REPLY
HALF-YEAR FINANCIAL REPORT 2018

REPLY

HALF YEAR FINANCIAL REPORT AT JUNE 30 2018

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BOARD OF DIRECTORS AND CONROLLING 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

EY S.p.A.

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

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

FINANCIAL HIGHLIGHTS

THE GROUP'S FINANCIAL HIGHLIGHTS

YE 2017	%	Economic figures (Euros/000)	1st half 2018	%	1st half 2017	%
884,434	100.0	Revenues	498,054	100.0	441,623	100.0
123,244	13.9	Grosso operating income	68,335	13.7	61,736	14.0
113,873	12.9	Operating income	62,117	12.5	56,972	12.9
110,310	12.5	Income before taxes	64,227	12.9	53,460	12.1
77,871	8.9	Group net income	45,941	9.2	35,182	8.0

YE 2017	Financial figures (Euros/000)	1st half 2018	1st half 2017
401,404	Group shareholders' equity	432,932	360,061
668	Non-controlling interest	(82)	280
871,154	Total assets	906,655	738,545
167,870	Net working capital	152,668	165,334
345,041	Net invested capital	382,619	325,050
73,202	Cash flow	64,223	33,011
57,030	Net financial position	50,231	35,291

YE 2017	Data per single share (in Euros) (*)	1st half 2018	1st half 2017
37,411,428	Number of shares	37,411,428	37,411,428
3.04	Operating result per share	1.66	1.52
2.08	Net result per share	1.23	0.94
1.96	Cash flow per share	1.72	0.88
10.73	Shareholders' equity per share	11.57	9.62

YE 2017	Other information	1st half 2018	1st half 2017
6,456	Number of employees	7,251	6,343

(*) For the first half of 2017 the number of shares were redetermined following the Stock split resoled by the Extraordinary Meeting held on 13 September 2017, through the allotment of four (4) new ordinary shares per each ordinary shares owned.

REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply is a group that specialises in consulting, system integration and digital services with a focus on the conception, design and development of solutions based on the new communication channels and digital media.
Composed of a network of companies, Reply partners with key industrial groups in defining business models. This is made possible by the new technological and communication paradigms such as Artificial Intelligence, Big Data, Cloud Computing, Digital Communication and the Internet of Things.

THE ORGANISATIONAL MODEL

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

Processes – at Reply, the understanding and use of technology involves introducing a new enabling approach for 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 companies' core business requirements.

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

Reply's services include:

Consulting – focusing on strategy, communication, design, process and technology.

System Integration – making the most of the potential offered by technology, combining business consulting with innovative technological solutions and high level value-add.

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

MARKET FOCUS

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

Telco & media

Reply delivers integrated strategic and technological consulting services to support the design, definition and management of the new-generation networks, based on SDN (Software Defining Network) models, capable of integrating and managing virtual networks (Network Virtualisation) through network engineering services and network operations. The solutions developed by Reply are also applied to the network mediation layers used in the automotive world to enable 3G-4G communication between the Service Operations Centre and Network Operations Centre (NOC-SOC) and cars equipped with a black box.
Reply also collaborates with leading European operators in the renewal of Operations Support systems / Business Support Systems (OSS/BSS) to support increasingly more customer-focused service models and an omnichannel configuration of the portfolio offering.
Finally, Reply is involved in the creation and implementation of services and applications designed for latest generation mobile devices. These include on-demand or linear audio/video content, integration with connected products, customer support services and omnichannel customer engagement solutions.

Financial services

Reply is increasingly active in supporting the digital transformation of Europe's financial institutions. Reply is working with some of the major players in the sector on many key issues, such as the design of complete multi-channel digital experiences and customer engagement strategies. This work includes everything from digital branding to the implementation of application strategies; the development of a new generation of portals and multi-channel touchpoints to the complete redefinition of the underlying technological architecture; and the analysis of new customer journeys, relying on evolved marketing initiatives with a data-driven focus.
In the wealth management area, Reply maintains a strong market presence and has developed a wide range of specific skills and solutions aimed, for example, at emerging consulting models and remote advice solutions and platforms. In the area of Governance Risk Control (GRC), Reply operates with a dedicated consulting division, comprising a European network that is distributed across 13 countries with over 200 business consultants and is highly specialised in risk evaluation and risk control. In this field, Reply is working with several leading financial institutions on a broad range of activities connected with the implementation of European Banking Union standards and on the development of related models and solutions.

Another area in which Reply boasts a strong presence and a high level of specialisation is the mobile payments realm and related m-commerce services. Reply offers consulting services, as well as a wide range of models and architectural solutions based on different standards, technologies and usage profiles,

aimed at the banking/insurance market and at emerging players in the payments industry. Where relevant, Reply takes advantage of the new opportunities offered by the PSD2 legislation (revised Payment Service Directive).
IoT solutions represent another theme of great interest to Reply, in particular applied to the auto, home and health insurance sectors in which the company is active with cutting-edge projects for a number of key players.

Manufacturing & retail

Reply partners with companies in this sector to support them through the transformation and management of information systems, from strategic design to the understanding and redefinition of key processes, and the implementation of solutions that integrate core applications in the manufacturing and distribution sectors. The areas of focus and development of skills are on the support of supplier relationship management processes; the design and implementation of control systems and planning based on the new generation of Cloud ERP solutions; the planning and control of production units through Manufacturing Execution Systems (MES); and the distribution and handling of products across complex logistics networks through Supply Chain Execution (SCE) processes.
Native Cloud platforms and applications, together with a focus on the enabling aspects of digital transformation, represent the main technological component of Reply's portfolio offering.

Industry 4.0 and Logistics 4.0 are increasingly important elements for the strategic development of companies in the sector. In particular, the introduction of greater levels of flexibility on the shop floor is a new competitive challenge for processing companies. Reply significantly increased its product offer in this area. The porting reengineering on the Cloud platform of proprietary SCE and MES solutions was completed. Using IoT, cloud computing and big data models, communication to the latest generation of sensors on production lines and within products was further boosted, creating a backbone for the next generation of applications in the logistics and manufacturing sector.

Energy & Utilities

The energy and utilities sector confirmed the growth of innovative technologies on an industrial scale, across the entire value chain. Driven by market and regulatory pressures, operators are firmly investing in the digitisation, programming optimisation and operation of installations for the generation, transport and distribution of electricity.
Reply is one of the key partners delivering extensive transformation for companies operating in the sector. It combines knowledge of the market and of its unique processes, with a distinctive capability to design, implement and manage applications and technological solutions, supporting the "core business"; trading and risk management; pricing and forecasting; smart metering; billing; and CRM areas. Moreover, the company's consolidated expertise in the introduction of new technologies (IoT, big data, cloud, mobile, etc.) is vertically applied, with dedicated and highly focused teams, to operating models for the various areas of the energy and utility value chain, and in particular in the definition and development of new smart

metering, electric mobility, monitoring and optimisation of systems, smart grid and asset and work management models. Finally, Reply also assists its customers in the adoption of new energy management models aimed at boosting energy efficiency, a field in which it provides a complete portfolio offering, aimed at both energy sales companies and final consumers.

Healthcare & Government

Telemedicine or digital healthcare, a realm that is expected to move therapies and patient monitoring increasingly out of the hospital environment, represents an important area of specialisation for Reply. The key areas that can potentially impact the organisational model are telemonitoring at the patient's home; and electronic prescriptions and healthcare for the management of patients suffering from chronic diseases. Reply has developed a specific platform for these areas, designed to facilitate an integrated network of communications between patients and community operators at various levels: hospitals, nursing homes, healthcare centres, community centres and more.

In UK Reply is working with various government agencies in the United Kingdom, including the Ministry of Defence (MoD), for which it has helped define and implement a new approach in the use of IT architecture. Designed to support decision-making processes, this new architecture is capable of integrating flows of heterogeneous information to improve data management and, at the same time, ensure the complete visibility of available resources.

TECHNOLOGICAL INNOVATION

Technological innovation forms the basis for Reply's development. The company has always pursued the objective of 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 organisations.

Artificial intelligence

Artificial intelligence, one of the founding dreams of information technology itself, is a discipline that has existed for a long time. For years a mere fantasy due to the unavailability of systems and data, this technology is now becoming a reality which is capable of bringing about concrete benefits in different contexts. Over the next few years, revolutions are expected in all fields, especially in the industrial sector, but also in areas related to society and to the private life of individuals.

Today artificial intelligence is ready to be used within companies. The machine learning solution is, in fact, already adoptable and can automate processes by improving their quality. Reply applies the results of research on artificial intelligence to real-life scenarios in different sectors, implementing projects that integrate the latest machine learning technologies into company systems, from Deep Learning to Cognitive Computing, from Recommendation Systems to Predictive Engines, from Data Robotics to Chatbots. Reply collaborates in these areas with the world's leading AI technology players.

Specifically, Reply's solutions within the artificial intelligence realm is based on three key elements: human-computer interaction (with the study of natural language conversation and recognition systems), processes (intelligent process automation) and decisions (data prediction and data prescription). The essential factor for implementing artificial intelligence projects is the availability of data because without a wide availability of data, both historical and updated in real time, AI is not able to produce results. With this in mind, Reply works not only with the machine learning and neural networks technologies, but also with the management and treatment of big data through advanced analytics techniques.

Blockchain

Blockchain technology represents a new opportunity to profoundly redesign the concepts of trust, property and trade. This is a further leap for web-based systems, which follows the joint statement of social networks and mobile devices. The disruptive potential of blockchain protocols lie in the opportunities they create for cutting out the middleman in virtually any guarantor-regulated trading process or trusted third-party (TTP). The high potential of and the wide range of applications from this technology have been recognised at a cross-industry level.

Reply's Competence Centre, focused on the blockchain technology, is engaged in different countries (Benelux, France, Germany, Italy, the UK) and across various vertical industries (banking, insurance, telco & media, energy, retail, healthcare, real estate, etc.), and works to accelerate the customer adoption of the most pervasive blockchain technologies, such as Bitcoin, Ethereum, Hyperledger and Multichain. Moreover, the company's proven expertise in system integration is reflected in the blockchain world, and in its ability to interface with Blockchain-as-a-Service services offered by major IT vendors, meaning that Reply's blockchain solutions fall within the "enterprise-ready" software product category.

Cloud computing

Cloud computing has established itself as one of the most important areas of transformation that companies have had to face. The offer of virtual environments and services by leading vendors worldwide has in fact modified, if not revolutionised the concept of IT as it had been traditionally interpreted, transforming it from being a simple commodity to one of the basic elements on which to configure the digital transformation of an enterprise.

At the same time, the ever increasing maturity of the cloud in its various forms (IaaS, PaaS or SaaS) is leading service providers and system integrators to define specific offer portfolios aimed at highly strategic issues, such as the coexistence of cloud with traditional on-premise applications and the challenge of data management security.

In order to fulfil the requirements for strategic, technological and change management transformation necessary for the implementation of the most effective cloud models based on specific situations, Reply has defined a portfolio of services structured along the following lines:

- consulting support (from the business process to operational management), capable of helping clients to understand, select and develop the most appropriate technological solutions and applications;
- an end-to-end provider service which, supported by the partnership with major vendors worldwide including Amazon Web Services, Google, Microsoft, Oracle, SAP and Salesforce, allows customers to benefit from the most effective solutions for their needs, both in terms of the model and the technology chosen; and
- SaaS services and solutions, based on Reply's proprietary application platforms.

Customer engagement

The rapid evolution of data analytics tools was triggered by the major innovations of technology companies and is characterised by the use of data-driven analysis methodologies, the benefits of which are the result of a large availability of data and increasing computational capacity for their analysis. Specifically, the data-driven approach is defining a new model for the design and management of marketing initiatives aimed at the customer. Indeed, once the needs of the individual customer have been interpreted, based on data and analysis provided by CRM (Customer Relationship Management) platforms, it becomes possible to define one-to-one marketing campaigns, launched in real time to meet specific needs.

With the aim of exploiting this competitive advantage and establishing a consultative and strategic platform, Reply has created a competence centre focused on the customer robotics approach. Thanks to the experience gained through initiatives carried out in various sectors (e.g. automotive, financial services, utilities, retail, etc.), Reply has defined a framework for the development and implementation of processes related to direct interactions with customers, integrating Machine Learning, Artificial Intelligence and Cognitive Systems models, all aimed at the recognition and anticipation of needs across various digital channels.

The customer robotics approach facilitates the conception, design and implementation of services aimed at providing data-driven customer service tools, such as recommendation systems for products and conversational systems capable of understanding and interacting independently, using natural language.

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

Data & Analytics

Big data technologies have moved on from being a strictly technological field, to become one of the key levers in the digital transformation of companies. Indeed, significant data projects have been launched to

define programmes aimed at improving business performance (e.g. risk management in financial institutions), innovating service models (e.g. passenger car policies in the insurance sector) or to understanding and serving customers better (e.g. loyalty programmes in the retail sector).
By combining technological skills in data analysis, data modelling and data process re-engineering, Reply has made it easier for its customers to approach the issue of big data, favouring the activation of a real and solid pathway of cultural change and introducing a new approach to data management.
In particular, Reply has partnered with companies to support them in the application of big data technologies, by creating architectures based on the new “data lake” concept; and in the development and application of advanced analytics models, bringing together business experts and data scientists to define core business processes with a data-driven focus.
Reply has also initiated the development of a specific offering in the machine learning field, designed to address the growing demand by companies to automate lower impact digitised processes, such as invoice reconciliation. At the same time, Reply works with companies to increase their ability to build value-added services based on innovative process automation models through deep learning, image recognition and prescriptive analytics.
To better support its customers in the introduction of advanced, data-use techniques, Reply has also developed a training programme aimed at establishing a new generation of data scientists capable of capitalising on the latest machine learning and data analysis techniques.

Design consulting

In an increasingly digital and more connected world, the concept of customer experience has become a key differentiating factor, both in B2C and in B2B environments. Reply helps its customers to create innovative and distinctive product-service experiences. This process begins with the analysis of people’s needs, strategic business objectives and technological enablers, it then transforms them into integrated customer journeys and prototypes that make the results immediately tangible and verifiable. Finally they are 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 organisation, which must be aligned not so much to its internal functions – and to the underlying IT systems – but to the customer journey. Reply supports organisations in managing change to make them more customer-centric; receptive to market inputs and feedback; and agile in releasing new products and services, by mobilising cross-functional teams that operate in full autonomy and towards specific objectives.
Reply continued to invest in the acquisition of skills, further expanding the two design studios in Milan and Munich that offer support to customers across Europe.

Digital experience

Real time marketing, artificial intelligence and analysis of the customer journey are the three transformation technologies that will have the most impact on the relationships that brands have with their customers and prospects. In fact, the use of these technologies enables brands to improve their marketing results through continuous enhancement in customer experience, customer loyalty and an increase in their customer base. Taking full advantage of these emerging capabilities also means building a vision of the individual customer that is increasingly more data-driven. The growing interest in cross-device identification tools and Account-Based Marketing (ABM) solutions underlines the increasing interest among marketers towards technologies and models that are capable of offering targeted and coherent interactions among owned, earned and paid media.

In response, Reply has developed an extended and specialised set of skills. These range from digital storytelling to a multi-platform strategic vision; contextual interaction to omnichannel loyalty; and data recognition components used to capture large quantities of information and subsequent data analysis expertise required to transform the data into powerful and effective market insights.

To extend this scenario further, it is necessary to ensure coherent communication between the various media involved, through a unified consulting, conceptual and productive supply chain that also incorporates a multimedia asset management strategy. In addition to the creation and management of every aspect of the interactive digital brand image, Reply's areas of expertise include creativity and technology as applied to important fields, such as mobile telephony, e-commerce, gaming and the Internet of Things. These are areas that commercial brands need to master, both now and especially in the future, as already demonstrated by major global communication markets.

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.

Another important field in which Reply supports its corporate customers is communication via digital social media networks. Today, this is a mainstream activity that has expanded significantly over the last few years and is the acknowledged global arena for brand-user relationships. Reply has therefore added to its portfolio an offering aimed at supporting companies in strategic activities that are needed to position a brand correctly, including within social media channels. This includes monitoring and assessment activities; the design and architecture of relational KPIs; promotional activities such as couponing and social gaming; content marketing; CRM; and social caring.

Social networks are increasingly more connected to the digital marketing activities that Reply integrates into a universal relationship model, based on analytical skills and paid, owned and earned media activation designed to enable and optimise a company positioning integrated with its own ecosystem over the relevant relationship channels. These channels include social media networks; search engines; comparison websites; shopping marketplaces and social shopping networks; affiliation networks; email; applications; and lead generation channels.

Digital payments

The widespread adoption of mobile devices among consumers and the creation of new payment channels that see the mobile component as a supporting factor, make the payment sector one of the areas with the highest growth rate. Reply has defined a dedicated offer, based on consultancy services and technological platforms, to assist banks, financial institutions, telecos, utilities and retailers in creating and supplying innovative remote and proximity digital payment services.

One of Reply's key technological assets in this area is HI CreditsTM, a platform which enables personalised and contextualised payment services by capitalising on the available smartphone technologies. HI CreditsTM can handle all major payment card circuits, token-based digital payment solutions (Apple Pay, Samsung Pay and Google Pay) and money transfers based on current accounts in person-to-person (P2P) and person to business (P2B) modes.

E-commerce

Mobile consumers are increasingly demanding a completely integrated experience from companies, as personalised and as unified as possible through various physical and digital channels. In a similar purchasing scenario, the success of this lies in the ability to invest in services that promote and enrich relations and interaction between sellers and customers, by constantly innovating and extending sales models with new multi-channel strategies capable of offering consumers different touchpoints for purchasing products and delivering a unique experience that is integrated and agile. One example is the increasingly widespread success of purchasing processes based on the "click and collect" models, which are extremely useful in order to avoid additional delivery costs or unexpected events such as delays. Purchases are made online and the product is collected free of charge at the shop.

The growing use of social media to compare prices and products has further enriched and modified purchasing processes. The buying journey is increasingly based on an exchange of information and multi-channel interactions in which the transaction is begun and completed between chats, social media, online stores and physical shops.

This evolution of the traditional purchasing scenario has led Reply to define an omnichannel strategy centered on customer needs. This allows companies to provide the final consumer with a completely unified and integrated experience, through online, mobile and physical channels, where the client feels monitored and supported during the process (e.g. voice assistants, recommendation engine). Reply provides end-to-end management of the entire corporate sales cycle chain, for all business models (B2B, B2C, B2B2C).

Reply's offering ranges from the management of products and catalogues to promotions and pricing optimisation; warehouse and logistics management to integrated call centre systems; and customer engagement both in physical stores, using proximity commerce techniques, and on online channels, by exploiting the potential of social media. Last but not least, Reply is able to build a digital experience that is not only rich and fluid for the end customer, but is also able to create an emotional relationship with the brand.

Enterprise architecture & Agile

The recent paradigm shifts in areas such as cloud computing, the mobile world, IoT and big data, along with more mature models of agile and DevOps delivery, have rendered the IT landscape unrecognisable compared to a few years ago.

In order to excel in the digital economy, characterised by the convergence between the physical and the digital worlds, organisations must remove the boundaries between IT and business. This will allow enterprises to be agile in exploiting the new developments available to them, although they must proceed with caution to avoid damaging existing systems and processes.

This new technological approach requires agile delivery models in which small, highly qualified, multi-disciplinary teams implement a process of end-to-end change in a very short timeframe, working directly with the managers of the various business areas involved. Reply supports its customers in the realm of enterprise architecture through a vast catalogue of architectural frameworks, methods and models, consolidated in many projects completed for large industrial, media and service groups.

Industry 4.0

The fourth industrial revolution is the combined effect of connectivity, data processing power, latest generation mechanical automation, machine learning and artificial intelligence. 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.

Plants become open ecosystems that need to be able to adapt autonomously to new tasks, to carry out maintenance activities and to predict the best input and output flows through constant communication with supply chains, while attaining levels of efficiency and control that minimise costs and maximise results.

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 digitisation 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 drive to converge the telco, media and consumer electronics sectors is making it necessary to treat objects that currently lack connectivity as "networked devices". One of the main developments currently underway consists of the gradual interconnection not only of computers and devices, but also of a

multiplicity of material objects, giving rise to networks that are increasingly pervasive and integrated with people's daily lives.
Reply has designed and developed HI ReplyTM, a platform of services, devices and middleware, on which to base specific vertical applications covering advanced logistics, environmental security, contactless payment and product traceability. In 2017, Reply continued to follow the trend of verticalisation started in previous years, consolidating its position in the smart home, healthcare, insurance and automotive sectors. Following the incentives promoted at local level (Industry 4.0 in Germany and Calenda Plan in Italy), which have led to a push in the application of the IoT in industry, Reply has designed a proprietary Manufacturing Operation Management solution. Finally, within the IoT ecosystem, Reply has developed specific vertical solutions for the energy sector.

Mobile

In the mobile sector, Reply supports companies in defining interaction scenarios with their users based on omnichannel applications and architectures capable of meeting the needs that the new market scenario is imposing. These are the appeal of and high usability of services; high performance of services; the creation of architectures that are capable of integrating new channels and types of devices with flexibility to provide services and content suitable for each platform.
With the exponential growth of mobile video, where the quality and stability of the service is essential to ensuring its success, Reply is involved in major European projects for the provision of OTT-TV services, working with design, development, validation and monitoring teams.
In addition, Reply has established its own application factory dedicated to mobile applications for both the business and consumer worlds. The factory includes a user experience laboratory, together with teams of developers specialised in various platforms, which bases its activity on a data-driven approach using tools and methods that focus on users and on their needs and behaviours.

Augmented reality, Virtual reality

The success of virtual reality continued during the course of 2017, both in the pure entertainment market with the release of various high-quality products (including Reply's Theseus-VR), and in the professional field. The different visors launched on the market in recent months (Google Daydream, ACER, ASUS, HP, Lenovo, etc.) which go alongside the most popular products currently available (OCULUS and HTC Vive), together with the general reduction in prices, are proof of a continuously expanding market.
Augmented reality, which in 2017 had as its reference product Microsoft's Hololens headset, also saw an important mobile development with the release of the respective development platforms of two leading players (Google and Apple). The areas in which this technology saw the greatest amount of development are the professional sectors as relating to companies' production processes (training, maintenance support, quality control) and sales support (e-commerce).

By combining experience in the 3D sector, from the gaming world, mobile skills and wearable devices, Reply has been able to develop an offering specifically orientated towards the development of solutions designed to increase user involvement.
This offer portfolio includes the development of augmented reality applications (aimed at visualising a virtual product in a real environment) and immersive reality applications designed specifically to provide users with an unforgettable experience, transporting them into a navigable virtual environment.

Risk management, Privacy & Security

Reply's Risk & Regulatory Management Consultancy division operates at a European level, providing services for risk, finance, treasury and compliance initiatives within the financial services sector. In these areas, Reply has developed a consolidated experience in change and remediation programmes driven by regulatory developments, and has developed programmes aimed at the strategic and operational improvement and optimisation of the same.
Over recent years, IT-related risks have increased dramatically in terms of both their impact and their frequency, leading to serious security violations and causing hundreds of millions of client data records to be compromised worldwide. The parameters that should be considered and monitored are often interconnected and are therefore difficult to catalogue in an orderly manner or to tackle individually.
In order to deal with this increasingly complex environment, Reply has defined an integrated, coherent and comprehensive range of services to support its customers in defining the best possible security governance and security technology strategies.
In particular, Reply provides support across all the implementation phases of an integrated information security plan, from strategic planning and the definition of enterprise security architectures, to the implementation of specific IT countermeasures. Lastly, thanks to its cyber security command centre, Reply assists large organisations with advanced computer security incident response services.

Social media

In recent years, social media has profoundly changed the way in which individuals of all age groups communicate and interact, in both their private and professional lives.
The Internet has correspondingly transformed itself from a purely informative tool, to an immense space for dialogue and conversation, and for the research, purchase and evaluation of product/service brands.
New opportunities can be capitalised on by brands that are able to analyse and take advantage of the interactions generated on social media, be they customers, prospects, employees, partners or suppliers.
The strategic assets in this realm are the ability to observe relevant phenomena, the process of defining the most effective social media marketing activities to meet a brand's business needs, data-driven content curation and social analytics activities.

Reply offers an innovative approach for maximising the value of brands' digital identity on social networks, with a view to integration with other relational touch points, from search engines – nowadays closely interconnected with social media – to television, for second screen interaction analysis.
Social media represents a valuable system of data that makes it possible to better understand users and to generate actionable insight. For example, data on user expectations supports those marketing initiatives focused on anticipating emerging trends; analytics data supports communication teams in defining communication clusters; advertisement interaction data makes it possible to optimise campaigns to decrease the dispersion of communication and to improve the conversion performance.

Video Gaming

The video game market continues to see a strong performance, expanding to all age groups and remaining equally divided between female and male audiences. Mistakenly considered to be a niche phenomenon by some, video gaming is actually a mass phenomenon and one of the main consumer areas in the leisure and entertainment sector.
Video games are also a language of communication, a culture that permeates the whole of society. Companies must continually improve the dialogue with its customers by seeking new forms of "customer engagement", among which games play an important role.
Reply has developed a portfolio offering capable of meeting all of a brand's needs, from the use of virtual reality and augmented reality to the production of educational games (edutainment) or games designed to promote a product or a message (advergames). Reply is constantly investing in this area in order to 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 the international market. In particular, the release of Theseus-VR, made available on all leading VR videogame marketplaces (VR Playstation, OCULUS Store, Steam VR), achieving good visibility and recognition from critics.

INTERIM FINANCIAL REPORT 2018

FINANCIAL REVIEW OF THE GROUP

INTRODUCTION

The Half-Year report for the period ended June 30, 2018 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 €498.1 million, which is an increase of 12.8% compared to the same period in 2017.

In the first half of 2018, increased profit margins have also been recorded, with consolidated EBITDA of €68.3 million (+10.7%) and EBIT for the period of €62.1 million (+9.0%). Pre-tax profit amounted to €64.2 million, which represents an increase of 20.1% compared to 2017.

For the second quarter of the year, the Group's performance is equally positive, with consolidated turnover for the period of €259.2 million, which is an increase of 11.1% compared to 2017.

EBITDA, from April to June 2018, amounted to €36.1 million, with EBIT of €33.4 million and pre-tax profit of €35.9 million.

As at 30 June 2018, the Group's net financial position was positive for €50.2 million, at 31 December 2017 the financial position was positive for €57.0 million.

In the first six months of 2018 Reply was able to achieve very positive results in terms of turnover and profit margins. In particular, the second quarter was noted for substantial growth, and this will enable Reply to look ahead with optimism over the upcoming months and continue to grow in line with the Group’s development path.

Reply’s strength is its ability to interpret innovation by making it functional to businesses’ requirements. Today, the new frontier is represented by the emergence of Artificial Intelligence, data analysis and the robotisation of processes, technologies that all industrial sectors are introducing and on which Reply is significantly investing, in specific solutions and expertise, to help businesses deal with the most substantial transformation over the next few years.

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 2018	%	1st half 2017	%
Revenues	**498,054**	**100.0**	**441,623**	**100.0**
Purchases	(9,177)	(1.8)	(9,029)	(2.0)
Personnel	(249,451)	(50.1)	(216,298)	(49.0)
Services and other costs	(171,480)	(34.4)	(153,786)	(34.8)
Other operating (costs)/income	388	0.1	(773)	(0.2)
Operating costs	**(429,720)**	**(86.3)**	**(379,886)**	**(86.0)**
Gross operating income (EBITDA)	**68,335**	**13.7**	**61,736**	**14.0**
Amortization, depreciation and write-downs	(6,285)	(1.3)	(5,932)	(1.3)
Other non recurring (expenses)/income	68	-	1,168	0.3
Operating income (EBIT)	**62,117**	**12.5**	**56,972**	**12.9**
(Loss)/gain on investments	2,470	0.5	(1,959)	(0.4)
Financial income/(expenses)	(360)	(0.1)	(1,553)	(0.4)
Income before taxes	**64,227**	**12.9**	**53,460**	**12.1**
Income taxes	(18,093)	(3.6)	(17,731)	(4.0)
Net income	**46,134**	**9.3**	**35,729**	**8.1**
Non controlling interests	(192)	-	(546)	(0.1)
Group net income	**45,941**	**9.2**	**35,182**	**8.0**

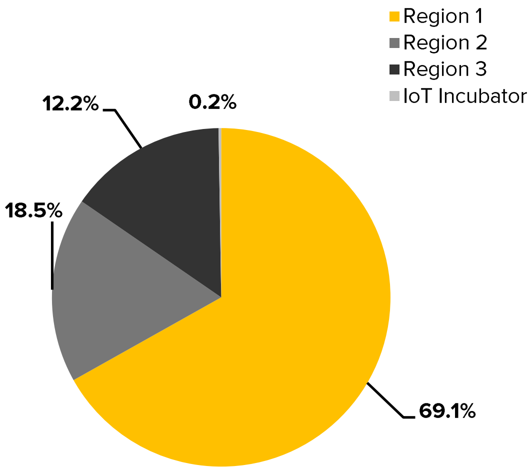
RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME OF THE SECOND QUARTER

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:

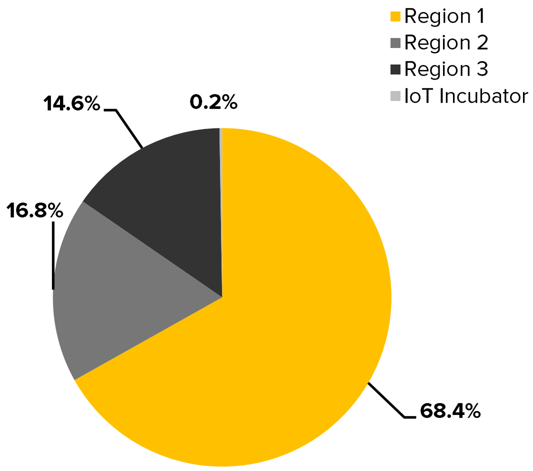
(thousand Euros)	1st half 2018	%	1st half 2017	%
Revenues	**259,175**	**100.0**	**233,218**	**100.0**
Purchases	(5,134)	(2.0)	(6,082)	(2.6)
Personnel	(131,085)	(50.6)	(110,805)	(47.5)
Services and other costs	(87,107)	(33.6)	(81,503)	(34.9)
Other operating (costs)/income	284	0.1	(1,150)	(0.5)
Operating costs	**(223,042)**	**(86.1)**	**(199,541)**	**(85.6)**
Gross operating income (EBITDA)	**36,133**	**13.9**	**33,678**	**14.4**
Amortization, depreciation and write-downs	(2,757)	(1.1)	(3,028)	(1.3)
Other non recurring (expenses)/income	68	-	1,168	0.5
Operating income (EBIT)	**33,444**	**12.9**	**31,817**	**13.6**
(Loss)/gain on investments	2,470	1.0	(1,959)	(0.8)
Financial income/(expenses)	10	-	(1,743)	(0.7)
Income before taxes	**35,924**	**13.9**	**28,116**	**12.1**

REVENUE BY REGION (*)

1st half 2018



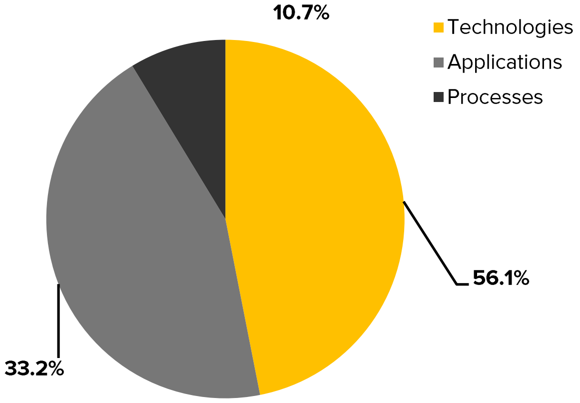
1st half 2017



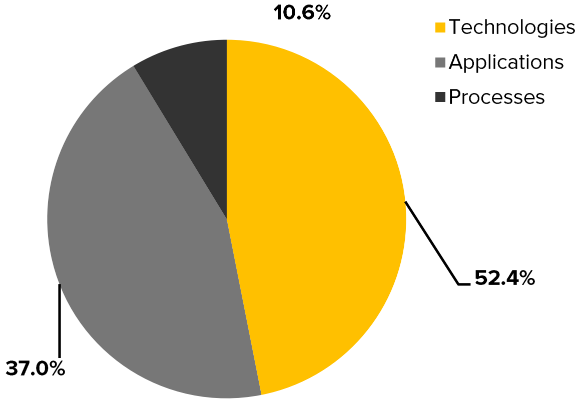
(*)
Region 1: ITA, USA, BRA, POL, ROU
Region 2: DEU, CHE, CHN, HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BRL

REVENUE BY BUSINESS LINES

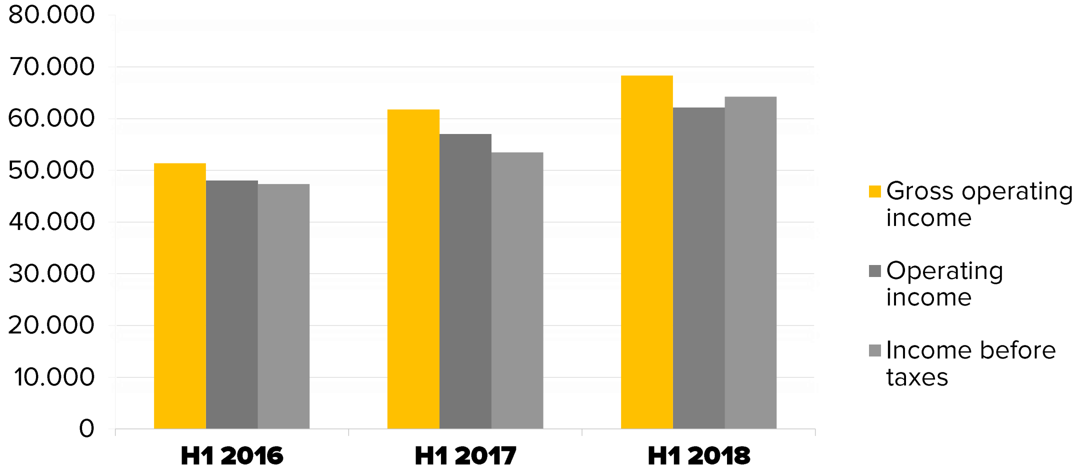
1st half 2018



1st half 2017



TREND IN KEY ECONOMIC INDICATORS



ANALYSIS OF THE FINANCIAL STRUCTURE

The table below illustrates the Group's financial structure as at June 30, 2018, compared to December 31, 2017:

(thousand Euros)	30/06/2018	%	31/12/2017	%	Change
Current operating assets	450,425		496,459		(46,034)
Current operating liabilities	(297,757)		(328,589)		30,832
Working capital, net (A)	**152,668**		**167,870**		**(15,202)**
Non current assets	333,432		263,457		69,975
Non current liabilities	(103,481)		(86,286)		(17,195)
Fixed capital (B)	**229,951**		**177,171**		**52,780**
Invested capital, net (A+B)	**382,619**	**100.0**	**345,041**	**100.0**	**37,578**
Shareholders' equity (C)	432,850	113.1	402,072	116.5	30,778
NET FINANCIAL POSITION (A+B-C)	**(50,231)**	**(13.1)**	**(57,030)**	**(16.5)**	**6,799**

Net invested capital as at June 30, 2018, amounted to 382,619 thousand Euros, and was entirely financed by Shareholders' equity for 432,850 thousand Euros, that generated a positive net financial position of 50,231 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2018	31/12/2017	Change
Work in progress	157,082	93,651	63,431
Trade receivables	247,453	357,082	(109,629)
Other current assets	45,890	45,726	164
Current operating assets (A)	**450,425**	**496,459**	**(46,034)**
Trade payables	94,990	100,150	(5,160)
Other current liabilities	202,767	228,439	(25,672)
Current operating liabilities (B)	**297,757**	**328,589**	**(30,832)**
Working capital, net (A-B)	**152,668**	**167,870**	**(15,202)**
% return on investments	*15.1%*	*19.0%*	

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(thousand Euros)	30/06/2018	31/12/2017	Change
Cash and cash equivalents, net	114,144	86,398	27,747
Current financial assets	1,283	2,042	(759)
Due to banks	(12,360)	(16,365)	4,005
Due to other providers of finance	(633)	(942)	309
Short-term financial position	**102,435**	**71,133**	**31,302**
Due to banks	(51,421)	(13,381)	(38,040)
Due to other providers of finance	(784)	(721)	(62)
M/L term financial position	**(52,204)**	**(14,102)**	**(38,102)**
Total net financial position	**50,231**	**57,030**	**(6,799)**

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

(thousand Euros)	1st half 2018
Cash flows from operating activities (A)	64,223
Cash flows from investment activities (B)	(55,607)
Cash flows from financial activities (C)	19,131
Change in cash and cash equivalents (D) = (A+B+C)	**27,747**
Cash and cash equivalents at beginning of period (*)	86,398
Cash and cash equivalents at year end (*)	114,144
Total change in cash and cash equivalents (D)	**27,747**

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

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

SIGNIFICANT EVENTS AT THE FIRST HALF 2018

Acquisition of Valorem LLC

Reply has strengthened its presence in the North American market with the acquisition, in the month of April 2018, of 70% of the shares in Valorem, a US-based company that specialises in Digital Strategy consulting and the implementation of Cloud, Analytics, and differentiated User Experiences.

Valorem, with approximately 300 people distributed among the main offices in Kansas City, Seattle St. Louis and Kochi (India) is a leader in the cloud design and value-added Digital Strategy and execution services based on Microsoft's Cloud Offerings, with major international groups such as Boeing, Intel, Jeppesen, Microsoft and Red Bull among its customer portfolio.

The investment of approximately 36 million dollars further enhances Reply's international growth strategy, particularly in the United States where the Group already has offices in Chicago and Detroit.

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:

- Briick Reply™
- Click Reply™
- Discovery Reply™
- Hi Reply™
- Sideup Reply™
- Starbytes™
- TamTamy™
- Ticuro Reply™

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, among which:

- Microsoft
- Oracle
- SAP/Hybris
- Amazon (AWS)
- Apple
- Google
- Salesforce

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, 2018 the number of employees of the Group was 7,251 with an increase of 795 compared to December 31, 2017 and an increase of 908 resources compared to June 30, 2017.

OUTLOOK ON OPERATIONS

In the first six months of 2018 Reply achieved extremely positive results, both in terms of turnover and profitability. The second quarter, in particular, was characterized by substantial growth, and this allows looking forward to the coming months with optimism, continuing on the path of development of our Group.

Turin, August 2, 2018

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF YEAR CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2018

CONSOLIDATED STATEMENT OF INCOME (*)

(thousand Euors)	Note	1st half 2018	1st half 2017	Year 2017
Revenues	5	498,054	441,623	884,434
Other income		5,240	4,099	17,672
Purchases	6	(9,177)	(9,029)	(15,269)
Personnel	7	(249,451)	(216,298)	(431,555)
Services and other costs	8	(176,720)	(157,886)	(329,924)
Amortization, depreciation and write-downs	9	(6,285)	(5,932)	(12,353)
Other operating and non recurring (cost)/income	10	456	395	869
Operating income		**62,117**	**56,972**	**113,873**
(Loss)/gain on investments	11	2,470	(1,959)	(585)
Financial income/(expenses)	12	(360)	(1,553)	(2,978)
Income before taxes		**64,227**	**53,460**	**110,310**
Income taxes	13	(18,093)	(17,731)	(31,765)
Net income		**46,134**	**35,729**	**78,545**
Non controlling interest		(192)	(546)	(674)
Group net result		**45,941**	**35,182**	**77,781**
Earnings per share and diluted	*14*	*1.23*	*0.94*	*2.08*

(*) 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 34.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand Euros)	Note	1st half 2018	1st half 2017
Profit of the period (A)		**46,134**	**35,729**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans		103	683
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**25**	**103**	**683**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		(766)	40
Gains/(losses) on exchange differences on translating foreign operations		1,279	(1,431)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)	**25**	**513**	**(1,392)**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)	**25**	**616**	**(708)**
Total comprehensive income (A)+(B)		**46,750**	**35,020**
Total comprehensive income attributable to:			
Owners of the parent		46,557	34,474
Non-controlling interest		192	546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(thousand Euros)	Note	30/06/2018	31/12/2017	30/06/2017
Tangible assets	15	39,322	21,552	17,595
Goodwill	16	207,586	166,132	166,880
Other intangible assets	17	14,891	15,525	16,310
Equity investments	18	41,044	29,201	21,110
Other financial assets	19	5,903	6,385	6,423
Deferred tax assets	20	24,687	24,661	17,429
Non current assets		**333,432**	**263,457**	**245,746**
Inventories	21	157,082	93,651	121,969
Trade receivables	22	247,453	357,082	255,919
Other receivables and current assets	23	45,890	45,726	30,744
Financial assets	19	1,283	2,042	2,782
Cash and cash equivalents	24	121,515	109,195	81,385
Current assets		**573,223**	**607,697**	**492,799**
TOTAL ASSETS		**906,655**	**871,154**	**738,545**
Share Capital		4,863	4,863	4,863
Other reserves		382,127	318,670	320,015
Net result of the period		45,941	77,781	35,182
Group shareholders' equity	25	**432,932**	**401,404**	**360,061**
Non controlling interest	25	(82)	668	280
NET EQUITY		**432,850**	**402,072**	**360,341**
Due to minority shareholders and Earn-out	26	38,701	22,275	27,062
Finacial liabilities	27	52,204	14,102	30,940
Employee benefits	28	32,854	31,838	30,152
Deferred tax liabilities	29	18,636	18,539	18,736
Provisions	30	13,290	13,635	10,080
Non current liabilities		**155,685**	**100,388**	**116,970**
Finacial liabilities	27	20,363	40,105	17,937
Trade payables	31	94,990	100,150	89,093
Other current liabilities	32	202,592	228,165	152,050
Provisions	30	174	274	2,155
Current liabilities		**318,120**	**368,693**	**261,235**
TOTAL LIABILITIES		**473,805**	**469,082**	**378,205**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**906,655**	**871,154**	**738,545**

(*) 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 34.

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°, 2017	**4,863**	**(25)**	**72,836**	**272,007**	**(62)**	**(9,016)**	**(3,586)**	**520**	**337,537**
Dividends distributed	-	-	-	(10,729)	-	-	-	(821)	**(11,550)**
Total comprehensive income/(loss)	-	-	-	35,182	40	(1,431)	683	546	**35,020**
Other changes	-	-	-	(701)	-	-	-	35	**(666)**
At June 30, 2017	**4,863**	**(25)**	**72,836**	**295,759**	**(23)**	**(10,447)**	**(2,903)**	**280**	**360,341**

(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**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousand Euros)	1st half 2018	1st half 2017
Net result of the period	45,941	35,182
Income taxes	18,093	17,731
Depreciation and amortization	6,285	5,932
Other non-monetary expenses/(income)	(7,445)	(1,670)
Change in work in progress	(63,431)	(63,318)
Change in trade receivables	115,511	83,275
Change in trade payables	(7,635)	(3,643)
Change in other assets and liabilities	(29,803)	(20,677)
Income taxes paid	(13,294)	(19,800)
Net cash flows from operating activities (A)	**64,223**	**33,011**
Payments for tangible and intangible assets	(16,023)	(5,135)
Payments for financial assets	(260)	(1,448)
Payments for the acquisition of subsidiaries net of cash acquired	(39,323)	(8,118)
Net cash flows from investment activities (B)	**(55,607)**	**(14,701)**
Dividends paid	(13,733)	(11,538)
In payments from loans	42,500	-
Repayment of loans	(9,766)	(9,563)
Other changes	129	(92)
Net cash flows from financing activities (C)	**19,131**	**(21,193)**
Net cash flows (D) = (A+B+C)	**27,747**	**(2,883)**
Cash and cash equivalents at beginning of period	86,398	76,511
Cash and cash equivalents at period end	114,144	73,628
Total change in cash and cash equivalents (D)	**27,747**	**(2,883)**

Detail of cash and cash equivalents

(thousand Euros)	1st half 2018	1st half 2017
Cash and cash equivalents at beginning of period	**86,398**	**76,511**
Cash and cash equivalents	109,195	92,550
Bank overdrafts	(22,798)	(16,039)
Cash and cash equivalents at period end	**114,144**	**73,628**
Cash and cash equivalents	121,515	81,385
Bank overdrafts	(7,371)	(7,757)

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 and application management and business process outsourcing (www.reply.eu).

NOTE 2 - ACCOUNTING PRINCIPLES AND BASIS OF CONSOLIDATION

Compliance with International accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC"). Following the coming into force of European Regulation No. 1606 of July 2002, starting from 1 January, 2005, the Reply Group adopted International Financial Reporting Standards (IFRS). The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2017.
More specifically the half year condensed consolidated financial statements at June 30, 2018 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, 2018

The Group adopted for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.
The nature and the impact of each amendment is described below:

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.
There is no effect of adopting IFRS 15 over the Group.

Revenue is recognized if it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.
Revenue from sales and services is recognized when control over the goods or services is transferred to the customer.
Revenues from sales of products are recognized when control over the goods is transferred to the customer.
Revenues are recorded net of discounts, allowances, settlement discounts and rebates and charged against profit for the period in which the corresponding sales are recognized.

Work in progress mainly comprise construction contracts; when the result of a specific order can be reliably estimated, proceeds and costs referable to the related order are indicated as proceeds and costs respectively in relation to the state of progress of activities on the date of closure of the financial statement, based on the relationship between costs sustained for activities taking place up to the date of the financial statement and total costs estimated from the order, except for that which is not considered as representative of the state of progress of the order.
Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.
When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Any advance payments are subtracted from the value of work in

progress within the limits of the contract revenues accrued; the exceeding amounts are accounted as liabilities.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

There are no effects of adopting IFRS 15 over the Group

a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments'contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under Other non-current financial assets.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.
- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to

- quoted equity securities, which had been previously recognized under accumulated OCI, was reclassified to Retained earnings.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 did not result in a significant impact in impairment allowances of the Group’s debt financial assets.

c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group’s existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group’s cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group’s financial statements.

Under IAS 39, all gains and losses arising from the Group’s cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of IFRS 9, the Net gain or loss on cash flow hedges was presented under ‘Other comprehensive income not to be reclassified to profit or loss in subsequent periods’. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group’s consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group’s accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group’s consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification investees at fair value through profit or loss is an investment-by-investment choice that measuring

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Standards issued but not yet effective

Reference should be made to Note 2, Accounting Principles and basis of consolidation –Standards issued but Not Yet Effective within the Reply Consolidated Financial Statements at December 31, 2017 for a description of new standards not yet effective as of June 30, 2018.

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 2018, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Investments	18	-	-	41,044
Convertible loans	19	-	-	1,418
Financial securities	19	1,388	-	-
Total financial assets		**1,388**	**-**	**42,462**
IRS	27	-	800	
Liabilities to minority shareholders and earn out	26	-	-	38,701
Other financial liabilities	32	**-**	**-**	1,554
Total financial liabilities		**-**	**800**	**40,255**

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 at the end of the financial year 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. Cash settled share-based payments of companies belonging to the Group included within the caption Other financial liabilities, are valued on the basis of profitability parameters. Since these parameters are not observable market parameters (directly or indirectly) such debts fall under the hierarchy of Level 3.

As at 30 June 2018, 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.

The main change in consolidation compared to 30 June 2017 is related to the acquisition of Valorem LLC, a US-based company that specializes in Digital Strategy consulting and the implementation of Cloud, Analytics and differentiated User Experiences.

Change in the consolidation does not significantly affect the Group's revenues and profits before tax on 30 June 2018 (1.5% and 1.2% respectively on revenues and profits before tax).

Furthermore, the list of the Reply Group's companies and equity investments, presented as an annex herein, also includes in the consolidation the following newly incorporated companies with respect to 30 June 2017:

- Sense Reply S.r.l., a company incorporated in the month of July 2017 under Italian law of which Reply S.p.A. holds 90% of the share capital;
- Sprint Reply S.r.l., a company incorporated in the month of December 2017 under Italian law of which Reply S.p.A. holds 100% of the share capital;
- Go Reply GmbH, a company incorporated in the month of January 2018 under German law in which the subsidiary Reply AG holds 100% of the share capital;
- Portaltech Reply Sud GmbH, a company incorporated in the month of January 2018 under German law in which the subsidiary Reply AG holds 100% of the share capital;
- Envision Reply S.r.l., a company incorporated in the month of March 2018 under Italian law of which Reply S.p.A. holds 88% of the share capital.

NOTE 5 - REVENUE

Revenues from sales and services, including change in work in progress, amounted to 498,054 thousand Euros (441,623 thousand Euros al 30 June 2017).
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 2018**	**1st half 2017**
Region 1	69.1%	68.4%
Region 2	18.5%	16.8%
Region 3	12.2%	14.6%
IoT Incubator	0.2%	0.2%
Total	**100.0%**	**100.0%**

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

(*)

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

Region 2: DEU, CHE, CHN, HRV

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

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

Business line	**1st half 2018**	**1st half 2017**
Technologies	56.1%	52.4%
Applications	33.2%	37.0%
Processes	10.7%	10.6%
Total	**100.0%**	**100.0%**

NOTE 6 - PURCHASES

Detail is as follows:

(thousand Euros)	**1st half 2018**	**1st half 2017**	**Change**
Software licenses for resale	5,990	6,250	(260)
Hardware for resale	228	445	(217)
Other	2,959	2,334	625
Total	**9,177**	**9,029**	**148**

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 1,315 thousand Euros and the purchase of consumption material for 967 thousand Euros.

NOTE 7 - PERSONNEL

Detail is as follows:

(thousand Euros)	1st half 2018	1st half 2017	Change
Payroll employees	230,469	202,255	28,214
Executive Directors	18,982	14,043	4,938
Total	**249,451**	**216,298**	**33,153**

The increase in the cost of employees, amounting to 33,153 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees, also owing to the change in consolidation.

Detail of personnel by category is provided below:

(number)	1st half 2018	1st half 2017	Change
Directors	264	206	58
Managers	858	698	160
Staff	6.129	5.439	690
Total	**7.251**	**6.343**	**908**

On 30 June 2018 the Group had 7,251, employees compared with 6,343 of the first half 2017.

Change in consolidation brought an increase to the workforce equal to 302 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 2018	1st half 2017	Change
Commercial and technical consulting	103,384	100,169	3,215
Travelling and professional training expenses	17,618	15,100	2,518
Other services costs	33,139	22,726	10,413
Office expenses	14,410	11,312	3,098
Lease and rentals	4,036	4,074	(38)
Other	4,133	4,504	(371)
Total	**176,720**	**157,886**	**18,835**

Change in Services and other costs, amounting to 18,835 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 545 thousand Euros and rent charged by third parties for 8,980 thousand Euros, utility costs for 3,259 thousand Euros, cleaning expenses for 760 thousand Euros and maintenance expenses for 331 thousand Euros.

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 2018 of 3,604 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2018 amounted to 2,681 thousand Euros. Details of depreciation are provided in the notes to intangible assets.

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

Other operating and non recurring income amounted to 456 thousand Euros (395 thousand Euros in the first half of 2017) and were related to:
Other operating income for 388 thousand Euros related to the releases of provision of risk and charges for contractual, commercial and legal disputes;
Other non recurring income for 68 thousand Euros related to the fair value adjustment of the deferred consideration liabilities for the acquisition of shareholdings in subsidiary companies.

NOTE 11 –(LOSS)/GAIN ON INVESTMENTS

The gain on Investments amounted to 2,470 thousand Euros and was related to the net change in fair value of some investments.

NOTE 12 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(thousand Euros)	1st half 2018	1st half 2017	Change
Financial income	330	277	52
Interest expenses	(327)	(377)	51
Other	(363)	(1,453)	1,090
Total	**(360)**	**(1,553)**	**1,193**

Financial gains are mainly related to interest on bank accounts amounting to 257 thousand Euros.

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

The item Other mainly includes:

- the Exchange rate differences from the translation of balance sheet items not stated in Euros in a net loss of 261 thousand Euros (negative 1,275 thousand Euros at 30 June 2017);

- the net changes in fair value of Convertible Loans including capitalized interest amounting to 394 thousand Euros (positive 1,627 thousand Euros at 30 June 2017);
- the changes in fair value of financial liabilities pursuant to IFRS 9 in a net loss of 457 thousand Euros (negative for 471 thousand Euros at 30 June 2017).

Note that at 30 June 2017 the item Other included the write off of a financial asset amounting to 1,172 thousand Euros.

NOTE 13 - INCOME TAXES

At June 30, 2018 income taxes amounted to 18,093 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 2018 was calculated on the basis of the Group's net result amounting to 45,941 thousand Euros (35,182 thousand Euros as at 30 June 2017) divided by the weighted average number of shares as at 30 June 2018 which amounted to 37,407,400 (37,407,400 as at 30 June 2017).

(in euros)	**1st half 2018**	**1st half 2017**
Group net result	45,941,000	35,182,000
No. of shares	37,407,400	37,407,400
Basic earnings per share	1.23	0.94

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

NOTE 15 - TANGIBLE ASSETS

Tangible assets as at 30 June 2018 amounted to 39,322 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Buildings	16,199	2,067	14,132
Plant and machinery	3,133	3,419	(287)
Hardware	5,511	4,877	634
Other	14,479	11,189	3,290
Total	**39,322**	**21,552**	**17,769**

Change in tangible assets in the first half of 2018 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical Cost	4,469	10,900	31,807	24,958	72,134
Accumulated depreciation	(2,402)	(7,480)	(26,931)	(13,769)	(50,581)
31/12/2017	**2,067**	**3,419**	**4,877**	**11,189**	**21,552**
Historical cost					
Increases	13,553	354	1,716	4,273	19,896
Disposals	-	(42)	(422)	(73)	(536)
Change in consolidation	-	-	1,210	1,508	2,718
Other changes	650	-	(33)	(746)	(129)
Accumulated depreciation					
Depreciation	(71)	(632)	(1,558)	(1,343)	(3,604)
Utilized	-	33	395	72	500
Change in consolidation	-	-	(693)	(412)	(1,106)
Other changes	-	-	21	10	31
Historical Cost	18,672	11,212	34,278	29,921	94,083
Accumulated depreciation	(2,473)	(8,079)	(28,767)	(15,442)	(54,761)
30/06/2018	**16,199**	**3,133**	**5,511**	**14,479**	**39,322**

The item Buildings includes the net value of a building owned by the group amounting to 2,646 thousand Euros located in Guetersloh, Germany. In the first half of 2018 the Group has invested approximately 800 thousand Euros to extend the office spaces. Restructuring is currently in place and should be finalized by November 2018.

In the month of April 2018 Reply has finalized the acquisition of the real estate complex located in Turin and called “ex Caserma De Sonnaz” in the amount of 13,392 thousand Euros. The property, after proper innovation, will be used to host the offices of the Group.

Change in the item Hardware is due to investments made by the companies included in Region 1 for 618 thousand Euros, 741 thousand Euros for purchases made by the companies included in Region 2 and 357 thousand Euros for purchases made by the companies included in Region 3. Furthermore this item includes financial leases for 262 thousand Euros (389 at 31 December 2017).

The item Other assets as at 30 June 2018 mainly includes improvements to third party assets and office furniture. The increase of 4,273 Euros mainly refers to the purchases of furniture and fittings for 1,683 thousand Euros and to improvements made to the offices where the Group's companies operate for 1,797 thousand Euros. Such item also includes a financial leasing for furniture for a net value amounting to 937 thousand Euros (1,399 thousand Euros at 31 December 2017).

Change in consolidation is related to the inclusion of Valorem LLC, a US-based company acquired in April 2018.
Other changes mainly refer to exchange differences.

As at 30 June 2018 tangible assets were depreciated by 58.2% of their value, compared to 70.1% at the end of 2017.

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 31/21/2017	Increase	Change in consolidation	Exchange difference	Value at 30/06/2018
Region 1	48,252	39,165	2,579	-	89,997
Region 2	63,984	-	-	-	63,984
Region 3	53,895	-	-	(290)	53,605
Total	**166,132**	**39,165**	**2,579**	**(290)**	**207,586**

The increase of the period is related to Valorem LLC, a company incorporated under American law (Region 1) acquired by Reply S.p.A..

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

(thousand Euros)	Fair value (*)
Tangible and intangible assets	4,819
Trade receivables and other currents assets	5,882
Cash and cash equivalents	358
Financial liabilities	(1,094)
Trade payables and other current liabilities	(2,475)
Net deferred taxes	89
Net assets acquired	**7,579**
Transaction value	46,744
Goodwill	**39,165**

(*) book value is equal to fair value

In the first half of 2018 the Group did no detect any impairment indicator.

NOTE 17 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 30 June 2018 amounted to 14,891 thousand Euros (15,525 thousand Euros on 31 December 2017) and are detailed as follows:

(thousand Euros)	Cost original	Depreciation and amortization cumulative	Net book value as at 30/06/2018
Development costs	27,613	(22,584)	5,030
Software	24,380	(21,073)	3,307
Trademarks	537	-	537
Other intangible assets	8,025	(2,005)	6,020
Total	**60,555**	**(45,662)**	**14,891**

Intangible assets in the first half of 2018 developed as follows:

(thousand Euros)	Net book value as at 31/12/2017	Increase	Cumulative amortization	Other changes	Net book value as at 30/06/2018
Development costs	6,032	705	(1,707)	-	5,030
Software	3,242	773	(615)	(94)	3,307
Trademark	537	-	-	-	537
Other intangible assets	5,716	-	(360)	665	6,020
Total	**15,525**	**1,478**	**(2,681)**	**571**	**14,891**

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 354 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.

Other changes refer to change in consolidation and exchange differences.

NOTE 18 - EQUITY INVESTMENTS

The item Equity investments amounts to 41,044 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 31/12/2017	New increases 2018	Follow-on investments	Net fair value evaluation	Impairment	Convertible loans conversion	Exchange differences	Value at 30/06/2018
Investments	29,186	3,970	4,089	2,470	-	1,160	168	41,044

New Increases 2018

The increases of the period are related to:

TAG SENSORS (860 thousand Euros)

Tag Sensors have developed the first low-cost, full visibility solution that ensures and proves that temperature sensitive foods and pharmaceutical products have been stored and transported within the temperature limits, from production to consumption. Through optimal monitoring, data analysis, and management of temperatures and other variables of perishable goods during transportation, TAG Sensors enables food and pharmaceutical corporations to improve quality control and better prevent spoilage.

METRON SAS (1,003 thousand Euros)

The digitalization of industries and the development of fully distributed energy systems foster the emergence of the Internet of Energy. METRON opens the way for this new paradigm by helping industrial clients leverage untapped industrial data and connect to decentralized energy resources. METRON Energy Virtual Assistant analyses data generated by industrial systems in real-time and offers a deep understanding of complex energy patterns. Factories become energy transparent: advanced optimizations are operated directly by the platform according to the context and tangible energy savings ensure robust paybacks in all industries.

CAGE EYE (1,486 thousand Euros)

CageEye, headquartered in Oslo, has developed a technology that combines a hydroacoustic system that measures the behaviour and appetite level of the biomass (fish) with continuous extensive analytics, enabling farmers to make informed decisions based on new insights; the easy-to-install solutions, developed in collaboration with the Norwegian Institute of Marine Research, delivers automated, appetite-controlled feeding that can substantially reduce feed waste - a significant cost for producers. Some of the world’s leading salmon producers in Norway are already benefiting from the system and CageEye has identified opportunities to expand the use of the technology in Canada, Chile, Tasmania and Scotland, as well as with other aquaculture species.

UBIRCH (621 thousand Euros)

Ubirch, based in Cologne and Berlin, has built a process that enables a continuous chain of security and confidentiality for the collection, handling, and storage of data. This chain begins with an extreme lightweight blockchain client that can be operated on any IoT sensor, even on batteries. Each sensor that runs this protocol has a private key that generates a digital signature for every measurement that is being transmitted, thus both identity and integrity of the IoT data can be verified by anyone on the receiver side. The ubirch solution, which is hardware agnostic, enables a wide range of IoT applications for infrastructures, buildings, machines, and devices with clients in the insurance, telecoms and manufacturing industries.

Follow-on investments

The increase is related to the acquisition of share capital of investments already existing at December 31, 2017.

Net fair value evaluation

The net fair value evaluation amounting to 2,470 thousand Euros reflects the market values adjustments of the last rounds that took place in the first half 2018 on investments already in portfolio.

Convertible loans conversion

The increase is related to the conversion of Convertible Loans in shares of several equity investments and also includes fair value adjustments for 349 thousand Euros.

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

NOTE 19 - FINANCIAL ASSETS

Current and non-current financial assets amounted to a total of 7,185 thousand Euros compared to 8,427 thousand Euros as at 31 December 2017.

Detail is as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Receivables from insurance companies	3,042	3,242	(200)
Guarantee deposits	1,427	1,275	152
Other financial assets	13	15	(2)
Convertible loans	1,418	1,853	(434)
Short term securities	1,285	2,042	(758)
Total	**7,185**	**8,427**	**(1,242)**

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 31/12/2017	Increases	Interests	Net fair value evaluation	Equity conversion	Exchange differences	Value at 30/06/2018
1,853	339	40	349	(1,160)	(7)	**1,418**

Increases

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

Net fair value evaluation

The net fair value adjustments reflect the market value of the activities.

Conversion in equity

The decrease is related to the conversion of the loans into equity investments inclusive of fair value adjustments.

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 20 - DEFERRED TAX ASSETS

Such item, which amounted to 24,687 thousand Euros as at 30 June 2018 (24,661 thousand Euros as at 31 December 2017), 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 21 – WORK IN PROGRESS

Work in progress, amounting to 157,082 thousand Euros, is detailed as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Contract work in progress	215,445	279,489	(64,044)
Advance payments from customers	(58,363)	(185,838)	127,475
Total	**157,082**	**93,651**	**63,431**

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

NOTE 22 - TRADE RECEIVABLES

Trade receivables as at 30 June 2018 amounted to 247,453 thousand Euros with a net decrease of 109,629 thousand Euros.

(thousand Euros)	30/06/2018	31/12/2017	Change
Domestic clients	163,158	271,043	(107,884)
Foreign trade receivables	87,387	89,519	(2,132)
Credit notes to be issued	(56)	(498)	442
Total	**250,489**	**360,064**	**(109,575)**
Allowance for doubtful accounts	(3,036)	(2,982)	(55)
Total trade receivables	**247,453**	**357,082**	**(109,629)**

Trade receivables are shown net of allowances for doubtful accounts amounting to 3,036 thousand Euros at 30 June 2018 (2,982 thousand Euros at 31 December 2017).

The Allowance for doubtful accounts developed in the first half of 2018 as follows:

(thousand Euros)	31/12/2017	Provision	Other changes	Utilized	30/06/2018
Allowance for doubtful accounts	**2,982**	395	(55)	(286)	**3,036**

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

Trade receivables are all collectible within one year.

NOTE 23 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Tax receivables	23,462	24,227	(764)
Advances to employees	120	349	(229)
Accrued income and prepaid expenses	13,437	11,762	1,675
Other receivables	8,871	9,388	(518)
Total	**45,890**	**45,726**	**164**

The item Tax receivables mainly includes:

- VAT tax receivables (14,521 thousand Euros);
- Income tax prepayments net of allocated liability (3,303 thousand Euros);
- Receivables for withholding tax (121 thousand Euros).

The item Other receivables includes the contributions receivable in relation to research projects for 6,881 thousand Euros (6,653 thousand Euros at 31 December 2017).

NOTE 24 - CASH AND CASH EQUIVALENTS

The balance of 121,515 thousand Euros, with an increase of 12,320 thousand Euros compared with 31 December 2017, 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 25 - SHAREHOLDERS' EQUITY

Share capital

As at 30 June 2018 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 2018 are equal to n. 4.028.

Capital reserves

On 30 June 2018 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 23 April 2018 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 369,355 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 322,441 thousand Euros (retained earnings amounted to 259,599 thousand Euros on 31 December 2017);
- Profits attributable to shareholders of the Parent Company amounted to 45,941 thousand Euros (77,871 thousand Euros as on 31 December 2017).

Other comprehensive income

Other comprehensive income can be analyzed as follows:

(thousand Euros	1st half 2018	1st half 2017
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plans	103	683
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**103**	**683**
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Gains/(losses) on cash flow hedges	(766)	40
Gains/(losses) on exchange differences on translating foreign operations	1,279	(1,431)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**513**	**(1,391)**
Total other comprehensive income, net of tax (B) = (B1) +(B2)	**616**	**(708)**

Share based payment plans

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

NOTE 26 - PAYABLES TO MINORITY SHAREHOLDERS AND EARN-OUT

Payables to minority shareholders and earn out owed on 30 June 2018 amount to 38,701 thousand Euros (22,275 thousand Euros on 31 December 2017) and are detailed as follows:

(thousand Euros)	31/12/2017	Increases	Fair value adjustments	Payments	Exchange differences	30/06/2018
Payables to minority shareholders	10,118	16,600	(283)	-	(110)	26,325
Payables for Earn out	12,157	-	215	-	4	12,376
Total payables to minority shareholders and earn out	**22,275**	**16,600**	**(68)**	**-**	**(106)**	**38,701**

The increase in Payables to minority shareholders amounting to 16,600 is related to Valorem LLC, a company incorporated under American law (Region 1) acquired by Reply S.p.A..

The item Fair value adjustments in the first half of 2018 amounted to 68 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 27 - FINANCIAL LIABILITIES

Detail is as follows:

	30/06/2018			31/12/2017		
(thousand Euros)	**Current**	**Non current**	**Total**	**Current**	**Non current**	**Total**
Bank overdrafts	7,371	-	7,371	22,798	-	22,798
Bank loans	12,360	51,421	63,780	16,365	13,381	29,746
Total due to banks	**19,730**	**51,421**	**71,151**	**39,163**	**13,381**	**52,544**
Other financial borrowings	631	784	1,416	942	721	1,663
Total financial liabilities	**20,363**	**52,204**	**72,567**	**40,105**	**14,102**	**54,207**

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

	30/06/2018				31/12/2017			
(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	7,371	-	-	7,371	22,798	-	-	22,798
M&A loans	11,169	38,806	-	49,975	16,267	13,209	-	29,476
Mortgage loans	217	2,615	10,000	12,832	115	172	-	288
Other financial borrowings	633	784	-	1,417	942	722	-	1,663
Other	973	-	-	973	(17)	-	-	(17)
Total	**20,363**	**42,204**	**10,000**	**72,567**	**40,105**	**14,102**	**-**	**54,207**

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 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total amount amounting to 25,000,000 Euros to be used by 31 December 2015. The loan is reimbursed on a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. Such credit line was used for 3,026 thousand Euros at 30 June 2018.
- On 31 March 2015 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 30,000,000 Euros detailed as follows:

- Tranche A, amounting to 10,000,000 Euros, entirely used for the reimbursement of the credit line dated 13 November 2013. The loan is reimbursed on a half-year basis deferred to commence on 30 September 2015. Such credit line was used for 4,000 thousand Euros at 30 June 2018.
    - Tranche B, amounting to 20,000,000 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 11,428 thousand Euros at 30 June 2018.
- On 8 April 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 10,000,000 Euros entirely used for the reimbursement of the credit line dated 19 September 2012.
    - The loan is reimbursed on a half-year basis deferred to commence on 31 October 2016. Such credit line was expired at 30 June 2018.
- On 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 25,000,000 Euros to be used by 30 September 2018. On 17 February 2017 a reduction of the credit line to 1,500,000 was agreed and completely utilized, the loan will be reimbursed on a half year basis deferred to commence on 31 March 2019 and will expire on 30 November 2021. Such credit line was used for 1,500 thousand Euros at 30 June 2018.
- 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 30,000 thousand Euros at 30 June 2018.
- On 17 February 2017 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000,000 Euros to be used by 28 February 2020. As at June 30, 2018 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 30 June of each year and/or the consolidated interim report.
As contractually defined, such ratios are as follows:

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

At 30 June 2018, Reply fulfilled the Covenants under the various contracts.

Mortgage loans refer to a loan undersigned by Tool Reply GmbH, for the acquisition of the building in which the company has its registered office. Reimbursement takes place via six monthly instalments (4.28%) with expiry on 31 March 2020.
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 will be

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.

Other financial borrowings are related to financial leases determined according to IAS 17.
The carrying amount of Financial liabilities is deemed to be in line with its fair value.

The item Others mainly refers to the evaluation of derivative instruments.

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 2018 was as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Cash and cash equivalents	121,515	109,195	12,320
Current financial assets	1,283	2,042	(759)
Total financial assets	**122,798**	**111,238**	**11,561**
Current financial liabilities	(20,363)	(40,105)	19,742
Non current financial liabilities	(52,204)	(14,102)	(38,102)
Total financial liabilities	**(72,567)**	**(54,207)**	**(18,360)**
Total net financial position	**50,231**	**57,030**	**(6,799)**

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

Change in financial liabilities during the first half of 2018 is summarized below:

((thousand Euros)	
Total financial liabilities 2017	**54,207**
Bank overdrafts	(22,798)
Fair value IRS and other	63
Non current financial liabilities 2017	**31,472**
Cash flows	32,735
Total non current financial liabilities as at 30 June 2018	**64,207**
Bank overdrafts	7,371
Fair value IRS and other	989
Total financial liabilities as at 30 June 2018	**72,567**

NOTE 28 - EMPLOYEE BENEFITS

Employee benefits are detailed as follows:

((thousand Euros)	30/06/2018	31/12/2017	Change
Employee severeance indemnities	24,793	23,748	1,046
Employee pension funds	6,432	6,461	(30)
Directors severance indemnities	1,613	1,613	-
Other	16	16	-
Total	**32,854**	**31,838**	**1,016**

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 2018 are summarized in the table below:

(thousand Euros)	
Balance as at 31/12/2017	**23,748**
Cost relating to current work (*service cost*)	2,165
Actuarial gain/loss	(96)
Interest cost	151
Indemnities paid during the year	(1,175)
Balance as at 30/06/2018	**24,793**

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 29 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2018 amount to 18,636 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 30 - PROVISIONS

Provisions amount to 13,465 thousand Euros (of which 13,290 thousand Euros are non-current).
Change in the first half of 2018 is summarized in the table below:

(thousand Euros)	Balance at 31/12/2017	Accruals	Utilization	Reversals	Exchange difference	Balance at 30/06/2018
Fidelity fund	255	7	(13)	-	-	250
Provision for risks	13,655	0	(140)	(75)	(225)	13,215
Totale	**13,909**	**7**	**(153)**	**(75)**	**(225)**	**13,465**

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 estimates for contingent liabilities. Utilization and reversals of the period relate to the resolution of previous disputes mostly related to employees.

NOTA 31 – TRADE PAYABLES

Trade payables at 30 June 2018 amount to 94,990 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Domestic suppliers	75,850	84,368	(8,518)
Foreign suppliers	19,930	16,855	3,075
Advances to suppliers	(789)	(1,073)	284
Total	**94,990**	**100,150**	**(5,160)**

NOTE 32 - OTHER CURRENT LIABILITIES

Other current liabilities at 30 June 2018 amounted to 202,592 thousand Euros with a decrease of 25,572 thousand Euros with respect to the previous financial year.

Detail is as follows:

(thousand Euros)	30/06/2018	31/12/2017	Change
Income tax payable	20,123	7,448	12,675
VAT payable	4,791	9,627	(4,836)
Withholding tax and other	4,625	6,879	(2,254)
Total due to tax authorities	**29,540**	**23,954**	**5,585**
National social insurance payable	22,719	25,006	(2,287)
Other	1,926	1,956	(30)
Total due to social securities	**24,645**	**26,962**	**(2,318)**
Employee accruals	68,167	63,754	4,412
Other payables	72,746	105,629	(32,883)
Accrued expenses and deferred income	7,495	7,865	(369)
Total other payables	**148,408**	**177,248**	**(28,840)**
Other current liabilities	**202,592**	**228,165**	**(25,572)**

Due to tax authorities amounting to 29,540 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 24,645 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 30 June 2018 amount to 148,408 thousand Euros and mainly include:

- Amounts due to employees that at the balance sheet date had not yet been paid;
- Remuneration of directors recognized as participation in the profits of the subsidiary companies;
- Liabilities related to share based payment transactions to be settled in cash to some Group companies.
- Advances received from customers exceeding the value of the work in progress amounting to 49,071 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 period.

NOTE 33 – SEGMENT REPORTING

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

ECONOMIC DATA

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Interseg	Total 1° 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**
Income taxes	(13,236)	(3.8)	(3,581)	(3.8)	(1,276)	(2.1)	-	-		(18,093)	(3.6)
Net income	**35,752**	**10.3**	**7,724**	**8.3**	**3,721**	**6.1**	**(1,063)**	**(114.9)**		**46,134**	**9.3**

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Interseg	Total 1° half 2017	%
Revenues	**308,716**	**100**	**75,927**	**100**	**65,682**	**100**	**1,064**	**100**	**(9,767)**	**441,623**	**100**
Operating costs	(263,389)	(85.3)	(67,551)	(89.0)	(56,528)	(86.1)	(2,185)	(205.3)	9,767	(379,886)	(86.0)
Gross operating income	**45,327**	**14.7**	**8,376**	**11.0**	**9,155**	**13.9**	**(1,121)**	**(105.3)**	**-**	**61,736**	**14.0**
Amortization, depreciation and write-downs	(4,310)	(1.4)	(873)	(1.1)	(736)	(1.1)	(13)	(1.2)		(5,932)	(1.3)
Other non-recurring (costs)/income	-	-	1,162	2	6	-	-	.		1,168	-
Operating income	**41,017**	**13.3**	**8,665**	**11.4**	**8,424**	**12.8**	**(1,134)**	**(106.5)**		**56,972**	**12.9**
Gain/(loss) on investments	-	-	-	-	-	-	(1,959)	(184.1)		(1,959)	(0.4)
Financial income/(loss)	1,050	-	(622)	(0.8)	(316)	(0.5)	(1,665)	(156.5)		(1,553)	(0.4)
Income before taxes	**42,067**	**13.6**	**8,043**	**10.6**	**8,108**	**12.3**	**(4,758)**	**(447.1)**		**53,460**	**12.1**
Income taxes	(13,482)	(4.4)	(2,516)	(3.3)	(1,733)	(2.6)	-	-		(17,731)	(4.0)
Net income	**28,585**	**9.3**	**5,527**	**7.3**	**6,375**	**9.7**	**(4,758)**	**(447.1)**		**35,729**	**8.1**

PATRIMONIAL DATA

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Interseg	Total 30/06/ 2018
Current operating assets	371,486	55,628	53,172	278	(30,139)	450,425
Current operating liabilities	(245,142)	(37,932)	(34,299)	(10,522)	30,139	(297,757)
Net working capital (A)	**126,344**	**17,696**	**18,873**	**(10,245)**	**-**	**152,668**
Non-current assets	143,795	80,289	66,768	42,580		333,432
Non-financial liabilities long term	(67,061)	(28,314)	(8,106)	-		(103,481)
Fixed capital (B)	**76,734**	**51,976**	**58,662**	**42,580**	**-**	**229,951**
Net invested capital (A+B)	**203,078**	**69,672**	**77,535**	**32,335**	**-**	**382,619**

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Interseg	Total 31/12/2017
Current operating assets	406,418	56,568	59,377	312	(26,216)	496,459
Current operating liabilities	(260,999)	(41,968)	(43,742)	(8,096)	26,216	(328,589)
Net working capital (A)	**145,419**	**14,600**	**15,635**	**(7,784)**	**-**	**167,870**
Non-current assets	88,832	78,867	64,593	31,165		263,457
Non-financial liabilities long term	(51,341)	(26,587)	(8,358)	0		(86,286)
Fixed capital (B)	**37,490**	**52,280**	**56,236**	**31,165**	**-**	**177,171**
Net invested capital (A+B)	**182,910**	**66,881**	**71,870**	**23,381**	**-**	**345,041**

Breakdown of employees by operating segment is as follows:

Region	30/06/2018	30/06/2017	Change
Region 1	5,402	4,664	738
Region 2	1,218	1,070	148
Region 3	619	597	22
IoT Incubator	12	12	-
Total	**7,251**	**6,343**	**908**

NOTE 34 – 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	**30/06/2018**	**31/12/2017**	**Nature of transactions**
Trade receivables	5	-	Receivables from professional services
Trade payables	-	3	Payables for professional services and office rentals offices
Other payables	2,449	4,072	Payables for emoluments s to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**1st half 2018**	**1st half 2017**	**Nature of transactions**
Revenues from professional services	4	7	Professional services executed
Services from Parent company and related parties	545	550	Service contracts relating to office rental and administration office
Personnel	2,096	1,987	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	61	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 35 - 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 related to the judgment of the qualified German Court for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8,19 euro), in the month of June the Company has reached a settlement agreement with the minority shareholders who are also applicants in the merger proceedings refer to under. However as far as the applicants who were not also involved in the merger proceedings are concerned it is still uncertain whether all of them will agree to the conditions of the settlement agreement. Therefore the development of the proceedings as well as its outcome can only be predicted to the extent, that an increase in payments can be expected.
- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S,p,A, the assessment procedures foreseen in the measures of Article 122 of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash.

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

On the contrary, from the possible increase of the corresponding amount in cash determined by the Judge or on the basis of an agreement between the parties only the shareholders who verbally annotated their disagreement in the general meeting in respect of conditions of the law can benefit.
In the case where evaluation procedures include a modification of the exchange ratio, every single difference is regulated in cash.

In the past, some minority shareholders have commenced the aforementioned procedures.
After all applicants as well as the joint representative agreed to the settlement proposal of Reply S.p.A. the court declared on 18 June 2018 that a settlement was reached. The settlement, which put an end to the proceedings, foresees an additional cash compensation of Eur 4.41 per share of Reply Deutschland AG together with an interest of the statutory interest rate plus a lump-sum for the compensation of the legal

fees. This leads to a total payment obligation of Reply S.p.A. for the cash compensation to minority shareholders, interest, court fees and legal fees for approximately Eur 5 million for which provision was made in previous years.

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 36 – EVENTS SUBSEQUENT TO 30 JUNE 2018

In July 2018, the subsidiary Reply AG reached an agreement for the acquisition of Modcomp Gmbh and its subsidiaries CSPI GmbH and MCG Systems AG, a company under German law specializing in Security Solutions, for a total of approximately 12.7 Million euros.

NOTA 37 – APPROVAL OF THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND AUTHORIZATION TO PUBLISH

The Half year condensed consolidated financial statements at 30 June 2018 were approved by the Board of Directors on August 2, 2018 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 2018	of which with related parties	%	1st half 2017	of which with related parties	%
Revenues	**498,054**	**4**	**-**	**441,623**	**7**	**-**
Other income	5,240	-	-	4,099	-	-
Purchases	(9,177)	-	-	(9,029)	-	-
Personnel	(249,451)	(2,096)	0.8%	(216,298)	(1,987)	0.9%
Services and other costs	(176,720)	(606)	0.3%	(157,886)	(611)	0.4%
Amortization, depreciation and write-downs	(6,285)	-	-	(5,932)	-	-
Other operating and non recurring (cost)/income	456	-	-	395	-	-
Operating income	**62,117**	**-**	**-**	**56,972**	**-**	-
Income from associate companies	2,470	-	-	(1,959)	-	-
Financial income/(expenses)	(360)	-	-	(1,553)	-	-
Income before taxes	**64,227**	**-**	**-**	**53,460**	**-**	-
Income taxes	(18,093)	-	-	(17,731)	-	-
Net income	**46,134**	**-**	**-**	**35,729**	**-**	-
Non controlling interest	(192)	-	-	(546)	-	-
Group net result	**45,941**	**-**	**-**	**35,182**	**-**	-

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

(thousand Euros)	30/06/2018	of which with related parties	%	31/12/2017	of which with related parties	%
Tangible assets	39,322	-	-	21,552	-	-
Goodwill	207,586	-	-	166,132	-	-
Other intangible assets	14,891	-	-	15,525	-	-
Equity investments	41,044	-	-	29,201	-	-
Financial assets	5,903	-	-	6,385	-	-
Deferred tax assets	24,687	-	-	24,661	-	-
Non current assets	**333,432**	**-**	**-**	**263,457**	-	-
Work in progress	157,082	-	-	93,651	-	-
Trade receivables	247,453	5	-	357,082	-	-
Other current assets	45,890	-	-	45,726	-	-
Financial assets	1,283	-	-	2,042	-	-
Cash and cash equivalents	121,515	-	-	109,195	-	-
Current assets	**573,223**	**-**	**-**	**607,697**	**-**	**-**
TOTAL ASSETS	**906,655**	**-**	**-**	**871,154**	**-**	**-**
Share capital	4,863	-	-	4,863	-	-
Other reserves	382,127	-	-	318,670	-	-
Group net income	45,941	-	-	77,871	-	-
Group shareholders' equity	**432,932**	**-**	**-**	**401,404**	**-**	**-**
Non controlling interest	(82)	-	-	668	-	-
SHAREHOLDERS' EQUITY	**432,850**	**-**	**-**	**402,072**	**-**	**-**
Payables to minority shareholders and earn-out	38,701	-	-	22,275	-	-
Financial liabilities	52,204	-	-	14,102	-	-
Employee benefits	32,854	-	-	31,838	-	-
Deferred tax liabilities	18,636	-	-	18,539	-	-
Provisions	13,290	-	-	13,635	-	-
Non current liabilities	**155,685**	**-**	**-**	**100,388**	**-**	**-**
Financial liabilities	20,363	-	-	40,105	-	-
Trade payables	94,990	-	-	100,150	3	-
Other current liabilities	202,592	2,449	1.2%	228,165	4,072	1.8%
Provisions	174	-	-	274	-	-
Current liabilities	**318,120**	**-**	**-**	**368,693**	**-**	**-**
TOTAL LIABILITIES	**473,805**	**-**	**-**	**469,082**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**906,655**	**-**	**-**	**871,154**	**-**	**-**

LIST OF COMPANIES AT 30 JUNE 2018

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 (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	76.00%
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 Energy	Turin, Italy	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
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%
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	80.00%
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%
Industrie Reply GmbH (formerly Logistics Reply GmbH)	Munich, Germany	100.00%
InEssence Reply GmbH	Düsseldorf, Germany	100.00%
Infinity Reply GmbH (formerly Healthy 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%
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%
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	55.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply AG	Guetersloh, Germany	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium SA	Mont Saint Guibert, Netherland	100.00%
Reply 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%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd	London, United Kingdom	80.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	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%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Square Reply S.r.l.	Turin, Italy	100.00%
Storm Reply S.r.l. (*)	Turin, Italy	95.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Reply GmbH (formerly Syskoplan Reply GmbH)	Zurich, Switzerland	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 China (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	98.00%
Twice Reply GmbH	Munich, Germany	100.00%
TD Reply GmbH (formerly Trommsdorf+drüner, innovation+marketing consultants GmbH)	Berlin, Germany	100.00%
Valorem LLC (*)	Kansas City, USA	70.00%
WM360 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%
Xuccess Reply GmbH	Munich, Germany	100.00%

Companies carried at fair value

Amiko Digital Health Limited	England	22.7%
Appy Parking	England	11.3%
Cage Eye	Norway	12.2%
Callsign	England	3.6%
Canard Drones	Spain	24.1%
Cocoon Alarm Limited	England	23.6%
Connecterra Holdings Ltd	Belgium	22.7%
enModus Ltd	England	19.2%
Food Marble	England	23.5%
Inova Design Solutions Ltd	England	34.5%
Iotic Labs Limited	England	16.9%
Kokoon Technology Ltd	England	38.2%
Metron SAS	France	8.8%
RazorSecure Ltd	England	32.1%
Senseye Ltd	England	14.3%
Sensoria Inc.	USA	24.0%
Sentryo SAS	France	15.7%
TAG Sensors	Norway	15.3%
Ubirch	Germany	14.8%
We Predict Ltd	England	16.6%
Wearable Technologies Ltd	England	18.5%
Zeetta Networks Limited	England	29.3%

(*) 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

ATTESTATION OF THE HALF-YEAR CONDENSED FINANCIAL STATEMENTS PURSUANT TO 154 BIS OF LEGISLATIVE DECREE NO. 58/98

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, 2018.

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, 2018 was 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.

1. The undersigned moreover attest that:

   1.1 the Half-year condensed financial statements at June 30, 2018:

   - 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;

   1.2 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 2, 2018

/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

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Reply S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the changes in consolidated equity and consolidated cash flows and the related explanatory notes of Reply S.p.A. and its subsidiaries (the "Reply Group") as of 30 June 2018. The Directors of Reply S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an 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 interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Reply Group as of 30 June 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, 3 August 2018

EY S.p.A.
Signed by: Alessandro Davi, Partner

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A member firm of Ernst & Young Global Limited

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