



**REPLY**  
**HALF-YEAR**  
**FINANCIAL**  
**REPORT 2017**

**REPLY**  
**HALF YEAR**  
**FINANCIAL REPORT**  
**AT 30 JUNE 2017**



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# **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

### **Independent Auditors**

EY S.p.A.

(1) Directors not invested with operational proxies.

(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance

(3) Lead independent director

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

# FINANCIAL HIGHLIGHTS

## THE GROUP'S FINANCIAL HIGHLIGHTS

YE 2016	%	Economic figures (Euros/000)	1 <sup>st</sup> half 2017	%	1 <sup>st</sup> half 2016	%
780,739	100.0	Revenues	441,623	100.0	386,513	100.0
106,417	13.6	Gross operating income	61,736	14.0	51,333	13.3
99,594	12.8	Operating income	56,972	12.9	47,992	12.4
97,405	12.5	Income before taxes	53,460	12.1	47,271	12.2
67,544	8.7	Group net income	35,182	8.0	30,079	7.8

YE 2016	Financial figures (Euros/000)	1 <sup>st</sup> half 2017	1 <sup>st</sup> half 2016
337,017	Group shareholders' equity	360,061	305,420
520	Non-controlling interest	280	(341)
770,575	Total assets	738,545	689,582
160,404	Net working capital	165,334	156,633
308,779	Net invested capital	325,050	281,785
79,497	Cash flow	33,011	34,727
28,758	Net financial position	35,291	23,294

YE 2016	Data per single share (in Euros)	1 <sup>st</sup> half 2017	1 <sup>st</sup> half 2016
9,352,857	Number of shares	9,352,857	9,352,857
10.65	Operating result per share	6.09	5.13
7.22	Net result per share	3.76	3.22
8.50	Cash flow per share	3.53	3.71
36.03	Shareholders' equity per share	38.50	32.66

YE 2016	Other information	1 <sup>st</sup> half 2017	1 <sup>st</sup> half 2016
6,015	Number of employees	6,343	5,739

# REPLY LIVING NETWORK

## REPLY LIVING NETWORK

Reply is a company that specialises in consulting, system integration and digital services with a focus on the invention, 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 optimise and integrate processes, applications and devices.

## THE ORGANISATIONAL MODEL

Reply operates through a network of companies specializing in processes, applications and technologies, which are centers of excellence in their respective fields of expertise.

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

**Applications** – Reply designs and implements application solutions aimed at satisfying companies' core business requirements.

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

### REPLY'S SERVICES INCLUDE:

**Consulting** – in terms of strategy, communication, design, process and technology;

**System Integration** – making the best use of the potential of technology, combining business consulting with innovative technological solutions of high added value;

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

## MARKET FOCUS

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

### TELCO & MEDIA

Reply works with major telecoms and media operators to define and implement digital transformation strategies applied to the main core processes.

Reply has defined an integrated offer 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 virtualisation) through network engineering services and network operations. The solutions developed by Reply were also applied to the network mediation layers used in the automotive world to enable 3G-4G communication between the services and control centre (NOC-SOC) and cars equipped with a “black box”.

Reply also works with leading European operators in the renewal of Operations Support/Business Support Systems (OSS/BSS) towards increasingly more customer-focused service models and an omnichannel configuration of the offer.

With regard to the area of network security, Reply has provided an innovative solution, based on the Ethereum Blockchain paradigms, to enable the identification, prevention and removal of attacks by hackers on SDN networks, which are typically more flexible and adaptable to the requirements of the service, but, at the same time, more vulnerable to external attacks.

Finally, Reply is involved in the design and implementation of services and applications for latest generation mobile devices (on-demand or linear audio/video content, integration with connected products, customer support services and omnichannel customer engagement solutions).

### FINANCIAL SERVICES

Reply is increasingly active in supporting the digital transformation of Europe's financial institutions. In this field, Reply is working with some of the major 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 app 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.

With regard to the wealth management area, Reply has a strong presence on the market and has developed a wide range of specific skills and solutions aimed at, for example, the emerging models of consultancy and remote advice platforms and solutions. In the area of Governance Risk Control (GRC), Reply operates with a dedicated consulting division, integrated into a European network and highly specialised in the subjects of risk-evaluation, risk control and new regulatory models and solutions.

In the increasingly strategic area of big data, Reply is heavily investing and operating with some of the most important financial institutions (banks and insurance companies) in two directions: the concrete integration of the new big data technologies and architectures with existing systems and architectures, and the development of skills as well as analytics and machine learning models, aimed at extracting tangible business value from available databases.

Another area in which Reply is strongly present and highly specialised is the mobile payments realm and related m-commerce services. Reply offers consulting services, as well as a wide range of models and architectural solutions based on different standards, technologies and usage profiles, aimed at the banking/insurance market and at emerging players in the payments industry.

Lastly, in the most advanced frontiers of innovation, Reply is present with numerous projects, such as in the area of the latest biometric recognition technologies and digital identity, in the IoT applied to specific insurance sectors (car, home and health), in cryptocurrencies and in solutions relating to blockchain technology, in the experimentation and assessment of “fintech” models of peer to peer lending, crowdfunding and in the definition of specific e-marketplaces for financial institutions.

## **MANUFACTURING & RETAIL**

Reply supports companies in the phases of transformation and management of information systems: from strategic design to the understanding and redefinition of main processes, and the implementation of solutions that integrate core applications in the manufacturing and distribution sectors. The areas of focus and development of skills concern: the support of supplier relationship management (SRM) processes; the design and implementation of control systems; the planning of production units through manufacturing execution systems (MES); the distribution and movement of products on complex logistics networks through supply chain execution (SCE) processes.

Industry 4.0 and Logistics 4.0 are elements of particular focus for the strategic development of companies in the sector. In particular, the new competitive challenge for processing companies is the introduction of increasing levels of flexibility within the shop floor. Reply has significantly enhanced its product offer in this area. Proprietary SCE and MES solutions have been re-engineered. On the basis of the IOT, cloud computing and big data paradigms, a solution was developed focused on the ability to interact with the latest generation of sensors on production lines and products, with the aim of creating the backbone for the next generation of applications in the logistics and manufacturing sector.

For the retail market, Reply has defined a specific line of products and services that combine consulting services with the design and development of integrated web and mobile solutions, call centre products and in-store services. Customer focus is a fundamental theme where digital devices, as well as the innovation of digital channels and of physical locations come together to create a single engaging and consistent user experience.



## **ENERGY & UTILITIES**

The energy and utilities sector is seeing a progressive spread of innovative technologies on an industrial scale, with the aim of transforming existing processes in all areas of the value chain. Driven by market and regulatory pressures, operators are decisively targeting investments in the digitisation, optimisation, programming and operation of installations for the generation, transport and distribution of electricity. Indeed, the new home network model constitutes a new competitive arena in which utilities will be compared with operators in other market sectors, particularly telecommunications.

Reply is one of the reference partners for companies operating in the sector, combining an extensive knowledge of the market and of its unique processes, with a distinctive ability to design, implement and manage applications and technological solutions in support of the “core business” in the generation, trading and risk management, pricing and forecasting, metering, billing and CRM areas. Moreover, the company’s consolidated expertise relating to the introduction of new technologies (IoT, big data, cloud, mobile, etc.) was vertically applied to operating models for the various areas of the energy and utility value chain, in particular in the definition and development of new smart metering, smart grid and asset and work management models. Reply also assists its customers in the adoption of new energy management paradigms aimed at raising energy efficiency, a field in which the company offers a complete product range aimed at both energy sales companies and end consumers.

## **HEALTHCARE & GOVERNMENT**

The need for “cost savings” as well as the reorganisation of important public administration sectors, including health, have determined an initial legislative adjustment in central government in Italy, with the contextual redefinition of spending centres in various regions, with the redefinition of organisational models aimed at ensuring the centrality of citizens with regard to services supplied, whether relating to the health sector or otherwise. The slogan for this transformation is: Digital PA. In this scenario, Reply benefits from the experience it has gained 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. The key areas that can potentially impact the organisational model are: the home telemonitoring of patients, electronic prescriptions and e-health solutions for the management of individuals suffering from chronic diseases. In this context, Reply has developed a specific platform designed to facilitate an integrated network of communications between patients and community operators at various levels: hospitals, nursing homes, healthcare centres, community centres and so forth.

## **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 needed 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.

## **BLOCKCHAIN**

Within the context of digital finance services, Reply has set up a Competence Centre focused on the study and development of the blockchain product offer. The Competence Centre, active in different countries (Italy, the UK, Germany, France, Benelux) and across various vertical industries (Banking, Insurance, Telco & Media, Energy, Retail, Healthcare, Real Estate, etc.), works to accelerate customer adoption of the most widespread blockchain technologies, such as Bitcoin, Ethereum, Hyperledger and Multichain. Moreover, the company's proven expertise in system integration is reflected in the blockchain world, in the ability to interface with Blockchain-as-a-Service services offered by major IT vendors, allowing Reply's blockchain solutions to fall in the "enterprise-ready" software product category.

## **CLOUD COMPUTING**

Cloud computing has established itself as one of the most important areas of transformation that companies have had to face. The offer of virtual environments and services by leading vendors worldwide has in fact modified, if not revolutionised, the concept of IT as it was traditionally interpreted, by changing it from 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 necessary 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 customers to understand, select and develop the best 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, SAP 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 quality of services offered to customers, the ability to understand and anticipate their needs, the creation of an immediate, effective and cross channel interaction experience are essential elements for the building and expansion of a one-to-one relationship. Reply has defined a strategic CRM framework based, in particular, on the redefinition of processes and the introduction of new technologies focused on interaction automation and behavioural analysis.

By combining the skills gained in the fields of digital communication, social media, gamification, the Internet of Things, data intelligence and the mobile world, new techniques and methods have been identified aimed at defining a customer engagement strategy that responds quickly and effectively to customer needs. Another area of innovation, both in terms of process as well as of service, is rooted in the increasingly broader introduction of bots and virtual assistants that facilitate the real-time monitoring of customer experience across the entire digital ecosystem, providing a unique and no longer fragmented view per channel, of the brand-customer relationship evolution.

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

## **DATA & ANALYTICS**

By combining technological skills in data analysis, data modelling and data process re-engineering, Reply made it easier for its customers 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, Reply assisted companies in the application of Big Data technologies (creating architectures based on the new “data lake” concept) and in the development and application of advanced analytics models, bringing together business experts and data scientists to define core business processes with a data-driven focus.

Reply has also initiated the development of a specific offer in the machine learning field, designed to address the growing demand by companies to automate lower impact digitised processes (i.e. invoice reconciliation) while increasing the ability to build value-added services based on innovative process automation models through deep learning, image recognition and prescriptive analytics.

To better support its customers in the introduction of advanced data-use techniques, Reply has also developed a training programme aimed at establishing a new generation of data scientists capable of taking full advantage of the latest machine learning and data analysis techniques.

## **DIGITAL EXPERIENCE**

Today, technology has definitely moved beyond the confines of the ICT world, characterising, guiding and influencing our everyday life, and consequently opening new dimensions and opportunities for digital communication of the brand.

To better support its customers in this new vision of the brand and of the brand-customer relationship, Reply has developed an extended and specialised set of skills, ranging from digital storytelling to a multi-platform strategic vision, from contextual interaction (proximity marketing) to omnichannel loyalty, from data recognition abilities used to capture large quantities of information to the consequent data analysis expertise required to be able to transform the data into effective market insights.

In addition to the creation and management of every aspect of the interactive digital brand image, Reply's areas of expertise include creativity and technology as applied to important sectors such as mobile telephony, e-commerce, gaming and the Internet of Things. These also constitute areas that commercial brands need to master both now and especially in the future, as can already be seen in the major global communication markets.

Another important field in which Reply supports its corporate customers involves communication via digital social media networks. This is now a mainstream activity that has expanded significantly over the last few years and is now more than ever the acknowledged global arena for brand-user relationships.

## **DIGITAL PAYMENT**

The vast diffusion of mobile devices among consumers and the creation of new payment instruments that see the mobile component as a supporting factor, make the payment sector one of the areas with the highest growth rate. Reply has defined a dedicated offer – based on consultancy services and technological platforms – to assist banks, financial institutions, telecommunications companies, utilities and retailers in the processes needed to create and supply innovative services of remote and proximity digital payments.

The technological asset is HI Credits™, the Reply platform that enables personalised and contextualised payment services, by using the available smartphone technologies. HI Credits™ is capable of supplying, on the same platform, remote and proximity payment services with mobile POS solutions and enabling transfers between private individuals based on current accounts with the P2P app.

## **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 on 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.

An evolution of this dimension in the traditional purchasing scenario has led Reply to define an omnichannel 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**

Today, digital transformation is the predominant theme on the agenda for companies. All 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, 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 timeframes, 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.

## **INDUSTRY 4.0**

The fourth industrial revolution is the combined effect of connectivity, data processing power, latest generation mechanical automation, machine learning and artificial intelligence. Industry 4.0 models are quickly redefining production sites around the world, transforming them into systems closely interconnected with the supply chain, logistics, sales, the products themselves and the support and maintenance chain. The plants become open ecosystems that must be able to adapt autonomously to new tasks, to carry out their own maintenance activities and to predict the best input and output flows through constant communication with supply chains, attaining levels of efficiency and control that minimize costs and maximize results.

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

## **THE INTERNET OF THINGS**

The drive for convergence between the telecom, 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 integrated home automation control systems...). One of the major developments currently underway therefore 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 Reply™, 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 Reply™ was designed and built within the Reply research and development centre based on the Internet of Things.

## **MOBILE**

In the mobile sector, Reply supports companies in defining interaction scenarios with their users based on omnichannel applications and architectures capable of meeting the needs that the new market scenario is imposing: appeal and high usability of services, high performance; the creation of enabling architectures capable of integrating new channels and types of devices with flexibility through which to provide services and content on the basis of the specific guidelines of each platform.

In particular, with regard to the exponentially growing phenomenon of mobile video – where the quality and stability of the service are essential to ensure its success – Reply is involved in major European projects for the provision of OTT-TV services, with design, development, validation and monitoring teams.

In addition, Reply has established the company’s own application factory dedicated to mobile applications for both the business and consumer spheres. There is a user experience laboratory in the factory, alongside teams of developers specialised in various platforms, which bases its activity on a data-driven approach using tools and methods that focus on users and their needs and behaviours.

## **AUGMENTED REALITY, VIRTUAL REALITY**

Augmented reality (real world vision enhanced by digital information) and virtual reality (the interaction and exploration of virtual environments) are now the subject of investments by all major technology leaders. The introduction on the market of various new headsets including the OCULUS (Facebook); Steam VR (VALVE); Hololens (Microsoft) and PlayStation VR (SONY). VR/AR represent the next big step in the convergence between the physical and the digital worlds, with countless B2B and B2C repercussions.

The use of these technologies in the professional and industrial sectors is already becoming more widespread today: from the presentation of very large projects that are difficult to transport, to the creation of training sessions on plants that are far away or have not even been built yet, to medical cybertherapy.

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 therefore developed an offer specifically orientated towards the development of solutions devised to increase user involvement. This product offer 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 users a captivating experience, transporting them into a navigable virtual environment.

### **RISK, 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 income associated with that risk. Using this method, Reply enables its customers 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.

### **SERVICE DESIGN**

Today, innovation is the only way to survive in an increasingly global and digital market. Innovating in a “sustainable” manner, therefore creating a positive impact for people, for the community and for the company itself, represents an ideal way to excel. Nowadays, it is people who drive the digital transformation and companies must find ways to listen to their requests. If, on the one hand, modern technology and the digitisation of products and services have given rise to new business opportunities, on the other, the analysis of users’ real needs has become one of the key factors for the success of a company.

Within the area of innovation and digital transformation, Reply has invested in strategic design, seen as an enabling factor in the provision of end-to-end solutions for its customers, with the aim of supporting them throughout the entire process, from the generation of ideas to the implementation and release of the final solution.

### **SOCIAL MEDIA**

In recent years, social media has profoundly changed the way in which individuals of all age groups communicate and interact both in their private and professional lives.

Reply offers an innovative approach for maximizing the value of brands’ digital identity on social media channels, with a view to integration with other relational touch points, from search engines – nowadays closely interconnected with social media – to television, for second screen interaction analysis.

### **VIDEO & GAMING**

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 particularly 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.

Video gaming, as well as being a mass phenomenon, has now also become a language of communication. Providing customers with an entertaining experience that leaves a positive opinion of the brand in their memory is a priority and is essential nowadays for any communication or engagement campaign, regardless of whether it is intended for the smartphone screen or packaged for a physical sales point. Reply has developed a product offer capable of meeting all of a brand's needs, from the use of virtual reality and augmented reality to the production of educational games (Edutainment) or to promote a product or a message (Advergaming). Reply is constantly investing in this area, so that by using the technologies involved it can offer increasingly innovative and engaging game experiences.

Designing and developing games is a highly professional and specialist activity. 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. The games developed by Reply involve all of the group's technological and distribution platforms, while the portfolio includes titles of varying complexity aimed at a variety of target audiences. The experience acquired and the quality of the games produced position Reply as a major player in the international gaming industry. This is reflected both in the production of its own products and in the supply of vertical services to other industries in the sector.



# **INTERIM FINANCIAL REPORT 2017**

## **FINANCIAL REVIEW OF THE GROUP**

### **INTRODUCTION**

The Half-Year report for the period ended June 30, 2017 has been prepared in accordance with the Legislative Decree. 38/2005, 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 €441.6 million, which is an increase of 14.3% compared to the same period in 2016.

In the first half of 2017, increased profit margins have also been recorded, with consolidated EBITDA of €61.7 million (+20.3%) and EBIT for the period of €57.0 million (+18.7%). Pre-tax profit amounted to €53.5 million, which represents an increase of 13.1% compared to 2016.

For the second quarter of the year, the Group's performance is equally positive, with consolidated turnover for the period of €233.2 million, which is an increase of 16.5% compared to 2016.

EBITDA, from April to June 2017, amounted to €33.7 million, with EBIT of €31.8 million and pre-tax profit of €28.1 million.

As at 30 June 2017, the Group's net financial position was positive for €35.3 million, growing compared to the Group's net financial position as at 31 December 2016 amounted to €28.8.

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

Reply's strength is its ability to interpret innovation by making it functional to businesses' requirements. Reply is one of the first companies, for example, to work on the paradigms of Big Data, Cloud Computing, the Internet of Things and Augmented and Virtual Reality.

Today, the new frontier is represented by Artificial Intelligence and Machine Learning, technologies which all sectors of industry are introducing and in which Reply is significantly investing in specific solutions and expertise, to help businesses deal with the most substantial transformation over the new few years.

## RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

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

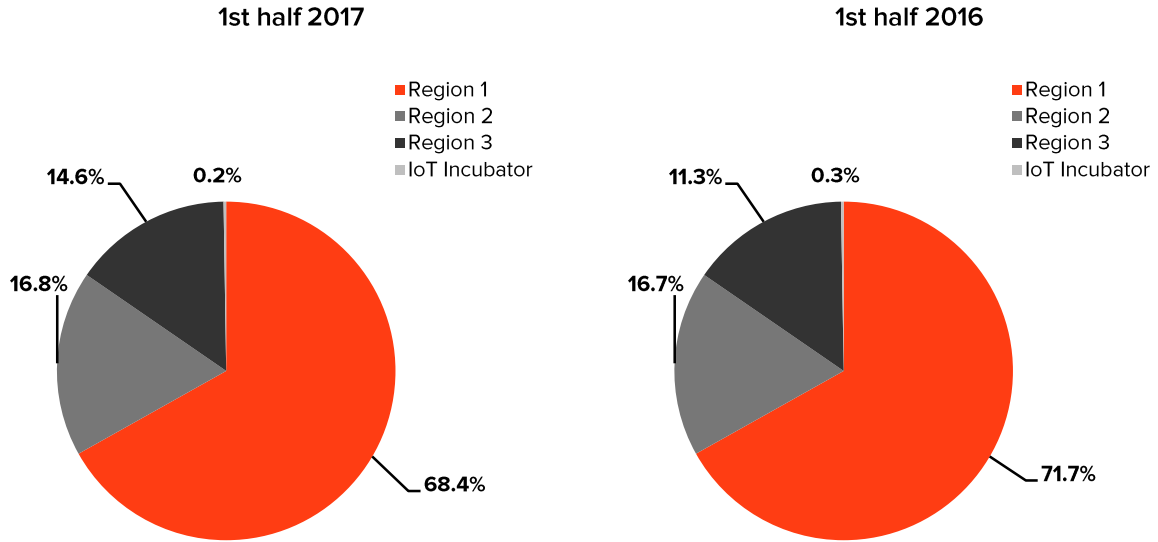
<b>(thousand Euros)</b>	<b>1st half 2017</b>	<b>%</b>	<b>1st half 2016</b>	<b>%</b>
<b>Revenues</b>	<b>441,623</b>	<b>100.0</b>	<b>386,513</b>	<b>100.0</b>
Purchases	(9,029)	(2.0)	(8,428)	(2.2)
Personnel	(216,298)	(49.0)	(189,838)	(49.1)
Services and other costs	(153,786)	(34.8)	(137,915)	(35.7)
Other operating (costs)/income	(773)	(0.2)	1,000	0.3
<b>Operating costs</b>	<b>(379,886)</b>	<b>(86.0)</b>	<b>(335,181)</b>	<b>(86.7)</b>
<b>Gross operating income (EBITDA)</b>	<b>61,736</b>	<b>14.0</b>	<b>51,333</b>	<b>13.3</b>
Amortization, depreciation and write-downs	(5,932)	(1.3)	(4,863)	(1.3)
Other unusual (costs)/income	1,168	0.3	1,523	0.4
<b>Operating income (EBIT)</b>	<b>56,972</b>	<b>12.9</b>	<b>47,992</b>	<b>12.4</b>
(Loss)/gain on investments	(1,959)	(0.4)	-	-
Financial income/(expenses)	(1,553)	(0.4)	(721)	(0.2)
<b>Income before taxes</b>	<b>53,460</b>	<b>12.1</b>	<b>47,271</b>	<b>12.2</b>
Income taxes	(17,731)	(4.0)	(17,119)	(4.4)
<b>Net income</b>	<b>35,729</b>	<b>8.1</b>	<b>30,152</b>	<b>7.8</b>
Non-controlling interests	(546)	(0.1)	(74)	-
<b>Group net income</b>	<b>35,182</b>	<b>8.0</b>	<b>30,079</b>	<b>7.8</b>

## RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME OF THE SECOND QUARTER

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

<b>(thousand Euros)</b>	<b>Q2 2017</b>	<b>%</b>	<b>Q2 2016</b>	<b>%</b>
<b>Revenues</b>	<b>233,218</b>	<b>100.0</b>	<b>200,170</b>	<b>100.0</b>
Purchases	(6,082)	(2.6)	(3,738)	(1.9)
Personnel	(110,805)	(47.5)	(98,492)	(49.2)
Services and other costs	(81,503)	(34.9)	(72,919)	(36.4)
Other operating (costs)/income	(1,150)	(0.5)	1,365	0.7
<b>Operating costs</b>	<b>(199,541)</b>	<b>(85.6)</b>	<b>(173,785)</b>	<b>(86.8)</b>
<b>Gross operating income (EBITDA)</b>	<b>33,678</b>	<b>14.4</b>	<b>26,385</b>	<b>13.2</b>
Amortization, depreciation and write-downs	(3,028)	(1.3)	(2,524)	(1.3)
Other unusual (costs)/income	1,168	0.5	1,655	0.8
<b>Operating income (EBIT)</b>	<b>31,817</b>	<b>13.6</b>	<b>25,516</b>	<b>12.7</b>
(Loss)/gain on investments	(1,959)	(0.8)	-	-
Financial income/(expenses)	(1,743)	(0.7)	(738)	(0.4)
<b>Income before taxes</b>	<b>28,116</b>	<b>12.1</b>	<b>24,778</b>	<b>12.4</b>

## REVENUE BY REGION (\*)



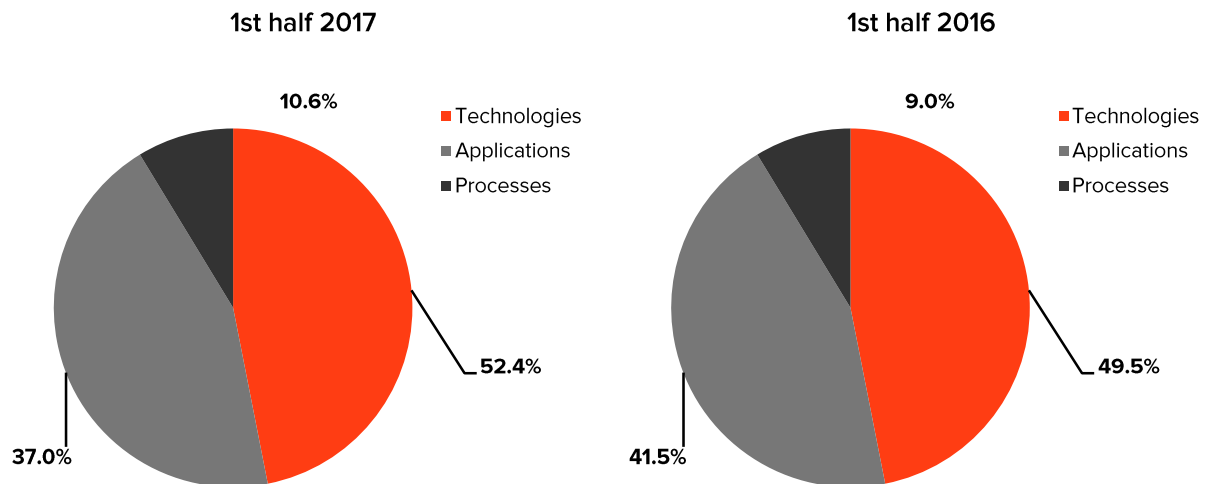
(\*)

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

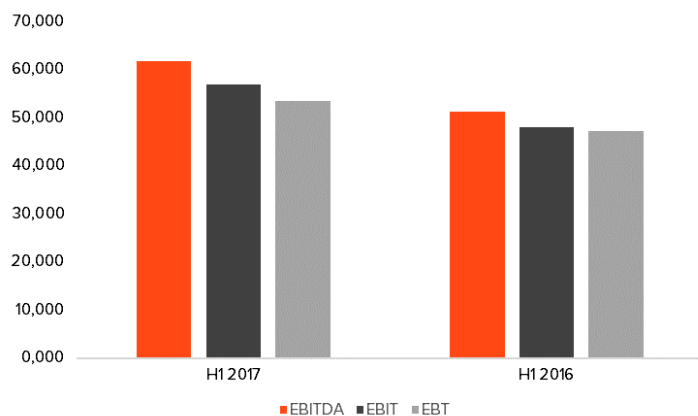
Region 2: DEU, CHE, CHN, HR

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

## REVENUE BY BUSINESS LINES



## TREND IN KEY ECONOMIC INDICATORS



## ANALYSIS OF THE FINANCIAL STRUCTURE

The table below illustrates the Group's financial structure as at June 30, 2017, compared to December 31, 2016:

(thousand Euros)	30/06/2017	%	31/12/2016	%	Change
Current operating assets	408,632		442,655		(34,023)
Current operating liabilities	(243,298)		(282,251)		38,953
<b>Working capital, net (A)</b>	<b>165,334</b>		<b>160,404</b>		<b>4,930</b>
Non-current assets	245,746		232,441		13,305
Noncurrent liabilities	(86,031)		(84,067)		(1,964)
<b>Fixed capital (B)</b>	<b>159,715</b>		<b>148,374</b>		<b>11,341</b>
<b>Invested capital, net (A+B)</b>	<b>325,050</b>	<b>100.0</b>	<b>308,779</b>	<b>100.0</b>	<b>16,271</b>
Shareholders' equity (C)	360,341	110.9	337,537	109.3	22,804
<b>NET FINANCIAL POSITION (A+B-C)</b>	<b>(35,291)</b>	<b>(10.9)</b>	<b>(28,758)</b>	<b>(9.3)</b>	<b>(6,532)</b>

Net invested capital as at June 30, 2017, amounted to 325,050 thousand Euros, and was entirely financed by Shareholders' equity for 360,341 thousand Euros, that generated a positive net financial position of 35,291 thousand Euros.

The following table provides a breakdown of net working capital:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Work in progress	121,969	58,651	63,318
Trade receivables	255,919	339,194	(83,275)
Other current assets	30,744	44,810	(14,066)
<b>Current operating assets (A)</b>	<b>408,632</b>	<b>442,655</b>	<b>(34,023)</b>
Trade payables	89,093	92,735	(3,643)
Other current liabilities	154,205	189,515	(35,310)
<b>Current operating liabilities (B)</b>	<b>243,298</b>	<b>282,251</b>	<b>(38,953)</b>
<b>Working capital, net (A-B)</b>	<b>165,334</b>	<b>160,404</b>	<b>4,930</b>
<i>% return on investments</i>	<i>18.7%</i>	<i>20.5%</i>	

## NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Cash and cash equivalents, net	73,628	76,511	(2,883)
Current financial assets	2,782	2,925	(144)
Due to banks	(9,470)	(18,893)	9,423
Due to other providers of finance	(710)	(738)	28
<b>Short-term financial position</b>	<b>66,230</b>	<b>59,805</b>	<b>6,425</b>
Non-current financial assets	-	4	(4)
Due to banks	(29,802)	(29,985)	182
Due to other providers of finance	(1,137)	(1,066)	(71)
<b>M/L term financial position</b>	<b>(30,940)</b>	<b>(31,047)</b>	<b>107</b>
<b>Total net financial position</b>	<b>35,291</b>	<b>28,758</b>	<b>6,532</b>

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

<b>(thousand Euros)</b>	<b>1st half 2017</b>
Cash flows from operating activities (A)	33,011
Cash flows from investment activities (B)	(14,701)
Cash flows from financial activities (C)	(21,193)
<b>Change in cash and cash equivalents (D) = (A+B+C)</b>	<b>(2,883)</b>
Cash and cash equivalents at beginning of period (*)	76,511
Cash and cash equivalents at year end (*)	73,628
<b>Total change in cash and cash equivalents (D)</b>	<b>(2,883)</b>

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

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

## OTHER INFORMATION

### RESEARCH AND DEVELOPMENT ACTIVITIES

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

Reply dedicates resources to Research and Development activities in order to project and define highly innovative products and services as well as possible applications of evolving technologies. In this context, Reply has developed its own platforms:

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

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

- Microsoft
- Oracle
- SAP
- 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, 2017 the number of employees of the Group was 6,343 with an increase of 328 compared to December 31, 2016 and an increase of 604 resources compared to June 30, 2016.



## OUTLOOK ON OPERATIONS

In the first six months of 2017 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, July 28, 2017

/s/ Mario Rizzante

For the Board of Directors  
The Chairman  
**Mario Rizzante**

**HALF YEAR CONDENSED  
FINANCIAL STATEMENTS AT  
30 JUNE 2017**

## CONSOLIDATED STATEMENT OF INCOME (\*)

(thousand Euros)	Note	1st half 2017	1st half 2016	Year 2016
Revenues	5	441,623	386,513	780,739
Other income		4,099	4,075	19,579
Purchases	6	(9,029)	(8,428)	(16,969)
Personnel	7	(216,298)	(189,838)	(379,713)
Services and other costs	8	(157,886)	(141,989)	(296,650)
Amortization, depreciation and write-downs	9	(5,932)	(4,863)	(11,669)
Other unusual (cost)/income	10	395	2,522	4,277
<b>Operating income</b>		<b>56,972</b>	<b>47,992</b>	<b>99,594</b>
(Loss)/gain on investments	11	(1,959)	-	(668)
Financial income/(expenses)	12	(1,553)	(721)	(1,520)
<b>Income before taxes</b>		<b>53,460</b>	<b>47,271</b>	<b>97,405</b>
Income taxes	13	(17,731)	(17,119)	(29,698)
<b>Net income</b>		<b>35,729</b>	<b>30,152</b>	<b>67,707</b>
Non-controlling interest		(546)	(74)	(163)
<b>Group net result</b>		<b>35,182</b>	<b>30,079</b>	<b>67,544</b>
Earnings per share	14	3.76	3.22	7.22
Diluted earnings per share	14	3.76	3.22	7.22

(\*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 34.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand Euros)	Note	1st half 2017	1st half 2016
<b>Profit of the period (A)</b>		<b>35,729</b>	<b>30,152</b>
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans		683	(1,559)
<b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):</b>	<b>25</b>	<b>683</b>	<b>(1,559)</b>
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		40	-
Gains/(losses) on exchange differences on translating foreign operations		(1,431)	(5,214)
<b>Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)</b>	<b>25</b>	<b>(1,392)</b>	<b>(5,214)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)</b>	<b>25</b>	<b>(708)</b>	<b>(6,773)</b>
<b>Total comprehensive income (A)+(B)</b>		<b>35,020</b>	<b>23,379</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		34,474	23,206
Non-controlling interest		546	74

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (\*)

(thousand Euros)	Note	30/06/2017	31/12/2016	30/06/2016
Tangible assets	15	17,595	17,686	17,025
Goodwill	16	166,880	157,429	156,959
Other intangible assets	17	16,310	17,016	11,038
Equity investments	18	21,110	14,110	11,665
Other financial assets	19	6,423	9,739	7,268
Deferred tax assets	20	17,429	16,466	21,425
<b>Non-current assets</b>		<b>245,746</b>	<b>232,445</b>	<b>225,380</b>
Inventories	21	121,969	58,651	105,375
Trade receivables	22	255,919	339,194	237,103
Other receivables and current assets	23	30,744	44,810	45,853
Financial assets	19	2,782	2,925	1,910
Cash and cash equivalents	24	81,385	92,550	73,962
<b>Current assets</b>		<b>492,799</b>	<b>538,130</b>	<b>464,203</b>
<b>TOTAL ASSETS</b>		<b>738,545</b>	<b>770,575</b>	<b>689,582</b>
Share Capital		4,863	4,863	4,863
Other reserves		320,015	264,610	270,477
Net result of the period		35,182	67,544	30,079
<b>Group shareholders' equity</b>	25	<b>360,061</b>	<b>337,017</b>	<b>305,420</b>
Non-controlling interest	25	280	520	(341)
<b>NET EQUITY</b>		<b>360,341</b>	<b>337,537</b>	<b>305,079</b>
Due to minority shareholders and earn-out	26	27,062	24,558	28,394
Financial liabilities	27	30,940	31,051	27,225
Employee benefits	28	30,152	30,401	28,813
Deferred tax liabilities	29	18,736	18,563	24,148
Provisions	30	10,080	10,545	17,702
<b>Non-current liabilities</b>		<b>116,970</b>	<b>115,118</b>	<b>126,282</b>
Financial liabilities	27	17,937	35,670	26,524
Trade payables	31	89,093	92,735	89,455
Other current liabilities	32	152,050	189,144	141,403
Provisions	30	2,155	371	840
<b>Current liabilities</b>		<b>261,235</b>	<b>317,921</b>	<b>258,222</b>
<b>TOTAL LIABILITIES</b>		<b>378,205</b>	<b>433,038</b>	<b>384,504</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>738,545</b>	<b>770,575</b>	<b>689,582</b>

(\*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of financial position are reported in the Annexed tables herein and fully described in Note 34.

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Cash flow hedge reserve	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interest	Total
<b>At January 1<sup>st</sup>, 2016</b>	<b>4,863</b>	<b>(25)</b>	<b>72,836</b>	<b>218,947</b>	<b>-</b>	<b>1,546</b>	<b>(2,742)</b>	<b>653</b>	<b>296,079</b>
Increase of share capital	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	(9,353)	-	-	-	(816)	<b>(10,169)</b>
Total comprehensive income/(loss)	-	-	-	30,079	-	(5,214)	(1,559)	74	<b>23,379</b>
Other changes	-	-	116	(4,074)	-	-	-	(252)	<b>(4,210)</b>
<b>At June 30, 2016</b>	<b>4,863</b>	<b>(25)</b>	<b>72,952</b>	<b>235,598</b>	<b>-</b>	<b>(3,668)</b>	<b>(4,301)</b>	<b>(341)</b>	<b>305,079</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

(thousand Euros)	1st half 2017	1st half 2016
Net result of the period	35,182	30,079
Income taxes	17,731	17,119
Depreciation and amortization	5,932	4,863
Other non-monetary expenses/(income)	(1,670)	(6,538)
Change in work in progress	(63,318)	(47,446)
Change in trade receivables	83,275	65,147
Change in trade payables	(3,643)	11,769
Change in other assets and liabilities	(20,677)	(28,979)
Income taxes paid	(19,800)	(11,285)
<b>Net cash flows from operating activities (A)</b>	<b>33,011</b>	<b>34,727</b>
Payments for tangible and intangible assets	(5,135)	(6,207)
Payments for financial assets	(1,448)	(1,260)
Payments for the acquisition of subsidiaries net of cash acquired	(8,118)	(21,729)
<b>Net cash flows from investment activities (B)</b>	<b>(14,701)</b>	<b>(29,196)</b>
Dividends paid	(11,538)	(10,169)
In payments from loans	-	978
Repayment of loans	(9,563)	(4,304)
Other changes	(92)	(137)
<b>Net cash flows from financing activities (C)</b>	<b>(21,193)</b>	<b>(13,632)</b>
<b>Net cash flows (D) = (A+B+C)</b>	<b>(2,883)</b>	<b>(8,101)</b>
Cash and cash equivalents at beginning of period	76,511	70,109
Cash and cash equivalents at period end	73,628	62,007
<b>Total change in cash and cash equivalents (D)</b>	<b>(2,883)</b>	<b>(8,101)</b>

### Detail of cash and cash equivalents

(thousand Euros)	1st half 2017	1st half 2016
<b>Cash and cash equivalents at beginning of period</b>	<b>76,511</b>	<b>70,109</b>
Cash and cash equivalents	92,550	105,137
Bank overdrafts	(16,039)	(35,028)
<b>Cash and cash equivalents at period end</b>	<b>73,628</b>	<b>62,007</b>
Cash and cash equivalents	81,385	73,962
Bank overdrafts	(7,757)	(11,955)

## NOTES

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## **NOTE 1 – GENERAL INFORMATION**

Reply [MTA, STAR: REY] specializes in the implementation of solutions based on new communication channels and digital media. Reply, consisting of a network of specialist companies, supports important European industries belonging to the Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration segments, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply offers consultancy, system integration and application management and business process outsourcing ([www.reply.eu](http://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, 2016.

More specifically the half year condensed consolidated financial statements at June 30, 2017 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 or material uncertainties (as defined in paragraph 25 of IAS 1) exist with regards its ability to continue as a going concern.

These consolidated financial statements are expressed in thousands of Euros and are compared to the consolidated financial statements of the previous year prepared in accordance with the same principles.

Further indication related to the format of the financial statements respect to IAS 1 is disclosed here within as well as information related to significant accounting principles and evaluation criteria used in the preparation of the following consolidated report.

## **FINANCIAL STATEMENTS**

The consolidated financial statements include statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory notes.

The income statement format adopted by the Group classifies costs according to their nature, which is deemed to properly represent the Group's business.

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method. The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.

It should be noted that in order to comply with the indications contained in Consob Resolution no. 15519 of 27 July 2006 "as to the format of the financial statements", additional statements: income statement and statement of financial position have been disclosed showing the amounts of related party transactions.

## **NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED SINCE JANUARY 1<sup>ST</sup>, 2017**

No new principles or amendments adopted by the EU are to be applied in the half-year condensed consolidated financial statements for the first time since January 1, 2017

### **STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

#### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. Overall, the Group expects no significant impact on its balance sheet and equity.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. On the basis of the preliminary analysis, no significant impacts are expected on the Group.

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

**IAS 7 Disclosure Initiative – Amendments to IAS 7**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These changes will be in force once enforced by the EU. Application of amendments will result in additional disclosure provided by the Group.

**IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These changes will be in force once enforced by the EU. Disclosure must be provided if an entity applies these changes in advance. These amendments are not expected to have any impact on the Group.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group doesn't expect significant effects of the amendments on its consolidated financial statements.

### **IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its annual consolidated financial statements.

## **NOTE 3 - RISK MANAGEMENT**

### **Credit risk**

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

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

### **Liquidity risk**

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

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

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

### **Exchange rate and interest rate risk**

The Group entered into most of its financial instruments in Euros, which is its functional and presentation currency. Although it operates in an international environment, it has a limited exposure to fluctuations in the exchange rates.

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

The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".

The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

### Fair value assessment hierarchy levels

The IFRS 13 establishes a fair value hierarchy which classifies the input of evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non-observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.

The levels used in the hierarchy are:

- Level 1 inputs are prices quoted (not rectified) in markets active for identical assets and liabilities which the entity can access on the date of assessment;
- Level 2 inputs are variable and different from the prices quoted included in Level 1 observable directly or indirectly for assets or liabilities;
- Level 3 inputs are variable and not observable for assets or liabilities.

The following table presents the assets and liabilities which were assessed at fair value on 30 June 2017, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Investments	18	-	-	21,110
Convertible loans	19	-	-	2,155
Financial securities	19	1,995	-	-
<b>Total financial assets</b>		<b>1,995</b>	<b>-</b>	<b>23,265</b>
Derivative financial liabilities (IRS)	27	-	23	-
Liabilities to minority shareholders and earn out	26	-	-	27,062
Other financial liabilities	32	-	-	994
<b>Total financial liabilities</b>		<b>-</b>	<b>23</b>	<b>28,056</b>

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

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

To determine the effect of interest rate derivative financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently, for the purposes of IFRS7 the fair value used by the Group for the exploitation of hedging derivatives contracts in existence at the end of the financial year re-enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in Level 3.

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

As at 30 June 2017, 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 2016 is related to:

- Xister S.r.l. 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.
- Lynx Recruitment Ltd., a company incorporated under English law, acquired by Reply Ltd., that holds 100% of the share capital. The company offers recruitment and selection services of temporary and permanent staff.
- comSysto GmbH, a company incorporated under German law, acquired by Reply AG that holds 100% of the share capital. The company is specialized in Agile solutions in Open Source technologies.

Change in consolidation does not significantly affect the Group's revenues and profits before tax on 30 June 2017 (approximately 3.4% on consolidated revenue).

With respect to 31 December 2016, change in consolidation owes to the acquisition of comSysto GmbH.

Furthermore, the list of the Reply Group's companies and equity investments, presented as an annex herein, also includes in the consolidation of the following newly incorporated companies with respect to 30 June 2016:

- Spark Reply GmbH, incorporated under German law in which Reply AG holds 100% of the share capital;
- Technology Reply Roma S.r.l., in which Reply S.p.A. holds 100% of the share capital.



## NOTE 5 - REVENUE

Revenues from sales and services, including change in work in progress, amounted to 441,623 thousand Euros (386,513 thousand Euros at 30 June 2016).

This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by Region. Moreover, the breakdown reflects the business management of the Group by Top Management and the allocation approximates the localization of services provided:

Region (*)	1 <sup>st</sup> half 2017	1 <sup>st</sup> half 2016
Region 1	68.4%	71.7%
Region 2	16.8%	16.7%
Region 3	14.6%	11.3%
IoT Incubator	0.2%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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

(\*)

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

Region 2: DEU, CHE, CHN, HR

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

## NOTE 6 - PURCHASES

Detail is as follows:

(thousand Euros)	1 <sup>st</sup> half 2017	1 <sup>st</sup> half 2016	Change
Software licenses for resale	6,250	5,037	1,213
Hardware for resale	445	649	(205)
Other	2,334	2,742	(407)
<b>Total</b>	<b>9,029</b>	<b>8,428</b>	<b>601</b>

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 1,216 thousand Euros and the purchase of consumption material for 437 thousand Euros.

## NOTE 7 - PERSONNEL

Detail is as follows:

(thousand Euros)	1st half 2017	1st half 2016	Change
Payroll employees	202,255	177,733	24,521
Executive Directors	14,043	12,060	1,984
Project collaborators	-	44	(44)
<b>Total</b>	<b>216,298</b>	<b>189,838</b>	<b>26,461</b>

The increase in the cost of employees, amounting to 26,461 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 2017	1st half 2016	Change
Directors	338	323	15
Managers	959	863	96
Staff	5,046	4,553	493
<b>Total</b>	<b>6,343</b>	<b>5,739</b>	<b>604</b>

On 30 June 2017 the Group had 6,343, employees compared with 5,739 of the first half 2016.

Change in consolidation brought an increase of 191 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 2017	1st half 2016	Change
Commercial and technical consulting	100,169	88,198	11,972
Travelling and professional training expenses	15,100	14,494	606
Other services costs	22,726	22,420	306
Office expenses	11,312	8,900	2,412
Lease and rentals	4,074	3,979	95
Other	4,504	3,998	506
<b>Total</b>	<b>157,886</b>	<b>141,989</b>	<b>15,896</b>

Change in Services and other costs, amounting to 15,896 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 550 thousand Euros and rent charged by third parties for 7,196 thousand Euros, utility costs for 1,945 thousand Euros, cleaning expenses for 698 thousand Euros and maintenance expenses for 400 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 2017 of 3,107 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2017 amounted to 2,825 thousand Euros. Details of depreciation are provided in the notes to intangible assets.

## **NOTE 10 – OTHER UNUSUAL OPERATING INCOME/(EXPENSES)**

Other unusual operating income/expenses amounted to +395 (+2,523 thousand Euros in the first half of 2016) and were related to:

- Other operating income for 773 thousand Euros related to the accruals and reversals of provisions for risks and charges for contractual, commercial and legal disputes;
- Other unusual income for 1,168 thousand Euros related to the fair value adjustment of the deferred consideration liabilities for the acquisition of shareholdings in subsidiary companies.

## **NOTE 11 –(LOSS)/GAIN ON INVESTMENTS**

The item amounted to a net gain of 1,959 thousand Euros and was related to:

- The accrual of the allowance for investments amounting to 3,343 thousand Euros;
- The change in fair value of some equity investments resulting in a net gain of 1,384 thousand Euros.

## NOTE 12 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(thousand Euros)	1st half 2017	1st half 2016	Change
Financial income	277	136	141
Interest expenses	(377)	(549)	171
Other	(1,453)	(308)	(1,145)
<b>Total</b>	<b>(1,553)</b>	<b>(721)</b>	<b>(833)</b>

Financial gains are related to interest on bank accounts.

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

The item Other mainly includes:

- exchange rate differences resulting in a net loss of 1,275 thousand Euros;
- the write off of a financial asset amounting to 1,172 thousand Euros;
- the net changes in fair value of Convertible Loans including capitalized interest amounting to 1,627 thousand Euros;
- the changes in fair value of financial liabilities pursuant to IAS 39 amounting to 471 thousand Euros.

## NOTE 13 - INCOME TAXES

At June 30, 2017 income taxes amounted to 17,731 thousand Euros and were recognized in accordance to the expected annual average income tax rates.

## NOTE 14 – EARNINGS PER SHARE

The basic earnings per share as at 30 June 2017 was calculated on the basis of the Group's net result amounting to 35,182 thousand Euros (30,079 thousand Euros as at 30 June 2016) divided by the weighted average number of shares as at 30 June 2017 which amounted to 9,351,850 (9,351,850 as at 30 June 2016). The basic earnings per share and the diluted earnings per share are the same.

(in Euros)	1st half 2017	1st half 2016
Group net result	35,182,000	30,079,000
No. of shares	9,351,850	9,351,850
Basic earnings and diluted earnings per share	3.76	3.22

## NOTE 15 - TANGIBLE ASSETS

Tangible assets as at 30 June 2017 amounted to 17,595 thousand Euros and are detailed as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Buildings	1,693	1,764	(71)
Plant and machinery	3,044	3,132	(87)
Hardware	4,029	3,920	109
Other	8,829	8,870	(41)
<b>Total</b>	<b>17,595</b>	<b>17,686</b>	<b>(91)</b>

Change in tangible assets in the first half of 2017 is summarized in the table below:

<b>(thousand Euros)</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Hardware</b>	<b>Other</b>	<b>Total</b>
Historical Cost	4,023	9,305	29,279	20,874	63,481
Accumulated depreciation	(2,259)	(6,173)	(25,359)	(12,004)	(45,795)
<b>31/12/2016</b>	<b>1,764</b>	<b>3,132</b>	<b>3,920</b>	<b>8,870</b>	<b>17,686</b>
<b>Historical cost</b>					
Increases	-	417	1,449	1,150	3,016
Disposals	-	(53)	(83)	(159)	(296)
Other changes	-	115	(63)	(103)	(50)
<b>Accumulated depreciation</b>					
Depreciation	(71)	(614)	(1,306)	(1,116)	(3,107)
Utilized	-	52	46	133	232
Other changes	-	(4)	64	54	114
Historical Cost	4,023	9,783	30,583	21,762	66,151
Accumulated depreciation	(2,330)	(6,739)	(26,554)	(12,933)	(48,556)
<b>30/06/2017</b>	<b>1,693</b>	<b>3,044</b>	<b>4,029</b>	<b>8,829</b>	<b>17,595</b>

The item Buildings mainly includes the net value of a building owned by the group amounting to 1,691 thousand Euros located in Guetersloh, Germany.

Change in the item Hardware is due to investments made by the companies included in Region 1 for 511 thousand Euros, 693 thousand Euros for purchases made by the companies included in Region 2 and 245 thousand Euros for purchases made by the companies included in Region 3. Furthermore, this item includes financial leases for 476 thousand Euros (556 thousand Euros at 31 December 2016).

The item Other assets as at 30 June 2017 mainly includes improvements to third party assets and office furniture. The increase of 1.150 Euros mainly refers to the purchases of furniture and fittings for 684 thousand Euros and to improvements made to the offices where the Group's companies operate for 275 thousand Euros. Such item also includes a financial leasing for furniture for a net value amounting to 528 thousand Euros (894 thousand Euros at 31 December 2016).

Other changes refer to change in consolidation and exchange differences.

As at 30 June 2017 tangible assets were depreciated by 73.4% of their value, compared to 72.1% at the end of 2016.

## NOTE 16 - GOODWILL

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

Goodwill was allocated to the cash generating units ("CGU"), identified in the countries in which the Group operates, and are summarized as follows:

(thousand Euros)	Value at 31/21/2016	Increase	Exchange difference	Value at 30/06/2017
Region 1	48,252	-	-	48,252
Region 2	53,872	10,202	-	63,984
Region 3	55,394	-	(751)	54,643
<b>Total</b>	<b>157,429</b>	<b>10,202</b>	<b>(751)</b>	<b>166,880</b>

The increase of the period is related to comSysto GmbH, a company incorporated under German law (Region 2) acquired by the subsidiary Reply AG.

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

(thousand Euros)	Fair value (*)
Tangible and intangible assets	113
Trade receivables and other current assets	2,351
Cash and cash equivalents	2,680
Trade payables and other current liabilities	(1,087)
<b>Net assets acquired</b>	<b>4,057</b>
Compensation	14,259
<b>Goodwill</b>	<b>10,202</b>

(\*) book value is equal to fair value

In the first half of 2017 no impairment indicators were detected.

## NOTE 17 - OTHER INTANGIBLE ASSETS

Net intangible assets as at 30 June 2017 amounted to 16,310 thousand Euros (17,016 thousand Euros on 31 December 2016) and are detailed as follows:

<b>(thousand Euros)</b>	<b>Historical cost</b>	<b>Accumulated amortization</b>	<b>Net book value at 30/06/2017</b>
Development costs	26,311	(20,072)	6,239
Software	22,974	(19,564)	3,410
Trademarks	537	-	537
Other intangible assets	7,424	(1,300)	6,124
<b>Total</b>	<b>57,245</b>	<b>(40,935)</b>	<b>16,310</b>

Intangible assets in the first half of 2017 developed as follows:

<b>(thousand Euros)</b>	<b>Net book value at 31/12/2016</b>	<b>Increase</b>	<b>Accumulated amortization</b>	<b>Other changes</b>	<b>Net book value at 30/06/2017</b>
Development costs	6,007	1,636	(1,404)	-	6,239
Software	3,812	733	(1,051)	(84)	3,410
Trademark	537	-	-	-	537
Other intangible assets	6,659	-	(370)	(165)	6,124
<b>Total</b>	<b>17,016</b>	<b>2,369</b>	<b>(2,825)</b>	<b>(249)</b>	<b>16,310</b>

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 138 thousand Euros related to software development for internal use.

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

The item Other intangible assets mainly refer to the Purchase Price Allocation following several Business combinations in 2016.

Other changes refer to exchange differences.

## NOTE 18 - EQUITY INVESTMENTS

The item Equity investments amounts to 21,110 thousand Euros and refers to investments in start-up companies in the IoT field made principally by the Investment company Breed Investments Ltd.

Note that the companies listed below, mainly held through an Investment Entity, are designated at fair value and accounted for in accordance with IAS 39. The fair value is determined using the International Private Equity and Venture Capital valuation guideline (IPEV) and, as per industry practice, any change therein is recognized in profit /(loss) in the period in which they occurred.

Detail is as follows:

(thousand Euros)	Value at 31/12/2016	New increases 2017	Follow-on investments	Net fair value adjustments	Impairment	Convertible loans conversion	Exchange differences	Value at 30/06/2017
Investments	14,104	1,422	2,018	1,385	(3,343)	5,791	(266)	21,110

### New Increases 2017

The increases of the period are related to:

- **Canard Drones (569 thousand Euros)**  
Canard Drones has built a visual inspection solution for airport systems based on Unmanned Aerial Vehicles (UAVs), which has very high precision in positioning and flight control, and substitutes more expensive and less effective solutions based on traditional aircrafts or human inspection.
- **We Predict (853 thousand Euros)**  
We Predict has created Indico, a predictive analytics solution designed to identify engineering warranty problems in the automotive and heavy machinery markets, and extending into their supply chains and large OEM insurers. Indico is a highly visual system with detailed reporting dashboards that make it simple, systematic and interactive to identify and prioritize warranty issues.

### Follow-on investments

The increase is related to follow-on investments existing at December 31, 2016.

### Net fair value adjustments

The net fair value adjustment amounting to 1,385 thousand Euros reflects the market values of the last rounds that took place in the first half 2017 on investments already in portfolio.

### Impairment

This item amounting to 3,343 thousand Euros is related to impairment of investments deemed unrecoverable.



### Convertible loans conversion

The increase is related to the conversion of Convertible Loans in shares of several equity investments and also includes fair value adjustments for + 1,903 thousand Euros.

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

## NOTE 19 - FINANCIAL ASSETS

Current and non-current financial assets amounted to a total of 9,204 thousand Euros compared to 12,664 thousand Euros as at 31 December 2016.

Detail is as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Receivables from insurance companies	3,201	3,190	11
Guarantee deposits	1,040	1,039	1
Other financial assets	26	759	(733)
Convertible loans	2,155	5,489	(3,334)
Receivables from factor	787	-	787
Short term securities	1,995	2,187	(192)
<b>Total</b>	<b>9,204</b>	<b>12,664</b>	<b>(3,460)</b>

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

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

<b>(thousand Euros)</b>	<b>Value at 31/12/2016</b>	<b>Increases</b>	<b>Capitalized Interest</b>	<b>Net fair value adjustments</b>	<b>Equity conversion</b>	<b>Exchange differences</b>	<b>Value at 30/06/2017</b>
Convertible loans	<b>5,489</b>	1,080	162	1,465	(5,791)	(250)	<b>2,155</b>

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse.

Short term securities mainly refer to Time Deposit investments.

## NOTE 20 - DEFERRED TAX ASSETS

Such item, which amounted to 17,429 thousand Euros as at 30 June 2017 (16,466 thousand Euros as at 31 December 2016), includes the fiscal charge corresponding to the temporary differences deriving from income before taxes and taxable income in relation to deferred deductibility items.

The decision to recognize deferred tax assets is taken by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of expected future results.

## NOTE 21 – WORK IN PROGRESS

Work in progress, amounting to 121,969 thousand Euros, is detailed as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Contract work in progress	293,365	169,802	123,563
Advance payments from customers	(171,396)	(111,151)	(60,245)
<b>Total</b>	<b>121,969</b>	<b>58,651</b>	<b>63,318</b>

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

## NOTE 22 - TRADE RECEIVABLES

Trade receivables as at 30 June 2017 amounted to 255,919 thousand Euros with a net decrease of 83,275 thousand Euros.

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Domestic clients	173,702	265,976	(92,274)
Foreign trade receivables	84,356	75,076	9,280
Credit notes to be issued	(14)	(9)	(5)
<b>Total</b>	<b>258,043</b>	<b>341,042</b>	<b>(82,999)</b>
Allowance for doubtful accounts	(2,124)	(1,848)	(275)
<b>Total trade receivables</b>	<b>255,919</b>	<b>339,194</b>	<b>(83,275)</b>

Trade receivables are shown net of allowances for doubtful accounts amounting to 2,124 thousand Euros at 30 June 2017 (1,848 thousand Euros at 31 December 2016).

The Allowance for doubtful accounts developed in the first half of 2017 as follows:

<b>(thousand Euros)</b>	<b>31/12/2016</b>	<b>Provision</b>	<b>Other changes</b>	<b>Utilized</b>	<b>30/06/2017</b>
Allowance for doubtful accounts	<b>1,848</b>	446	(162)	(8)	<b>2,124</b>

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 31 December 2016, are summarized in the tables below:

#### **Aging at**

**30/06/2017**

<b>(thousand Euros)</b>	<b>Trade receivables</b>	<b>Current</b>	<b>0 - 90 days</b>	<b>91 - 180 days</b>	<b>181 - 360 days</b>	<b>Over 360 days</b>	<b>Total overdue</b>
Trade receivables	258,043	228,596	23,578	3,925	458	1,485	29,447
Allowance for doubtful accounts	(2,124)	-	(326)	(210)	(228)	(1,360)	(2,124)
<b>Total trade receivables</b>	<b>255,919</b>	<b>228,596</b>	<b>23,252</b>	<b>3,715</b>	<b>230</b>	<b>125</b>	<b>27,323</b>

#### **Aging at**

**31/12/2016**

<b>(thousand Euros)</b>	<b>Trade receivables</b>	<b>Current</b>	<b>0 - 90 days</b>	<b>91 - 180 days</b>	<b>181 - 360 days</b>	<b>Over 360 days</b>	<b>Total overdue</b>
Trade receivables	341,042	310,338	27,283	1,773	341	1,306	30,704
Allowance for doubtful accounts	(1,848)	(25)	(307)	(128)	(183)	(1,205)	(1,824)
<b>Total trade receivables</b>	<b>339,194</b>	<b>310,313</b>	<b>26,976</b>	<b>1,645</b>	<b>158</b>	<b>101</b>	<b>28,881</b>

### **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 2017 the receivables transferred via Factoring operations with recourse amounted to 9,919 thousand Euros.

The book value of the assets assigned without recourse as at 30 June 2017 amounted to 3,627 thousand Euros, with an increase of available liquidity amounting to 2,840 thousand Euros.

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

Trade receivables are all collectible within one year.

## NOTE 23 - OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Tax receivables	9,629	14,543	(4,914)
Advances to employees	42	131	(88)
Accrued income and prepaid expenses	9,268	9,254	14
Other receivables	11,804	20,882	(9,078)
<b>Total</b>	<b>30,744</b>	<b>44,810</b>	<b>(14,066)</b>

The item Tax receivables mainly includes:

- VAT tax receivables (4,762 thousand Euros);
- Receivables and advance payments for income tax (3,632 thousand Euros);
- Receivables for withholding tax (124 thousand Euros).

The item Other receivables includes the contribution to research in relation to financed projects in the amount of 7,139 thousand Euros.

## NOTE 24 - CASH AND CASH EQUIVALENTS

The balance of 81,385 thousand Euros, with a decrease of 11,164 thousand Euros compared with 31 December 2016, represents cash and cash equivalents as at the end of reporting period.

Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flows.

## **NOTE 25 - SHAREHOLDERS' EQUITY**

### **Share capital**

As at 30 June 2017 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 2017 were equal to n. 1.007. In the first half of 2017 the item is the same as at 31 December 2016.

### **Capital reserves**

On 30 June 2017 Capital reserves, amounting to 72,836 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,303 thousand Euros;
- Treasury share reserve amounting to 25 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 49,975 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 21 April 2017 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 295,759 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 257,182 thousand Euros (retained earnings amounted to 161,266 thousand Euros on 31 December 2016);
- Profits attributable to shareholders of the Parent Company amounted to 35,182 thousand Euros (67,544 thousand Euros as on 31 December 2016).

## Other comprehensive income

Other comprehensive income can be analyzed as follows:

(thousand Euros)	1st half 2017	1st half 2016
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plans	683	(1,559)
<b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):</b>	<b>683</b>	<b>(1,559)</b>
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Gains/(losses) on cash flow hedges	40	-
Gains/(losses) on exchange differences on translating foreign operations	(1,431)	(5,214)
<b>Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):</b>	<b>(1,391)</b>	<b>(5,214)</b>
<b>Total other comprehensive income, net of tax (B) = (B1) +(B2)</b>	<b>(708)</b>	<b>(6,773)</b>

## Share based payment plans

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

## NOTE 26 - PAYABLES TO MINORITY SHAREHOLDERS AND EARN-OUT

Payables to minority shareholders and earn out owed on 30 June 2017 amount to 27,062 thousand Euros (24,558 thousand Euros on 31 December 2016) and are detailed as follows:

(thousand Euros)	31/12/2016	Increases	Fair value adjustments	Payments	Exchange differences	30/06/2017
Payables to minority shareholders	13,736	-	(607)	-	(96)	13,033
Payables for Earn out	10,822	4,180	(561)	(273)	(139)	14,029
<b>Total payables to minority shareholders and earn out</b>	<b>24,558</b>	<b>4,180</b>	<b>(1,168)</b>	<b>(273)</b>	<b>(235)</b>	<b>27,062</b>

The increase in Payables for Earn-out amounting to 4,180 is related to ComSysto GmbH, a company incorporated under German law, acquired by the subsidiary Reply AG.

The item Fair value adjustments in the first half of 2017 amounted to 1,168 thousand Euros with a balancing entry in Profit and loss and reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 273 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

## NOTE 27 - FINANCIAL LIABILITIES

Detail is as follows:

(thousand Euros)	30/06/2017			31/12/2016		
	Current	Non-current	Total	Current	Non-current	Total
Bank overdrafts	7,757	-	7,757	16,039	-	16,039
Bank loans	9,470	29,802	39,272	18,893	29,985	48,877
<b>Total due to banks</b>	<b>17,227</b>	<b>29,802</b>	<b>47,029</b>	<b>34,932</b>	<b>29,985</b>	<b>64,916</b>
Other financial borrowings	710	1,137	1,847	737	1,066	1,803
<b>Total financial liabilities</b>	<b>17,937</b>	<b>30,940</b>	<b>48,876</b>	<b>35,669</b>	<b>31,051</b>	<b>66,720</b>

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

(thousand Euros)	30/06/2017				31/12/2016			
	Due in 12 months	From 1 to 5 years	Over 5 years	Total	Due in 12 months	From 1 to 5 years	Over 5 years	Total
Bank overdrafts	7,757	-	-	7,757	16,039	-	-	16,039
M&A loans	9,384	29,802	-	39,186	18,767	29,985	-	48,752
Mortgage loans	115	-	-	115	115	-	-	115
Other financial borrowings	710	1,137	-	1,847	737	1,066	-	1,803
Other	(29)	-	-	(29)	11	-	-	11
<b>Total</b>	<b>17,937</b>	<b>30,940</b>	<b>-</b>	<b>48,876</b>	<b>35,669</b>	<b>31,051</b>	<b>-</b>	<b>66,720</b>

M&A loans refer to credit lines to be used for acquisition operations carried out directly by Reply S.p.A. or via companies controlled directly or indirectly by the same. Summarized below are the existing contracts entered into for such a purpose:

- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total amount amounting to 25,000,000 Euros to be used by 31 December 2015. The loan is reimbursed on a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. Such credit line was used for 9,079 thousand Euros at 30 June 2017.
- On 31 March 2015 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 30,000,000 Euros detailed as follows:
  - Tranche A, amounting to 10,000,000 Euros, entirely used for the reimbursement of the credit line dated 13 November 2013. The loan is reimbursed on a half-year basis deferred to commence on 30 September 2016. Such credit line was used for 6,000 thousand Euros at 30 June 2017.
  - Tranche B, amounting to 20,000,000 Euros, to be used by 31 December 2016. The loan is reimbursed on a half-year basis deferred to commence on 31 March 2017. Such credit line was used for 17,143 thousand Euros at 30 June 2017.
- On 8 April 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 10,000,000 Euros entirely used for the reimbursement of the credit line dated 19 September 2012.

The loan is reimbursed on a half-year basis deferred to commence on 31 October 2016. Such credit line was used for 5,000 thousand Euros at 30 June 2017.

- On 30 September 2015 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 25,000,000 Euros to be used by 30 September 2018. On 17 February 2017 a reduction of the credit line to 1,500,000 was agreed and completely utilized, the loan will be reimbursed on a half year basis deferred to commence on 31 May 2019 and will expire on 30 November 2021.
- On 28 July 2016 Reply S.p.A. entered into a line of credit with Intesa San Paolo S.p.A. for a total amount of 49,000 thousand Euros to be used by 30 June 2018. The loan will be reimbursed on a half basis deferred to commence on 30 September 2018 and will expire on 30 September 2021. As at June 30, 2017 this line had not been used.
- On 21 September 2016 Reply S.p.A. entered onto an Interest Rate Swap contract with Intesa San Paolo S.p.A. with effect from 31 March 2017 and will expire on 31 March 2020.
- On 17 February 2017 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000,000 Euros to be used by 28 February 2018. As at June 30, 2017 this line had not been used.

Interest rates are also applied according to certain predetermined ratios (Covenants) of economic and financial nature calculated on the consolidated financial statements as at 30 June of each year and/or the consolidated interim report.

As contractually defined, such ratios are as follows:

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

At 30 June 2017, 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 2017 was as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Cash and cash equivalents	81,385	92,550	(11,164)
Current financial assets	2,782	2,925	(144)
Non-current financial assets	-	4	(4)
<b>Total financial assets</b>	<b>84,167</b>	<b>95,479</b>	<b>(11,312)</b>
Current financial liabilities	(17,937)	(35,670)	17,733
Non-current financial liabilities	(30,940)	(31,051)	111
<b>Total financial liabilities</b>	<b>(48,876)</b>	<b>(66,721)</b>	<b>17,844</b>
<b>Total net financial position</b>	<b>35,290</b>	<b>28,758</b>	<b>6,532</b>

For further details with regards to the above table see Notes 19 and 24 as well as Note 27.

## NOTE 28 - EMPLOYEE BENEFITS

Employee benefits are detailed as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Employee severance indemnities	21,797	22,094	(297)
Employee pension funds	6,763	6,771	(9)
Directors severance indemnities	1,577	1,520	57
Other	16	16	-
<b>Total</b>	<b>30,152</b>	<b>30,401</b>	<b>(248)</b>

### 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:

<b>(thousand Euros)</b>	
<b>Balance as at 31/12/2016</b>	<b>22,094</b>
Cost relating to current work ( <i>service cost</i> )	2,062
Actuarial gain/loss	(683)
Interest cost	138
Indemnities paid during the year	(1,814)
<b>Balance as at 30/06/2017</b>	<b>21,797</b>

### **Employee pension funds**

The Pension fund item relates to liability as regards the defined benefit pensions of some German companies.

### **Director's severance indemnities**

This amount is related to Directors severance indemnities paid during the year.

## NOTE 29 - DEFERRED TAX LIABILITIES

Deferred tax liabilities at 30 June 2017 amount to 18,736 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

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

## NOTE 30 - PROVISIONS

Provisions amount to 12,235 thousand Euros (of which 10,080 thousand Euros are non-current). Change in the first half of 2017 is summarized in the table below:

<b>(thousand Euros)</b>	<b>Balance at 31/12/2016</b>	<b>Other</b>	<b>Accruals</b>	<b>Utilization</b>	<b>Balance at 30/06/2017</b>
Fidelity provisions	323	-	-	(15)	308
Provision for risk	10,593	(75)	2,000	(591)	11,927
<b>Total</b>	<b>10,916</b>	<b>(75)</b>	<b>2,000</b>	<b>(606)</b>	<b>12,235</b>

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 11,927 thousand Euros, 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.

## NOTA 31 – TRADE PAYABLES

Trade payables at 30 June 2017 amount to 89,093 thousand Euros and are detailed as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Domestic suppliers	76,724	80,369	(3,645)
Foreign suppliers	13,476	13,383	93
Advances to suppliers	(1,107)	(1,017)	(91)
<b>Total</b>	<b>89,093</b>	<b>92,735</b>	<b>(3,643)</b>

## NOTE 32 - OTHER CURRENT LIABILITIES

Other current liabilities at 30 June 2017 amounted to 152,050 thousand Euros with a decrease of 37,094 thousand Euros with respect to the previous financial year.

Detail is as follows:

<b>(thousand Euros)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>Change</b>
Income tax payable	3,363	8,114	(4,751)
VAT payable	3,584	9,630	(6,046)
Withholding tax and other	4,705	6,691	(1,986)
<b>Total due to tax authorities</b>	<b>11,653</b>	<b>24,436</b>	<b>(12,783)</b>
National social insurance payable	19,849	22,927	(3,079)
Other	1,601	1,758	(157)
<b>Total due to social securities</b>	<b>21,449</b>	<b>24,685</b>	<b>(3,236)</b>
Employee accruals	54,818	52,965	1,853
Other payables	53,062	78,564	(25,501)
Accrued expenses and deferred income	11,068	8,495	2,573
<b>Total other payables</b>	<b>118,948</b>	<b>140,023</b>	<b>(21,075)</b>
<b>Other current liabilities</b>	<b>152,050</b>	<b>189,144</b>	<b>(37,094)</b>

Due to tax authorities amounting to 11,653 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 21,449 thousand Euros, is related to both Company and employees' contribution payables.

Other payables at 30 June 2017 amount to 118,948 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 994 thousand Euros with a balancing entry in Profit and loss amounting to 181 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 19,799 thousand Euros.

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

## NOTE 33 – SEGMENT REPORTING

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

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Interseg	Total 1 <sup>st</sup> half 2017	%
<b>Revenues</b>	<b>308,716</b>	<b>100</b>	<b>75,927</b>	<b>100</b>	<b>65,682</b>	<b>100</b>	<b>1,064</b>	<b>100</b>	<b>(9,767)</b>	<b>441,623</b>	<b>100</b>
Operating costs	(263,389)	(85.3)	(67,551)	(89.0)	(56,528)	(86.1)	(2,185)	(205.3)	9,767	(379,886)	(86.0)
<b>Gross operating income</b>	<b>45,327</b>	<b>14.7</b>	<b>8,376</b>	<b>11.0</b>	<b>9,155</b>	<b>13.9</b>	<b>(1,121)</b>	<b>(105.3)</b>	<b>-</b>	<b>61,736</b>	<b>14.0</b>
Amortization, depreciation and write-downs	(4,310)	(1.4)	(873)	(1.1)	(736)	(1.1)	(13)	(1.2)	-	(5,932)	(1.3)
Other non-recurring (costs)/income	-	-	1,162	2.0	6	-	-	-	-	1,168	-
<b>Operating income</b>	<b>41,017</b>	<b>13.3</b>	<b>8,665</b>	<b>11.9</b>	<b>8,424</b>	<b>12.8</b>	<b>(1,134)</b>	<b>(106.5)</b>	<b>-</b>	<b>56,972</b>	<b>12.9</b>
Gain/(loss) on investments	-	-	-	-	-	-	(1,959)	(184.1)	-	(1,959)	(0.4)
Financial income/(loss)	1,050	-	(622)	(0.8)	(316)	(0.5)	(1,665)	(156.5)	-	(1,553)	(0.4)
<b>Income before taxes</b>	<b>42,067</b>	<b>13.6</b>	<b>8,043</b>	<b>10.6</b>	<b>8,108</b>	<b>12.3</b>	<b>(4,758)</b>	<b>(447.1)</b>	<b>-</b>	<b>53,460</b>	<b>12.1</b>
Income taxes	(13,482)	(4.4)	(2,516)	(3.3)	(1,733)	(2.6)	-	-	-	(17,731)	(4.0)
<b>Net income</b>	<b>28,585</b>	<b>9.3</b>	<b>5,527</b>	<b>7.3</b>	<b>6,375</b>	<b>9.7</b>	<b>(4,758)</b>	<b>(447.1)</b>	<b>-</b>	<b>35,729</b>	<b>8.1</b>
Non-controlling interest	(255)	(0.1)	(2)	-	-	-	(290)	(27.2)	-	(546)	(0.1)
<b>Group net result</b>	<b>28,330</b>	<b>9.2</b>	<b>5,525</b>	<b>7.3</b>	<b>6,375</b>	<b>9.7</b>	<b>(5,048)</b>	<b>(474.3)</b>	<b>-</b>	<b>35,182</b>	<b>8.0</b>

(thousand Euros)	Region 1	%	Region 2	%	Region 3	%	IoT Incubator	%	Interseg	Total 1 <sup>st</sup> half 2016	%
<b>Revenues</b>	<b>282,199</b>	<b>100</b>	<b>65,872</b>	<b>100</b>	<b>44,560</b>	<b>100</b>	<b>1,223</b>	<b>100</b>	<b>(7,341)</b>	<b>386,513</b>	<b>100</b>
Operating costs	(237,783)	(84.3)	(59,725)	(90.7)	(43,569)	(97.8)	(1,445)	(118.1)	7,341	(335,181)	(86.7)
<b>Gross operating income</b>	<b>44,416</b>	<b>15.7</b>	<b>6,147</b>	<b>9.3</b>	<b>991</b>	<b>2.2</b>	<b>(221)</b>	<b>(18.10)</b>	<b>-</b>	<b>51,333</b>	<b>13.3</b>
Amortization, depreciation and write-downs	(3,780)	(1.3)	(746)	(1.1)	(324)	(0.7)	(13)	(1.1)	-	(4,863)	(1.3)
Other non-recurring (costs)/income	(133)	-	-	-	1,655	4	-	-	-	1,523	-
<b>Operating income</b>	<b>40,503</b>	<b>14.4</b>	<b>5,401</b>	<b>8.2</b>	<b>2,322</b>	<b>5.2</b>	<b>(234)</b>	<b>(19.2)</b>	<b>-</b>	<b>47,992</b>	<b>12.4</b>
Gain/(loss) on investments	-	-	-	-	-	-	-	-	-	-	-
Financial income/(loss)	819	-	(647)	(1.0)	(176)	(0.4)	(717)	(58.6)	-	(721)	(0.2)
<b>Income before taxes</b>	<b>41,322</b>	<b>14.6</b>	<b>4,754</b>	<b>7.2</b>	<b>2,146</b>	<b>4.8</b>	<b>(951)</b>	<b>(77.74)</b>	<b>-</b>	<b>47,271</b>	<b>12.2</b>
Income taxes	(16,165)	(5.7)	(1,009)	(1.5)	(146)	(0.3)	201	16	-	(17,119)	(4.4)
<b>Net income</b>	<b>25,157</b>	<b>8.9</b>	<b>3,745</b>	<b>5.7</b>	<b>2,000</b>	<b>4.5</b>	<b>(750)</b>	<b>(61.31)</b>	<b>-</b>	<b>30,152</b>	<b>7.8</b>
Non-controlling interest	(276)	(0.1)	89	-	-	-	114	9	-	(74)	-
<b>Group net result</b>	<b>24,881</b>	<b>8.8</b>	<b>3,834</b>	<b>5.8</b>	<b>2,000</b>	<b>4.5</b>	<b>(636)</b>	<b>(52.00)</b>	<b>-</b>	<b>30,079</b>	<b>7.8</b>

(thousand Euros)	Region 1	Region 2	Region 3	IoT Incub	Interseg	Total 30/06/2017	Region 1	Region 2	Region 3	IoT Incub	Interseg	Total 31/12/2016
Current operating assets	337,559	48,027	48,579	588	(26,120)	408,632	380,286	44,726	37,405	730	(20,492)	442,655
Current operating liabilities	(207,841)	(22,790)	(33,452)	(5,335)	26,120	(243,298)	(242,703)	(29,082)	(27,094)	(3,864)	20,492	(282,251)
<b>Net working capital (A)</b>	<b>129,718</b>	<b>25,237</b>	<b>15,126</b>	<b>(4,747)</b>	<b>-</b>	<b>165,334</b>	<b>137,583</b>	<b>15,644</b>	<b>10,312</b>	<b>(3,135)</b>	<b>-</b>	<b>160,404</b>
Non-current assets	135,049	49,345	37,629	23,723		245,746	134,541	39,236	38,605	20,059		232,441
Non-financial liabilities long term	(47,106)	(31,338)	(7,587)	-		(86,031)	(49,388)	(27,033)	(7,646)	-		(84,067)
<b>Fixed capital (B)</b>	<b>87,943</b>	<b>18,007</b>	<b>30,043</b>	<b>23,723</b>		<b>159,715</b>	<b>85,153</b>	<b>12,203</b>	<b>30,959</b>	<b>20,059</b>		<b>148,374</b>
<b>Net invested capital (A+B)</b>	<b>217,661</b>	<b>43,244</b>	<b>45,169</b>	<b>18,975</b>		<b>325,050</b>	<b>222,736</b>	<b>27,847</b>	<b>41,271</b>	<b>16,924</b>		<b>308,779</b>

Breakdown of employees by operating segment is as follows:

Region	30/06/2017	30/06/2016	Change
Region 1	4,664	4,326	338
Region 2	1,070	935	135
Region 3	597	471	126
IoT Incubator	12	7	5
<b>Total</b>	<b>6,343</b>	<b>5,739</b>	<b>604</b>

## NOTE 34 – TRANSACTIONS WITH RELATED PARTIES

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

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

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

(thousand Euros)

Financial transactions	30/06/2017	31/12/2016	Nature of transactions
Trade receivables	7	28	Receivables from professional services
Trade payables	-	2	Payables for professional services and office rentals offices
Other payables	1,911	2,965	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	1st half 2017	1st half 2016	Nature of transactions
Revenues from professional services	7	3	Professional services executed
Services from Parent company and related parties	550	539	Service contracts relating to office rental and administration office
Personnel	3,854	4,042	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	61	61	Emoluments to Statutory Auditors

### Reply Group Main economic and financial transactions

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

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006 the financial statements annexed herein present the Consolidated Income statement and Balance Sheet showing transactions with related parties separately, together with the percentage incidence with respect to each account caption.

Pursuant to Art. 150, paragraph 1 of the Italian Legislative Decree n. 58 of 24 February 1998, no transactions have been carried out by the members of the Board of Directors that might be in potential conflict of interests with the Company.



## **NOTE 35 - GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES**

### **Guarantees**

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

### **Commitments and contingent liabilities**

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.

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

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

### **NOTA 36 – EVENTS SUBSEQUENT TO 30 JUNE 2017**

No significant events have occurred subsequent to 30 June 2017.

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

The Half year condensed consolidated financial statements at 30 June 2017 were approved by the Board of Directors on July 28, 2017 which authorized the publication within the terms of law.

# ANNEXED TABLES

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

<b>(thousand Euros)</b>	<b>1st half 2017</b>	<b>of which with related parties</b>	<b>%</b>	<b>1st half 2016</b>	<b>of which with related parties</b>	<b>%</b>
<b>Revenues</b>	<b>441,623</b>	<b>7</b>	<b>0%</b>	<b>386,513</b>	<b>3</b>	<b>-</b>
Other income	4,099	-	-	4,075	-	-
Purchases	(9,029)	-	-	(8,428)	-	-
Personnel	(216,298)	(3,854)	2%	(189,838)	(4,042)	2%
Services and other costs	(157,886)	(611)	0%	(141,989)	(600)	0%
Amortization, depreciation and write-downs	(5,932)	-	-	(4,863)	-	-
Other unusual (cost)/income	395	-	-	2,522	-	-
<b>Operating income</b>	<b>56,972</b>	<b>-</b>	<b>-</b>	<b>47,992</b>	<b>-</b>	<b>-</b>
Income from associate companies	(1,959)	-	-	-	-	-
Financial income/(expenses)	(1,553)	-	-	(721)	-	-
<b>Income before taxes</b>	<b>53,460</b>	<b>-</b>	<b>-</b>	<b>47,271</b>	<b>-</b>	<b>-</b>
Income taxes	(17,731)	-	-	(17,119)	-	-
<b>Net income</b>	<b>35,729</b>	<b>-</b>	<b>-</b>	<b>30,152</b>	<b>-</b>	<b>-</b>
Non-controlling interest	(546)	-	-	(74)	-	-
<b>Group net result</b>	<b>35,182</b>	<b>-</b>	<b>-</b>	<b>30,079</b>	<b>-</b>	<b>-</b>

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

(thousand Euros)	30/06/2017	of which with related parties	%	31/12/2016	of which with related parties	%
Tangible assets	17,595	-	-	17,686	-	-
Goodwill	166,880	-	-	157,429	-	-
Other intangible assets	16,310	-	-	17,016	-	-
Equity investments	21,110	-	-	14,110	-	-
Financial assets	6,423	-	-	9,739	-	-
Deferred tax assets	17,429	-	-	16,466	-	-
<b>Non-current assets</b>	<b>245,746</b>	<b>-</b>	<b>-</b>	<b>232,445</b>	<b>-</b>	<b>-</b>
Work in progress	121,969	-	-	58,651	-	-
Trade receivables	255,919	7	0%	339,194	28	0%
Other current assets	30,744	-	-	44,810	-	-
Financial assets	2,782	-	-	2,925	-	-
Cash and cash equivalents	81,385	-	-	92,550	-	-
<b>Current assets</b>	<b>492,799</b>	<b>-</b>	<b>-</b>	<b>538,130</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>738,545</b>	<b>-</b>	<b>-</b>	<b>770,575</b>	<b>-</b>	<b>-</b>
Share capital	4,863	-	-	4,863	-	-
Other reserves	320,015	-	-	264,610	-	-
Group net income	35,182	-	-	67,544	-	-
<b>Group shareholders' equity</b>	<b>360,061</b>	<b>-</b>	<b>-</b>	<b>337,017</b>	<b>-</b>	<b>-</b>
Non-controlling interest	280	-	-	520	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>360,341</b>	<b>-</b>	<b>-</b>	<b>337,537</b>	<b>-</b>	<b>-</b>
Payables to minority shareholders and for earn-out	27,062	-	-	24,558	-	-
Financial liabilities	30,940	-	-	31,051	-	-
Employee benefits	30,152	-	-	30,401	-	-
Deferred tax liabilities	18,736	-	-	18,563	-	-
Provisions	10,080	-	-	10,545	-	-
<b>Non-current liabilities</b>	<b>116,970</b>	<b>-</b>	<b>-</b>	<b>115,118</b>	<b>-</b>	<b>-</b>
Financial liabilities	17,937	-	-	35,670	-	-
Trade payables	89,093	-	-	92,735	2	0%
Other current liabilities	152,050	1,911	1%	189,144	2,965	2%
Provisions	2,155	-	-	371	-	-
<b>Current liabilities</b>	<b>261,235</b>	<b>-</b>	<b>-</b>	<b>317,921</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>378,205</b>	<b>-</b>	<b>-</b>	<b>433,038</b>	<b>-</b>	<b>-</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>738,545</b>	<b>-</b>	<b>-</b>	<b>770,575</b>	<b>-</b>	<b>-</b>

## LIST OF COMPANIES AT 30 JUNE 2017

Company name	Headquarters	Group interest
<b>Parent company</b>		
Reply S.p.A.	Turin – Corso Francia. 110 - Italy	
<b>Companies consolidated on a line-by-line basis</b>		
4brands Reply GmbH & CO. KG.	Minden, Germany	51.00%
Air Reply S.r.l.	Turin, Italy	85.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sprl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxemburg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd	London, United Kingdom	100.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Blue Reply GmbH	Guetersloh, Germany	100.00%
Bridge Reply S.r.l.	Turin, Italy	60.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd	London, United Kingdom	100.00%
Breed Reply Investment Ltd	London, United Kingdom	80.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG	Munich, Germany	100.00%
Cluster Reply Informatica LTDA. (*)	San Paolo, Brazil	76.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%
ComSysto GmbH	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%
Consorzio Reply Energy	Turin, Italy	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH (*)	Munich, Germany	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%
Industrie Reply GmbH (ex Logistics Reply GmbH)	Munich, Germany	100.00%

InEssence Reply GmbH	Düsseldorf, Germany	100.00%
IrisCube Reply S.p.A.	Turin, Italy	100.00%
Leadwise Reply GmbH	Darmstadt, Germany	100.00%
Lem Reply S.r.l.	Turin, Italy	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Logistics Reply S.r.l.	Turin, Italy	100.00%
Lynx Recruiting Ltd	London, United Kingdom	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Open Reply GmbH	Guetersloh, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l.	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l.	Turin, Italy	100.00%
Portaltech Reply GmbH (*)	Guetersloh, Germany	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 Digital Experience (ex Bitmama S.r.l.)	Turin, Italy	100.00%
Reply France Sarl	Paris, France	100.00%
Reply Luxembourg Sarl	Sandweiler, Luxemburg	100.00%
Reply NL Ltd	London, United Kingdom	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Verwaltung GmbH	Guetersloh, Germany	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd	London, United Kingdom	80.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milan, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	85.00%
Spark Reply GmbH	Germany	100.00%
Square Reply S.r.l.	Turin, Italy	100.00%
Storm Reply S.r.l. (*)	Turin, Italy	95.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Reply GmbH (ex Syskoplan Reply GmbH)	Zurich Switzerland	100.00%
Syskoplan Reply GmbH & CO. KG	Guetersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%

Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucharest, Romania	100.00%
TD China (TD Marketing Consultants. Beijing Co. Ltd)	China	100.00%
Tool Reply Gmbh	Guetersloh, Germany	100.00%
Triplense 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%
Xister Reply S.r.l.(*)	Turin, Italy	89.20%
Xuccess Reply GmbH	Munich, Germany	100.00%

#### Companies held at fair value

Amiko Digital Health Ltd	England	20.00%
Cocoon Alarm Ltd.	England	22.09%
iNova Design Ltd.	England	30.00%
Sensoria Inc.	USA	24.0%
Zeetta Networks Ltd.	England	23.39%
lotic Labs Ltd.	England	9.50%
Sentryo SAS	France	12.64%
Connecterra BV	Belgium	16.05%
RazorSecure Ltd.	England	18.52%
Senseye Ltd.	England	15.59%
Wearable Technologies Ltd.	England	7.24%
We Predict Ltd.	England	8.28%
Canard Drones	Spain	10.87%
Callsign	England	4.75%
enModus Ltd	England	16.35%

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



**ATTESTATION OF THE HALF-  
YEAR CONDENSED  
FINANCIAL STATEMENTS**

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

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, 2017.
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, 2017 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, 2017:
    - have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002, as well as the measures issued to implement article 9 of Legislative Decree no.38/2005;
    - correspond to the amounts shown in the Company's accounts, books and records; and
    - provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries;
  - 3.2 the related interim management report includes a reliable analysis of the significant events affecting the Company in the first six months of the current fiscal year and the impact of such events on the Company's condensed financial statements as well as a description of the main risks and uncertainties.

Turin, July 28, 2017

/s/ Mario Rizzante

**Chairman and Chief Executive Officer**

Mario Rizzante

/s/ Giuseppe Veneziano

**Director responsible of drawing up the  
accounting documents**

Giuseppe Veneziano

# **INDEPENDENT AUDITORS' REPORT**

## 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, 2017, the consolidated statement of income, 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, 2017 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 1, 2017

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

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

## **CORPORATE INFORMATION**

### **HEADQUARTER**

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### **CORPORATE INFORMATION**

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