REPLY
HALF-YEAR
FINANCIAL
REPORT 2019

REPLY
HALF YEAR FINANCIAL REPORT AT JUNE 30 2019

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BOARD OF DIRECTORS AND CONTROLLING BODIES

BOARD OF DIRECTORS AND CONTROLLING BODIES

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer

Tatiana Rizzante

Executive Directors

Filippo Rizzante

Daniele Angelucci

Claudio Bombonato

Elena Maria Previtera

Fausto Forti (1) (2) (3)

Secondina Giulia Ravera (1) (2)

Francesco Umile Chiappetta (1) (2)

Board of Statutory Auditors

President

Giorgio Mosci

Statutory auditors

Piergiorgio Re

Ada Alessandra Garzino Demo

Independent Auditors

PwC S.p.A.

(1) Directors not invested with operational proxies.
(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance
(3) Lead independent director

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

FINANCIAL HIGHLIGHTS

THE GROUP'S FINANCIAL HIGHLIGHTS

YE 2018	%	Economic figures (Euros/000)	1st half 2019 (*)	%	1st half 2018	%
1,035,793	100.0	Revenues	573,672	100.0	498,054	100.0
144,836	14.0	Grosso operating income	85,655	14.9	68,335	13.7
132,410	12.8	Operating income	67,599	11.8	62,117	12.5
139,217	13.4	Income before taxes	70,216	12.2	64,227	12.9
99,913	9.6	Group net income	49,414	8.6	45,941	9.2

YE 2018	Financial figures (Euros/000)	1st half 2019 (*)	1st half 2018
485,297	Group shareholders' equity	517,913	432,932
1,315	Non-controlling interest	1,613	(82)
1,076,104	Total assets	1,106,650	906,655
145,288	Net working capital	128,086	152,668
420,060	Net invested capital	501,240	382,619
119,835	Cash flow	80,713	64,223
66,552	Net financial position (*)	18,287	50,231

YE 2018	Data per single share (in Euros)	1st half 2019	1st half 2018
37,411,428	Number of shares	37,411,428	37,411,428
3.54	Operating result per share	1.81	1.66
2.67	Net result per share	1.32	1.23
3.20	Cash flow per share	2.16	1.72
12.97	Shareholders' equity per share	13.84	11.57

YE 2018	Other information	1st half 2019	1st half 2018
7,606	Number of employees	7,924	7,251

(*) Reply applied the new Accounting Standard IFRS 16 prospectively from January 1, 2019 without restatement of comparative data.

REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply is a group that specializes in consulting, system integration and digital services. Comprised of a network of companies, Reply partners with leading industrial groups in defining business models, made possible by new technological and communication paradigms such as artificial intelligence, big data, cloud computing, digital communication and the Internet of Things (IoT).

THE ORGANISATIONAL MODEL

Reply operates through a network of companies that specialize in processes, applications and technologies, as well as centers of excellence in their respective fields.

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

Applications – Reply designs and implements application solutions aimed at satisfying core business needs.

Technologies – Reply optimizes the use of innovative technologies, implementing solutions capable of ensuring clients maximum efficiency and operational flexibility.

REPLY'S SERVICES INCLUDE:

Consulting – With a focus on strategy, communication, design, processes and technology.

System Integration – Making the best use of potential technology, combining business consulting with innovative technological solutions.

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

MARKET FOCUS

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

TELCO & MEDIA

Reply works with leading operators in the sector to define and implement digital transformation strategies. These are based on the renewal of systems that support products and services and to support the development of new service models that are customer-focused and delivered across all channels.
Furthermore, the rising use of the Internet of Things (IoT) requires an increasing reconfiguration of networks that can transport large volumes of data in real time. This data is no longer solely generated by smartphones and mobile devices, but by a multitude of connected objects with widely different functional characteristics.
Reply offers integrated strategic and technological consulting services to support the design, definition and management of the new-generation networks, based on SDN (Software Defining Network) technologies, capable of integrating and managing virtual networks (Network Virtualization) through network engineering services and network operations. The arrival of 5G networks, furthermore, marks the end of the fixed/mobile barrier, eliminating communication-related distances connected to broadband limitations, to latency, and to the receptive capacity of the 3G network.

FINANCIAL SERVICES

Reply is increasingly active in supporting the digital transformation of Europe's financial institutions. In this area, Reply works with some of the major players in the sector on many key issues, from the definition of multi-channel strategies, to the implementation of open banking. In particular, in the increasingly relevant fields of big data, robots and artificial intelligence, Reply is investing heavily and collaborating with leading financial institutions (banks and insurance companies) along two lines of development:
the concrete integration of the new big data technologies and architectures with existing systems; and
the development of skills, analytics and machine learning models, aimed at extracting tangible business value from available databases.
Reply also boasts a strong and highly specialized presence in mobile payments and related m-commerce services. Reply offers consulting services, as well as a wide range of models and architectural solutions, aimed at the banking/insurance market and at emerging players in the payments industry.
Reply maintains a strong market presence in the wealth management arena and has developed a wide range of specific skills and solutions. These are focused on the emerging consulting models, on expanding the range of services offered and on "robo advice"-type solutions and platforms. In the area of Governance Risk Control (GRC), Reply operates with a dedicated consulting division highly specialized in issues relating to risk evaluation and risk control. Within this, Reply is working with several leading financial institutions on a

broad range of initiatives connected to the implementation of EBU standards and the development of associated models and solutions.

Finally, Reply has been involved in numerous projects relating to the most advanced frontiers of innovation, such as in the latest biometric recognition technologies and digital identity, as well as quantum computing.

MANUFACTURING

Native Cloud platforms and applications, together with a focus on the enabling aspects of digital transformation, and development of Internet of Things are at the core of Reply's offering to the manufacturing market. Industry 4.0 and logistics 4.0 are increasingly critical aspects to the strategic development of companies in the sector. Reply has invested heavily to enhance its products and service offer in this area, with the re-engineering in 2017 and 2018 of its proprietary Supply Chain Execution and Manufacturing Execution System solutions.

RETAIL

The retail industry is experiencing a time of significant change driven by various factors, including the evolution of consumer purchasing behavior, the entry of new players and the digitization of products and services. Customer experience, on the other hand, is an increasingly key differentor for retailers. Consumers expect to be able to interact with a brand wherever they are, thereby strengthening the link between physical stores and e-commerce.

Reply partnered with various clients to support their digital transformation journeys. This work saw the merging of physical and virtual spaces through the development of multi-channel e-commerce platforms, of marketing automation solutions, of smart boxes and by re-engineering the logistics chain both on supplier and customers ends.

ENERGY & UTILITIES

The energy and utilities sector saw the growth of innovative technologies on an industrial scale, across the entire value chain. Cloud Computing has become the leading provisioning tool for companies of all sizes, above all in the implementation of various digital transformation initiatives. The approach based on IoT models is increasingly widespread in the areas of generation, energy management and at the support of efficiency and smart city initiatives.

Against this backdrop of extensive transformation, Reply is one of the reference partners in the sector, combining knowledge of the market and of its unique processes, with a distinctive capability to design, implement and manage innovative digital solutions and technological platforms that support the "core business". The company's consolidated expertise in the introduction of new digital technologies has been further verticalised, with particular reference to the definition and development of new models in the energy management and downstream services sectors aimed at energy efficiency, areas in which Reply works with energy sales companies, as well as with end customers.

HEALTHCARE & GOVERNMENT

The increasingly evident need to bridge the gap between citizens and Public Administrations (PA) has led to the introduction of measures aimed not only at restructuring the management and control model (e.g. reorganization of the national health system) but also the enhancement of existing services through the introduction of increasingly more digital and smarter systems (e.g. new monitoring system for individuals affected by chronic conditions). A public sector that is closer to its citizens implies a greater reach of the services offered, increasing the levels of usability and therefore of supply possibilities.

In the area of digital health, Reply's highly specialized delivery of IoMT (Internet of Medical Things) focuses on two main areas: developing a network of information sharing among the various stakeholders in the field (i.e. patients, professionals and networks of those affected); as well as monitoring and supporting the citizen/patient at each stage of their "care and cure" journey (e.g. healthcare, social care).

TECHNOLOGICAL INNOVATION

Technological innovation forms the basis of Reply's objective: providing its customers with the tools necessary 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 organizations.

ARTIFICIAL INTELLIGENCE

Reply's artificial intelligence offering is based on three key areas: human-machine interaction (with the development of conversation and natural language recognition systems or visual recognition systems), automation (through technologies such as intelligent process automation) and the creation of systems to support business decisions (data prediction). The essential factor for implementing artificial intelligence projects is the availability of data. AI offers effective results, provided that the datasets available are historical and updated in real time. Within this framework, Reply focuses not only on the technology, but also uses advanced models for the management and processing of vast amounts of data required to train the algorithms.

Specifically, Reply applies the results of its research on artificial intelligence to real-world scenarios, creating customized solutions that integrate machine learning, deep learning or reinforcement learning algorithms, with recommendation systems, predictive engines, conversational interfaces or video and image recognition systems. Reply collaborates in these areas with the world's leading AI technology players.

BLOCKCHAIN

In a landscape of emerging technologies, blockchain will increasingly be able to foster new digital ecosystems based on distributed computational infrastructures. Today, the shared nature of blockchain-based digital registers represents an opportunity characterized by multi-industry application, with repercussions for the financial services sector and management of the supply chain. Moreover, the possible synergies with other exponential technologies – such as IoT and artificial intelligence – make blockchain an ideal convergence layer to support the data marketplaces of the future.

Reply has defined a portfolio of services, encompassing consulting, design and the implementation of solutions based on the blockchain and the distributed ledger technology (DLT). Among the major initiatives developed in 2018, Reply, alongside its insurance and academic sector partners, launched the first sandbox for the Italian insurance market. As a founding member of the "Trusted Smart Contract Association", it aims to define standards for the industrial adoption of legally enforceable smart contracts.

CLOUD COMPUTING

The Cloud has permanently established itself as one of the most important areas of transformation that companies have had to face. Virtual environments and services offered by leading, global vendors have modified the concept of IT, transforming it from being a simple commodity to one of the core elements on which to configure an organization's digital transformation.

At the same time, the ever-increasing maturity of the cloud in its various declinations (IaaS, PaaS or SaaS) is driving service providers and consulting companies to develop offerings to tackle highly strategic issues, such as the coexistence in the cloud with traditional on premise applications and the challenge of data management security.

In the Cloud Computing field, Reply has defined a products and services offer that combines the following elements:

- consulting support (from the business process to operational management) that can help clients to understand, select and develop the most appropriate technological solutions and applications.
- an end-to-end provider service which, supported by partnerships with major international vendors including Adobe, Amazon Web Services, Google, Microsoft, Oracle, SAP and Salesforce, allows clients to benefit from the most effective solutions for their needs, both in terms of the model and the technology selected.
- SaaS services and solutions, based on Reply's proprietary application platforms.
- a cloud infrastructure management service, with 24/7 availability, able to support customers not only in managing their infrastructure, but also at the application layer, guaranteeing continuity at the highest levels, constant performance monitoring and cost efficiency.

CUSTOMER ENGAGEMENT

The rapid evolution of data analytics tools was triggered by the major innovations of technology companies. These tools use data-driven analysis methodologies made possible both by the large availability of data and the increasing computational capacity for analysis. Specifically, the data-driven approach is defining a new framework for the design and management of customer-focused marketing initiatives. Once the needs of the individual customer have been interpreted, based on data and analysis provided by CRM platforms, it becomes possible to tailor one-to-one marketing campaigns, launched in real time to meet specific needs.

To exploit this competitive advantage and establish a consultative and strategic platform, Reply has created a competence center focused on the customer robotics approach. Experience from initiatives across various sectors (e.g. automotive, financial services, utilities, retail, etc.), has enabled Reply to develop a framework for the development and implementation of processes related to the direct interaction with the customer, designed to recognize and anticipate needs across the various digital channels. This initiative integrates machine learning, artificial intelligence and cognitive systems models.

Customer robotics facilitates the conception, design and implementation of services aimed at interpreting the data and providing fully data-driven customer service tools. These include recommendation systems for products and conversational services able to understand and interact independently using natural language.

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

CYBER SECURITY

Over the years, IT-related risks have increased dramatically in frequency and impact, leading to serious security violations. Millions of client data records have been compromised worldwide, affecting governments and other organizations. As a result, the mounting attention from regulatory bodies concerning the protection of information, personal data and critical infrastructures, requires an ever-increasing commitment from companies to manage their cyber security.

To respond to this increasing complexity, Reply's coherent and complete set of integrated products and services protect the integrity of its customers' systems, from setting the best cybersecurity strategies, to the identification and implementation of the most suitable technological solutions to mitigate risk. Through its extensive network of partnerships, Reply offers wide-ranging expertise on the most innovative and widely used security technologies on the market. Furthermore, the company can help its customers to scout, select and implement protection solutions designed to mitigate advanced risks related to the latest technological drivers (cloud, IoT, Industry 4.0, automation, etc.).

Reply supports businesses throughout the implementation phase of its integrated information protection plan, from the identification of threats and vulnerabilities to the planning, design and employment of appropriate technological, legal, organizational and risk transfer (cyber insurance) countermeasures.

Lastly, thanks to its cyber security command center, Reply assists large organizations with advanced computer security incident management and response action as well as threat intelligence services.

DATA & ANALYTICS

Data and its uses have become a key strategic factor in the digital transformation of businesses.
By combining technological skills in data analysis, data modelling and data process re-engineering, Reply makes it easier for its clients to approach the issue of data, focusing on cultural change and a new approach to data management and to the use of data. In particular, Reply supports its customers in the definition and implementation of data analytics platforms that apply advanced models to core corporate processes.
In 2018, Reply continued to develop a specific offer portfolio in the machine learning field, designed to address growing demand from companies wishing to automate lower impact processes such as invoice reconciliation, while building value-added services based on innovative process automation models through deep learning, image recognition and prescriptive analytics.

DESIGN CONSULTING

In a world increasingly characterized by complex ecosystems, Reply supports its clients to create innovative and distinctive product-service experiences for the B2C and B2B sectors. From analyzing needs through to strategic business objectives and technological enablers, Reply can transform them into integrated customer journeys and prototypes that make the results immediately tangible and verifiable. Results are then developed in an iterative and agile way, until they are launched on the market.
At the same time, a customer-centric approach requires a change in the organization, to enable a successful customer experience journey. Reply supports organizations in managing such changes to make them really customer-centric, receptive to market inputs or feedback, agile in releasing new products and services, as well as mobilizing cross-functional teams that operate in full autonomy towards specific objectives.
In 2018, Reply continued to invest in this area through the acquisition of new talent and expertise. Its two studios in Milan and Munich were further expanded enabling support for customers in Europe and globally.

DIGITAL EXPERIENCE

Real time marketing, artificial intelligence and analysis of the customer journey are the three transformation technologies set to impact most on the relationship of brands with customers. The use of these technologies enables brands to increase their marketing results through a continuous improvement of the customer experience in terms of loyalty and growth of its base.
Taking advantage of these emerging capabilities means building a more data-driven vision of the individual customer. The growing interest in cross-device identification tools and account-based marketing solutions

(ABM) underlines the increasing interest among brands towards technologies offering targeted and coherent interactions among owned, earned and paid media.
Reply has developed a broad and highly specialized set of skills, including digital storytelling, contextual interaction, omnichannel loyalty, data recognition to capture large quantities of information and subsequent data analysis expertise to create effective market insights. To extend this scenario further, there is a need to ensure coherent communication between the various media involved, through a consolidated strategy that also incorporates a multimedia asset management component.
In recent years, Reply has developed specific expertise and solutions to support companies in the development of immersive experience projects through the application of augmented reality and virtual reality. These technologies are expected to have an increasingly strong impact on the marketing strategies of highly innovative brands.

E-COMMERCE

Physical and digital, in-store and online: these are today's drivers of convergence and digitalization of companies, reaching far beyond the retail market.
Today, there is an increasing demand that the digital presence of a brand guarantees a purchase experience can be made in just a few clicks, allowing customers to quickly browse an interactive site. There should be no barriers, technological, physical, digital or relating to touch points that limit the user experience. For companies, these needs translate into targeted investments that aim at optimizing and extending processes and choosing enabling technologies, passing through the definition of a clear digitalization strategy.
The magnitude of the customers' digital identities is of increasing importance. Now, any strategic decision regarding investments in technology must be supported by increasingly sophisticated mathematical models based on data collected across the distribution chain, the sales chain and in all interactions with consumers. The value of this information is therefore twofold: the data is able to help streamline revenue reporting, quickly exerting influence on stock management, while the purchase conversion rate can be improved thanks to predictive analysis of purchasing behavior.
Reply supports its customers on their journey, offering the latest technological solutions and helping them to define the best digital transformation strategies for the specific market and budget.

GAME STUDIOS

The development of the videogame market is increasingly prevalent, attracting all age groups and remaining equally divided between males and females. The average age of gamers increased and to around 36 years old.
Videogames are more and more a communication language. A culture has developed that allows companies to continually improving the dialogue with customers, looking at new forms of "customer engagement" among which video games certainly playing an important role.

In addition to creating internationally acclaimed games, Reply has developed an offer that meets the communication needs of gaming brands within a 360° perspective. Reply is constantly investing in this area so that it can offer, through the use of the latest technologies, increasingly innovative and engaging game experiences.
Reply was able to further assert the company's ability to create quality products, with a focus on an international market. In particular, the release of Lone Wolf, a legacy Reply production, on the Nintendo Switch platform has had considerable success both in terms of visibility and sales performance.

INDUSTRY 4.0
Industry 4.0 models are quickly redefining production sites around the world, transforming them into systems closely interconnected with the supply chain, logistics, sales, the products themselves and the support and maintenance chain.

For this new global world of interconnected production, Reply has developed a suite of integrated solutions capable of ensuring its customers are flexible, connected and efficient. In particular, Reply's mission is to accompany its customers along the entire transformation journey: from the planning and development of solutions that open up the production sites and interconnect them to the entire digital world, to the design and implementation of solutions capable of rendering products "smart", connected and digital.

The digitization of companies is a transformation expected to take place in the medium term, made possible and concrete by the use of all the vertical and horizontal pillars offered by Industry 4.0 (robotics, digital twin, cloud and fog computing, augmented reality, big data, artificial intelligence and machine learning, etc.).

THE INTERNET OF THINGS
The last months saw the emergence of three main trends which steered the development of Reply's products and services offer in the IoT realm. The first is the growing need for differentiation in insurance, telco and utilities. In response, companies in these industries have consolidated connected objects as a cornerstone of product portfolio extension strategies for creating value and customer loyalty. The second trend is the growing opportunity for marketing in support of existing products. Through the increasing availability of connectivity, it is now possible to fundamentally transform the market approach of the manufacturing segment. The third and final trend has seen the exponential spread and popularity of new voice interaction mechanisms, such as smart speakers or voice assistants, as well as new systems of interaction, which are stimulating a different interaction between the physical world and the digital services world.
To tackle these challenges, Reply has designed and developed HI Connect™, a platform of services, devices and middleware, on which to base specific vertical applications such as ecosystems for the

household appliances sector, advanced logistics, environmental security, contactless payment and product traceability. In 2018, Reply consolidated its position in the areas of home and professional appliances, connected insurance and in new telco offers and utilities for the connected home, as well as in the manufacturing, healthcare, insurance and automotive sectors.

MIXED REALITY

Combining advanced technological skills, experimentation of new technologies that come to the market every month, and the ability to interpret customer needs and to produce high quality content in its proprietary laboratory, means Reply has developed a products and services offer for implementing augmented reality applications. This design and development offer enables users to enjoy an engaging experience, where they are transported into in a virtual and navigable environment.
AR and VR projects implemented by Reply during the course of the year have covered many areas including in healthcare, where installations aimed at motor rehabilitation and training were created. Numerous projects were also conducted in the marketing sphere, which saw VR and AR become excellent tools to support product presentation and customer engagement.

MOBILE & APPS

In the mobile sector, Reply supports companies' interactions with their users based on omnichannel applications and architectures capable of meeting needs of the new market by increasing the usability and performance of services, integrating new channels and types of devices seamlessly following specific guidelines of each platform.
With reference to the increasingly pervasive phenomenon of mobile video – where the quality and stability of the service are essential to ensuring its success – Reply is engaged in major European projects for the provision of Over The Top services, with design, development, validation and monitoring teams.
Following the latest mobile developments, during 2018, Reply launched its first experiments on the iOS platform, based on the use of AR Kit for augmented reality solutions, as well as on the Android platform, based on the Android Auto and Android TV tools.
In addition, Reply strengthened the company's own application factory dedicated to mobile apps for both business and consumer worlds. The factory includes a user experience laboratory that closely collaborates with teams of developers specialized in various platforms, which bases its activity on a data-driven approach using tools and methods that focus on users' needs and behaviors.

SOCIAL MEDIA

Social networks are increasingly connected to digital marketing activities that Reply integrates into a universal relationship model, based on paid, owned and earned media analysis and activation skills to enable and optimize a company positioning integrated in the relationship channels with its own ecosystem:

social networks, search engines, comparison sites, shopping and social shopping squares, affiliate networks, email, applications, lead generation channels.

REPLY PLATFORMS

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

- Brick Reply™
- Discovery Reply™
- HI Connect™
- Lea Reply™
- TamTamy™
- Ticuro Reply™
- Pulse Reply
- Sonar Reply

INTERIM FINANCIAL REPORT 2019

FINANCIAL REVIEW OF THE GROUP

INTRODUCTION

The Half-Year report for the period ended June 30, 2019 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 573.7 million Euros, which is an increase of 15.2% compared to the same period in 2018.

All indicators are positive for the period. In the first half of 2019, consolidated EBITDA was 85.7 million Euros, compared to the 68.3 million Euros recorded in 2018, and corresponds to 14.9% of turnover. Consolidated EBITDA excluding the effects of the application of IFRS 16 would have been 73.6 million Euros.

EBIT from January to June was 67.6 million Euros (62.1 million Euros in 2018), corresponding to 11.8% of turnover. EBIT excluding the effects of the application of IFRS 16 would have been 67.0 million Euros.

Pre-tax profit from January to June 2019 was 70.2 million Euros (64.2 million Euros in 2018), corresponding to 12.2% of turnover. The value excluding the effects of the application of IFRS 16 would have been equal to 70.7 million Euros.

For the second quarter of the year, the Group’s performance is equally positive, with consolidated turnover for the period of 290.1 million Euros, which is an increase of 11.9% compared to 2018.

EBITDA from April to June 2019 was equal to 43.3 million Euros (excluding the effects of the application of IFRS 16, this would have been equal to 37.1 million Euros), with an EBIT of 34.0 million Euros (excluding the effects of the application of IFRS 16, this would have been equal to 33.7 million Euros) and pre-tax profit of 36.0 million Euros (excluding the effects of the application of IFRS 16, this would have been equal to 36.3 million Euros).

As at 30 June 2019, the Group’s net financial position is positive at 18.3 million Euros (101.1 million Euros excluding the effects of the application of IFRS 16). The net financial position as at 31 March 2019 was positive at 50.0 million Euros (134.3 million Euros excluding the effects of the application of IFRS 16).

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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

(thousand Euros)	1st half 2019 (*)	%	1st half 2018	%
Revenues	**573,672**	**100.0**	**498,054**	**100.0**
Purchases	(11,126)	(1.9)	(9,177)	(1.8)
Personnel	(290,091)	(50.6)	(249,451)	(50.1)
Services and other costs	(187,747)	(32.7)	(171,480)	(34.4)
Other operating costs/(income)	947	0.2	388	0.1
Operating costs	**(488,017)**	**(85.1)**	**(429,720)**	**(86.3)**
Gross operating income (EBITDA)	**85,655**	**14.9**	**68,335**	**13.7**
Amortization, depreciation and write-downs	(18,014)	(3.1)	(6,285)	(1.3)
Other non recurring (expenses)/income	(41)	-	68	-
Operating income (EBIT)	**67,599**	**11.8**	**62,117**	**12.5**
(Loss)/gain on investments	4,230	0.7	2,470	0.5
Financial income/(expenses)	(1,613)	(0.3)	(360)	(0.1)
Income before taxes	**70,216**	**12.2**	**64,227**	**12.9**
Income taxes	(19,638)	(3.4)	(18,093)	(3.6)
Net income	**50,578**	**8.8**	**46,134**	**9.3**
Non controlling interests	(1,165)	(0.2)	(192)	(0.1)
Group net income	**49,414**	**8.6**	**45,941**	**9.2**

(*) The first half year data of 2019 include the following impacts relating to the application of the new Accounting Standard IFRS 16:

- cancellation of rents and rental fees with a positive impact on EBITDA of 12,044 thousand Euros;
- depreciation and amortization increase for 11,449 thousand euro with a positive impact on EBIT of 595 thousand Euros;
- increase in financial charges for 1,085 thousand Euros with a negative impact on EBT of 490 thousand Euros.

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:

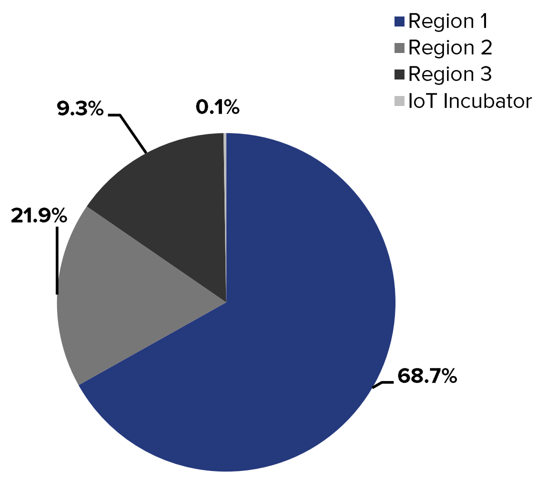
(thousand Euros)	Q2 2019 (*)	%	Q2 2018	%
Revenues	**290,128**	**100.0**	**259,175**	**100.0**
Purchases	(6,399)	(2.2)	(5,134)	(2.0)
Personnel	(148,065)	(51.0)	(131,085)	(50.6)
Services and other costs	(93,027)	(32.1)	(87,107)	(33.6)
Other operating (costs)/income	675	0.2	284	0.1
Operating costs	**(246,817)**	**(85.1)**	**(223,042)**	**(86.1)**
Gross operating income (EBITDA)	**43,311**	**14.9**	**36,133**	**13.9**
Amortization, depreciation and write-downs	(9,255)	(3.2)	(2,757)	(1.1)
Other non recurring (expenses)/income	(41)	-	68	-
Operating income (EBIT)	**34,015**	**11.7**	**33,444**	**12.9**
(Loss)/gain on investments	(3,059)	1.1	2,470	1.0
Financial income/(expenses)	(1,063)	(0.4)	10	-
Income before taxes	**36,011**	**12.4**	**35.924**	**13.9**

(*) The second quarter data of 2019 include the following impacts relating to the application of the new Accounting Standard IFRS 16:

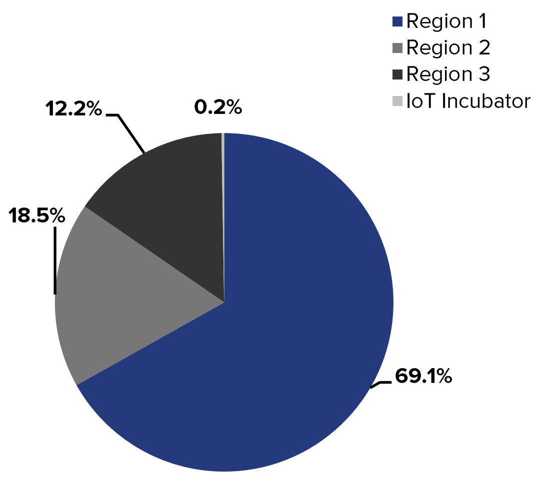
- cancellation of rents and rental fees with a positive impact on EBITDA of 6,232 thousand Euros;
- depreciation and amortization increase for 5,940 thousand euro with a positive impact on EBIT of 292 thousand Euros;
- increase in financial charges for 554 thousand Euros with a negative impact on EBT of 262 thousand Euros.

REVENUE BY REGION (*)

1st half 2019



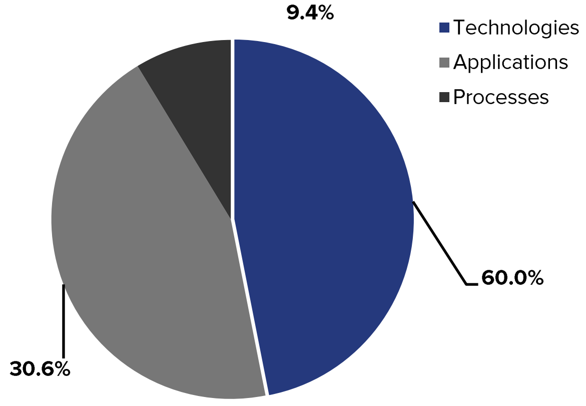
1st half 2018



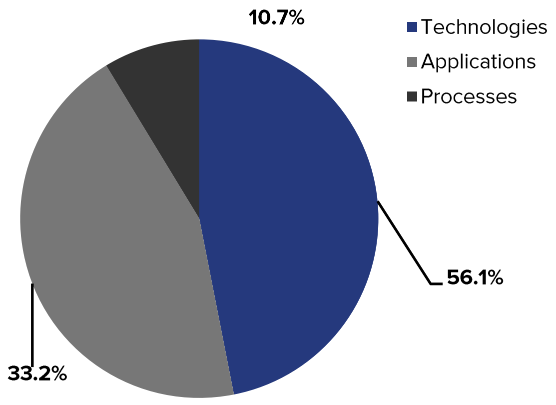
(*)
Region 1: ITA, USA, BRA, POL, ROU
Region 2: DEU, CHE, CHN, HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BRL

REVENUE BY BUSINESS LINES

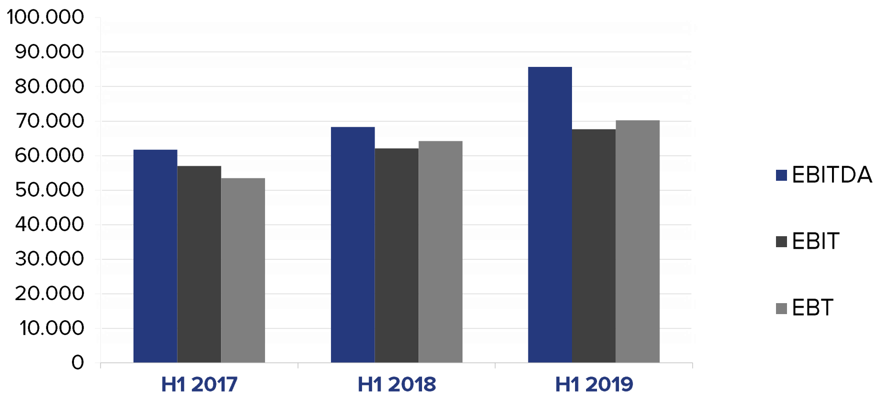
1st half 2019



1st half 2018



TREND IN KEY ECONOMIC INDICATORS



ANALYSIS OF THE FINANCIAL STRUCTURE

The table below illustrates the Group's financial structure as at June 30, 2019, compared to December 31, 2018:

(thousand Euros)	30/06/2019	%	31/12/2018	%	Change
Current operating assets	471,403		565,092		(93,689)
Current operating liabilities	(343,317)		(419,803)		76,486
Working capital, net (A)	**128,086**		**145,288**		**(17,202)**
Non current assets	482,923		381,955		100,968
Non current liabilities	(109,769)		(107,183)		(2,585)
Fixed capital (B)	**373,154**		**274,772**		**98,383**
Invested capital, net (A+B)	**501,240**	**100.0**	**420,060**	**100.0**	**81,180**
Shareholders' equity (C)	519,526	103.6	486,612	115.8	32,914
NET FINANCIAL POSITION (A+B-C)	**(18,287)**	**(3.6)**	**(66,552)**	**(15.8)**	**48,267**

Increase in net invested capital amounting to 81,180 thousand Euros is mainly due to the adoption of the new IFRS 16 accounting standard that generated the accounting of a right-of-use asset amounting to 89,788 thousand Euros as at January 1, and an equivalent financial liability.

Net invested capital as at June 30, 2019, amounted to 501,240 thousand Euros, and was entirely financed by Shareholders' equity for 519,526 thousand Euros, that generated a positive net financial position of 18,287 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2019	31/12/2018	Change
Work in progress	154,810	77,061	77,749
Trade receivables	264,639	434,389	(169,750)
Other current assets	51,954	53,642	(1,688)
Current operating assets (A)	**471,403**	**565,092**	**(93,689)**
Trade payables	111,839	123,387	(11,548)
Other current liabilities	231,478	296,417	(64,938)
Current operating liabilities (B)	**343,317**	**419,803**	**(76,486)**
Working capital, net (A-B)	**128,086**	**145,288**	**(17,202)**
% return on investments	*11.2%*	*14.0%*	

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(thousand Euros)	30/06/2019 (*)	31/12/2018	Change
Cash and cash equivalents, net	149,635	122,481	27,154
Current financial assets	1,401	997	403
Due to banks	(20,634)	(31,990)	11,356
Due to other providers of finance	(442)	(689)	247
Financial liabilities IFRS 16	(22,629)	-	(22,629)
Net financial position - Short-term	**107,331**	**90,799**	**16,532**
Due to banks	(27,989)	(23,366)	(4,623)
Due to other providers of finance	(912)	(881)	(31)
Financial liabilities IFRS 16	(60,143)	-	(60,143)
Net financial position - Long-term	**(89,044)**	**(24,247)**	**(64,797)**
Total net financial position	**18,287**	**66,552**	**(48,265)**

(*) The half year data of 2019 include financial liabilities for 82,772 thousand Euros following the application of the new accounting standard IFRS 16. Net of this effect, the group's net financial position at 30 June 2019 would have amounted to 101,059 thousand Euros.

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

(thousand Euros)	1st half 2019
Cash flows from operating activities (A)	80,713
Cash flows from investment activities (B)	(21,220)
Cash flows from financial activities (C)	(32,339)
Change in cash and cash equivalents (D) = (A+B+C)	**27,154**
Cash and cash equivalents at beginning of period (*)	122,481
Cash and cash equivalents at year end (*)	149,635
Total change in cash and cash equivalents (D)	**27,154**

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

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

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

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

Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.
Reply dedicates resources to Research and Development activities in order to project and define highly innovative products and services as well as possible applications of evolving technologies. In this context, Reply has developed its own platforms.

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

INTERGROUP TRANSACTIONS AND WITH RELATED PARTIES

During the period, there were no transactions with related parties, including intergroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

The company in the notes to the financial statements and consolidated financial statements provides the information required pursuant to Art. 154-ter of the TUF [Consolidated Financial Act] as indicated by Consob Reg. no. 17221 of 12 March 2010, indicating that there were no significant transactions concluded during the period.

Information on transactions with related parties as per Consob communication of 28 July 2006 is disclosed at the annexed tables herein.

HUMAN RESOURCES

At June 30, 2019 the number of employees of the Group was 7,924 with an increase of 318 compared to December 31, 2018 and an increase of 673 resources compared to June 30, 2018.

OUTLOOK ON OPERATIONS

In the first half 2019 Reply achieved very positive results, both in terms of turnover and margins. The first six months of the year have been marked by a huge number of projects focused on our core offering: cloud, IoT and connected products, data platforms and digital experience.

Over the course of those months, Reply saw a strong drive from new applications linked to the use of artificial intelligence and automation using robotics, specifically applied to both to autonomous cars and business processes.

The current world is now firmly modelled on a combination of artificial intelligence, cloud platforms and network connectivity. This new digital foundation represents the starting point from which further changes in technology and organisations, such as blockchain or 5G, will be introduced. New opportunities will open for emerging markets and unexplored business models, for which the capacity to understand and better exploit the technology as well as to integrate it with human components will be the key to success.

Turin, August 1, 2019

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF YEAR CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2019

CONSOLIDATED STATEMENT OF INCOME (*)

(thousand Euors)	Note	1° half 2019 (**)	1° half 2018	Year 2018
Revenues	5	573,672	498,054	1,035,793
Other income		5,916	5,240	14,996
Purchases	6	(11,126)	(9,177)	(20,513)
Personnel	7	(290,091)	(249,451)	(508,652)
Services and other costs	8	(193,663)	(176,720)	(379,730)
Amortization, depreciation and write-downs	9	(18,014)	(6,285)	(13,848)
Other operating and non-recurring (cost)/income	10	905	456	4,364
Operating income		**67,599**	**62,117**	**132,410**
(Loss)/gain on investments	11	4,230	2,470	6,862
Financial income/(expenses)	12	(1,613)	(360)	(55)
Income before taxes		**70,216**	**64,227**	**139,217**
Income taxes	13	(19,638)	(18,093)	(38,230)
Net income		**50,578**	**46,134**	**100,987**
Non controlling interest		(1,165)	(192)	(1,075)
Group net result		**49,414**	**45,941**	**99,913**
Earnings per share and diluted	*14*	*1.32*	*1.23*	*2.67*

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

(**) The impacts on the main economic figures relating to the application of the new Accounting Standard IFRS 16 are disclosed in the Report on Operations and in Note 2 at the paragraph “Adoption of accounting standard IFRS 16”.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand Euros)	Note	1st half 2019	1st half 2018
Profit of the period (A)		**50,578**	**46,134**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans		(1,054)	103
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**26**	**(1,054)**	**103**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		(1,834)	(766)
Gains/(losses) on exchange differences on translating foreign operations		(24)	1,279
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)		**(1,858)**	**513**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)	**26**	**(2,912)**	**616**
Total comprehensive income (A)+(B)		**47,666**	**46,750**
Total comprehensive income attributable to:			
Owners of the parent		46,502	46,557
Non-controlling interest		1,165	192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(thousand Euros)	Note	30/06/2019 (**)	31/12/2018	30/06/2018
Tangible assets	15	44,711	44,452	39,322
Goodwill	16	252,480	243,236	207,586
Intangible assets	17	13,889	14,201	14,891
Right of use assets	18	82,339	-	-
Equity investments	19	52,449	47,512	41,044
Other financial assets	20	6,703	5,255	5,903
Deferred tax assets	21	30,352	27,299	24,687
Non current assets		**482,923**	**381,955**	**333,432**
Inventories	22	154,810	77,061	157,082
Trade receivables	23	264,639	434,389	247,453
Other receivables and current assets	24	51,954	53,642	45,890
Financial assets	20	1,401	997	1,283
Cash and cash equivalents	25	150,924	128,060	121,515
Current assets		**623,727**	**694,149**	**573,223**
TOTAL ASSETS		**1,106,650**	**1,076,104**	**906,655**
Share Capital		4,863	4,863	4,863
Other reserves		463,636	380,521	382,127
Net result of the period		49,414	99,913	45,941
Group shareholders' equity	26	**517,913**	**485,297**	**432,932**
Non controlling interest	26	1,613	1,315	(82)
NET EQUITY		**519,526**	**486,612**	**432,850**
Due to minority shareholders and Earn out	27	47,124	45,295	38,701
Finacial liabilities	28	28,901	24,247	52,204
Financial liabilities from RoU	28	60,143	-	-
Employee benefits	29	39,720	37,738	32,854
Deferred tax liabilities	30	16,725	17,128	18,636
Provisions	31	6,200	7,021	13,290
Non current liabilities		**198,813**	**131,430**	**155,685**
Finacial liabilities	28	22,365	38,258	20,363
Financial liabilities from RoU	28	22,629	-	-
Trade payables	32	111,839	123,387	94,990
Other current liabilities	33	231,170	296,109	202,592
Provisions	31	308	308	174
Current liabilities		**388,310**	**458,061**	**318,120**
TOTAL LIABILITIES		**587,123**	**589,492**	**473,805**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,106,650**	**1,076,104**	**906,655**

(*) 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 35.

(**) The impacts on the main economic figures relating to the application of the new Accounting Standard IFRS 16 are disclosed in the Report on Operations and in Note 2 at the paragraph “Adoption of accounting standard IFRS 16”.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	*Cash flow hedge* reserve	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non controlling interest	Total
At January 1°, 2018	**4,863**	**(25)**	**72,836**	**338,442**	**(34)**	**(11,171)**	**(3,508)**	**668**	**402,072**
Dividends distributed	-	-	-	(13,083)	-	-	-	(650)	(13,733)
Total comprehensive income/(loss)	-	-	-	45,941	(766)	1,279	103	192	46,750
Other changes	-	-	-	(1,945)	-	-	-	(292)	(2,237)
At June 30, 2018	**4,863**	**(25)**	**72,836**	**369,355**	**(800)**	**(9,892)**	**(3,405)**	**(82)**	**432,850**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousand Euros)	1st half 2019	1st half 2018
Net result of the period	49,414	45,941
Income taxes	19,638	18,093
Depreciation and amortization	18,014	6,285
Other non-monetary expenses/(income)	(2,486)	(7,445)
Change in work in progress	(77,749)	(63,431)
Change in trade receivables	171,276	115,511
Change in trade payables	(12,048)	(7,635)
Change in other assets and liabilities	(79,611)	(29,803)
Income taxes paid	(5,735)	(13,294)
Net cash flows from operating activities (A)	**80,713**	**64,223**
Payments for tangible and intangible assets	(6,478)	(16,023)
Change in right of use assets	(4,010)	-
Payments for financial assets	(1,797)	(260)
Payments for the acquisition of subsidiaries net of cash acquired	(8,936)	(39,323)
Net cash flows from investment activities (B)	**(21,220)**	**(55,607)**
Dividends paid	(17,620)	(13,733)
In payments from loans	-	42,500
Change in financial liabilities from RoU IFRS 16	(7,006)	-
Repayment of loans	(8,783)	(9,766)
Other changes	1,071	129
Net cash flows from financing activities (C)	**(32,339)**	**19,131**
Net cash flows (D) = (A+B+C)	**27,154**	**27,747**
Cash and cash equivalents at beginning of period	122,481	86,398
Cash and cash equivalents at period end	149,635	114,144
Total change in cash and cash equivalents (D)	**27,154**	**27,747**

Detail of cash and cash equivalents

(thousand Euros)	1st half 2019	1st half 2018
Cash and cash equivalents at beginning of period	**122,481**	**86,398**
Cash and cash equivalents	128,060	109,195
Bank overdrafts	(5,578)	(22,798)
Cash and cash equivalents at period end	**149,635**	**114,144**
Cash and cash equivalents	150,924	121,515
Bank overdrafts	(1,288)	(7,371)

NOTES

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, 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, 2018.

More specifically the half year condensed consolidated financial statements at June 30, 2019 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 includes 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, 2019

Pursuant to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in effect since January 1, 2019 are indicated and briefly described hereafter.

Adoption of accounting standard IFRS 16

The application of the IFRS 16 accounting standard, in use since 1 January 2019, did not result in the restatement of the previous periods used for comparison (modified retrospective approach). According to this standard, liabilities for leasing are measured based on the residual payments set forth in the lease agreement, discounted using the incremental borrowing rate on the date of first adoption. The book value of the right-of-use asset ("RoU asset") is equal to the book value of the liabilities for leasing on the date of first application. The effects resulting from the application of the new standard are as follows:

Economic figures (K/000)	**H1 2018**	**H1 2019**			**Q2 2018**	**Q2 2019**		
		pre IFRS 16	**post IFRS 16**	**Impact**		**pre IFRS 16**	**post IFRS 16**	**Impact**
Services and other costs	171,480	199,791	187,747	(12,044)	87,107	99,259	93,027	(6,232)
EBITDA	**68,335**	**73,611**	**85,655**	**12,044**	**36,133**	**37,079**	**43,311**	**6,232**
Amortization and depreciation	6,285	6,565	18,014	11,449	2,737	3,314	9,254	5,940
EBIT	**62,117**	**67,004**	**67,599**	**595**	**33,444**	**33,723**	**34,015**	**292**
Financial expenses	360	528	1,613	1,085	(10)	510	1,064	554
Income before taxes	**64,227**	**70,706**	**70,216**	**(490)**	**35,924**	**36,273**	**36,011**	**(262)**

Financial figures K/000	**31-12-18**	**01-01-19**	**30-06-19**		
			pre IFRS 16	**post IFRS 16**	**Impact**
RoU asset	-	**89,788**	**-**	**82,339**	**82,339**
Net financial position	**66,552**	**89,788**	**101,059**	**18,287**	**(82,772)**

The commitments existing on December 31, 2018 arising from operating leases (in application of IAS 17) and the lease liabilities recognized in the statements of financial position at January 1, 2019 (in application of IFRS 16) are essentially in line with the financial liability accounted for in the Consolidated statement of financial position as at January 1, 2019 with the exception of the impacts deriving from the discounted cash

flows amounting to approximately 10 million Euros and the effects of the exemptions for short term leases or low value leases which did not have a significant impact.
The average discount rate applied to the lease liabilities recognized in the statements of financial position at the initial application date (January 1, 2019) was between 2 and 3%.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
On October 23, 2018, Regulation EU no. 2018/1595 was issued which implemented IFRIC 23 - Uncertainty over income tax treatments.

Amendments to IFRS 9: Prepayment features with negative compensation
On March 22, 2018 Regulation EU no. 2018/498 was issued which implemented several amendments to IFRS 9 - Financial instruments.

Improvements to the IFRS (2015–2017 cycle)
On March 14, 2019 Regulation EU no. 2019/412 was issued which implemented several amendments to IAS 12 - Income taxes, IAS 23 - Borrowing costs, IFRS 3 - Business combinations and IFRS 11 - Joint arrangements.

IAS 28 (Investments in associates and joint ventures)
On February 8, 2019 Regulation EU no. 2019/237 was issued which implemented several amendments to IAS 28 - Investments in associates and joint ventures.

IAS 19 (Employee Benefits)
On March 13, 2019 Regulation EU no. 2019/402 was issued which implemented several amendments to IAS 19 - Employee Benefits.

The adoption of these amendments/interpretations had no impact on the Financial Statements at June 30, 2019.

Standards issued but not yet effective

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

- Amendments to IFRS 3 Business Combinations: since 1 January 2020
- Amendments to IAS 1 and IAS 8: definition of materiality: definizione di materialità: since 1 January 2020
- Amendments to the references to the "Conceptual Framework" in the IFRS: since 1 January 2020
- IFRS 17: Insurance contracts: since 1 January 2021.

The Group does not expect any significant effects on its consolidated financial statements deriving from the new Standards/Interpretations.

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 2019, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Investments	19	-	-	52,449
Convertible loans	20	-	-	2,374
Financial securities	20	1,401	-	-
Total financial assets		**1,401**	**-**	**54,883**
IRS		-	3,206	
Liabilities to minority shareholders and earn out	27	-	-	47,124
Total financial liabilities		**-**	**3,206**	**47,124**

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 2019 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 2019, there have not been any transfers within the hierarchy levels.

NOTE 4 – CONSOLIDATION

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

Change in consolidation compared to 30 June 2018 is related to:

- Modcomp GmbH, and its subsidiaries CSPI GmbH (now named Spike Reply GmbH) and MCG Systems AG, a company acquired in the month of July 2018 under German law specializing in Security Solutions, of which Reply AG holds 100% of the share capital;
- Elbkind GmbH, a company acquired in the month of November 2018 under German law of which Reply AG holds 100% of share capital, is a digital communication agency specializing in boosting conversations and placing brands and products on social channels;
- Neveling.net GmbH, a company acquired in the month of January 2019 under German law of which Reply AG holds 100% of share capital, specializing in content-management systems activities based on sitecore technologies.

Change in the consolidation does not significantly affect the Group's revenues and profits before tax on 30 June 2019 (5.1% on revenues).

Furthermore, the list of the Reply Group's companies and equity investments, presented as an annex herein, also includes in the consolidation, with respect to 30 June 2018, the newly incorporated company Core Reply S.r.l., a company incorporated in the month of October 2018 under Italian law of which Reply S.p.A. holds 90% of the share capital.

NOTE 5 - REVENUE

Revenues from sales and services, including change in work in progress, amounted to 573,672 thousand Euros (498,054 thousand Euros al 30 June 2018).
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 (*)	**1st half 2019**	**1st half 2018**
Region 1	68.70%	69.10%
Region 2	21.90%	18.50%
Region 3	9.30%	12.20%
IoT Incubator	0.10%	0.20%
Totale	**100.00%**	**100.00%**

Disclosure required by IFRS 8 ("Operating segment") is provided in Note 34 herein.

(*)
Region 1: ITA, USA, BRA, POL, ROU
Region 2: DEU, CHE, CHN, HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BRL

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

Business line	**1st half 2019**	**1st half 2018**
Tecnologia	60,00%	56,10%
Applicazioni	30,60%	33,20%
Processi	9,40%	10,70%
Totale	**100,00%**	**100,00%**

NOTE 6 - PURCHASES

Detail is as follows:

(thousand Euros)	1st half 2019	1st half 2018	Change
Software licenses for resale	7,042	5,990	1,051
Hardware for resale	1,351	228	1,123
Other	2,733	2,959	(225)
Total	**11,126**	**9,177**	**1,949**

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 1,358 thousand Euros, the purchase of office stationery for 456 thousand Euros and the purchase of consumption material for 327 thousand Euros.

NOTE 7 - PERSONNEL

Detail is as follows:

(thousand Euros)	1st half 2019	1st half 2018	Change
Payroll employees	271,702	230,469	41,233
Executive Directors	18,389	18,982	(593)
Total	**290,091**	**249,451**	**40,640**

The increase in the cost of employees, amounting to 40,640 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees.

Detail of personnel by category is provided below:

(number)	1st half 2019	1st half 2018	Change
Directors	279	264	15
Managers	990	858	132
Staff	6,655	6,129	526
Total	**7,924**	**7,251**	**673**

On 30 June 2019 the Group had 7,924, employees compared with 7,251 of the first half 2018.

Change in consolidation brought an increase to the workforce equal to 261 employees.

Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

NOTE 8 – SERVICES AND OTHER COSTS

Services and other costs comprised the following:

(thousand Euros)	1st half 2019	1st half 2018	Change
Commercial and technical consulting	129,021	103,384	25,637
Travelling and professional training expenses	19,683	17,618	2,065
Other services	32,011	33,139	(1,128)
Office charges	6,181	14,410	(8,229)
Rental and leasing	2,380	4,040	(1,660)
Other	4,387	4,129	258
Total	**193,663**	**176,720**	**16,943**

Change in Services and other costs, amounting to 16,943 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.

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and provision of secretarial services for 641 thousand Euros and rent charged by third parties for 468 thousand Euros, utility costs for 3,369 thousand Euros, cleaning expenses for 886 thousand Euros and maintenance expenses for 458 thousand Euros.

The decrease of the items Office charges and Rental and leasing compared to the first half 2018 is mainly due to the reversal of the rent fees following the application of IFRS 16.

NOTE 9 – AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 30 June 2019 of 4,437 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2019 amounted to 2,128 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 11,449 thousand Euros.

NOTE 10 – OTHER OPERATING AND NON RECURRING INCOME/(EXPENSES)

Other operating and non recurring income amounted to 905 thousand Euros (456 thousand Euros in the first half of 2018) and for:

- 947 thousand Euros were related to the releases of provision of risk and charges for contractual, commercial and legal disputes;
- 41 thousand Euros were related to the fair value adjustment of the deferred consideration of shareholdings in subsidiary companies (Business combination.

NOTE 11 – (LOSS)/GAIN ON INVESTMENTS

The item amounted to positive 4,230 thousand Euros and is related to:

- the fair value of investments resulting in a gain of 6,604 thousand Euros;
- impairment of investments in the amount of negative 2,403 thousand Euros.

NOTE 12 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(thousand Euros)	1st half 2019	1st half 2018	Change
Financial income	236	330	(94)
Interest expenses	(443)	(327)	(116)
Other	(1,405)	(363)	(1,042)
Total	**(1,613)**	**(360)**	**(1,252)**

Financial gains amounting to 120 thousand Euros referred mainly 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 new International Accounting Standard IFRS 16 for 1,085 thousand Euros;
- the Exchange rate differences from the translation of balance sheet items not stated in Euros in a net gain of 104 thousand Euros;
- the changes in fair value of financial liabilities pursuant to IFRS 9 in a net loss of 481 thousand Euros.

NOTE 13 - INCOME TAXES

At June 30, 2019 income taxes amounted to 19,638 thousand Euros and were recognized in accordance to the expected annual average income tax rates.

NOTE 14 – EARNINGS PER SHARE

The basic earnings per share as at 30 June 2019 was calculated on the basis of the Group's net result amounting to 49,414 thousand Euros (45,941 thousand Euros as at 30 June 2018) divided by the weighted average number of shares as at 30 June 2019 which amounted to 37,407,400 (37,407,400 as at 30 June 2018).

(in Euros)	1st half 2019	1st half 2018
Group net result	49.414.000	45.941.000
No. of shares	37.407.400	37.407.400
Basic earnings per share	1,32	1,23

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

NOTE 15 - TANGIBLE ASSETS

Tangible assets as at 30 June 2019 amounted to 44,711 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2019	31/12/2018	Change
Buildings	19,519	18,480	1,039
Plant and machinery	4,031	3,868	163
Hardware	5,837	6,134	(297)
Other	15,324	15,970	(646)
Total	**44,711**	**44,452**	**259**

Change in tangible assets in the first half of 2019 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	21,041	12,722	37,260	33,157	104,180
Accumulated depreciation	(2,561)	(8,854)	(31,126)	(17,187)	(59,728)
31/12/2018	**18,480**	**3,868**	**6,134**	**15,970**	**44,452**
Historical cost					
Increases	1,160	872	1,668	1,004	4,704
Disposals	-	(670)	(208)	(138)	(1,016)
Change in consolidation	-	58	3	60	121
Other changes	-	(52)	(36)	63	(24)
Accumulated depreciation					
Depreciations	(126)	(777)	(1,803)	(1,730)	(4,437)
Utilized	-	670	180	90	941
Change in consolidation	-	-	-	(34)	(34)
Other changes	5	61	(101)	40	5
Historical cost	22,201	12,930	38,688	34,145	107,964
Accumulated depreciation	(2,681)	(8,899)	(32,851)	(18,821)	(63,253)
30/06/2019	**19,519**	**4,031**	**5,837**	**15,324**	**44,711**

The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 4,686 thousand Euros located in Guetersloh, Germany. In the first half of 2019 the Group has invested approximately 725 thousand Euros to extend the office spaces.
- The real estate complex located in Turin and called “ex Caserma De Sonnaz” in the amount of 14,482 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. In addition, the item includes financial lease for 268 thousand Euros (315 thousand Euros at 31 December 2018).

Change in the item Hardware is due to investments made by the companies included in Region 1 for 951 thousand Euros, 527 thousand Euros for purchases made by the companies included in Region 2 and 190 thousand Euros for purchases made by the companies included in Region 3. Furthermore this item includes financial leases for 162 thousand Euros (137 at 31 December 2018).

The item Other assets as at 30 June 2019 mainly includes improvements to third party assets and office furniture. The increase of 1,004 Euros mainly refers to the purchases of furniture and fittings for 415 thousand Euros and to improvements made to the offices where the Group's companies operate for 320 thousand Euros. Such item also includes a financial leasing for furniture for a net value amounting to 998 thousand Euros (793 thousand Euros at 31 December 2018).

Other changes mainly refer to exchange differences.

As at 30 June 2019 tangible assets were depreciated by 58.6% of their value, compared to 57.3% at the end of 2018.

NOTE 16 - GOODWILL

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

Goodwill 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 31/12/2018	Increase	Exchange difference	Value at 30/06/2019
Region 1	89.974	-	190	90,164
Region 2	99,892	8,993	-	108,885
Region 3	53,369	-	61	53,430
Total	**243,236**	**8,993**	**251**	**252,479**

Increase in Goodwill compared to 31 December 2018 owes to the acquisition of Neveling GmbH, a company incorporated under the German law of which Reply AG holds 100% of share capital, specializing in content-management systems activities based on sitecore technologies.

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

(thousand Euros)	Fair value (*)
Tangible and intangible assets	34
Trade receivables and other currents assets	1,526
Cash and cash equivalents	694
Financial liabilities	-
Trade payables and other current liabilities	(500)
Net deferred taxes	(161)
Net assets acquired	**1,593**
Transaction value	10,586
Goodwill	**8,993**

(*) book value is equal to fair value

In the first half of 2019 the Group did no detect any impairment indicators.

NOTE 17 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 30 June 2019 amounted to 13,889 thousand Euros (14,201 thousand Euros on 31 December 2018) and are detailed as follows:

(thousand Euros)	Cost original	Depreciation and amortization cumulative	Net book value as at 30/06/2019
Development costs	29,132	(25,213)	3,918
Software	26,660	(22,066)	4,593
Trademarks	537	-	537
Other intangible assets	7,915	(3,074)	4,841
Total	**64,243**	**(50,354)**	**13,889**

Change in intangible assets in the first half of 2019 is summarized in the table below:

(thousand Euros)	Net book value as at 31/12/2018	Increase	Cumulative amortization	Change in consolidation	Other changes	Net book value as at 30/06/2019
Development costs	4,584	608	(1,273)	-	-	3,918
Software	3,811	1,106	(347)	23	-	4,593
Trademark	537	-	-	-	-	537
Other intangible assets	5,270	-	(508)	-	80	4,841
Total	**14,201**	**1,714**	**(2,128)**	**23**	**80**	**13,889**

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 636 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 18 – ROU ASSETS

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

(thousand Euros)	01/01/2019	Net changes	Amortization	30/06/2019
Buildings	79,724	2,885	(9,160)	73,449
Vehicles	9,859	1,105	(2,181)	8,783
Office equipment	205	10	(108)	107
Total	**89,788**	**4,000**	**(11,449)**	**82,339**

NOTE 19 - EQUITY INVESTMENTS

The item Equity investments amounts to 52,449 thousand Euros and refers to investments in start-up companies in the IoT field made principally by the Investment company Breed Investments Ltd.

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

Detail is as follows:

(thousand Euros)	Value at 31/12/2018	New increases	Follow-on investments	Net fair value evaluation	Impairment	Convertible loans conversion	Exchange differences	Value at 30/06/2019
Investments	47,503	-	736	4,230	-	-	(21)	52,449

Follow-on investments

The increase is related to the acquisition of share capital of investments already existing at December 31, 2018.

Net fair value evaluation

The net fair value evaluation amounting to 4,230 thousand Euros reflects the market values adjustments of the last rounds that took place in the first half 2019 on investments already in portfolio.

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

NOTE 20 - FINANCIAL ASSETS

Current and non-current financial assets amounted to a total of 8,104 thousand Euros compared to 6,253 thousand Euros as at 31 December 2018.

Detail is as follows:

(thousand Euros)	30/06/2019	31/12/2018	Change
Receivables from insurance companies	3,127	3,127	-
Guarantee deposits	1,163	1,115	49
Financial receivables from non consolidated subsidiaries	-	300	(300)
Other financial assets	39	32	(7)
Convertible loans	2,374	982	1,392
Short term securities	1,401	697	704
Total	**8,104**	**6,253**	**1,851**

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

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

Value at 31/12/2018	Increases	Interests	Net fair value evaluation	Equity conversion	Exchange differences	Value at 30/06/2019
982	1,310	86	-	-	(4)	**2,374**

Increases

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

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

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

NOTE 21 - DEFERRED TAX ASSETS

Such item, which amounted to 30,352 thousand Euros as at 30 June 2019 (27,299 thousand Euros as at 31 December 2018), 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 22 – WORK IN PROGRESS

Work in progress, amounting to 154,810 thousand Euros, is detailed as follows:

(thousand Euros)	30/06/2019	31/12/2018	Change
Contract work in progress	231,168	131,663	99,505
Advance payments from customers	(76,358)	(54,602)	(21,756)
Total	**154,810**	**77,061**	**77,749**

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

NOTE 23 - TRADE RECEIVABLES

Trade receivables as at 30 June 2019 amounted to 264,639 thousand Euros with a net decrease of 169,750 thousand Euros.

(thousand Euros)	30/06/2019	31/12/2018	Change
Domestic clients	175,719	324,047	(148,328)
Foreign trade receivables	95,272	120,511	(25,239)
Credit notes to be issued	(606)	(4,440)	3,834
Total	**270,385**	**440,118**	**(169,733)**
Allowance for doubtful accounts	(5,746)	(5,729)	(17)
Total trade receivables	**264,639**	**434,389**	**(169,750)**

Trade receivables are shown net of allowances for doubtful accounts amounting to 5,746 thousand Euros at 30 June 2019 (5,729 thousand Euros at 31 December 2018).

The Allowance for doubtful accounts developed in the first half of 2019 as follows:

(thousand Euros)	31/12/2018	Provision	Utilization	Reversal	30/06/2019
Allowance for doubtful accounts	5,729	225	(1)	(207)	**5,746**

The carrying amount of Trade receivables is in line with its fair value.
Trade receivables are all collectible within one year.

Assignment of receivables

The Group assigns part of its trade receivables through factoring operations.
The assignments of receivables can be with or without recourse; some assignments without recourse can include deferred payment clauses (for example, payment by the factor of a minor part of the purchase price is subordinated on the collection of the total amount of the receivables), require a deductible from the assignor, or require maintaining significant exposure to the cash flow trend deriving from the assigned receivables. This type of operation does not comply with the requirements of IAS 39 for the elimination of the assets from the financial statements, since the risks and benefits related to their collection have not been substantially transferred.
Consequently, all receivables assigned through factoring operations that do not satisfy the requirements for elimination provided by IFRS 9 continue to be recognized in the Group's financial statements, even though they have been legally assigned and a financial liability for the same amount is recognized in the consolidated financial statements as Liabilities for advance payments on assignments of receivables. Gains and losses related to the assignment of these assets are only recognized when the assets are derecognized from the Group's financial-economic position.

The book value of the assets assigned without recourse as at 30 June 2019 amounted to 5,419 thousand Euros, with the same increase of available liquidity.
As at 30 June 2019 there are no receivables transferred via Factoring operations with recourse.

NOTE 24 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(thousand Euros)	30/06/2019	31/12/2018	Change
Tax receivables	20,115	21,486	(1,371)
Advances to employees	169	125	44
Accrued income and prepaid expenses	19,010	18,590	420
Other receivables	12,660	13,441	(781)
Total	**51,954**	**53,642**	**(1,688)**

The item Tax receivables mainly includes:

- VAT tax receivables (16,765 thousand Euros);
- income tax prepayments net of allocated liability (1,284 thousand Euros);
- receivables for withholding tax (641 thousand Euros).

The item Other receivables includes the contributions receivable in relation to research projects for 6,768 thousand Euros (6,742 thousand Euros at 31 December 2018) .

NOTE 25 - CASH AND CASH EQUIVALENTS

The balance of 150,924 thousand Euros, with an increase of 22,864 thousand Euros compared with 31 December 2018, 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 26 - SHAREHOLDERS' EQUITY

Share capital

As at 30 June 2019 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.

Treasury shares

The value of the Treasury shares, amounting to 25 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 30 June 2019 are equal to n. 4.028.

Capital reserves

On 30 June 2019 Capital reserves, amounting to 72,836 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,303 thousand Euros;
- Treasury share reserve amounting to 25 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 49,975 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 19 April 2019 Reply S.p.A. re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 100 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 457,478 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 407,092 thousand Euros (retained earnings amounted to 321,065 thousand Euros on 31 December 2018);
- Profits attributable to shareholders of the Parent Company amounted to 49,414 thousand Euros (99,913 thousand Euros as on 31 December 2018).

Other comprehensive income

Other comprehensive income can be analyzed as follows:

(thousand) Euros	1st half 2019	1st half 2018
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plans	(1,054)	103
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**(1,054)**	**103**
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Gains/(losses) on cash flow hedges	(1,834)	(766)
Gains/(losses) on exchange differences on translating foreign operations	(24)	1,279
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**(1,858)**	**513**
Total other comprehensive income, net of tax (B) = (B1) +(B2)	**(2,912)**	**616**

Share based payment plans

There aren't stock option plans resolved by the General Shareholders' meetings.

NOTE 27 - DUE TO MINORITY SHAREHOLDERS AND EARN-OUT

Due to minority shareholders and earn out owed on 30 June 2019 amount to 47,124 thousand Euros (45,295 thousand Euros on 31 December 2018) and are detailed as follows:

(thousand Euros)	31/12/2018	Increases	Fair value adjustments	Payments	Exchange differences	30/06/2019
Payables to minority shareholders	23,817	-	-	(4,835)	103	19,085
Payables for Earn out	21,478	6,527	41	-	(8)	28,038
Total due to minority shareholders and earn out	**45,295**	**6,527**	**41**	**(4,835)**	**95**	**47,124**

The increase in Payables for Earn out amounting to 6,527 is related to the acquisition of Neveling GmbH, a company incorporated under the German law of which Reply AG holds 100% of share capital, specializing in content-management systems activities based on sitecore technologies.

The item Fair value adjustments in the first half of 2019 amounted to 41 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

NOTE 28 - FINANCIAL LIABILITIES

Detail is as follows:

	30/06/2019			31/12/2018		
(thousand Euros)	**Current**	**Non current**	**Total**	**Current**	**Non current**	**Total**
Bank overdrafts	1,288	-	1,288	5,578	-	5,578
Bank loans	20,634	27,989	48,624	31,990	23,366	55,356
Total due to banks	**21,923**	**27,989**	**49,912**	**37,569**	**23,366**	**60,935**
Other financial borrowings	442	912	1,354	689	881	1,570
IFRS 16 financial liabilities	22,629	60,143	82,772	-	-	-
Total financial liabilities	**44,993**	**89,044**	**134,037**	**38,258**	**24,247**	**62,505**

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

	30/06/2019				31/12/2018			
(thousand Euros)	**Due in 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**	**Due in 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
Bank overdrafts	1,288	-	-	1,288	5,578	-	-	5,578
M&A loans	17,036	13,357	-	30,393	30,214	8,571	-	38,786
Mortgage loans	444	4,829	9,804	15,076	455	4,235	10,560	15,250
Other financial borrowings	442	912	-	1,354	689	881	-	1,570
IFRS 16 financial liabilities	22,629	50,860	9,284	82,772	-	-	-	-
Derivative financial instruments	3,155	-	-	3,155	1,321	-	-	1,321
Total	**44,993**	**69,957**	**19,087**	**134,037**	**38,258**	**13,687**	**10,560**	**62,505**

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

Summarized below are the existing contracts entered into for such a purpose:

- On 31 March 2015 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 30,000 thousand Euros detailed as follows:
    - Tranche A, amounting to 10,000 thousand Euros, entirely used for the reimbursement of the credit line dated 13 November 2013. The loan is reimbursed on a half-year basis deferred to commence on 30 September 2015. Such credit line was used for 2,000 thousand Euros at 30 June 2019.
    - Tranche B, amounting to 20,000 thousand Euros, to be used by 30 September 2016.The loan is reimbursed on a half-year basis deferred to commence on 31 March 2017. Such credit line was used for 5,714 thousand Euros at 30 June 2019.
- On 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 25,000 thousand Euros to be used by 30 September 2018. On 17 February 2017 a reduction of the credit line to 1,500 thousand Euros was agreed and completely utilized, the loan is reimbursed on a half year basis deferred to commence on 31 March 2019 and will expire on 30 November 2021. Such credit line was used for 1,250 thousand Euros at 30 June 2019.
- On 28 July 2016 Reply S.p.A. entered into a line of credit with Intesa San Paolo S.p.A. for a total amount of 49,000 thousand Euros to be used by 30 June 2018. The loan will be reimbursed on a half basis deferred to commence on 30 September 2018 and will expire on 30 September 2021. Such credit line was used for 21,428 thousand Euros at 30 June 2019.
- On 17 February 2017 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 28 February 2020. As at June 30, 2019 this line had not been used.

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

As contractually defined, such ratios are as follows:

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

At 30 June 2019, Reply fulfilled the Covenants under the various contracts.

The item Mortgages refers to financing granted to Tool Reply GmbH, for the acquisition of the building where the German company has its registered office. Reimbursement takes place via six monthly instalments (at 4.28%) with expiry on 30 September 2019.
It should be noted that during the year 2018 Tool Reply GmbH entered into a line of credit with Commerzbank for a total amount of 2,500 thousand Euros to be used by 28 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. On 25 May 2018 the first disbursement of 12,500 thousand Euros was made.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 30 June 2019 related to the adoption of the new Accounting Standard IFRS 16.

Other financial borrowings are related to financial leases determined according to IAS 17.

The item Derivative financial instruments refers to loans whose underlying notional amounts to 50,643 thousand Euros.

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

Net financial position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with ESMA guidelines, the net financial position of the Reply Group at 30 June 2019 was as follows:

(thousand Euros)	**30/06/2019**	**31/12/2018**	**Change**
Cash and cash equivalents	150,924	128,060	22,864
Current financial assets	1,401	997	403
Total financial assets	**152,324**	**129,057**	**23,267**
Current financial liabilities	(22,365)	(38,258)	15,894
Current IFRS 16 financial liabilities	(22,629)	-	(22,629)
Non-current financiali liabilities	(28,901)	(24,247)	(4,654)
Non-current IFRS 16 financial liabilities	(60,143)	-	(60,143)
Total financial liabilities	**(134,037)**	**(62,505)**	**(71,532)**
Total net financial position	**18,287**	**66,552**	**(48,265)**

For further details with regards to the above table see Note 25 as well as Note 28.

Change in financial liabilities during the first half of 2019 is summarized below:

(thousand Euros)	
Total financial liabilities 2018	**62,505**
Bank overdrafts	(5,578)
Fair value IRS	(1,322)
Non-current financial liabilities 2018	55,605
IFRS 16 financial liabilities	82,772
Cash flows	(8,783)
Total non-current financial liabilities as at 30 June 2019	**129,593**
Bank overdrafts	1,288
Fair value IRS	3,155
Total financial liabilities as at 30 June 2019	**134,037**

NOTE 29 - EMPLOYEE BENEFITS

Employee benefits are detailed as follows:

(thousand Euros)	**30/06/2019**	**31/12/2018**	**Change**
Employee severeance indemnities	27,624	25,707	1,917
Employee pension funds	10,547	10,518	29
Directors severance indemnities	1,534	1,498	36
Other	16	16	-
Total	**39,720**	**37,738**	**1,981**

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 2019 are summarized in the table below:

(thousand Euros)	
Balance as at 31/12/2018	**25,707**
Cost relating to current work (*service cost*)	2,323
Actuarial gain/loss	1,076
Interest cost	193
Change in consolidation	25
Indemnities paid during the year	(1,700)
Balance as at 30/06/2019	**27,624**

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 30 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2019 amount to 16,725 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

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

NOTE 31 - PROVISIONS

Provisions amount to 6,508 thousand Euros (of which 6,200 thousand Euros are non-current).

Change in the first half of 2019 is summarized in the table below:

(thousand Euros)	Balance at 31/12/2018	Accruals	Utilization	Reversals	Other changes	Balance at 30/06/2019
Fidelity fund	319	5	(2)	-	-	322
Provision for risks	7,010	-	(605)	(250)	32	6,187
Totale	**7,329**	**5**	**(607)**	**(250)**	**32**	**6,508**

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

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

The item Utilization is related to the merger by incorporation described in Note 36 where in 2018 the German court took note of the agreement reached between the parties, recognizing to the minority shareholders the payment of the sums established. The expenses arising from this agreement were accrued in previous years.

Other changes mainly refer to translation differences.

NOTA 32 – TRADE PAYABLES

Trade payables at 30 June 2019 amount to 111,839 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2019	31/12/2018	Change
Domestic suppliers	94,779	99,600	(4,822)
Foreign suppliers	17,818	24,376	(6,559)
Advances to suppliers	(758)	(590)	(168)
Total	**111,839**	**123,387**	**(11,548)**

NOTE 33 - OTHER CURRENT LIABILITIES

Other current liabilities at 30 June 2019 amounted to 231,170 thousand Euros with a decrease of 64,938 thousand Euros with respect to the previous financial year.

Detail is as follows:

(thousand Euros)	30/06/2019	31/12/2018	Change
Income tax payable	22,402	8,000	14,403
VAT payable	3,748	13,802	(10,054)
Withholding tax and other	5,277	7,423	(2,146)
Total due to tax authorities	**31,427**	**29,224**	**2,203**
National social insurance payable	25,445	28,308	(2,863)
Other	2,329	2,417	(87)
Total due to social securities	**27,775**	**30,725**	**(2,950)**
Employee accruals	76,099	80,354	(4,255)
Other payables	88,990	139,043	(50,052)
Accrued expenses and deferred income	6,879	16,764	(9,884)
Total other payables	**171,969**	**236,160**	**(64,191)**
Other current liabilities	**231,170**	**296,109**	**(64,938)**

Due to tax authorities amounting to 31,427 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Due to social security authorities amounting to 27,775 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 30 June 2019 amount to 171,969 thousand Euros and mainly include:

- amounts due to employees that at the balance sheet date had not yet been paid;
- remuneration of directors recognized as participation in the profits of the subsidiary companies;
- advances received from customers exceeding the value of the work in progress amounting to 60,308 thousand Euros.

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

NOTE 34 – 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	%	Interseg	Total 1st half 2019	%
Revenues	**398,541**	**100**	**126,981**	**100**	**54,220**	**100**	**415**	**100**	**(6,485)**	**573,672**	**100**
Operating costs	(332,396)	(83.4)	(109,682)	(86.4)	(50,196)	(92.6)	(2,228)	(536.7)	6,485	(488,017)	(85.1)
Gross operating income	**66,145**	**16.6**	**17,299**	**13.6**	**4,024**	**7.4**	**(1,813)**	**(436.7)**		**85,655**	**14.9**
Amortization, depreciation and write-downs	(10,828)	(2.7)	(4,391)	(3.5)	(2,722)	(5.0)	(74)	(17.8)		(18,014)	(3.1)
Other non-recurring (costs)/income	-	-	-	-	(41)	(0.1)	-	-		(41)	-
Operating income	**55,318**	**13.9**	**12,908**	**10.2**	**1,260**	**2.3**	**(1,887)**	**(454.5)**		**67,599**	**11.8**
Gain/(loss) on investments	-	-	-	-	1	-	4,229	1,018.5		4,230	0.7
Financial income/(loss)	552	-	(1,232)	(1.0)	(537)	(1.0)	(397)	(95.5)		(1,613)	(0.3)
Income before taxes	**55,870**	**14.0**	**11,676**	**9.2**	**725**	**1.3**	**1,945**	**468.5**		**70,216**	**12.2**

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incuba tor	%	Interseg	Total 1st half 2018	%
Revenues	**347,790**	**100**	**93,172**	**100**	**61,268**	**100**	**925**	**100**	**(5,102)**	**498,054**	**100**
Operating costs	(297,282)	(85.5)	(80,496)	(86.4)	(54,550)	(89.0)	(2,494)	(269.6)	5,102	(429,720)	(86.3)
Gross operating income	**50,508**	**14.5**	**12,677**	**13.6**	**6,718**	**11.0**	**(1,569)**	**(169.6)**		**68,335**	**13.7**
Amortization, depreciation and write-downs	(4,394)	(1.3)	(1,095)	(1.2)	(784)	(1.3)	(12)	(1.3)		(6,285)	(1.3)
Other non-recurring (costs)/income	283	-	275	-	(490)	(0.8)	-	-		68	-
Operating income	**46,397**	**13.3**	**11,857**	**12,7**	**5,445**	**8.9**	**(1,581)**	**(170.9)**		**62,117**	**12.5**
Gain/(loss) on investments	-	-	-	-	-	-	2,470	267		2,470	0.5
Financial income/(loss)	2,592	1	(551)	(0.6)	(448)	(0.7)	(1,953)	(211.1)		(360)	(0.1)
Income before taxes	**48,988**	**14.1**	**11,305**	**12.1**	**4,997**	**8.2**	**(1,063)**	**(114.9)**		**64,227**	**12.9**

Breakdown of revenues by type is as follows:

	REGION 1		REGION 2		REGION 3		IoT INCUBATOR	
BUSINESS LINE	**1st half 19**	**1st half 18**	**1st half 19**	**1st half 18**	**1st half 19**	**1st half 18**	**1st half 19**	**1st half 18**
T&M	65,361	56,342	71,490	54,412	27,652	31,124	-	-
FIXED PRICE PROJECTS	333,180	291,448	55,491	38,760	26,568	30,144	-	-
OTHER BUSINESS	-	-	-	-	-	-	415	925
TOTAL	**398,541**	**347,790**	**126,981**	**93,172**	**54,220**	**61,268**	**415**	**925**

FINANCIAL DATA

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Intersegment	Total 1° half 2019
Current operating assets	389,678	73,270	38,470	273	(30,288)	471,403
Current operating liabilities	(292,289)	(46,935)	(21,780)	(12,601)	30,288	(343,317)
Net working capital (A)	**97,389**	**26,335**	**16,690**	**(12,327)**	**-**	**128,086**
Non-current assets	186,692	161,903	79,330	54,998	-	482,923
Non-financial liabilities long term	(54,409)	(49,033)	(6,327)	-	-	(109,769)
Fixed capital (B)	**132,446**	**112,814**	**73,003**	**54,998**	**-**	**373,154**
Net invested capital (A+B)	**229,835**	**139,149**	**89,693**	**42,671**	**-**	**501,240**

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Intersegment	31/12/2018
Current operating assets	465,884	76,609	45,146	163	(22,710)	565,092
Current operating liabilities	(338,074)	(61,973)	(28,678)	(13,787)	22,710	(419,803)
Net working capital (A)	**127,810**	**14,636**	**16,467**	**(13,625)**	**-**	**145,288**
Non-current assets	142,988	122,281	65,914	48,600	-	379,783
Non-financial liabilities long term	(56,097)	(42,397)	(6,517)	-	-	(105,011)
Fixed capital (B)	**86,891**	**79,884**	**59,397**	**48,600**	**-**	**274,772**
Net invested capital (A+B)	**214,701**	**94,520**	**75,864**	**34,975**	**-**	**420,060**

Breakdown of employees by operating segment is as follows:

Region	1st half 2019	1st half 2018	Change
Region 1	5,659	5,402	257
Region 2	1,636	1,218	418
Region 3	625	619	6
IoT Incubator	4	12	(8)
Total	**7,924**	**7,251**	**673**

NOTE 35 – TRANSACTIONS WITH RELATED PARTIES

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

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

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

(thousand Euros)

Financial transactions	**30/06/2019**	**31/12/2018**	**Nature of transactions**
Trade receivables	9	25	Receivables from professional services
Trade payables	114	136	Payables for professional services and office rentals offices
Other payables	2,256	4,522	Payables for emoluments s to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**1st half 2019**	**1st half 2018**	**Nature of transactions**
Revenues from professional services	3	4	Professional services executed
Services from Parent company and related parties	641	545	Service contracts relating to office rental and administration office
Personnel	1.383	2.096	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	56	61	Emoluments to Statutory Auditors

Reply Group Main economic and financial transactions

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

In accordance with Consob Resolution no, 15519 of 27 July 2006 and Consob communication no, DEM/6064293 of 28 July 2006 the financial statements 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 36 - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

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

Note that:

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

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

At past, some minority shareholders have commenced the aforementioned procedures.
Following exchanges with the minority shareholders and their appointed representative, the Company has reached a settlement agreement where the payment of an additional amount of 4.41 Euros per share of Reply

Deutschland was agreed plus legal interest, in addition to the flat-rate reimbursement of proceedings costs. On 18 June 2018, the German court took note of the agreement reached between the parties. The expenses arising from this agreement amounting to approximately 5 million Euros is covered by specific provisions (please see Note 31).

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 37 – EVENTS SUBSEQUENT TO 30 JUNE 2019

No significant events have occurred subsequent to 30 June 2019.

NOTA 38 – APPROVAL OF THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND AUTHORIZATION TO PUBLISH

The Half year condensed consolidated financial statements at 30 June 2019 were approved by the Board of Directors on August 1, 2019 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 2019	of which with related parties	%	1st half 2018	of which with related parties	%
Revenues	**573,672**	**3**	**-**	**498,054**	**4**	**-**
Other income	5,916			5,240		
Purchases	(11,126)			(9,177)		
Personnel	(290,091)	(1,383)	0.5%	(249,451)	(2,096)	0.8%
Services and other costs	(193,663)	(697)	0.4%	(176,720)	(606)	0.3%
Amortization, depreciation and write-downs	(18,014)			(6,285)		
Other non-recurring (cost)/income	905			456		
Operating income	**67,599**			**62,117**		
Income from associate companies	4,230			2,470		
Financial income/(expenses)	(1,613)			(360)		
Income before taxes	**70,216**			**64,227**		
Income taxes	(19,638)			(18,093)		
Net income	**50,578**			**46,134**		
Non controlling interest	(1,165)			(192)		
Group net result	**49,414**			**45,941**		

Consolidated Statement of financial position prepared pursuant to Consob Resolution No. 15519 of 27 July 2006

(thousand Euros)	30/06/2019	of which with related parties	%	31/12/2018	of which with related parties	%
Tangible assets	44,711			44,452		
Goodwill	252,480			243,236		
Intangible assets	13,889			14,201		
RoU Assets	82,339			-		
Equity investments	52,449			47,512		
Other financial assets	6,703			5,255		
Deferred tax assets	30,352			27,299		
Non current assets	**482,923**			**381,955**		
Inventories	154,810			77,061		
Trade receivables	264,639	9	-	434,389	25	-
Other receivables and current assets	51,954			53,642		
Financial assets	1,401			997		
Cash and cash equivalents	150,924			128,060		
Current assets	**623,727**			**694,149**		
TOTAL ASSETS	**1,106,650**			**1,076,104**		
Share Capital	4,863			4,863		
Other reserves	463,636			380,521		
Net result of the period	49,414			99,913		
Group shareholders' equity	**517,913**			**485,297**		
Non controlling interest	1,613			1,315		
NET EQUITY	**519,526**			**486,612**		
Due to minority shareholders and Earn-out	47,124			45,295		
Finacial liabilities	28,901			24,247		
Financial liabilities from RoU	60,143			-		
Employee benefits	39,720			37,738		
Deferred tax liabilities	16,725			17,128		
Provisions	6,200			7,021		
Non current liabilities	**198,813**			**131,430**		
Finacial liabilities	22,365			38,258		
Financial liabilities from RoU	22,629			-		
Trade payables	111,839	114	0.1%	123,387	136	0.1%
Other current liabilities	231,170	2,256	1.0%	296,109	4,522	1.5%
Provisions	308			308		
Current liabilities	**388,310**			**458,061**		
TOTAL LIABILITIES	**587,123**			**589,492**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,106,650**			**1,076,104**		

LIST OF COMPANIES AT 30 JUNE 2019

Company name	Headquarters	Group interest
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Companies consolidates on a line-by-line basis		
4brands Reply GmbH & CO. KG.	Minden, Germany	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply GmbH	Munich, Germany	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%
Blue Reply S.r.l.	Turin, Italy	100.00%
Blue Reply GmbH	Guetersloh, Germany	100.00%
Bridge Reply S.r.l.	Turin, Italy	60.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd.	London, United Kingdom	100.00%
Breed Reply Investment Ltd.	London, United Kingdom	80.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG	Munich, Germany	100.00%
Cluster Reply Informatica LTDA.	San Paolo, Brazil	100.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%
ComSysto Reply GmbH (*)	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Core Reply S.r.l.	Turin, Italy	90.00%
Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH (*)	Munich, Germany	92.50%
Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
Eos Reply S.r.l.	Turin, Italy	100.00%
Envision Reply S.r.l.	Turin, Italy	88.00%

First Development Hub, LLC	Minsk, Belarus	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 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%
InEssence Reply GmbH	Düsseldorf, Germany	100.00%
Infinity Reply GmbH	Düsseldorf, Germany	100.00%
IrisCube Reply S.p.A.	Turin, Italy	100.00%
Leadvise Reply GmbH	Darmstadt, Germany	100.00%
Lem Reply S.r.l.	Turin, Italy	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Logistics Reply S.r.l.	Turin, Italy	100.00%
Lynx Recruiting Ltd.	London, United Kingdom	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
MCG Systems AG	Colony, Germany	100.00%
Modcomp GmbH	Colony, Germany	100.00%
Neveling.net GmbH	Hamburg, Germany	100.00%
Open Reply GmbH	Guetersloh, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l.	Turin, Italy	100.00%
Portaltech Reply GmbH	Guetersloh, Germany	100.00%
Portaltech Reply Süd GmbH	Munich, Germany	100.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG.	Munich, Germany	100.00%
Profondo Reply GmbH	Guetersloh, Germany	100.00%
Protocube Reply S.r.l.	Turin, Italy	70.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply AG	Guetersloh, Germany	100.00%
Reply GmbH	Zurich, Switzerland	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium Sprl	Mont Saint Guibert, Netherland	100.00%

Reply Digital Experience S.r.l.	Turin, Italy	100.00%
Reply France Sarl	Paris, France	100.00%
Reply Luxembourg Sarl	Sandweiler, Luxembourg	100.00%
Reply NL Ltd.	London, United Kingdom	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Verwaltung GmbH	Guetersloh, Germany	100.00%
Retail Reply S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd.	London, United Kingdom	100.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milan, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Sense Reply S.r.l.	Turin, Italy	90.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	100.00%
Spark Reply GmbH	Germany	100.00%
Spike Reply GmbH	Colony, Germany	100.00%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Sprint Reply GmbH (formerly Twice Reply GmbH)	Munich, Germany	100.00%
Storm Reply S.r.l.	Turin, Italy	100.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH & CO. KG	Guetersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucharest, Romania	100.00%
TD Reply GmbH	Berlin, Germany	100.00%
TD Marketing Consultants, Beijing Co. Ltd.	China	100.00%
Tool Reply GmbH	Guetersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germany	100.00%
Twice Reply S.r.l.	Turin, Italy	100.00%
Valorem LLC (*)	Kansas City, USA	80.00%
Valorem Private Ltd	India	99.99%
Valorem GmbH	Zurich, Switzerland	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	89.20%

Companies carried at fair value

Amiko Digital Health Limited	England	22.73%
CageEye AS	Norway	10.16%
Callsign Inc.	England	3.61%
Canard Drones Ltd.	Spain	24.06%
Connecterra BV	Belgium	23.25%
enModus Ltd.	England	19.18%
Food Marble Digestive Health Ltd.	England	23.45%
iNova Design Ltd.	England	34.68%
Iotic Labs Limited	England	18.31%
Kokoon Technology Ltd.	England	39.71%
Metron Sas	France	8.05%
RazorSecure Ltd.	England	32.06%
Senseye Ltd.	England	12.57%
Sensoria Inc.	USA	24.00%
Sentryo SAS	France	13.30%
TAG Sensors AS	Norway	15.60%
Ubirch GmbH	Germany	20.83%
We Predict Ltd.	England	16.64%
Wearable Technologies Ltd.	England	20.05%
Yellow Line Parking Ltd.	England	9.86%
Zeetta Networks Limited	England	29.28%

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

ATTESTATION OF THE HALF-YEAR CONDENSED FINANCIAL STATEMENTS PURSUANT TO 154 BIS OF LEGISLATIVE DECREE 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 2019,

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed financial statements as of and for the period ended June 30, 2019 as based on a process defined by Reply in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

3.1 the Half-year condensed financial statements at June 30, 2019:

- 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 t 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 1, 2019

/s/ Mario Rizzante	/s/ Giuseppe Veneziano
Chairman and Chief Executive Officer	Director responsible of drawing up the accounting documents
Mario Rizzante	**Giuseppe Veneziano**

INDEPENDENT AUDITORS' REPORT

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Reply SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Reply SpA and its subsidiaries (the Reply Group) as of 30 June 2019, 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 cash flows 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Reply Group as of 30 June 2019 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.

PricewaterhouseCoopers SpA

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Other aspects

The consolidated financial statements as of and for the year ended 31 December 2018 and the consolidated condensed interim financial statements for the period ended 30 June 2018 were audited and reviewed, respectively, by other auditors, who on 26 March 2019 expressed an unqualified opinion on the consolidated financial statements, and on 3 August 2018 expressed an unqualified conclusion on the consolidated condensed interim financial statements.

Turin, 5 August 2019

PricewaterhouseCoopers SpA

Mattia Molari
(Partner)

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

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