



REPLY HALF-YEAR FINANCIAL REPORT 2021

**REPLY
HALF YEAR
FINANCIAL REPORT
AT JUNE 30 2021**

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BOARD OF DIRECTORS AND CONTROLLING BODIES

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer

Tatiana Rizzante

Executive Directors

Filippo Rizzante

Daniele Angelucci

Marco Cusinato

Elena Maria Previtera

Patrizia Polliotto (1) (2) (3)

Secondina Giulia Ravera (1) (2)

Francesco Umile Chiappetta (1) (2)

Board of Statutory Auditors

President

Ciro Di Carluccio

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

YE 2020	%	Economic figures (Euros/000)	1 st half 2021	%	1 st half 2020	%
1,250,191	100.0	Revenues	712,833	100.0	615,176	100.0
207,936	16.6	Gross operating margin	119,481	16.8	90,217	14.7
169,531	13.6	Operating margin	95,967	13.5	74,147	12.1
162,054	13.0	Income before taxes	98,719	13.8	75,138	12.2
123,598	9.9	Group net income	71,391	10.0	53,938	8.8

YE 2020	Financial figures (Euros/000)	1 st half 2021	1 st half 2020
675,039	Group shareholders' equity	727,207	609,890
918	Non-controlling interest	1,848	3,325
1,506,568	Total assets	1,491,173	1,211,581
(21,565)	Net working capital	24,146	70,571
517,296	Net invested capital	563,667	490,630
229,028	Cash flow	74,688	68,839
158,661	Net financial position	165,388	122,585

YE 2020	Data per single share (in Euros)	1 st half 2021	1 st half 2020
37,411,428	Number of shares	37,411,428	37,411,428
4.53	Operating result per share	2.57	1.98
3.30	Net result per share	1.91	1.44
6.12	Cash flow per share	2.00	1.84
18.04	Shareholders' equity per share	19.44	16.30

YE 2020	Other information	1 st half 2021	1 st half 2020
9,059	Number of employees	9,648	8,540

REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply is a Group specialised in consulting, system integration and digital services, with a focus on the conception, design and development 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 business models. This is made possible by the new technological and communication paradigms such as artificial intelligence, big data, cloud computing, digital communication and the Internet of Things.

THE ORGANISATIONAL MODEL

Reply operates through a network of companies that specialise in processes, applications and technologies, and that constitute centres of excellence in their respective fields of expertise.

Processes – For Reply, the understanding and use of technology implies the introduction of a new enabling factor for business processes, thanks to an in-depth knowledge of both the market and the specific industrial contexts of implementation.

Applications – Reply designs and implements software solutions aimed at satisfying core business requirements, in various industrial sectors.

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, and 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 a broad experience in the provision of services and a wealth of advanced technological capabilities.

TELCO, MEDIA & HI TECH

The convergence currently taking place between the physical world and the digital world is revolutionising the approach adopted by Telco & Media companies and their relationship with customers. 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 order to continue to be the protagonists of the digital ecosystem, Telco companies are in fact evolving into multimedia platforms that are capable of communicating with third parties and are thus able to engage consumers in a more direct manner, offering services better adapted to their specific needs.

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 that are 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 unbundling of networks, the separation between hardware and software, cloud and edge computing are becoming differentiating elements among operators, who are called upon to offer more flexible proprietary architectures and to promote greater fixed-mobile integration. Networks are becoming increasingly more "fluid" and digitisation is proving to be a key element, not only to facilitate the automation of different processes, but also to improve customer experience, help generate new opportunities, reduce costs and adapt to new connectivity needs.

The increasingly greater diffusion of connected objects also requires a reconfiguration of the entire infrastructure that must transmit, in real time, huge volumes of data that is no longer generated by smartphones and other mobile devices alone, but by a myriad of other sources: it is the Internet-of-Everything.

Reply plays an active role in this new era of "smart connection" and 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. In particular, Reply helps leading players in the sector to implement strategies covering the three main processes that are profoundly transforming today's networks: unbundling, virtualisation and automation.

FINANCIAL SERVICES

The digital world and, more generally, the new technologies, are also radically transforming the financial sector. Leading analysts expect the digital financial platforms' market to experience enormous growth in the near future. On the one hand due to the increase in the number of digital-native retail customers, and on the other as a result of the inevitable technological evolution, which is increasingly more oriented towards highly scalable cloud platforms.

Reply's core competencies enable customers to develop new, decision-making models designed to help them analyse risks and optimise internal operational processes based on Robotic Process Automation (RPA) techniques. The diffusion of systems and solutions based on artificial intelligence is another key element of transformation, driven by the explosion of big data and the growing digitalisation of services and processes, both internal and external.

Reply accompanies the European banking world in this transformation process: it helps financial institutions, not only in the definition of multi-channel strategies and the implementation of open banking, but also in allowing new architectures and new technologies to coexist with legacy systems and architectures.

Reply operates with a consulting division focused on Governance, Risk and Control (GRC), designing solutions that help financial institutions in the implementation of European Banking Union regulations. Reply also boasts a strong presence in the Wealth Management domain, where it has developed specific solutions for the latest consulting models, including through advanced, robo-advisory platforms.

The Group also operates in the mobile payment sector, in mobile-commerce and e-commerce services, and in related platforms, offering solutions, services and consultancy for the banking and insurance market, as well as for new, emerging players in the payments ecosystem. This is complemented by Reply's commitment on the innovation front, driven by cutting-edge projects such as those related to quantum computing and blockchain technology.

Moreover, Reply supports leading players in the Insurance sector, helping them in the design, implementation and governance of major transformation programmes; from the turnaround to the optimisation of operating models - also thanks to the adoption of Intelligent Process Automation and Machine Learning models and techniques. The requirements imposed by the global Covid-19 pandemic have provided a strong momentum to the development of hybrid distribution solutions through the "remotisation" of relations between the company, intermediaries, and customers, together with the design and activation of new data-driven business models based on the analysis and interpretation of data.

MANUFACTURING

Today, digital innovation has inevitably made its way into factories and is revolutionising not only production, but also the entire supply chain, from procurement to logistics, sales and maintenance. Production plants are being transformed into open and flexible ecosystems, which are also able to manage communication flows and the distribution chain better, thus generating a virtuous mechanism capable of minimising costs and maximising results.

Reply collaborates with leading Groups in the sector, accompanying them in this complex transformation process that covers a range of different areas: supply and purchase management; 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. Moreover, Reply has enhanced its portfolio of Industry 4.0 and Logistics 4.0 solutions, continuing its “replatforming” of the proprietary Lea Reply and Brick Reply solutions, which are focused on the Supply Chain Execution and the Manufacturing Execution System. Besides this, it has introduced Axulus Reply on the market, a new solution aimed at the Industrial Internet of Things.

Finally, Reply has confirmed its leadership position in the logistics solutions' sector in support of the automotive industry, implementing integrated projects that cover the entire supply chain: from production – thanks to the focus on Industrial IoT and on edge computing – to the “sensorisation” of production and logistics lines, without forgetting the transport and after-sales distribution activities.

The automotive sector in particular is undergoing a profound evolution, driven by recent technological and environmental changes: the new paradigms consist of power grids, increasingly connected vehicles, and autonomous driving. At the same time, the advent of digital competitors and start-ups is driving competition, thus leading automotive companies to invest in the digital sector and equip themselves with software factories specialised in advanced connectivity systems.

In this context, Reply has supported various players in the sector with projects related to the development of autonomous driving and quality assurance (i.e., remote diagnostics, vehicle diagnostic repair), as well as new types of services integrated with smart cities, such as the intelligent search for available parking spaces.

Moreover, on the connectivity front, in addition to collaborating with major automotive manufacturers to build commercial versions of V2I (Vehicle to Infrastructure) connectivity platforms, Reply is studying and implementing prototypes of new, end-to-end vehicle architectures. Instead of being based on the interconnection of the signals emitted by all the on-board control units of a vehicle, these use cloud edge platforms, rendering the implementation, management and evolution of services on board the vehicle much faster.

Then in 2020, a rapid transformation of car sales models took place, with an accelerating shift towards online channels. In this area, Reply has supported leading brands in the sector with the design and development of data-driven marketing solutions, 3D showrooms that enable the customised configuration of cars, and the creation of advanced virtual test drive applications based on the AR/VR technologies.

RETAIL

The global Covid-19 pandemic has strongly called into question the traditional retail sector models and has forced a significant acceleration of digitalisation processes along the entire distribution chain. Business processes and logistics were strongly impacted by the limitations imposed to contain the spread of the virus. In particular, the closure of physical stores has meant that goods are piling up in warehouses, thus calling into question the business continuity of the various sectors. Many businesses – even those who had not yet adopted e-commerce – found themselves forced to review their strategy and to make the conscious decision to accelerate the development and the consolidation of new hybrid sales methods such as Click and Collect, i.e., online purchase and in-store collection.

Reply has supported numerous retailers operating in the most diverse product sectors during this delicate transition phase, accompanying them in the expansion of the number of touchpoints served and in the introduction of new payment systems. Thanks to a data-driven approach, it was possible to adapt the existing sales methods to the new health and regulatory environment, but also to launch a series of strategic innovations aimed at sustaining the complete digitisation of sales processes.

ENERGY & UTILITIES

The future of energy is increasingly more green, and the progressive abandonment of fossil energy sources calls for an evolution of processes and operating models that only digital technologies are able to support. The entire value chain is affected by this revolution; from production to sales, from monitoring consumption to enabling new interaction models, such as vehicle-to-grid or private micro-grids.

Last year, nearly all major operators launched industrial-scale, technological innovation projects, with the aim of becoming increasingly more flexible and resilient. Among the technologies and platforms available, and adaptable in the energy sector, cloud computing is currently the most widespread solution among operators. IoT, however, is fast becoming the hub of investments, representing an increasingly important element to enable the development of monitoring processes, optimising operations, and activating new interaction services and models with customers.

In this scenario, Reply is one of the reference partners for the sector, thanks to its knowledge of the market and its ability to design, implement and manage innovative digital solutions and appropriate technological platforms, and leveraging, above all, the adoption of cloud and IoT solutions. All are skills and expertise that Reply has relied upon to implement international-scale IoT projects for leading operators in the sector, ranging from energy and demand management to the management of electric car charging, smart metering, smart grid, asset management and renewable generation solutions.

HEALTHCARE & GOVERNMENT

The public sector and healthcare have been the two market segments that, in recent months, have come under the most pressure. Globally, many governments have made significant investments in healthcare, particularly on the operational front to facilitate the management of Covid-19 hospitals and patients. But not only this; the sector has also seen greater attention paid to cost optimisation, to the management of medical supplies and logistics, and a focus on the digitisation of a series of processes and solutions, such as contact tracing applications. Among the several significant projects in this area, Reply made available to Bavarian healthcare institutions a solution capable of managing information on contacts and chains of Covid-19 infections.

On the digitalisation front of the healthcare sector, another theme on which attention has been focused is telemedicine, a service whose benefits have never been more apparent than in a time when access to care is strongly conditioned by restrictive, anti-contagion measures. It is a pillar of the so-called “connected care” ecosystem: an integrated approach between the real and virtual realms, thanks to which doctors and healthcare professionals can remotely visit patients, follow their rehabilitation, and monitor their vital parameters. Activities such as diagnosis, reporting, payment of care services and observation of therapeutic progress can be carried out through videoconferencing systems, connected to secure and transparent digital health records, also thanks to artificial intelligence systems.

In this context, Reply has on the one hand, supported healthcare companies and public institutions in their reaction to the Covid-19 pandemic, and on the other, in the process of the digitisation of care, has helped them to evolve their proprietary platforms in order to create solutions based on the Internet of Things, cloud computing, and machine learning systems. Moreover, thanks to partnerships with vendors such as InterSystems, Oracle, and Microsoft, Reply was able to design and implement interoperable and optimised applications in terms of compliance and security.

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 involved in a continuous process of research, selection and marketing of innovative solutions for sustaining the creation of value within organisations.

ARTIFICIAL INTELLIGENCE

The role of artificial intelligence in business is growing significantly thanks to the wide range of application of algorithms and technologies in different industries. Its use varies from the optimization of business processes thanks to robotization techniques, to its use in customer relations thanks to assistance technologies that combine the ability to recognize natural language and conversational systems.

Machine learning integrates the potential of artificial intelligence, allowing algorithms to improve independently over time. The Reply solutions and platforms based on artificial intelligence and machine learning today serve markets such as healthcare, retail, logistics, financial institutions and telecommunications.

Several partnerships have been signed with the main players and the most innovative start-ups in areas such as intelligent process automation and computer vision.

In recent years Reply has specialized in the creation of new algorithms and in the comparison between algorithms to identify the most suitable solutions for each use case; in the development of technologies that analyse the results of artificial intelligence and transform them into insights and new services; in the optimization of the databases necessary for the functioning of the algorithms; in training artificial intelligence and machine learning algorithms.

AUTONOMOUS ROBOT

Advances in Artificial Intelligence, combined with the power of the cloud and the data transmission speed guaranteed by 5G networks, have made it possible to develop new types of fully automated 'objects' such as autonomous vehicles, drones and a new class of increasingly more sophisticated robots. In this new scenario, defined by robotic automation, Reply supports its customers with an end-to-end model that integrates consulting services, software development, artificial intelligence services and the integration of expert systems of Perception, Cognition, Connection, Organisation and Interaction.

Through the application of Swarm Intelligence and Cognitive Computing, robots develop the capacity to operate in unstructured environments such as open spaces on land, water and air, and are increasingly better able to coordinate themselves, even independently of being directly connected to guidance systems. Reply supports companies in the integration of mobile robotics within their operational ecosystems and accompanies them in the development of innovative business models based on intelligent autonomy.

BLOCKCHAIN

Blockchain technology is increasingly emerging as the key technological paradigm for the construction of new digital services based on distributed computational infrastructures. The shared and distributed nature of blockchain digital ledgers is becoming a major element and an opportunity for many sectors, from the financial sector to the supply chain and even the healthcare sector. This extends beyond an 'internal' advantage for a single company or organisation: the system of shared ledgers, on which the blockchain technology is based, facilitates the creation of secure integrations between intercompany systems and connected devices.

Thanks to an offer structured along consulting services, design and the implementation of solutions based on blockchain technology and Distributed Ledger Technology (DLT), Reply supports various customers in the creation of system platforms. In particular, in 2020 Reply developed a healthcare credentials solution leveraging DLT secure distributed processing, to enable the safe return of people to the workplace or to other social contexts, such as cultural events or tourism. Moreover, Reply developed the first solution for digitising the sureties' management process based on blockchain technology, with the aim of reducing the number of false sureties and facilitating the sharing of information between ecosystem players (guarantor, warrantee and contractor) and confirming the security of the end-to-end process.

CLOUD COMPUTING

Cloud computing plays a decisive role in all major sectors today. More than ever, IT architectures are designed based on a 'hybrid' approach, one that mixes proprietary systems with a range of different remote Infrastructure-as-a-Service solutions and value-added services provided in Platform-as-a-Service mode. This is complemented by a significant number of applications used in Software-as-a-Service mode, both at the business level and by end consumers.

This scenario necessitates sophisticated orchestration methodologies and tools, to ensure the optimal and secure management of resources, regardless of their location. Moreover, the growing portfolio of edge computing solutions offered by major providers has opened up a number of new possibilities. Today, architectures can provide hybrid solutions, where the computing capacity is distributed between cloud computing and local systems, leading to a significant reduction in processing latency and enabling new use cases.

The use of these technologies in connected vehicles is one of the most promising: local sensors collect and process critical information, guaranteeing security and performance, while periodically communicating with cloud systems for more complex processing.

Its longstanding experience, accumulated in sectors such as telco, the automotive industry, finance, utilities and healthcare, combined with its strong cybersecurity expertise, enable Reply to design architectures and solutions that fully exploit the potential of the cloud in areas such as artificial intelligence, machine learning, analytics and quantum computing. The integration of these services with solutions based on the Internet of Things, facilitated by the adoption of edge and mobile edge components, helps to further consolidate Reply's positioning.

Today, Reply is a dynamic leader in application and infrastructure projects, thanks to partnerships with leading global providers of platforms, application solutions and cloud and edge infrastructure services including Adobe, Amazon, Google, IBM, Microsoft, Oracle, SAP and Salesforce. Moreover, Reply is able to offer a cloud and hybrid infrastructure management service, available 24/7, to support customers, not only in the architectural component, but also at application level.

CUSTOMER ENGAGEMENT

Today's customers are in search of an increasingly less 'mediated' relationship with brands and, at the same time, they are looking for a personalised experience, capable of evolving along with their changing needs and tastes. This is complemented by the need for an omnichannel-driven and real-time approach. A demanding challenge for brands, which find themselves needing to review their strategies and to rethink their communication based on an integrated approach. The roadmap is a data-driven approach that starts from the systematic collection of data relating to the customer, continues with the interpretation and sense-making of this data through the adoption of technologies such as AI and machine learning, and concludes with the implementation of a personalised customer journey, capable of addressing and anticipating the needs of each individual customer. This is an approach possible only through the synergy between the different Sales, Service and Marketing CRM components and data analysis platforms, as well as thanks to IT architectures and cloud-native microservices focused on customer engagement.

Reply has successfully completed several projects in this domain, implementing, for example, data-driven predictive algorithms capable of influencing the choice of the promotion to be offered. This is thanks to the analysis of navigation paths or the interaction with chatbots, orchestrating the sales, service and marketing components accordingly and thus transforming the contextual data into possible monetisable information.

However, this assumption alone is not enough to strengthen the customer-centric approach: indeed, it is necessary to rethink the tools available to brands, while also taking full advantage of the e-commerce channel, which is becoming more and more of a reference point for consumers, even during their in-store experience. Thanks to this approach, it is possible to ensure a truly integrated, multi-channel experience.

Through its competence centre on customer robotics and partnerships with leading CRM and e-commerce platforms, such as those offered by Microsoft, Oracle, SAP, Adobe and Salesforce, Reply collaborates with major brands, helping them to design increasingly direct and digital relationships with their customers, particularly in light of the acceleration in this direction imposed by the Covid-19 pandemic.

CYBERSECURITY

The issue of Cyber Security is becoming ever more pressing: over the past few years, the trend of cyber-attacks has been constantly growing. There has not only been a growing number of malicious actions, but these are becoming increasingly more sophisticated, with a significant impact on the market, creating direct and indirect damage and undermining not only the business but also, in some cases, the reputation of the companies involved. The acceleration towards digital transformation imposed by the global Covid-19 pandemic and the new working methods designed to ensure business continuity for companies, even in full lockdown, have also led to a corresponding increase in cyber threats. Today, more than ever, Cyber Security and Data Protection represent two fundamental and essential pillars for any new digital innovation initiative.

To respond to this growing complexity, Reply has developed an offer capable of protecting the integrity of its customers' data, starting from the definition of the best IT security strategies, up to the identification and implementation of the most suitable technological solutions for mitigating the 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 process of some of the best protection solutions, with specific expertise in the risks associated with cloud services, to Internet of Things platforms and those related to Industry 4.0, AI and automation.

Reply supports companies in all stages of implementation of an integrated protection plan: from the identification of threats and vulnerabilities to the planning, design, implementation and management of appropriate technological, legal, organisational and risk transfer (cyber insurance) countermeasures. Moreover, thanks to its Cyber Security Command Centre, Reply is able to support large organisations through 'predictive' solutions aimed at identifying and managing threats, such as cyber security monitoring, incident management and response and threat intelligence services.

DESIGN CONSULTING

At the core of Reply's design consulting strategy, there is a holistic view that examines all aspects: the analysis of people's needs, strategic business objectives and technological enablers to create a customer journey tailored to the client company.

Reply supports organisations in managing change, helping them to become more agile and receptive and, at the same time, speed up the timing with which new products and services are launched on the market. In 2020, Reply invested heavily in the Design & Innovation Consulting sector, through the acquisition of new differentiating talent and new expertise. It was thus able to further expand its two studios in Milan and Munich and to grow its customer base, composed of established organisations, as well as emerging start-ups that share a common goal: putting people at the very centre of their growth strategy.

DIGITAL EXPERIENCE

The Covid-19 pandemic has pushed companies to fully rethink their relationships with end customers, but also with employees and business partners. It has also confirmed the need to adapt their offering to meet user expectations, increasingly more focused on customisation, practicality and ease of use.

Reply supports brands in translating these opportunities into new digital experiences and new customer interaction touchpoints, quickly and effectively. This is also thanks to research platforms based on the analysis and interpretation of data and on AI systems, designed to provide answers in real time and identify future trends.

Applications which, for example, utilise video solutions to create direct contact with customers, improve the consulting approach or even just become substitutes for a physical interaction severely limited by the pandemic, have become a central part of the user experience in many cases. Reply's offer fits precisely in this context, as it introduces innovative and scalable platforms that enable, on the one hand, an interaction with the individual user supported by conversational systems based on artificial intelligence, while on the other making it possible to implement new, fully digital solutions that leverage augmented reality features and are capable of handling millions of participants simultaneously.

Reply is thus able to create a widespread experience, thanks to individual applications capable of serving a specific purpose, while at the same time ensuring a consistent and unified user experience across all channels: from the web to mobile devices, wearables and other touchpoints. This is an approach made possible by a structured 'design to code' management – one which extends from design to implementation.

After aggregating the data to eliminate a compartmentalised approach and having created a unified vision of the customer, Reply is able to work at a cross-channel customisation level. In particular, thanks to predictive analytics systems, Reply can provide automated support for the best actions and content to enhance the user experience, with the aim of creating increasingly closer integration between real life and digital experiences.

Moreover, the key role of the digital experience, including within company environments, confirms the importance of a user experience designed with the individual at the centre, especially for the development of human-machine interfaces designed to carry out specific tasks, as in the case of virtual assistants for the workforce.

DATA-DRIVEN MARKETING

A data-driven marketing approach is able to combine data science with business skills and creativity. With its expertise in this area, Reply helps companies to reduce the emotional component in marketing choices, leaving room for decisions based on data analysis: an approach that makes it possible to minimise non-essential aspects, in favour of a more efficient and effective process.

Reply's proprietary China Beats, Pulse and Sonar platforms are able to transform the collected data into stories, while its Data Creativity Score is the first data-driven system designed to quantify the level of creativity in a marketing campaign. Moreover, thanks to the application of models based on the principles of behavioural psychology and in comparison with the echo generated by social networks, Reply helps companies to monitor their Digital Brand Equity in real time.

These services, complemented by the proprietary Advanced Analytics system based on automatic and massive data extraction algorithms on social media, take advantage of artificial intelligence and natural language processing. Thanks to this system, Reply is able to offer real-time monitoring of the return on investment for a marketing campaign, thus enabling companies to achieve their goals, while optimising costs.

In 2020, Reply also applied its expertise in data-driven marketing to analyse the effects of the pandemic on the different product sectors and consumer habits.

DIGITAL WORKPLACE

The first response of businesses to the pandemic was, where possible, the remotisation of work and the adoption of digital tools capable of guaranteeing the sharing of information among employees. In many cases, this was an emergency solution rather than the result of a structured planning process. However, this situation has confirmed to companies that there needs to be a change of vision: a new way of conceiving smart working that is focused on people and on the birth of a new Digital Workplace, an ecosystem in which tools and ways of working are rethought, in order to provide an experience similar to being in the office.

The management of data, projects and operations now requires collaborative, secure and controlled environments, capable of guaranteeing the traceability of activities while, at the same time, enabling collaboration without geographical constraints.

To respond to this scenario and to the growing integration of systems, Reply supports companies through the adoption of the best technologies to manage workflows and remote communication systematically. In 2020, and during the most challenging months of the pandemic in particular, Reply helped companies to reshape or rethink their activities from a Covid perspective, through the adoption of ad hoc tools: from the remote management and training of the sales force, to the organisation of virtual events, all the way to the creation of a shared ecosystem that enabled employees to team up, even remotely. Reply achieved this by leveraging its proprietary solutions like the TamTamy social enterprise platform, which is capable of providing different communication tools in a single space and enabling uninterrupted access to the database and to business applications. In this context, solutions designed to guarantee the safety of workers and companies also played a key role, such as Managed Desktop and Mobile Device Management, which facilitate the protection of company data and devices from unauthorised access.

The various anti-Covid innovations implemented by Reply in 2020 also include tools for the management of distancing. On the one hand these included a desk sharing solution for offices for the secure management of workstations, and, on the other, a more complex monitoring system for production sites, capable of managing – and possibly alerting – the social distancing of workers based on custom distance and exposure values at the time of interaction, using high-precision, Ultra Wide Band technology.

E-COMMERCE

The global Covid-19 pandemic has put a considerable strain on the retail sector and has accelerated its digitalisation process. In many cases, e-commerce has become the only sales tool and the only channel accessible during the most difficult months of the lockdown. In this context, it was the major e-commerce players who found themselves to be at an advantage compared to the rest of the field, even though many other businesses tried to keep up, supported by ad hoc services and solutions. In sectors such as fashion and luxury, for example, technologies like 3D prototyping and virtual showrooms made it possible to bring customers closer to the shopping experience typically experienced in-store.

Shopping assistants played a key role in this process and facilitated a smoother ‘transition’ between the physical and the digital, thanks to the support of physical persons, available to interact via chat or video chat, and also virtual assistants controlled by AI and machine learning solutions. The B2B segment has also seen an increase in digital transactions.

During this phase of radical transformation, Reply was able to support retailers in the quick adoption of cross-channel sales models. This achievement was also made possible thanks to Reply’s partnership with leading vendors of e-commerce solutions, its expertise in voice interaction and to its consolidated experience in the augmented reality and virtual reality segment.

The digitalisation of sales processes did not only impact the retail sector, but nearly all commercial areas, including sectors such as banking, insurance and telco. Players in these segments pursued several e-commerce projects, taking advantage of new channels such as instant messaging and social networks and using Reply as a strategic partner, thanks to its ability to govern operating models and advanced logistics systems, as well as to manage digital identities without neglecting cybersecurity needs.

ENTERPRISE ARCHITECTURE & AGILE DEVELOPMENT

The Covid-19 pandemic has radically changed the way work is approached, managed and organised. The fact that, under the pressure of the health emergency, companies suddenly found themselves implementing agile and primarily remote models, clearly demonstrates this.

The ability to operate on an international scale based on shared models, leveraging cloud-based architectures and edge computing in particular, have become distinctive elements for businesses that were able to seize this opportunity to bring about a change, particularly where there was already a solid level of maturity in terms of distributed and agile architectures.

In 2020, Reply accompanied and supported companies in the implementation of distributed, agile and remote operating models, thanks to an offer of architectural frameworks and specific methods and models such as scalable Agile and SecDevOps. Moreover, it carried out several projects in this direction for major industrial, financial and media groups, and for companies operating in the services sector.

GAME STUDIOS

The video game industry was not spared from the impact of the Covid-19 pandemic: like many others, this sector was also hit hard by major changes, yet it managed to adapt quickly to the new scenario. Indeed, the lockdown months led to a significant increase in digital entertainment. The use of video games in domestic environments experienced a strong growth, both on the mobile front and on consoles and PCs.

Reply is engaged in all facets of the gaming domain, both with products in its back-catalogue, and at the same time, working on the development of new titles designed for next generation PCs and consoles, like the latest PlayStation 5 and Xbox Series X/S recently released on the market. In the months and years ahead, the efforts of the sector will focus precisely on these new developments, as it is called upon to innovate constantly in order to satisfy the requirements of an ever-demanding public searching for new content.

INDUSTRY 4.0

Data processing power, latest-generation mechanical automation, as well as machine learning systems and AI: these are the key aspects of the fourth industrial revolution. This is a revolution that is redefining production sites around the world, transforming factories into interconnected systems capable of communicating in real time with the entire supply chain. The new Industry 4.0 models make it possible to manage flows, diversify production, maintain a high level of system reliability and, at the same time, ensure greater efficiency and control.

Reply guides companies in this transformation path: from the new design with virtual reality tools, to the development of solutions capable of connecting production sites and products, all the way to the management of plant and machine maintenance, supported by latest generation tools such as digital twins. Moreover, Reply provides support in the processing of data collected by the interconnected systems, in order to generate information and develop algorithms aimed at automating production, distribution and collaborative processes, in an efficient and effective manner.

On this front, in 2020 Reply continued to grow its portfolio of solutions in the Industry 4.0 and Logistic 4.0 domain, introducing the new Axulus Reply solution to the market. This is designed to facilitate the adoption of solutions in the Industrial Internet realm, by making it possible to integrate new generation Internet of Things components into complex production contexts.

Reply is actively engaged in Industry 4.0 research, having established important partnerships with institutional actors. It is collaborating with the Polytechnic University of Turin on an application in the Additive Manufacturing domain and, together with the same University, it is a founding partner of CIM 4.0 (Competence Industry Manufacturing 4.0), a competence centre specialised in additive manufacturing and technologies for the digital factory.

Also, with a focus on research, Reply is participating in MADE (multimedia application development environment), the competence centre led by the Polytechnic University of Milan, founded with the aim of disseminating knowledge relating to Industry 4.0 technologies, supporting companies in a path of growth and adoption and facilitating the understanding of how 4.0 solutions can be used to improve industrial competitiveness.

MIXED REALITY

The exponential growth of video content and the increasingly high resolution of such content, the increased computing power of devices, networks' ability to deliver incredibly low latency levels and the evolutions of computer vision machine learning algorithms, have all contributed to changing the paradigms of immersive technologies.

Thanks to mixed reality, it is now possible to pass from a logic of 'experimentation' to a logic of actual adoption of these technologies in various business areas. This is due to the emergence of innovative software solutions such as pixel streaming and the evolution of increasingly compact and powerful viewers.

Reply has already introduced immersive technologies in projects aimed at supporting the communication and marketing of customer brands, but also as a tool for improving training processes, thanks to the creation of virtual environments where users can experiment and practice in complete safety.

Mixed reality has numerous fields of application, starting from the medical domain. Today, the sector that already demonstrates interesting prospects is the one related to cultural communication and virtual tours, which have already been exploiting the possibilities of virtual reality for some time and are now making them even more immersive using mixed reality.

Reply is also working on solutions that take advantage of mixed reality to support field maintenance operations, with support for both mobile devices and viewers. These solutions make it possible to view a series of Internet of Things data on the intervention area, together with instructions and useful documentation to speed up the technicians' work.

MOBILE & APPS

Over the past few years, the exponential growth in the performance of mobile devices has facilitated the entry into the mobile world of AI systems, capable of enabling a range of different features and advanced services: from object recognition, to the processing of biometric data and augmented reality.

In this context, Reply is committed to supporting companies towards a 'mobile digital transformation', through the adoption of a multi-channel approach and an expanded offer that ranges from User Experience to Data-Centric Design and Multi-modal Human Machine Interface. This approach allows users to access a series of services enabled by the terminal, but external to it, such as voice assistants, chatbots and infotainment systems in cars, thus creating a 'liquid' mobile experience.

Reply offers its customers a mobile factory capable of not only exploiting the potential of native development, but also of quickly attacking 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

The Internet of Things is an enabler of connected products and solutions that, combined with technologies such as edge computing and artificial intelligence, make it possible to design and market value-added services, which are gaining in popularity in various fields, from the industrial sphere to public services. During this phase (and also as a result of the global Covid-19 pandemic), sectors such as insurance and healthcare have seen the demand and use of connected platforms and solutions grow, thanks to the ability to monitor behaviour remotely, guaranteeing the privacy of users and, at the same time, reducing risks and improving the offer.

When it comes to widespread connectivity, one of the main areas of development is the smart home. Leading vendors are concentrating their efforts on creating and developing large ecosystems capable of offering interesting opportunities for both customers and companies. At the core of the smart home there are smart speakers and home automation elements, in addition to the application of intelligent sensors to major household appliances. Indeed, sensors enable not only a human-machine interaction, but also greater customisation of use, with a consequent energy optimisation.

In this context, Reply supports the design, implementation and evolution of connected products and platforms in various domains: from manufacturing (also thanks to the adoption of Industrial Internet of Things solutions) to insurance, from telco to home automation, all the way to consumer electronics and healthcare. It is precisely in this last domain that Reply concentrated its efforts in 2020, with the aim of ensuring an ever greater integration between proprietary platforms and devices in the field of medicine and wellness.

QUANTUM COMPUTING

Real-time problem solving, the reconfiguration of complex processes and understanding the correlations between seemingly disparate data sets. These are all challenges out of reach from a 'classic' computational point of view, but which today can be supported by accelerated computing and quantum computing through the use of innovative hardware platforms.

The main aim of quantum computing is to perform computationally expensive operations in a very short period of time, thus enabling the acceleration of business performance. Quantum Computing makes it possible to encapsulate information within Quantum Bits (Qubits), taking advantage of the massive parallelisation of quantum algorithms, thus making it possible to solve problems that are typically beyond the reach of traditional technologies. Thanks to this enormous potential, Quantum Computing can optimise business processes, by maximising the cost/benefit ratio, optimising operations, logistics, workforce management and delivering immediate financial benefits.

Reply has created a competence centre dedicated to Quantum Computing, with the aim of delving deeper into the application of different types of quantum algorithms to areas of interest to customers, competencies that are already being integrated into innovative projects. Indeed, various solutions were developed during 2020 in different domains.

These include optimisation of the management of trains and journeys within the transport sector; a solution capable of minimising interference along the entire network for telecommunications; maximising the number of maintenance interventions in the energy sector; and in finance, the implementation of an optimal model for managing costs associated with the performance of transactions on financial markets. These solutions are complemented by the design of Quantum Machine Learning solutions applied to classification algorithms. In 2020, Reply was declared the winner of an international competition organised by Airbus, a leading company in the aerospace sector. This was achieved thanks to a quantum algorithm to find the optimal arrangement of cargo on an aeroplane, in order to maximise the transported mass. In 2021, Reply will work with Airbus to test their solution in the field.

SOCIAL MEDIA

During the months of lockdown imposed by the pandemic, social media and instant messaging platforms proved to be a key tool for providing socialisation and communication on the one hand, while consolidating its position as a means of information and entertainment on the other. In the professional domain, social networking and remote communication platforms also reached remarkable levels of use, as a result of the increase in remote work.

Social media platforms have, for some time, seen an increased use by companies to communicate with their audience and to target advertising messages, while attempting to address the growing concerns of user privacy. Over the past few years, digital advertising sales have reached new records, even at the expense of traditional media, and 2020 saw the growth of these channels as tools integrated into the e-commerce experience, particularly in the fashion and hi-tech fields.

In this context, Reply supports large multinationals and companies from different sectors in building an active and responsible social media presence. Interaction on social media is managed as one of several touchpoints and is integrated with secure platforms for data collection and analysis. One of the most interesting consulting areas offered by Reply in this domain is support in the management of marketing automation and in the local presence on social media.

INTERIM FINANCIAL REPORT 2021

FINANCIAL REVIEW OF THE GROUP

INTRODUCTION

The Half-Year report for the period ended June 30, 2021 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 € 712.8 million, which is an increase of 15.9% compared to the same period in 2020.

All indicators are positive for the period. In the first half of 2021, consolidated EBITDA of €119.5 million compared to the €90.2 million recorded in 2020 and corresponds to 16.8% of turnover.

EBIT, from January to June, was €96.0 million (€74.1 million in 2020), corresponding to 13.5% of turnover.

Pre-tax profit, from January to June 2021, was €98.7 million (€75.1 million in 2020), corresponding to 13.8% of turnover.

As regards the second quarter 2021, the Group's performance was also positive, with consolidated turnover for the period of €360.4 million, up by 20.9% compared to 2020.

EBITDA, from April to June 2021, amounted to €59.9 million, with EBIT of €48.0 million and pre-tax profit of €51.1 million.

As at 30 June 2021, the Group's net financial position was positive for €165.4 million, while at 31 March 2021 was positive for €227.9 million. The financial position at 30 June 2020 was positive for €122.6 million.

The first half of 2021 was very positive, both in terms of revenue and margins. In recent months Reply has seen a strong growth in investments by companies in two main areas of innovation: cloud and artificial intelligence.

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:

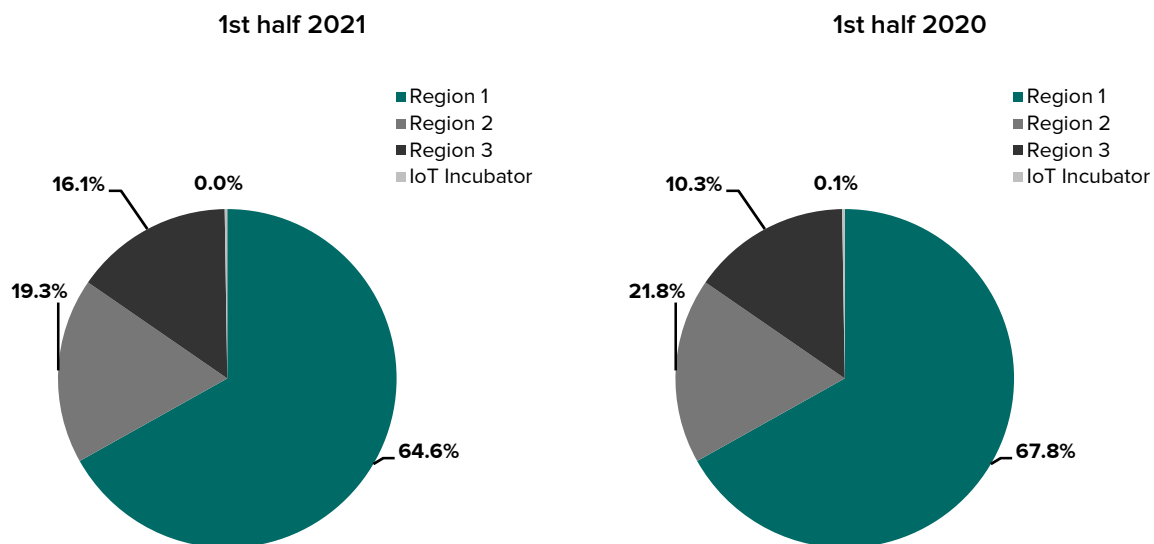
(thousand Euros)	1 st half 2021	%	1 st half 2020	%
Revenues	712,833	100.0	615,176	100.0
Purchases	(9,330)	(1.3)	(10,731)	(1.7)
Personnel	(365,403)	(51.3)	(305,678)	(49.7)
Services and other costs	(220,504)	(30.9)	(209,298)	(34.0)
Other operating (costs)/income	1,884	0.3	748	0.1
Operating costs	(593,353)	(83.2)	(524,959)	(85.3)
Gross operating income (EBITDA)	119,481	16.8	90,217	14.7
Amortization, depreciation and write-downs	(23,495)	(3.3)	(19,409)	(3.2)
Other non-recurring (costs)/income	(19)	-	3,339	0.5
Operating income (EBIT)	95,967	13.5	74,147	12.1
(Loss)/gain on investments	4,237	0.6	4,717	0.8
Financial income/(expenses)	(1,485)	(0.2)	(3,727)	(0.6)
Income before taxes	98,719	13.8	75,138	12.2
Income taxes	(26,337)	(3.7)	(20,364)	(3.3)
Net income	72,382	10.2	54,773	8.9
Non-controlling interests	(991)	(0.1)	(836)	(0.1)
Group net income	71,391	10.0	53,938	8.8

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 2021	%	Q2 2020	%
Revenues	360,447	100.0	298,184	100.0
Purchases	(3,139)	(0.9)	(5,327)	(1.8)
Personnel	(188,890)	(52.4)	(150,104)	(50.3)
Services and other costs	(109,710)	(30.4)	(100,357)	(33.7)
Other operating (costs)/income	1,178	0.3	198	0.1
Operating costs	(300,562)	(83.4)	(255,590)	(85.7)
Gross operating income (EBITDA)	59,885	16.6	42,593	14.3
Amortization, depreciation and write-downs	(11,938)	(3.3)	(9,820)	(3.3)
Other unusual (costs)/income	75	-	3,339	1.1
Operating income (EBIT)	48,021	13.3	36,112	12.1
(Loss)/gain on investments	3,985	1.1	5,036	1.7
Financial income/(expenses)	(862)	(0.2)	48	-
Income before taxes	51,144	14.2	41,197	13.8

REVENUE BY REGION (*)



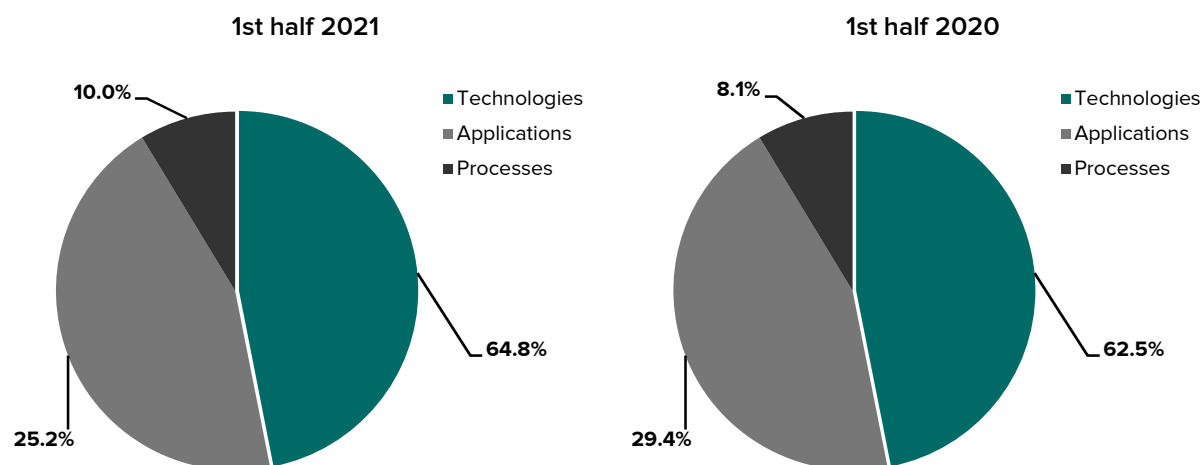
(*)

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

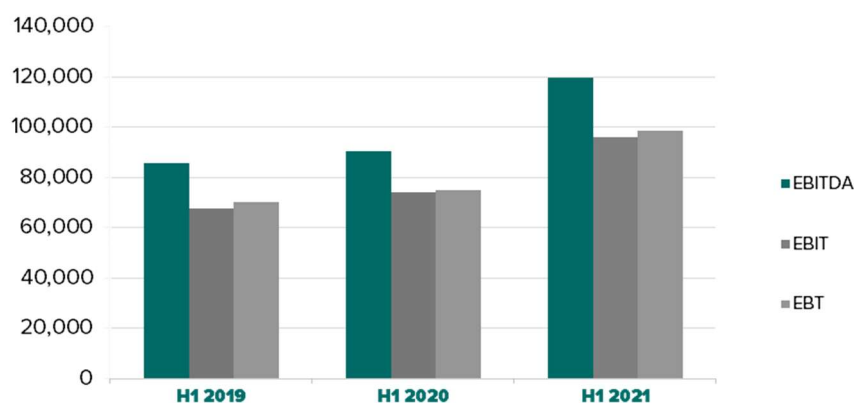
Region 2: DEU, CHE, CHN (Beijing), HRV

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

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, 2021, compared to December 31, 2020:

(thousand Euros)	30/06/2021	%	31/12/2020	%	Change
Current assets	488,835		505,790		(16,954)
Current liabilities	(464,690)		(527,354)		62,665
Working capital, net (A)	24,146		(21,565)		45,710
Non-current assets	670,723		664,852		5,871
Non-current liabilities	(131,202)		(125,991)		(5,211)
Fixed capital (B)	539,521		538,860		660
Invested capital, net (A+B)	563,667	100.0	517,296	100.0	46,371
Shareholders' equity (C)	729,055	129.3	675,957	130.7	53,098
NET FINANCIAL POSITION (A+B-C)	(165,388)	(29.3)	(158,661)	(30.7)	(6,727)

Net invested capital as at June 30, 2021, amounted to 563,667 thousand Euros, and was entirely financed by Shareholders' equity for 729,055 thousand Euros, that generated a positive net financial position of 165,388 thousand Euros.

Net invested capital includes the item Due to minority shareholders and Earn-out for a total of 59,935 thousand Euros (71,381 thousand Euros at 31 December 2020).

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2021	31/12/2020	Change
Work in progress	151,057	79,784	71,273
Trade receivables	281,451	344,700	(63,248)
Other current assets	56,327	81,306	(24,979)
Current operating assets (A)	488,835	505,790	(16,954)
Trade payables	126,756	114,149	12,607
Other current liabilities	337,933	413,205	(75,272)
Current operating liabilities (B)	464,690	527,354	(62,665)
Working capital, net (A-B)	24,146	(21,565)	45,710
% return on investments	1.7%	(1.7%)	

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(thousand Euros)	30/06/2021	31/12/2020	Change
Cash and cash equivalents, net (*)	327,921	332,500	(4,579)
Current financial assets	2,300	2,108	192
Due to banks	(6,354)	(10,815)	4,461
Due to other providers of finance	(973)	(1,495)	522
Financial liabilities IFRS 16	(26,385)	(24,453)	(1,932)
Short-term financial position	296,509	297,844	(1,335)
Due to banks	(18,681)	(19,735)	1,055
Financial liabilities IFRS 16	(112,440)	(119,448)	7,007
M/L term financial position	(131,121)	(139,183)	8,062
Total net financial position	165,388	158,661	6,727

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

Net financial position does not include the item Due to minority shareholders and Earn-out, included in net invested capital.

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

(thousand Euros)	1st half 2021
Cash flows from operating activities (A)	74,688
Cash flows from investment activities (B)	(31,024)
Cash flows from financial activities (C)	(48,242)
Change in cash and cash equivalents (D) = (A+B+C)	(4,579)
Cash and cash equivalents at beginning of period (*)	332,500
Cash and cash equivalents at year end (*)	327,921
Total change in cash and cash equivalents (D)	(4,579)

(*) 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.

SIGNIFICANT OPERATIONS OF THE FIRST HALF 2021

Business Elements Group BV

In the month of May 2021, the subsidiary Reply Sarl acquired 100% of the share capital in Business Elements Group BV, a company incorporated under Belgium law for an initial consideration of 3,628 thousand Euros. The company is specialized in consulting services and application development on the Microsoft Dynamics CRM platform.

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 at 31 December 2020 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, 2021 the number of employees of the Group was 9,648 with an increase of 589 compared to December 31, 2020 and an increase of 1,108 resources compared to June 30, 2020.

EVENTS SUBSEQUENT TO 30 JUNE 2021

No significant events have occurred subsequent to 30 June 2021.

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

OUTLOOK ON OPERATIONS

The current scenario is constantly evolving and still remains difficult to make predictions about the future in the short and medium term. The past months have, in any case, definitively changed the perception of technology by all companies. Today, even the most traditional and conservative have understood that the digitization of processes and the cloud and artificial intelligence are indispensable tools to restart and be competitive in an increasingly connected and digital world.

In particular, the revolution linked to the introduction of artificial intelligence is at the beginning of a growth path that promises to be disruptive and that will lead in a few years to revolutionize all industrial and service sectors. This transformation is irreversible and, although dramatic for some, opens up new opportunities for Reply, which is already engaged with investments and projects that combine artificial intelligence, the Internet of Things and the cloud in the paradigm of autonomy of things; that is, a new set of objects and services developed to interact with all intelligent entities and able to autonomously use data and artificial intelligence.

In the first half of 2021, the market was characterized by strong demand for digital, software engineering and data services. This evolution is further reinforced by the development of emerging cloud computing and IoT technologies.

These services are the heart of Reply's offer and characterize the great project activity in recent months.

Added to this is a further growth path driven by new applications related to the use of artificial intelligence and robotic automation, applied both to vehicles and connected objects and to business processes.

In the coming months, in the absence of a resurgence of COVID, a continuation of these trends and the correlated growth of the Company's activities and results is expected to continue.

Turin, August 3, 2021

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF YEAR CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2021

CONSOLIDATED STATEMENT OF INCOME (*)

(thousand Euros)	Note	1 st half 2021	1 st half 2020	2020
Revenues	5	712,833	615,176	1,250,191
Other income	6	6,489	5,593	19,405
Purchases	7	(9,330)	(10,731)	(21,510)
Personnel	8	(365,403)	(305,678)	(621,362)
Services costs	9	(226,993)	(214,891)	(419,235)
Amortization, depreciation and write-downs	10	(23,495)	(19,409)	(42,441)
Other operating and non-recurring (cost)/income	11	1,866	4,087	4,484
Operating income		95,967	74,147	169,531
(Loss)/gain on investments	12	4,237	4,717	1,240
Financial income/(expenses)	13	(1,485)	(3,727)	(8,717)
Income before taxes		98,719	75,138	162,054
Income taxes	14	(26,337)	(20,364)	(37,848)
Net income		72,382	54,773	124,206
Non-controlling interest		(991)	(836)	(608)
Group net result		71,391	53,938	123,598
<i>Earnings per share and diluted</i>	15	1.91	1.44	3.30

(*) 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 2021	1st half 2020
Profit of the period (A)		72,382	54,773
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans		849	(461)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	27	849	(461)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		339	1,073
Gains/(losses) on exchange differences on translating foreign operations		8,012	(10,094)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)		8,351	(9,021)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)	27	9,200	(9,483)
Total comprehensive income (A)+(B)		81,582	45,291
Total comprehensive income attributable to:			
Owners of the parent		80,591	44,455
Non-controlling interest		991	836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(thousand Euros)	Note	30/06/2021	31/12/2020	30/06/2020
Tangible assets	16	51,971	51,782	48,616
Goodwill	17	336,976	330,749	263,879
Intangible assets	18	24,422	25,758	13,027
RoU Assets	19	130,117	137,645	92,538
Equity investments	20	65,920	56,421	59,108
Other financial assets	21	9,546	9,577	7,829
Deferred tax assets	22	51,772	52,921	35,985
Non-current assets		670,723	664,852	520,981
Inventories	23	151,057	79,784	136,803
Trade receivables	24	281,451	344,700	239,354
Other receivables and current assets	25	56,327	81,306	52,951
Financial assets	21	2,300	2,108	1,855
Cash and cash equivalents	21, 26	329,315	333,819	259,637
Current assets		820,450	841,716	690,600
TOTAL ASSETS		1,491,173	1,506,568	1,211,581
Share Capital		4,863	4,863	4,863
Other reserves		650,953	546,578	551,089
Net result of the period		71,391	123,598	53,938
Group shareholders' equity	27	727,207	675,039	609,890
Non-controlling interest		1,848	918	3,325
NET EQUITY	27	729,055	675,957	613,215
Due to minority shareholders and Earn-out	28	58,981	53,010	27,702
Financial liabilities	29	18,681	20,387	26,058
Financial liabilities from RoU	29	112,440	118,796	73,936
Employee benefits	30	46,295	46,112	45,343
Deferred tax liabilities	31	17,313	16,117	19,104
Provisions	32	8,613	10,753	8,773
Non-current liabilities		262,323	265,174	200,915
Due to minority shareholders and Earn-out	28	953	18,370	12,023
Financial liabilities	29	8,720	13,629	17,471
Financial liabilities from RoU	29	26,385	24,453	21,444
Trade payables	33	126,756	114,149	76,136
Other current liabilities	34	336,209	394,110	269,878
Provisions	32	771	724	500
Current liabilities		499,795	565,437	397,451
TOTAL LIABILITIES		762,118	830,611	598,366
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,491,173	1,506,568	1,211,581

(*) 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, 2020	4,863	(25)	122,836	470,228	(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

(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, 2021	4,863	(25)	199,533	498,899	(1,440)	(19,989)	(6,803)	918	675,957
Dividends distributed	-	-	-	(20,911)	-	-	-	(710)	(21,621)
Change in own shares	-	(7,195)	-	-	-	-	-	-	(7,195)
Total comprehensive income/(loss)	-	-	-	71,391	339	8,012	849	991	81,582
Other changes	-	-	-	(316)	-	-	-	648	332
At June 30, 2021	4,863	(7,220)	199,533	549,063	(1,101)	(11,977)	(5,954)	1,848	729,055

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousand Euros)	1st half 2021	1st half 2020
Net result of the period	71,391	53,938
Income taxes	26,337	20,364
Depreciation and amortization	23,495	19,409
Other non-monetary expenses/(income)	7,707	(8,003)
Change in work in progress	(71,273)	(61,474)
Change in trade receivables	63,248	192,886
Change in trade payables	12,607	(43,815)
Change in other assets and liabilities	(20,976)	(98,978)
Income taxes paid	(37,848)	(5,487)
Net cash flows from operating activities (A)	74,688	68,839
Payments for tangible and intangible assets	(7,406)	(6,210)
Payments for financial assets	135	(539)
Payments for the acquisition of subsidiaries net of cash acquired	(23,753)	(7,750)
Net cash flows from investment activities (B)	(31,024)	(14,499)
Dividends paid	(21,621)	(20,250)
Shares issued	(7,195)	-
New financing	-	1,027
Financial liabilities for leasing	(14,460)	(12,685)
Repayment of loans	(4,966)	(8,647)
Net cash flows from financing activities (C)	(48,242)	(40,556)
Net cash flows (D) = (A+B+C)	(4,579)	13,785
Cash and cash equivalents at beginning of period	332,500	239,571
Cash and cash equivalents at period end	327,921	253,355
Total change in cash and cash equivalents (D)	(4,579)	13,785

Detail of cash and cash equivalents

(thousand Euros)	1st half 2021	1st half 2020
Cash and cash equivalents at beginning of period	332,500	239,571
Cash and cash equivalents	333,819	240,943
Bank overdrafts	(1,320)	(1,372)
Cash and cash equivalents at period end	327,921	253,355
Cash and cash equivalents	329,315	259,637
Bank overdrafts	(1,394)	(6,282)

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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, 2020.

More specifically the half year condensed consolidated financial statements at June 30, 2021 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, 2021

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 2020.

It should be noted that, during the first half of 2021, the following principles were issued even if not yet effective:

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

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

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

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

Annual Improvements to IFRS Standards 2018- 2020 Cycle

On May 14, 2020 the IASB issued the Annual Improvements to IFRS 2018-2020 Cycle. The most important topics addressed in these amendments are: (i) on IFRS 9 - Financial Instruments clarifying which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability; and (ii) on IFRS 16 - Leases removing the illustration of the reimbursement of leasehold improvements. These improvements are effective from January 1, 2022.

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

As of 30 June 2021, the above changes have no impact on the Half-Year condensed Financial Statements. 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 2021, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Investments	20	-	-	56,652
Convertible loans	21	-	-	4,961
Financial securities	21	2,004	-	-
Total financial assets		2,004	-	61,613
Derivative financial liabilities (IRS)	29	-	2,856	-
Liabilities to minority shareholders and earn out	28	-	-	59,935
Total financial liabilities		-	2,856	59,935

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.

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently, for the purposes of IFRS7 the fair value used by 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 2021, there have not been any transfers within the hierarchy levels.

NOTE 4 – CONSOLIDATION

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

Changes in consolidation compared to 30 June 2020 are related to:

- Sagepath LLC, a company acquired in the month of August 2020 under American law of which Reply Inc. holds 70% of share capital, specializing in digital transformation with skills in strategy, design and technology;
- Sprint Reply SA (ex Brightknight SA), a company acquired in the month of September 2020 under Belgium law of which Reply Ltd. holds 100% of share capital, specializing in Robotic Process Automation;
- Airwalk Holdings Ltd., a company established under English law, acquired together with its subsidiaries in the month of November 2020 of which Reply Ltd. holds 100% of share capital, specialized in innovative services based on design and consulting models declined according to the paradigms of Cloud Computing;
- Mansion House Consulting Ltd., a company established under English law, acquired together with its subsidiaries in the month of December 2020 of which Reply Ltd. holds 100% of share capital, specialized in digital transformation in the financial field.

It is to be noted that in May 2021 the subsidiary Reply Sarl acquired 100% of the share capital of Business Elements Group, a company incorporated under Belgium law. At the date of this Half-year report, the integration process has not yet been completed and consequently the company has been consolidated using the equity method.

Change in the consolidation as at June 30, 2021 affected Group's revenues by 6.9% and profits before tax by 0.03%.

The list of the Reply Group companies, presented as an annex herein include the start-up companies, Autonomous Reply GmbH, Concept Reply LLC, WM Reply Ltd (NZ), Like Reply GmbH, Machine Learning GmbH, Target Reply GmbH, Reply Sarl.

NOTE 5 - REVENUE

Revenues from sales and services, including change in work in progress, amounted to 712,833 thousand Euros (615,176 thousand Euros at 30 June 2020).

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 2021	1 st half 2020
Region 1	64.60%	67.80%
Region 2	19.30%	21.80%
Region 3	16.10%	10.30%
IoT Incubator	0.00%	0.10%
Total	100.00%	100.00%

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

(*)

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

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

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

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

Business line	1 st half 2021	1 st half 2020
Technologies	64.8%	62.5%
Applications	25.2%	29.4%
Processes	10.0%	8.1%
Total	100.0%	100.0%

NOTE 6 - OTHER REVENUES

Other revenues amounted to 6,489 thousand Euros (5,593 thousand Euros at 30 June 2020) and mainly refer to miscellaneous income, non-recurring income and R&D contributions.

NOTE 7 - PURCHASES

Detail is as follows:

(thousand Euros)	1 st half 2021	1 st half 2020	Change
Software licenses for resale	7,169	7,928	(759)
Hardware for resale	501	271	230
Other	1,660	2,532	(872)
Total	9,330	10,731	(1,402)

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 739 thousand Euros, the purchase of office stationery for 149 thousand Euros and the purchase of consumption material for 284 thousand Euros.

NOTE 8 - PERSONNEL

Personnel includes payroll employees and executive directors amounting to 365,403 thousand Euros compared with 305,678 thousand Euros pf the first half 2020.

The increase in the cost of employees, amounting to 59,726 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)	1 st half 2021	1 st half 2020	Change
Directors	346	315	31
Managers	1,204	1,075	129
Staff	8,098	7,150	948
Total	9,648	8,540	1,108

On 30 June 2021 the Group's employees were 9,648 compared to 8,540 of the first half 2020.

Change in consolidation brought an increase of 197 employees to the workforce.

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

NOTE 9 – SERVICE COSTS

Services and other costs comprised the following:

(thousand Euros)	1 st half 2021	1 st half 2020	Change
Commercial and technical consulting	165,510	128,036	37,474
Travelling and professional training expenses	7,854	11,133	(3,279)
Other services costs	29,728	22,757	6,971
Office expenses	6,667	6,930	(263)
Lease and rentals	2,052	1,826	226
Other	15,182	44,209	(29,028)
Total	226,993	214,891	12,102

Change in the item Commercial and technical consulting, amounting to 37,474 thousand Euros, is attributable to an overall increase in the Group's business.

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

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and secretarial services for 601 thousand Euros, rent charged by third parties for 709 thousand Euros, utility costs for 3,630 thousand Euros, cleaning expenses for 1,056 thousand Euros and maintenance expenses for 408 thousand Euros.

Change in the item Other is due mainly to the extraordinary accrual posted as at 30 June 2020 that management deemed necessary subsequent to the economic effects in relation to COVID-19 with contra-entry offsetting working capital items.

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 2021 of 5,091 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2021 amounted to 3,588 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 14,816 thousand Euros.

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

Other operating and non-recurring net income, related to events and transactions that do not occur in the regular course of business, amounted to 1,866 thousand Euros (4,087 thousand Euros in the first half of 2020) and refer to:

- a positive income of 1,885 thousand Euros in relation to net changes in provisions for risks and charges in relation to contractual, commercial and legal disputes;
- a negative charge of 19 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 4,237 thousand Euros and is related to the fair value adjustments to equity investments in start-up companies made by the Investments company Breed Investments Ltd. and more specifically to:

- positive fair value adjustments for 4,324 thousand Euros;
- impairment of investments in the amount of negative 86 thousand Euros.

The equity method of consolidation of the investment in Business Elements Group BV, company acquired at the end of May 2021, was not significant.

NOTE 13 - FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(thousand Euros)	1st half 2021	1st half 2020	Change
Financial income	79	189	(111)
Interest expenses	(790)	(798)	8
Other	(773)	(3,118)	2,345
Total	(1,485)	(3,727)	2,242

Financial gains are mainly related to interest on bank accounts.

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 International Accounting Standard IFRS 16 for 1,747 thousand Euros (1,290 at 30 June 2020);
- a net gain on exchange rate differences from the translation of balance sheet items not stated in Euros for 921 thousand Euros (net gain of 774 thousand Euros at 30 June 2020);
- a net gain on changes in fair value of financial liabilities pursuant to IFRS 9 for 18 thousand Euros (negative 2,588 thousand Euros at 30 June 2020);
- the net changes in fair value of Convertible Loans including capitalized interest amounting to positive 144 thousand Euros (0 at 30 June 2020).

NOTE 14 - INCOME TAXES

At June 30, 2021 income taxes amounted to 26,337 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 2021 was calculated on the basis of the Group's net result amounting to 71,391 thousand Euros (53,938 thousand Euros as at 30 June 2020) divided by the weighted average number of shares as at 30 June 2021, net of treasury shares, which amounted to 37,372,348 (37,407,400 as at 30 June 2020).

(in Euros)	1st half 2021	1st half 2020
Group net result	71,391,000	53,938,000
No of shares	37,372,348	37,407,400
Basic earnings per share	1.91	1.44

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

NOTE 16 - TANGIBLE ASSETS

Tangible assets as at 30 June 2021 amounted to 51,971 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2021	31/12/2020	Change
Buildings	23,185	22,070	1,114
Plant and machinery	5,521	6,219	(699)
Hardware	7,372	6,470	902
Other	15,894	17,022	(1,128)
Total	51,971	51,782	189

Change in tangible assets in the first half of 2021 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	25,222	16,526	44,436	41,427	127,610
Accumulated depreciation	(3,152)	(10,307)	(37,965)	(24,405)	(75,828)
31/12/2020	22,070	6,219	6,470	17,022	51,782
Historical cost					
Increases	1,258	220	2,736	923	5,136
Disposals	-	(37)	(615)	(111)	(763)
Change in consolidation	-	-	-	-	-
Other changes	2	-	646	28	676
Accumulated depreciation					
Depreciations	(134)	(847)	(2,202)	(1,908)	(5,091)
Utilized	-	34	441	55	530
Change in consolidation	-	-	-	-	-
Other changes	(11)	(69)	(105)	(115)	(300)
Historical cost	26,481	16,709	47,203	42,267	132,660
Accumulated depreciation	(3,297)	(11,189)	(39,832)	(26,373)	(80,689)
30/06/2021	23,185	5,521	7,372	15,894	51,971

The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 4,913 thousand Euros located in Guetersloh, Germany.
- the real estate complex located in Turin and called “ex Caserma De Sonnaz” in the amount of 17,840 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 1,640 thousand Euros, 783 thousand Euros for purchases made by the companies included in Region 2 and 313 thousand Euros for purchases made by the companies included in Region 3.

The item Other as at 30 June 2021 mainly includes improvements to third party assets and office furniture. The increase of 923 Euros mainly refers to the purchases of furniture and fittings for 336 thousand Euros, to improvements made to the offices where the Group’s companies operate for 263 thousand Euros and mobile phones for 258 thousand Euros.

Other changes mainly refer to exchange differences.

As at 30 June 2021 tangible assets were depreciated by 60.8% of their value, compared to 59.4% at the end of 2020.

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 31/21/2020	Exchange differences	Value at 30/06/2021
Region 1	112,149	456	112,605
Region 2	108,885	-	108,885
Region 3	109,714	5,771	115,486
Total	330,749	6,227	336,976

As at 30 June 2021 the Group did not detect any impairment indicators.

Goodwill, pursuant to IAS 36, is not subject to amortization, but is tested at least annually or more frequently, if specific events or circumstances occur that could lead to the indication of a reduction in value.

As of June 30, 2021, Reply's stock market capitalization was significantly higher than the Shareholders' Equity value; on the other hand, taking into account the positive trend of the first six months of the year, the absence of new and additional indicators of an exogenous nature and the results in terms of recoverable value that emerged with the Impairment test process carried out year-ended 2020, it was not deemed necessary to carry out the impairment testing of the recoverable value and therefore the goodwill attributed to the individual Cash Generating Units in the 2020 Consolidated Financial Statements were confirmed.

NOTE 18 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 30 June 2021 amounted to 24,422 thousand Euros (25,759 thousand Euros on 31 December 2020) and are detailed as follows:

(thousand Euros)	30/06/2021	31/12/2020	Change
Development costs	2,045	2,259	(214)
Software	5,646	5,704	(58)
Trademark	537	537	-
Other intangible assets (PPA)	16,194	17,259	(1,065)
Total	24,422	25,759	(1,337)

Change in intangible assets in the first half of 2021 is summarized in the table below:

(thousand Euros)	Development costs	Software	Trademark	Other intangible assets	Total
Historical cost	30,656	29,727	537	22,678	83,599
Accumulated depreciation	(28,398)	(24,023)	-	(5,420)	(57,840)
31/12/2020	2,259	5,704	537	17,259	25,759
Historical cost					
Increases	479	921	-	347	1,746
Disposals	(104)	(401)	-	-	(505)
Change in consolidation	-	-	-	-	-
Other changes	5	271	-	555	830
Accumulated depreciation					
Depreciations	(705)	(1,168)	-	(1,715)	(3,588)
Utilized	104	378	-	-	481
Change in consolidation	-	-	-	-	-
Other changes	8	(59)	-	(251)	(302)
Historical cost	31,036	30,518	537	23,580	85,671
Accumulated depreciation	(28,991)	(24,872)	-	(7,386)	(61,249)
30/06/2021	2,045	5,646	537	16,194	24,422

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 815 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)	31/12/2020	Net changes	Amortization	Exchange difference	30/06/2021
Buildings	127,279	1,383	(11,693)	1,558	118,526
Vehicles	9,385	4,239	(2,980)	3	10,647
Office equipment	981	103	(143)	3	943
Total	137,645	5,725	(14,816)	1,564	130,117

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 65,920 thousand Euros and includes investments in start-up companies principally in the IoT field made by the Investment company Breed Investments Ltd for 56,652 thousand Euros and investment in Business Elements Group BV for 9,268 thousand Euros, evaluated using the equity method as the completion of the integration process is still ongoing.

Note that equity investments, mainly held through an Investment Entity, are designated at fair value and accounted for in accordance with IFRS 9 "Financial Instruments: recognition and 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 of investments in start-up companies is as follows:

(thousand Euros)	Value at 31/12/2020	Net increase	Net fair value evaluation	Impairment	Exchange differences	Value at 30/06/2021
Investments	56,409	874	(4,237)	-	3,606	56,652

Net increase

The net increase is related to the acquisition of share capital of investments already existing at December 31, 2020.

Net fair value evaluation

The net fair value evaluation amounting to 4,237 thousand Euros reflects the market values adjustments of the last rounds that took place in the first half 2021 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 11,846 thousand Euros compared to 11,685 thousand Euros as at 31 December 2020.

Detail is as follows:

(thousand Euros)	30/06/2021	31/12/2020	Change
Short term securities	2,004	1,815	189
Financial receivables from third parties	296	293	3
Current financial assets	2,300	2,108	192
Receivables from insurance companies	3,156	3,144	12
Guarantee deposits	1,147	1,099	48
Other financial assets	282	1,848	(1,566)
Convertible loans	4,961	3,486	1,475
Non-current financial assets	9,546	9,577	(31)
Total	11,846	11,685	161

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 aforementioned equity investments in the field of IoT, detail is as follows:

Value at 31/12/2020	Increases	Net FV adjustments	Exchange differences	Value at 30/06/2021
3.486	1.180	144	151	4.961

The increase 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)	30/06/2021	31/12/2020	Change
Bank accounts	329,267	333,765	(4,498)
Cash	48	54	(6)
Total	329,315	333,819	(4,504)

For further detail please see note 26.

NOTE 22 - DEFERRED TAX ASSETS

Such item, which amounted to 51,772 thousand Euros as at 30 June 2021 (52,921 thousand Euros as at 31 December 2020), 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 151,057 thousand Euros, is recognized net of a provision amounting to 44,735 thousand Euros and is detailed as follows:

(thousand Euros)	30/06/2021	31/12/2020	Change
Contract work in progress	227,645	121,551	106,094
Advance payments from customers	(76,588)	(41,767)	(34,821)
Total	151,057	79,784	71,273

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

The value at 30 June 2021, with an increase of 71,273 thousand Euros, is however in line with the value of the total gross working capital (inventories and trade receivables) at the date of this report.

NOTE 24 - TRADE RECEIVABLES

Trade receivables as at 30 June 2021 amounted to 281,451 thousand Euros with a net decrease of 63,248 thousand Euros.

(thousand Euros)	30/06/2021	31/12/2020	Change
Domestic clients	168,280	236,140	(67,860)
Foreign trade receivables	117,872	113,382	4,490
Credit notes to be issued	-	(11)	11
Total	286,152	349,510	(63,358)
Allowance for doubtful accounts	(4,701)	(4,811)	110
Total trade receivables	281,451	344,700	(63,249)

Trade receivables are shown net of allowances for doubtful accounts, calculated by using the expected credit loss approach pursuant to IFRS 9, amounting to 4,701 thousand Euros at 30 June 2021 (4,811 thousand Euros at 31 December 2020) and of allowances for COVID-19 for 57,435 thousand Euros, that represents management's best estimate of the effects of the ongoing pandemic on the recoverability of the credit portfolio at the closing date.

The Allowance for doubtful accounts in the first half of 2021 developed as follows:

(thousand Euros)	31/12/2020	Provision	Utilization	Reversal	Other changes	30/06/2021
Allowance for doubtful accounts	4.811	413	(287)	(280)	45	4.701

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)	30/06/2021	31/12/2020	Change
Tax receivables	22,309	44,925	(22,616)
Advances to employees	118	78	40
Accrued income and prepaid expenses	20,222	17,551	2,671
Other receivables	13,677	18,752	(5,075)
Total	56,327	81,306	(24,979)

The item Tax receivables mainly includes:

- credit to the Treasury for VAT amounting to 12,930 thousand Euros (38,571 thousand Euros at 31 December 2020). The change compared to the previous year is a temporary phenomenon due to the deductibility for VAT purposes of invoices received in the last month of 2020.
- income tax prepayments net of tax liability amounting to 3,830 thousand Euros (2,522 at 31 December 2020);
- receivables for withholding tax amounting to 1,757 thousand Euros (1,544 thousand Euros at 31 December 2020).

The item Other receivables includes the contributions receivable in relation to research projects for 5,337 thousand Euros (5,232 thousand Euros at 31 December 2020). The change is mainly attributable to a credit to Business Elements Group BV amounting to 4,167 thousand Euros and to the closing of an advance payment amounting to 9,512 thousand Euros, in relation to the deferred consideration for the purchase of the last tranche of the company's share capital.

NOTE 26 - CASH AND CASH EQUIVALENTS

The balance of 329,315 thousand Euros, with a decrease of 4,504 thousand Euros compared with 31 December 2020, 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 2021 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 2021 total 37,340,600 (37,407,400 as at 31 December 2020).

Treasury shares

The value of the Treasury shares, amounting to 7,220 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 30 June 2021 are equal to n. 70,828 (4,028 as at 31 December 2020).

During 2021 Reply S.p.A. acquired 66,800 treasury shares and change in treasury shares was entirely attributed to equity.

Capital reserves

On 30 June 2021 Capital reserves, amounting to 199,533 thousand Euros, were mainly comprised as follows:

- Treasury share reserve amounting to 7,220 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 192,780 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 26 April 2021 Reply S.p.A. re-authorized, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 300 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 549,063 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 476,699 thousand Euros (retained earnings amounted to 374,329 thousand Euros on 31 December 2020);
- Profits attributable to shareholders of the Parent Company amounted to 71,391 thousand Euros (123,598 thousand Euros as on 31 December 2020).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(thousand Euros)	1st half 2021	1st half 2020
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plans	849	(461)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	849	(461)
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Gains/(losses) on cash flow hedges	339	1,073
Gains/(losses) on exchange differences on translating foreign operations	8,012	(10,094)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	8,351	(9,021)
Total other comprehensive income, net of tax (B) = (B1) +(B2)	9,200	(9,483)

NOTE 28 - DUE TO MINORITY SHAREHOLDERS AND EARN-OUT

Due to minority shareholders and Earn-out owed on 30 June 2021 amount to 59,935 thousand Euros (71,381 thousand Euros on 31 December 2020), of which 953 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)	31/12/2020	Increases	Fair value adjustments	Payments	Exchange differences	30/06/2021
Payables to minority shareholders	26,969	-	93	(10,152)	706	17,616
Payables for Earn out	44,413	5,639	(74)	(9,099)	1,441	42,319
Total due to minority shareholders and Earn-out	71,381	5,639	19	(19,251)	2,147	59,935

The increase amounting to 5,639 reflects the best estimate of future consideration for earn-outs in relation to the original contracts signed.

The item Fair value adjustments in the first half of 2021 amounted to 19 thousand Euros with a balancing entry in Profit and loss and reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 19,251 thousand Euros 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:

	30/06/2021			31/12/2020		
(thousand Euros)	Current	Non-current	Total	Current	Non-current	Total
Bank overdrafts	1,394	-	1,394	1,320	-	1,320
Bank loans	6,354	18,681	25,035	10,815	19,735	30,550
Total due to banks	7,748	18,681	26,429	12,135	19,735	31,870
Other financial borrowings	973	-	973	1,495	651	2,146
IFRS 16 financial liabilities	26,385	112,440	138,825	24,453	118,796	143,250
Total financial liabilities	35,106	131,121	166,227	38,083	139,183	177,266

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

(thousand Euros)	30/06/2021				31/12/2020			
	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	1,394	-	-	1,394	1,320	-	-	1,320
M&A loans	3,911	1,125	-	5,036	9,071	500	-	9,571
Mortgage loans	2,432	6,836	7,875	17,143	1,709	6,836	8,729	17,274
Other financial borrowings	973	-	-	973	1,495	651	-	2,146
IFRS 16 financial liabilities	26,385	81,930	30,510	138,825	24,453	81,120	37,677	143,250
Derivative financial instruments	11	569	2,276	2,856	35	734	2,936	3,705
Total	35,106	90,461	40,660	166,227	38,083	89,841	49,342	177,266

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 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total of 25,000,000 Euros to be used by 30 September 2018. On 17 February 2017 a reduction of the credit line to 1,500,000 was agreed and completely utilized, the loan is reimbursed on a half year basis commenced on 31 March 2019 and will expire on 30 November 2021. Such credit line was used for 250 thousand Euros at 30 June 2021.
- On 28 July 2016 Reply S.p.A. entered into a line of credit with Intesa San Paolo S.p.A. for a total of 49,000 thousand Euros to be used by 30 June 2018. The loan is reimbursed on a half basis commenced on 30 September 2018 and will expire on 30 September 2021. Such credit line was used for 4,286 thousand Euros at 30 June 2021.
- On 29 October 2019 Reply S.p.A. entered into a line of credit with Intesa San Paolo S.p.A. for a total 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 2021 this line had not been used.
- On 8 May 2020 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 27 May 2022. As at 30 June 2021 this line has been used for 500 thousand Euros.

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

As contractually defined, such ratios are as follows:

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

At 30 June 2021, Reply fulfilled the Covenants under the various contracts.

The item Mortgage loans refers to financing granted to Tool Reply GmbH 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 2021.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 30 June 2021 related to the adoption of the Accounting Standard IFRS 16.

The item Derivative financial instruments refers to several loans established with primary financial institutions to hedge changes in floating interest rates on loans and/or mortgages; the total underlying notional amounts to 70,000 thousand Euros. The effective component of the instrument is stated in the Statement of changes in net equity whereas the ineffective portion of the Derivative 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 debt

The net financial debt reported below was prepared according to CONSOB communication no. DEM / 6064293 of July 28, 2006, updated with the provisions of ESMA guideline 32-382-1138 of March 4, 2021 as implemented by the CONSOB warning no. 5/21 of 29 April 2021. This table represents the preliminary representation of the Group, in light of the current guidelines and interpretations available.

	(thousand Euros)	30/06/2021	31/12/2020	Change
A	Cash equivalents	329,315	333,819	(4,504)
B	Cash equivalents	-	-	-
C	Other current financial assets	2,300	2,108	192
D	Liquidity (A + B + C)	331,615	335,927	(4,312)
E	Current financial liabilities	28,763	27,303	1,460
F	Current portion of non-current financial liabilities	6,343	10,780	(4,437)
G	Short-term financial debt (E + F)	35,106	38,083	(2,977)
H	Net short-term financial debt (G - D)	(296,509)	(297,844)	1,335
I	Non-current financial liabilities	128,276	135,514	(7,238)
J	Debt instruments	2,845	3,670	(825)
K	Commercial and other non-current liabilities	59,935	71,380	(11,445)
L	Long-term financial debt (I + J + K)	191,056	210,564	(19,508)
M	Total financial debt (H + L)	(105,453)	(87,280)	(18,173)

On the basis of the above considerations, the above table could undergo variations in light of further interpretative clarifications by the regulators.

Net financial debt includes IFRS 16 financial liabilities amounting to 138,825 thousand Euros, of which 112,440 thousand Euros were non-current and 26,385 were current.

The item Commercial and other non-current liabilities is related to liabilities to minority shareholders and Earn-out assimilated to unpaid debts with a significant implicit financial component.

For further details with regards to the above table see Note 26 as well as Note 28 and 29.

Change in financial liabilities during the first half of 2021 is summarized below:

((thousand Euros))	
Total financial liabilities 2020	177,266
Bank overdrafts	(1,320)
IRS	(3,706)
Non-current financial liabilities 2020	172,240
IFRS 16 financial liabilities	(5,299)
Cash flows	(4,966)
Total non-current financial liabilities as at 30 June 2021	161,976
Bank overdrafts	1,395
IRS	2,856
Total financial liabilities as at 30 June 2021	166,227

NOTE 30 - EMPLOYEE BENEFITS

Employee benefits are detailed as follows:

((thousand Euros))	30/06/2021	31/12/2020	Change
Employee severance indemnities	32,475	32,607	(132)
Employee pension funds	12,240	11,961	279
Directors severance indemnities	1,564	1,528	36
Other	16	16	-
Total	46,295	46,112	183

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 2021 are summarized in the table below:

(thousand Euros)	
Balance as at 31/12/2020	32,607
Cost relating to current work (<i>service cost</i>)	2,690
Actuarial gain/loss	(849)
Interest cost	54
Indemnities paid during the year	(2,026)
Balance as at 30/06/2021	32,475

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 2021 amount to 17,313 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences between 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 9,385 thousand Euros (of which 8,614 thousand Euros are non-current).

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

(thousand Euros)	Balance at 31/12/2020	Accruals	Utilization	Reversals	Other changes	Balance at 30/06/2021
Fidelity fund	650	23	(29)	-	-	644
Provision for risks	10,827	650	(1,858)	(927)	50	8,741
Total	11,477	683	(1,887)	(927)	50	9,385

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 item Provision for risks and charges refers to the provisions that the individual companies have made mainly for contractual, commercial and litigation risks in Italy and abroad. The uses and reversals during the period refer to the resolution of previous disputes mostly relating to personnel.

Other changes mainly refer to translation differences.

NOTA 33 – TRADE PAYABLES

Trade payables at 30 June 2021 amount to 126,756 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2021	31/12/2020	Change
Domestic suppliers	104,204	93,997	10,207
Foreign suppliers	23,318	20,508	2,810
Advances to suppliers	(766)	(356)	(410)
Total	126,756	114,149	12,607

NOTE 34 - OTHER CURRENT LIABILITIES

Other current liabilities at 30 June 2021 amounted to 336,209 thousand Euros with a decrease of 57,902 thousand Euros with respect to the previous financial year.

Detail is as follows:

(thousand Euros)	30/06/2021	31/12/2020	Change
Income tax payable	7,095	30,518	(23,423)
VAT payable	18,677	27,860	(9,183)
Withholding tax and other	5,647	8,888	(3,241)
Total due to tax authorities	31,419	67,266	(35,847)
National social insurance payable	37,234	41,491	(4,257)
Other	3,004	3,333	(329)
Total due to social securities	40,238	44,824	(4,586)
Employee accruals	86,170	93,798	(7,628)
Other payables	159,223	160,616	(1,393)
Accrued expenses and deferred income	19,158	27,606	(8,448)
Total other payables	264,551	282,020	(17,469)
Other current liabilities	336,209	394,110	(57,902)

Due to tax authorities amounting to 31,419 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

The decrease of 35,847 thousand Euros in tax payables is mainly attributable to the change in the tax position dictated by the different timing of payment of the current tax advances scheduled for 2021 compared to what occurred in the previous year, also in light of the effects of the different local tax regulations in relation to the evolution of the Covid -19 pandemic.

Due to social security authorities amounting to 40,238 thousand Euros, is related to both Company and employees' contribution payables.

Other payables at 30 June 2021 amount to 264,551 thousand Euros and mainly include:

- amounts due to employees that at the balance sheet date had not yet been paid;
- directors' remuneration accrued at the date of this report;
- amounts invoiced to customers exceeding the value of the work in progress amounting to 115,488 thousand Euros (117,731 thousand Euros at 31 December 2020).

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	H1 2021	%
Revenues	468.935	100	140.614	100	116.699	100	78	100	(13.494)	712.833	100
Operating costs	(390.102)	(83,2)	(114.030)	(81,1)	(102.270)	(87,6)	(445)	(568,4)	13.494	(593.353)	(83,2)
Gross operating income	78.834	16,8	26.584	18,9	14.429	12,4	(366)	(468,44)		119.481	16,8
Amortization, depreciation and write-downs	(14.003)	(3,0)	(6.036)	(4,3)	(3.452)	(3,0)	(4)	(5,1)		(23.495)	(3,3)
Other non-recurring (costs)/income	(93)	(0,0)	74	-	-	-	-	-		(19)	(0,0)
Operating income	64.738	13,8	20.622	14,7	10.977	9,4	(370)	(473,52)		95.967	13,5
Gain/(loss) on investments	-	-	-	-	-	-	4.237	5.418		4.237	0,6
Financial income/(loss)	2.748	0,6	(1.563)	(1,1)	(1.920)	(1,6)	(750)	(959,1)		(1.485)	(0,2)
Income before taxes	67.486	14,4	19.059	13,6	9.057	7,8	3.117	3.985,1		98.719	13,8

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Intersegment	H1 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)	(1.413,53)		90.217	14,7
Amortization, 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	0,9	1.964	3,0	-	-		3.339	0,5
Operating income	52.778	12,5	17.872	13,2	4.354	6,7	(856)	(1.439,59)		74.147	12,1
Gain/(loss) on investments	-	-	-	-	-	-	4.717	7.930		4.717	0,8
Financial income/(loss)	(2.963)	(0,7)	(1.661)	(1,2)	621	1,0	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

Breakdown of revenues by type is as follows:

BUSINESS LINE	REGION 1		REGION 2		REGION 3		IoT INCUBATOR	
	1st half 21	1st half 20	1st half 21	1st half 20	1st half 21	1st half 20	1st half 21	1st half 20
T&M	17.9%	17.1%	50.1%	51.5%	56.0%	45.8%	-	-
FIXED PRICE PROJECTS	82.1%	82.9%	49.9%	48.5%	44.0%	54.2%	-	-
OTHER BUSINESS	-	-	-	-	-	-	100.0%	100.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Intersegment	30/06/2021
Current operating assets	363,508	85,788	72,377	188	(33,026)	488,835
Current operating liabilities	(369,214)	(55,641)	(57,064)	(15,797)	33,026	(464,690)
Net working capital (A)	(5,706)	30,147	15,313	(15,609)	-	24,146
Non-current assets	262,096	184,449	162,541	61,637		670,723
Non-financial liabilities long term	(63,344)	(39,670)	(28,189)	-		(131,202)
Fixed capital (B)	198,752	144,780	134,352	61,637	-	539,521
Net invested capital (A+B)	193,046	174,927	149,665	46,028	-	563,667

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Intersegment	31/12/2020
Current operating assets	402,470	81,835	53,361	718	(32,595)	505,790
Current operating liabilities	(395,280)	(87,102)	(62,099)	(15,469)	32,595	(527,354)
Net working capital (A)	7,191	(5,267)	(8,738)	(14,750)	-	(21,565)
Non-current assets	268,630	187,209	147,488	61,525		664,852
Non-financial liabilities long term	(62,062)	(40,512)	(23,416)	-		(125,991)
Fixed capital (B)	206,568	146,697	124,071	61,525	-	538,860
Net invested capital (A+B)	213,759	141,430	115,333	46,775	-	517,296

Breakdown of employees by operating segment is as follows:

Region	1 st half 2021	1 st half 2020	Change
Region 1	6,761	6,001	760
Region 2	1,857	1,736	121
Region 3	1,025	800	225
IoT Incubator	5	3	2
Total	9,648	8,540	1,108

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	30/06/2021	31/12/2020	Nature of transactions
Trade receivables	32	16	Receivables from professional services
Trade payables	135	132	Payables for professional services and office rentals offices
Other payables	5,421	3,713	Payables for emoluments s to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	1st half 2021	1st half 2020	
Revenues from professional services	9	20	Professional services executed
Services from Parent company and related parties	601	618	Service contracts relating to office rental and administration office
Personnel	6,351	5,796	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	74	71	Emoluments to Statutory Auditors

With reference the Cash flows statement, the above mentioned transactions impact the change in working capital by 1,695 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.

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.

In relation to the above accruals, as a result of the utilizations, the provision for risks has a residual amount of approximately 100 thousand Euros at 30 June 2021.

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 2021

No significant events have occurred subsequent to 30 June 2021.

Please refer to the paragraph Outlook on operations for further information described in the Interim financial report.

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 2021 were approved by the Board of Directors on August 3, 2021 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 2021	of which with related parties	%	1st half 2020	of which with related parties	%
Revenues	712,833	9	-	615,176	20	-
Other income	6,489			5,593		
Purchases	(9,330)			(10,731)		
Personnel	(365,403)	(6,351)	1.7%	(305,678)	(5,796)	1.9%
Services costs	(226,993)	(675)	0.3%	(214,891)	(689)	0.3%
Amortization, depreciation and write-downs	(23,495)			(19,409)		
Other operating and non-recurring (cost)/income	1,866			4,087		
Operating income	95,967			74,147		
(Loss)/gain on investments	4,237			4,717		
Financial income/(expenses)	(1,485)			(3,727)		
Income before taxes	98,719			75,138		
Income taxes	(26,337)			(20,364)		
Net income	72,382			54,773		
Non-controlling interest	(991)			(836)		
Group net result	71,391			53,938		

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

(thousand Euros)	30/06/2021	of which with related parties	%	31/12/2020	of which with related parties	%
Tangible assets	51,971			51,782		
Goodwill	336,976			330,749		
Intangible assets	24,422			25,758		
RoU Assets	130,117			137,645		
Equity investments	65,920			56,421		
Other financial assets	9,546			9,577		
Deferred tax assets	51,772			52,921		
Non-current assets	670,723			664,852		
Inventories	151,057			79,784		
Trade receivables	281,451	32	-	344,700	183	-
Other receivables and current assets	56,327			81,306		
Financial assets	2,300			2,108		
Cash and cash equivalents	329,315			333,819		
Current assets	820,450			841,716		
TOTAL ASSETS	1,491,173			1,506,568		
Share Capital	4,863			4,863		
Other reserves	650,953			546,578		
Net result of the period	71,391			123,598		
Group shareholders' equity	727,207			675,039		
Non-controlling interest	1,848			918		
NET EQUITY	729,055			675,957		
Due to minority shareholders and Earn-out	58,981			53,010		
Financial liabilities	18,681			20,387		
Financial liabilities from RoU	112,440			118,796		
Employee benefits	46,295			46,112		
Deferred tax liabilities	17,313			16,117		
Provisions	8,613			10,753		
Non-current liabilities	262,323			265,174		
Due to minority shareholders and Earn-out	953			18,370		
Financial liabilities	8,720			13,629		
Financial liabilities from RoU	26,385			24,453		
Trade payables	126,756	135	0.1%	114,149	258	0.2%
Other current liabilities	336,209	5,421	1.6%	394,110	7,927	2.0%
Provisions	771			724		
Current liabilities	499,795			565,437		
TOTAL LIABILITIES	762,118			830,611		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,491,173			1,506,568		

REPLY

LIST OF COMPANIES AT 30 JUNE 2021

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%
Airwalk Holding Ltd.	Kent, United Kingdom	100.00%
Airwalk Consulting Ltd.	Edinburgh, Scotland	100.00%
Airwalk Consulting Ltd. (Hong Kong)	Shueng Wan, Hong Kong	100.00%
AWC Partners Ltd.	London, United Kingdom	100.00%
Alpha Reply GmbH	Guetersloh, Germany	100.00%
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%
Autonomous Reply GmbH	Guetersloh, Germany	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	92.50%
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%
Concept Reply LLC	Michigan, USA	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	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
Eos Reply S.r.l.	Turin, Italy	100.00%
Envision Reply S.r.l.	Turin, Italy	100.00%
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%
Lid Reply GmbH	Guetersloh, Germany	100.00%
Like Reply GmbH	Guetersloh, 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%
Machine Learning GmbH	Guetersloh, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Mansion House Consulting Ltd	London, United Kingdom	100.00%
Mansion House Consulting PTE Limited	Singapore	100.00%
MHC Holding Us Ltd.	London, United Kingdom	100.00%

Mansion House Consulting Inc.	Wilmington, USA	100.00%
MCG Systems AG	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%
Sagepath LLC	Atlanta, USA	70.00%
Santer Reply S.p.A.	Milan, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Sense Reply S.r.l.	Turin, Italy	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 SA (ex Brightknight SA)	Belgium	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%
Target Reply GmbH	Guetersloh, Germany	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	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	100.00%
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	Auckland, NZ	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%

Company carried at equity

Business Elements Group BV	Belgium	100,00%
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Companies carried at fair value

Amiko Digital Health Ltd	England	10.92%
BlueGrove AS (formerly CageEye AS)	Norway	9.93%
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	18.05%
iNova Design Ltd	England	34.05%
Iotic Labs Ltd	England	16.28%
Kokoon Technology Ltd	England	27.09%
Metron Sas	France	10.11%
RazorSecure Ltd	England	29.73%
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%
Yellow Line Parking Ltd	England	8.99%
Zeetta Networks Ltd	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 2021,

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, 2021 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, 2021:

- 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, August 3, 2021

/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



REPLY SPA

**REVIEW REPORT ON CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS**



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 2021, 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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Reply Group as of 30 June 2021 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 2021

PricewaterhouseCoopers SpA

Signed by

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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CORPORATE INFORMATION

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REA of Turin 938289

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