CONFERENCE CALL TRANSCRIPT

SECOND QUARTER FINANCIAL YEAR 2026 RESULTS

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CORPORATE PARTICIPANTS

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Michael Lückenkötter

Hello everyone, and welcome to the Q2 2026 edition of our earnings call. Thank you for joining us in the middle of this reporting season. My name is Michael Lückenkötter, Director of Investor Relations at Reply.

As you will have seen, we published our second-quarter results today, and we expect you will have questions, so we are here to help. With me are, as usual, Tatiana Rizzante, our CEO, and Marco Cusinato, our CFO, who will both comment on the results and on the current trends they are seeing from their respective perspectives. The CFO slides are available for download on our website, in the investor section under the financial calendar.

After my colleagues' remarks, we will move into a Q&A session to address your more specific questions.

With that, let's begin. Tatiana, please.

Tatiana Rizzante

Thank you, Michael. Good afternoon, everyone, and thank you for joining us today, especially as we approach the end of July and the holiday season.

I am very pleased with the performance of this quarter. Reply continues to strengthen its leadership position in technology, and in particular in enterprise applications and artificial intelligence. AI is now the main driver of growth, together with data, because whenever we talk about AI, we also talk about a strong data foundation, cloud computing and cybersecurity. What we are seeing today is that customers are increasingly moving from experimentation to production, deploying artificial intelligence at scale across several industry verticals and business functions at the same time.

We continue to execute our dual strategy: not only delivering AI solutions and platforms but also using artificial intelligence to improve and transform the way we deliver our services. This allows us to consistently increase our competitiveness and the value we offer our customers, both in terms of pricing and speed, while delivering 9.2% revenue growth at constant currency in the second quarter. In parallel, our continued investment in AI software engineering, which you may recognise under our Silicon Shoring brand, together with the agent-workforce approach we have adopted over recent months, contributed to another quarter of strong profitability, with an EBITDA margin of 18.2%.

In terms of regions, we continue to deliver solid growth across the group, with Region 1 and Region 3 maintaining a particularly strong performance. You will also see that Region 2 is steadily improving: the initiatives we have taken there, including new startups and business development, are starting to deliver results.

By industry, you will see a good spread across sectors, because intelligence, not just technology, is pervasive across every industry. Some are more exposed than others, but in general AI is changing every product and every organisation.

One point deserves particular mention. As I said, artificial intelligence rests on data, and data is probably our fastest-growing area. It is pervasive across all sectors, and in emerging businesses for Reply, such as the creative sector and robotics, we are also seeing a very steep growth trajectory.

Rather than going deeper into the content now, I will hand over to Marco for a more detailed view of the financials.

Marco Cusinato

Thank you, Tatiana. I am Marco Cusinato, CFO of the group.

Turning to our results for the first half of the year: as you can see, we reached a little more than EUR 1.3 billion in revenues, a growth of 7.4% compared with the same period of 2025. EBITDA amounted to EUR 233 million, up 4.3% year on year. At the end of June, cash and cash equivalents amounted to EUR 512 million, while the net financial position was positive at EUR 402 million, both figures improved compared with June 2025 and with the end of 2025. The reduction in cash mainly reflects the launch of the share buyback program, together with the usual payments for employee bonuses, taxes and dividends, and some M&A transactions.

At the end of June, Reply employed almost 17,300 people across the 16 countries in which the group operates, an increase of a little more than 1,000 employees compared with June 2025.

Looking at the same figures by segment: all three regions recorded revenue growth in the first half. Region 1 remained the group's largest market, with revenues of almost EUR 850 million, up 8% year on year, representing roughly 63% of consolidated revenues. Region 2 generated a little more than EUR 240 million, an increase of 3.1%. Region 3 continued the positive trend of recent years, with revenues of almost EUR 260 million, up 9.2%.

On profitability, Region 1 generated EBITDA of almost EUR 174 million, up 5.7%, with a margin of 20.5%. Region 2 reported EBITDA of EUR 32 million and Region 3 EUR 27.4 million.

At group level, EBIT amounted to almost EUR 190 million, broadly in line with the first half of

2025, with a margin of 14.5%. The comparison was affected by two accounting elements:

- lower depreciation and write-downs following the goodwill impairment recorded in 2025, and
- a deferred contribution from the fair-value adjustment of earn-out liabilities.

Profit before tax amounted to EUR 194 million, up 8.2%, with a margin of 14.8%. The stronger growth in profit before tax compared with EBIT was mainly due to the improvement in the financial result.

Turning to the second quarter, the group confirmed the positive trend seen in the first half. Between April and June, Reply generated revenues of EUR 667 million, up 8.7% compared with the second quarter of last year and up 3.4% compared with the first quarter of 2026. Second-quarter EBITDA amounted to EUR 121 million and EBIT to almost EUR 95 million, while profit before tax amounted to EUR 94.3 million.

As already mentioned, the year-on-year comparison was affected by non-recurring income recorded in the second quarter of 2025, which I am sure you all remember.

All three regions recorded revenue growth: Region 1 up 9.1%, Region 2 up 5.5% year on year, and Region 3 up 10%, the highest growth rate of the three regions. Overall, the second quarter confirmed the strength of the group's growth path, with revenue growth across all regions.

Coming to the profit and loss in more detail: group revenues increased by almost EUR 91 million. Growth was almost entirely organic; excluding scope and exchange-rate effects, revenue growth would have been 7.3%, so almost the same. Average revenue per employee was broadly in line with the previous period. Our customer portfolio remains well diversified: the top 20 customers account for approximately 40% of group revenues, with no significant concentration on any individual client, in line with the trend of recent years. Approximately 71% of revenues came from turnkey contracts and 29% from time-and-materials engagements, reflecting Reply's positioning on higher-value projects and our increasing role in managing complex digital transformation programs.

Operating costs increased by 8.1%, but, as I said, this comparison is affected by the non-recurring income recorded in the same period last year; on a normalised basis, operating costs increased by 5.6%, below revenue growth. Other operating income amounted to EUR 800 thousand, compared with EUR 17.9 million in 2025. This difference was almost entirely due to a non-recurring item last year, following the favourable settlement of a professional liability dispute and the related release of a provision. EBITDA therefore amounted to EUR

233 million, with a margin of almost 18%. As you know, this confirms our ability to combine business growth with disciplined cost management.

Depreciation, amortisation and write-downs decreased to EUR 35.5 million. The 2025 figure included the EUR 19 million goodwill write-off in Region 3; excluding that item, the level of depreciation and amortisation is broadly constant over the year.

The financial result improved significantly, mainly due to positive foreign-exchange differences of almost EUR 4 million, compared with negative foreign-exchange differences of EUR 10 million last year. Profit before tax reached EUR 194 million, up 8.2%. Net profit amounted to EUR 131 million, and the tax rate was 31.5%, which is our current best estimate for the full year.

Coming to the business lines: as you can see, growth is well distributed. Technology companies account for approximately 60% of revenues, Applications for 32% and Processes for 9%. The second-quarter figures show an improvement across all three business lines compared with the first quarter. By industry, the revenue mix remains highly diversified. Financial services are our largest industry, representing almost 30% of group revenues; no other industry accounts for more than 20%. Growth was positive across most sectors.

Finally, on the net financial position: it remains very solid. At the end of June, it was positive at a little more than EUR 400 million, while cash and cash equivalents amounted to EUR 512.8 million. The movement compared with the end of 2025 and with March 2026 was significantly affected by the share buyback program, which resulted in cash payments of approximately EUR 64 million during the first half. Excluding the buyback, the liquidity trend would have been broadly consistent with the normal seasonality of the business. The second quarter also included the usual payments for annual employee bonuses, dividends and taxes, as well as some costs for M&A transactions.

Current financial assets remained stable and mainly consisted of short-term deposits and bonds. Bank debt amounted to almost EUR 40 million, a reduction of EUR 6 million versus the previous period, due to the repayment of some existing loans. IFRS 16 financial liabilities amounted to almost EUR 140 million, mainly related to office leases, with a smaller portion related to the company car fleet. Excluding these liabilities, the adjusted net financial position was positive at EUR 542 million, giving the group significant flexibility to support future investments and growth opportunities.

One more point, on how our cash developed. During the first half, cash and cash equivalents decreased by EUR 60 million, from EUR 571 million at the end of 2025 to EUR 512 million at the end of June. The group continues to generate solid operating cash flow, which was more than offset by investments, dividends and the launch of the share buyback program. Operating cash flow amounted to EUR 121 million, mainly generated by EBITDA and partially absorbed by changes in working capital and tax payments. Investments absorbed almost EUR 39 million, including roughly EUR 13 million euro for M&A and EUR 26 million for office renovations and the renewal of the group's IT infrastructure. Financing activities absorbed up to EUR 140 million, the main components being the buyback program, EUR 51 million in dividends, EUR 6 million repaid to banks for loans, and EUR 18 million in IFRS 16 lease payments.

Looking ahead, our outlook is to continue pursuing sustainable growth while maintaining our usual disciplined cost management, capital allocation and cash generation. With that, I will hand back to Tatiana.

Tatiana Rizzante

Let me add some colour on supply and demand. Demand continues to be very selective, as we have seen for about a year now, stronger, but selective. Customers are looking in particular for areas where they can achieve immediate, measurable outcomes. Broadly, that means two things.

The first is taking advantage of the productivity gains that AI brings, both across industry and within their own organisations, which is driving consolidation programs. For us these are a significant opportunity: as a relatively agile organisation with a nimble structure, we benefit from this trend, because it allows us to leverage our strong productivity and open up new, consolidated areas of business. On the other side, we see solid demand for building new products and services, almost always with artificial intelligence embedded in them. Practically all demand is moving in this direction.

A third area worth noting is fairly robust demand around sovereignty, not just sovereign infrastructure, but also what we call cognitive sovereignty, which goes hand in hand with the trends I just mentioned, and of course with cybersecurity. As customers move into AI, we see it as a powerful driver of both business growth and efficiency. On the adoption side, demand is supporting the brands we have developed over the past year that are dedicated to AI adoption, as well as our various partnership ecosystems, with Anthropic, OpenAI and others, which give us a very strong, open ecosystem in artificial intelligence.

On the other side, we see very strong demand for what customers call domain or vertical AI: adopting or creating new models, and agentic systems built on those models, to serve very specific industry challenges. This is happening across all industries. We have customers operating at scale: some of the largest European automakers are working substantially with

AI, and other companies are leveraging it for their agency networks. Even the public sector is adopting AI, airports such as Frankfurt and Aeroporti di Roma, and public institutions such as Oxfordshire County, frankly faster than we expected.

Within this vertical adoption, demand focuses on two main things for us. The first is the cognitive layer, which runs together with cognitive sovereignty: leveraging the opportunities that AI offers while retaining your intellectual property and knowledge assets, for today and for the future, in the data, but also in the application layer. The second is the run: running AI operations is becoming a significant part of the business, and so-called control towers and cost management are also becoming a topic to address.

To serve one of the main demand drivers, domain verticalization together with cognitive sovereignty, we launched the Model Factory, which you have seen. It was opened together with Reply's House, of which we are very proud, because it houses not only the Model Factory but also Area 73, our innovation lab dedicated to experience, which joins Area 42 in Lingotto. Area 42 is focused on robotics and Area 73 on experience. We also have our full-cycle model: the Model Factory covers the full cycle for building vertical, specialised AI models, mostly large language models or stable-diffusion models.

Importantly, this now allows us to work together with customers in the design and AI phases of the work, which requires bringing together scarce talent to address the scope and design properly. We believe this physical element is key to being effective, and effectiveness means the speed and quality of what we do. For larger AI ambitions, we will open a slightly smaller version at Reply's House in London, in our building there, if I remember correctly at the beginning of October.

Another important development, unrelated to AI but part of what we are doing in innovation to make sure we are ready for the future, is robotics. We have launched robotics competency centres in Italy, the UK and elsewhere. Together with our stronger positioning in the Internet of Things, these bring together a variety of competencies with AI to build autonomous things. This is going very well: you will have seen several press releases, including with the German civil protection agency, and we have won a number of further contracts. It is a business line that is developing very well.

You will also see some new announcements. We are strengthening our ability to create fully AI-generated content. We already have Reply Studios, and we are adding the ability to produce full films; we will be launching this with an AI challenge at the Venice Film Festival at the beginning of September. That is another important addition to our offering across our agency line.

I will not go into the partnership ecosystem now.

To conclude: we expect the market to remain turbulent, highly differentiated in terms of demand, and dynamic. But, as Marco said, our way forward is robust and in line with the results we are delivering. That's it from me.

Michael Lückenkötter

Thank you, Tatiana and Marco, for your comments.

We open the Q&A session. I saw the hands popping up right when the session started. So, no more comments on the process. I think the first question comes from Giovanni from Berenberg. Go ahead and remember to turn your mic on.

Giovanni Selvetti, Berenberg

Hello, and congratulations on the results. I have a few questions.

First, could you confirm the organic growth? I think Marco mentioned it during the presentation; I heard it was around 7.3%, so very similar to the total figure for the half. I just wanted to confirm that.

Second, on the regions: could you give a bit more colour on how the US performed within Region 1 in Q2, and what drove the 10% growth in Region 3? Is it France performing much better, or is it still the UK delivering most of the growth?

And third, could you give an update on M&A? Last time it seemed a deal was about to close in the US region, so I was wondering whether you have any update there.

Tatiana Rizzante

Marco, you take the first one; I'll take the regions and the last question.

Marco Cusinato

Yes, I confirm the 7.3% organic growth. That reflects minus 1.1% from M&A scope and plus 1% from foreign exchange, so those two components broadly offset each other: on 7.4% reported, the like-for-like figure is 7.3%. What was the second question?

Tatiana Rizzante

Regions, yes. On the colour for France and the UK: the UK continues to drive very good growth. France is still not performing as well as the others, but it is doing better than last year, when it was essentially declining, so we are on a better trajectory there. But the main growth driver continues to be the UK.

Marco Cusinato

Yes, and just to add, as I mentioned during my remarks, particularly in the public and government sector we are growing a lot in the UK. That is also why we increased the earn-out for the company we acquired, Solirius.

Tatiana Rizzante

On the UK, as you all know, we have these main markets there: government and defence together, and financial services; and a third, retail. In terms of size, government and defence are growing a lot, and the others are growing too. The synergy between organic growth and acquisitions is working very well. France continues to improve, as we said; we have seen the light there.

Giovanni Selvetti, Berenberg

Okay. The last one was the US.

Marco Cusinato

On the US results: the figures show that the US is growing, not as much as Region 1 overall, but it is growing, particularly in local currency. In US-dollar terms, growth is about 2 to 3%, a lot less than Region 1, but still growing.

Tatiana Rizzante

Yes. On our outlook, let me take this together. We have just completed an acquisition in the US, in the defence area, federal government and defence, designed to work in synergy with our whole defence line, which we are building. To anticipate your question: we will start to consolidate it over the coming quarters, and it will account for no more than about 2% of global revenues this year. We will give you better figures going forward, but this is a significant acquisition for us, because it takes us into a completely new area, with clear synergies with some of the business we have in the UK. I think it is a good move for us.

Giovanni Selvetti, Berenberg

Okay, I'll go back into the queue and may ask more later. Thank you.

Michael Lückenkötter

Okay. If I'm not mistaken, the next is Hugo from Kepler in Paris. Hugo, please, it's your turn.

Hugo Paternoster, Kepler Cheuvreux

Thank you for the presentation. I have a few questions. The first is on Region 3: could you give a bit of colour on its profitability, with EBIT turning negative? I wanted to understand whether there are startup costs there, or something year-on-year.

The second, similarly, is on Region 2: I'd like more colour on the performance, with the improvement in the top line; I want to understand why profitability moved between quarters, and the reason behind it.

And, perhaps together with your announcement, could you also give us your current exposure to the cybersecurity space, and how it is evolving?

Tatiana Rizzante

Okay. For Region 3, the change in profitability is mainly due to the UK, where we are making particular investments. As you remember, we made some smaller acquisitions with lower profitability than the group; we normally take at least a year to bring them up to speed, and as these are small, I believe it will be faster, we already expect improvement in the coming quarters. We also made another acquisition to address innovation. The acquisitions we have done are mainly in the defence and infrastructure business, while we are investing in innovative startups. So that is the UK. France, meanwhile, is progressing towards a recovery in EBITDA, which relates to Region 2.

Marco Cusinato

Sorry to interrupt, but on Region 3, the main effect this quarter is what I mentioned earlier: we increased the earn-out for Solirius. That is why it is going negative this quarter; around 99% of the effect is due to this. It is a one-off element.

Tatiana Rizzante

Sorry, Marco, I was commenting on EBITDA. And on Region 2: it is essentially investments. As you can see, we are working hard to restart the engine of growth there, and that carries some investment costs.

Hugo Paternoster, Kepler Cheuvreux

All right. And on industry, on defence and cybersecurity, what is your current position?

Tatiana Rizzante

We don't disclose these numbers, but we may work on it. Cybersecurity specifically is significant; it is a historical area for Reply, one we started before 2000, and it is a very strong segment. Defence, as you know, we started more recently, about last year, mainly in the UK, where, again, I'd have to check the details by industry, but government is the main sector. In the rest of Europe, defence is starting to become quite significant. So, defence is smaller, and relatively small; cybersecurity is large.

Hugo Paternoster, Kepler Cheuvreux

Right. And do you believe you can achieve synergies between your defence exposure in Europe and the business you are trying to build in the US?

Tatiana Rizzante

Yes, especially for NATO programs. Many defence programs are cross-border, common programs, or large NATO programs, so yes, we already see synergies between these areas.

Hugo Paternoster, Kepler Cheuvreux

All right, thank you very much.

Michael Lückenkötter

Okay, now we go back to London and Natasha from UBS. Natasha, please.

Natasha Brilliant, UBS

Hello, and thank you very much for taking my questions. I have three.

First, coming back to the US acquisition, which is good news: can you share how much you paid, to give us an idea, and some sense of profitability? Will it be similar to the rest of the US business? And, linked to that, has your view on capital allocation changed at all, how should we think about share buybacks going forward?

Second, on Q3: have there been any major changes in demand or customer behaviour? I'm not asking for guidance, or full-year guidance, but just any colour on changes in the dynamics over the last few weeks.

And finally, a big topic in the industry is the cost of AI tokens; could you share whether that has had any impact, and how you're thinking about it? Any colour would be very helpful. Thank you.

Tatiana Rizzante

On the price, we won't share it, certainly not today, and we prefer not to. You will see it from the cash movement in any case, but it is data we cannot give. What was the second point?

Michael Lückenkötter

About the profitability, whether the acquisition is dilutive or improves the margin.

Marco Cusinato

The acquisition we did will not dilute Reply's profitability; it is more or less in line with ours. And with respect to the US, yes, I think it will improve it a little. We don't disclose the price, but I can say we did not overpay, we paid at a normal market multiple.

On the share buyback: we started the program, and it is still ongoing. My expectation is that there will not be much activity in August, but the program will continue. As an update: since the beginning, the bank has bought almost 1 million shares on the market on our behalf, and Reply now holds a little less than 3%, 2.9% to be precise, in treasury shares. That's the update.

Tatiana Rizzante

AI tokens are becoming a topic. On one side it is driving more sophisticated demand, which is good. On the other, in terms of the cost of services, it is still manageable, because you have humans in the loop. The real test will come with autonomous, long-running agents, where you effectively have full AI workers; that will be decisive, and it is also why we are increasing our ability to build specialised models. As you know, this started to become an issue around June, when a few of the large model providers changed their pricing models, and I expect it will remain a topic. I don't want to call it a challenge; on the other side it is an opportunity. It is a world we will live in for the next few years, a bit like energy, so everyone is starting to do their own analysis.

Natasha Brilliant, UBS

Okay, perfect. And any comments on Q3?

Tatiana Rizzante

On Q3, as we said, we don't see any reason why we would not continue in line with what we have delivered. We don't see anything on the horizon that concerns us.

Natasha Brilliant, UBS

Understood, it's a difficult call to make. Okay, perfect. Thank you very much indeed, much appreciated.

Michael Lückenkötter

Thank you, Natasha. Next in line is Alberto from Equita. Alberto, please.

Alberto Gegra, Equita

Hi, good afternoon, everyone. A couple of questions from my side. The first is on the improvement in Germany, which recovered nicely from the flattish performance in the first quarter. Could you give more colour behind that improvement, and, for example, are you confirming mid-single-digit growth for the second half of the year as well? The second: could you tell us the total workforce, both in headcount and cost, including external workers, and what we should expect going forward this year?

Tatiana Rizzante

Okay. On Germany, the improvement is mainly because we restarted creating startups and building internal offerings. We had responded a little late to the change in the market, let's put it that way, and Germany's market pace had also changed, so we took some time. We believe the actions we have put in place, in business development and in our market offering, are sustainable for the future. What was the other question?

Michael Lückenkötter

Total workforce, including external.

Marco Cusinato

On the number of external people, I don't have that figure to hand; we don't track it that way. On cost, I don't have the precise answer, but I can put it this way: as I said in my remarks, the increase in internal costs was lower than the increase in revenues, so we are slightly reducing internal personnel costs relative to revenues, while external costs remained the same as a percentage as in the previous period. We will come back to you with the exact number, but the cost of external staff now sits within other services, so we would need to split it out to give the absolute value.

Alberto Gegra, Equita

Okay, thank you very much.

Michael Lückenkötter

Okay, thank you, Alberto. Now we go to Deutsche Bank, Tintin, please, it's your turn.

Tintin Stormont, Deutsche Bank

Good afternoon and thank you. Most of my questions have been answered, but just on Germany and the UK: you flagged that both continue to receive investment for future growth. Could you give us some colour on how long you expect those investments to continue? In Q1, Germany was already absorbing these investments, and now you've added more in the UK, how many quarters of impact do you expect?

Tatiana Rizzante

Okay. It's difficult to answer, because these are startups we are setting up, and they may deliver results a little faster or a little later. In terms of results, we don't expect to lower the group's EBIT substantially; we invest what we can while maintaining a healthy management of the group as a whole. So, indirectly, the answer is that you shouldn't expect large global swings up or down. We will continue to invest in these countries as much as we can: historically we generate a lot from Italy and then deploy it, and increasingly we generate from other countries too, though that is still newer for us. So, we expect to invest as much as we can across the different countries, while, as a good housekeeper, only doing what we can afford.

Tintin Stormont, Deutsche Bank

And just a quick one on France, to confirm: is it now profitable at the EBITDA level?

Tatiana Rizzante

Let's say occasionally yes; progressively, not yet. We are getting there.

Tintin Stormont, Deutsche Bank

Okay, great, thank you.

Michael Lückenkötter

Thank you, Tintin. Now we go to Intesa, Antonella, it's your turn, please.

Antonella Frongillo, Intesa Sanpaolo

Hi everyone, thank you for taking my questions. Two from my side. The first is my usual question on the other revenues you report on a half-year basis; we'll see the number in your accounts. Could you tell us in advance whether there is any extra revenue from grants or other lumpy items we should be aware of, also considering the strong profitability you reached in the second quarter in Region 1? The second is on working-capital absorption: could you elaborate a bit more? It was slightly higher than I expected, and I wonder whether it relates to the work-in-progress item on your balance sheet, which peaked in the first half. I was wondering whether there is something we should read into that. Thank you.

Marco Cusinato

The second one is more difficult, and I may answer later in the call, I need to check some things in the meantime. On the first: there is no particular one-off item in other income this half. The figure for the half is EUR 3.21 million, versus EUR 3.7 million last year, so the usual items, no one-offs or lump sums.

Michael Lückenkötter

I think the main impact is coming from work in progress, as you assume, Antonella.

Marco Cusinato

Yes, but let us look into it a little while we take other questions, and we will answer, hopefully during this call, or otherwise afterwards.

Michael Lückenkötter

Okay, thank you, Antonella. Now we hand over to Isacco from Mediobanca. Isacco, please.

Isacco Brambilla, Mediobanca

Hi, can you hear me well? I have three questions.

The first is on volumes and prices. This is now the third quarter in which you are accelerating the top line, and I'm wondering what the drivers are: additional demand in terms of volumes, or perhaps clients easing off on the discounts they were asking for compared with, say, last year?

The second is on profitability in region one: I recall you mentioning the possibility of giving back some efficiencies to clients in terms of price, even to stimulate demand, yet the EBITDA margin continues to rise here. So, I'm wondering what the drivers are: is it simply better scale, or better absorption of costs as you accelerate the top line, or something else?

The final question is more technical, on modelling: is the closing of the US acquisition already advanced enough that we should expect a six-month consolidation this year?

Marco Cusinato

Let me take the last one, the timing of the US acquisition. We closed it on 14 July, so it has already happened, and we will consolidate from mid-July: not the full second half, but almost all of it.

Tatiana Rizzante

Now let me try, very carefully given this figure, to convey the point I tried to make a few calls ago, which was clearly misunderstood. With AI, you can achieve much more productivity. We work mainly on turnkey, 70% is turnkey, so we could substantially raise our margin if we kept prices the same. But if we kept prices the same, we would not gain market share. Our decision is not to reduce profitability, that is not the style of the house, but to keep profitability at a very healthy level, and to use our productivity gains mainly to gain market share. So, I never expected our EBIT margin to decrease for market reasons or by design. What it means is that, if you are good at increasing productivity, you have a major opportunity to gain market share, because customers are looking at the things they contracted for years ago and trying to find more effective ways to do them. Of course, to win the same amount of revenue you have to win more work, because the same task now costs less, so it's a double effect. When you look at the margin, you see in the cost of labour that we are gaining a little productivity. And of course, we only take risks we can manage with customers. So, expect us to keep leveraging productivity, with a modest increase. As for the improvement we've made, it's a mix of some clean-ups and, especially, work in certain regions that we keep doing steadily. I wouldn't over-justify the trend; we already have a very high level of profitability, so you should be pleased.

Isacco Brambilla, Mediobanca

Okay, thanks for all the answers.

Marco Cusinato

Can I answer the second question from Antonella?

Okay. The work in progress does spike a little in June, but this is the normal seasonality of our business. Our analysis is that the trend is in line with last year: it increased relative to the beginning and the end of the year, so this work in progress follows the same pattern as last year, our seasonality, peaking mid-year relative to year-end. We can follow up one-to-one to discuss it in more depth if you like.

Michael Lückenkötter

Next is Andrea from Intermonte. Andrea, please, it's your turn.

Andrea Randone, Intermonte

Good afternoon, and thanks for taking my questions, just a few on your offering.

The first is on the Reply Model Factory: could you give us an update, including whether the new Reply's House of models is operational now, and what to expect there?

The second is on Silicon Shoring version two, which you mentioned on the previous call, what are you seeing in terms of the pipeline of projects?

And the last one relates to what you said earlier: you mentioned that your recent acquisition in defence can be beneficial together with the Solirius offering in the UK. I wonder whether, in the medium term, you see a new offering emerging for other markets such as Italy and Germany in the defence segment, coming from the companies you now own, so, some replicability of this kind of business. Thank you.

Tatiana Rizzante

Okay. On the last one, yes. We have already started, actually with startups, in Italy, where we chose to start because we assessed that there was no suitable acquisition target. So yes, this will also support the Italian business in terms of offering, content and alliances. Meanwhile we are working to set it up in Germany, but we are not there yet; our next move will definitely be Germany in defence, and I hope we will be able to do it in the short term.

On the Model Factory: it is operational. Since the opening of Reply's House, it covers the full lifecycle, from design, scope, and data gathering and preparation, through continuous pre-training from scratch and fine-tuning (small fine-tuning is business as usual for us), together with the larger solutions. It covers the full chain, with different teams and companies working along it. It is a global initiative, and we are replicating the same teams across different countries. We are not building infrastructure, and we have no intention of owning it, except possibly for Reply's own inference and consumption, which is a separate discussion. We work with an ecosystem of partners: some sovereign Italian partners, as you may have seen in an announcement in the last few days, we are among the partners working with other Italian entities on sovereign infrastructure, and Scaleway for the European sovereign infrastructure, and so on. Our strategy is to partner with AWS for global workloads where possible, that is, where there are no heavy sovereign requirements such as in defence. So, it is more about the service, and about putting together the model and the datasets. We have already created a selected set of datasets, and we expect each of these dataset assets, together with the Model Factory, to matter. We already have our first important references, the one I can cite publicly is the European Institute of Oncology, which I probably mentioned last time, and several others. It ranges from very small, fast-to-train models of 1 to 7 billion parameters up to large models. We see a lot of traction, because of the growth in token costs but also because of cognitive sovereignty in general: for an enterprise to keep its own assets, they will use the large models but also build their own.

Andrea Randone, Intermonte

Thank you. And on Silicon Shoring?

Tatiana Rizzante

Silicon Shoring is going very well across almost all countries in Europe. We have not yet brought it to the US, because we have a different positioning there and do a different type of work; in the US at the moment, we do less software development. It is growing well. I won't cite customers by name, but it is helping us with what I described earlier: consolidation, helping customers reduce the cost of building and maintaining traditional software. It is an important element in winning market share.

Andrea Randone, Intermonte

Thank you.

Michael Lückenkötter

Okay, thank you, Andrea. Now we turn to Bernstein. Derric, good afternoon.

Derric Marcon, Bernstein

Good afternoon. My question is about the number of startups you have created year-to-date and over the past 12 months. Can you help us understand how many startups you have created, in which countries, and how that compares with the total number of entities you had a year ago? Thank you very much.

Tatiana Rizzante

About 40 startups since the beginning of the year. In terms of number, that's roughly 14%; we have around 290 in total. This gives you the scale and the idea.

Derric Marcon, Bernstein

And if I remember correctly, in Q4 2025 you had already created around 25?

Tatiana Rizzante

Yes. We are increasing the number of startups.

Derric Marcon, Bernstein

So, let's say, over the past 12 months, around 65 startups created?

Tatiana Rizzante

Yes, some of them are spin-offs, of course.

Derric Marcon, Bernstein

And can you share a bit of the split between countries, by region?

Tatiana Rizzante

I don't have the precise number, and I don't want to give several numbers. Most of them we continue to do in Italy, to keep business growth in the region, and in the US within Region 1. But we have also done a lot in Germany, France and the UK. Most of our effort goes there, both because we needed to deploy companies and because we are creating new lines of offering specifically for those countries. If you want the precise number, we can share it later.

Michael Lückenkötter

Okay, Derric, does that answer your question?

Derric Marcon, Bernstein

Yes, perfect. Okay, thank you.

Michael Lückenkötter

Thank you very much. I don't see any further questions, which means we have reached the end of the call. Many thanks again for joining us today. My finance colleagues tell me that tomorrow we will publish the report in Italian and in English, so you should be able to download it during the course of tomorrow. And we will work on the transcript as quickly as possible, as usual. Please write to me if you have additional questions and I will be glad to help. As a reminder, we will meet again in November for the nine-month and third-quarter 2026 results.

So, thank you again and have a good afternoon.

Tatiana Rizzante, Marco Cusinato

Thank you. Bye