REPLY
HALF-YEAR FINANCIAL REPORT 2016

REPLY

HALF YEAR FINANCIAL REPORT 2016

CONTENTS

BOARD OF DIRECTORS AND CONTROLLING BODIES

BOARD OF DIRECTORS AND CONTROLLING BODIES

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer

Tatiana Rizzante

Executive Directors

Daniele Angelucci

Claudio Bombonato

Oscar Pepino

Filippo Rizzante

Fausto Forti (1) (2) (3)

Maria Letizia Jaccheri (1) (2)

Enrico Macii (1) (2)

Board of Statutory Auditors

President

Cristiano Antonelli

Statutory auditors

Paolo Claretta Assandri

Ada Alessandra Garzino Demo

Independet Auditors

Ernst & Young S.p.A.

(1) Directors not invested with operational proxies.

(2) Independent directors in accordance to the Corporate Governance Code drawn up by the Committee for Corporate Governance

(3) Lead Independent Director

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

FINANCIAL HIGHLIGHTS

THE GROUP'S FINANCIAL HIGHLIGHTS

YE 2015	%	Economic figures (Euros/000)	1st half 2016	%	1st half 2015	%
705,601	100.0	Revenue	386,513	100.0	345,483	100.0
98,736	14.0	Gross operating income	51,333	13.3	47,265	13.7
90,558	12.8	Operating income	47,992	12.4	42,850	12.4
88,930	12.6	Income before taxes	47,271	12.2	43,859	12.7
56,748	8.0	Group net income	30,079	7.8	28,200	8.2

YE 2015	Financial figures (Euros/000)	1st half 2016	1st half 2015
295,425	Group shareholders' equity	305,420	274,257
653	Non-controlling interest	(341)	353
700,745	Total assets	689,582	607,216
162,566	Net working capital	156,633	137,150
267,893	Net invested capital	281,785	251,758
44,334	Cash flow	34,727	27,260
28,186	Net financial position	23,294	22,851

YE 2015	Data per single share (in Euros)	1st half 2016	1st half 2015
9,352,857	Number of shares	9,352,857	9,352,857
9.68	Operating result per share	5.13	4.58
6.07	Net result per share	3.22	3.02
4.74	Cash flow per share	3.71	2.91
31.59	Shareholders' equity per share	32.66	29.32

YE 2015	Other information	1st half 2016	1st half 2015
5,245	Number of employees	5,739	4,957

REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply is a company that specializes in consulting, systems integration and digital services with a focus on the conception, design and implementation of solutions based on the new communication channels and digital media.
Composed of a network of companies, Reply partners with key industrial groups in defining and developing business models made possible by the new technological and communication paradigms such as big data, cloud computing, digital communication, the Internet of Things and mobile and social networking. In so doing, it aims to optimize and integrate processes, applications and devices.

ORGANIZATIONAL MODEL

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

Reply's services include:

Consulting – on strategy, communications, processes and technologies;

System integration – to use the full potential of technology by combining business consulting services with innovative technical solutions and high levels of added value;

Application management – the management, monitoring and continuous development of software assets.

MARKET FOCUS

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

Telecoms and Media
Reply now ranks as a leading technological partner for the telecoms and media market, more specifically Reply has defined an integrated offering of strategic and technological consultancy to support the design, definition and management of the new-generation networks, based on SDN (Software Defining Network) paradigms, capable of integrating and managing virtual networks (network virtualization) through network engineering services and network operations. In the field of network security, Reply has provided an innovative solution, based on the paradigms of Ethereum Blockchain, in order to enable the identification, preemption and removal of attacks by hackers on SDN networks, typically more flexible and adaptable to the requirements of the service, but, at the same time, more vulnerable to external attacks.

Lastly, Reply assists its clients in the design and implementation of services and applications designed for latest generation devices and the design of omni-channel engagement models, both at the touchpoint level (physical and digital) and as the development of innovative solutions of customer experience, increasingly integrated with social logics.

Banks, insurance companies and financial operators

Reply is increasingly active in the digital transformation of financial institutions. In this field, Reply is working with some of the major European players in the sector on many key issues, such as the definition of complete multi-channel digital experience and customer engagement strategies: from digital branding to the implementation of apps strategy, from 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.

Another subject in which Reply is strongly present and highly specialised is mobile payments and related m-commerce services. Reply offers both consultancy services and a verticalised proprietary platform for various industrial sectors (banks, insurance companies, payment service providers, telecoms, retailers, media and internet companies).

Lastly, in the most advanced frontiers of innovation, Reply is present with numerous projects, such as, for example, in the area of the most recent biometric recognition technologies and digital identity, in IoT applied to specific insurance sectors (auto, home and health), in cripto currencies and in related solutions within the blockchain, in experimentation and assessment of "fintech" models of peer to peer lending, crowd funding and in the definition of specific e-marketplaces for financial institutions.

Manufacturing and Retail

Reply accompanies companies in the phases of transformation and management of information systems: from strategic design to the understanding and redefinition of core processes, and the implementation of solutions that integrate the core applications in the production and distribution sectors.

The areas of focus and development of skills concern: support for supply and purchase management (SPM) processes; the design of production chain control systems (MES); distribution and movement of products on complex logistics networks (SCM).

In particular, Industry 4.0 and Logistics 4.0 are elements of particular focus for the strategic development of companies in the sector.

Reply has also defined a specific offering for the retail sector that combines e-commerce consulting with the design and development of multi-channel platforms (web, mobile, call centres and instore) in which digital devices, innovations and physical venues meet to create a unique and integrated customer experience.

Energy and Utility

Reply combines in-depth knowledge of the market and its typical processes with a distinctive ability in the design, implementation and management of application and technological solutions in support of core business in the areas of monitoring and optimisation of generation from renewable sources, trading & risk management, pricing & forecasting, metering, billing, CRM, etc.

The ability to support and transform managerial models of operators in the sector and the verticalisation of specific skills and solutions (IoT, big data, cloud, mobile, etc.) will enable Reply to assist energy generation, sales, transportation and distribution companies in defining and developing new operating models and raise cost efficiency, in situations of operational excellence, based on skills in fields such as smart metering, smart grid, asset & work management. Reply also assists its customers in the adoption of new energy management paradigms aimed at raising energy efficiency, a field in which a complete offering is provided, aimed at both energy sales companies and final consumers.

Government and Defence

The need for "cost saving" as well as the reorganisation of important sectors of the public administration, including health, have determined in Italy, in 2015, an initial legislative consolidation in central government, with the contextual redefinition of spending centres and, in various regions, the redefinition of organisational models that establish the centrality of citizens with regard to services supplied, be they health or of another kind. The slogan for this transformation is: Digital PA

In this scenario, Reply benefits from the experience it has built up in the most advanced online services, creating vertical applications and expertise that enable it to implement specific solutions for managing relationships with the public and with businesses.
Moreover, another important field of specialisation for Reply is telemedicine, or digital healthcare, which will increasingly move therapies and patient monitoring out of the hospital environment.

TECHNOLOGICAL INNOVATION

Technological innovation has formed the basis for the development of Reply, a company that 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.

Big data and analytics

Big data technologies has moved on from being a strictly technological field to become one of the levers in the digital transformation of companies. Indeed, significant projects were initiated on data for the purpose of defining programmes aimed at improving business performance (e.g. the subject of risk management in financial institutions), innovating service models (e.g. passenger car policies in the insurance sector) or at understanding and serving its customers better (e.g. loyalty programs in the retail sector).
By combining technological skills in data analysis, data modelling and process re-engineering, Reply made it easier for its clients to approach the issue of big data, by favouring the activation of a real and concrete pathway of cultural change and by introducing a new approach to data management. In particular, in 2015, Reply assisted companies in the application of big data technology, creating architectures based on the new data lake concept and transforming models applied to data analysis through the insertion of specialised data scientists in projects to redefine core company processes.
Reply has also begun to develop a specific proposal in the field of machine learning for the management of the enormous body of data produced by the world of the Internet of Things and for their use in the creation of added value by companies.

Cloud computing

In recent years cloud computing has established itself as one of the most important areas of transformation that companies have had to face. The offering 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, leading it to go from being a simple commodity to one of the basic elements on which to configure one's digital transformation.

In order to fulfil the requirements for strategic and technological transformation and change management required for the implementation of the most suitable cloud model for specific situations, Reply has defined a service offering 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 and application solutions;
- an end to end provider service that, supported by the partnership with the major vendors worldwide including Amazon, Google, Microsoft, Oracle and Salesforce, allows customers to benefit from the most suitable solutions for their needs, both in terms of model and the technology chosen;
- Saas services and solutions, based on Reply's proprietary application platforms.

Customer engagement

The new communication models and the ubiquity of connectivity, through a wide range of means (that support mobile phones and tablets, smart TV, beacons and devices for virtual reality), have demanded the implementation of CRM solutions that create value by helping to construct a pervasive, immersive and customer-centred experience.

The creation of an optimal customer experience is achieved by building a one-to-one relationship model that focuses on the distinctive aspects of company organisation, on an approach that places the customer and its interaction with the company at the centre of the processes, be they marketing, sales or support and services.

To this end, over the years Reply has built and developed a strategic CRM framework which enables the creation of a unique customer experience for the client, defining an approach coherent with all possible customer journeys, maximising the attraction towards the prospects and the engagement of existing customers.

Digital experience

The digital marketing transformation process that has been redesigning the business world and company functions over the last few years is now also profoundly permeating the market of brand communications. This phenomenon has no geographical or product boundaries, where processes and branding strategy are radically imposing new paradigms and new economies, in a panorama of users who are now channel agnostic, moving freely between new technologies and constantly evolving platforms.

In addition to creating and managing every aspect of the brand image in an interactive digital environment, Reply's skills include creativity and technology, applied to important sectors such as mobile telephony, e-commerce, gaming and the Internet of Things, present and, in particular, future targets of brand names, as can already be seen in the most important international communications markets.

Another important sector that Reply supports its clients in is communication on social networks, a fast developing mainstream phenomenon in recent years that is today, more than ever, being hailed as the global arena of brand-user relations.

Digital payments
The wide diffusion of mobile devices with consumers and the creation of new payment instruments that see in the mobile component 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, telecom companies, utilities and retailers in the processes to create and supply innovative services of remote and proximity digital payments.
The technological asset is HI Credits™, the Reply platform that, by using the available smartphone technologies, enables personalised and contextualised payment services.

E-commerce
Increasingly more demanding, mobile consumers are now requesting a completely integrated experience from companies, personalised and unified as much as possible through various physical and digital channels. In a similar purchasing scenario, the success of this sector lies in the ability to invest in services aimed at promoting relations and interaction between sellers and customers, constantly innovating and extending sales models with new multi-channel strategies capable of offering consumers different touchpoints, both digital and physical, used to purchase products. One example is the increasingly widespread success of purchasing processes based in click and collect models, very 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 increasingly widespread use of social media to compare prices and products has further enriched and modified purchasing processes which are increasingly based on an exchange of information and multi-channel interactions in which the transaction is begun and completed without a solution of continuity between chat, social media, online store and physical shop.

An evolution of this dimension in the traditional purchasing scenario has led Reply to define an omni-channel strategy centred on customer needs capable of enabling companies to provide the final consumer with a completely unified and integrated experience through online, mobile and physical channels.

Enterprise architecture
Nowadays, digital transformation is the predominant issue in the agenda of companies. All the organizations have created or are creating systems and processes that require a bi-modal approach to information and development and management systems.
In order to excel in the digital economy, characterized by the convergence between the physical and the digital, the organizations must remove the boundaries between IT and business. This will allow companies to operate rapidly to exploit the new developments available to them, proceeding however with caution to avoid damaging existing systems and processes.

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

The Internet of things

The drive for convergence between the telecoms, media and consumer electronics sectors is making it necessary to treat items that currently lack any form of connectivity as "networked devices" (such as household appliances and home automation control systems). Consequently, one of the major revolutions underway consists of the progressive connection not only of computers and devices but of a range of material objects. This will result in an increasingly more pervasive network integrated with the daily activities of people.There are various fields of application: from industrial applications (production processes) to logistics and info-mobility, energy efficiency, remote assistance and environmental protection.

Reply has designed and developed HI ReplyTM, a platform of services, devices and middleware, on which to base specific vertical applications such as advanced logistics, environmental security, contactless payment and product traceability. HI ReplyTMwas designed and produced at the Reply research and development centre on theInternet of Things.

Mobile

Thanks to its many years of activity in the sector, Reply has gained extensive experience in the mobile segment, developing skills that range from strategy to the development of mobile applications, from user experience to testing, from payments in mobility to the most recent technologies and devices (beacons, wearables) introduced onto the market.
In order to meet the ever-increasing requests for the supply of services with a high degree of interaction with the user on all mobile platforms, channels and devices, Reply has also set up its own application factory dedicated to the development of mobile applications in both the business and consumer sectors.

Augmented reality, virtual reality

Augmented reality (the vision of the real world increased by digital information) and virtual reality (the exploration and interaction of virtual environments) are technologies that have continued to develop over the years, but are experiencing, in this particular period of history, a surprising expansion that involves important investments by the big names in digital technology.
By combining experience in the 3D sector deriving from the gaming world with mobile skills and new technologies in the world of wearable devices, Reply has developed an offering specifically orientated towards the development of solutions devised to increase user involvement. This offering includes the development of augmented reality applications (aimed at visualising a virtual product in a real environment) and immersive reality applications specifically designed to give the user an unforgettable experience, transporting him/her into a navigable virtual environment.

Risk management, privacy & security

Reply is now one of the leading players in this sector, with a comprehensive portfolio of services for risk management, privacy and information security management. In particular, Reply has developed an integrated approach for measuring and managing risk that is capable of assessing, concurrently, both the risk involved and the potential loss of value and sales associated with that risk. Using this method, Reply enables its clients to implement a set of tools and activities aimed at cutting the operating costs associated with risk management, thereby ensuring that capital and resources can be allocated in the best possible ways.

Social media

Social media has changed the way people find information and how they interact and communicate. People of all ages use this communication model in an increasingly pervasive and natural way in their daily lives. It has now been embraced on a massive scale by businesses, too, which have seized new opportunities for using these paradigms, seeking innovative ways to connect their organisation/ brand/service with their customers and stakeholders.

Along with market solutions for social engagement and social listening, Reply bases its enterprise social networking offering ((business community, social intranet and consumer community) on the TamTamy™ proprietary platform, available in on-premises mode and as a service on cloud computing architecture.

Video & gaming generation

The explosive phenomenon of mobile and apps that we have seen in recent years brings with it new social behaviour patterns and new habits. One especially obvious phenomenon involves the use of video games. Smartphones and tablets have seen the disproportionate growth of the gaming community, previously confined to owners of consoles or to the PC gaming community, transforming gaming into a mass phenomenon.

Reply has developped an offer capable of satisfying the requirements of the brand from the use of virtual reality and augmented reality to the realization of games to teach (edutainment) or to promote a product or a message (advergames).

Reply constantly invests to provide, through the use of technology, gaming experiences ever more innovative and capitivating. Reply's credibility in this sector is guaranteed by the quality of the B2C products it has developed over recent years and by the success they have enjoyed in the global market.

.

INTERIM FINANCIAL REPORT 2016

FINANCIAL REVIEW OF THE GROUP

INTRODUCTION

The Half-Year report for the period ended June 30, 2016 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 €386.5 million, which is an increase of 11.9% compared to the same period in 2015.

In the first half of 2016, increased profit margins have also been recorded, with consolidated EBITDA of €51.3 million (+8.6%) and EBIT for the period of €48.0 million (+12.0%). Pre-tax profit amounted to €47.3 million, which represents an increase of 7.8% compared to 2015.

For the second quarter of the year, the Group's performance is equally positive, with consolidated turnover for the period of €200.2 million, which is an increase of 13.5% compared to 2015.

EBITDA, from April to June 2016, amounted to 26.4 million, with EBIT of €25.5 million and pre-tax profit of €24.8 million.

As at 30 June 2016, the Group's net financial position was positive for €23.3 million (€28.2 as at 31 December 2015). At 30 June 2015, the financial position was positive for €22.9 million.

The first six months of the year have been very positive for the Group, with significant growth in all the market segments in which it operates. In particular, Reply has worked to further strengthen a distinctive presence that is unique on the market, matching technology, digital experience and industry consulting.

Today Reply’s goal is to keep investing in new skills and specializations, to support clients in defining and implementing transformation strategies based on Big Data, Cloud Computing, Digital Services, Machine Learning, Industry 4.0 and Internet of Things.

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 2016	%	1st half 2015	%
Revenues	**386,513**	**100**	**345,483**	**100**
Purchases	(8,428)	(2.2)	(6,632)	(2)
Personnel	(189,838)	(49.1)	(175,246)	(50.7)
Services and other costs	(137,915)	(35.7)	(116,796)	(33.8)
Other operating (costs)/income	1,000	0.3	456	0.1
Operating costs	**(335,181)**	**(86.7)**	**(298,217)**	**(86.3)**
Gross operating income (EBITDA)	**51,333**	**13.3**	**47,265**	**13.7**
Amortization, depreciation and write-downs	(4,863)	(1.3)	(4,415)	(1.3)
Other unusual (costs)/income	1,523	0.4	-	-
Operating income (EBIT)	**47,992**	**12.4**	**42,850**	**12.4**
Financial income/(expenses)	(721)	(0.2)	1,009	0.3
Income before taxes	47,271	12.2	43,859	12.7
Income taxes	(17,119)	(4.4)	(15,192)	(4.4)
Net income	**30,152**	**7.8**	**28,667**	**8.3**
Non-controlling interests	(74)	-	(467)	(0.1)
Group net income	**30,079**	**7.8**	**28,200**	**8.2**

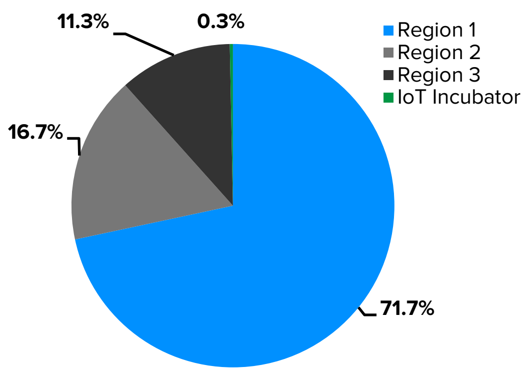
RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME OF THE SECOND QUARTER

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

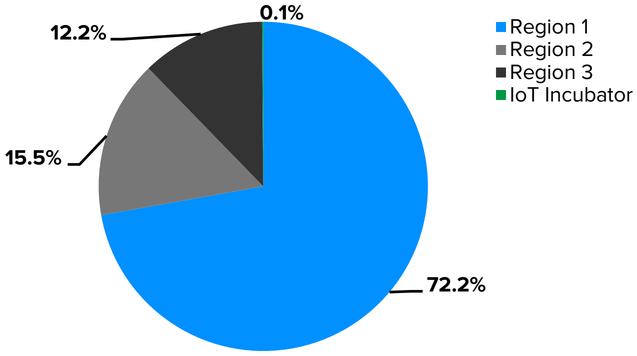
(thousand Euros)	Q2 2016	%	Q2 2015	%
Revenues	**200,170**	**100.0**	**176,291**	**100.0**
Purchases	(3,738)	(1.9)	(3,183)	(1.8)
Personnel	(98,492)	(49.2)	(88,510)	(50.2)
Services and other costs	(72,919)	(36.4)	(58,882)	(33.4)
Other operating (costs)/income	1,365	0.7	201	0.1
Operating costs	**(173,785)**	**(86.8)**	**(150,375)**	**(85.3)**
Gross operating income (EBITDA)	**26,385**	**13.2**	**25,916**	**14.7**
Amortization, depreciation and write-downs	(2,524)	(1.3)	(2,480)	(1.4)
Other unusual (costs)/income	1,655	0.8	-	-
Operating income (EBIT)	**25,516**	**12.7**	**23,436**	**13.3**
Financial income/(expenses)	(738)	(0.4)	(106)	(0.1)
Income before taxes	**24,778**	**12.4**	**23,330**	**13.2**

REVENUE BY REGION (*)

1st half 2016



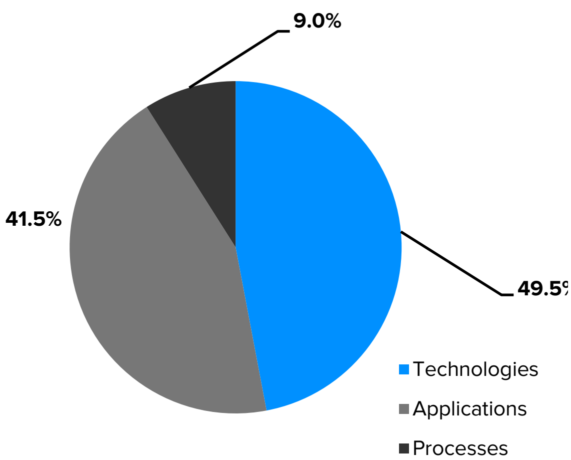
1st half 2015



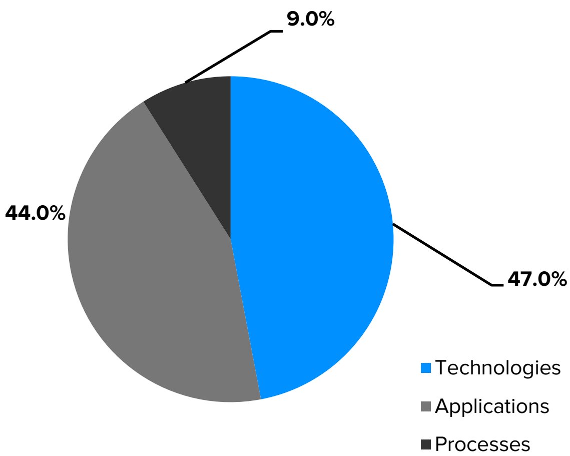
(*)
Region 1: ITA, USA, BRA, POL, ROU
Region 2: DEU, CHE, CHN
Region 3: GBR, LUX, BEL, NLD, FRA

REVENUE BY BUSINESS LINES

1st half 2016



1st half 2015



ANALYSIS OF THE FINANCIAL STRUCTURE

The table below illustrates the Group's financial structure as at June 30, 2016, compared to December 31, 2015:

(thousand Euros)	30/06/2016	%	31/12/2015	%	Change
Current operating assets	388,331		401,151		(12,820)
Current operating liabilities	(231,698)		(238,585)		6,887
Working capital, net (A)	**156,633**		**162,566**		**(5,933)**
Noncurrent assets	224,209		191,259		32,950
Noncurrent liabilities	(99,057)		(85,932)		(13,125)
Fixed capital (B)	**125,152**		**105,327**		**19,825**
Invested capital, net (A+B)	**281,785**	**100.0**	**267,893**	**100.0**	**13,892**
Shareholders' equity (C)	305,079	108.3	296,079	110.5	9,000
NET FINANCIAL POSITION (A+B-C)	**(23,294)**	**(8.3)**	**(28,186)**	**(10.5)**	**4,892**

Net invested capital as at June 30, 2016, amounted to 281,785 thousand Euros, and was entirely financed by Shareholders' equity for 305,079 thousand Euros, that generated a positive net financial position of 23,294 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2016	31/12/2015	Change
Work in progress	105,375	57,929	47,446
Trade receivables	237,103	302,250	(65,147)
Other current assets	45,853	40,973	4,880
Current operating assets (A)	**388,331**	**401,151**	**(12,820)**
Trade payables	89,455	77,686	11,769
Other current liabilities	142,243	160,899	(18,656)
Current operating liabilities (B)	**231,698**	**238,585**	**(6,887)**
Working capital, net (A-B)	**156,633**	**162,566**	**(5,933)**
% return on investments	*20.3%*	*23.0%*	

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(thousand Euros)	30/06/2016	31/12/2015	Change
Cash and cash equivalents, net	62,008	70,109	(8,101)
Current financial assets	1,910	2,289	(380)
Due to banks	(13,758)	(10,786)	(2,972)
Due to other providers of finance	(811)	(466)	(345)
Short-term financial position	**49,348**	**61,147**	**(11,798)**
Non current financial assets	1,171	908	262
Due to banks	(26,284)	(33,008)	6,725
Due to other providers of finance	(941)	(860)	(81)
M/L term financial position	**(26,054)**	**(32,960)**	**6,906**
Total net financial position	**23,294**	**28,186**	**(4,892)**

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

(thousand Euros)	1st half 2016
Cash flows from operating activities (A)	34,727
Cash flows from investment activities (B)	(29,196)
Cash flows from financial activities (C)	(13,632)
Change in cash and cash equivalents (D) = (A+B+C)	**(8,101)**
Cash and cash equivalents at beginning of period (*)	70,109
Cash and cash equivalents at year end (*)	62,008
Total change in cash and cash equivalents (D)	**(8,101)**

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

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

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

Reply offers high technology services and solutions in a market where innovation is of primary importance. Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.

Reply dedicates resources to Research and Development activities and concentrates on the development and evolution of its own platforms:

- Click Reply™
- Definio Reply™
- Discovery Reply™
- Hi Reply™
- Sideup Reply™
- Starbytes™
- TamTamy™

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
- Amazon
- Google
- Hybris
- 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, 2016 the number of employees of the Group was 5,739 with an increase of 494 compared to December 31, 2015 and an increase of 782 resources compared to June 30, 2015.

OUTLOOK ON OPERATIONS

In the first six months of 2016, 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, 2016

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

CONSOLIDATED STATEMENT OF INCOME (*)

(thousand Euros)	Note	1st half 2016	1st half 2015	Year 2015
Revenues	5	**386,513**	**345,483**	**705,601**
Other income		4,075	4,101	15,643
Purchases	6	(8,428)	(6,632)	(14,049)
Personnel	7	(189,838)	(175,246)	(349,721)
Services and other costs	8	(141,989)	(120,897)	(256,137)
Amortization, depreciation and write-downs	9	(4,863)	(4,415)	(9,371)
Other unusual (cost)/income	10	2,522	456	(1,408)
Operating income		**47,992**	**42,850**	**90,558**
Income/(loss) on investments		-	-	440
Financial income/(expenses)	11	(721)	1,009	(2,067)
Income before taxes		**47,271**	**43,859**	**88,930**
Income taxes	12	(17,119)	(15,192)	(31,502)
Net income		**30,152**	**28,667**	**57,428**
Non-controlling interest		(74)	(467)	(680)
Group net result		**30,079**	**28,200**	**56,748**
Earnings per share	13	3.22	3.02	6.07
Diluted earnings per share	13	3.22	3.02	6.07

(*) 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 33.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand Euros)	Note	1st half 2016	1st half 2015
Profit of the period (A)		**30,152**	**28,667**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans		(1,559)	755
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**25**	**(1,559)**	**755**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	25	-	2
Gains/(losses) on exchange differences on translating foreign operations	25	(5,214)	1,435
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)		**(5,214)**	**1,437**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)		**(6,773)**	**2,193**
Total comprehensive income (A)+(B)		**23,379**	**30,859**
Total comprehensive income attributable to:			
Owners of the parent		23,306	30,392
Non-controlling interest		74	467

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(thousand Euros)	Note	30/06/2016	31/12/2015	30/06/2015
Tangible assets	14	17,025	17,022	15,148
Goodwill	15	156,959	133,376	134,481
Other intangible assets	16	11,038	9,696	7,222
Equity investments available for sale	17	11,665	9,105	6,011
Other financial assets	18	7,268	5,629	4,289
Deferred tax assets	19	21,425	17,339	16,237
Non current assets		**225,380**	**192,167**	**183,387**
Inventories	20	105,375	57,929	42,084
Trade receivables	21	237,103	302,250	270,442
Other receivables and current assets	22	45,853	40,973	33,165
Financial assets	18	1,910	2,289	603
Cash and cash equivalents	24	73,962	105,137	77,535
Current assets		**464,203**	**508,577**	**423,829**
TOTAL ASSETS		**689,582**	**700,745**	**607,216**
Share Capital		4,863	4,863	4,863
Other reserves		270,477	233,814	241,194
Net result of the period		30,079	56,748	28,200
Group shareholders' equity	25	**305,420**	**295,425**	**274,257**
Non-controlling interest	25	**(341)**	**653**	**353**
NET EQUITY		**305,079**	**296,079**	**274,610**
Due to minority shareholders	26	28,394	19,746	14,405
Financial liabilities	27	27,225	33,869	33,935
Employee benefits	28	28,813	25,866	24,661
Deferred tax liabilities	29	24,148	21,471	14,399
Provisions	30	17,702	18,849	14,137
Non current liabilities		**126,282**	**119,801**	**101,537**
Financial liabilities	27	26,524	46,280	22,528
Trade payables	31	89,455	77,686	78,180
Other current liabilities	32	141,403	160,640	129,557
Provisions	30	840	260	804
Current liabilities		**258,222**	**284,865**	**231,069**
TOTAL LIABILITIES		**384,504**	**404,666**	**332,606**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**689,582**	**700,745**	**607,216**

(*) 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 33.

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, 2015	**4,863**	**(9)**	**52,836**	**196,878**	**(4)**	**652**	**(3,309)**	**936**	**252,843**
Increase of share capital	-	-	-	-	-	-	-	-	**-**
Dividends distributed	-	-	-	(7,950)	-	-	-	(1,012)	**(8,962)**
Change in treasury shares	-	(15)	-	-	-	-	-	-	**(15)**
Total comprehensive income/(loss)	-	-	-	28,200	2	1,435	755	467	**30,859**
Other changes	-	-	-	(77)	-	-	-	(38)	**(115)**
At June 30, 2015	**4,863**	**(25)**	**52,836**	**217,051**	**(2)**	**2,087**	**(2,554)**	**353**	**274,610**

(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, 2016	**4,863**	**(25)**	**72,836**	**218,947**	**-**	**1,546**	**(2,742)**	**653**	**296,079**
Increase of share capital	-	-	-	-	-	-	-	-	**-**
Dividends distributed	-	-	-	(9,353)	-	-	-	816	**(10,169)**
Change in treasury shares	-	-	-	-	-	-	-	-	**-**
Total comprehensive income/(loss)	-	-	-	30,079	-	(5,214)	(1,559)	74	**23,379**
Other changes	-	-	116	(4,074)	-	-	-	(252)	**(4,210)**
At June 30, 2016	**4,863**	**(25)**	**72,952**	**235,598**	**-**	**(3,668)**	**(4,301)**	**(341)**	**305,079**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousand Euros)	1st half 2016	1st half 2015
Net result of the period	30,079	28,200
Income taxes	17,119	15,192
Depreciation and amortization	4,863	4,415
Other non-monetary expenses/(income)	(6,538)	(1,932)
Change in work in progress	(47,446)	(1,283)
Change in trade receivables	65,147	15,022
Change in trade payables	11,769	(5,180)
Change in other assets and liabilities	(28,979)	(24,507)
Income taxes paid	(11,285)	(2,667)
Net cash flows from operating activities (A)	**34,727**	**27,260**
Payments for tangible and intangible assets	(6,207)	(5,260)
Payments for financial assets	(1,260)	1,824
Payments for the acquisition of subsidiaries net of cash acquired	(21,729)	(9,016)
Net cash flows from investment activities (B)	**(29,196)**	**(12,452)**
Dividends paid	(10,169)	(8,962)
In payments from loans	978	22,419
Repayment of loans	(4,304)	(19,361)
Other changes	(137)	1,771
Net cash flows from financing activities (C)	**(13,632)**	**(4,133)**
Net cash flows (D) = (A+B+C)	**(8,101)**	**10,675**
Cash and cash equivalents at beginning of period	70,109	50,745
Cash and cash equivalents at period end	62,007	61,420
Total change in cash and cash equivalents (D)	**(8,101)**	**10,675**

Detail of cash and cash equivalents

(thousand Euros)	1st half 2016	1st half 2015
Cash and cash equivalents at beginning of period	**70,109**	**50,745**
Cash and cash equivalents	105,137	88,819
Bank overdrafts	(35,028)	(38,073)
Cash and cash equivalents at period end	**62,007**	**61,420**
Cash and cash equivalents	73,962	77,535
Bank overdrafts	(11,955)	(16,115)

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, 2015.
More specifically the half year condensed consolidated financial statements at June 30, 2016 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 IAS 39.

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

These half year 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 BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective for accounting periods beginning on or after 1 February 2015. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. Thus, these amendments did not impact the Group's financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 32 in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of decision making.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

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

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

NOTE 3 - RISK MANAGEMENT

Credit risk

For business purposes, specific policies are adopted to assure its clients' solvency.

With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of the Group companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of committed credit lines).

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

Exchange rate and interest rate risk

As the Group operates mainly in a “Euros area” the exposure to currency risks is limited.

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

The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, the Group 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 that were assessed at fair value on 30 June 2016, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Investments	17	-	-	11,665
Convertible loans	18	-	-	3,008
Financial securities	18	1,967	-	-
Total financial assets		**1,967**	**-**	**14,673**
Liabilities to minority shareholders and earn out	26	-	-	28,394
Other financial liabilities	31	-	-	1,146
Total financial liabilities		**-**	**-**	**29,540**

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

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

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

As at 30 June 2016, there have not been any transfers within the hierarchy levels.

NOTE 4 – CONSOLIDATION

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

Change in consolidation compared to 30 June 2015 is related to:

- WM360 Group, held by WM360 Limited, acquired in the month of March 2016 by Reply Ltd that holds 100% of the shares. WM360 is a Group constituted of five companies incorporated under English law and one under Belorussian law, leader in consulting and system integration on Microsoft technology, in particular specializing in the development of intranet SharePoint platforms
- Protocube S.r.l., acquired in the month of March 2016 by Reply S.p.A. that holds 55% of the share capital with headquarters in Turin, leader in the 3D modelling and engineering.
- Trommsdorff + drüner, innovation + marketing consultants GmbH (td), acquired in the month of May 2016 by Reply AG that holds 100% of the share capital, leading in innovative and marketing consulting based on use of Data.

Change in the consolidation does not significantly affect the Group's revenues and profits before tax on 30 June 2016 (approximately 0.9% on consolidated revenue).

Furthermore, the list of the Reply Group's companies and equity investments, presented as an annex herein, also includes in consolidation the following newly incorporated companies with respect to 30 June 2015:

- Technology Reply S.r.l. (Romania), incorporated in July 2015 in which Reply S.p.A. holds 100% of the share capital.
- Triplesense Reply S.r.l., incorporated in October 2015 in which Reply S.p.A. holds 100% of the share capital.
- Blue Reply GmbH, incorporated under German law in which Reply AG holds 100% of the share capital.
- Open Reply GmbH, incorporated under German law in which Reply AG holds 100% of the share capital.

NOTE 5 - REVENUE

Revenues from sales and services, including change in work in progress, amounted to 386,513 thousand Euros (345,483 thousand Euros al 30 June 2015).
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 2016	1st half1 2015
Region 1	71.7%	72.2%
Region 2	16.7%	15.5%
Region 3	11.3%	12.2%
IoT Incubator	0.3%	0.1%
Total	**100.0%**	**100.0%**

Disclosure required by IFRS 8 ("Operating segment") is provided in Note 32 herein.

(*)

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

Region 2: DEU, CHE, CHN

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

NOTE 6 - PURCHASES

Detail is as follows:

(thousand Euros)	1st half 2016	1st half 2015	Change
Software licenses for resale	5,037	3,769	1,268
Hardware for resale	649	273	376
Other	2,742	2,591	151
Total	**8,428**	**6,632**	**1,796**

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 1,054 thousand Euros and the purchase of consumption material for 1,001 thousand Euros.

NOTE 7 - PERSONNEL

Detail is as follows:

(thousand Euros)	1st half 2016	1st half 2015	Change
Payroll employees	177,733	157,966	19,767
Executive Directors	12,060	13,722	(1,662)
Project collaborators	44	3,558	(3,513)
Total	**189,838**	**175,246**	**14,592**

The increase in the cost of employees, amounting to 14,592 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees.

Detail of personnel by category is provided below:

(number)	1st half 2016	1st half 2015	Change
Directors	323	291	32
Managers	863	757	106
Staff	4,553	3,909	644
Total	**5,739**	**4,957**	**782**

On 30 June 2016 the Group had 5,739 employees compared with 4.957 of the first half 2015.

Change in consolidation brought an increase to the workforce equal to 146 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 2016	1st half 2015	Change
Commercial and technical consulting	88,198	72,638	15,559
Travelling and professional training expenses	14,494	13,512	982
Other services costs	22,420	20,102	2,318
Office expenses	8,900	8,305	595
Lease and rentals	3,979	3,788	191
Other	3,998	2,552	1,446
Total	**141,989**	**120,897**	**21,092**

Change in Services and other costs, amounting to 21.092 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 539 thousand Euros and rent charged by third parties for 5,555 thousand Euros, utility costs for 1,545 thousand Euros, cleaning expenses for 652 thousand Euros and maintenance expenses for 266 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 2016 of 2,828 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2016 amounted to 2,035 thousand Euros. Details of depreciation are provided in the notes to intangible assets.

NOTE 10 – OTHER UNUSUAL OPERATING INCOME/(EXPENSES)

Other unusual operating costs amounted to positive 2.523 (456 thousand Euros in the first half of 2015) and were related to:

- Other operating income for 1.000 thousand Euros related to the release of provision of risk and charges for contractual, commercial and legal disputes;
- Other unusual income for 1.523 thousand Euros related to the fair value adjustment of the deferred consideration liabilities for the acquisition of shareholdings in subsidiary companies.

NOTE 11 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(thousand Euros)	1st half 2016	1st half 2015	Change
Financial income	136	131	5
Interest expenses	(549)	(698)	149
Other	(308)	1,575	(1,884)
Total	**(721)**	**1,009**	**(1,730)**

Financial gains are related to interest on bank accounts.
Interest expenses mainly include expenses related to loans for M&A operations.
The item Other includes the Exchange rate differences from the translation of balance sheet items not stated in Euros, as well as changes in fair value of financial liabilities pursuant to IAS 39.

NOTE 12 – INCOME TAXES

At June 30, 2016 income taxes amounted to 17,119 thousand Euros and were recognized in accordance to the expected annual average income tax rates.

NOTE 13 – EARNINGS PER SHARE

Basic earning and diluted earning per share

The basic earnings per share as at 30 June 2016 was calculated on the basis of the Group's net result amounting to 30,079 thousand Euros (28,200 thousand Euros as at 30 June 2015) divided by the weighted average number of shares as at 30 June 2016 which amounted to 9,351,850 (9,351,850 as at 30 June 2015).

(in Euros)	1st half 2016	1st half 2015
Group net result	30,079,000	28,200,000
No. of shares	9,351,850	9,351,850
Basic earnings per share	3.22	3.02

NOTE 14 - TANGIBLE ASSETS

Tangible assets as at 30 June 2016 amounted to 17,025 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Buildings	1,835	1,906	(71)
Plant and machinery	2,839	2,805	34
Hardware	3,760	3,357	403
Other	8,592	8,955	(363)
Total	**17,025**	**17,022**	**3**

Change in tangible assets in the first half of 2016 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical Cost	4,023	8,165	26,777	19,331	58,296
Accumulated depreciation	(2,117)	(5,359)	(23,420)	(10,377)	(41,274)
31/12/2015	**1,906**	**2,805**	**3,357**	**8,955**	**17,022**
Historical cost					
Increases	-	485	1,709	1,733	3,926
Disposals	-	(1)	(260)	(91)	(353)
Other changes	-	144	141	(1,005)	(847)
Accumulated depreciation					
Depreciation	(71)	(519)	(1,157)	(1,080)	(2,828)
Utilized	-	1	140	87	227
Other changes	-	(75)	(42)	(6)	(123)
Historical Cost	4,023	8,792	28,240	19,968	61,022
Accumulated depreciation	(2,188)	(5,953)	(24,480)	(11,376)	(43,997)
30/06/2016	**1,835**	**2,839**	**3,760**	**8,592**	**17,025**

The item Buildings mainly includes the net value of a building owned by the group amounting to 1,903 thousand Euros located in Guetersloh, Germany.

Change in the item Hardware is due to investments made by the Italian subsidiaries for 626 thousand Euros, 868 thousand Euros for purchases made by German companies and 215 thousand Euros for purchases made by the English companies. Furthermore, this item includes financial leases for 685 thousand Euros (230 at 31 December 2015).

The item Other assets as at 30 June 2016 mainly includes improvements to third party assets and office furniture. The increase of 1.733 Euros mainly refers to the purchases of furniture and fittings for 788 thousand Euros and to improvements made to the offices where the Group's companies operate. Such item also includes a financial leasing for furniture for a net value amounting to 1.143 thousand Euros (1.412 thousand Euros at 31 December 2015).

Other changes refer to change in consolidation and exchange differences.

As at 30 June 2016, tangible assets were depreciated by 72.1% of their value, compared to 70.8% at the end of 2015.

NOTE 15 - 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 31/21/2015	Increase	Exchange difference	Value at 30/06/2016
Region 1	39,003	277	-	39,280
Region 2	39,572	18,834	-	58,406
Region 3	54,801	7,120	(2,648)	59,273
Total	**133,376**	**26,231**	**(2,648)**	**156,959**

The increase is related to TD GmbH, a company incorporated under German law (Region 2) acquired by the subsidiary Reply AG, WM Ltd, a company incorporated under English law (Region 3) acquired by the subsidiary Reply Ltd and Protocube S.r.l., a company incorporated under Italian law (Region 1) by Reply S.p.A..

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

(thousand Euros)	Fair value (*)
Total assets	6,703
Total liabilities	(4,787)
Net assets acquired	**1,916**
Compensation	28,147
Goodwill	**26,231**

(*) book value is equal to fair value

In the first half of 2016, the Group did no detect any impairment indicators.

NOTE 16 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 30 June 2016 amounted to 11,038 thousand Euros (9,696 thousand Euros on 31 December 2015) and are detailed as follows:

(thousand Euros)	Cost original	Cumulative amortization	Net book value as at 30/06/2016
Development costs	23,018	(17,396)	5,622
Software	21,978	(17,100)	4,879
Trademarks	537	-	537
Other intangible assets	3,150	(3,150)	-
Total	**48,683**	**(37,646)**	**11,038**

Intangible assets in the first half of 2016 developed as follows:

(thousand Euros)	Net book value at 31/12/2015	Increase	Cumulative amortization	Other changes	Net book value at 30/06/2016
Development costs	5,436	1,408	(1,222)	-	5,622
Software	3,723	1,183	(814)	787	4,879
Trademark	537	-	-	-	537
Total	**9,696**	**2,591**	**(2,035)**	**787**	**11,038**

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

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 219 thousand Euros related to software development for internal use.

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

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

Other changes refer to change in consolidation and exchange differences.

NOTE 17 - EQUITY INVESTMENTS AVAILABLE FOR SALE

The item Equity investments available for sale amounts to 11,665 thousand Euros and refers to investments in start-up companies in the “Internet of Things” or 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 IAS 39 “Financial Instruments: Recognition and Measurement”. 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.

Company name	Country	% acquired	Value at 31/12/2015	Increase/ decrease	Fair value evaluation	Impairment	Exchange differences	Value at 30/06/2016
Cocoon Alarm Limited	England	22.09%	2,990	-			(336)	2,654
Xmetrics Sports Limited	England	30.00%	920	-			(104)	816
iNova Design Ltd	England	30.00%	704	313			(80)	937
Zeetta Networks Ltd	England	23.39%	579	-			(66)	513
Amiko Digital Health Ltd	England	11.11%	-	514			-	514
Sentryo SaS	France	12.64%	-	750			-	750
Connecterra BV	Belgium	9.21%	-	625			-	625
Iotic Labs Ltd	England	9.50%	-	968			-	968
Sensoria Inc	USA	21.37%	3,888	-			-	3,888
Total			**9,081**	**3,170**	**-**	**-**	**(585)**	**11,665**

Cocoon

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

Xmetrics

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

Inova Design

Inova Design is a technology company specializing in design, development and marketing of new solutions for detecting body parameters in order to optimize performance and prevention of illnesses. The product is a headset capable of offering the accurate measurement of all the physiological parameters together with the monitoring of the movement, all in a single miniaturized device, not- invasive and that provides the user data in a continuous, real-time and wireless way. The Inova's patented technology can be applied in many fields such as sports, health and defense. The investment was valued at the price paid upon acquisition. The increase is related to the payment of the third tranche defined in the first round of investment on 24 February 2016.there were no subsequent rounds.

Zeetta Networks Ltd.

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

Amiko Digital health Ltd

Quantified medicine to improve healthcare with real-world data. Amiko's Quantified Medicine is a connected health platform that enables a smarter management of chronic treatments based on the acquisition and analysis of medication usage data. Amiko's sensor-based technology is improving care, cost efficiency and outcomes by transforming drug delivery devices into smart objects that collect data to empower patients, caregivers, physicians and researchers. The investment was valued at the price paid upon acquisition.

Sentryo

Sentryo ICS Cybervision prevents cyberattacks by monitoring machine to machine networks, detecting abnormal events and streamlining incident response.
Sentryo is pioneering the market for cybersecurity protection for machine-to-machine networks and critical industrial systems. ICS CyberVision passively monitors the network and detects abnormal events utilizing machine learning algorithms, therefore preventing cyber-attacks, streamlining incident response and avoiding damage. ICS CyberVision simplifies operational and information technology collaboration to keep critical industrial infrastructure owners ahead of the threat. Sentryo addresses the energy, transportation, telco and aerospace segments and more broadly all companies needing to meet the Industry 4.0 challenge. The investment was valued at the price paid upon acquisition.

Connecterra

The Connecterra dairy health service provides actionable insights to farmers to improve farm productivity. Using advanced sensors and machine learning, the system provides near real time analytics for end users. combines the power of sensor technologies and deep learning to provide a complete health monitoring service for dairy cattle. Connecterra's end-to-end solution consists of a wearable device, which monitors the herd in real-time and transmits the data to a cloud platform for analysis and prediction of behavioral patterns.

This allows farmers to free up labor time, improve production per animal and save a significant amount of money by optimizing their breeding cycles. The investment was valued at the price paid upon acquisition.

Iotic Labs Ltd

Iotic Labs provides access to Iotic Space, a place where things can share data, where data can be mashed with different sorts of data from others things, where anything can be related to anything else.
Iotic Labs has created an Internet-like environment for things. Data from anything can be shared or exchanged with anything else creating new relationships, insights and whole new ways to interact.
It is free from pre-defined formats, database structures and any other pre-determined model. Just like the Internet you are free to interact with myriads of data sources and mash data together with Iotic Mashapps. The investment was valued at the price paid upon acquisition.

Sensoria

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

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

NOTE 18 - FINANCIAL ASSETS

Current and non current financial assets amounted to a total of 9,178 thousand Euros compared to 7,918 thousand Euros as at 31 December 2015.

Detail is as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Receivables from insurance companies	3,074	3,194	(120)
Guarantee deposits	885	853	32
Loans to non-consolidated companies	-	68	(68)
Long term securities	55	55	-
Other financial assets	244	14	230
Convertible loans	3,008	1,512	1,496
Receivables from factor	-	744	(744)
Short term securities	1,912	1,478	434
Total	**9,178**	**7,918**	**1,260**

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:

- **EnModus**: technology company specializing in the monitoring, control and Internet connectivity of any device on AC power. Wattwave is the enModus patented powerline technology that uses the existing wiring infrastructure.
- **Gymcraft**: sport - tech company, combining the fitness industry with the world of video games in an innovative way to build the virtual sporting experience of the future. Gymcraft takes full advantage of the potential of virtual reality, giving to users a fitness, real time and interactive experience during the course of their favorite sports.
- **Xmetrics:** company that offers innovative devices for swimmers Xmetrics uses sensors, electronic components and software via mobile devices, to enhance the training sessions of professional and amateur swimmers, analyzing their main biometric parameters and their real time performance**.**
- **Kokoon Technology Ltd**: Kokoon's headphones are designed to help you relax and sleep better, anywhere. Using advanced sensor technology and machine learning, the headphones adapt and respond to the body and environment, enabling improved sleep quality and waking the user at the perfect point in the natural sleep cycle.

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse for 4,610 thousand Euros, net of advance payments received for the same amount.

Short term securities mainly refer to Time Deposit investments made by a Brazilian subsidiary.

The items Receivables from insurance companies other financial assets are not included in the net financial position.

NOTE 19 - DEFERRED TAX ASSETS

Such item, which amounted to 21,425 thousand Euros as at 30 June 2016 (17.339 thousand Euros as at 31 December 2015), 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 20 – WORK IN PROGRESS

Work in progress, amounting to 105,375 thousand Euros, is detailed as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Contract work in progress	199,152	141,309	57,844
Advance payments from customers	(93,777)	(83,380)	(10,397)
Total	**105,375**	**57,929**	**47,446**

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 21 - TRADE RECEIVABLES

Trade receivables as at 30 June 2016 amounted to 237,103 thousand Euros with a net decrease of 65,147 thousand Euros.

(thousand Euros)	30/06/2016	31/12/2015	Change
Domestic clients	180,859	233,502	(52,643)
Foreign trade receivables	58,785	71,178	(12,393)
Credit notes to be issued	-	(9)	9
Total	**239,645**	**304,672**	**(65,027)**
Allowance for doubtful accounts	(2,542)	(2,422)	(119)
Total trade receivables	**237,103**	**302,250**	**(65,147)**

Trade receivables are shown net of allowances for doubtful accounts amounting to 2,542 thousand Euros at 30 June 2016 (2,422 thousand Euros at 31 December 2015).

The Allowance for doubtful accounts developed in the first half of 2016 as follows:

(thousand Euros)	31/12/2015	Provision	Other changes	Utilized	30/06/2016
Allowance for doubtful accounts	**2,422**	343	148	(371)	**2,542**

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 31 December 2015 , are summarized in the tables below:

Aging at 30/06/2016

(thousand Euros)	Trade receivables	Current	0 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	Total overdue
Trade receivables	239,645	217,468	17,241	1,214	1,261	2,487	22,177
Allowance for doubtful accounts	(2,542)	(9)	(127)	(223)	(380)	(1,811)	(2,533)
Total trade receivables	**237,103**	**217,459**	**17,087**	**991**	**882**	**676**	**19,635**

Aging at 31/12/2015

(thousand Euros)	Trade receivables	Current	0 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	Total overdue
Trade receivables	304,672	256,601	41,039	3,574	1,615	1,843	48,071
Allowance for doubtful accounts	(2,422)	(11)	(301)	(220)	(499)	(1,391)	(2,411)
Total trade receivables	**302,250**	**256,590**	**40,738**	**3,354**	**1,115**	**452**	**45,660**

Assignment of receivables

The Group assigns part of its trade receivables through factoring operations.

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

Consequently, all receivables assigned through factoring operations that do not satisfy the requirements for elimination provided by IAS 39 continue to be recognized in the Group’s financial statements, even though they have been legally assigned and a financial liability for the same amount is recognized in the consolidated financial statements as Liabilities for advance payments on assignments of receivables. Gains and losses related to the assignment of these assets are only recognized when the assets are derecognized from the Group’s financial-economic position.

As at 30 June 2016 the receivables transferred via Factoring operations with recourse amounted to 19,543 thousand Euros.

The book value of the assets assigned without recourse as at 30 June 2016 amounted to 4,610 thousand Euros, with an increase of available liquidity of the same amount.

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

NOTE 22 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Tax receivables	20,115	15,425	4,690
Advances to employees	136	100	37
Accrued income and prepaid expenses	5,680	6,049	(369)
Other receivables	19,922	19,399	523
Total	**45,853**	**40,973**	**4,880**

The item Tax receivables mainly includes:

- VAT tax receivables (3,558 thousand Euros);
- Receivables and advance payments for income tax net of the allocated liability (13,647 thousand Euros);
- Receivables for withholding tax (614 thousand Euros).

The item Other receivables includes the contribution to research in relation to financed projects in the amount of 16,099 thousand Euros.

NOTE 23 - CASH AND CASH EQUIVALENTS

The balance of 73,962 thousand Euros, with a decrease of 31,175 thousand Euros compared with 31 December 2015, represents cash and cash equivalents and the existence of cash on hand and valuables as at the end of the year.
Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flow.

NOTE 24 - SHAREHOLDERS' EQUITY

Share capital

As at 30 June 2016 the share capital of Reply S.p.A., fully subscribed and paid, amounted to 4,863,486 Euros and comprises 9,352,857 ordinary shares of a nominal value of 0.52 Euros each.

Treasury shares

The value of the Treasury shares, amounting to 25 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 30 June 2016 were equal to n. 1.007. In the first half of 2016 no changes have occurred compared to 31 December 2015.

Capital reserves

On 30 June 2016 Capital reserves, amounting to 72,952 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,419 thousand Euros;
- Treasury share reserve amounting to 25 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 49,976 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 21 April 2016 Reply S.p.A. re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 50 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 235,599 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 204,547 thousand Euros (retained earnings amounted to 161,266 thousand Euros on 31 December 2015);
- Profits attributable to shareholders of the Parent Company amounted to 30,079 thousand Euros (56,748 thousand Euros as on 31 December 2015).

Other comprehensive income

Other comprehensive income can be analyzed as follows:

(thousand Euros	30/06/2016	30/06/2015
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plans	(1,559)	755
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**(1,559)**	**755**
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Gains/(losses) on cash flow hedges	-	2
Gains/(losses) from the translation of financial statements	(5,214)	1,435
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**(5,214)**	**1,437**
Total other comprehensive income, net of tax (B) = (B1) +(B2)	**(6,773)**	**2,193**

Share based payment plans

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

NOTE 25 - PAYABLES TO MINORITY SHAREHOLDERS AND FOR CORPORATE TRANSACTIONS

Payables to minority shareholders and for company operations (earn out) owed on 30 June 2016 amount to 28,394 thousand Euros (19,746 thousand Euros on 31 December 2015) and are detailed as follows:

(thousand Euros)	31/12/2015	Increases	Fair value adjustments	Payments	Exchange differences	30/06/2016
Payables to minority shareholders	11,942	-	-	(434)	177	11,685
Payables for Earn out	7,427	12,885	(1,508)	(2,033)	(439)	16,708
Total payables to minority shareholders and earn out	**19,746**	**12,885**	**(1,508)**	**(2,467)**	**(262)**	**28,394**

The increase in Payables for Earn-out amounting to 12,885 is related for 9,013 thousand Euros to TD GmbH, a company incorporated under German law, acquired in the month of March 2016 by the subsidiary Reply AG, and for 3,872 thousand Euros to WM Ltd, a company incorporated under English law, acquired in the month of March 2016 by the subsidiary Reply Ltd.

The item Fair value adjustments in the first half of 2016 amounted to 1,508 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 2,467 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 26 - FINANCIAL LIABILITIES

Detail is as follows:

	30/06/2016			31/12/2015		
(thousand Euros)	**Current**	**Non current**	**Total**	**Current**	**Non current**	**Total**
Bank overdrafts	11,955	-	11,955	35,028	-	35,028
Bank loans	13,758	26,284	40,042	10,786	33,008	43,794
Total due to banks	**25,713**	**26,284**	**51,996**	**45,814**	**33,008**	**78,822**
Other financial borrowings	811	941	1,752	466	860	1,326
Total financial liabilities	**26,524e**	**27,225**	**53,749**	**46,280**	**33,869**	**80,149**

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

	30/06/2016				31/12/2015			
(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	11,955	-	-	11,955	35,028	-	-	35,028
M&A loans	13,696	25,437	-	39,132	10,553	32,606	-	43,159
Mortgage loans	140	847	-	987	311	403	-	714
Other financial borrowings	811	941	-	1,752	466	860	-	1,326
Other	(78)	-	-	(78)	(78)	-	-	(78)
Total	**26,524**	**27,225**	**-**	**53,749**	**46,280**	**33,869**	**-**	**80,149**

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 will be 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 15,132 thousand Euros at 30 June 2016.
- 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 will be reimbursed on a half-year basis deferred to commence on 30 September 2015. Such credit line was used for 8,000 thousand Euros at 30 June 2016.
    - Tranche B, amounting to 20,000,000 Euros, to be used by 31 December 2016.The loan will be reimbursed on a half-year basis deferred to commence on 31 March 2017. Such credit line was used for 4,500 thousand Euros at 30 June 2016.
- 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 25 November 2013. The loan will be reimbursed on a half-year basis deferred to commence on 31 October 2016. Such credit line was used for 10,000 thousand Euros at 30 June 2016.
- On 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 25,000,000 Euros to be used by 30 September 2018. The loan will be reimbursed on a half basis deferred to commence on 31 May 2019 and will expire on 30 November 2021. Such credit line was used for 1,500 thousands Euros at 30 June 2016.

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 2016, Reply fulfilled the Covenants under the various contracts.

Mortgage loans refers 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 30 September 2019.

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

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

Net financial position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with ESMA guidelines, the net financial position of the Reply Group at 30 June 2016 was as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Cash and cash equivalents	73,962	105,137	(31,175)
Current financial assets	1,910	2,289	(380)
Non current financial assets	1,171	908	262
Total financial assets	**77,042**	**108,335**	**(31,292)**
Current financial liabilities	(26,524)	(46,280)	19,756
Non current financial liabilities	(27,225)	(33,869)	6,644
Total financial liabilities	**(53,748)**	**(80,149)**	**26,400**
Total net financial position	**23,294**	**28,186**	**(4,892)**

For further details with regards to the above table see Notes 18 and 23 as well as Note 26.

NOTE 27 - EMPLOYEE BENEFITS

Employee benefits are detailed as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Employee severance indemnities	21,141	18,489	2,652
Employee pension funds	6,155	5,860	295
Directors severance indemnities	1,502	1,502	-
Other	16	16	-
Total	**28,813**	**25,866**	**2,947**

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 2016 are summarized in the table below:

(thousand Euros)	
Balance as at 31/12/2015	**18,489**
Cost relating to current work (*service cost*)	1,652
Actuarial gain/loss	2,052
Interest cost	181
Indemnities paid during the year	(1,126)
Balance as at 30/06/2016	**21,141**

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 28 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2016 amount to 24,148 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 29 - PROVISIONS

Provisions amount to 18,543 thousand Euros (of which 17,702 thousand Euros are non current).
Change in the first half of 2016 is summarized in the table below:

(thousand Euros)	Balance at 31/12/2015	Other	Accruals	Utilization	Reversals	Balance at 30/06/2016
Fidelity fund	305	-	-	-	-	305
Provision for risk	11,846	689	4	(726)	(532)	11,281
Motorola research center fund	6,957	-	-	-	-	6,957
Total	**19,108**	**689**	**4**	**(726)**	**(532)**	**18,543**

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 other risks, amounting to 11,281, represents the amounts set aside by the individual companies of the Group principally in connection with contractual commercial risks and disputes. Utilization and reversals of the period relate to the resolution of previous disputes mostly related to employees. Other changes mainly concern change in consolidation.
The Provision for Motorola Research Centre originates from the acquisition of the business branch Motorola Electronics S.p.A. in 2009 and reflects the best estimate of the residual costs to incur in relation to the agreements reached with the parties involved in the transaction to implement research and development projects, in accordance with IAS 37. This provision is used on the basis of the progression of the abovementioned research activities.
Acquisition of the Motorola Research Centre was carried out as a consequence of agreements reached with Motorola Electronics S.p.A, Trade Unions and the region of Piedmont and the commitment to carry out research activities on agreed upon themes.
The residual provision will be written off to profit and loss on the basis of the progress of the research activities, in part financed by the public administrations, for which the Group has committed to carry out to several parties in view of the undersigning of the aforesaid agreements.
In the first half of 2016 the provision remained unchanged as the parties involved are discussing how to go forward with the operating methods of the initial agreements.

NOTE 30 – TRADE PAYABLES

Trade payables at 30 June 2016 amount to 89,455 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Domestic suppliers	78,307	66,790	11,518
Foreign suppliers	12,131	11,577	554
Advances to suppliers	(984)	(681)	(303)
Total	**89,455**	**77,686**	**11,769**

NOTE 31 - OTHER CURRENT LIABILITIES

Other current liabilities at 30 June 2016 amounted to 141,403 thousand Euros with a decrease of 19,237 thousand Euros with respect to the previous financial year.
Detail is as follows:

(thousand Euros)	30/06/2016	31/12/2015	Change
Income tax payable	17,550	3,641	13,909
VAT payable	3,264	7,451	(4,187)
Withholding tax and other	3,503	5,886	(2,383)
Total due to tax authorities	**24,317**	**16,978**	**7,339**
National social insurance payable	17,863	20,578	(2,715)
Other	1,361	1,512	(151)
Total due to social securities	**19,224**	**22,090**	**(2,866)**
Employee accruals	49,586	46,578	3,009
Other payables	41,285	64,154	(22,869)
Accrued expenses and deferred income	6,990	10,840	(3,850)
Total other payables	**97,862**	**121,572**	**(23,710)**
Other current liabilities	**141,403**	**160,640**	**(19,237)**

Due to tax authorities amounting to 24,317 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 19,224 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 30 June 2016 amount to 97,862 thousand Euros and mainly include:

- Amounts due to employees that at the balance sheet date had not yet been paid;
- Remuneration of directors recognized as participation in the profits of the subsidiary companies;
- Liabilities related to share based payment transactions to be settled in cash to some Group companies. Following agreements signed in 2014 with some Directors of subsidiary companies, the liability at June 30 amounted to 1,146 thousand Euros with a balancing entry in Profit and loss amounting to 439 thousand Euros. Such options can be exercised in financial year 2018 upon achievement of some economic-financial parameters.
- Advances received from customers exceeding the value of the work in progress amounting to 17,577 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 32 – SEGMENT REPORTING

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

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Intraseg	Total 1st half 2016	%
Revenues	**282,199**	**100**	**65,872**	**100**	**44,560**	**100**	**1,223**	**100**	**(7,341)**	**386,513**	**100**
Operating costs	(237,783)	(84.3)	(59,725)	(90.7)	(43,569)	(97.8)	(1,445)	(118.1)	7,341	(335,181)	(86.7)
Gross operating income	**44,416**	**15.7**	**6,147**	**9.3**	**991**	**2.2**	**(221)**	**(18.10)**		**51,333**	**13.3**
Amortization/depreciation	(3,780)	(1.3)	(746)	(1.1)	(324)	(0.7)	(13)	(1.1)		(4,863)	(1.3)
Other unusual income/(expenses)	(133)	-	-	-	1,655	4	-	-		1,523	-
EBIT	**40,503**	**14.4**	**5,401**	**8.2**	**2,322**	**5.2**	**(234)**	**(19.20)**		**47,992**	**12.4**

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Intraseg	Total 1st half 2015	%
Revenues	**256,244**	**100**	**55,103**	**100**	**43,105**	**100**	**462**	**100**	**(9,432)**	**345,483**	**100**
Operating costs	(215,354)	(84)	(50,977)	(92.5)	(39,689)	(92.1)	(1,630)	(352.7)	9,432	(298,217)	(86.3)
Gross operating income	**40,890**	**16**	**4,126**	**7.5**	**3,417**	**7.9**	**(1,168)**	**(252.7)**		**47,265**	**13.7**
Amortization/depreciation	(3,472)	(1.4)	(646)	(1.2)	(291)	(0.7)	(7)	(1.6)		(4,415)	(1.3)
Other unusual income/(expenses)	-	-	-	-	-	-	-	-		-	-
EBIT	**37,419**	**14.6**	**3,481**	**6.3**	**3,126**	**7.3**	**(1,175)**	**(254.3)**		**42,850**	**12.4**

Financial figures (thousand Euros)	Region 1	Region 2	Region 3	IoT Incubator	Interseg.	Total 30/06/2016	Region 1	Region 2	Region 3	IoT Incubator	Interseg.	Total 31/12/2015
Current operating assets	332,445	43,590	30,797	394	(18,895)	388,331	340,676	42,516	31,447	397	(13,885)	401,151
Current operating liabilities	(198,755)	(31,026)	(18,993)	(1,819)	18,895	(231,698)	(206,935)	(28,660)	(14,989)	(1,885)	13,885	(238,585)
Net working capital (A)	**133,690**	**12,564**	**11,804**	**(1,425)**	**-**	**156,633**	**133,741**	**13,856**	**16,458**	**(1,488)**	**-**	**162,566**
Non-current assets	129,020	44,853	36,030	11,298		221,201	122,598	22,414	31,687	13,048	-	189,747
Non financial liabilities long term	(65,664)	(29,077)	(4,260)	(57)		(99,057)	(63,567)	(18,165)	(3,975)	(225)	-	(85,932)
Fixed capital (B)	**63,355**	**15,776**	**31,771**	**11,242**	**-**	**122,144**	**59,031**	**4,249**	**27,712**	**12,823**	**-**	**103,815**
Net invested capital (A+B)	**197,045**	**28,340**	**43,575**	**9,817**	**-**	**278,777**	**192,773**	**18,106**	**44,170**	**11,335**	**-**	**266,381**

Breakdown of employees by operating segment is as follows:

Region	30/06/2016	30/06/2015	Change
Region 1	4,326	3,833	493
Region 2	935	734	201
Region 3	471	383	88
IoT Incubator	7	7	-
Total	**5,739**	**4,957**	**782**

NOTE 33 – 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	30/06/2016	31/12/2015	Nature of transactions
Trade receivables	-	3	Receivables from professional services
Trade payables	7	8	Payables for professional services and office rentals offices
Other payables	1,962	3,924	Payables for emoluments s to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**1st half 2016**	**1st half 2015**	**Nature of transactions**
Revenues from professional services	3	43	Professional services executed
Services from Parent company and related parties	539	493	Service contracts relating to office rental , and administration office
Personnel	4,042	4,232	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	61	74	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 34 - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

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

Commitments

Following is a summary of the commitments to which the Group is exposed at 30 June:

- The Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euro). Currently it is not possible to foresee the outcome of the said judgment but Management believes that any future economic-financial effects on the Group are not significant.
- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122 of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash.

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

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

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

Contingent liabilities

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

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

NOTA 35 – EVENTS SUBSEQUENT TO 30 JUNE 2016

In July 2016 Xister S.r.l. was acquired by Reply S.p.A. that holds 89.2% of the share capital. The company is a digital creative agency, leader in consulting and development of solutions and strategies in digital branding.

In July 2016 Lynx Recruitment Ltd, a company incorporated under English law, was acquired by Reply Ltd that holds 100% of the share capital. The company offers recruitment and selection services of temporary and permanent staff.

NOTE 36 – APPROVAL OF THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND AUTHORIZATION TO PUBLISH

The Half year condensed consolidated financial statements at 30 June 2016 were approved by the Board of Directors on August 2, 2016 that authorized the publication within the terms of law.

ANNEXED TABLES

ANNEXED TABLES

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

(thousand Euros)	1st half 2016	of which with related parties	%	1st half 2015	of which with related parties	%
Revenues	**386,513**	**3**	**0%**	**345,483**	**43**	**0%**
Other income	4,075	-	-	4,101	-	-
Purchases	(8,428)	-	-	(6,632)	-	-
Personnel	(189,838)	(4,042)	2%	(175,246)	(4,232)	2%
Services and other costs	(141,989)	(600)	0%	(120,897)	(567)	1%
Amortization, depreciation and write-downs	(4,863)	-	-	(4,415)	-	-
Other unusual (cost)/income	2,522	-	-	456	-	-
Operating income	**47,992**	**-**	**-**	**42,850**	**-**	-
Income from associate companies	-	-	-	-	-	-
Financial income/(expenses)	(721)	-	-	1,009	-	-
Income before taxes	**47,271**	**-**	**-**	**43,859**	**-**	-
Income taxes	(17,119)	-	-	(15,192)	-	-
Net income	**30,152**	**-**	**-**	**28,667**	**-**	-
Result of discontinued activities	-	-	-	-	-	-
Non controlling interest	(74)	-	-	(467)	-	-
Group net result	**30,079**	**-**	**-**	**28,200**	**-**	-

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

(thousand Euros)	30/06/2016	of which with related	%	31/12/2015	of which with	%
Tangible assets	17,025	-	-	17,022	-	-
Goodwill	156,959	-	-	133,376	-	-
Other intangible assets	11,038	-	-	9,696	-	-
Equity investments	11,665	-	-	9,105	-	-
Financial assets	7,268	-	-	5,629	-	-
Deferred tax assets	21,425	-	-	17,339	-	-
Non current assets	**225,380**	**-**	**-**	**192,167**	-	-
Work in progress	105,375	-	-	57,929	-	-
Trade receivables	237,103	-	-	302,250	3	0%
Other current assets	45,853	-	-	40,973	-	-
Financial assets	1,910	-	-	2,289	-	-
Cash and cash equivalents	73,962	-	-	105,137	-	-
Current assets	**464,203**	**-**	**-**	**508,577**	**-**	**-**
Assets of discontinued operations	-	-	-	-	-	-
TOTAL ASSETS	**689,582**	**-**	**-**	**700,745**	**-**	**-**
Share capital	4,863	-	-	4,863	-	-
Other reserves	270,477	-	-	233,814	-	-
Group net income	30,079	-	-	56,748	-	-
Group shareholders' equity	**305,420**	**-**	**-**	**295,425**	**-**	**-**
Non controlling interest	(341)	-	-	653	-	-
SHAREHOLDERS' EQUITY	**305,079**	**-**	**-**	**296,079**	**-**	**-**
Payables to minority shareholders and corporate transactions	28,394	-	-	19,746	-	-
Financial liabilities	27,225	-	-	33,869	-	-
Employee benefits	28,813	-	-	25,866	-	-
Deferred tax liabilities	24,148	-	-	21,471	-	-
Provisions	17,702	-	-	18,849	-	-
Non current liabilities	**126,282**	**-**	**-**	**119,801**	**-**	**-**
Financial liabilities	26,524	-	-	46,280	-	-
Trade payables	89,455	7	0%	77,686	8	0%
Other current liabilities	141,403	1,962	1%	160,640	3,924	2%
Provisions	840	-	-	260	-	-
Current liabilities	**258,222**	**-**	**-**	**284,865**	**-**	**-**
Total liabilities of discontinued operations	-	-	-	-	-	-
TOTAL LIABILITIES	**384,504**	**-**	**-**	**404,666**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**689,582**	**-**	**-**	**700,745**	**-**	**-**

LIST OF COMPANIES AT 30 JUNE 2016

Company name	Headquarters	Group interest
Parent Company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Companies consolidated on a line-by-line basis		
@logistics Reply S.r.l.	Turin, Italy	100.00%
@logistics Reply GmbH	Munich, Germany	100.00%
4brands Reply GmbH & CO. KG.	Minden, 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) Sarl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd	London, United Kingdom	100.00%
Bitmama S.r.l.	Turin, Italy	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%
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	70.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
EOS Reply S.r.l.	Turin, Italy	100.00%
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%
Healthy Reply GmbH	Düsseldorf, Germany	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Polska zo.o	Katowice, Poland	100.00%
InEssence Reply GmbH	Düsseldorf, Germany	70.00%
IrisCube Reply S.p.A.	Turin, Italy	100.00%
Leadvise Reply GmbH	Darmstad, Germany	100.00%
Lem Reply S.r.l.	Turin, Italy	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Open Reply 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	68.00%
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, Netherlands	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%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd	London, United Kingdom	80.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milano, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	85.00%

Square Reply S.r.l.	Turin, Italy	100.00%
Storm Reply S.r.l. (*)	Turin, Italy	80.00%
Storm Reply GmbH (*)	Guetersloh, Germany	80.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Zurig, 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 S.r.l.	Bucharest, Romania	100.00%
Tool Reply Gmbh	Guetersloh, Germany	100.00%
Triplesense Reply S.r.l.	Turin, Italy	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%
Trommsdorf+drüner, innovation+marketing consultants GmbH	Berlin, Germany	100.00%
WM360 Ltd	London, United Kingdom	100.00%
WM360 Consultancy Services Ltd	London, United Kingdom	100.00%
WM360 Crashpad Ltd	London, United Kingdom	100.00%
WM Reply Ltd	London, United Kingdom	100.00%
WM360 Resourcing Ltd	London, United Kingdom	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xuccess Reply GmbH	Munich, Germany	100.00%

Companies carried at fair value		
Amiko Digital Health Ltd	United Kingdom	11.11%
Cocoon Alarm Ltd.	United Kingdom	22.09%
iNova Design Ltd.	United Kingdom	30.00%
Sensoria Inc.	USA	21.37%
Xmetrics Sport Ltd.	United Kingdom	30.00%
Zeetta Networks Ltd.	United Kingdom	15.83%
Iotic Labs Ltd.	United Kingdom	9.50%
Sentryo SAS	France	12.64%
Connecterra BV	Belgium	9.21%

(*) 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 PURSUANT TO ART. 154 BIS OF LEGISLATIVE DECREE N. 58/98

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

1. The undersigned, Mario Rizzante, in his capacity as Chief Executive Officer and Giuseppe Veneziano, director responsible of drawing up the Company's financial statements pursuant to the provisions of article 154-bis, paragraph 3 and 4 of legislative decree no. 58 of February 24, 1998, hereby attest:
   - the adequacy with respect to the Company's structure and
   - the effective application of the administrative and accounting procedures applied in the preparation of the Company's Half-year condensed financial statements at June 30, 2016.
2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed financial statements as of and for the period ended June 30, 2016 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.

3. The undersigned moreover attest that:

3.1 the Half-year condensed financial statements at June 30, 2016:

- 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;

a. 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, 2016

/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

EY
Building a better
working world

EY S.p.A.
Via Meucci, 5
10121 Torino

Tel: +39 011 5161611
Fax: +39 011 5612554
ey.com

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 as of June 30, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement of cash flows for the period then ended and the related notes of Reply S.p.A. and its subsidiaries (the "Reply Group"). 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 June 30, 2016 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, August 3, 2016

EY S.p.A.
Signed by: Luigi Conti, Partner

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

CORPORATE INFORMATION

HEADQUARTERS

Reply S.p.A.
Corso Francia, 110
10143 TURIN – ITALY
Tel. +39-011-7711594
Fax +39-011-7495416
www.reply.eu

CORPORATE DATA

Share capital: Euro 4,863,485.64 i.v.
Fiscal code and Company register of Turin no. 97579210010
VAT no. 08013390011
REA of Turin 938289

MARKETING AND COMMUNICATION

E-mail: marketing@reply.it
Tel. +39-011-7711594
Fax +39-011-7495416

INVESTOR RELATIONS

E-mail: investor@reply.it
Tel. +39-02-535761
Fax +39-02-53576444

Reply S.p.A.
Corso Francia, 110,
10143 Turin – Italy
Tel. +39-011-7711594
Fax. +39-011-7495416
info@reply.it
www.reply.com