CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

CONSOLIDATED INCOME STATEMENT (*)

(THOUSAND EUROS)	NOTE	2015	2014
Revenues	5	705,601	632,184
Other income		15,643	16,805
Purchases	6	(14,049)	(12,227)
Personnel	7	(349,721)	(308,452)
Services and other costs	8	(256,138)	(239,220)
Amortization, depreciation and write-downs	9	(9,371)	(8,021)
Other unusual (cost)/income	10	(1,408)	(407)
Operating income		**90,558**	**80,663**
(Loss)/gain on investments	11	440	-
Financial income/(expenses)	12	(2,067)	(1,396)
Income before taxes		**88,930**	**79,267**
Income taxes	13	(31,502)	(30,646)
Net income		**57,428**	**48,621**
Non-controlling interest		(680)	(712)
Group net result		**56,748**	**47,909**
Earnings per share	*14*	*6.07*	*5.12*
Diluted earnings per share	*14*	*6.07*	*5.12*

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the consolidated statement of income are reported in the Annexed tables herein and fully described in Note 35.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSAND EUROS)	NOTE	31/12/2015	31/12/2014
Profit of the period (A)		**57,428**	**48,621**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) from employee benefit plans		567	(2,349)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**567**	**(2,349)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		4	120
Gains/(losses) on cash flow hedges		894	339
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**898**	**459**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**25**	**1,465**	**(1,890)**
Total comprehensive income (A)+(B)		**58,894**	**46,731**
Total comprehensive income attributable to:			
Owners of the parent		58,213	46,019
Non-controlling interests		680	712

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(THOUSAND EUROS)	NOTE	31/12/2015	31/12/2014
Tangible assets	15	17,022	14,976
Goodwill	16	133,376	126,763
Other intangible assets	17	9,696	6,549
Equity investments available for sale	18	9,105	3,911
Other financial assets	19	5,629	4,471
Deferred tax assets	20	17,339	15,052
Noncurrent assets		**192,167**	**171,722**
Inventories	21	57,929	40,801
Trade receivables	22	302,250	285,465
Other receivables and current assets	23	40,973	27,661
Financial assets	19	2,289	2,245
Cash and cash equivalents	24	105,137	88,819
Current assets		**508,577**	**444,990**
TOTAL ASSETS		**700,745**	**616,712**
Share Capital		4,863	4,863
Other reserves		233,814	199,135
Net result of the period		56,748	47,909
Group shareholders' equity	**25**	**295,425**	**251,908**
Non-controlling interest		653	936
NET EQUITY		**296,079**	**252,843**
Due to minority shareholders	26	19,746	13,306
Financial liabilities	27	33,869	31,030
Employee benefits	28	25,866	24,454
Deferred tax liabilities	29	21,471	15,630
Provisions	30	18,849	14,772
Non-current liabilities		**119,801**	**99,191**
Financial liabilities	27	46,280	45,092
Trade payables	31	77,686	83,360
Other current liabilities	32	160,640	135,202
Provisions	30	260	1,024
Current liabilities		**284,865**	**264,678**
TOTAL LIABILITIES		**404,666**	**363,869**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**700,745**	**616,712**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2014	**4,840**	**(9)**	**51,899**	**155,849**	**(124)**	**313**	**(960)**	**799**	**212,607**
Share capital increase	**23**	**-**	**937**	**-**	**-**	**-**	**-**	**-**	**960**
Dividends distributed	-	-	-	(6,546)	-	-	-	(694)	(7,240)
Total profit (loss)	-	-	-	47,909	120	339	(2,349)	712	46,731
Other changes	-	-	-	(333)	-	-	-	119	(214)
Balance at 31 December 2014	**4,863**	**(9)**	**52,836**	**196,878**	**(4)**	**652**	**(3,309)**	**936**	**252,843**

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2015	**4,863**	**(9)**	**52,836**	**196,878**	**(4)**	**652**	**(3,309)**	**936**	**252,843**
Dividends distributed	-	-	-	(7,950)	-	-	-	(1,012)	(8,962)
Change in treasury shares	-	(15)	20,000	(20,000)	-	-	-	-	(15)
Total profit (loss)	-	-	-	56,748	4	894	567	680	58,894
Other changes	-	-	-	(6,730)	-	-	-	49	(6,681)
Balance at 31 December 2015	**4,863**	**(25)**	**72,836**	**218,946**	**-**	**1,546**	**(2,742)**	**653**	**296,079**

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSAND EUROS)	2015	2014
Group net income	56,748	47,909
Income taxes	31,502	30,646
Amortization and depreciation	9,371	8,021
Other non-monetary expenses/(income)	(2,604)	(6,201)
Change in inventories	(17,128)	(18,891)
Change in trade receivables	(16,785)	(14,298)
Change in trade payables	(5,674)	15,237
Change in other assets and liabilities	20,545	15,306
Income tax paid	(30,646)	(26,653)
Interest paid	(1,372)	(1,843)
Interest collected	377	346
Net cash flows from operating activities (A)	**44,334**	**49,578**
Payments for tangible and intangible assets	(14,564)	(9,630)
Payments for financial assets	(1,202)	(5,318)
Payments for the acquisition of subsidiaries net of cash acquired	(9,561)	(16,984)
Net cash flows from investment activities (B)	**(25,328)**	**(31,933)**
Shares issued	-	960
Dividends paid	(8,962)	(7,240)
In payments from loans	28,615	15,348
Repayment of loans	(21,543)	(13,437)
Other changes	2,247	(1,392)
Net cash flows from financing activities (C)	**357**	**(5,761)**
Net cash flows (D) = (A+B+C)	**19,363**	**11,884**
Cash and cash equivalents at the beginning of period	50,745	38,861
Cash and cash equivalents at period end	70,109	50,745
Total change in cash and cash equivalents (D)	**19,363**	**11,884**

DETAIL OF CASH AND CASH EQUIVALENTS

(THOUSAND EUROS)	2015	2014
Cash and cash equivalents at beginning of period:	**50,745**	**38,861**
Cash and cash equivalents	88,819	66,145
Bank overdrafts	(38,073)	(27,284)
Cash and cash equivalents at period end:	**70,109**	**50,745**
Cash and cash equivalents	105,137	88,819
Bank overdrafts	(35,028)	(38,073)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Reply [MTA, STAR: REY] specializes in the implementation of solutions based on new communication channels and digital media. Reply, consisting of a network of specialist companies, supports important European industries belonging to the Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration segments, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply offers consultancy, system integration and application management and business process outsourcing (www.reply.eu).

NOTE 2 - ACCOUNTING PRINCIPLES AND BASIS OF CONSOLIDATION

COMPLIANCE WITH INTERNATIONAL ACCOUNTING PRINCIPLES

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

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

GENERAL PRINCIPLES

The consolidated financial statement is prepared on the basis of the historic cost principle, modified as requested for the appraisal of some financial instruments for which the fair value criterion is adopted in accordance with IAS 39.

The consolidated financial statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist with regards its ability to continue as a going concern.

These consolidated financial statements are expressed in thousands of Euros and are compared to the consolidated financial statements of the previous year prepared in accordance with the same principles.
Further indication related to the format of the financial statements respect to IAS 1 is disclosed here within as well as information related to significant accounting principles and evaluation criteria used in the preparation of the following consolidated report.

FINANCIAL STATEMENTS

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

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

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

BASIS OF CONSOLIDATION

SUBSIDIARIES

The financial statements of subsidiaries are included in the consolidated financial statements as at 31 December of each year. Control exists when the Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting principles used into line with those used by other members of the Group.
All significant intercompany transactions and balances between group companies are eliminated on consolidation.
Non-controlling interest is stated separately with respect to the Group's net equity. Such Non controlling interest is determined according to the percentage of the shares held of the fair values of the identifiable assets and liabilities of the company at the date of acquisition and post-acquisition adjustments. According to IAS 27, overall loss (including the profit/(loss) for the year) is attributed to the owners of the Parent and minority interest also when net equity attributable to minority interests has a negative balance.
Difference arising from translation of equity at historical exchange rates and year end exchange rates are recorded at an appropriate reserve of the consolidated shareholders' equity.

BUSINESS COMBINATIONS

Acquisition of subsidiary companies is recognized according to the purchase method of accounting. The acquisition cost is determined by the sum of the fair value, at the trading date, of all the assets transferred, liabilities settled and the financial instruments issued by the group in exchange of control of the acquired company. In addition, any cost directly attributable to the acquisition.
The identifiable assets, liabilities and contingent liabilities of the company acquired that respect the conditions to be recognized according with IFRS 3 are stated at their fair value at the date of acquisition with the exception of those noncurrent assets (or groups in discontinued operations) that are held for sale in accordance with IFRS 5, which are recognized and measured at fair value less selling costs.
The positive difference between the acquisition costs and Group interest of the reported assets and liabilities is recorded as goodwill and classified as an intangible asset having an indefinite life.
Minority interest in the company acquired is initially measured to the extent of their shares in the fair value of the assets, liabilities and contingent liabilities recognized.
The accounting of the put and call options on the minority shareholdings of the subsidiary company are recorded according to IAS 32, taking into account therefore, depending on the case, the existence and the determinability of the consideration to the minority shareholders if the option was exercised.

INVESTMENTS IN ASSOCIATE COMPANIES

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

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

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

With regard to investments in associated companies held, either directly or indirectly through venture capital or similar entities, in order to realize capital gains, these are carried at fair value. This treatment is permitted by IAS 28 "Investments in Associates" which requires that these investments are excluded from its scope and are designated, from the time of initial recognition, at fair value through profit or loss and accounted for in accordance with IAS 39 "Financial instruments: recognition and measurement', and any change therein is recognized in profit (loss) in the period in which they occurred.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

FOREIGN CURRENCY TRANSACTIONS

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

CONSOLIDATION OF FOREIGN ENTITIES

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date.

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

The following table summarizes the exchange rates used in translating the 2015 and 2014 financial statements of the foreign companies included in consolidation:

	AVERAGE 2015	ON 31 DECEMBER 2015	AVERAGE 2014	ON 31 DECEMBER 2014
GBP	0.726002	0.73395	0.806429	0.7789
CHF	1.067635	1.0835	1.214631	1.2024
Real	3.691603	4.3117	3.122768	3.2207
Ron Rumenian Leu	4.445215	4.5240	-	-
US Dollar	1.109625	1.0887	1.328842	1.2141
Polish Zloty	4.182785	4.2639	4.184467	4.2732

TANGIBLE ASSETS

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses. Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.

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

Buildings	3%
Equipment	30%
Plants	40%
Hardware	40%
Furniture and fittings	24%

The recoverable value of such assets is determined through the principles set out in IAS 36 and outlined in the paragraph ("Impairment") herein.
Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.
Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.
Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are amortized over their estimated useful life or over the duration of the lease contract if lower.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

GOODWILL

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

OTHER INTANGIBLE ASSETS

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

Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.
An internally-generated intangible asset arising from the Group's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met: an asset is created that can be identified (such as software and new processes); it is probable that the asset created will generate future economic benefits; the development cost of the asset can be measured reliably.
These assets are amortized when launched or when available for use. Until then, and on condition that the above terms are respected, such assets are recognized as construction in progress. Amortization is determined on a straight line basis over the relevant useful lives.
When an internally-generated intangible asset cannot be recorded at balance sheet, development costs are recognized in the statement of income in the period in which they are incurred.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives.
Intangible assets with indefinite useful lives are not amortized in accordance with IAS 36 criteria, 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 Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

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

INVESTMENTS IN OTHER COMPANIES

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

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

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

CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are recognized and written-off the balance sheet on a trade-date basis and are initially measured at cost, including transaction costs.
At subsequent reporting dates, financial assets that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured and amortized at cost according to the prevailing market interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.
Investments other than held-to maturity securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where financial assets are held for trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period; for available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired; at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.
This item is stated in the current financial assets.

TRANSFER OF FINANCIAL ASSETS

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

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

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

WORK IN PROGRESS

Work in progress mainly comprise construction contracts; when the result of a specific order can be reliably estimated, proceeds and costs referable to the related order are indicated as proceeds and costs respectively in relation to the state of progress of activities on the date of closure of the financial statement, based on the relationship between costs sustained for activities taking place up to the date of the financial statement and total costs estimated from the order, except for that which is not considered as representative of the state of progress of the order.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Any advance payments are subtracted from the value of work in progress within the limits of the contract revenues accrued; the exceeding amounts are accounted as liabilities.

Product inventories are stated at the lower of cost and net realizable value. Cost comprises direct material and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

TRADE PAYABLES AND RECEIVABLES AND OTHER CURRENT ASSETS AND LIABILITIES

Trade payables and receivables and other current assets and liabilities are measured at nominal value and eventually written down to reflect their recoverable amount.
Write-downs are determined to the extent of the difference of the carrying value of the receivables and the present value of the estimated future cash flows.
Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

CASH

The item cash and cash equivalents includes cash, banks 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. The original cost of treasury shares and proceeds of any subsequent sale are presented as movements in equity.

FINANCIAL LIABILITIES AND EQUITY INVESTMENTS

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

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

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

- Non current financial liabilities.
  - Liabilities are stated according to the amortization cost.

DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER HEDGING TRANSACTIONS

In accordance with IAS 39, 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 IAS 39 at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to the Group's contractual commitments and forecast transactions are recognized directly in Shareholders' equity, while any ineffective portion is recognized immediately in the Income Statement.
If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.
For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.
For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also

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

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

EMPLOYEE BENEFITS

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

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

Through actuarial valuation, current service costs are recognized as "personnel expenses" in the Income Statement and represent the amount of rights matured by employees at the reporting date, and the interest cost is recognized as “Financial gains or losses” and represents the figurative expenditure the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities (“TFR”).

Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders’ equity without being ever included in the consolidated income statement.

PENSION PLANS

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

In the presence of defined contribution plans, the annual cost is recorded at the income statement when the service cost is executed.

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

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

SHARE-BASED PAYMENT PLANS

The Group has applied the standard set out by IFRS 2 “Share-based payment”. Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders’ equity, on a straight-line basis over the “vesting period”. The fair value of the option, measured at the granting date, is measured through actuarial calculations, taking into account the terms and conditions of the options granted. Following the exercise of the options assigned in previous years, the Group has no more stock option plans.

For cash-settled share-based payment transactions, the Group measures the goods and services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with the changes in value recognized in profit or loss for the period.

PROVISIONS AND RESERVES FOR RISKS

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

REVENUE RECOGNITION

Revenue is recognized if it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

Revenue from sales and services is recognized when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service.

Revenues from sales of products are recognized when the risks and rewards of ownership of goods are transferred to the customer. Revenues are recorded net of discounts, allowances, settlement discounts and rebates and charged against profit for the period in which the corresponding sales are recognized.

GOVERNMENT GRANTS

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

TAXATION

Income tax represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income

statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

DIVIDENDS

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

EARNINGS PER SHARE

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

USE OF ESTIMATIONS

The preparation of the financial statements and relative notes under IFRS requires that management makes estimates and assumptions that have effect on the measurement of assets and liabilities and on disclosures related to contingent assets and liabilities at the reporting date. The actual results could differ from such estimates. Estimates are used to accrue provisions for risks on receivables, to measure development costs, to measure contract work in progress, employee benefits, income taxes and other provisions. The estimations and assumptions are reviewed periodically and the effects of any changes are recognized immediately in income.

In this context it is made known that the situation caused by the current economic and financial crisis has included the need to carry out undertakings regarding future progress characterized by significant uncertainty, for which the materialization cannot be excluded in the next financial year of results different from that estimated and that therefore could require rectification, up to the present day, neither assessable or foreseeable in the accounting value of the related items. The items of the financial statements mainly effected by such uncertainty are the impairment funds, risk funds, goodwill and deferred taxes.

CHANGES IN ACCOUNTING PRINCIPLES

The accounting principles newly adopted by the Group and their outcomes are described in the subsequent paragraph "Accounting principles, amendments and interpretations applied since 1 January 2014". There have been no further changes other than those described in the aforementioned paragraph.

CHANGES IN ACCOUNTING ESTIMATES AND RECLASSIFICATIONS

At the reporting date, there are no significant estimates regarding the unforeseeable outcome of future events and other causes of uncertainty that might result in significant adjustments being made to the value of assets and liabilities in the coming year.

OTHER ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS COMMENCING JANUARY 1, 2015

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

This amendment is effective for annual periods beginning on or after 1 July 2014, and it is not relevant to the Group.

Annual improvements to IFRS- cycle 2010-2012

These improvements have been in force since July 1, 2014 and the Group has applied them for the first time in these consolidated financial statements. The improvements are related to a series of amendments to IFRS, in response to eight topics discussed during the cycle from 2010 to 2012. They relate largely to clarification, and their adoption had no material impact on the interim consolidated financial statements.

Annual improvements to IFRS- cycle 2011-2013

These improvements have been in force since July 1, 2014 and the Group has applied them for the first time in these consolidated financial statements. The improvements are related to a series of amendments to IFRS, in response to four topics discussed during the cycle from 2011 to 2013. They relate largely to clarification, and their adoption had no material impact on the interim consolidated financial statements.

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 Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. Overall, the Group expects no significant impact on its balance sheet and equity. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. Preliminary evaluation of the effects of IFRS 15 is currently in progress.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 mainly require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016, and. no impact on the Group is expected.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements are effective for annual periods beginning on or after 1 January 2016, and no impact is expected on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

NOTE 3 - RISK MANAGEMENT

CREDIT RISK

For business purposes, specific policies are adopted to assure its clients' solvency.
With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

LIQUIDITY RISK

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of the Group companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of committed credit lines).

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

EXCHANGE RATE AND INTEREST RATE RISK

As the Group operates mainly in a "Euros area" the exposure to currency risks is limited. The Group mainly does not operate in areas with strong fluctuations in currency and therefore this risk is not significant.

The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, and when the Group considers it appropriate, makes use of derivative financial

instruments designated as “cash flow hedges”.
The use of such instruments is disciplined by written procedures in line with the Group’s risk management strategies that do not contemplate derivative financial instruments for trading purposes.

NOTE 4 - CONSOLIDATION

Companies included in consolidation are consolidated on a line-by-line basis.

Change in consolidation compared to 31 December 2014 is related to Leadvise, a company incorporated under German law acquired in the month of March 2015 by the subsidiary Reply AG. The company offers services in Management Consulting mainly in the areas of Innovation Management, Risk Management and Digital Optimization.

Change in the consolidation does not significantly affect the Group’s revenues and profits before tax on 31 December 2015 (approximately 0.8% on consolidated revenue and 0.1% on EBT).

NOTE 5 - REVENUE

Revenues from sales and services, including changes in work in progress on orders, amounted to 705,601 thousand Euros (632,184 thousand Euros in 2014).
This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by geographic area. Moreover the breakdown reflects the business management of the Group by Top Management and the allocation approximates the localization of services provided:

COUNTRY	2015	2014
Italy	71.00%	72.3 %
Germany	16.50%	15.5 %
United Kingdom	12.50%	12.2 %
Total	**100.00%**	**100.00%**

Disclosure required by IFRS 8 ("Operating segment") is provided in Note 33 herein.

NOTE 6 - PURCHASES

Detail is as follows:

(THOUSAND EUROS)	2015	2014	CHANGE
Software licenses for resale	6,268	6,038	231
Hardware for resale	1,548	693	855
Other	6,232	5,496	736
Total	**14,049**	**12,227**	**1,822**

Purchases of Software licenses and Hardware licenses for resale are recognized net of any change in inventory.
The item Other includes the purchase of fuel for 2,297 thousand Euros and the purchase of consumption material for 2,627 thousand Euros.

NOTE 7 - PERSONNEL

Detail is as follows:

(THOUSAND EUROS)	2015	2014	CHANGE
Payroll employees	317,485	276,767	40,718
Executive Directors	26,673	25,342	1,331
Project collaborators	5,563	6,343	(780)
Total	**349,721**	**308,452**	**41,269**

The increase in the cost of employees, amounting to 41,269 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees.

Detail of personnel by category is provided below:

(NUMBER)	2015	2014	CHANGE
Directors	294	270	24
Managers	774	713	61
Staff	4,177	3,706	471
Total	**5,245**	**4,689**	**556**

On 31 December 2015 the Group had 5,245, employees compared with 4,689 at the end of 2014. The average number of employees in 2015 was 4,949 marking an increase with respect to n. 4,473 in the previous year.
Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

NOTE 8 - SERVICES AND OTHER COSTS

Services and other costs comprised the following:

(THOUSAND EUROS)	2015	2014	CHANGE
Commercial and technical consulting	152,500	144,870	7,630
Travelling and professional training expenses	27,825	24,341	3,485
Other services costs	45,258	41,711	3,546
Office expenses	16,158	14,384	1,774
Lease and rentals	7,773	7,255	518
Other	6,623	6,659	(36)
Total	**256,137**	**239,220**	**16,917**

The change in Services and other costs, amounting to 16,917 Euros, is attributable to an overall increase in the Group's business. The item Other services mainly include marketing services, administrative and legal services, telephone and canteen. Office expenses include rent charged by third parties for 9,715 thousand Euros, utility expenses for 2,770 thousand Euros and services rendered by third parties for 807 thousand euro and related parties for 1,024 thousand Euros, in connection to service contracts for the use of premises, domiciliation and the provision of secretarial services.

NOTE 9 - AMORTIZATION, DEPRECIATION AND WRITE DOWNS

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 31 December 2015 of 5,375 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2015 amounted to an overall loss of 3,995 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

NOTE 10 - OTHER UNUSUAL OPERATING INCOME/(EXPENSES)

Other unusual operating costs amounted to 1,408 thousand Euros (407 thousand Euros in 2014) and refer to:

- Other operating costs amounting to 2,601 thousand Euros in relation to provision for contractual and commercial risks and lawsuits;
- Other unusual items amounting to positive 1,192 thousand Euros in relation to the fair value adjustment of the liability referred to the deferred consideration for the acquisition of shareholdings in subsidiary companies (Business combination).

NOTE 11 - (LOSS)/GAIN ON INVESTMENTS

This item amounting to 440 thousand Euros is related to:

- The fair value of the investment in Cocoon Alarm Ltd. Resulting in a gain of 1,073 thousand Euros;
- Impairment of the investment in Greeniant BV in the amount of 633 thousand Euros, following the winding up of the company.

NOTE 12 - FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(THOUSAND EUROS)	2015	2014	CHANGE
Financial income	427	378	49
Interest expenses	(1,334)	(1,950)	615
Other	(1,159)	176	(1,335)
Total	**(2,067)**	**(1,396)**	**(671)**

Financial income mainly include interest on bank accounts amounting to 377 thousand Euros. Interest expenses mainly include expenses related to loans for M&A operations.

The item Other includes the Exchange rate differences from the translation of balance sheet items not stated in Euros, as well as changes in fair value of financial liabilities pursuant to IAS 39.

NOTE 13 - INCOME TAXES

Income taxes for the financial year ended 2015 amounted to 31,502 thousand Euros and is detailed as follows:

(THOUSAND EUROS)	2015	2014	CHANGE
IRES and other taxes	24,276	20,365	3,911
IRAP (Italy)	5,206	9,000	(3,794)
Current taxes	**29,481**	**29,365**	**117**
Deferred tax expenses	5,272	3,035	2,238
Deferred tax income	(3,252)	(1,754)	(1,498)
Deferred taxes	**2,020**	**1,281**	**739**
Total income taxes	**31,502**	**30,646**	**856**

The tax burden on the result before taxes was equivalent to 35.4% (38.7% in the financial year of 2014).

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

PROFIT/(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS	**88,930**	
Theoretical income taxes	24,456	27.5 %
Effect of difference between foreign tax rates and the theoretical Italian tax rate	(561)	
Other differences	380	
Current and deferred income tax recognized in the financial statement excluding IRAP	**24,276**	**27.3%**
IRAP current and deferred	5,206	
Current and deferred income recognized in the financial statements	**29,481**	**33.2%**

In order to render the reconciliation between income taxes recognized in the financial statements and theoretical income taxes more meaningful, IRAP tax is not taken into consideration since it has a taxable basis that is different from the result before tax of continuing operations. Theoretical income taxes are therefore calculated by applying only the tax rate in effect in Italy ("IRES"), equal to 27.5%, on the result before tax of continuing operations.

NOTE 14 - EARNINGS PER SHARE

The basic and diluted earnings per share as at 31 December 2015 was calculated on the basis of the Group's net result amounting to 56,748 thousand Euros (47,909 thousand Euros as at 31 December 2014) divided by the weighted average number of shares, net of treasury shares, as at 31 December 2015 which amounted to 9,351,850 (9,351,850 as at 31 December 2014).

(EUROS)	**31/12/2015**	**31/12/2014**
Group net result	56,748,000	47,909,000
Average no. shares	9,351,850	9,351,850
Earnings per share	6.07	5.12

NOTE 15 - TANGIBLE ASSETS

Tangible assets as at 31 December 2015 amounted to 17,022 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Buildings	1,906	2,048	(142)
Plant and machinery	2,805	2,209	596
Hardware	3,357	3,586	(229)
Other	8,955	7,134	1,821
Total	**17,022**	**14,976**	**2,046**

Change in tangible assets during 2015 is summarized below:

(THOUSAND EUROS)	BUILDINGS	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical Cost	4,023	6,147	25,844	16,113	52,127
Accumulated depreciation	(1,975)	(3,938)	(22,259)	(8,979)	(37,151)
31/12/2014	**2,048**	**2,209**	**3,586**	**7,134**	**14,976**
Historical cost					
Increases	-	1,412	2,406	3,867	7,686
Disposals	-	(73)	(1,605)	(874)	(2,553)
Other changes	-	679	131	225	1,035
Accumulated depreciation					
Depreciation	(142)	(804)	(2,595)	(1,834)	(5,375)
Utilized	-	44	1,555	488	2,087
Other changes	-	(661)	(122)	(52)	(835)
Historical Cost	4,023	8,165	26,777	19,331	58,296
Accumulated depreciation	(2,117)	(5,359)	(23,420)	(10,377)	(41,274)
31/12/2015	**1,906**	**2,805**	**3,357**	**8,955**	**17,022**

During the financial year the Group carried out total investments 7,686 thousand Euros (6,512 thousand Euros at 31 December 2014).

The item Buildings mainly includes the net value of a building owned by the group amounting to 1,903 thousand Euros, located in Gutersloh, Germany. Increase in the item Plant and machinery mainly refers to purchases of specific devices and to plant systems for the new offices in which the Group operates. Change in the item Hardware is due to investments made by operating companies for purchases of specific equipment about mobile and the construction of plants for the new headquarters of Group. Furthermore this item includes financial leases for 230 thousand Euros (248 at 31 December 2014). The item Other as at 31 December 2015 mainly includes improvements to third party assets and office furniture. The increase of 3,867 Euros mainly refers to improvements made to the offices where the Group's companies operate. Such item also includes a financial leasing for furniture for a net value amounting to 1,412 thousand Euros (733 thousand Euros at 31 December 2014). Other changes refer to change in consolidation and to translation differences. As at 31 December 2015 tangible assets were depreciated by 70.8% of their value, compared to 71.3% at the end of 2014.

NOTE 16 - GOODWILL

This item includes goodwill arising from consolidation of subsidiaries and the value of business branches purchased against payment made by some Group companies.

Goodwill in 2015 developed as follows:

(THOUSAND EUROS)	
Beginning balance	**126,763**
Exchange rate differences	(1,623)
Beginning balance without exchange rate differences	**125,140**
Increases	5,875
Impairment	-
Total	**131,015**
Exchange rate differences	2,361
Ending balance	**133,376**

The increase is related to Leadvise, a company incorporated under German law acquired in the month of March 2015 by the subsidiary Reply AG, for an initial cash consideration of 3,500 thousand Euros.

The following table summarizes the calculation of goodwill and the aggregate book value of the companies as at the acquisition date.

(THOUSAND EUROS)	FAIR VALUE (*)
Tangible and intangible assets	38
Financial assets	515
Trade receivables and other	746
Cash and cash equivalents	(937)
Trade payables and other	(206)
Deferred tax	(4)
Net assets acquired	**152**
Compensation	6,027
Goodwill	**5,875**

(*) book value is equal to fair value

Goodwill was allocated to the cash generating units ("CGU"), identified in the countries in which the Group operates. Moreover the breakdown reflects the business management of the Group by Top Management and is summarized as follows:

CGU	EURO/000
Italy	39,003
Germany	39,572
UK	52,440
Total	131,015

Reply has adopted a structured and periodic planning and budgeting system aimed at defining objectives and business strategies in order to draft the annual budget. The impairment model adopted by the Reply Group is based on future cash flows calculated using the Discounted cash flow analysis. In applying this model, Management uses different assumptions, which are applied to the single CGU over two years of extrapolation subsequent to the annual budget, in order to estimate:

- Increase in revenues,
- Increase in operating costs,
- Investments,
- Change in net capital.

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

The following assumptions were used in calculating the recoverable value of the Cash Generating Units:

ASSUMPTION	ITALY	GERMANY	UK
Terminal value growth rates:	1%	1%	1%
Discount rate, net of taxes:	8.17%	6.65%	7.48%
Discount rate, before taxes:	11.27%	9.44%	9.46%
Multiple of EBIT	10.4	10.4	10.4

As to all CGUs subject to the impairment tests at 31 December 2015 no indications emerged that such businesses may have been subject to impairment.
The positive difference between the value in use thus estimated on the accounting value of the net invested capital on 31 December 2015 of the CGU is equal to 329% for Italy, 280% for Germany and 41% for the UK.

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

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

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

Finally, it is appropriate to note that the estimates and budget data to which the above mentioned parameters have been applied are those determined by management on the basis of past performance and expectations of developments in the markets in which the Group operates. Moreover, estimating the recoverable amount of the Cash-Generating Units requires discretion and the use of estimates by Management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events which could potentially cause further impairment losses are constantly monitored by Reply management.

NOTE 17 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 2015 amounted to 9,696 thousand Euros (6,549 thousand Euros on 31 December 2014) and are detailed as follows:

(THOUSAND EUROS)	HISTORICAL COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE AS AT 31/12/2015
Development costs	21,610	(16,174)	5,436
Software	19,917	(16,194)	3,723
Trademarks	537	-	537
Other intangible assets	3,150	(3,150)	-
Total	**45,214**	**(35,518)**	**9,696**

Change in intangible assets during 2015 is summarized in the table below:

(THOUSAND EUROS)	NET BOOK VALUE AS AT 31/12/2014	INCREASE	AMORTIZATION	OTHER CHANGES	NET BOOK VALUE AS AT 31/12/2015
Development costs	3,599	4,117	(2,280)	-	5,36
Software	2,414	3,090	(1,715)	(65)	3,723
Trademark	537	-	-	-	537
Total	6,549	7,207	(3,995)	(65)	9,696

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

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 382 thousand Euros related to software development for internal use.

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

Other intangible assets mainly includes the know-how of the Security Operation Centre (SOC), which offers a range of Managed Security Services (MSS) aimed at avoiding and identifying real or potential threats to which the complex IT infrastructures are exposed, in addition to proposing and implementing adequate counter-measures to limit or remove such dangers.

NOTE 18 - EQUITY INVESTMENTS

The item Equity investments amounts to 9,105 thousand Euros and includes for 24 thousand Euros several subsidiary companies that were not consolidated as they were not operational at the closing date and for 9,081 to investments in start-up companies in the IoT field made principally by the Investment company Breed Investments Ltd.
Note that the companies listed below, mainly held through an Investment Entity as defined by IFRS 10, are designated at fair value and accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The fair value is determined using the International Private Equity and Venture Capital valuation guideline (IPEV) and any change therein is recognized in profit /(loss) in the period in which they occurred.

COMPANY NAME	COUNTRY	% ACQUIRED	VALUE AT 31/12/2014	INCREASES/ DECREASES	FAIR VALUE ADJUSTMENTS	WRITE-DOWNS	VALUE AT 31/12/2015
Cocoon Alarm Limited	UK	22.09%	-	1,928	1,062	-	2,990
Xmetrics Sports Limited	UK	30.00%	-	920	-	-	920
Greeniant BV	Netherlands	35.76%	-	633	-	(633)	-
Inova Design Ltd	UK	22.22%	-	704	-	-	704
Zeeta Networks Ltd.	UK	15.83%	-	579	-	-	579
Sensoria	USA	21.27%	3,888	-	-	-	3,888
Total			**3,888**	**4,764**	**1,062**	**(633)**	**9,081**

COCOON

A UK based start-up that has created a smart home security system that senses unusual activity throughout the house in real time, without the need for any additional sensors or professional installation. It avoids false alarms by learning what's normal for home, only sending alerts and high quality video straight to your smartphone via the mobile app. Cocoon received a London Design Award and has been listed in Forbes as one of the top new businesses to keep an eye on in 2015. The investment was valued at the market value of the last round that took place on October 12, 2015.

XMETRICS

A company that offers innovative devices for swimmers. Xmetrics uses sensors, electronic components and software via mobile devices, to enhance the training sessions of professional and amateur swimmers, analyzing their main biometric parameters and their real time performance. The investment was valued at the price paid upon acquisition, there were no subsequent rounds.

GREENIANT

A Dutch start-up whose solution was to analyze energy consumption by using the data from smart meters. to enable the analysis of consumption and use of electrical appliances. During the year the company was put in liquidation and therefore entirely written-off.

INOVA DESIGN

Inova Design is a technology company specializing in design, development and marketing of new solutions for detecting body parameters in order to optimize performance and prevention of illnesses. The product is a headset capable of offering the accurate measurement of all the physiological parameters together with the monitoring of the movement, all in a single miniaturized device, not- invasive and that provides the user data in a continuous, real-time and wireless way. The Inova 's patented technology can be applied in many fields such as sports, health and defense. The investment was valued at the price paid upon acquisition, there were no subsequent rounds.

ZEETA NETWORKS LTD.

Zeeta Networks offers NetOS®: a powerful orchestration software which manages, automates and monitors an ICT network while significantly reducing its operating costs. The investment was valued at the price paid upon acquisition, there were no subsequent rounds.

SENSORIA

Headquartered in Redmond, Washington – Sensoria is a leading developer of wearable platforms and devices. The company was founded on the vision that clothing would become the fulcrum between Internet of Things and People as a seamless, naturally wearable body-sensing computer. The investment was valued at the price paid upon acquisition, there were no subsequent rounds.

It is reported that on December 18, 2015 a contract for the participation in the Amiko Digital Health Limited capital was signed for £ 425 thousand, subject to conditions precedent, resolved in January 2016, with the simultaneous subscription of shares equal to 11.11 % of the share capital.

All fair value assessments shall be part of the hierarchy level 3.

NOTE 19 - FINANCIAL ASSETS

Current and non-current financial assets amounted to a total of 7,918 thousand Euros with compared to 6,716 thousand Euros as at 31 December 2014.

Detail is as follows:

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Receivables from insurance companies	3,194	3,082	112
Guarantee deposits	853	1,013	(160)
Loans to non-consolidated companies	68	20	48
Long term securities	55	358	(303)
Other financial assets	14	18	(4)
Convertible loans	1,512	-	1,512
Receivables from factor	744	960	(216)
Short term securities	1,478	1,265	212
Total	**7,918**	**6,716**	**1,202**

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

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse for 3,718 thousand Euros, net of advance payments received for 2,974 thousand Euros.

Convertible loans relate to the option to convert into shares of the following start-up company in the field of IoT:

- **EnModus:** technology company specializing in the monitoring, control and Internet connectivity of any device on AC power. Wattwave is the enModus patented powerline technology that uses the existing wiring infrastructure.
- **Gymcraft:** sport - tech company, combining the fitness industry with the world of video games in an innovative way to build the virtual sporting experience of the future. Gymcraft takes full advantage of the potential of virtual reality, giving to users a fitness, real time and interactive experience during the course of their favorite sports.

Short term securities mainly refer to Time Deposit investments.
The items Receivables from insurance companies, Convertible loans and Other financial assets are not included in the net financial position.

NOTE 20 - DEFERRED TAX ASSETS

Such an item, amounting to 17,339 thousand Euros as at 31 December 2015 (15,052 thousand Euros as at 31 December 2014), includes the fiscal charge corresponding to the temporary differences originating among the anti-tax result and taxable income relating to entries with deferred deductibility.

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

(THOUSANDS EUROS)	31/12/2014	ACCRUALS	UTILIZATION	31/12/2015
Prepaid tax on costs that will become deductible in future years	6,019	2,699	(2,463)	6,254
Prepaid tax on greater provisions for doubtful accounts	5,861	1,835	(642)	7,054
Deferred fiscal deductibility of amortization	1,728	246	(297)	1,677
Consolidation adjustments and other items	1,444	3,127	(2,218)	2,353
Total	**15,052**	**7,906**	**(5,619)**	**17,339**

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 21 - WORK IN PROGRESS

Work in progress, amounting to 57,929 thousand Euros, is detailed as follows:

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Contract work in progress	141,309	112,045	29,264
Advance payments from customers	(83,380)	(71,244)	(12,136)
Total	**57,929**	**40,801**	**17,128**

Any advance payments made by the customers are deducted from the value of the inventories, within the limits of the accrued consideration; the exceeding amounts are accounted as liabilities.

NOTE 22 - TRADE RECEIVABLES

Trade receivables as at 31 December 2015 amounted to 302,250 thousand Euros with a net increase of 16,785 thousand Euros.

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Domestic clients	233,502	227,900	5,603
Foreign trade receivables	71,178	59,368	11,810
Credit notes to be issued	(9)	(42)	33
Total	**304,672**	**287,226**	**17,446**
Allowance for doubtful accounts	(2,422)	(1,761)	(661)
Total trade receivables	**302,250**	**285,465**	**16,785**

Trade receivables are shown net of allowances for doubtful accounts amounting to 2,422 thousand Euros on 31 December 2015 (1,761 thousand Euros at 31 December 2014).

The Allowance for doubtful accounts developed in 2015 as follows:

(THOUSAND EUROS)	31/12/2014	ACCRUALS	REVERSALS	UTILIZATION	31/12/2015
Allowance for doubtful accounts	1,761	735	(2)	(64)	2,422

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 2014, are summarized in the tables below:

AGING AT 31/12/2015

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	304,672	256,601	41,039	3,574	1,615	1,843	48,071
Allowance for doubtful accounts	(2,422)	(11)	(301)	(220)	(499)	(1,391)	(2,411)
Total trade receivables	**302,250**	**256,590**	**40,738**	**3,354**	**1,115**	**452**	**45,660**

AGING AT 31/12/2014

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	287,226	243,922	37,374	3,346	856	1,728	43,304
Allowance for doubtful accounts	(1,761)	(11)	(313)	(78)	(129)	(1,230)	(1,750)
Total trade receivables	**285,465**	**243,911**	**37,060**	**3,268**	**726**	**498**	**41,554**

ASSIGNMENT OF RECEIVABLES

The Group assigns part of its trade receivables through factoring operations.
The assignments of receivables can be with or without recourse; some assignments without recourse can include deferred payment clauses (for example, payment by the factor of a minor part of the purchase price is subordinated on the collection of the total amount of the receivables), require a deductible from the assignor, or require maintaining significant exposure to the cash flow trend deriving from the assigned receivables. This type of operation does not comply with the requirements of IAS 39 for the elimination of the assets from the financial statements, since the risks and benefits related to their collection have not been substantially transferred.
Consequently, all receivables assigned through factoring operations that do not satisfy the requirements for elimination provided by IAS 39 continue to be recognized in the Group's

financial statements, even though they have been legally assigned and a financial liability for the same amount is recognized in the consolidated financial statements as Liabilities for advance payments on assignments of receivables. Gains and losses related to the assignment of these assets are only recognized when the assets are derecognized from the Group's financial-economic position.

As at 31 December 2015 the receivables transferred via Factoring operations with recourse amounted to 15,884 thousand Euros.

The book value of the assets assigned without recourse as at 31 December 2015 amounted to 7,100 thousand Euros, with an increase of available liquidity of 6,356 thousand Euros of which 2,974 thousand Euros received as an advance.

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

Trade receivables are all collectible within one year.

NOTE 23 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Tax receivables	15,425	8,339	7,086
Advances to employees	100	116	(16)
Accrued income and prepaid expenses	6,049	5,120	929
Other receivables	19,399	14,086	5,314
Total	**40,973**	**27,661**	**13,312**

The item Tax receivables mainly includes:

- credits to the Treasury for VAT (7,973 thousand Euros);
- income tax prepayments net of the allocated liability (4,921 thousand Euros);
- receivables for withholding tax (583 thousand Euros).

The item Other receivables mainly includes the contributions receivable in relation to research projects for 15,761 thousand Euros (12,484 thousand Euros at 31 December 2014).

NOTE 24 - CASH AND CASH EQUIVALENTS

The balance of 105,137 thousand Euros, with an increase of 16,318 thousand Euros compared with 31 December 2014, represents cash and cash equivalents and the existence of cash on hand and valuables as at the end of the year.

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

NOTE 25 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

On 31 December 2015 the company capital of Reply S.p.A, wholly undersigned and paid up, was amounting to 4,863,486 Euros and is composed of n. 9,352,857 ordinary shares with nominal value of 0.52 Euros each.

TREASURY SHARES

The value of the Treasury shares, amounting to 25 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 31 December 2015 were equal to n. 1,007.

CAPITAL RESERVES

On 31 December 2015 Capital reserves, amounting to 72,836 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,303 thousand Euros;
- Treasury share reserve amounting to 25 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 49,976 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 23 April 2015 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 50 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

EARNING RESERVES

Earnings reserves amounted to 218,946 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 161,226 thousand Euros (retained earnings amounted to 147,996 thousand Euros on 31 December 2014);
- Profits/losses attributable to shareholders of the Parent Company amounted to 56,748 thousand Euros (47,909 thousand Euros as on 31 December 2014).

OTHER COMPREHENSIVE INCOME

Other comprehensive income can be analyzed as follows:

(THOUSANDS EUROS)	31/12/2015	31/12/2014
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	567	(2,349)
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**567**	**(2,349)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	4	120
Gains/(losses) from the translation of financial statements	894	339
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**898**	**459**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**1,465**	**(1,890)**

SHARE BASED PAYMENT PLANS

There are no stock option plans resolved by the General Shareholders' meetings.

NOTE 26 - PAYABLES TO MINORITY SHAREHOLDERS AND FOR OPERATIONS

Payables to minority shareholders and for company operations (earn out) owed on 31 December 2015 amount to 19,746 thousand Euros inclusive of an exchange difference amounting to 16 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2014	INCREASES	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2015
Payable to minority shareholders	5,878	6,798	394	(830)	(298)	11,942
Payables for Earn-out	7,427	2,214	(1,182)	(937)	282	7,803
Total payables to minority shareholders and earn-out	**13,306**	**9,012**	**(788)**	**(1,767)**	**(16)**	**19,746**

The increase in payables to minority shareholders amounting to 6,798 thousand Euros reflects the best estimate of the option to acquire the minority shares in future reporting periods subject to the achievement of profitability parameters contractually defined.

The increase in payables for earn-out amounting to 2,214 is related to Leadvise Region Mitte GmbH, a company incorporated under German law, acquired in the month of March 2015 by the subsidiary Reply AG. The increase reflects the best estimate of the consideration in relation to the original contract signed.

The item *Fair value adjustments* in 2015 amounted to 788 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 1,767 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 27 - FINANCIAL LIABILITIES

Detail is as follows:

	31/12/2015			31/12/2014		
(THOUSAND EUROS)	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Bank overdrafts	35,028	-	35,028	38,073	-	38,073
Bank loans	10,786	33,008	43,794	6,348	29,994	36,342
Total due to banks	**45,814**	**33,008**	**78,822**	**44,421**	**29,994**	**74,415**
Other financial borrowings	466	860	1,326	671	1,036	1,706
Total financial liabilities	**46,280**	**33,869**	**80,149**	**45,092**	**31,030**	**76,122**

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

	31/12/2015				31/12/2014			
(THOUSAND EUROS)	**DUE IN 12 MONTHS**	**FROM 1 TO 5 YEARS**	**OVER 5 YEARS**	**TOTAL**	**DUE IN 12 MONTHS**	**FROM 1 TO 5 YEARS**	**OVER 5 YEARS**	**TOTAL**
Bank overdrafts	35,028	-	-	35,028	38,073	-	-	38,073
M&A loans	10,553	32,606	-	43,159	5,967	29,801	-	35,768
Mortgage loans	311	403	-	714	115	460	58	633
Other financial borrowings	466	860	-	1,326	671	1,036	-	1,707
Other	(78)	-	-	(78)	266	(325)	-	(59)
Total	**46,280**	**33,869**	**-**	**80,149**	**45,092**	**30,973**	**58**	**76,122**

M&A financing refers to credit lines to be used for acquisition operations carried directly by Reply S.p.A. or via companies controlled directly or indirectly by the same.
Summarized below are the existing contracts entered into for such a purpose:

- On 19 September 2012 Reply S.p.A signed a line of credit with Unicredit S.p.A for a total amount of 15,000,000 Euros. The loan was fully reimbursed in advance in the first half of 2015.
- On 25 September 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 2,500,000 Euros. Instalments were paid on a half-year basis and expired on 25 September 2015, so as at 31 December 2015 the loan was fully reimbursed.
- On 24 December 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 1,500,000 Euros. The loan was reimbursed on a half-year basis commencing 30 June 2013 and was fully reimbursed as at 31 December 2015.
- On 13 November 2013 Reply S.p.A undersigned a line of credit with Intesa Sanpaolo S.p.A for a total amount of 20,000,000 Euros to be used by 31 December 2015. The loan was fully reimbursed in advance in the first half of 2015.
- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total amount amounting to 25,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 31 May 2016 and will expire on 30 November 2018. Such credit line was used for 18,159 thousand Euros at 31 December 2015.
- 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 residual loan amounted to 9,000 thousands Euros at 31 December 2015.

- › Tranche B, amounting to 20,000,000 Euros, to be used by 31 December 2016.The loan will be reimbursed on a half-year basis deferred to commence on 31 March 2017. Such credit line was used for 4,500 thousands Euros at 31 December 2015.
- On 8 April 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 10,000,000 Euros entirely used for the reimbursement of the credit line dated 19 September 2012. The loan will be reimbursed on a half-year basis deferred to commence on 31 October 2016. The residual loan amounted to 10,000 thousand Euros.
- 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. The loan will be reimbursed on a half basis deferred to commence on 31 May 2019 and will expire on 30 November 2021. Such credit line was used for 1,500 thousands Euros at 31 December 2015.

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.
The item Mortgages refers to financing granted to Tool Reply GmbH, for the acquisition of the building where the German company has its registered office.
Reimbursement takes place via six monthly instalments (at 4.28%) with expiry on 30 September 2019.

Other financial borrowings are related to financial leases determined according to IAS 17.
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 of the Reply Group at 31 December 2015.

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Cash and cash equivalents	105,137	88,819	16,318
Current financial assets	2,289	2,245	45
Non current financial assets	909	1,371	(462)
Total financial assets	**108,335**	**92,434**	**15,900**
Current financial liabilities	(46,280)	(45,092)	(1,188)
Non current financial liabilities	(33,869)	(31,030)	(2,839)
Total financial liabilities	**(80,149)**	**(76,122)**	**(4,027)**
Total net financial position	**28,186**	**16,313**	**11,874**

For further details with regards to the above table see Notes 19 and 24 as well as Note 27.

NOTE 28 - EMPLOYEE BENEFITS

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Employee severance indemnities	18,489	17,091	1,398
Employee pension funds	5,860	5,928	(68)
Directors severance indemnities	1,502	1,419	83
Other	16	16	-
Total	**25,866**	**24,454**	**1,413**

EMPLOYEE SEVERANCE INDEMNITIES

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

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

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations. In order to allow for the changes introduced by Law 296/06, the re-proportioning was only carried out for employees of companies with fewer than 50 employees that do not pay Employee severance indemnities into supplementary pension schemes.

Reassessment of Employee severance indemnities in accordance with IAS 19 was carried out “ad personam” and on the existing employees, that is analytical calculations were made on each employee in force in the company at the assessment date without considering future work force. The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.

The assumptions adopted can be summarized as follows:

DEMOGRAPHIC ASSUMPTIONS

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2015: 2.50% frequency of turnover in 2015: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS

Annual discount rate	Average annual rate of 1.5%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. An annual constant rate equal to 2.03% was used for the year 2015.
Annual increase in salaries	The employee severance indemnities (TFR) are revalued on an annual basis equal to 75% of the inflation rate plus a spread of one and a half percentage point.
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 2015 are summarized in the table below:

(THOUSAND EUROS)	
Balance at 31/12/2014	17,091
Cost relating to current (service cost) work	3,024
Actuarial gain/loss	(544)
Interest cost	298
Change in consolidation	33
Indemnities paid during the year	(1,414)
Balance at 31/12/2015	**18,489**

EMPLOYEE PENSION FUNDS

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

(THOUSAND EUROS)	31/12/2015	31/12/2014
Present value of liability	6,209	6,256
Fair value of plan assets	(349)	(329)
Net liability	**5,860**	**5,927**

The amounts recognized for defined benefit plans is summarized as follows:

(THOUSAND EUROS)	
Present value at beginning of the year	6,256
Service cost	-
Interest cost	152
Actuarial gains/(losses)	(24)
Indemnities paid during the year	(175)
Present value at year end	**6,209**

DIRECTORS' SEVERANCE INDEMNITIES

This amount is related to Directors severance indemnities paid during the year.
Change amounting to 83 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2015.

NOTE 29 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 31 December 2015 amounted to 21,471 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

(THOUSAND EUROS)	31/12/2015	31/12/2014
Deductible items off the books	1,836	1,074
Other	19,635	11,384
Total	**21,471**	**15,630**

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

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

NOTE 30 - PROVISIONS

Provisions amounted to 19,108 thousand Euros (of which 18,849 thousand Euros are not current). Change in 2015 is summarized in the table below:

(THOUSAND EUROS)	BALANCE AT 31/12/2014	OTHER CHANGES	ACCRUALS	UTILIZATION	REVERSALS	BALANCE AT 31/12/2015
Fidelity fund	492	(190)	29	(26)	(1)	305
Provision for risks	8,347	(737)	4,912	(615)	(60)	11,846
Motorola research Centre fund	6,957	-	-	-	-	6,957
Total	**15,796**	**(927)**	**4,941**	**(641)**	**(61)**	**19,108**

Employee fidelity provisions refer mainly to provisions made for the employees of some German companies in relation to anniversary bonuses. The liability is determined through actuarial calculations applying a 5.5% rate.

The Provision for risks represents the best estimate for contingent liabilities. The accrual of the year is referred to the update of this estimate and to new legal ongoing controversies, lawsuits with former employees and other liabilities in Italy and abroad.

The Provision for Motorola Research center originates from the acquisition of the business branch Motorola Electronics S.p.A. in 2009 and reflects the best estimate of the residual costs to incur in relation to the agreements reached with the parties involved in the transaction to implement research and development projects, in accordance with IAS 37. This provision was used on the basis of the progression of the abovementioned research activities.

Acquisition of the Motorola Research Centre was carried out as a consequence of agreements reached with Motorola Electronics S.p.A, Trade Unions and the region of Piedmont and the commitment to carry out research activities on agreed upon themes.

During the financial year the provision remained unchanged as Reply is still waiting for the Public authorities, with whom Reply had undersigned the original agreements, to give instructions as to which other research projects to undertake on agreed contents.

NOTE 31 - TRADE PAYABLES

Trade payables at 31 December 2015 amounted to 77,686 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Domestic suppliers	66,790	71,476	(4,686)
Foreign suppliers	11,577	12,786	(1,209)
Advances to suppliers	(681)	(901)	221
Total	**77,686**	**83,360**	**(5,674)**

NOTE 32 - OTHER CURRENT LIABILITIES

Other current liabilities at 31 December 2015 amounted to 160,640 thousand Euros with an increase of 25,438 thousand Euros with respect to the previous financial year.

Detail is as follows:

(THOUSAND EUROS)	31/12/2015	31/12/2014	CHANGE
Income tax payable	3,641	5,465	(1,824)
VAT payable	7,451	7,675	(224)
Withholding tax and other	5,886	5,442	444
Total due to tax authorities	**16,978**	**18,582**	**(1,604)**
National social insurance payable	20,578	18,634	1,944
Other	1,512	1,347	165
Total due to social securities	**22,090**	**19,981**	**2,108**
Employee accruals	46,578	38,381	8,197
Other payables	64,154	48,048	16,106
Accrued expenses and deferred income	10,840	10,210	630
Total other payables	**121,572**	**96,638**	**24,934**
Other current liabilities	**160,640**	**135,202**	**25,438**

Due to tax authorities amounting to 16,978 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.
Due to social security authorities amounting to 22,090 thousand Euros, is related to both Company and employees contribution payables.
Other payables at 31 December 2015 amount to 121,572 thousand Euros and mainly include:

- Amounts due to employees that at the balance sheet date had not yet been paid.
- Remuneration of directors recognized as participation in the profits of the subsidiary companies.
- Liabilities related to share based payment transactions to be settled in cash to some Group companies. Following agreements signed in 2014 with some Directors of subsidiary companies, the liability at year end amounted to 707 thousand Euros while the cost in Profit and loss amounted to 565 thousand Euros. Such options can be exercised in financial year 2018 upon achievement of some economic-financial parameters.
- Advances received from customers exceeding the value of the work in progress amounting to 36,917 thousand Euros.

Accrued Expenses and Deferred Income mainly relate to advance invoicing in relation to T&M consultancy activities to be delivered in the subsequent financial year.

NOTE 33 - SEGMENT REPORTING

Segment reporting has been prepared in accordance with IFRS 8, as a breakdown of revenues by geographic area, determined as the area in which the services are executed.

ECONOMIC FIGURES

(THOUSAND EUROS)	ITALY	%	GERMANY	%	UNITED KINGDOM	%	IOT INVESTMENTS	%	INTERSEGMENT	TOTAL 2015	%
Revenues	**514,177**	**100**	**119,186**	**100**	**89,156**	**100**	**1,578**	**100**	**(18,496)**	**705,601**	**100**
Operating costs	(436,354)	(84.9)	(105,986)	(88.9)	(80,014)	(89.7)	(3,008)	(190.6)	18,496	(606,865)	(86.0)
Gross operating income	**77,824**	**15.1**	**13,200**	**11.1**	**9,142**	**10.3**	**(1,430)**	**(90.60)**	**-**	**98,736**	**14.0**
Amortization, depreciation and write-downs	(7,424)	(1.4)	(1,337)	(1.1)	(589)	(0.7)	(20)	(1.3)	-	(9,371)	(1.3)
Other non-recurring (costs)/income	250	0.0	-	-	942	1.1	-	-	-	1,192	0.2
Operating income	**70,649**	**13.7**	**11,863**	**10.0**	**9,495**	**10.7**	**(1,450)**	**(91.90)**	**-**	**90,558**	**12.8**

(THOUSAND EUROS)	ITALY	%	GERMANY	%	UNITED KINGDOM	%	IOT INVESTMENTS	%	INTERSEGMENT	TOTAL 2014	%
Revenues	**470,784**	**100**	**101,012**	**100**	**79,685**	**100**	**-**	**-**	**(19,297)**	**632,184**	**100**
Operating costs	(394,254)	(83.7)	(95,612)	(94.7)	(75,932)	(95.3)	(564)	-	19,297	(547,065)	(86.5)
Gross operating income	**76,530**	**16.3**	**5,400**	**5.3**	**3,753**	**4.7**	**(564)**	**-**	**-**	**85,119**	**13.5**
Amortization, depreciation and write-downs	(6,097)	(1.3)	(1,297)	(1.3)	(627)	(0.8)	(1)	-	-	(8,021)	(1.3)
Other non-recurring (costs)/income	(2,124)	(0.5)	-	-	5,690	7.1	-	-	-	3,565	0.6
Operating income	**68,308**	**14.5**	**4,103**	**4.1**	**8,816**	**11.1**	**(565)**	**-**	**-**	**80,663**	**12.8**

FINANCIAL FIGURES

(THOUSAND EUROS)	ITALY	GERMANY	UNITED KINGDOM	IOT INVESTMENTS	INTERSEG	TOTAL 2015	ITALY	GERMANY	UNITED KINGDOM	IOT INVESTMENTS	INTESEG.	TOTAL 2014
Current operating assets	340,676	42,516	31,447	397	(13,885)	401,151	310,817	31,196	31,685	22	(19,794)	353,927
Current operating liabilities	(206,935)	(28,660)	(14,989)	(1,885)	13,885	(238,585)	(196,728)	(25,365)	(16,671)	(614)	19,794	(219,586)
Net working capital (A)	**133,741**	**13,856**	**16,458**	**(1,488)**	**-**	**162,566**	**114,088**	**5,831**	**15,014**	**(592)**	**-**	**134,341**
Non-current assets	126,487	22,414	31,687	9,159	-	189,747	119,230	17,593	29,622	3,906	-	170,351
Non financial liabilities long term	(63,567)	(18,165)	(3,975)	(225)	-	(85,932)	(52,292)	(11,271)	(4,598)	-	-	(68,161)
Fixed capital (B)	**62,920**	**4,249**	**27,712**	**8,934**	**-**	**103,815**	**66,938**	**6,323**	**25,023**	**3,906**	**-**	**102,190**
Net invested capital (A+B)	**196,661**	**18,106**	**44,170**	**7,446**	**-**	**266,381**	**181,026**	**12,154**	**40,037**	**3,314**	**-**	**236,531**

Breakdown of employees by operating segment is as follows:

COUNTRY	31/12/2014	31/12/2013	CHANGE
Italy	4,069	3,617	452
Germany	769	674	95
United Kingdom	400	392	8
IoT Investments	7	6	1
Total	**5,245**	**4,689**	**556**

NOTE 34 - ADDITIONAL DISCLOSURES TO FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

TYPES OF FINANCIAL RISKS AND CORRESPONDING HEDGING ACTIVITIES

Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximize costs and the resources Reply S.p.A. has centralized all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.

As described in the section “Risk management”, Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.
The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.
The quantitative data reported in the following do not have any value of a prospective nature, in particular the sensitivity analysis on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

CREDIT RISK

The maximum credit risk to which the company is theoretically exposed at 31 December 2015 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 quantative 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.

SENSITIVITY ANALYSIS

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

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

A hypothetical, unfavorable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2015 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 323 thousand Euros.

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

FAIR VALUE ASSESSMENT HIERARCHY LEVELS

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

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

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2015, according to the fair value hierarchical assessment level.

(THOUSAND EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Investments	18	-	-	9,081
Convertible loans	19	-	-	1,512
Financial securities	19	1,533	-	-
Total financial assets		**1,533**	**-**	**10,593**
Liabilities to minority shareholders and earn out	26	-	-	19,746
Other financial liabilities	31	-	-	806
Total financial liabilities		**-**	**-**	**20,552**

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

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

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.
Cash settled share-based payments of companies belonging to the Group included within the caption Other financial liabilities, are valued on the basis of profitability parameters. Since these parameters are not observable market parameters (directly or indirectly) such debts fall under the hierarchy of Level 3.
As at 31 December 2015, there have not been any transfers within the hierarchy levels.

NOTE 35 - TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 Related parties are Group companies and persons that are able to exercise control, joint control or have significant influence on the Group and on its subsidiaries.

Transactions carried out by the group companies with related parties that as of the reporting date are considered ordinary business and are carried out at normal market conditions.

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

(THOUSAND EUROS)

FINANCIAL TRANSACTIONS	31/12/2015	31/12/2014	NATURE OF TRANSACTION
Trade receivables	3	48	Receivables from professional services
Trade payables and other	8	218	Payables for professional services and official rentals offices
Other payables	3,924	4,348	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors

ECONOMIC TRANSACTIONS	2015	2014	NATURE OF TRANSACTION
Revenues from professional services	-	14	Receivables from professional services
Services from Parent company and related parties	1,024	932	Service contracts relating to office rental, and office administration
Personnel	8,083	8,464	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	122	148	Emoluments to Statutory Auditors

REPLY GROUP MAIN ECONOMIC AND FINANCIAL TRANSACTIONS

In accordance with IAS 24, emoluments to Directors, Statutory Auditors and Key Management are also included in transactions with related parties.

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006 the financial statements present the Consolidated Income statement and Balance Sheet showing transactions with related parties separately, together with the percentage incidence with respect to each account caption.

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

NOTE 36 - EMOLUMENTS TO DIRECTORS, STATUTORY AUDITORS AND KEY MANAGEMENT

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

(THOUSAND EUROS)	2015	2014
Executive Directors	5,276	5,461
Statutory auditors	122	148
Total	**5,398**	**5,609**

Emoluments to Key management amounted to approximately 2,807 thousand Euros (2,994 thousand Euros at 31 December 2014).

NOTE 37 - 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 euro). Currently it is not possible to foresee the outcome of the said judgment but Management believes that any future economic-financial effects on the Group are not significant.

- 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 122 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 present, some minority shareholders have commenced the aforementioned procedures. With specific reference to the request to obtain the corresponding amount in cash, the time limit for exerting such an authority shall expire starting from the shortest time limit between the day following it expiring from the two months subsequent to the final ruling of the qualified court or the publication of a binding agreement between the parties. During the said period, the former Reply Deutschland shareholders can freely decide on whether to obtain the corresponding amount in cash or whether to remain shareholders of Reply.

CONTINGENT LIABILITIES

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

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

NOTE 38 – EVENTS SUBSEQUENT TO 31 DECEMBER 2015

No significant events have occurred subsequent to the year ended 31 December 2015.

NOTE 39 – APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND AUTHORIZATION TO PUBLISH

The Consolidated financial statements at 31 December 2015 were approved by the Board of Directors on March 15, 2016 which authorized the publication within the terms of law.

ANNEXED TABLES

CONSOLIDATED INCOME STATEMENT PREPARED PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(THOUSAND EUROS)	2015	OF WHICH RELATED PARTIES	%	2014	OF WHICH RELATED PARTIES	%
Revenues	**705,601**	**-**	**-**	**632,184**	**14**	**-**
Other income	15,643	-	-	17,085	-	-
Purchases	(14,049)	-	-	(12,227)	-	-
Personnel	(349,721)	(8,083)	2.3%	(308,452)	(8,464)	2.7%
Services and other costs	(256,137)	(1,146)	0.4%	(239,220)	(1,080)	0.5%
Amortization, depreciation and write downs	(9,371)	-	-	(8,021)	-	-
Other unusual (cost)/income	(1,408)	-	-	(686)	-	-
Operating income	**90,558**	**-**	**-**	**80,663**	**-**	**-**
(Loss)/gain on investments	440	-	-	-	-	-
Financial income/(expenses)	(2,067)	-	-	(1,396)	-	-
Income before taxes	**88,930**	**-**	**-**	**79,267**	**-**	**-**
Income taxes	(31,502)	-	-	(30,646)	-	-
Net income	**57,428**	**-**	**-**	**48,621**	**-**	**-**
Non-controlling interest	(680)	-	-	(712)	-	-
Group net result	**56,748**	**-**	**-**	**47,909**	**-**	**-**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(THOUSAND EUROS)	31/12/2015	OF WHICH RELATED PARTIES	%	31/12/2014	OF WHICH RELATED PARTIES	%
Tangible assets	17,022	-	-	14,976	-	-
Goodwill	133,376	-	-	126,763	-	-
Other intangible assets	9,696	-	-	6,549	-	-
Equity investments	9,105	-	-	3,911	-	-
Other financial assets	5,629	-	-	4,471	-	-
Deferred tax assets	17,339	-	-	15,052	-	-
Non-current assets	**192,167**	**-**	**-**	**171,722**	**-**	**-**
Work in progress	57,929	-	-	40,801	-	-
Trade receivables	302,250	3	0.0%	285,465	48	0.0%
Other current assets	40,973	-	-	27,661	-	-
Financial assets	2,289	-	-	2,245	-	-
Cash and cash equivalents	105,137	-	-	88,819	-	-
Current assets	**508,577**	**-**	**-**	**444,990**	**-**	**-**
TOTAL ASSETS	**700,745**	**-**	**-**	**616,712**	**-**	**-**
Share capital	4,863	-	-	4,863	-	-
Other reserves	233,814	-	-	199,135	-	-
Group net income	56,748	-	-	47,909	-	-
Group Shareholder's equity	**295,425**	**-**	**-**	**251,908**	**-**	**-**
Non-controlling interest	653	-	-	936	-	-
SHAREHOLDER'S EQUITY	**296,079**	**-**	**-**	**252,843**	**-**	**-**
Payables to minority shareholders and corporate transactions	19,746	-	-	13,306	-	-
Financial liabilities	33,869	-	-	31,030	-	-
Employee benefits	25,866	-	-	24,454	-	-
Deferred tax liabilities	21,471	-	-	15,630	-	-
Provisions	18,849	-	-	14,772	-	-
Non-current liabilities	**119,801**	**-**	**-**	**99,191**	**-**	**-**
Financial liabilities	46,280	-	-	45,092	-	-
Trade payables	77,686	8	0.0%	83,360	218	0.3%
Other current liabilities	160,640	3,924	2.4%	135,202	4,348	3.2%
Provisions	260	-	-	1,024	-	-
Current liabilities	284,865	-	-	264,678	-	-
Total liabilities	404,666	-	-	363,869	-	-
TOTAL SHAREHOLDER'S EQUITY AND LIABILITES	**700,745**	**-**	**-**	**616,712**	**-**	**-**

REPLY

LIST OF COMPANIES AT 31 DECEMBER 2015

COMPANY NAME	HEADQUARTERS	GROUP INTEREST
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Companies consolidated on a line-by-line basis		
@logistics Reply S.r.l.	Turin, Italy	100.00%
@logistics Reply GmbH	Munich, Germany	100.00%
4brands Reply GmbH & CO. KG. (**)	Minden, Germania	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Avantage Reply Ltd. (***)	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sarl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd	London, United Kingdom	100.00%
Bitmama S.r.l.	Turin, Italy	51.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Bridge Reply S.r.l.	Turin, Italy	60.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd (***)	London, United Kingdom	100.00%
Breed Reply Investment Ltd	London, United Kingdom	80.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Cluster Reply Informatica LTDA. (*)	San Paolo, Brazil	76.00%
Concept Reply GmbH	Munich, Germany	90.00%
Consorzio Reply Energy	Turin, Italy	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Data Reply GmbH (*)	Munich, Germany	70.00%

Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
EOS Reply S.r.l.	Turin, Italy	100.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
France Reply Ltd (***)	London, United Kingdom	80.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Polska zo.o	Katowice, Poland	100.00%
InEssence Reply GmbH	Düsseldorf, Germany	70.00%
IrisCube Reply S.p.A.	Turin, Italy	100.00%
Juice Reply S.r.l.	Turin, Italy	100.00%
Leadvise Reply GmbH	Darmstad, Germany	100.00%
Lem Reply S.r.l.	Turin, Italy	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l.	Turin, Italy	85.00%
Portaltech Reply GmbH (*)	Gutersloh, Germany	68.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Profondo Reply GmbH	Gutersloh, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply AG	Gutersloh, Germany	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium SA	Mont Saint Guibert, Netherland	100.00%
Reply France Sarl	Paris, France	100.00%
Reply Luxembourg Sarl	Sandweiler, Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%

Risk Reply Ltd (***)	London, United Kingdom	80.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milano, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Solidsoft Reply S.r.l.	Turin, Italy	100.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Square Reply S.r.l.	Turin, Italy	100.00%
Storm Reply S.r.l. (*)	Turin, Italy	80.00%
Storm Reply GmbH (*)	Gutersloh, Germany	80.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Zurich, Switzerland	100.00%
Syskoplan Reply GmbH & CO. KG (**)	Gutersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucharest, Romania	100.00%
Tool Reply Gmbh	Gutersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germany	100.00%
Twice Reply S.r.l.	Turin, Italy	98.00%
Twice Reply GmbH	Munich, Germany	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xuccess Reply GmbH	Munich, Germany	100.00%

Companies carried at fair value

Cocoon Alarm Ltd.	England	22.09%
inova Design Ltd.	England	22.2%
Sensoria Inc.	USA	21.37%
Xmetrics Sport Ltd.	England	30.0%
Zeeta Networks Ltd.	England	15.83%

Companies carried at cost

Spark Reply S.r.l.	Turin, Italy	85.0%
Triplesense Reply S.r.l.	Turin, Italy	100.0%

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting reflects Management's best estimate as at the closing date of the Annual Financial Report.
(**) These companies are exempt from filing statutory financial statements in Germany under the German law § 264b HGB.
(***) As permitted under English law, these subsidiary companies have claimed audit exemption under Companies Act 2006 section 479A with respect to the year ended 31 December 2015. Reply S.p.A. has given a statement of guarantee under Companies Act 2006 section 479C whereby it will guarantee all outstanding liabilities to which these subsidiaries are subject as at 31 December 2015. The companies are Avantage Reply Ltd (registration no. 05177605), Breed Reply Ltd (registration no. 09074975), France Reply Ltd (registration no. 08823238) and Risk Reply Ltd (registration no. 09030959).

INFORMATION IN ACCORDANCE WITH ARTICLE 149-DUODECIES ISSUED BY CONSOB

The following table, prepared in accordance with Art. 149-duodeciesof Consob's Regulations for Issuers reports the amount of fees charged in 2015 for the audit and audit related services provided by the Independent Auditors and by entities that are part of the Independent Auditors' network.

(THOUSAND EUROS)	SERVICE PROVIDER	GROUP ENTITY	FEE 2015
Audit	Reconta Ernst & Young S.p.A.	Parent company - Reply S.p.A.	28
	Reconta Ernst & Young S.p.A.	Subsidiaries	197
	Ernst & Young GmbH	Subsidiaries	158
	Ernst & Young LLP	Subsidiaries	119
	Ernst & Young Auditores Independentes S.S.	Subsidiaries	19
	Total		**521**
Audit related services	Reconta Ernst & Young S.p.A.	Parent company - Reply S.p.A. (1)	**1**
	Reconta Ernst & Young S.p.A.	Subsidiaries (1)	15
	Total		**16**
Total			**537**

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

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

in accordance with Article 154-bis of Legislative Decree 58/98

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

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

of the administration and accounting procedures applied in the preparation of the Consolidated financial statements for the year ended 2015.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2015 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 Consolidated Financial Statement

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

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 2016

Chairman
and Chief Executive Officer
Mario Rizzante

Director responsible
of drawing up the accounting documents
Giuseppe Veneziano

REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

related to the financial consolidated financial statements as at 31 december 2015

Dear Shareholders,

The Board of Directors is submitting to you the Consolidated Financial Statements as at 31 December 2015 prepared in conformity with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Changes in Shareholders' Equity, Consolidated Cash Flow Statement, and the Notes to the Financial Statements.

The Consolidated Financial Statements as at 31 December 2015 present a consolidated Shareholders' equity amounting to 296,079 thousand Euros, including a consolidated profit of 56,748 thousand Euros.

The Report on Operations adequately illustrates the financial, economic and earnings position, the trend, at a consolidated level, of Reply S.p.A. and its subsidiaries during the financial year and after its end, as well as the sub-division of the volumes of assets of the principal business lines and the consolidated results.

The consolidation area is determined in such context, which included as at 31 December 2015 in addition to the Parent Company, eighty-two companies and two consortiums, all consolidated on a line-by-line basis.

The controls made by the Independent Auditor Reconta Ernst & Young S.p.A. concluded that the amounts reported in the Consolidated Financial Statements as at 31 December 2015 are supported by the Parent Company's accounting records, in the financial statements for the reporting period of the subsidiaries, and in the information that they have formally communicated.

Such financial statements transmitted by the subsidiaries to the Parent Company, for purposes of the preparation of the Consolidated Financial Statements, prepared by the respective competent corporate bodies, have been reviewed by the bodies and/or persons in charge of the audit of the individual companies, according to their respective legal systems, and by the Independent Auditor in the context of the procedures followed for the audit of the Consolidated Financial Statements.

The Board of Statutory Auditors did not audit the financial statements of such companies.

Reconta Ernst & Young S.p.A., the company entrusted with the audit of Reply's Consolidated Financial Statements, has issued its report on today's date, in which it confirms that, in its opinion, the Consolidated Financial Statements of the Reply Group as at 31 December 2015 conform to the International Financial Reporting Standards (IFRS) endorsed by the European Union, as well as to the measures issued to implement Article 9 of Legislative Decree 38/2005 and, therefore, they were prepared with clarity and represent a true and fair view of the financial and economic position, the economic result and the cash flows of the Reply Group as at such date, and further, the Report on Operations and the information pursuant to Article 123-bis, paragraph 4 of Legislative Decree 58/1998 presented in the Report on Corporate Governance and Ownership Structure are consistent with the Consolidated Financial Statements.

On the basis of the audits and controls carried out, we certify that:

- The consolidation area has been determined in correct manner;
- The consolidation procedures adopted conform to legal requirements and have been properly applied;
- The review of the report on Operations demonstrated that it is consistent with the consolidated Financial statements;
- All the information used for the consolidation refers to the entire administrative period represented by the financial year 2015;
- The measurement criteria are homogeneous with those used for the previous reporting period;
- Changes in the consolidation compared to 31 December 2014 consist of the inclusion of the following companies:
- Consorzio Reply Energy (in 2014 held at cost);
- Data Reply GmbH;
- Leadvise Reply GmbH;
- Like Reply S.r.l.;
- Technology Reply S.r.l. (Romania).

While Iriscube Reply SA was no longer consolidated (liquidated in 2015).

Turin, 30 March 2016.

THE STATUTORY AUDITORS

(Prof. Cristiano Antonelli)

(Dott.ssa Ada Alessandra Garzino Demo)

(Dott. Paolo Claretta Assandri)

Building a better
working world

Reconta Ernst & Young S.p.A.
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10121 Torino

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Fax: +39 011 5612554
ey.com

Independent auditor's report
in accordance with art. 14 and 16 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of Reply S.p.A

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Reply Group, which comprise the consolidate statement of financial position as at December 31, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Reply S.p.A. are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated February 28, 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Group Reply as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38, dated February 28, 2005.

Report on other legal and regulatory requirements

Opinion on the consistency with the consolidated financial statements of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements, as required by the law. The Directors of Reply S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Reply Group as at December 31, 2015.

Turin, March 30, 2016

Reconta Ernst & Young S.p.A.

Signed by: Luigi Conti, partner

This report has been translated into the English language solely for the convenience of international readers.