31 March 2015 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 30,000,000 Euros detailed as follows:
  - Tranche A, amounting to 10,000,000 Euros, entirely used for the reimbursement of the credit line dated 13 November 2013. The loan is reimbursed on a half-year basis deferred to commence on 30 September 2015. Such credit line is entirely reimbursed at 31 December 2020.
  - Tranche B, amounting to 20,000,000 Euros, to be used by 30 December 2016.The loan is reimbursed on a half-year basis deferred to commence on 31 March 2017. Such credit line is entirely reimbursed at 31 December 2020.
- On 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 25,000,000 Euros to be used by 30 September 2018. On 17 February 2017 a reduction of the credit line to 1,500,000 Euros was agreed and completely utilized, the loan will be reimbursed on a half year basis deferred to commence on 31 March 2019 and will expire on 30 November 2021. Such credit line was used for 500,000 Euros at 31 December 2020.
- On 28 July 2016 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 49,000,000 Euros to be used by 30 June 2018. The loan will be reimbursed on a half basis deferred to commence on 30 September 2018 and will expire on 30 September 2021. Such credit line was used for 8,571,000 Euros at 31 December 2020.
- On 17 February 2017 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000,000 Euros to be used by 28 February 2020. As at December 31, 2020 this line had not been used and has been expired on 28 February 2020.
- On 29 October 2019 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 50,000,000 Euros to be used by 30 June 2021. The loan will be reimbursed on a half basis deferred to commence on 30 September 2021 and will expire on 30 September 2024. As at December 31, 2020 this line had not been used.
- On 8 May 2020 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000,000 Euros to be used by 27 May 2022. As at 31 December 2020 this line had been used for 500,000 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 the balance sheet date, Reply fulfilled the Covenants under the various contracts.

It should be noted that on 24 May 2018 Reply S.p.A. undersigned with Unicredit S.p.A. a mortgage loan secured by guarantee for the purchase and renovation of the property De Sonnaz for a total amount of 40,000,000 Euros and for a maximum duration of 156 months (13 years). The mortgage is disbursed in relation to the progress of the work and within the maximum period of 36 months commencing June 1, 2018. Such credit line was used for 15,300,000 Euros at 31 December 2020.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2020 related to the adoption of the new Accounting Standard IFRS 16.

The item Derivative financial instruments refers to several loans established with primary financial institutions (Intesa Sanpaolo S.p.A. and Unicredit S.p.A.) to hedge changes in floating interest rates on loans and/or mortgages; the total underlying notional amounts to 60,500,000 Euros. The effective component of the instrument is stated in the Statement of changes in net equity whereas the ineffective portion of the Derivative instrument is recorded at the income statement.

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

NET FINANCIAL POSITION

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's "Recommendations for the consistent implementation of the European's regulation on Prospectuses" issued on 10 February 2005 the Net financial position at 31 December 2020 was as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Cash and cash equivalents	184,012,136	161,330,565	22,681,571
Transaction accounts, asset	27,066,257	47,493,994	(20,427,737)
Total current financial assets	**211,078,393**	**208,824,559**	**2,253,834**
Due to banks	(10,552,147)	(16,327,199)	5,775,052
Transaction accounts	(145,699,486)	(79,448,593)	(66,250,893)
IFRS 16 financial liabilities	(373,712)	(324,907)	(48,805)
Current financial liabilities	**(156,625,345)**	**(96,100,699)**	**(60,524,646)**
Due to banks	(18,024,304)	(23,871,428)	5,847,124
IFRS 16 financial liabilities	(383,955)	(394,992)	11,037
Non-current financial liabilities	**(18,408,259)**	**(24,266,420)**	**5,858,161**
Total financial liabilities	**(175,033,603)**	**(120,367,119)**	**(54,666,484)**
Total net financial position	**360,044,790**	**88,457,440**	**(52,412,650)**
of which related parties	*118,633,229*	*(31,954,599)*	*(86,678,629)*

For further details with regards to the above table see Notes 26 and 27 as well as Note 30.

Change in Financial liabilities during 2020 is summarized below:

(EUROS)	
Total financial liabilities 2019	**120,367,119**
Transaction accounts, liability	(79,448,593)
Fair value IRS	(2,898,628)
IFRS 16 financial liabilities	(719,899)
Non-current financial liabilities 2019	**37,299,999**
Cash flows	(12,428,571)
Non-current financial liabilities 2020	**24,871,428**
Transaction accounts, liability	145,699,486
Fair value IRS	3,705,023
IFRS 16 financial liabilities	757,667
Total financial liabilities 2020	**175,033,603**

NOTE 31 - EMPLOYEE BENEFITS

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

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

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

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

The assumptions adopted can be summarized as follows:

DEMOGRAPHIC ASSUMPTIONS

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2020: 2.50% frequency of turnover in 2020: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS

Annual discount rate	Constant average annual rate equal to 0.80%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. The annual discount used for 2020 was 0.34%
Annual increase in salaries	Annual increase in salaries equal to 2.10%
Annual inflation rate	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

In accordance with IAS 19, Employment severance indemnities at 31 December 2020 is summarized in the table below:

31/12/2019	**703,702**
Actuarial gains/(losses)	24,045
Interest cost	5,960
Indemnities paid	(40,540)
Transfers	117,098
31/12/2020	**810,266**

NOTE 32 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 31 December 2020 amounted to 776,201 Euros and are referred mainly to the fiscal effects arising from temporary differences between the statutory income and taxable income.

TEMPORARY TAXABLE DIFFERENCES	TAXABLE	TAX
Balance at 31/12/2019	**12,307,609**	**2,978,117**
Accruals	175,128	42,031
Utilizations	(9,349,774)	(2,243,946)
Total at 31/12/2020	**3,132,962**	**776,201**
- deduction allowance for doubtful accounts	718,805	172,513
- different goodwill/trademark measurements	622,828	173,769
- gains on unrecognized differences and other minor differences	1,791,329	429,919
Total at 31/12/2020	**3,132,962**	**776,201**

NOTE 33 - TRADE PAYABLES

Trade payables at 31 December 2020 amounted to 289,681,517 Euros with a decrease of 23,970,675 Euros.

Detail is as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Due to suppliers	10,346,442	14,735,363	(4,388,921)
Due to subsidiaries	202,024,225	217,018,624	(14,994,400)
Due to Parent company	128,100	-	128,100
Advance payments from customers - asset	77,182,750	81,898,205	(4,715,455)
Total	**289,681,517**	**313,652,192**	**(23,970,675)**

Due to suppliers mainly refers to services from domestic suppliers.

Due to subsidiaries recorded a change of 14,994,400 Euros, and refers to professional services in connection to third party agreements with Reply S.p.A..
Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.

Advance payments from customers include amount invoiced to customers for contracts subcontracted to subsidiary companies, which at the balance sheet date were not yet completed.
The carrying amount of trade payables is deemed to be in line with its fair value.

NOTE 34 - OTHER CURRENT LIABILITIES

Detail is as follows:

(EUROS)	31/12/2020	31/12/2019	CHANGE
Income tax payable	7,328,468	3,644,004	3,684,464
Withholding tax and other	22,593,378	28,729,584	(6,136,206)
Total payable to tax authorities	**29,921,846**	**32,373,587**	**(2,451,742)**
INPS (National Italian insurance payable)	1,236,308	1,087,061	149,247
Other	345,059	311,813	33,247
Total social security payable	**1,581,367**	**1,398,874**	**182,493**
Employee accruals	2,836,709	2,521,234	315,475
Payable to subsidiary companies	2,072,621	5,834,710	(3,762,089)
Miscellaneous payables	11,922,058	4,206,640	7,715,419
Accrued expenses and deferred income	13,038,888	4,403,499	8,635,390
Total other payables	**29,870,277**	**16,966,083**	**12,904,194**
Total other current liabilities	**61,373,490**	**50,738,544**	**10,634,946**

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

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

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

Due to subsidiary companies represents the liability on tax losses recorded by subsidiaries under national tax consolidation for 2020 and for the tax credits that subsidiaries transferred to Reply S.p.A. as part of the tax consolidation.

- Miscellaneous payables refer to remuneration and bonus of directors recognised as participation in the profits of the subsidiary companies.

The carrying amount of the item Other current liabilities is deemed to be in line with its fair value.

NOTE 35 - PROVISIONS

The item Provisions amounting to 16,065,000 Euros is summarized as follows:

(EUROS)	31/12/2019	ACCRUALS	REVERSAL	UTILIZED	31/12/2020
Provision for risks	5,942,347	715,000	(592,347)	-	6,065,000
Provision for losses on equity investments	10,000,000	-	-	-	10,000,000
Total	**15,942,347**	**715,000**	**(592,347)**	**-**	**16,065,000**

The item Provision for risks reflects the best estimate of contingent liabilities deriving from ongoing legal litigations; at 31 December 2020 an accrual 715,000 Euros and a reversal of 592,347 Euros were made.
The item Provision for losses on equity investments unchanged compared to year-ended 2019.

NOTE 36 - TRANSACTIONS WITH RELATED PARTIES

With reference to CONSOB communications no. DAC/RM 97001574 of 20 February 1997 and no. DAC/RM 98015375 of 27 February 1998 concerning relations with related parties, the economic and financial effects on Reply S.p.A.'s year ended 2020 Financial Statements related to such transactions are summarised below.
Transactions carried out by Reply S.p.A. with related parties are considered ordinary business and are carried out at normal market conditions.
Financial and business transactions among the Parent Company Reply S.p.A. and its subsidiaries and associate companies are carried out at normal market conditions.

REPLY S.P.A. MAIN ECONOMIC AND FINANCIAL TRANSACTIONS

(THOUSAND EUROS)	WITH SUBSIDIARY AND ASSOCIATE COMPANIES	WITH RELATED PARTIES	WITH SUBSIDIARY AND ASSOCIATE COMPANIES	WITH RELATED PARTIES	NATURE OF TRANSACTION
FINANCIAL TRANSACTIONS	**31/12/2020**		**31/12/2019**		
Financial receivables	248,067	-	174,517	-	Financial loans
Guarantee deposits	-	80	-	80	Guarantee deposits
Transaction accounts, net	(118,633)	-	(31,955)	-	Transaction accounts held by the Parent company
Trade receivables and other	159,271	171	151,236	158	Royalties, administration services, marketing, quality management services and office rental
Trade payables and other	204,096	128	219,602	-	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other payables	-	6,963	-	3,838	Compensation paid to Directors and Key Management
Economic transactions	**2020**		**2019**		
Revenues from Royalties	35,433	-	34,343	-	Licensing of the "Reply" trademark consisting in a 3% fee on third party revenues
Revenues from services	42,415	18	40,899	157	Administrations services, marketing, quality management and office rental
Revenues from management services	7,816	-	7,846	-	Strategic management services
Costs for professional services	480,264	-	483,337	-	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other services	1,741	482	1,640	420	Services related to office rental and office of the secretary
Personnel	-	7,615	-	6,804	Emoluments to Directors and Key Management
Interest income, net	6,325	-	6,070	-	Interest on financial loans: 3 month Euribor + spread of 3 percentage points

With reference the Cash flows statement, the above mentioned transactions impact the change in working capital by 20,300 thousand Euros.

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

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

NOTA 37 - ADDITIONAL DISCLOSURE TO FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

TYPES OF FINANCIAL RISKS AND CORRESPONDING HEDGING ACTIVITIES

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

CREDIT RISK

The maximum credit risk to which the company is theoretically exposed at 31 December 2020 is represented by the carrying amounts stated for financial assets in the balance sheet.

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

LIQUIDITY RISK

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

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

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

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

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

CURRENCY RISK

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

INTEREST RATE RISK

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

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

SENSITIVITY ANALYSIS

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

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

A hypothetical, unfavourable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2020 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 161 thousand Euros.

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

FAIR VALUE HIERARCHY LEVELS

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

The levels used in the hierarchy are:

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

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2020, according to the fair value hierarchical assessment level.

(THOUSANDS EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Financial securities		-	-	-
Total Assets		**-**	**-**	**-**
Derivative financial liabilities (IRS)	30	-	3,705	
Total Liabilities		**-**	**3,705**	**-**

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently, for the purposes of IFRS7 the fair value used by Reply for the exploitation of hedging derivatives contracts in existence as at 31 December 2020 re-enters under the hierarchy profile in level 2.

As at 31 December 2020, there have not been any transfers within the hierarchy levels.

NOTE 38 - SIGNIFICANT NON-RECURRING TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, there were no significant non-recurring transaction during 2020.

NOTE 39 - TRANSACTIONS RESULTING FROM UNUSUAL AND/OR ABNORMAL OPERATIONS

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

NOTE 40 - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES GUARANTEES

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

COMMITMENTS

It is reported that:

- The Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland

AG at a pre-determined price (8.19 euros). On June 2018, the German court took note of the agreement reached between the parties also affected by the agreement related to the merger of the following point.

- With regard to shareholders who did not join the settlement agreement, in February 2019, the German Court issued a judgment that provides for an increase of 1.81 euros in the price paid per share and an increase of 0.07 euros gross of the dividends paid in 2010-2013. The financial effects on the Group are covered by specific provisions.
- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122j of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash.

Within three months from the registration of the merger in the Turin Companies Register, each minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. All shareholders of Reply Deutschland will have the right to benefit from a possible increase in the exchange ratio determined by the Judge or on the basis of an agreement between the parties, and that is to say independently of their participation in the evaluation procedure. On the contrary, from the possible increase of the corresponding amount in cash determined by the Judge or on the basis of an agreement between the parties only the shareholders who verbally annotated their disagreement in the general meeting in respect of conditions of the law can benefit.
In the case where evaluation procedures include a modification of the exchange ratio, every single difference shall be regulated in cash.

At past, some minority shareholders have commenced the aforementioned procedures.
Following exchanges with the minority shareholders and their appointed representative, the Company has reached a settlement agreement where the payment of an additional amount of 4.41 Euros per share of Reply Deutschland was agreed plus legal interest, in addition to the flat-rate reimbursement of proceedings costs. On 18 June 2018, the German court took note of the agreement reached between the parties. The expenses arising from this agreement amounting to approximately 5 million Euros is covered by specific provisions (please see Note 35).

In relation to the above accruals, as a result of the utilizations, the provision for risks has a residual amount of 100 thousand Euros at 31 December 2020.

CONTINGENT LIABILITIES

As an international company, Reply is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be

predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Company financial position and results.
Instead, when it is probable that an overflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Company recognises specific provision for this purpose.

NOTE 41 - EMOLUMENTS TO DIRECTORS, STATUTORY AUDITORS AND KEY MANAGEMENT

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

NOTE 42 - EVENTS SUBSEQUENT TO 31 DECEMBER 2020

The battle against the Covid-19 pandemic will continue to determine the evolution of the economy at least for the first 6-9 months of 2021. The emergency, at the time this annual report, is still ongoing, with different trends in the countries where Reply is present. Its evolution will depend, to a large extent, on the effectiveness and speed of the vaccination plans that the various countries have begun to activate.

In recent months, despite the difficulties introduced by the various local and national lock-downs, Reply has managed to guarantee the continuity of activities at each customer, thanks to a way of working already long based on advanced tools of individual productivity and, on the massive use of collaboration and development platforms entirely in the cloud.

In particular, between December 2020 and February 2021, when the second wave of the pandemic hit much of the Western world, Reply, thanks to the resilience of its organizational model, compensated, very quickly, for yet another slowdown in activities related to particularly affected sectors such as, transport, manufacturing and tourism.

Reply's financial soundness has also allowed us to continue on the path of growth and development in Europe, England and North America and to enrich with new skills the main offers on the cloud, artificial intelligence, 5g, robotics, e-commerce and connected vehicles.

NOTE 43 - APPROVAL OF THE FINANCIAL STATEMENTS AND AUTHORIZATION TO PUBLISH

The financial statements for the year-ended 31 December 2020 were approved by the Board of Directors on March 15, 2021 which approved their publication.

ANNEXED TABLES

REPLY S.P.A.
STATEMENT OF INCOME PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(EUROS)	2020	OF WHICH RELATED PARTIES	%	2019	OF WHICH RELATED PARTIES	%
Revenues	531,223,744	80,769,231	15.2%	534,005,629	73,467,534	13.8%
Other income	12,884,123	8,828,896	68.5%	14,335,309	11,703,940	81.6%
Purchases	(24,819,193)	(24,351,211)	98.1%	(26,553,872)	(25,984,303)	97.9%
Personnel	(25,955,930)	(7,615,000)	29.3%	(22,681,309)	(6,804,000)	30.0%
Services and other costs	(484,010,216)	(458,073,297)	94.6%	(487,105,947)	(459,413,099)	94.3%
Amortization and depreciation	(1,977,953)			(1,378,856)		
Other operating and non-recurring income/(expenses)	55,433			(2,102,000)		
Operating income (EBIT)	**7,400,007**			**8,518,955**		
Gain/(loss) on equity investments	73,706,187			72,561,906		
Financial income/(loss)	(7,277,504)	6,325,110	86.9%	9,708,821	6,070,410	62.5%
Income before taxes	73,828,690			90,789,682		
Income taxes	(421,464)			(1,540,684)		
Net income	**73,407,227**			**89,248,998**		
Net and diluted income per share	1.96			2.40		

REPLY S.P.A.
STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(EUROS)	31/12/2020	OF WHICH RELATED PARTIES	%	31/12/2019	OF WHICH RELATED PARTIES	%
Tangible assets	333,489			208,885		
Goodwill	86,765			86,765		
Other intangible assets	6,646,657			4,661,803		
RoU assets	755,027			722,294		
Equity investments	144,527,524			142,118,921		
Other financial assets	248,530,974	248,066,913	99.8%	174,871,136	174,517,076	99.8%
Deferred tax assets	6,112,288			5,538,988		
Non-current assets	**406,992,725**			**328,208,793**		
Trade receivables	320,790,536	135,317,028	42.2%	353,511,709	133,298,516	37.7%
Other receivables and current assets	72,109,275	36,747,851	51.0%	27,350,198	22,349,619	81.7%
Financial assets	27,349,313	27,066,257	99.0%	47,493,994	47,493,994	100.0%
Cash and cash equivalents	184,012,136			161,330,565		
Current assets	604,261,260			589,686,466		
TOTAL ASSETS	**1,011,253,985**			**917,895,259**		
Share capital	4,863,486			4,863,486		
Other reserves	389,243,196			318,380,775		
Net income	73,407,227			89,248,998		
SHAREHOLDERS' EQUITY	**467,513,909**			**412,493,259**		
Due to minority shareholders and Earn-out	-			1,019,980		
Financial liabilities	18,024,304			23,871,428		
IFRS 16 financial liabilities	383,955			394,992		
Employee benefits	810,266			703,702		
Deferred tax liabilities	776,201			2,978,117		
Provisions	6,065,000			5,942,347		
Non-current liabilities	**26,059,725**			**34,910,565**		
Financial liabilities	156,251,633	145,699,486	93.2%	95,775,792	79,448,593	83.0%
IFRS 16 financial liabilities	373,712			324,907		
Trade payables	289,681,517	202,151,932	69.8%	313,652,192	217,018,624	69.2%
Other current liabilities	61,373,490	9,227,991	15.0%	50,738,544	6,118,185	12.1%
Provisions	10,000,000			10,000,000		
Current liabilities	**517,680,351**			**470,491,435**		
TOTAL LIABILITIES	**543,740,076**			**505,402,000**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,011,253,985**			**917,895,259**		

REPLY S.P.A.
EQUITY INVESTMENTS IN SUBSIDIARIES WITH ADDITIONAL INFORMATION REQUIRED BY CONSOB (COMMUNICATION NO. 6064293 OF 28 JULY 2006)

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2020
Air Reply S.r.l.	Turin	€	10,000	264,035	155,415	85.00%	558,500
Arlanis Reply S.r.l.	Turin	€	10,000	1,027,100	708,028	100.00%	588,000
Aktive Reply S.r.l.	Turin	€	10,000	1,483,133	1,379,601	100.00%	512,696
Atlas Reply S.r.l.	Turin	€	10,000	708,192	638,425	100.00%	12,575
Avantage Reply Ltd.	London	GBP	5,086	2,449,115	(346,981)	100.00%	2,743,102
Avvio Reply S.r.l.	Turin	€	10,000	10,246	(153,754)	100.00%	164,000
Blue Reply S.r.l.	Turin	€	10,000	8,705,282	8,641,268	100.00%	527,892
Breed Reply Investment Ltd.	London	GBP	100	(1,580,263)	(2,079,396)	91.00%	1,888,887
Bridge Reply S.r.l.	Turin	€	10,000	462,982	422,763	60.00%	6,000
Business Reply S.r.l.	Turin	€	78,000	2,667,575	2,517,299	100.00%	268,602
Cluster Reply S.r.l.	Turin	€	139,116	9,638,766	9,401,324	100.00%	2,540,848
Cluster Roma Reply S.r.l.	Turin	€	10,000	1,230,399	1,188,849	100.00%	296,84
Consorzio Reply Public Sector	Turin	€	97,500	29,320	-	33.33%	32,500
Core Reply S.r.l.	Turin	€	10,000	56,716	22,166	90.00%	9,000
Data Reply S.r.l.	Turin	€	10,000	1,674,675	1,635,118	100.00%	317,662
Discovery Reply S.r.l.	Turin	€	10,000	3,864,503	1,659,569	100.00%	1,311,669
e*finance Consulting Reply S.r.l.	Turin	€	34,000	4,616,619	4,469,724	100.00%	3,076,385
Ekip Reply S.r.l.	Turin	€	10,400	20,682	(25,312)	100.00%	30,000
Envision Reply S.r.l.	Turin	€	10,000	12,457	(295,219)	88.00%	1,578,800
Eos Reply S.r.l.	Turin	€	200,000	954,506	700,261	100.00%	495,369
Forge Reply S.r.l.	Turin	€	10,000	10,186	(2,386,671)	100.00%	1,000
Go Reply S.r.l.	Turin	€	50,000	2,183,944	688,960	100.00%	1,920,000
Hermes Reply Polska Zo.O.	Katowice	ZLT	40,000	10,960,991	2,886,141	100.00%	10,217
Hermes Reply S.r.l.	Turin	€	10,000	1,407,569	1,028,536	100.00%	199,500
Hermes Reply Consulting Nanjing Co.	China	CNY	7,932,875	10,736,480	1,425,065	100.00%	1,000,000
IrisCube Reply S.r.l.	Turin	€	651,735	10,104,473	9,219,767	100.00%	6,724,952
Like Reply S.r.l.	Turin	€	10,000	13,731	(117,543)	100.00%	87,317
Logistics Reply S.r.l.	Turin	€	78,000	13,277,648	2,604,770	100.00%	1,049,167
Open Reply S.r.l.	Turin	€	10,000	2,684,710	2,552,942	100.00%	1,625,165
Pay Reply S.r.l.	Turin	€	10,000	915,411	880,647	100.00%	10,000
Portaltech Reply S.r.l.	Turin	€	10,000	560,688	539,081	100.00%	106,000
Power Reply S.r.l.	Turin	€	10,000	3,319,721	3,103,591	100.00%	2,708,265
Protocube Reply S.r.l.	Turin	€	10,200	13,780	(287,149)	70.00%	1,000
Reply Consulting S.r.l.	Turin	€	10,000	787,571	737,023	100.00%	3,518,434
Reply AG	Guetersloh	€	100,200	53,695,795	(18,699,239)	100.00%	57,835,781
Reply Services S.r.l.	Turin	€	10,000	1,159,545	1,099,178	100.00%	1,000

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2020
Reply Inc.	Michigan - USA	$	3,406,420	744,070	4,267,122	100.00%	2,814,625
Reply Ltd.	London	GBP	54,175	7,622,319	(2,056,382)	100.00%	11,657,767
Reply Digital Experience S.r.l.	Turin	€	29407	553,680	510,811	100.00%	4,227,019
Reply do Brasil Sistemas de Informatica Ltda	Belo Hor-izonte - Brasil	R$	650,000	7,714,140	(4,056,666)	98.50%	206,816
Reply Sarl	Luxembourg	€	12,000	12,000	-	100.00%	12,000
Ringmaster S.r.l.	Turin	€	10,000	1,193,442	1,100,804	50.00%	5,000
Santer Reply S.p.A.	Milan	€	2,209,500	11,010,952	4,099,148	100.00%	11,386,966
Security Reply S.r.l.	Turin	€	50,000	6,658,774	6,495,519	100.00%	392,866
Sense Reply S.r.l.	Turin	€	10,000	963,372	547,501	90.00%	15,700
Retail Reply S.r.l.	Turin	€	10,000	1,293,975	1,260,218	100.00%	100,000
Spark Reply S.r.l.	Turin	€	10,000	11,345	(202,811)	100.00%	1,042,500
Sprint Reply S.r.l.	Turin	€	10,000	12,689	(80,933)	100.00%	155,000
Storm Reply S.r.l.	Turin	€	10,000	10,754,918	3,555,771	100.00%	986,000
Syskoplan Reply S.r.l.	Turin	€	32,942	1,414,970	1,298,235	100.00%	949,571
Sytel Reply S.r.l.	Turin	€	115,046	8,406,860	7,885,238	100.00%	5,513,232
Sytel Reply Roma S.r.l.	Turin	€	10,000	12,097	(550,220)	100.00%	894,931
TamTamy Reply S.r.l.	Turin	€	10,000	2,225,891	836,167	100.00%	263,471
Target Reply S.r.l.	Turin	€	10,000	2,189,313	2,110,036	100.00%	600,338
Technology Reply Roma	Turin	€	10,000	1,041,436	709,435	100.00%	10,000
Technology Reply S.r.l.	Turin	€	79,743	9,521,526	9,223,493	100.00%	216,658
Technology Reply S.r.l. (Ro-mania)	Rumania	RON	44,000	795,884	(257,775)	100.00%	9,919
Whitehall Reply S.r.l.	Turin	€	21,224	1,831,529	1,701,178	100.00%	160,212
Xister Reply S.r.l.	Rome	€	10,000	3,095,054	(206,162)	100.00%	9,150,465

DETAILS OF SHAREHOLDERS' EQUITY STATED ACCORDING TO ORIGIN, POSSIBILITY OF UTILIZATION, POSSIBILITY OF DISTRIBUTION, AVAILABILITY AND THE UTILIZATION IN THE PREVIOUS THREE FISCAL YEARS

				SUMMARY OF THE AMOUNTS USED IN THE PRIOR THREE FISCAL YEARS	
NATURE/DESCRIPTION	AMOUNT	POSSIBILITY OF UTILIZATION	AVAILABLE	FOR COVERAGE OF LOSSES	OTHER
Capital	4,863,486				
Capital reserve					
Reserve for treasury shares	24,502				
Reserve for treasury shares	53,293,565	A,B,C	53,293,565		
Income reserves					
Legal reserve	972,697	B			
Extraordinary reserve	181,086,665	A,B,C	181,086,665		
Surplus merger reserve	6,347,964	A,B,C	6,347,964		
Retained earnings	674,740	A,B,C	674,740		
Reserve for purchases of treasury shares	146,681,933	A,B,C	146,681,933		
Total			**388,084,867**		
Not available amount			-		
Residual available amount			**388,084,867**		
Reserves from transition to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,147,961				
Reserve for cash flow hedge	(1,439,951)				
Reserve for treasury shares	(24,502)				
IAS reserve	(55,323)				
Accounting expenses according to IAS 32	(770,448)				
	161,130				

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

DISCLOSURES PURSUANT TO ARTICLE 149-DUODECIES BY CONSOB

The following table, prepared in accordance with Art. 149-duodecies of the Regolamento Emittenti issued by Consob, reports the amount of fees charged in 2020 for the audit and audit related services provided by the Audit Firm and by entities that are part of the Audit Firm network. There were no services provided by entities belonging to its network.

(EUROS)	SERVICE PROVIDER	2020 FEES
Audit	PwC S.p.A.	89,552
Audit related services	PwC S.p.A. (1)	11,200
	PwC S.p.A. (2)	32,000
Total		**132,752**

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

ATTESTATION OF THE FINANCIAL STATEMENTS
in accordance with article 154-bis of legislative decree 58/98

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

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

of the administration and accounting procedures applied in the preparation of the financial statements for the year ended 2020.
The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2020 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:
3.1 the Financial Statements

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

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

Turin, 15 March 2021

/f/ Mario Rizzante
Chairman and Chief Executive Officer

Mario Rizzante

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

Giuseppe Veneziano

REPORT ON THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

pursuant to article 153 of the legislative decree 58/1998 on the financial statements as at 31 December 2020

Dear Shareholders,
pursuant to Article 153 of Legislative Decree No. 58/1998, as well as in compliance with outstanding laws and regulations, the Board of Statutory Auditors is reporting to the Shareholders' meeting on the supervisory activities performed, and any omissions or censurable acts that emerged and can make proposals with respect to the approval of the Financial Statements.
During the year ended 31 December 2020 the Board of statutory Auditors carried out the supervisory activities in compliance to the law (in particular to art. 149 of Legislative Decree No. 58/1998 and art. 19 of legislative Decree 39/2010), by the Rules of Conduct issued by the National Council of Chartered Accountants and accounting Experts, from Consob recommendations in the field of corporate controls and activities of the Board of Statutory auditors and the indications contained in the Code of Conduct and the following is noted:

1. THE MOST SIGNIFICANT OPERATIONS FROM AN ECONOMIC, FINANCIAL AND EARNINGS STANDPOINT.

We obtained timely and adequate information from the Directors with respect to the most significant operations from an economic, financial and earnings standpoint carried out by the Company and/or by its subsidiaries in 2020 or subsequent to the end of the financial year, among which we note:

- in the month of August 2020, Reply Inc, a subsidiary of Reply S.p.A., acquired 70% of Sagepath LLC, a company constituted under American law;
- in the month of September 2020, Reply Ltd, a subsidiary of Reply S.p.A., acquired 100% of Brightknight, a company constituted under Belgium law;
- in the month of November 2020, Reply Ltd, a subsidiary of Reply S.p.A., acquired 100% of AirWalk Holdings Limited and its subsidiaries, a company constituted under English law;
- in the month of December 2020, Reply Ltd, a subsidiary of Reply S.p.A., acquired 100% of Mansion House Consulting Ltd and its subsidiaries, a company constituted under English law.

2. ANY UNUSUAL AND/OR ATYPICAL TRANSACTIONS, INCLUDING INTRA-GROUP OR WITH RELATED PARTIES.

On the basis of meetings held with the Directors and with representatives of the Independent Auditing firm, it did not appear that any atypical or unusual transactions occurred during the financial year, nor following the year ended.

With reference to intercompany transactions, we give notice that:

- Reply S.p.A. obtained professional services from Group companies related to revenues connected to contracts undersigned with major clients;
- Reply S.p.A. gave bank guarantees in favor of subsidiaries;
- Reply S.p.A. has granted the following subsidiaries loans without restrictions on use, aimed at supporting their activities:
- Core Reply S.r.l. and Sense Reply S.r.l. – non-interest bearing loans;
- Breed Investments Ltd, Reply Ltd., Hermes Reply Polska Sp Zoo, Cluster Reply Informatica Ltda, Portaltech Reply GmbH, Reply do Brazil Sistemas de Informatica Ltda, Reply Inc., Reply Ltd, Technology Reply S.r.l. (Romania) and Reply AG – interest bearing loans;
- Reply S.p.A. provided subsidiaries with management, administrative, commercial and marketing services, as well as services to manage the corporate internet network, electronic mail and web;
- Reply S.p.A. centrally managed the Group's treasury by means of correspondence bank accounts held by the individual subsidiaries;
- Reply S.p.A. granted Group companies the use of its proprietor trademark "REPLY";
- Reply S.p.A. acquired "office services" (general services and the availability of office space).

Transactions with related parties in 2020, which took place in accordance with market conditions, are related to Emoluments to Directors and Key Management, Statutory Auditors and to "office services", in particular to the office situated in Corso Francia, 110 Turin, provided by Alika S.r.l..

For these operations the Procedure for Related party transactions was not applied as these transactions are exempt pursuant to art. 4.1 and 4.4. of the Procedure.

3. INFORMATION PROVIDED IN THE REPORT ON OPERATIONS ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY TRANSACTIONS AND THOSE WITH RELATED PARTIES.

The information provided by the Directors in the Report on Operations accompanying the Financial Statements as at 31 December 2020 and in the Notes to the Consolidated Financial Statements of the Reply Group and to the Financial Statements as at 31 December 2020 regarding the most significant transactions from an economic, financial and earnings standpoint, as well as transactions with subsidiaries, associated companies and related parties, are adequate.

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

4. COMMENTS AND PROPOSALS ON THE NOTES AND REQUESTS FOR INFORMATION CONTAINED IN THE REPORT OF THE INDEPENDENT AUDITOR.

The Directive 2014/56/EU amended Directive 2006/43/EC concerning the statutory audit; the directive was implemented in Italy with Legislative Decree 135/2016 which amended Legislative Decree 39/2010. The regulation (EU) 537/2014 of 16 April 2014, art. 10, defines the specific requirements of the audit report for public interest entities.

Pursuant to art. 19 of Legislative Decree 39/2010, during 2020 and up to the date of this Report, the Board of Statutory Auditors carried out a continuous monitoring process of the activities carried out by the auditing firm through a series of meetings during which among other things, examined: the purpose of the audit, materiality and significant risks and the audit plan.

The Board of Statutory Auditors analyzed the methodological framework adopted by the auditor and acquired the necessary information going forward, receiving updates on the progress of the audit engagement and on the main aspects brought to the auditor's attention.

The Board of Statutory Auditors examined the following reports prepared by the independent auditor PricewaterhouseCoopers S.p.A:

- the reports on the audit of the financial statements and the audit of the consolidated financial statements issued on March 30, 2021 pursuant to art. 14 of Legislative Decree 39/2010 and of art. 10 of the Regulation (EU) n. 537/2014;
- the additional report issued on March 30, 2021, pursuant to Article 11 of the aforementioned Regulation, to the Board of Statutory Auditors in capacity of the Internal Control and Auditing Committee;
- the annual confirmation of independence, issued March 30, 2021, pursuant to art. 6 par. 2) let. a) of the Regulations and pursuant to paragraph 17 of ISA Italia 260.

The aforementioned annual audit reports of the consolidated financial statements show that the individual financial statements and the consolidated financial statements of the Group provide a true and fair view of the balance sheet and financial situation of Reply S.p.A. and of the Reply Group at December 31, 2020, of the economic result and cash flows for the year ended on that date, in compliance with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of article 9 of Legislative Decree 38/2005.

Furthermore, in the opinion of the auditor, the management report and some specific

information disclosed in the report on corporate governance and ownership structure indicated in art. 123-bis, paragraph 4, of Legislative Decree 58/1998, is consistent with the financial statements of Reply S.p.A. and with the consolidated financial statements of the Reply Group at December 31, 2020 and are prepared in accordance with the law. With reference to the possible identification of significant errors in the management report (Article 14, paragraph 2, letter e) of Legislative Decree 39/2010), the auditor declared that nothing had emerged.
The audit reports on the financial statements and the consolidated financial statements describe, according to professional judgement, the most significant audit aspects of the individual and consolidated financial statements for the year under exam.
More specifically, PricewaterhouseCoopers S.p.A. has identified the following key audit matters:

- the recoverable amounts on investments, with regard to the separate financial statements and
- the recoverable amounts of goodwill with regards to the consolidated financial statements.

Regarding the aforementioned key aspects, for which the auditor's reports illustrate the related audit procedures adopted, the auditor does not express a separate opinion, since the auditors themselves were involved in the audit and in the assessment of the financial statements as a whole. The aforementioned key aspects were the subject of detailed analysis and updating during the periodic meetings that the Board of Statutory Auditors had with the auditors.

5. COMPLAINTS PURSUANT TO ARTICLE 2408 OF THE ITALIAN CIVIL CODE.

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

6. FILED COMPLAINTS/LAWSUITS.

The Company's Directors did not advise us of any complaints filed against the Company in the financial year, nor subsequent to the date it ended.

7. THE GRANTING OF ANY FURTHER APPOINTMENTS TO THE INDEPENDENT AUDITOR AND RELATIVE COSTS.

During 2020, in addition to the engagement of auditing the Financial Statements as at 31 December 2020, PricewaterhouseCoopers S.p.A. received the following engagements for audit related services:

- The signing of Reply S.p.A.'s various tax forms (Modelli Unico, IRAP, 770)

The consideration for such engagement was 11.2 thousand Euros;

- The signing of various tax forms of Reply S.p.A.'s Italian subsidiaries (Modelli Redditi, IRAP, 770)

The consideration for such engagement was 25.2 thousand Euros.

- Review of the Non-financial data report 2020 ex Legislative Decree 254/2016 of the Reply Group.

The consideration for such engagement was 32 thousand Euros.

- Report on Research and development expenses incurred in 2019 by Logistics Reply S.r.l..

The consideration for such engagement was 5 thousand Euros.

8. ANY APPOINTMENTS OF PARTIES CONNECTED TO THE INDEPENDENT AUDITOR BY ONGOING RELATIONSHIPS, AND THE RELATIVE COSTS.

During 2020 further professional assignments were conferred:

- PricewaterhouseCoopers US received the engagement of verifying the reconciliation of income statement item classifications between the statutory financial statement and a hypothetical IFRS financial statement for the US company Valorem LLC.

No specific consideration for such engagement has been recognised as it was incorporated within the audit.

- PricewaterhouseCoopers US received the engagement of audit of the interim report of Valorem LLC to determine the 2020 earn-out value.

The consideration for such engagement was 25.2 thousand Euros.

During 2021 further professional assignments were conferred:

- PricewaterhouseCoopers US received the engagement of supporting Reply Inc in identifying incentive plans for management of target companies.

The consideration for such engagement was 28.8 thousand Euros.

- PricewaterhouseCoopers GmbH received the engagement of issuing an ISAE 3000 report on Reply AG capital cover for its transformation in a European Company.

The consideration for such engagement was 10 thousand Euros.

9. INDICATION OF WHETHER OPINIONS WERE ISSUED IN ACCORDANCE WITH LAW DURING THE FINANCIAL YEAR.

During the financial year the opinions requested by the Board of Statutory Auditors were issued as provided by law.

10. INDICATION OF THE FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND BOARD OF STATUTORY AUDITORS.

During the financial year, the Board of Directors met 4 times, and the Board of Statutory Auditors 7 times.

The Internal Control and Risk Management Committee 3 times, whereas the Remuneration Committee met 2 times, and the Committee for Related Party Transactions did not meet.

The Board of Statutory Auditors attended the meetings of the Board of Directors, and through its Chairman, those of the Internal Control and Risk Management Committee and the Remuneration Committee.

11. INSTRUCTIONS GIVEN BY THE COMPANY TO SUBSIDIARIES PURSUANT TO ARTICLE 114(2) OF LEGISLATIVE DECREE 58/1998.

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

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

We further advise you that:

- the Chairman of Reply S.p.A.'s Board of Directors, Mr. Mario Rizzante, is the Director of the English subsidiaries Reply Ltd., Breed Reply Ltd, Breed Reply Investments Ltd., Director of the American subsidiary Valorem Reply LLC and is also a member of the Supervisory Board of Reply AG;
- Tatiana Rizzante, Chief Executive Officer, is Director of the English subsidiary Reply Ltd and Managing Director of the German subsidiaries and the subsidiary Reply AG.;
- Filippo Rizzante, Executive Director holds office as Vice President of Ringmaster S.r.l. among other offices as Director in several English companies.

12. SIGNIFICANT ISSUES THAT EMERGED DURING THE MEETINGS HELD WITH THE INDEPENDENT AUDITOR PURSUANT TO ARTICLE 150(3) OF LEGISLATIVE DECREE 58/1998.

During the meetings held with representatives of the Independent Auditors, no deeds or facts deemed to be reprehensible or relevant emerged or are worthy of mention pursuant to art. 155, paragraph 2, of Legislative Decree 58/1998.

13. THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTED COMPANIES' CORPORATE GOVERNANCE COMMITTEE.

Commencing from 2000, the Company adheres to the Corporate Governance Code promoted by Borsa Italiana S.p.A., and revised in January 2020.
On 15 March 2021 the Board of Directors approved the annual Report on Corporate Governance and Ownership Structure prepared pursuant to Article 123 bis of Legislative Decree 58/1998.

14. FINAL CONSIDERATIONS ON THE SUPERVISORY ACTIVITY CARRIED OUT, AS WELL AS WITH RESPECT TO ANY OMISSIONS, CENSURABLE EVENTS OR IRREGULARITIES DISCOVERED DURING SUCH ACTIVITY.

The Board's supervisory activity was carried out through:

- Activities aimed at controlling compliance with laws and the by-laws;
- Participation at the meetings of the Company's governing bodies;
- Acquiring information during periodic meetings with the Independent Auditor concerning both the activity it performed as well as any risks related to its independence;
- Acquiring information during meetings with members of the Board of Statutory Auditors of the subsidiaries to exchange information on the Group's activities and coordinate control and supervisory activities;
- Gathering additional information during meetings with the Chairman of the Company, the Director responsible for drawing up the Company's Financial Statements, the Person in charge of internal control and the Supervisory Body;
- Participation at the meetings of the Internal Control and Risk Management Committee and the Remuneration Committee;
- The analysis of any new provisions of law or Consob communications of interest to the Company.

The Board confirmed that the organizational requirements were met and comply with the relevant Company by-laws, laws and regulations, in the constant evolution and search for improvement.
In particular, we advise the Shareholders that:

- We have monitored the conformity of the Procedure for Transactions with Related Parties, approved by Reply S.p.A.'s Board of Directors on 11 November 2010 and subsequently modified on 14 May 2015 and on 2 August 2019, as well as compliance to it;
- We controlled the correct application of the criteria adopted by the Board of Directors in evaluating the existence of the conditions of independence of the "independent Directors";
- we monitored the financial reporting process and its integrity;
- we have verified the effectiveness of the company's internal control, quality and risk management systems, with regard to financial reporting;

- we monitored the statutory audit of the financial statements and of the consolidated financial statements;
- We monitored, when requested, compatibility with legal restrictions on services other than the audit of the annual and consolidated accounting records provided by the Independent Auditor to Reply S.p.A. and to its subsidiaries;
- we monitored compliance with the provisions of art. 17, paragraph 4, of Legislative Decree 39/2010 and in this regard, we inform you that the new key manager for the review of the financial statements of Reply S.p.A. is Mr. Mattia Molari;
- we verified and monitored the independence of the independent auditing firm PricewaterhouseCoopers S.p.A. pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and article 8 of Regulation (EU) 537/2014;
- We controlled compliance with the limit on the accumulation of appointments pursuant to Article 144-terdecies of the Consob Issuers' Regulation No. 11971 as well as whether the members of the Board of Statutory Auditors possess the same pre-requisites of independence required for Directors;
- We did not receive any reports of the Supervisory Body's violation of the Organizational and Management Model pursuant to Legislative Decree 231/01;
- We verified the correct fulfilment of the obligations related to the health and safety emergency referred to Covid-19;
- We verified compliance with the laws on "Market abuse" and "Protection of savings" in matters of corporate disclosures of information and "Internal Dealings" based on the information provided by the Company;
- we verified the fulfillment of the obligations related to the regulations pursuant to Legislative Decree 254/2016 of the national implementation of the Directive 2014/95 / EU, on the basis of which the Consolidated Disclosure of Non-Financial information was approved by the Board of Directors on March 15, 2021.

In this regard, we acknowledge that PricewaterhouseCoopers S.p.A., issued on March 30, 2021 its opinion pursuant to art. 3, c. 10 of Legislative Decree 254/2016, regarding the compliance of the information provided in the Consolidated Disclosure of the Non-Financial information with respect to the requirements set forth in Legislative Decree 254/2016.

On the basis of the principles mentioned and the information acquired during the audits and participation at meetings with the persons responsible for administration and the internal control, we reached the following conclusions:

1) ADMINISTRATION

The Board of Statutory Auditors, having participated at the meetings of the Board of Directors, on the basis of the information obtained at such time, acknowledges that it has verified, with the exclusion of control of the merits of the opportunity and economic convenience of the choices made by such body, that the transactions performed and being carried out by the Company are based on principles of proper administration, conform to law and the By-laws, do not conflict with the resolutions of the Shareholders' meetings or compromise the integrity of the Company's assets.

2) ORGANISATIONAL STRUCTURE

Within the scope of the responsibilities bestowed on us by the rules set forth in Legislative Decree 58/1998 and in compliance with the Governance Rules of the Board of Statutory Auditors, we met periodically with the Independent Auditors and the organizational department, to gather the necessary information.

This allowed the Board of Statutory Auditors to thoroughly supervise the Company's organizational structure also with reference to the procedures, processes and structures that preside over the production, reporting, measurement and representation of results and information of a non-financial nature and to arrive at a judgment of overall adequacy with respect to its size.

3) INTERNAL CONTROL SYSTEM

Within the Board of Directors there is a Committee for Internal Control and Risk Management and a Committee for Transactions with Related Parties, whose activities are carried out according to a program in line with the needs of the Company.

The participation of the Director in charge of the Internal Control, as well as our participation at the meetings of the Internal Control and Risk Management Committee, allowed us to coordinate our functions as the Internal Control and Audit Committee, assumed pursuant to Article 19 of Legislative Decree 39/2010, with the activities of the Internal Control and Risk Management Committee, and, in particular, to carry out the supervisory activities provided by Article 19 of Legislative Decree No. 39/2010.

On the basis of our analysis and the audits conducted, the overall system appears to be substantially fair and reliable.

We have received from PricewaterhouseCoopers S.p.A. the report pursuant to in art. 11 of Regulation (EU) 537/2014, which stated that, during the audit of the financial statements of Reply S.p.A. and the consolidated financial statements of the Group as at 31 December 2020, there were no significant aspects giving rise to discussions or correspondence with Management, and no significant gaps have been identified in the internal control system in relation to the financial reporting process, nor have significant difficulties been reported to bring to the attention of the Committee for Internal Control and Risk Management.

On the basis of our analysis and the audits conducted, the overall system appears to be substantially fair and reliable.

4) ADMINISTRATIVE- ACCOUNTING SYSTEM

Our assessment of the administrative-accounting procedures is positive; these procedures have also been implemented throughout the Group companies.

We therefore deem that the administrative-accounting system is suitable to represent and monitor management, the presentation of the data for the reporting period, the identification, prevention and management of financial and operational risks, and any fraud that could damage the Company.

The Chairman and the Director in charge of drawing up the Company's Financial Statements have issued, pursuant to Article 81-ter of Consob Regulation No. 11971/1999 and subsequent modifications and supplements, the attestation required by Article 154-bis (5) of TUF (Legislative Decree 58/1998).

15. PROPOSALS TO MAKE TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/1998.

In relation both to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998 and the general supervisory obligation pursuant to Article 149(1) of such Decree, as well as the agenda of the Shareholders' meeting which includes discussion of the Financial Statements for the reporting period, the Board of Statutory Auditors states that it has supervised compliance with the procedural rules and law with respect to their preparation.

We note that the Financial Statements as at 31 December 2020 were prepared in compliance with European Regulation No. 1606/2002 of 19 July 2002, in compliance with International Financial Reporting Standards (IAS/IFRS).

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

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

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

With reference to the point on the agenda concerning the withdrawal of the delegation attributed to the Board of Directors on 04/21/2016 pursuant to art. 2443 of the Civil Code and the simultaneous attribution of delegation to the current Board of Directors to increase the paid share capital for a maximum amount of nominal Euros 390,000 for a maximum period of 5 years to be freed by the injection of investments in capital companies with a similar or similar subject to that of Reply S.p.A., with surcharge and exclusion of the right of option pursuant to art. 2441, c. 4 of the Civil Code, with consequent modification of art. 5 of the company by-laws, recalled what the Directors have said, the Board states that the resolution proposed is in accordance with the Italian Civil Code, in accordance with Legislative Decree 58/1998, as well as those of Consob's Issuers Regulation no. 11971 of 1999.

Finally, we remind you that our three-year term of office and in thanking you for the trust you have placed in us, we invite you to take the necessary actions.

Genova - Turin, 30 March, 2021
THE STATUTORY AUDITORS
(Dott. Giorgio Mosci)
(Dott.ssa Ada Alessandra Garzino Demo)
(Dott. Piergiorgio Re)

CORPORATE INFORMATION

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CORPORATE DATA

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