



REPLY HALF-YEAR FINANCIAL REPORT 2020

REPLY
HALF YEAR
FINANCIAL REPORT
AT JUNE 30 2020

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BOARD OF DIRECTORS AND CONTROLLING BODIES

BOARD OF DIRECTORS AND CONTROLLING BODIES

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer

Tatiana Rizzante

Executive Directors

Filippo Rizzante

Daniele Angelucci

Claudio Bombonato

Elena Maria Previtera

Fausto Forti (1) (2) (3)

Secondina Giulia Ravera (1) (2)

Francesco Umile Chiappetta (1) (2)

Board of Statutory Auditors

President

Giorgio Mosci

Statutory auditors

Piergiorgio Re

Ada Alessandra Garzino Demo

Independent Auditors

PwC S.p.A.

(1) Directors not invested with operational proxies.

(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance

(3) Lead independent director

This report has been translated into English from the original Italian version, in case of doubt the Italian version shall prevail.

FINANCIAL HIGHLIGHTS

THE GROUP'S FINANCIAL HIGHLIGHTS

YE 2019	%	Economic figures (Euros/000)	1 st half 2020	%	1 st half 2019	%
1,182,528	100.0	Revenues	615,176	100.0	573,672	100.0
191,307	16.2	Gross operating margin	90,217	14.7	85,655	14.9
155,324	13.1	Operating margin	74,147	12.1	67,599	11.8
161,419	13.7	Income before taxes	75,138	12.2	70,216	12.2
113,858	9.6	Group net income	53,938	8.8	49,414	8.6

YE 2019	Financial figures (Euros/000)	1 st half 2020	1 st half 2019
583,722	Group shareholders' equity	609,890	517,913
3,339	Non-controlling interest	3,325	1,613
1,307,913	Total assets	1,211,581	1,106,650
87,390	Net working capital	70,571	128,086
482,030	Net invested capital	490,630	501,240
202,793	Cash flow	68,839	80,713
105,031	Net financial position	122,585	12,287

YE 2019	Data per single share (in Euros)	1 st half 2020	1 st half 2019
37,411,428	Number of shares	37,411,428	37,411,428
4.15	Operating result per share	1.98	1.81
3.04	Net result per share	1.44	1.32
5.42	Cash flow per share	1.84	2.46
15.60	Shareholders' equity per share	16.30	13.84

YE 2019	Other information	1 st half 2020	1 st half 2019
8,157	Number of employees	8,540	7,924

REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply is a company that specialises in consulting, system integration and digital services with a focus on the invention, design and implementation of solutions based on the new communication channels and digital media.

Composed of a network of companies, Reply partners with key industrial groups in defining and developing business models made possible by the new technological and communication paradigms such as big data, cloud computing, digital communication, the Internet of Things and mobile and social networking. In so doing, it aims to optimise and integrate processes, applications and devices.

THE ORGANISATIONAL MODEL

With over 8,000 employees Reply operates through a network of companies that specialise in processes, applications and technologies and are centres of excellence in their respective fields of expertise.

Processes – for Reply, the understanding and use of technology establishes a new enabling factor for business processes, based on an in-depth market knowledge of the specific industrial contexts of implementation.

Applications – Reply designs and implements software solutions aimed at satisfying a company's core business requirements.

Technologies – Reply optimises the use of innovative technologies, by implementing solutions capable of ensuring maximum efficiency and operational flexibility for its customers.

REPLY'S SERVICES INCLUDE:

Consulting – with a focus on strategy, communication, design, processes and technology;

System Integration – making the best use of the potential of technology, by combining business consulting with innovative technological solutions and high added value;

Digital Services – innovative services based on new communication channels and digital trends.

MARKET FOCUS

In every market segment in which it operates, Reply combines specific sector expertise with broad experience in the provision of services and a wealth of advanced technological capabilities.

TELCO, MEDIA & HI-TECH

The convergence between the physical and virtual realms is profoundly revolutionising the relationship with customers and the approach adopted by today's Telco & Media companies. In this context, increasingly competitive and "hybrid" operators are having to tackle new challenges, to which they must respond with innovative and tailor-made offers, new business models and state-of-the-art operational processes.

In this scenario, characterised by rapid and profound change, Reply is collaborating with leading players in the sector to define and implement digital transformation strategies that leverage big data, using artificial intelligence and machine learning systems to design services increasingly more suitable and better targeted to customers' needs. Moreover, thanks to its extensive expertise and knowledge of the sector and its operational dynamics, Reply is not only able to take appropriate actions to optimise processes, but also to automate them by leveraging specific Robotic Process Automation solutions.

The relationship with customers and attention to the service provided are not, however, the only aspects affected by the digital changes that are transforming the Telco sector. The ever-greater diffusion of connected objects also requires a corresponding change in networks, through a reconfiguration that enables the transmission – in real time – of huge volumes of data, no longer generated by smartphones and other mobile devices alone, but by a myriad of connected objects. Reply plays an active role in this new "smart connection" era, in which the network must adapt and reconfigure itself according to the constantly changing requirements of the user. With this in mind, Reply has defined an integrated offer of strategic and technological consulting services to support the evolution related to the 5G network and to the design, definition and management of new generation networks based on the SDN paradigms. Networks that are capable of integrating and managing virtual networks through network engineering and network operations services.

Furthermore, in recent years, networks have been innovating faster and faster, driven not only by technological developments such as 5G, but also by the separation between HW and SW, the breakdown of networks, and by cloud and edge computing, which are all becoming elements of increasing distinction for operators. The software part will increasingly cover the core of network intelligence, to leave transmission areas to be dedicated to HW devices. In this context, Reply has gained a profound experience in its projects relating to unbundled networks, combining the specialized skills of networks with the ability to create software systems in an agile way, and with highly performing development methodologies that guarantee low latency and "Carrier grade" solutions.

FINANCIAL SERVICES

The digital world is radically transforming the financial institutions sector. Leading market analysts are predicting that the digital financial platforms market will explode over the next few years, both in terms of the increased number of natively digital retail customers, as well as the technological evolution towards highly scalable cloud platforms.

The growing penetration of solutions based on artificial intelligence and robotics is another powerful element of transformation, based on new decision-making models made possible by the explosion of available data (big data), the increasing digitisation of internal services/processes and interfaces with the market.

Reply accompanies European banks and insurance companies in their digital transformation. The company helps them not only in the definition of multi-channel strategies and the implementation of open banking and open insurance models, but also in allowing new architectures and technologies to coexist with legacy systems and architectures. To do this, Reply brings its extensive know-how in key areas such as big data, robotics and artificial intelligence, with the aim of improving customer interaction and developing new decision-making models to analyse risks and optimise internal operational processes through the adoption of Robotic Process Automation (RPA) techniques.

Moreover, Reply also operates in the mobile payment sector, in the m-commerce services realm and in related platforms, offering solutions, services and consultancy for the banking and insurance market, as well as for new, emerging players working on payments solutions.

Reply also boasts a strong presence in the wealth management industry, having developed specific solutions for new consultancy models, including robo-advisory platforms. Moreover, Reply is significantly active on the risk control front, operating in Europe with a consultancy division dedicated to Governance, Risk and Control (GRC). Reply also develops solutions that help financial institutions implement regulations issued by the European Banking Union and, finally, is strongly committed to innovation driven by projects linked, for example, to biometric recognition, digital identity, quantum computing and blockchain technology.

MANUFACTURING

Reply invested significantly to enhance its portfolio of Industry 4.0 and Logistics 4.0 solutions, fully re-engineering its proprietary solutions for supply chain execution and for the manufacturing execution system. Thanks to the integration of the IoT, cloud computing and big data paradigms, the ability to interact with the latest generation of sensors installed on production lines and products was further boosted, with the aim of creating the backbone of the next generation of applications in the logistics and manufacturing sector.

Reply also works with leading groups in the manufacturing sector in the transformation and evolution of systems in the production and distribution fields, with a specific products and services offer that integrates technological consultancy and the industrial context domain. In particular, Reply's areas of intervention concern the support of supplier and purchase management processes, the design and implementation of control and planning systems based on the new generation of cloud-based ERP solutions, the planning and control of production units and the design and definition of logistics supply networks.

One of the manufacturing sectors that underwent a major transformation is the automotive sector, particularly in terms of connected vehicles and mobility platforms. In these areas, Reply has closely followed the ACES (Autonomous, Connected, Electrical and Shared) paradigm, developing specialised skills and projects related to autonomous driving assistance, where the level of automation is taking its first steps towards level 5, in other words, driving without any human intervention. The connectivity front is another realm in which Reply collaborates with the leading OEMs to create commercial versions of V2I (Vehicle-to-Infrastructure) connectivity platforms. In this area, Reply's developments concern both on-board software applications (infotainment and telematic boxes), as well as mobile and back-end solutions for the processing of the data received and the provision of B2C and B2B services.

Electric and hybrid vehicles represent another innovative leap, a transport category for which optimising the charging process, both in terms of logistics and timeframes, is key. With this in mind, Reply has leveraged its consolidated experience in the mobile field and in the development of cloud-based platforms to design, in collaboration with client companies, platforms at the service of connected vehicles. Capable of integrating data from on-board systems with distributed network data, these platforms make it possible to calculate optimal routes between the different charging stations available. Moreover, in the Shared Mobility realm, Reply collaborated with the leading European operator in the creation of a communication control unit between vehicles and infrastructures, handling both the hardware and software development.

Finally, Reply has confirmed its leadership in the IT solutions sector for logistics, in support of the automotive industry, with projects for leading OEMs covering the entire supply chain: from production, to factory logistics, transport and after-sales distribution.

RETAIL

The evolution of customers' purchasing behaviour, the entry of new players into the market, e-commerce and impetus of the digitalisation of products and services have already radically and permanently changed the retail sector. In this renewed dimension, the customer experience is also transforming, becoming a differentiating element for retailers. Today, customers are increasingly demanding closer relationships with brands and expecting to be able to interact wherever they are, breaking down the boundary between physical stores and e-commerce. A fully personalised shopping experience is a prerequisite for a positive perception of the interaction with companies and brands. Consequently, data-driven strategies that include the real-time analysis of customer behaviour, as well as a perfect connection between the digital and physical world, are absolutely crucial.

Reply also supports traditional operators in adding digital capabilities to their business, integrating the most up-to-date technologies into their activities and daily interactions with the consumer. Reply collaborated with numerous European retailers to introduce voice assistants and solutions based on augmented and virtual reality, in order to radically transform the shopping experience by practically eliminating the barrier between the digital and in-store dimensions.

ENERGY & UTILITIES

Increasingly advanced digital technologies are having a significant impact on the entire supply chain associated with the energy sector and with the services provided by utilities. Today, digitalisation involves all supply phases, from production to sales and all the way to consumption control.

Today, Cloud computing is the most commonly used tool for primary provisioning, while the approach based on IoT models is increasingly popular in the generation and energy management sector, being used primarily to support efficiency and smart city initiatives. Moreover, the trend towards the development of “open innovation” approaches is on the rise among large companies in the sector, including through the search for collaborations with innovative start-ups.

In this context, Reply is one of the reference partners for the sector, combining knowledge of the market and of its unique processes, with a distinctive capability to design, implement and manage innovative digital solutions and technological platforms at the support of “core business”.

The company’s consolidated skills and expertise in the introduction of new digital technologies have been further verticalised. In addition to the definition and development of new models in the energy management sector and downstream services – areas in which Reply collaborates with energy sales companies, as well as with end customers – experiments and collaborations have continued in areas linked to blockchain technology, to advanced analytics and to artificial intelligence and its applications to the sector.

HEALTHCARE & GOVERNMENT

Today, technology and health are increasingly connected and healthcare is quickly evolving towards a new “ecosystem” capable of satisfying all the key steps related to patient care: from prevention to treatment and all the way to follow-up services. This model is known as “connected care” and is characterised by a double advantage, both for patients and for healthcare professionals.

On one hand, it allows citizens/patients to access information regarding their health through unified and interoperable digital platforms and to share this information in a safe and voluntary matter with doctors, nurses and other actors. On the other hand, it is possible to connect all the different actors that come into contact with the patient, in order to seamlessly integrate the various information systems, exchange data and information and ensure the availability of the patient's medical history, thus providing them with effective support throughout the diagnosis and treatment processes.

In this context, Reply is positioned as an innovative leader in the healthcare and data realms. The company combines its skills and expertise in innovative technologies such as big data, cloud computing, digital media and the Internet of Things, with its extensive healthcare know-how to offer specifically-created interoperability platforms and suites, starting from those designed for processes related to Reception and Patient Relationship Management (Appheal Reply platform), to its solutions focused on patient treatment and continuity of patient care (Ticuro Reply™ platform).

TECHNOLOGICAL INNOVATION

Technological innovation is the basis of Reply's growth. The company has always pursued the objective of providing its clients with the tools they need to increase flexibility and efficiency. Reply is committed to in a continuous process of research, selection and the marketing of innovative solutions for sustaining the creation of value within organisations.

ARTIFICIAL INTELLIGENCE

Reply has been at the forefront of artificial intelligence for years and today its offer is divided into three main areas: human-machine interaction (with the development of conversation and natural language recognition systems or visual recognition systems), the automation of business processes (through Intelligent Process Automation solutions) and the creation of systems to support business decisions (data prediction and prescription).

However, in order for artificial intelligence systems to become pervasive, the availability of data must also progressively improve. Indeed, AI offers effective results, provided that relevant datasets are available, both historical and updated in real time. With this in mind, Reply supports its customers by helping them to identify sources, as well as to build and organise information and sophisticated and combined models with Reinforcement and Transfer Learning methodologies, to ensure the use of algorithms characterised by very high accuracy and performance.

This is further enhanced by Reply's expertise in providing services to enrich datasets and to improve algorithm performance. To achieve this, Reply relies on *ad hoc* information collection through scraping or through its proprietary crowdsourcing platform, as well as the generation of pseudo-real synthetic data, assisted by generative neural networks and 3D modelling, or leveraging the integration of data streaming services, like those of IoT origin or, in the near future, distributed on 5G networks.

Moreover, to ensure that artificial intelligence can be applied correctly, it must be introduced into real processes, particularly in the industrial sector, in a controlled, measurable and reliable manner. To address these needs, Reply offers its proprietary framework, which is capable of providing process control tools, performance monitoring, behaviour transparency and confidence in results (fairness, explainability, bias detection and mitigation).

In the future, AI will be expected to play an increasingly key role, right from the conception and design phases of each new solution. The many vertical solutions and algorithms developed in recent years for different business cases and industries, allow Reply to offer customers rapid, agile and ad hoc adaptations of AI systems, including thanks to collaborations with leading international players in AI technologies.

BLOCKCHAIN

In the broad landscape of emerging technologies, blockchain represents a technological paradigm that, over the next few years, will be increasingly able to foster new digital ecosystems based on distributed computational infrastructures. The shared and distributed nature of blockchain-based digital registers represents an opportunity characterised by multi-industry application, with particular repercussions to the financial services sector and to the management of the supply chain. Moreover, the ability to create synergies with exponential technologies such as IoT or artificial intelligence enables the blockchain to become a convergence layer capable of supporting future data markets.

With an offer structured along the lines of consulting services, design and the implementation of solutions based on blockchain and the Distributed Ledger Technology (DLT), Reply developed the first system platform aimed at insurance companies and banks. Conceived and developed in collaboration with key partners in the insurance and university spheres, thanks to the use of smart contracts, the platform facilitates the issue and placement of parametric insurance products with reimbursement guaranteed.

Reply is also working on the development of leasing, securitisation and surety platforms. Together with the CeTIF (Research Centre in Technologies, Innovation and Financial Services) of the Cattolica University in Milan, Reply was a promoter of the first edition of the Blockchain Executive Program, a training course aimed at executive roles in companies operating in different industrial sectors.

CLOUD COMPUTING

Cloud Computing has long since become the paradigm for enabling the digital transformation. Implementing or migrating solutions in the cloud is now essential for companies, which, more than ever, are looking for support in making the most appropriate choices. With its decades of experience, Reply is able to support and guide its customers towards the best strategy, whether the latter is built on a “hybrid” approach or developed directly on the application platforms “as a service”.

Microservice-based architectures have taken over in the hybrid cloud world and “container” orchestrators have established themselves as the true paradigm able to enable digital transformation, while at the same time limiting the lock-in risks. Within this framework, Reply helps its customers to develop functionality based on a continuous delivery and continuous deployment approach.

Thanks to partnerships with major international vendors including Adobe, Amazon Web Services, Google, Microsoft, Oracle, SAP and Salesforce, Reply designs, develops and implements solutions that allow customers to benefit from the most effective solutions for their needs, both in terms of the model and the technology selected. Reply is also able to offer a cloud infrastructure management service, available 24/7, to support customers, not only in the architectural component, but also at the application level. Finally, Reply completed the migration to the cloud of all its proprietary application platforms.

CUSTOMER ENGAGEMENT

The data-driven approach, which today sees an increasingly widespread use within companies, is rapidly defining a new paradigm for the design and management of marketing initiatives. Indeed, once the needs of the individual customer have been interpreted, based on the data and the analysis provided by CRM platforms (i.e. Customer Relationship Management), it becomes fundamental to have tools available that are able to support the definition and the execution of highly customised one-to-one marketing campaigns and can be launched in real time, making it possible to intercept increasingly more accurate and punctual requests.

To respond to this change of scenario, Reply has created a competence centre focused on customer robotics, for the development and implementation of processes relating to direct interaction with the customer across all sales channels. Thanks to the integration of machine learning models, artificial intelligence and cognitive systems, Reply helps companies to recognise and anticipate users' needs on the various contact channels.

An approach based on data analysis, in fact, facilitates the conception, design and implementation of highly personalised services, such as recommendation systems for catalogue products and conversational systems capable of understanding and interacting independently using natural language.

Lastly, Reply is constantly investing in developing its expertise in leading CRM and e-commerce platforms and solutions, thanks to a solid ecosystem of partnerships with world leaders in the industry, including Microsoft, Oracle, SAP and Salesforce.

CYBER SECURITY

In recent years, cyber risks have increased dramatically, not only in terms of their frequency, but also when it comes to the severity of the consequences, leading to a large number of data security breaches involving hundreds of millions of customers, as well as significant economic damage to governments and organisations. This growth in significant attacks, together with the increased attention from regulatory bodies on issues concerning the protection of information, personal data and critical infrastructures, requires an ever-increasing commitment from companies to manage the risks associated with cyber security.

In order to respond to this increasing complexity, Reply has developed a products and services offer designed to protect the integrity of its customers' systems, from the definition of the best computer security strategies, to the identification and implementation of the most suitable technological solutions to mitigate risk. Through its extensive partnership network, Reply is able to offer in-depth knowledge of the most innovative and popular security technologies on the market and to help customers with the scouting, selection and implementation of some of the best protection solutions, particularly as pertaining to risks associated with cloud services, IoT, industry 4.0 and automation.

Reply supports its customers during all the implementation phases of an integrated protection plan: from the identification of threats and vulnerabilities to the planning, design and implementation of appropriate technological, legal, organisational and risk transfer (cyber insurance) countermeasures. Moreover, thanks to its cyber security command centre, Reply assists large organisations with advanced computer security incident management and response, as well as with threat intelligence services.

DATA & ANALYTICS

Today, the ability to manage, process and transform data into a strategic asset is a priority for companies who wish to understand better the market in which they operate as well as their customers, but also for those looking to optimise internal processes. The key is the integration between the various technologies and a conscious use of data, developing value cases through accurate metrics.

Reply combines technological expertise in data mapping and data integration, with a profound knowledge of augmented data management and augmented analytics, supported by its skills in the design of data solutions, DataOps and MLOps, in addition to defining the organisational and operational Data Enablement Labs models.

Reply supports its customers through all the stages of the data adoption process, accelerating the construction or consolidation of analysis teams and of the supporting platforms. Moreover, Reply oversees aspects relating to the technological transformation (e.g. migrating data platforms from on premise to the cloud), as well as strategic aspects (e.g. the selection of key datasets or core skillsets), with the aim of reducing the timeframes required for the implementation of success cases with a measurable ROI.

Reply strengthened its offer in the machine learning sector, by integrating specific deep learning and reinforcement learning skills and using them in commercial Machine Learning and Artificial Intelligence contexts. Moreover, it further developed its offer in the Data Academy and Data Design Thinking spheres. The main goal is to support companies in the creation of enterprise analytics platforms, as well as in making the transition from pilot projects to scalable solutions in production, thus enabling the automatic integration of predictive and prescriptive models within business processes and within new digital services.

DESIGN CONSULTING

In a world increasingly characterised by complex ecosystems, “customer-driven transformation” is the real differentiating factor in offering products and services in the B2C as well as the B2B spheres. With a view to the constant personalisation of services, Reply partners with and supports its customers in creating innovative and distinctive experiences, starting from the analysis of people’s needs, strategic business objectives and technology enablers, to achieve a personalised customer journey and to help companies create products and services capable of immediate and tangible results.

A customer-centric approach also requires a transformation in the internal organisation of the company. Reply enters this scenario, by supporting organisations in managing this change and helping them to become more agile and receptive, in other words, capable of capturing the best feedback and inputs from the market, while helping them to become faster in launching new products and services.

Reply continues to invest in this area through the acquisition of new talent and expertise, further expanding its two offices in Milan and Munich which offer support to various types of customers, from start-ups to large global industrial groups.

DIGITAL EXPERIENCE

In a world saturated with stimuli and distractions, it is absolutely key for companies to be able to establish a solid relationship with their target audience. Reply helps customers to design and implement a customer journey filled with experiences, also thanks to the use of innovative technologies and an in-depth knowledge of the user.

The foundation of the Reply philosophy consists of a personalised approach and a human-centric design. Over the years, the Company has continued to invest in creating scalable platforms and in the collection and analysis of a significant amount of data to understand user behaviour, improve marketing results and create new business opportunities, with a thought process based on an eco-system perspective rather than on a single application. To accomplish this, Reply applied the principles of Design Thinking, Lean UX and Growth Hacking and implemented social strategies and automated CRM activities, thus creating responsive and user-friendly mobile interfaces and intelligent recommendation engines.

Artificial intelligence will enable the enhancement of the digital experience over the next few years, while voice interfaces will radically change the way customers interact with a brand or make purchases.

Moreover, AI can help companies accurately predict which content is most relevant to a specific customer audience, as well as understanding what their next actions may be.

Mixed reality applications are set to become the new paradigm of digital marketing. Indeed, as a hybrid between AR and VR, Mixed Reality (MR) is expected to become the next major paradigm shift in customer experience. By combining different types of technologies, including sensors, advanced optics as well as power and the latest generation processing networks, Mixed Reality is expected to enable the user to superimpose augmented holographic digital content in space in real time, creating incredibly real scenarios. All this, in turn, will allow companies and brands to connect, interact and sell their products and services in ways that have never been possible before.

Reply is working to help companies keep up with the digital experience, accompanying them towards an extreme and successful personalisation of their communication, services and products.

DATA-DRIVEN MARKETING

When analysis and logic come together with imagination and intuition, something unexpected happens in terms of technological innovation. It is precisely on this principle that Reply has based its Data-Driven Marketing offer, which is capable of combining data science with business skills and creativity. Reply's technology and approach help companies reduce the pressure of emotion in marketing decisions, leaving room for decisions based on data analysis: an approach that makes it possible to minimise the unnecessary aspects related to advertising, for a more efficient and effective process.

Reply offers a wide range of flexible and easy-to-use Data dashboards (such as the proprietary China Beats, Pulse and Sonar platforms), which are capable of transforming the data collected into stories. The Company has also introduced the Data Creativity Score, the first data-driven system designed to quantify the level of creativity in a marketing campaign. Moreover, by applying brand personalisation models based on the principles of behavioural psychology and comparing them with the analysis of the echo generated by social media networks and buzz, Reply allows marketing experts to monitor Digital Brand Equity in real time.

These services are joined by the proprietary Advanced Analytics system, based on the latest scraping algorithms that exploit artificial intelligence and natural language processing. Thanks to this system, Reply is one of the few providers in the world capable of offering real-time tracking of a marketing campaign's ROI, thus enabling companies to reach their targets while optimising costs. Finally, with a focus on the Retail sector, Reply has created a solution capable of offering new and extraordinary opportunities for producers of consumer goods and for the retail world, by increasing the number of shop visits, optimising sales timeframes and differentiating the offer based on the specific target.

E-COMMERCE

Today, it has become increasingly important to pursue a digital strategy and to try to implement it as quickly as possible. We are witnessing a constant wealth of innovation, which in turn is bringing to life a vicious circle, where the goal is to create more value for the customer and greater efficiency for the company. In an increasingly digitalised world, where information is available everywhere and transactions are carried out with a simple touch of a finger or based on voice or facial recognition, it is essential for companies to learn to differentiate themselves.

This is precisely why e-commerce must reach a new level: it can no longer be a simple catalogue or a web showcase where products are reviewed or where there is a margin of personalisation. E-commerce must learn to involve and adapt digital marketing technologies, innovative techniques such as RPA or VR/AR, artificial intelligence and other channels such as digital ads, e-mail, search engines, the mobile world, social media marketing and even physical stores, along with information derived from data and digital content. A winning mix that leads to customer engagement, higher revenue and profitability.

In other words, a transversal optimisation that impacts the entire user experience, with the aim of increasing sales across all channels. The process involves all the stages, from attracting new customers to learning about their tastes, and from completing a single purchase to the customer's choice to go back for additional purchases, all with the aim of acquiring more customers, more brands and higher sales.

Reply accompanies its customers in defining this path, while enhancing business efficiency and leveraging technological innovation to help companies create more value for the end user.

ENTERPRISE ARCHITECTURE & AGILE DEVELOPMENT

To be competitive on the current market, companies must be able to innovate quickly and on a widespread basis. Over the next few years, the agile approach is expected to become crucial and will be applied to all new projects. The "cloud first" philosophy and data-based models will see a growing need to put security and data protection at the very base of the life cycle and software development cycle.

In order to excel in the digital economy, characterised by the convergence between the physical and the digital worlds, organisations must remove the boundaries between IT and business.

This will enable companies to be agile in exploiting the new developments that are available, while being careful to avoid damage to legacy systems and projects.

Reply is able to support its customers in the Enterprise Architecture sphere, thanks to an extensive and proven catalogue of architectural frameworks, methods and models (for example, the Scaled Agile Framework and SecDevops), consolidated in various projects carried out on behalf of leading industrial and financial groups in the media and services sector.

GAME STUDIOS

The world of video games is not immune to the relentless changes and disruptions brought about by the digital age. In recent years, very different business and consumption models have become established: on one hand, the multiplayer concept and the birth of the freemium model, while on the other hand, the growth of digital marketplaces and new hardware platforms. Other revolutions are already expected in the near future, starting from the cloud gaming model, which promises to assert itself in a very short period of time, also driven by the 5G networks that will be able to guarantee very low latency. This trend promises to lead to the introduction of new business models, as well as new ways of using such models.

In this constantly changing scenario, one of the very few constants are the players' interest in the quality of the products: from the game and the story, to the graphics and the characters. These are all elements to which Reply has always attached great importance, as evidenced by the fact that the products developed over the years still appeal on the market and continue to register the interest of users across all leading platforms, from mobile to PC and to the various consoles.

In the consumer sector, Reply's main VR product (Theseus) was included within an international gaming convention last year. Moreover, Reply is at work on a new title, to be launched in the next few years, which is expected to consolidate the company's position as one of the leading firms in the sector. In the B2B sphere, Reply has developed various games for companies looking to establish a more modern approach to dialogue with their customer base. The gaming industry has proven to be a strategic sector for Reply, which over the years has developed an offer capable of meeting the needs of brands, by helping them to exploit the potential of gaming to improve corporate communication and the relationship with customers.

INDUSTRY 4.0

Data processing power, latest-generation mechanical automation, as well as machine learning systems and artificial intelligence, are the drivers behind the fourth industrial revolution. The new Industry 4.0 models are quickly redefining production sites around the world, transforming traditional factories into closely interconnected systems capable of communicating in real time with the supply chain, logistics, sales, the actual products and the entire support and maintenance chain.

Plants are thus becoming open ecosystems that need to be able to adapt autonomously to new tasks, but also to carry out self-maintenance projects and organise input and output flows through constant communication with supply chains, while attaining levels of efficiency and control that make it possible to minimise costs and maximise results.

In this scenario, the product becomes a living component of the ecosystem: from design, to prototyping and up to production and to its after-sales dimension. The concept of the Digital Twin thus comes to life. This allows companies to maintain a digital copy of the product during its entire life cycle, starting from the traditional representation in CAD systems, to all of the subsequent phases.

Together with the Polytechnic University of Turin, Reply is working on Additive Manufacturing, a set of tools that make it possible to add the specific characteristics of additive manufacturing to MES/MOMS systems. Reply has also directly created a suite of integrated solutions, capable of making customers' production systems flexible, connected and efficient.

Reply's mission is to accompany companies throughout the transformation process: from the planning and development of solutions that open up the production sites and interconnect them to the entire digital world, to the design and implementation of solutions that are able to render products "smart", connected and digital. In addition, thanks to its data science specialists, Reply provides support in the processing of data collected by the interconnected systems, in order to develop algorithms aimed at automating production processes, in an efficient and effective manner.

A distinctive feature of Reply's offer is the availability of tools based on augmented reality and virtual reality, which can be adopted by companies to accompany people in the transition to a 4.0 approach.

Lastly, Reply is also a founding partner of two Industry 4.0 Centres in Turin and Milan, in collaboration with the Polytechnic University of Turin and the Polytechnic University of Milan.

MIXED REALITY

In a digital world that is constantly evolving and where video content is growing exponentially in volume, resolution, immersive capacity and three-dimensionality, talking of virtual reality or augmented reality now seems limiting.

The increasing computing power of devices, the capacity of the networks to offer incredibly low latency levels, the evolution of computer vision machine learning algorithms, the emergence of innovative software solutions such as pixel streaming and the evolution of increasingly smaller and more powerful visors, are all phenomena that are facilitating the shift from a logic of "experimentation" to a logic of "actual adoption" of these technologies across various business scenarios.

Thanks to its expertise in this sector, Reply has introduced immersive technologies in all their forms, incorporating them into concrete projects designed to support the communication and marketing of customer brands and as a tool for improving training processes.

Training, in fact, is an area where immersive technologies offer key advantages, as they provide contextualised instructions in the field, as well as because they create real virtual environments in which customers can experiment and practice in complete safety.

Reply has also created a holographic (HoloBeam) person-to-person (P2P) communication platform designed to enable participants to see the 3D reconstruction of the other participants and to share and interact using three-dimensional elements.

It is expected that new visors and new technologies will arrive on the market in 2020. Reply's laboratories and teams focused on the analysis and study of these technologies will allow the company to maintain a leadership consultancy role in this sector.

MOBILE & APPS

Reply is committed to supporting companies towards a "mobile digital transformation" with a focus on a multi-channel approach. The broad portfolio of products and services in this realm touches on the themes of User Experience, Data Centric Design and Multimodal Human-Machine Interfaces, thanks to which users can access a series of services that go beyond the terminal, to include voice assistants, chatbots and on-board vehicle *infotainment* systems. All this translates into a "fluid" mobile experience, in which the user chooses the device and how to use it.

The increasingly better performance of devices has made it possible even for the mobile world to adopt artificial intelligence systems that enable advanced services such as object recognition, biometric data processing or a number of augmented reality extensions.

Through the experience gained over the years, Reply offers its customers a mobile factory capable of not only exploiting the potential of native development, but also of quickly moving in to new market segments, leveraging the capabilities of hybrid development. All this, based on a versatile approach that enables the creation of applications natively conceived for smartphones, tablets, wearables, TVs and cars.

CONNECTED PRODUCTS AND PLATFORMS

Today, all key sectors have already started to experiment or consolidated their first experiences in the IoT field, starting from the automotive industry, where sizable investments in the connected car began last year, as well as in the insurance world, where this technology promises important changes in the relationship with customers, in risk management associated with policies and in the development of new targeted products.

The IoT is also crucial for the telecommunications sector, which today seems to be the most ready to handle a large number of connected objects and where the world of connected objects represents a structural opportunity to increase the top line, reduce the churn and develop the role of B2B service providers, which is an important goal in the transformation of business models.

Utilities also find themselves in the same position, with respect to which the IoT has become essential, not only to increase competitiveness, but also to generate, distribute and manage energy and energy efficiency. 2019 saw the launch of the new Reply accelerator for smart home solutions in the insurance, telecommunications and utilities sectors, with important results on a global level. Moreover, Reply's HI ConnectTM platform has also consolidated its standing in the market as an effective choice for medium and large companies in the manufacturing sector.

Indeed, manufacturing appears to be the sector that shows the most promise in terms of being significantly revolutionised by the Internet of Things, opening the doors to Industrial IoT (IIOT), in other words connectivity linked to the digital transformation of manufacturing companies in Industry 4.0. In this context, Reply is consolidating its position as a privileged partner, with the Edge Computing offer playing a key role, namely the ability to move the intelligence of some typically cloud systems such as artificial intelligence (AI) and machine learning (ML) close to where the data is produced (i.e. the production line). Moreover, Reply is also investing in 5G, a strategic element for Industry 4.0 in the near future, and on the integration of IoT cloud platforms for industry, home to the Digital Twin applications designed to enable product development and maintenance.

QUANTUM COMPUTING

New technologies are emerging on the market, which make it possible to radically rethink complex problems from the computational point of view.

We are referring, of course, to the accelerated computing realm, where the basic objective is to accelerate computational workloads through the use of innovative hardware platforms.

In this context, Quantum Computing takes a leading role, as it enables the encapsulation of information within Quantum Bits (Qubits), thus taking advantage of the massive parallelisation of quantum algorithms. Quantum Computing thus makes it possible to solve problems that would normally be impossible to tackle using traditional technologies.

Reply has created a competence centre dedicated to Quantum Computing, which delved deeper into the application of different types of quantum algorithms to areas of interest to customers, some of which have already been integrated into innovative projects. Reply developed a number of optimisation solutions during the year, ranging from a logistics solution, to one concerning frequencies in telecommunications, finance and financial assets, all the way to the design of Quantum Machine Learning solutions applied to classification algorithms.

SOCIAL MEDIA

Since their arrival in the early 2000s, social media has been a key factor in social development and continues to be a tool in constant evolution. Users consume, interact, stay in touch with other users and participate, on social media platforms. Today, an entire generation does not know and is unable to conceive the world without social media. Consequently, brands are investing more and more time and resources in marketing and advertising activities on these platforms.

Within this framework, social media networks are no longer just a virtual place to post and share fun content, but also a strategic space for companies to enhance the recognition of a brand and increase user involvement. Thanks to the new technologies and features launched on a daily basis, social media has become an effective tool for funnelling marketing activities, capable of involving customers within their environment and enabling an uninterrupted experience.

With the huge number of connected users, all of varied origins and backgrounds, social media networks are able to offer an impressive amount of data. From the information obtained, to the analysis of trends and behavioural patterns, social media networks make it possible to understand users' needs and desires at an extremely detailed level, thus also enabling the optimisation of marketing campaigns.

Aware that a deep and thorough understanding of users and their habits is the basis for building a successful brand, Reply designs, manages and upgrades connected digital ecosystems, in which brand and customers meet. By combining extensive knowledge and expertise in the world of data, with a broad know-how of content, channels, media and technology in general, Reply's international team of experts is able to create a fully connected infrastructure, made up of different digital touchpoints, where brands and customers can connect directly.

REPLY SERVICES

Today, networks consist of distributed "information systems" that provide real-time access to an ever-increasing quantity of complex data, information and content. This use of the Internet is creating new, competitive models, based on approaches to service that depend on three fundamental components: the software platforms involved, an understanding of and expertise in the relevant processes and service management.

Reply supports its customers in this quest for innovation with services and platforms that are designed to exploit in full the new potential offered by networks and communication technologies.

REPLY PLATFORMS

Reply supports its clients in the quest for innovation with services and platforms designed to fully exploit new potentials offered by networks and by communication technologies. These platforms are:

- Brick Reply™
- China Beats
- Discovery Reply™
- HI Connect™
- Lea Reply™
- TamTamy™
- Ticuro Reply™
- Pulse Reply™
- Sonar Reply™
- X-Rais Reply

INTERIM FINANCIAL REPORT

2020

FINANCIAL REVIEW OF THE GROUP

INTRODUCTION

The Half-Year report for the period ended June 30, 2020 has been prepared in accordance with the Legislative Decree. 58/1998, as amended, and the "Regolamento Emittenti" issued by Consob. The Report also conforms with the requirements of the International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") adopted by the European Union and has been prepared in accordance with IAS 34 – Interim Financial Reporting.

TREND OF THE FIRST HALF

Since the start of the year, the Group has recorded a consolidated turnover of 615.2 million Euros, which is an increase of 7.2% compared to the same period in 2019.

All indicators are positive for the period. In the first half of 2020, consolidated EBITDA of 90.2 million Euros compared to the 85.7 million Euros recorded in 2019 and corresponds to 14.7% of turnover.

EBIT, from January to June, was 74.1 million Euros (67.6 million Euros in 2019), corresponding to 12.1% of turnover.

Pre-tax profit, from January to June 2020, was 75.1 million Euros (70.2 million Euros in 2019), corresponding to 12.2% of turnover.

As regards the second quarter 2020, the Group's performance was also positive, with consolidated turnover for the period of 298.2 million Euros, up by 2.8% compared to 2019.

EBITDA, from April to June 2020, amounted to 42.6 million Euros, with EBIT of 36.1 million Euros and pre-tax profit of 41.1 million Euros.

As at 30 June 2020, the Group's net financial position was positive for 122.6 million Euros, while at 31 December 2019 was positive for 105.0 million Euros.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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

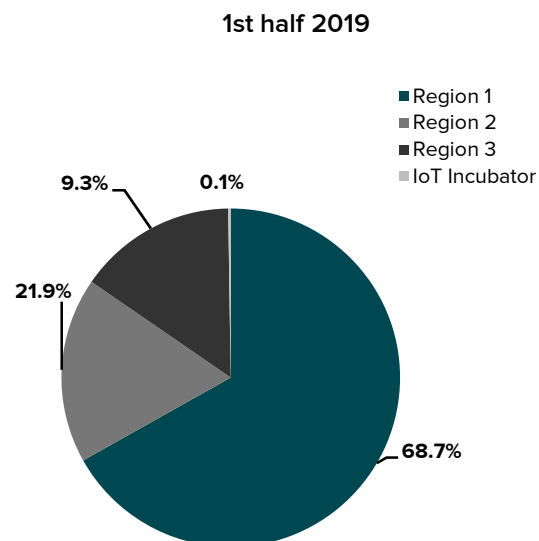
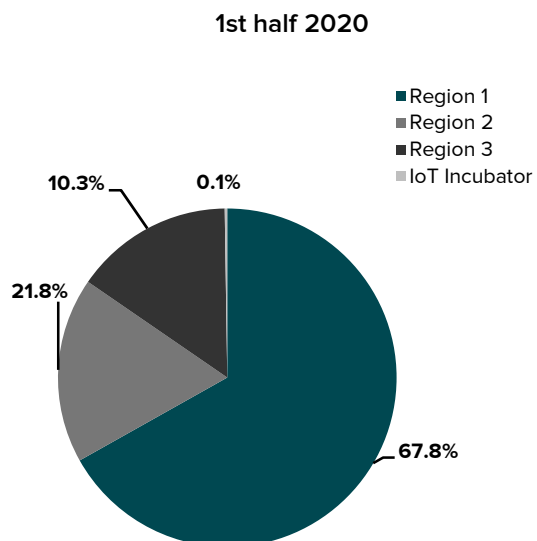
(thousand Euros)	1st half 2020	%	1st half 2019	%
Revenues	615,176	100.0	573,672	100.0
Purchases	(10,731)	(1.7)	(11,126)	(1.9)
Personnel	(305,678)	(49.7)	(290,091)	(50.6)
Services and other costs	(209,298)	(34.0)	(187,747)	(32.7)
Other operating (costs)/income	748	0.1	947	0.2
Operating costs	(524,959)	(85.3)	(488,017)	(85.1)
Gross operating income (EBITDA)	90,217	14.7	85,655	14.9
Amortization, depreciation and write-downs	(19,409)	(3.2)	(18,014)	(3.1)
Other non-recurring (costs)/income	3,339	0.5	(41)	-
Operating income (EBIT)	74,147	12.1	67,599	11.8
(Loss)/gain on investments	4,717	0.8	4,230	0.7
Financial income/(expenses)	(3,727)	(0.6)	(1,613)	(0.3)
Income before taxes	75,138	12.2	70,216	12.2
Income taxes	(20,364)	(3.3)	(19,638)	(3.4)
Net income	54,773	8.9	50,578	8.8
Non-controlling interests	(836)	(0.1)	(1,165)	(0.2)
Group net income	53,938	8.8	49,414	8.6

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME OF THE SECOND QUARTER

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

(thousand euros)	Q2 2020	%	Q2 2019	%
Revenues	298,184	100.0	290,128	100.0
Purchases	(5,327)	(1.8)	(6,399)	(2.2)
Personnel	(150,104)	(50.3)	(148,065)	(51.0)
Services and other costs	(100,357)	(33.7)	(93,027)	(32.1)
Other operating (costs)/income	198	0.1	675	0.2
Operating costs	(255,590)	(85.7)	(246,817)	(85.1)
Gross operating income (EBITDA)	42,593	14.3	43,311	14.9
Amortization, depreciation and write-downs	(9,820)	(3.3)	(9,255)	(3.2)
Other unusual (costs)/income	3,339	1.1	(41)	-
Operating income (EBIT)	36,112	12.1	34,015	11.7
(Loss)/gain on investments	5,036	1.7	3,059	1.1
Financial income/(expenses)	48	-	(1,063)	(0.4)
Income before taxes	41,197	13.8	36,011	12.4

REVENUE BY REGION (*)



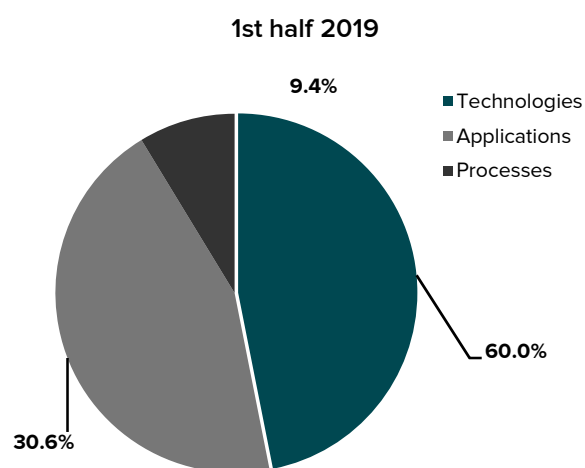
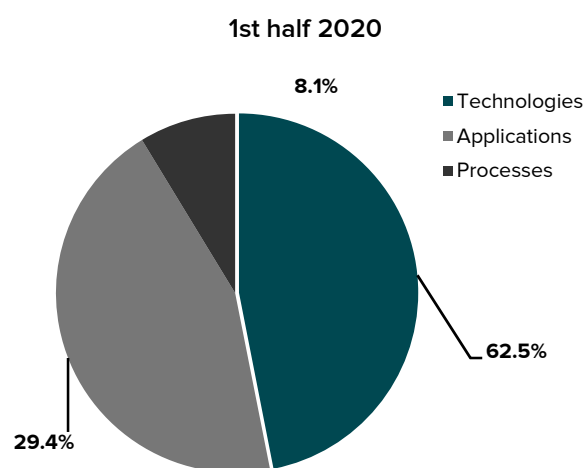
(*)

Region 1: ITA, USA, BRA, POL, ROU

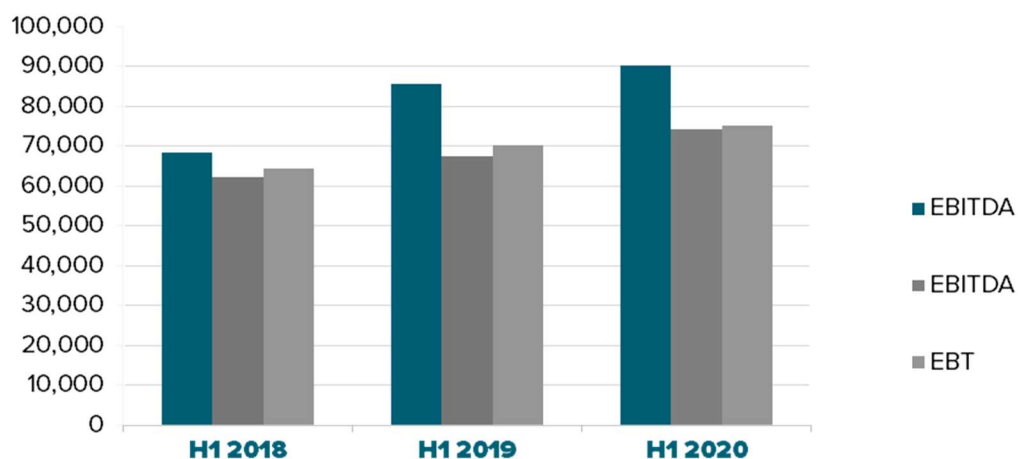
Region 2: DEU, CHE, CHN, HRV

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

REVENUE BY BUSINESS LINES



TREND IN KEY ECONOMIC INDICATORS



ANALYSIS OF THE FINANCIAL STRUCTURE

The table below illustrates the Group's financial structure as at June 30, 2020, compared to December 31, 2019:

(thousand Euros)	30/06/2020	%	31/12/2019	%	Change
Current operating assets	429,107		547,134		(118,027)
Current operating liabilities	(358,537)		(459,744)		101,207
Working capital, net (A)	70,571		87,390		(16,819)
Non-current assets	520,981		518,170		2,811
Non-current liabilities	(100,922)		(123,530)		22,608
Fixed capital (B)	420,059		394,640		25,419
Invested capital, net (A+B)	490,630	100.0	482,030	100.0	8,600
Shareholders' equity (C)	613,215	125.0	587,061	121.8	26,155
NET FINANCIAL POSITION (A+B-C)	(122,585)	(25.0)	(105,031)	(21.8)	(17,554)

Net invested capital as at June 30, 2020, amounted to 490,630 thousand Euros, and was entirely financed by Shareholders' equity for 613,215 thousand Euros, that generated a positive net financial position of 122,585 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2020	31/12/2019	Change
Work in progress	136,803	75,328	61,474
Trade receivables	239,354	432,240	(192,886)
Other current assets	52,951	39,566	13,385
Current operating assets (A)	429,107	547,134	(118,027)
Trade payables	76,136	119,951	(43,815)
Other current liabilities	282,400	339,793	(57,393)
Current operating liabilities (B)	358,537	459,744	(101,207)
Working capital, net (A-B)	70,571	87,390	(16,819)
% return on investments	5.7%	7.4%	

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(thousand Euros)	30/06/2020	31/12/2019	Change
Cash and cash equivalents, net	253,355	239,571	13,784
Current financial assets	1,855	1,666	189
Due to banks	(10,125)	(16,648)	6,523
Financial liabilities IFRS 16	(22,508)	(20,991)	(1,517)
Short-term financial position	222,578	203,598	18,980
Due to banks	(25,112)	(25,846)	734
Financial liabilities IFRS 16	(74,882)	(72,271)	(2,161)
M/L term financial position	(99,993)	(98,567)	(1,426)
Total net financial position	122,585	105,031	17,554

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

(thousand Euros)	1st half 2020
Cash flows from operating activities (A)	68,839
Cash flows from investment activities (B)	(14,449)
Cash flows from financial activities (C)	(40,556)
Change in cash and cash equivalents (D) = (A+B+C)	13,785
Cash and cash equivalents at beginning of period (*)	239,571
Cash and cash equivalents at year end (*)	253,355
Total change in cash and cash equivalents (D)	13,785

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

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

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

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

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

INTERGROUP TRANSACTIONS AND WITH RELATED PARTIES

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

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

HUMAN RESOURCES

At June 30, 2020 the number of employees of the Group was 8,540 with an increase of 383 compared to December 31, 2019 and an increase of 616 resources compared to June 30, 2019.

EVENTS SUBSEQUENT TO 30 JUNE 2020

No significant events have occurred subsequent to 30 June 2020.

Please refer to the paragraph Outlook on operations for further information.

OUTLOOK ON OPERATIONS

The year 2020 will mark history. During February and March, as the Covid-19 pandemic spread in the northern hemisphere, the world came to a standstill. Reply had the ability to react in an effective way to this period of unimaginable discontinuity. In less than two days, all of Reply's 8000+ people were able to work remotely. As a result, Reply was able to continue to honour the commitments we made with our customers, often working on fundamental systems which ensured not only the continuity of their business, but also the survival of entire countries and industries.

In these months, despite the difficulties linked to the various lock-downs, Reply has continued on its growth path, with positive results in all the geographies where it is operating. This has been possible thanks to the exclusive focus on new technologies and the resilience of our network model which has allowed to promptly compensate the slowdown in activities linked to sectors particularly affected by the pandemic such as, for example, transport, manufacturing and tourism.

In the second quarter of 2020 there has been a significant slowdown in growth due to the Pandemic and the lock down in the various countries where Reply is present: from 11.8% in the first quarter to 2.8% in the second quarter.

The business evolution in the next months will depend:

1. on the evolution of the pandemic and on further lockdowns in all countries.
2. on the resumption of full-fledged operating activities of Customers in the various countries and Market Segments.
3. on the development support measures that the various governments will decide for the support and the recovery of the economy.
4. on the speed and size of the investments that customers will make for the Digital adoption (which in the last months was largely used to support home working).

In this scenario Reply has shown to be resilient, flexible and adaptable to the new situation by maximizing the business growth opportunities and profitability.

Turin, July 31, 2020

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

**HALF YEAR CONDENSED
FINANCIAL STATEMENTS AT
30 JUNE 2020**

CONSOLIDATED STATEMENT OF INCOME (*)

(thousand Euros)	Note	1st half 2020	1st half 2019	Year 2019
Revenues	5	615,176	573,672	1,182,528
Other income	6	5,593	5,916	23,159
Purchases	7	(10,731)	(11,126)	(21,250)
Personnel	8	(305,678)	(290,091)	(578,263)
Services and other costs	9	(214,891)	(193,663)	(414,077)
Amortization, depreciation and write-downs	10	(19,409)	(18,014)	(37,239)
Other operating and non-recurring (cost)/income	11	4,087	905	466
Operating income		74,147	67,599	155,324
(Loss)/gain on investments	12	4,717	4,230	11,364
Financial income/(expenses)	13	(3,727)	(1,613)	(5,268)
Income before taxes		75,138	70,216	161,419
Income taxes	14	(20,364)	(19,638)	(44,829)
Net income		54,773	50,578	116,590
Non-controlling interest		(836)	(1,165)	(2,732)
Group net result		53,938	49,414	113,858
<i>Earnings per share and diluted</i>	15	1.44	1.32	3.04

(*) 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 36.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand Euros)	Note	1st half 2020	1st half 2019
Profit of the period (A)		54,773	50,578
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans		(461)	(1,054)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	27	(461)	(1,054)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		1,073	(1,834)
Gains/(losses) on exchange differences on translating foreign operations		(10,094)	(24)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)		(9,021)	(1,858)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)	27	(9,483)	(2,912)
Total comprehensive income (A)+(B)		45,291	47,666
Total comprehensive income attributable to:			
Owners of the parent		44,455	46,502
Non-controlling interest		836	1,165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(thousand Euros)	Note	30/06/2020	31/12/2019	30/06/2019
Tangible assets	16	48,616	48,298	44,711
Goodwill	17	263,879	267,541	252,480
Intangible assets	18	13,027	13,676	13,889
RoU Assets	19	92,538	90,569	82,339
Equity investments	20	59,108	56,991	52,449
Other financial assets	21	7,829	7,567	6,703
Deferred tax assets	22	35,985	33,527	30,352
Non-current assets		520,981	518,170	482,923
Inventories	23	136,803	75,328	154,810
Trade receivables	24	239,354	432,240	264,639
Other receivables and current assets	25	52,951	39,566	51,954
Financial assets	21	1,855	1,666	1,401
Cash and cash equivalents	26	259,637	240,943	150,924
Current assets		690,600	789,743	623,727
TOTAL ASSETS		1,211,581	1,307,913	1,106,650
Share Capital		4,863	4,863	4,863
Other reserves		551,089	465,000	463,636
Net result of the period		53,938	113,858	49,414
Group shareholders' equity	27	609,890	583,722	517,913
Non-controlling interest		3,325	3,339	1,613
NET EQUITY	27	613,215	587,061	519,526
Due to minority shareholders and Earn-out	28	27,702	41,301	39,374
Financial liabilities	29	26,058	26,857	28,901
Financial liabilities from RoU	29	73,936	71,710	60,143
Employee benefits	30	45,343	43,355	39,720
Deferred tax liabilities	31	19,104	19,810	16,725
Provisions	32	8,773	8,897	6,200
Noncurrent liabilities		200,915	211,931	191,063
Due to minority shareholders and Earn-out	28	12,023	10,166	7,750
Financial liabilities	29	17,471	18,557	22,365
Financial liabilities from RoU	29	21,444	20,454	22,629
Trade payables	33	76,136	119,951	111,839
Other current liabilities	34	269,878	339,113	231,170
Provisions	32	500	680	308
Current liabilities		397,451	508,921	396,060
TOTAL LIABILITIES		598,366	720,853	587,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,211,581	1,307,913	1,106,650

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of financial position are reported in the Annexed tables herein and fully described in Note 36.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Cash flow hedge reserve	Translation reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
At January 1st, 2019	4,863	(25)	72,836	421,950	(1,372)	(10,081)	(2,874)	1,315	486,612
Dividends distributed	-	-	-	(16,833)	-	-	-	(787)	(17,620)
Total comprehensive income/(loss)	-	-	-	49,414	(1,834)	(24)	(1,054)	1,165	47,666
Other changes	-	-	-	2,948	-	-	-	(80)	2,868
At June 30, 2019	4,863	(25)	72,836	457,478	(3,206)	(10,105)	(3,928)	1,613	519,526

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Cash flow hedge reserve	Translation reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
At January 1st, 2020	4,863	(25)	122,836	470,227	(2,529)	(5,735)	(5,916)	3,339	587,061
Dividends distributed	-	-	-	(19,452)	-	-	-	(798)	(20,250)
Total comprehensive income/(loss)	-	-	-	53,938	1,073	(10,094)	(461)	836	45,291
Other changes	-	-	-	1,166	-	-	-	(52)	1,114
At June 30, 2020	4,863	(25)	122,836	505,879	(1,456)	(15,829)	(6,378)	3,325	613,215

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousand Euros)	1st half 2020	1st half 2019
Net result of the period	53,938	49,414
Income taxes	20,364	19,638
Depreciation and amortization	19,409	18,014
Other non-monetary expenses/(income)	(8,003)	(2,486)
Change in work in progress	(61,474)	(77,749)
Change in trade receivables	192,886	171,276
Change in trade payables	(43,815)	(12,048)
Change in other assets and liabilities	(98,978)	(79,611)
Income taxes paid	(5,487)	(5,735)
Net cash flows from operating activities (A)	68,839	80,713
Payments for tangible and intangible assets	(6,210)	(6,478)
Payments for financial assets	(539)	(1,797)
Payments for the acquisition of subsidiaries net of cash acquired	(7,750)	(8,936)
Net cash flows from investment activities (B)	(14,499)	(17,211)
Dividends paid	(20,250)	(17,620)
In payments from loans	1,027	-
Financial liabilities for leasing	(12,685)	(11,016)
Repayment of loans	(8,647)	(8,783)
Other changes	-	1,071
Net cash flows from financing activities (C)	(40,556)	(36,348)
Net cash flows (D) = (A+B+C)	13,785	27,154
Cash and cash equivalents at beginning of period	239,571	122,481
Cash and cash equivalents at period end	253,355	149,635
Total change in cash and cash equivalents (D)	13,785	27,154

Detail of cash and cash equivalents

(thousand Euros)	1st half 2020	1st half 2019
Cash and cash equivalents at beginning of period	239,571	122,481
Cash and cash equivalents	240,943	128,060
Bank overdrafts	(1,372)	(5,578)
Cash and cash equivalents at period end	253,355	149,635
Cash and cash equivalents	259,637	150,924
Bank overdrafts	(6,282)	(1,288)

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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.com).

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 accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2019. More specifically the half year condensed consolidated financial statements at June 30, 2020 have been prepared in accordance to IAS 34 Interim financial reporting.

The Half-Year financial report has 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 statements are prepared on the basis of the historic cost principle, modified as requested for the appraisal of some financial instruments for which the fair value criterion is adopted in accordance with IFRS 9.

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

These consolidated financial statements are expressed in thousands of Euros and are compared to the consolidated financial statements of the previous year prepared in accordance with the same principles.

Further indication related to the format of the financial statements respect to IAS 1 is disclosed here within as well as information related to significant accounting principles and evaluation criteria used in the preparation of the following consolidated report.

Financial statements

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

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

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method. The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.

It should be noted that in order to comply with the indications contained in Consob Resolution no. 15519 of 27 July 2006 "as to the format of the financial statements", additional statements: income statement and statement of financial position have been disclosed showing the amounts of related party transactions.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED SINCE JANUARY 1ST, 2020

With regard to the accounting standards approved but not yet applicable or not yet approved by the European Union, please refer to the Annual Report as at 31 December 2019.

It should be noted that, during the first half of 2020, the following principles were issued even if not yet effective:

IFRS 17 - 'Insurance Contracts' (issued on 18 May 2017), with initial recognition scheduled for 1 January 2023. The new standard disciplines the accounting treatment of insurance contracts issued and reinsurance contracts held. IFRS 17 is applicable starting on or after January 10 2023.

Amendments to IAS 1: on 23 January 2020, the IASB issued the document "Amendments to IAS 1 presentation of Financial Statements: classification of liabilities as current or non-current" to clarify the requirements for classifying liabilities as current or non-current.

More precisely, the following:

- the amendments specify that the conditions existing at the end of the reference period are those which must be used to determine whether there is a right to defer settlement of a liability;
- management's expectations of events after the balance sheet date, such as breach of a covenant or early settlement, are not material;
- the amendments clarify situations which are considered as liquidation of a liability.

Due to the Covid-19 pandemic, the IASB proposed to postpone the date of entry into force of the document to 1 January 2023, to give companies more time to make any changes in classification resulting from the changes.

Amendments to IFRS 3 - 'Business Combinations' (issued on 14 May 2020). The reference to the Conceptual Framework for Financial Reporting has been updated without changing the accounting requirements for business combinations.

Amendments IAS 16 - 'Property, Plant and Equipment' on Proceeds before Intended Use (issued on 14 May 2020). The amendments prohibit a company to deduct, from the cost of an item of property, plant and equipment, amounts received from selling items produced while bringing that asset to the location and into the condition necessary for it to be capable of operating in the manner intended by management. Instead, the company must recognize the proceeds from selling such items, and the cost of producing them, in profit or loss.

Amendments to IAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts-Cost of Fulfilling a Contract (issued on 14 May 2020). The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'.

Amendment to IFRS 16 - 'Leases' The IASB issued the document on 28 May 2020 "Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions". The amendment provides a practical expedient that allows tenants not to consider changes to the lease concessions that occur as a direct consequence of the Covid-19 pandemic. This amendment is effective from the years starting on or after 1 June 2020. Earlier application is allowed, even in financial statements not yet approved by 28 May 2020.

Annual improvements: The annual improvements make minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and examples Illustrations accompanying IFRS 16 "Leases".

All amendments shall enter into force on 1 January 2022.

As of 30 June 2020, the above changes have no impact on the Half-Year condensed Financial Statements. Currently, the Group is analysing the standards outlined above and assessing whether their adoption will have a significant impact on the Financial Statements.

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

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

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

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

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

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 30 June 2020, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Investments	20	-	-	59,108
Convertible loans	21	-	-	2,430
Financial securities	21	1,489	-	-
Other financial assets		-	979	366
Total financial assets		1,489	979	61,904
Derivative financial liabilities (IRS)	29	-	3,724	-
Liabilities to minority shareholders and earn out	28	-	-	39,725
Total financial liabilities		-	3,724	39,725

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 item Other financial assets is mainly related to deposit and bank accounts and the fair value is equal to book values.

To determine the effect of interest rate derivative financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly); consequently, for the purposes of IFRS 7 the fair value used by the Group for the exploitation of hedging derivatives contracts in existence as at 30 June re-enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in Level 3.

As at 30 June 2020, there have not been any transfers within the hierarchy levels.

NOTE 4 – CONSOLIDATION

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

Change in consolidation compared to 30 June 2019 is related to Blowfish Digital Holdings Ltd and its subsidiaries Threepipe Ltd and Spot Digital Ltd, companies incorporated under the English law of which Reply Ltd. Holds 100% of share capital, acquired in the month of October 2019, specializing in digital marketing and creative agency.

Change in the consolidation does not significantly affect the Group's revenues and profits before tax on 30 June 2020.

Furthermore, the list of the Reply Group's companies and equity investments, presented as an annex herein, also includes in the consolidation, with respect to 30 June 2019:

- Avvio Reply S.r.l., a start-up incorporated in the month of January 2020 of which Reply S.p.A. holds 100% of the share capital;
- Hermes Reply Consulting (Nanjing) Co. Ltd., a company incorporated in the month of May 2019 of which Reply S.p.A. holds 100% of the share capital;
- WM Reply Inc., a company incorporated in the month of December 2019 under American law in which Reply Inc. holds 80% of the share capital.

It is to be noted that on 26 June 2020 Reply sold the investment in Lem.

NOTE 5 - REVENUE

Revenues from sales and services, including change in work in progress, amounted to 615,176 thousand Euros (573,672 thousand Euros at 30 June 2019).

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 Region. Moreover, the breakdown reflects the business management of the Group by Top Management and the allocation approximates the localization of services provided:

Region (*)	1 st half 2020	1 st half 2019
Region 1	67.80%	68.70%
Region 2	21.80%	21.90%
Region 3	10.30%	9.30%
IoT Incubator	0.10%	0.10%
Total	100.0%	100.0%

Disclosure required by IFRS 8 ("Operating segment") is provided in Note 35 herein.

(*)

Region 1: ITA, USA, BRA, POL, ROU

Region 2: DEU, CHE, CHN, HRV

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

The following table shows the breakdown of revenues by Business Line:

Business line	1 st half 2020	1 st half 2019
Technologies	62.5%	60.0%
Applications	29.4%	30.6%
Processes	8.1%	9.4%
Total	100.0%	100.0%

NOTE 6 – OTHER REVENUES

Other revenues amounted to 5,593 thousand Euros at 30 June 2020 (5,916 thousand Euros at 30 June 2019) and mainly refer to miscellaneous income, non-recurring income and R&D contributions.

NOTE 7 - PURCHASES

Detail is as follows:

(thousand Euros)	1st half 2020	1st half 2019	Change
Software licenses for resale	7,928	7,042	886
Hardware for resale	271	1,351	(1,080)
Other	2,532	2,733	(201)
Total	10,731	11,126	(395)

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 732 thousand Euros, the purchase of office stationery for 611 thousand Euros and the purchase of consumption material for 551 thousand Euros.

NOTE 8 - PERSONNEL

Personnel includes payroll employees and executive directors amounting to 305,678 thousand Euros compared with 290,091 thousand Euros of the first half 2019.

The increase in the cost of employees, amounting to 15,587 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)	1st half 2020	1st half 2019	Change
Directors	315	279	36
Managers	1,075	990	85
Staff	7,150	6,655	495
Total	8,540	7,924	616

On 30 June 2020 the Group had 8,540 employees compared with 7,924 of the first half 2019.

Change in consolidation brought an increase to the workforce equal to 78 employees.

Employees are mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

NOTE 9 – SERVICES AND OTHER COSTS

Services and other costs comprised the following:

(thousand Euros)	1st half 2020	1st half 2019	Change
Commercial and technical consulting	124,698	129,021	(4,323)
Travelling and professional training expenses	10,059	19,683	(9,624)
Other services costs	29,556	32,011	(2,455)
Office expenses	6,930	6,181	749
Lease and rentals	1,826	2,380	(554)
Other	41,822	4,387	37,435
Total	214,891	193,663	21,228

Change in Services and other costs, amounting to 21,228 thousand Euros, is attributable to an overall increase in the Group's business and to the item Other that includes an extraordinary accrual that management considered necessary subsequent to the economic effects in relation to COVID-19 with contra-entry offsetting working capital items.

The item Other services cost mainly includes hosting and cloud services, marketing services, administrative and legal services, telephone and canteen.

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and provision of secretarial services for 618 thousand Euros and rent charged by third parties for 983 thousand Euros, utility costs for 3,452 thousand Euros, cleaning expenses for 958 thousand Euros and maintenance expenses for 389 thousand Euros.

NOTE 10 – AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 30 June 2020 of 4,819 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2020 amounted to 1,838 thousand Euros. Details of depreciation are provided in the notes to intangible assets.

Amortization related to RoU assets arising from the adoption of IFRS 16 amounted to 12,752 thousand Euros.

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

Other operating and non-recurring net income is related to events and transactions that do not occur in the regular course of business amounted to 4,087 thousand Euros in the first half of 2020 (905 thousand Euros in the first half of 2019) and were related to:

- A positive charge of 748 thousand Euros in relation to provision of risk and charges for contractual, commercial and legal disputes and to provisions made to adjust asset items;
- A positive charge of 3,339 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 12 – (LOSS)/GAIN ON INVESTMENTS

The item amounting to positive 4,717 thousand Euros and is related to the fair value adjustments to equity investments in start-up companies made by the Investments company Breed Investments Ltds.

NOTE 13 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(thousand Euros)	1st half 2020	1st half 2019	Change
Financial income	189	236	(46)
Interest expenses	(798)	(443)	(355)
Other	(3,118)	(1,405)	(1,713)
Total	(3,727)	(1,613)	(2,114)

Financial gains are mainly related to interest on bank accounts amounting to 51 thousand Euros.

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

The item Other mainly includes:

- the interest expenses arising from the adoption of the new International Accounting Standard IFRS 16 for 1,290 thousand Euros (1,085 at 30 June 2019);
- the non-effective portion of the IRS amounting to 1,847 thousand Euros;
- the Exchange rate differences from the translation of balance sheet items not stated in Euros in a net gain of 774 thousand Euros (positive 104 thousand Euros at 30 June 2019);
- the changes in fair value of financial liabilities pursuant to IFRS 9 in a net loss of 741 thousand Euros (negative 481 thousand Euros at 30 June 2019).

NOTE 14 - INCOME TAXES

At June 30, 2020 income taxes amounted to 20,364 thousand Euros and were recognized in accordance to the expected annual average income tax rates.

NOTE 15 – EARNINGS PER SHARE

The basic earnings per share as at 30 June 2020 was calculated on the basis of the Group's net result amounting to 53,938 thousand Euros (49,414 thousand Euros as at 30 June 2019) divided by the weighted average number of shares as at 30 June 2020, net of treasury shares, which amounted to 37,407,400 (37,407,400 as at 30 June 2019).

(in Euros)	1st half 2020	1st half 2019
Group net result	53,938,000	49,414,000
No. of shares	37,407,400	37,407,400
Basic earnings per share	1.44	1.32

The basic earnings per share is the same of diluted earnings per share because there aren't financial instruments potentially convertible in shares (stock options).

NOTE 16 - TANGIBLE ASSETS

Tangible assets as at 30 June 2020 amounted to 48,616 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Buildings	21,570	20,878	692
Plant and machinery	6,070	5,152	918
Hardware	6,047	6,403	(356)
Other	14,929	15,865	(936)
Total	48,616	48,298	318

Change in tangible assets in the first half of 2020 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	23,733	13,944	41,187	36,775	115,640
Accumulated depreciation	(2,855)	(8,792)	(34,784)	(20,911)	(67,342)
31/12/2019	20,878	5,152	6,403	15,865	48,298
Historical cost					
Increases	833	1,707	1,844	1,357	5,741
Disposals	-	(21)	(299)	(126)	(446)
Change in consolidation	-	(5)	(39)	(50)	(94)
Other changes	-	(1)	(212)	(796)	(1,009)
Accumulated depreciation					
Depreciations	(129)	(807)	(2,086)	(1,798)	(4,819)
Utilized	-	19	249	85	353
Change in consolidation	-	5	42	50	97
Other changes	(12)	21	145	341	495
Historical cost	24,566	15,624	42,481	37,160	119,831
Accumulated depreciation	(2,996)	(9,554)	(36,434)	(22,231)	(71,216)
30/06/2020	21,570	6,070	6,047	14,929	48,616

The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 5,155 thousand Euros located in Guetersloh, Germany. In the first half of 2020 the Group has invested approximately 219 thousand Euros to extend the office spaces.
- the real estate complex located in Turin and called “ex Caserma De Sonnaz” in the amount of 15,958 thousand Euros, that after proper innovation will be used to host the offices of the Group.

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

Change in the item Hardware is due to investments made by the companies included in Region 1 for 793 thousand Euros, 857 thousand Euros for purchases made by the companies included in Region 2 and 195 thousand Euros for purchases made by the companies included in Region 3.

The item Other as at 30 June 2020 mainly includes improvements to third party assets and office furniture. The increase of 1,357 Euros mainly refers to the purchases of furniture and fittings for 614 thousand Euros, to improvements made to the offices where the Group's companies operate for 283 thousand Euros and mobile phones for 169 thousand Euros.

Other changes mainly refer to exchange differences.

As at 30 June 2020 tangible assets were depreciated by 59.4% of their value, compared to 58.2% at the end of 2019.

NOTE 17 - GOODWILL

This item includes goodwill arising from consolidation of subsidiaries purchased against payment made by some Group companies.

Goodwill was allocated to the cash generating units ("CGU"), identified in the countries in which the Group operates, and are summarized as follows:

(thousand Euros)	Value at 31/21/2019	Exchange difference	Value at 30/06/2020
Region 1	90,737	(518)	90,219
Region 2	108,885	-	108,885
Region 3	67,919	(3,145)	64,774
Total	267,542	(3,663)	263,879

In relation to the extraordinary situation due to the pandemic COVID-19, the Group carried out impairment testing on goodwill by updating the annual budgets and discounting the parameters at 30 June. The test confirmed no impairment of goodwill in the Regions in which the Group operates. In accordance with the company procedures, it is based on a prospective cash flow methodology identified in the Discounted cash flow analysis.

The following assumptions were used in calculating the recoverable value of the Cash Generating Units applied to the impairment test and largely described in the 2019 Annual Financial Report.

Assumption	Region 1	Region 2	Region 3
Terminal value growth rates:	1%	1%	1%
Discount rate, net of taxes:	7.87%	4.85%	6.21%
Discount rate, before taxes:	10.36%	6.93%	7.67%
Multiple of EBIT	12.2	12.2	12.2

The impairment test, that includes the sensitivity analysis on the main parameters, confirms no impairment of goodwill in the Regions in which the Group operates.

On 30 June 2020 the difference between the headroom estimated and the book value of the net invested capital inclusive of the goodwill initially recognized, is equal to 520.5% for Region 1, 150.1% for Region 2 and 28.1% for Region 3.

It is to be noted that Reply has developed a sensitivity analysis of the estimated recoverable value as at 30 June 2020 as already carried out for the 2019 annual close, assuming a reduction of more than 15% in the turnover growth values, and an increase of 100 basis points in the discount rate that confirmed the results of the impairment test carried out on the same date.

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 18 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 30 June 2020 amounted to 13,027 thousand Euros (13,676 thousand Euros on 31 December 2019) and are detailed as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Development costs	2,673	3,191	(519)
Software	5,878	5,303	574
Trademark	537	537	-
Other intangible assets	3,941	4,646	(705)
Total	13,027	13,676	(649)

Change in intangible assets in the first half of 2020 is summarized in the table below:

(thousand Euros)	Development costs	Software	Trademark	Other intangible assets	Total
Historical cost	29,663	27,880	537	8,312	66,391
Accumulated depreciation	(26,471)	(22,576)	-	(3,667)	(52,714)
31/12/2019	3,191	5,303	537	4,646	13,676
Historical cost					
Increases	419	1,057	-	17	1,493
Disposals	-	(173)	-	-	(173)
Change in consolidation	(75)	(55)	-	(8)	(138)
Other changes	-	(129)	-	(501)	(630)
Accumulated depreciation					
Depreciations	(938)	(471)	-	(429)	(1,838)
Utilized	-	202	-	-	202
Change in consolidation	75	55	-	-	130
Other changes	-	88	-	216	304
Historical cost	30,007	28,579	537	7,820	66,943
Accumulated depreciation	(27,334)	(22,702)	-	(3,879)	(53,916)
30/06/2020	2,673	5,878	537	3,941	13,027

Development costs refer to software 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 735 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.

The item Other intangible assets mainly refers to the Purchase Price Allocation following several Business combinations related to previous years.

NOTE 19 – ROU ASSETS

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

(thousand Euros)	01/01/2020	Net changes	Exchange difference	Amortization	30/06/2020
Buildings	80,861	14,375	(1,687)	(9,871)	83,678
Vehicles	9,535	2,062	(3)	(2,815)	8,780
Office equipment	173	(22)	(5)	(66)	80
Total	90,569	16,416	(1,694)	(12,752)	92,538

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

NOTE 20 - EQUITY INVESTMENTS

The item Equity investments amounts to 59,108 thousand Euros and includes investments in start-up companies principally in the IoT field made by the Investment company Breed Investment Ltd.

Note that the companies listed below, mainly held through an Investment Entity, are designated at fair value and accounted for in accordance with IFRS 9 "Financial Instruments: Recognition and Measurements". The fair value is determined using the International Private Equity and Venture Capital valuation guideline (IPEV) and, as per industry practice, any change therein is recognized in profit /(loss) in the period in which they occurred.

Detail is as follows:

(thousand Euros)	Value at 31/12/2019	Follow-on investments	Net fair value evaluation	Impairment	Exchange differences	Value at 30/06/2020
Investments	56,992	342	4,717	-	(2,942)	59,108

Follow-on investments

The increase is related to the acquisition of share capital of investments already existing at December 31, 2019.

Net fair value evaluation

The net fair value evaluation amounting to 4,717 thousand Euros reflects the market values adjustments of the last rounds that took place in the first half 2020 on investments already in portfolio.

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

NOTE 21 - FINANCIAL ASSETS

Current and non-current financial assets amounted to a total of 9,684 thousand Euros compared to 9,233 thousand Euros as at 31 December 2019.

Detail is as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Short term securities	1,489	1,666	(187)
Financial receivables from third parties	366	-	(366)
Current financial assets	1,855	1,666	189
Receivables from insurance companies	3,194	3,183	11
Guarantee deposits	1,225	1,189	36
Other financial assets	979	1,251	(272)
Convertible loans	2,430	1,944	486
Non-current financial assets	7,829	7,567	261
Total	9,684	9,233	451

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

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

Value at 31/12/2019	Increases	Interests	Exchange differences	Value at 30/06/2020
1,944	539	82	(134)	2,430

Increases

The amount is referred to new investments in convertible loans during the first half.

The short-term securities mainly refer to time-limited investments (Time Deposit).

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

Cash and cash equivalents are detailed as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Bank accounts	258,131	238,720	19,411
Cash	1,506	2,223	(716)
Total	259,637	240,943	18,694

For further details, please see note 26.

NOTE 22 - DEFERRED TAX ASSETS

Such item, which amounted to 35,985 thousand Euros as at 30 June 2020 (33,527 thousand Euros as at 31 December 2019), includes the fiscal charge corresponding to the temporary differences deriving from income before taxes and taxable income in relation to deferred deductibility items.

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.

NOTE 23 – WORK IN PROGRESS

Contract work in progress, amounting to 136,803 thousand Euros, is recognized net of a provision amounting to 36,041 thousand Euros and is detailed as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Contract work in progress	217,433	136,808	80,625
Advance payments from customers	(80,630)	(61,480)	(19,150)
Total	136,803	75,328	61,474

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 24 - TRADE RECEIVABLES

Trade receivables as at 30 June 2020 amounted to 239,354 thousand Euros with a net decrease of 192,886 thousand Euros.

(thousand Euros)	30/06/2020	31/12/2019	Change
Domestic clients	142,327	320,712	(178,386)
Foreign trade receivables	101,669	119,006	(17,337)
Credit notes to be issued	-	(3,598)	3,598
Total	243,996	436,120	(192,124)
Allowance for doubtful accounts	(4,642)	(3,880)	(762)
Total trade receivables	239,354	432,240	(192,886)

Trade receivables are shown net of allowances for doubtful accounts, calculated by using the expected credit loss approach pursuant to IFRS 9, amounting to 4,642 thousand Euros at 30 June 2020 (3,880 thousand Euros at 31 December 2019).

It should also be noted that the item includes write-downs due to losses related to working capital.

The Allowance for doubtful accounts developed in the first half of 2020 as follows:

(thousand Euros)	31/12/2019	Provision	Utilization	Reversal	Other changes	30/06/2020
Allowance for doubtful accounts	3,880	1,398	(154)	(421)	(60)	4,642

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

Trade receivables are all collectible within one year.

NOTE 25 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Tax receivables	24,047	10,365	13,682
Advances to employees	108	143	(35)
Accrued income and prepaid expenses	17,886	15,912	1,974
Other receivables	10,909	13,145	(2,236)
Total	52,951	39,566	13,385

The item Tax receivables mainly includes:

- credit to the Treasury for VAT amounting to 20,209 thousand Euros (4,453 thousand Euros at 31 December 2019). The change compared to the previous year is a temporary phenomenon due to the dynamic of receiving and posting invoices in the last month of 2019.
- receivables for withholding tax amounting to 1,057 thousand Euros (857 thousand Euros at 31 December 2019).

The item Other receivables includes the contributions receivable in relation to research projects for 6,073 thousand Euros (6,355 thousand Euros at 31 December 2019).

NOTE 26 - CASH AND CASH EQUIVALENTS

The balance of 259,637 thousand Euros, with an increase of 18,694 thousand Euros compared with 31 December 2019, represents cash and cash equivalents as at the end of reporting period.

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

NOTE 27 - SHAREHOLDERS' EQUITY

Share capital

As at 30 June 2020 the share capital of Reply S.p.A., fully subscribed and paid, amounted to 4,863,486 Euros and comprises 37,411,428 ordinary shares of a nominal value of 0.13 Euros each.

The number of shares in circulation as at 30 June 2020 total 37,407,400 unchanged compared to year-ended 2019.

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 30 June 2020 are equal to n. 4,028, unchanged compared to year-ended 2019.

Capital reserves

On 30 June 2020 Capital reserves, amounting to 122,836 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 99,976 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 21 April 2020 Reply S.p.A. re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 200 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 505,879 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 450,969 thousand Euros (retained earnings amounted to 355,397 thousand Euros on 31 December 2019);
- Profits attributable to shareholders of the Parent Company amounted to 53,938 thousand Euros (113,858 thousand Euros as on 31 December 2019).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(thousand Euros)	1st half 2020	1st half 2019
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plans	(461)	(1,054)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	(461)	(1,054)
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Gains/(losses) on cash flow hedges	1,073	(1,834)
Gains/(losses) on exchange differences on translating foreign operations	(10,094)	(24)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	(9,021)	(1,858)
Total other comprehensive income, net of tax (B) = (B1) +(B2)	(9,483)	(2,912)

NOTE 28 - DUE TO MINORITY SHAREHOLDERS AND EARN-OUT

Due to minority shareholders and Earn-out owed on 30 June 2020 amount to 39,725 thousand Euros (51,468 thousand Euros on 31 December 2019), of which 12,023 thousand Euros are current.

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

Detail is as follows:

(thousand Euros)	31/12/2019	Fair value adjustments	Payments	Exchange differences	30/06/2020
Payables to minority shareholders	20,025	(175)	(6,090)	43	13,803
Payables for Earn out	31,443	(3,163)	(1,660)	(697)	25,923
Total due to minority shareholders and Earn-out	51,468	(3,338)	(7,750)	(654)	39,725

The item Fair value adjustments in the first half of 2020 amounted to 3,338 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 7,750 thousand Euros in the first half of 2020 and refer to the consideration paid in relation to the initial contracts signed at the time of acquisition.

NOTE 29 - FINANCIAL LIABILITIES

Detail is as follows:

	30/06/2020			31/12/2019		
(thousand Euros)	Current	Non-current	Total	Current	Non-current	Total
Bank overdrafts	6,282	-	6,282	1,372	-	1,372
Bank loans	10,084	21,428	31,513	13,749	25,846	39,595
Derivative financial instruments	40	3,684	3,724	2,899	-	2,899
Total due to banks	16,407	25,112	41,519	18,020	25,846	43,866
Other financial borrowings	1,064	946	2,010	537	1,011	1,548
IFRS 16 financial liabilities	21,444	73,936	95,379	20,454	71,710	92,164
Total financial liabilities	38,914	99,993	138,908	39,011	98,567	137,578

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

	30/06/2020				31/12/2019			
(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	6,282	-	-	6,282	1,372	-	-	1,372
M&A loans	9,821	4,286	-	14,107	13,429	8,571	-	22,000
Mortgage loans	263	7,172	9,971	17,406	321	6,834	10,440	17,595
Other financial borrowings	1,064	946	-	2,010	537	1,011	-	1,548
IFRS 16 financial liabilities	21,444	50,882	23,053	95,379	20,454	48,485	23,225	92,164
Derivative financial instruments	40	1,394	2,290	3,724	2,899	-	-	2,899
Total	38,914	65,064	34,929	138,908	39,011	64,901	33,665	137,578

M&A loans refer to credit lines to be used for acquisition operations carried out 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 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 thousand Euros detailed as follows:
 - Tranche A, amounting to 10,000 thousand Euros, entirely used for the reimbursement of the credit line dated 13 November 2013. The loan is reimbursed on a half-year basis deferred to commence on 30 September 2015. Such credit line is entirely reimbursed at 30 June 2020.
 - Tranche B, amounting to 20,000 thousand Euros, to be used by 30 September 2016. The loan is reimbursed on a half-year basis deferred to commence on 31 March 2017. Such credit line is entirely reimbursed at 30 June 2020.

- On 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 25,000 thousand Euros to be used by 30 September 2018. On 17 February 2017 a reduction of the credit line to 1,500,000 was agreed and completely utilized, the loan is reimbursed on a half year basis deferred to commence on 31 March 2019 and will expire on 30 November 2021. Such credit line was used for 750 thousand Euros at 30 June 2020.
- On 28 July 2016 Reply S.p.A. entered into a line of credit with Intesa San Paolo S.p.A. for a total amount of 49,000 thousand Euros to be used by 30 June 2018. The loan will be reimbursed on a half basis deferred to commence on 30 September 2018 and will expire on 30 September 2021. Such credit line was used for 12,857 thousand Euros at 30 June 2020.
- On 29 October 2019 Reply S.p.A. entered into a line of credit with Intesa San Paolo S.p.A. for a total amount of 50,000 thousand Euros to be used by 31 March 2021. The loan will be reimbursed on a half basis deferred to commence on 30 September 2021 and will expire on 30 September 2024. As at 30 June 2020 this line had not been used.
- On 17 February 2017 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 28 February 2020. As at June 30, 2020 this line had not been used and has been expired on 28 February 2020.
- On 8 May 2020 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 27 May 2022. As at 30 June 2020 this line had been used for 500 thousand Euros.

Interest rates are also applied according to certain predetermined ratios (Covenants) of economic and financial nature calculated on the consolidated financial statements as at 30 June of each year and/or the consolidated interim report.

As contractually defined, such ratios are as follows:

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

At 30 June 2020, Reply fulfilled the Covenants under the various contracts.

The item Mortgages refers to financing granted to Tool Reply GmbH during the year 2018 by Commerzbank for a total amount of 2,500 thousand Euros to be used by 30 June 2028. The loan is reimbursed on a quarterly basis (at an interest rate of 0.99%).

It should also be noted that on 24 May 2018 Reply S.p.A. undersigned with Unicredit S.p.A. a mortgage loan secured by guarantee for the purchase and renovation of the property De Sonnaz for a total amount of 40,000 thousand Euros and for a maximum duration of 156 months (13 years). The mortgage is disbursed in relation to the progress of the work and within the maximum period of 36 months commencing June 1, 2018. Such credit line was used for 15,300 thousand Euros at 30 June 2020.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 30 June 2020 related to the adoption of the new Accounting Standard IFRS 16.

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

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

Net financial position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with ESMA guidelines, the net financial position of the Reply Group at 30 June 2020 was as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Cash and cash equivalents	259,637	240,943	18,694
Current financial assets	1,855	1,666	189
Total financial assets	261,493	242,609	18,884
Current financial liabilities	(17,471)	(18,557)	1,086
Current IFRS 16 financial liabilities	(21,444)	(20,454)	(990)
Noncurrent financial liabilities	(26,058)	(26,857)	799
Noncurrent IFRS 16 financial liabilities	(73,936)	(71,710)	(2,225)
Total financial liabilities	(138,908)	(137,578)	(1,329)
Total net financial position	122,585	105,031	17,554

For further details with regards to the above table see Note 21, Note 26 as well as Note 29.

Pursuant to the aforementioned recommendations long term financial assets are not included in the net financial position.

Change in financial liabilities during the first half of 2020 is summarized below:

((thousand Euros))	
Total financial liabilities 2019	137,578
Bank overdrafts	(1,372)
IRS	(2,899)
Non-current financial liabilities 2019	133,307
IFRS 16 financial liabilities	3,215
Cash flows	(7,620)
Total non-current financial liabilities as at 30 June 2020	128,901
Bank overdrafts	6,282
IRS	3,724
Total financial liabilities as at 30 June 2020	138,908

NOTE 30 - EMPLOYEE BENEFITS

Employee benefits are detailed as follows:

((thousand Euros))	30/06/2020	31/12/2019	Change
Employee severance indemnities	31,336	29,385	1,951
Employee pension funds	12,387	12,385	2
Directors severance indemnities	1,605	1,569	36
Other	16	16	-
Total	45,343	43,355	1,988

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.

In accordance with IAS 19, Employment severance indemnities at 30 June 2020 are summarized in the table below:

(thousand Euros)	
Balance as at 31/12/2019	29,385
Cost relating to current work (<i>service cost</i>)	2,953
Actuarial gain/loss	461
Interest cost	110
Change in consolidation	(31)
Indemnities paid during the year	(1,543)
Balance as at 30/06/2020	31,336

Employee pension funds

The Pension fund item relates to liability as regards the defined benefit pensions of some German companies.

Director's severance indemnities

This amount is related to Directors severance indemnities paid during the year.

NOTE 31 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2020 amount to 19,104 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.

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 32 - PROVISIONS

Provisions amount to 9,273 thousand Euros (of which 8,773 thousand Euros are non-current).

Change in the first half of 2020 is summarized in the table below:

(thousand Euros)	Balance at 31/12/2019	Accruals	Utilization	Reversals	Exchange differences	Balance at 30/06/2020
Fidelity fund	450	80	(21)	3	-	512
Provision for risks	9,127	840	(510)	(242)	(454)	8,761
Total	9,577	920	(532)	(239)	(454)	9,273

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 half 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. Utilization and reversals of the period relate to the resolution of previous disputes mostly related to employees.

NOTA 33 – TRADE PAYABLES

Trade payables at 30 June 2020 amount to 76,136 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Domestic suppliers	64,285	97,719	(33,434)
Foreign suppliers	12,459	22,788	(10,329)
Advances to suppliers	(608)	(556)	(51)
Total	76,136	119,951	(43,815)

NOTE 34 - OTHER CURRENT LIABILITIES

Other current liabilities at 30 June 2020 amounted to 269,878 thousand Euros with a decrease of 69,236 thousand Euros with respect to the previous financial year.

Detail is as follows:

(thousand Euros)	30/06/2020	31/12/2019	Change
Income tax payable	26,681	8,750	17,932
VAT payable	10,037	20,651	(10,614)
Withholding tax and other	5,200	8,163	(2,963)
Total due to tax authorities	41,918	37,564	4,355
National social insurance payable	34,024	31,552	2,471
Other	2,672	2,997	(325)
Total due to social securities	36,695	34,549	2,147
Employee accruals	81,895	90,503	(8,609)
Other payables	105,767	159,890	(54,123)
Accrued expenses and deferred income	3,602	16,608	(13,005)
Total other payables	191,264	267,001	(75,737)
Other current liabilities	269,878	339,113	(69,236)

Due to tax authorities amounting to 41,918 thousand Euros, mainly refers to debit to the Treasury for VAT amounting, payables due to tax authorities for withholding tax on employees and professionals' compensation.

Due to social security authorities amounting to 36,695 thousand Euros, is related to both Company and employee's contribution payables.

Other payables at 30 June 2020 amount to 191,264 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;
- advances received from customers exceeding the value of the work in progress amounting to 81,168 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 periods.

NOTE 35 – 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.

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Intersegment	1st half 2020	%
Revenues	422,919	100	135,600	100	64,837	100	59	100	(8,240)	615,176	100
Operating costs	(359,153)	(84.9)	(113,647)	(83.8)	(59,499)	(91.8)	(900)	(1,513.5)	8,240	(524,959)	(85.3)
Gross operating income	63,766	15.1	21,953	16.2	5,339	8.2	(841)	(1,413.5)	-	90,217	14.7
Amortisation, depreciation and write-downs	(11,164)	(2.6)	(5,281)	(3.9)	(2,949)	(4.5)	(16)	(26.1)		(19,409)	(3.2)
Other non-recurring (costs)/income	175	-	1,199	1	1,964	3	-	-		3,339	1
Operating income	52,778	12.5	17,872	13.2	4,354	6.7	(856)	(1,439.6)	-	74,147	12.1
Gain/(loss) on investments	-	-	-	-	-	-	4,717	7,930		4,717	1
Financial income/(loss)	(2,963)	(0.7)	(1,661)	(1.2)	621	1	276	464		(3,727)	(0.6)
Income before taxes	49,815	11.8	16,211	12.0	4,975	7.7	4,137	6,954.7	-	75,138	12.2

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Intersegment	1st half 2019	%
Revenues	398,541	100	126,981	100	54,220	100	415	100	(6,485)	573,672	100
Operating costs	(332,396)	(83.4)	(109,682)	(86.4)	(50,196)	(92.6)	(2,228)	(536.7)	6,485	(488,017)	(85.1)
Gross operating income	66,145	16.6	17,299	13.6	4,024	7.4	(1,813)	(436.7)	-	85,655	14.9
Amortisation, depreciation and write-downs	(10,828)	(2.7)	(4,391)	(3.5)	(2,722)	(5.0)	(74)	(17.8)		(18,014)	(3.1)
Other non-recurring (costs)/income	-	-	-	-	(41)	(0.1)	-	-		(41)	-
Operating income	55,318	13.9	12,908	10.2	1,260	2.3	(1,887)	(454.5)	-	67,599	11.8
Gain/(loss) on investments	-	-	-	-	1	-	4,229	1,018.5		4,230	0.7
Financial income/(loss)	552	-	(1,232)	(1.0)	(537)	(1.0)	(397)	(95.5)		(1,613)	(0.3)
Income before taxes	55,870	14.0	11,676	9.2	725	1.3	1,945	468.5	-	70,216	12.2

Breakdown of revenues by type is as follows:

	REGION 1		REGION 2		REGION 3		IoT INCUBATOR	
BUSINESS LINE	1st half 20	1st half 19	1st half 20	1st half 19	1st half 20	1st half 19	1st half 20	1st half 19
T&M	17.1%	16.4%	51.5%	56.3%	45.8%	51.0%	-	-
FIXED PRICE PROJECTS	82.9%	83.6%	48.5%	43.7%	54.2%	49.0%	-	-
OTHER BUSINESS	-	-	-	-	-	-	100.0%	100.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Intersegment	Total 1st half 2020
Current operating assets	337,219	90,404	38,505	273	(37,293)	429,107
Current operating liabilities	(265,243)	(66,527)	(48,597)	(15,462)	37,293	(358,537)
Net working capital (A)	71,975	23,877	(10,093)	(15,189)	-	70,571
Non-current assets	186,215	173,811	98,524	62,431		520,981
Non-financial liabilities long term	(52,681)	(42,992)	(5,249)	-		(100,922)
Fixed capital (B)	133,534	130,819	93,275	62,431	-	420,059
Net invested capital (A+B)	205,509	154,696	83,182	47,243	-	490,630

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Intersegment	Total 2019
Current operating assets	438,195	96,720	47,120	703	(35,604)	547,134
Current operating liabilities	(363,886)	(80,186)	(36,095)	(15,180)	35,604	(459,744)
Net working capital (A)	74,308	16,534	11,025	(14,477)	-	87,390
Non-current assets	187,425	167,119	103,459	60,167		518,170
Non-financial liabilities long term	(61,233)	(47,959)	(14,338)	-		(123,530)
Fixed capital (B)	126,192	119,160	89,121	60,167	-	394,640
Net invested capital (A+B)	200,500	135,694	100,146	45,690	-	482,030

Breakdown of employees by operating segment is as follows:

Region	1 st half 2020	1 st half 2019	Change
Region 1	6,001	5,659	342
Region 2	1,736	1,636	100
Region 3	800	625	175
IoT Incubator	3	4	(1)
Total	8,540	7,924	616

NOTE 36 – 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 and key management with strategic responsibilities and related families.

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 are summarized below.

(thousand Euros)

Financial transactions	30/06/2019	31/12/2019	Nature of transactions
Trade receivables	16	153	Receivables from professional services
Trade payables	132	-	Payables for professional services and office rentals offices
Other payables	3,713	5,210	Payables for emoluments s to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	1 st half 2020	1 st half 2019	Nature of transactions
Revenues from professional services	20	3	Professional services executed
Services from Parent company and related parties	618	641	Service contracts relating to office rental and administration office
Personnel	5,796	3,583	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	71	56	Emoluments to Statutory Auditors

With reference the Cash flows statement, the above mentioned transactions impact the change in working capital by 1,228 thousand Euros.

Reply Group Main economic and financial transactions

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

In accordance with Consob Resolution no, 15519 of 27 July 2006 and Consob communication no, DEM/6064293 of 28 July 2006 the financial statements annexed herein 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 37 - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

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

Note that:

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

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

In the case where evaluation procedures include a modification of the exchange ratio, every single difference shall be regulated in cash.

At past, some minority shareholders have commenced the aforementioned procedures.

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

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.

NOTA 38 – EVENTS SUBSEQUENT TO 30 JUNE 2020

No significant events have occurred subsequent to 30 June 2020.
Please refer to the paragraph Outlook on operations for further information.

NOTA 39 – APPROVAL OF THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND AUTHORIZATION TO PUBLISH

The Half year condensed consolidated financial statements at 30 June 2020 were approved by the Board of Directors on July 31, 2020 which authorized the publication within the terms of law.

ANNEXED TABLES

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

(thousand Euros)	1st half 2020	of which with related parties	%	1st half 2019	of which with related parties	%
Revenues	615,176	20	-	573,672	3	-
Other income	5,593			5,916		
Purchases	(10,731)			(11,126)		
Personnel	(305,678)	(5,796)	1.9%	(290,091)	(3,583)	1.2%
Services and other costs	(214,891)	(689)	0.3%	(193,663)	(697)	0.4%
Amortization, depreciation and write-downs	(19,409)			(18,014)		
Other operating and non-recurring (cost)/income	4,087			905		
Operating income	74,147			67,599		
(Loss)/gain on investments	4,717			4,230		
Financial income/(expenses)	(3,727)			(1,613)		
Income before taxes	75,138			70,216		
Income taxes	(20,364)			(19,638)		
Net income	54,773			50,578		
Non-controlling interest	(836)			(1,165)		
Group net result	53,938			49,414		

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

(thousand Euros)	30/06/2020	of which with related parties		%	31/12/2019	of which with related parties		%
Tangible assets	48,616				48,298			
Goodwill	263,879				267,541			
Intangible assets	13,027				13,676			
RoU Assets	92,538				90,569			
Equity investments	59,108				56,991			
Other financial assets	7,829				7,567			
Deferred tax assets	35,985				33,527			
Non-current assets	520,981				518,170			
Inventories	136,803				75,328			
Trade receivables	239,354	16	-		432,240	153	0.04%	
Other receivables and current assets	52,951				39,566			
Financial assets	1,855				1,666			
Cash and cash equivalents	259,637				240,943			
Current assets	690,600				789,743			
TOTAL ASSETS	1,211,581				1,307,913			
Share Capital	4,863				4,863			
Other reserves	551,089				465,000			
Net result of the period	53,938				113,858			
Group shareholders' equity	609,890				583,722			
Non-controlling interest	3,325				3,339			
NET EQUITY	613,215				587,061			
Due to minority shareholders and Earn-out	27,702				41,301			
Financial liabilities	26,058				26,857			
Financial liabilities from RoU	73,936				71,710			
Employee benefits	45,343				43,355			
Deferred tax liabilities	19,104				19,810			
Provisions	8,773				8,897			
Noncurrent liabilities	200,915				211,931			
Due to minority shareholders and Earn-out	12,023				10,166			
Financial liabilities	17,471				18,557			
Financial liabilities from RoU	21,444				20,454			
Trade payables	76,136	132	0.2%		119,951			
Other current liabilities	269,878	3,713	1.4%		339,113	5,210	1.5%	
Provisions	500				680			
Current liabilities	397,451				508,921			
TOTAL LIABILITIES	586,366				720,853			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,211,581				1,307,913			

LIST OF COMPANIES AT 30 JUNE 2020

Company name	Headquarters	Group interest
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Companies consolidated on a line-by-line basis		
4brands Reply GmbH & CO. KG.	Minden, Germany	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Alpha Reply GmbH (formerly Profondo Reply GmbH)	Guetersloh, Germany	100.00%
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) Sprl	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%
Avvio Reply S.r.l.	Turin, Italy	100.00%
Blowfish Digital Holdings Ltd.	London, United Kingdom	100.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Blue Reply GmbH	Guetersloh, Germany	100.00%
Bridge Reply S.r.l.	Turin, Italy	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	100.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%
Comsysto D.O.O.	Zagreb, Croatia	100.00%
ComSysto Reply GmbH	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Core Reply S.r.l.	Turin, Italy	90.00%

Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH (*)	Munich, Germany	92.50%
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%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
Eos Reply S.r.l.	Turin, Italy	100.00%
Envision Reply S.r.l.	Turin, Italy	88.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
France Reply Ltd.	London, United Kingdom	100.00%
Go Reply S.r.l.	Turin, Italy	100.00%
Go Reply GmbH	Guetersloh, Germany	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Consulting (Nanjing) Co. Ltd.	China	100.00%
Hermes Reply Polska zo.o	Katowice, Poland	100.00%
Implico LLC	Seattle, USA	100.00%
Industrie Reply GmbH	Munich, Germany	100.00%
Industrie Reply LLC	Michigan, USA	100.00%
Infinity Reply GmbH	Düsseldorf, Germany	100.00%
IrisCube Reply S.r.l.	Turin, Italy	100.00%
Laife Reply GmbH	Munich, Germany	100.00%
Leadwise Reply GmbH	Darmstadt, Germany	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Logistics Reply S.r.l.	Turin, Italy	100.00%
Logistics Reply GmbH	Munich, Germany	100.00%
Lynx Recruiting Ltd.	London, United Kingdom	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
MCG Systems AG	Colony, Germany	100.00%
Modcomp GmbH	Colony, Germany	100.00%
Neveling.net GmbH	Hamburg, Germany	100.00%
Open Reply GmbH	Guetersloh, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l.	Turin, Italy	100.00%

Portaltech Reply GmbH	Guetersloh, Germany	100.00%
Portaltech Reply Süd GmbH	Munich, Germany	100.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG.	Munich, Germany	100.00%
Protocube Reply S.r.l.	Turin, Italy	70.00%
Red Reply GmbH	Frankfurt, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply AG	Guetersloh, Germany	100.00%
Reply GmbH	Zurich, Switzerland	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 Sprl	Mont Saint Guibert, Netherland	100.00%
Reply Digital Experience S.r.l.	Turin, Italy	100.00%
Reply France Sarl	Paris, France	100.00%
Reply Luxembourg Sarl	Sandweiler, Luxembourg	100.00%
Reply NL Ltd.	London, United Kingdom	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Verwaltung GmbH	Guetersloh, Germany	100.00%
Retail Reply S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd.	London, United Kingdom	100.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milan, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Sense Reply S.r.l.	Turin, Italy	90.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	100.00%
Spark Reply GmbH	Germany	100.00%
Spike Reply GmbH	Colony, Germany	100.00%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Sprint Reply GmbH	Munich, Germany	100.00%
Spot Digital Ltd.	London, United Kingdom	100.00%
Storm Reply S.r.l.	Turin, Italy	100.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%

Syskoplan Reply GmbH & CO. KG	Guetersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucharest, Romania	100.00%
TD Reply GmbH	Berlin, Germany	100.00%
TD Marketing Consultants, Beijing Co. Ltd.	China	100.00%
Threepipe Reply Ltd.	London, United Kingdom	100.00%
Tool Reply GmbH	Guetersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germany	100.00%
Valorem LLC (*)	Kansas City, USA	90.00%
Valorem Private Ltd	India	99.99%
Valorem GmbH	Zurich, Switzerland	100.00%
WM Reply Inc.	Illinois, USA	80.00%
WM Reply LLC	Minsk, Belarus	100.00%
WM Reply Ltd	London, United Kingdom	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xister Reply S.r.l.	Turin, Italy	100.00%

(*) For these companies an option exists for the acquisition of the minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting of such options reflects management's best estimate at the reporting date.

Companies carried at fair value

Amiko Digital Health Ltd	England	22.73%
CageEye AS	Norway	9.95%
Callsign Inc.	England	3.61%
Canard Drones Ltd.	Spain	24.06%
Connecterra BV	Belgium	16.00%
enModus Ltd.	England	19.18%
FoodMarble Digestive Health Ltd.	England	23.45%
iNova Design Ltd.	England	34.05%
Iotic Labs Ltd.	England	16.28%
Kokoon Technology Ltd.	England	30.33%
Metron Sas	France	10.11%
RazorSecure Ltd.	England	32.03%
Senseye Ltd.	England	12.58%
Sensoria Inc.	USA	24.00%
TAG Sensors AS	Norway	15.60%
Ubirch GmbH	Germany	18.51%
We Predict Ltd.	England	16.64%
Wearable Technologies Ltd.	England	18.64%
Yellow Line Parking Ltd.	England	9.86%
Zeetta Networks Limited	England	29.28%

Attestation of the Half-year condensed financial statements pursuant to 154 bis of Leg. D NO. 58/98

1. The undersigned, Mario Rizzante, in his capacity as Chief Executive Officer and Giuseppe Veneziano, director responsible of drawing up the Company's financial statements pursuant to the provisions of article 154-bis, paragraph 3 and 4 of legislative decree no. 58 of February 24, 1998, hereby attest:
 - the adequacy with respect to the Company's structure and
 - the effective application of the administrative and accounting procedures applied in the preparation of the Company's Half-year condensed financial statements at June 30 2020,
2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed financial statements as of and for the period ended June 30, 2019 as based on a process defined by Reply in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.
3. The undersigned moreover attest that:
 - 3.1 the Half-year condensed financial statements at June 30, 2020:
 - have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, 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 related interim management report includes a reliable analysis of the significant events affecting the Company in the first six months of the current fiscal year and the impact of such events on the Company's condensed financial statements as well as a description of the main risks and uncertainties.

Turin, July 31, 2020

/s/ Mario Rizzante

Chairman and Chief Executive Officer

Mario Rizzante

/s/ Giuseppe Veneziano

Director responsible of drawing up the accounting documents

Giuseppe Veneziano

INDEPENDENT AUDITORS' REPORT



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Reply SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Reply SpA and its subsidiaries (the Reply Group) as of 30 June 2020, comprising the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated statement of cashflows and related notes. The directors of Reply SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the Reply Group as of 30 June 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, 4 August 2020

PricewaterhouseCoopers SpA

Mattia Molari
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

CORPORATE INFORMATION

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