



**REPLY
INTERIM
MANAGEMENT REPORT
AT 30 SEPTEMBER 2021**

REPLY

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REPORT AT 30
SEPTEMBER 2021**

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BOARD OF DIRECTORS AND CONTROLLING BODIES

BOARD OF DIRECTORS

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer

Tatiana Rizzante

Executive Directors

Filippo Rizzante

Daniele Angelucci

Marco Cusinato

Elena Maria Previtiera

Patrizia Polliotto (1) (2) (3)

Secondina Giulia Ravera (1) (2)

Francesco Umile Chiappetta (1) (2)

Board of Statutory Auditors

President

Ciro Di Carluccio

Statutory Auditors

Piergiorgio Re

Ada Alessandra Garzino Demo

Independent Auditors

PwC S.p.A.

(1) Directors not invested with operational proxies

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

(3) Lead Independent Director

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

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

(thousand Euros)

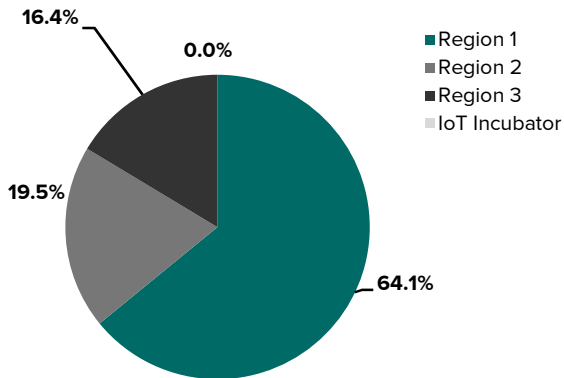
Q3 2021	%	Q3 2020	%	Economic figures	30/09/2021	%	30/09/2020	%
360,568	100.0	293,129	100.0	Revenues	1,073,401	100.0	908,305	100.0
63,696	17.7	50,901	17.4	Gross operating margin	183,177	17.1	141,119	15.5
51,538	14.3	40,215	13.7	Operating margin	147,504	13.7	114,362	12.6
51,307	14.2	38,643	13.2	Income before taxes	150,026	14.0	113,780	12.5

Q3 2021	Q3 2020		30/09/2021	30/09/2020
3,745	4,356	Investments	10,628	11,590

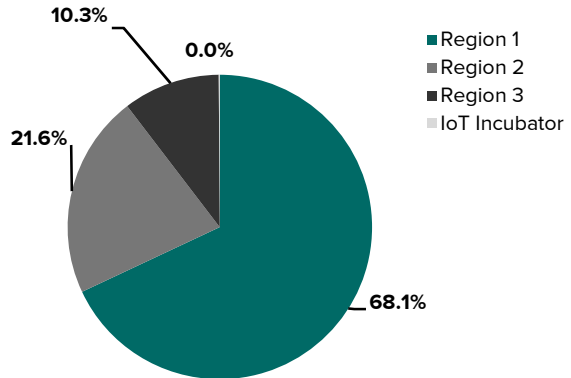
	30/09/2021	30/06/2021	31/12/2020
Net financial position	244,406	165,388	158,661

	30/09/2021	30/09/2020
No. Employees	9,880	8,750

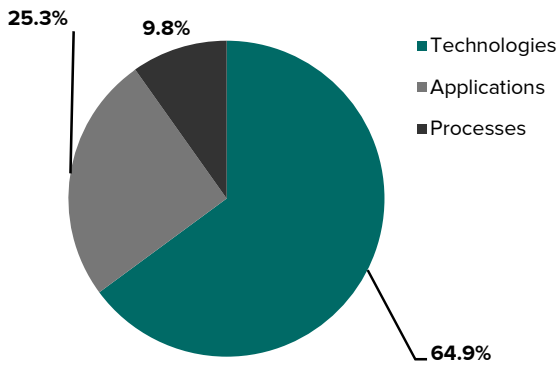
**REVENUES BY GEOGRAPHICAL AREA
30 September 2021**



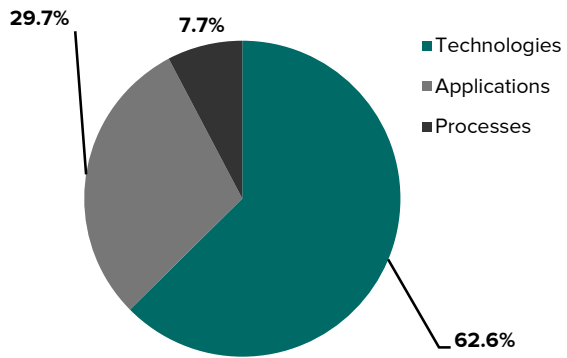
**REVENUES BY GEOGRAPHICAL AREA
30 September 2020**



**REVENUES BY BUSINESS LINES
30 September 2021**

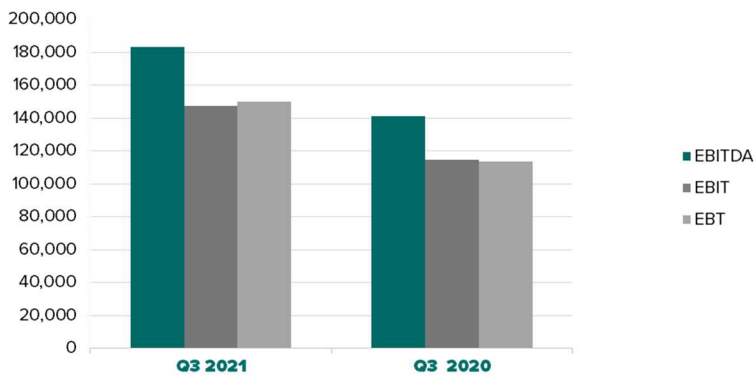


**REVENUES BY BUSINESS LINES
30 September 2020**



(*)
 Region 1: ITA, USA, BRA, POL, ROU, CHN (Nanjing), NZL
 Region 2: DEU, CHE, CHN (Beijing), HRV
 Region 3: GBR, LUX, BEL, NLD, FRA, BLR, SGP, HKG

TREND IN MARGINS



REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply is a Group specialised in consulting, system integration and digital services, with a focus on the conception, design and development of solutions based on the new communication channels and digital media.

Composed of a network of companies, Reply partners with key industrial Groups in defining business models. This is made possible by the new technological and communication paradigms such as artificial intelligence, big data, cloud computing, digital communication and the Internet of Things.

THE ORGANISATIONAL MODEL

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

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

Applications – Reply designs and implements software solutions aimed at satisfying core business requirements, in various industrial sectors.

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

REPLY'S SERVICES INCLUDE:

Consulting – with a focus on strategy, communication, design, processes and technology;

System Integration – making the best use of the potential of technology, and combining business consulting with innovative technological solutions and 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 a broad experience in the provision of services and a wealth of advanced technological capabilities.

TELCO, MEDIA & HI TECH

The convergence currently taking place between the physical world and the digital world is revolutionising the approach adopted by Telco & Media companies and their relationship with customers. Operators are having to tackle new challenges, to which they must respond with innovative and tailor-made offers, new business models, and state-of-the-art operational processes. In order to continue to be the protagonists of the digital ecosystem, Telco companies are in fact evolving into multimedia platforms that are capable of communicating with third parties and are thus able to engage consumers in a more direct manner, offering services better adapted to their specific needs.

In this scenario, characterised by rapid and profound change, Reply is collaborating with leading players in the sector to define and implement digital transformation strategies that leverage big data; using artificial intelligence and machine learning systems to design services that are increasingly more suitable and better targeted to customers' needs. Moreover, thanks to its extensive expertise and knowledge of the sector and its operational dynamics, Reply is not only able to take appropriate actions to optimise processes, but also to automate them by leveraging specific Robotic Process Automation solutions.

The relationship with customers and attention to the service provided are not, however, the only aspects affected by the digital changes that are transforming the Telco sector.

The unbundling of networks, the separation between hardware and software, cloud and edge computing are becoming differentiating elements among operators, who are called upon to offer more flexible proprietary architectures and to promote greater fixed-mobile integration. Networks are becoming increasingly more "fluid" and digitisation is proving to be a key element, not only to facilitate the automation of different processes, but also to improve customer experience, help generate new opportunities, reduce costs and adapt to new connectivity needs.

The increasingly greater diffusion of connected objects also requires a reconfiguration of the entire infrastructure that must transmit, in real time, huge volumes of data that is no longer generated by smartphones and other mobile devices alone, but by a myriad of other sources: it is the Internet-of-Everything.

Reply plays an active role in this new era of "smart connection" and has defined an integrated offer of strategic and technological consulting services to support the evolution related to the 5G network and to the design, definition and management of new generation networks. In particular, Reply helps leading players in the sector to implement strategies covering the three main processes that are profoundly transforming today's networks: unbundling, virtualisation and automation.

FINANCIAL SERVICES

The digital world and, more generally, the new technologies, are also radically transforming the financial sector. Leading analysts expect the digital financial platforms' market to experience enormous growth in the near future. On the one hand due to the increase in the number of digital-native retail customers, and on the other as a result of the inevitable technological evolution, which is increasingly more oriented towards highly scalable cloud platforms.

Reply's core competencies enable customers to develop new, decision-making models designed to help them analyse risks and optimise internal operational processes based on Robotic Process Automation (RPA) techniques. The diffusion of systems and solutions based on artificial intelligence is another key element of transformation, driven by the explosion of big data and the growing digitalisation of services and processes, both internal and external.

Reply accompanies the European banking world in this transformation process: it helps financial institutions, not only in the definition of multi-channel strategies and the implementation of open banking, but also in allowing new architectures and new technologies to coexist with legacy systems and architectures.

Reply operates with a consulting division focused on Governance, Risk and Control (GRC), designing solutions that help financial institutions in the implementation of European Banking Union regulations. Reply also boasts a strong presence in the Wealth Management domain, where it has developed specific solutions for the latest consulting models, including through advanced, robo-advisory platforms.

The Group also operates in the mobile payment sector, in mobile-commerce and e-commerce services, and in related platforms, offering solutions, services and consultancy for the banking and insurance market, as well as for new, emerging players in the payments ecosystem. This is complemented by Reply's commitment on the innovation front, driven by cutting-edge projects such as those related to quantum computing and blockchain technology.

Moreover, Reply supports leading players in the Insurance sector, helping them in the design, implementation and governance of major transformation programmes; from the turnaround to the optimisation of operating models - also thanks to the adoption of Intelligent Process Automation and Machine Learning models and techniques. The requirements imposed by the global Covid-19 pandemic have provided a strong momentum to the development of hybrid distribution solutions through the "remotisation" of relations between the company, intermediaries, and customers, together with the design and activation of new data-driven business models based on the analysis and interpretation of data.

MANUFACTURING

Today, digital innovation has inevitably made its way into factories and is revolutionising not only production, but also the entire supply chain, from procurement to logistics, sales and maintenance. Production plants are being transformed into open and flexible ecosystems, which are also able to manage communication flows and the distribution chain better, thus generating a virtuous mechanism capable of minimising costs and maximising results.

Reply collaborates with leading Groups in the sector, accompanying them in this complex transformation process that covers a range of different areas: supply and purchase management; the design and implementation of control and planning systems based on the new generation of cloud-based ERP solutions; the planning and control of production units; and the design and definition of logistics supply networks. Moreover, Reply has enhanced its portfolio of Industry 4.0 and Logistics 4.0 solutions, continuing its “replatforming” of the proprietary Lea Reply and Brick Reply solutions, which are focused on the Supply Chain Execution and the Manufacturing Execution System. Besides this, it has introduced Axulus Reply on the market, a new solution aimed at the Industrial Internet of Things.

Finally, Reply has confirmed its leadership position in the logistics solutions' sector in support of the automotive industry, implementing integrated projects that cover the entire supply chain: from production – thanks to the focus on Industrial IoT and on edge computing – to the “sensorisation” of production and logistics lines, without forgetting the transport and after-sales distribution activities.

The automotive sector in particular is undergoing a profound evolution, driven by recent technological and environmental changes: the new paradigms consist of power grids, increasingly connected vehicles, and autonomous driving. At the same time, the advent of digital competitors and start-ups is driving competition, thus leading automotive companies to invest in the digital sector and equip themselves with software factories specialised in advanced connectivity systems.

In this context, Reply has supported various players in the sector with projects related to the development of autonomous driving and quality assurance (i.e., remote diagnostics, vehicle diagnostic repair), as well as new types of services integrated with smart cities, such as the intelligent search for available parking spaces.

Moreover, on the connectivity front, in addition to collaborating with major automotive manufacturers to build commercial versions of V2I (Vehicle to Infrastructure) connectivity platforms, Reply is studying and implementing prototypes of new, end-to-end vehicle architectures. Instead of being based on the interconnection of the signals emitted by all the on-board control units of a vehicle, these use cloud edge platforms, rendering the implementation, management and evolution of services on board the vehicle much faster.

Then in 2020, a rapid transformation of car sales models took place, with an accelerating shift towards online channels. In this area, Reply has supported leading brands in the sector with the design and development of data-driven marketing solutions, 3D showrooms that enable the customised configuration of cars, and the creation of advanced virtual test drive applications based on the AR/VR technologies.

RETAIL

The global Covid-19 pandemic has strongly called into question the traditional retail sector models and has forced a significant acceleration of digitalisation processes along the entire distribution chain. Business processes and logistics were strongly impacted by the limitations imposed to contain the spread of the virus. In particular, the closure of physical stores has meant that goods are piling up in warehouses, thus calling into question the business continuity of the various sectors. Many businesses – even those who had not yet adopted e-commerce – found themselves forced to review their strategy and to make the conscious decision to accelerate the development and the consolidation of new hybrid sales methods such as Click and Collect, i.e., online purchase and in-store collection.

Reply has supported numerous retailers operating in the most diverse product sectors during this delicate transition phase, accompanying them in the expansion of the number of touchpoints served and in the introduction of new payment systems. Thanks to a data-driven approach, it was possible to adapt the existing sales methods to the new health and regulatory environment, but also to launch a series of strategic innovations aimed at sustaining the complete digitisation of sales processes.

ENERGY & UTILITIES

The future of energy is increasingly more green, and the progressive abandonment of fossil energy sources calls for an evolution of processes and operating models that only digital technologies are able to support. The entire value chain is affected by this revolution; from production to sales, from monitoring consumption to enabling new interaction models, such as vehicle-to-grid or private micro-grids.

Last year, nearly all major operators launched industrial-scale, technological innovation projects, with the aim of becoming increasingly more flexible and resilient. Among the technologies and platforms available, and adaptable in the energy sector, cloud computing is currently the most widespread solution among operators. IoT, however, is fast becoming the hub of investments, representing an increasingly important element to enable the development of monitoring processes, optimising operations, and activating new interaction services and models with customers.

In this scenario, Reply is one of the reference partners for the sector, thanks to its knowledge of the market and its ability to design, implement and manage innovative digital solutions and appropriate technological platforms, and leveraging, above all, the adoption of cloud and IoT solutions. All are skills and expertise that Reply has relied upon to implement international-scale IoT projects for leading operators in the sector, ranging from energy and demand management to the management of electric car charging, smart metering, smart grid, asset management and renewable generation solutions.

HEALTHCARE & GOVERNMENT

The public sector and healthcare have been the two market segments that, in recent months, have come under the most pressure. Globally, many governments have made significant investments in healthcare, particularly on the operational front to facilitate the management of Covid-19 hospitals and patients. But not only this; the sector has also seen greater attention paid to cost optimisation, to the management of medical supplies and logistics, and a focus on the digitisation of a series of processes and solutions, such as contact tracing applications. Among the several significant projects in this area, Reply made available to Bavarian healthcare institutions a solution capable of managing information on contacts and chains of Covid-19 infections.

On the digitalisation front of the healthcare sector, another theme on which attention has been focused is telemedicine, a service whose benefits have never been more apparent than in a time when access to care is strongly conditioned by restrictive, anti-contagion measures. It is a pillar of the so-called “connected care” ecosystem: an integrated approach between the real and virtual realms, thanks to which doctors and healthcare professionals can remotely visit patients, follow their rehabilitation, and monitor their vital parameters. Activities such as diagnosis, reporting, payment of care services and observation of therapeutic progress can be carried out through videoconferencing systems, connected to secure and transparent digital health records, also thanks to artificial intelligence systems.

In this context, Reply has on the one hand, supported healthcare companies and public institutions in their reaction to the Covid-19 pandemic, and on the other, in the process of the digitisation of care, has helped them to evolve their proprietary platforms in order to create solutions based on the Internet of Things, cloud computing, and machine learning systems. Moreover, thanks to partnerships with vendors such as InterSystems, Oracle, and Microsoft, Reply was able to design and implement interoperable and optimised applications in terms of compliance and security.

TECHNOLOGICAL INNOVATION

Technological innovation is the basis of Reply's growth. The company has always pursued the objective of providing its clients with the tools they need to increase flexibility and efficiency. Reply is involved in a continuous process of research, selection and marketing of innovative solutions for sustaining the creation of value within organisations.

ARTIFICIAL INTELLIGENCE

The role of artificial intelligence in business is growing significantly thanks to the wide range of application of algorithms and technologies in different industries. Its use varies from the optimization of business processes thanks to robotization techniques, to its use in customer relations thanks to assistance technologies that combine the ability to recognize natural language and conversational systems.

Machine learning integrates the potential of artificial intelligence, allowing algorithms to improve independently over time. The Reply solutions and platforms based on artificial intelligence and machine learning today serve markets such as healthcare, retail, logistics, financial institutions and telecommunications.

Several partnerships have been signed with the main players and the most innovative start-ups in areas such as intelligent process automation and computer vision.

In recent years Reply has specialized in the creation of new algorithms and in the comparison between algorithms to identify the most suitable solutions for each use case; in the development of technologies that analyse the results of artificial intelligence and transform them into insights and new services; in the optimization of the databases necessary for the functioning of the algorithms; in training artificial intelligence and machine learning algorithms.

AUTONOMOUS ROBOT

Advances in Artificial Intelligence, combined with the power of the cloud and the data transmission speed guaranteed by 5G networks, have made it possible to develop new types of fully automated 'objects' such as autonomous vehicles, drones and a new class of increasingly more sophisticated robots. In this new scenario, defined by robotic automation, Reply supports its customers with an end-to-end model that integrates consulting services, software development, artificial intelligence services and the integration of expert systems of Perception, Cognition, Connection, Organisation and Interaction.

Through the application of Swarm Intelligence and Cognitive Computing, robots develop the capacity to operate in unstructured environments such as open spaces on land, water and air, and are increasingly better able to coordinate themselves, even independently of being directly connected to guidance systems. Reply supports companies in the integration of mobile robotics within their operational ecosystems and accompanies them in the development of innovative business models based on intelligent autonomy.

BLOCKCHAIN

Blockchain technology is increasingly emerging as the key technological paradigm for the construction of new digital services based on distributed computational infrastructures. The shared and distributed nature of blockchain digital ledgers is becoming a major element and an opportunity for many sectors, from the financial sector to the supply chain and even the healthcare sector. This extends beyond an 'internal' advantage for a single company or organisation: the system of shared ledgers, on which the blockchain technology is based, facilitates the creation of secure integrations between intercompany systems and connected devices.

Thanks to an offer structured along consulting services, design and the implementation of solutions based on blockchain technology and Distributed Ledger Technology (DLT), Reply supports various customers in the creation of system platforms. In particular, in 2020 Reply developed a healthcare credentials solution leveraging DLT secure distributed processing, to enable the safe return of people to the workplace or to other social contexts, such as cultural events or tourism. Moreover, Reply developed the first solution for digitising the sureties' management process based on blockchain technology, with the aim of reducing the number of false sureties and facilitating the sharing of information between ecosystem players (guarantor, warrantee and contractor) and confirming the security of the end-to-end process.

CLOUD COMPUTING

Cloud computing plays a decisive role in all major sectors today. More than ever, IT architectures are designed based on a 'hybrid' approach, one that mixes proprietary systems with a range of different remote Infrastructure-as-a-Service solutions and value-added services provided in Platform-as-a-Service mode. This is complemented by a significant number of applications used in Software-as-a-Service mode, both at the business level and by end consumers.

This scenario necessitates sophisticated orchestration methodologies and tools, to ensure the optimal and secure management of resources, regardless of their location. Moreover, the growing portfolio of edge computing solutions offered by major providers has opened up a number of new possibilities. Today, architectures can provide hybrid solutions, where the computing capacity is distributed between cloud computing and local systems, leading to a significant reduction in processing latency and enabling new use cases.

The use of these technologies in connected vehicles is one of the most promising: local sensors collect and process critical information, guaranteeing security and performance, while periodically communicating with cloud systems for more complex processing.

Its longstanding experience, accumulated in sectors such as telco, the automotive industry, finance, utilities and healthcare, combined with its strong cybersecurity expertise, enable Reply to design architectures and solutions that fully exploit the potential of the cloud in areas such as artificial intelligence, machine learning, analytics and quantum computing. The integration of these services with solutions based on the Internet of Things, facilitated by the adoption of edge and mobile edge components, helps to further consolidate Reply's positioning.

Today, Reply is a dynamic leader in application and infrastructure projects, thanks to partnerships with leading global providers of platforms, application solutions and cloud and edge infrastructure services including Adobe, Amazon, Google, IBM, Microsoft, Oracle, SAP and Salesforce. Moreover, Reply is able to offer a cloud and hybrid infrastructure management service, available 24/7, to support customers, not only in the architectural component, but also at application level.

CUSTOMER ENGAGEMENT

Today's customers are in search of an increasingly less 'mediated' relationship with brands and, at the same time, they are looking for a personalised experience, capable of evolving along with their changing needs and tastes. This is complemented by the need for an omnichannel-driven and real-time approach. A demanding challenge for brands, which find themselves needing to review their strategies and to rethink their communication based on an integrated approach. The roadmap is a data-driven approach that starts from the systematic collection of data relating to the customer, continues with the interpretation and sense-making of this data through the adoption of technologies such as AI and machine learning, and concludes with the implementation of a personalised customer journey, capable of addressing and anticipating the needs of each individual customer. This is an approach possible only through the synergy between the different Sales, Service and Marketing CRM components and data analysis platforms, as well as thanks to IT architectures and cloud-native microservices focused on customer engagement.

Reply has successfully completed several projects in this domain, implementing, for example, data-driven predictive algorithms capable of influencing the choice of the promotion to be offered. This is thanks to the analysis of navigation paths or the interaction with chatbots, orchestrating the sales, service and marketing components accordingly and thus transforming the contextual data into possible monetisable information.

However, this assumption alone is not enough to strengthen the customer-centric approach: indeed, it is necessary to rethink the tools available to brands, while also taking full advantage of the e-commerce channel, which is becoming more and more of a reference point for consumers, even during their in-store experience. Thanks to this approach, it is possible to ensure a truly integrated, multi-channel experience.

Through its competence centre on customer robotics and partnerships with leading CRM and e-commerce platforms, such as those offered by Microsoft, Oracle, SAP, Adobe and Salesforce, Reply collaborates with major brands, helping them to design increasingly direct and digital relationships with their customers, particularly in light of the acceleration in this direction imposed by the Covid-19 pandemic.

CYBERSECURITY

The issue of Cyber Security is becoming ever more pressing: over the past few years, the trend of cyber-attacks has been constantly growing. There has not only been a growing number of malicious actions, but these are becoming increasingly more sophisticated, with a significant impact on the market, creating direct and indirect damage and undermining not only the business but also, in some cases, the reputation of the companies involved. The acceleration towards digital transformation imposed by the global Covid-19 pandemic and the new working methods designed to ensure business continuity for companies, even in full lockdown, have also led to a corresponding increase in cyber threats. Today, more than ever, Cyber Security and Data Protection represent two fundamental and essential pillars for any new digital innovation initiative.

To respond to this growing complexity, Reply has developed an offer capable of protecting the integrity of its customers' data, starting from the definition of the best IT security strategies, up to the identification and implementation of the most suitable technological solutions for mitigating the risk. Through its extensive partnership network, Reply is able to offer in-depth knowledge of the most innovative and popular security technologies on the market and to help customers with the scouting, selection and implementation process of some of the best protection solutions, with specific expertise in the risks associated with cloud services, to Internet of Things platforms and those related to Industry 4.0, AI and automation.

Reply supports companies in all stages of implementation of an integrated protection plan: from the identification of threats and vulnerabilities to the planning, design, implementation and management of appropriate technological, legal, organisational and risk transfer (cyber insurance) countermeasures. Moreover, thanks to its Cyber Security Command Centre, Reply is able to support large organisations through 'predictive' solutions aimed at identifying and managing threats, such as cyber security monitoring, incident management and response and threat intelligence services.

DESIGN CONSULTING

At the core of Reply's design consulting strategy, there is a holistic view that examines all aspects: the analysis of people's needs, strategic business objectives and technological enablers to create a customer journey tailored to the client company.

Reply supports organisations in managing change, helping them to become more agile and receptive and, at the same time, speed up the timing with which new products and services are launched on the market. In 2020, Reply invested heavily in the Design & Innovation Consulting sector, through the acquisition of new differentiating talent and new expertise. It was thus able to further expand its two studios in Milan and Munich and to grow its customer base, composed of established organisations, as well as emerging start-ups that share a common goal: putting people at the very centre of their growth strategy.

DIGITAL EXPERIENCE

The Covid-19 pandemic has pushed companies to fully rethink their relationships with end customers, but also with employees and business partners. It has also confirmed the need to adapt their offering to meet user expectations, increasingly more focused on customisation, practicality and ease of use.

Reply supports brands in translating these opportunities into new digital experiences and new customer interaction touchpoints, quickly and effectively. This is also thanks to research platforms based on the analysis and interpretation of data and on AI systems, designed to provide answers in real time and identify future trends.

Applications which, for example, utilise video solutions to create direct contact with customers, improve the consulting approach or even just become substitutes for a physical interaction severely limited by the pandemic, have become a central part of the user experience in many cases. Reply's offer fits precisely in this context, as it introduces innovative and scalable platforms that enable, on the one hand, an interaction with the individual user supported by conversational systems based on artificial intelligence, while on the other making it possible to implement new, fully digital solutions that leverage augmented reality features and are capable of handling millions of participants simultaneously.

Reply is thus able to create a widespread experience, thanks to individual applications capable of serving a specific purpose, while at the same time ensuring a consistent and unified user experience across all channels: from the web to mobile devices, wearables and other touchpoints. This is an approach made possible by a structured 'design to code' management – one which extends from design to implementation.

After aggregating the data to eliminate a compartmentalised approach and having created a unified vision of the customer, Reply is able to work at a cross-channel customisation level. In particular, thanks to predictive analytics systems, Reply can provide automated support for the best actions and content to enhance the user experience, with the aim of creating increasingly closer integration between real life and digital experiences.

Moreover, the key role of the digital experience, including within company environments, confirms the importance of a user experience designed with the individual at the centre, especially for the development of human-machine interfaces designed to carry out specific tasks, as in the case of virtual assistants for the workforce.

DATA-DRIVEN MARKETING

A data-driven marketing approach is able to combine data science with business skills and creativity. With its expertise in this area, Reply helps companies to reduce the emotional component in marketing choices, leaving room for decisions based on data analysis: an approach that makes it possible to minimise non-essential aspects, in favour of a more efficient and effective process.

Reply's proprietary China Beats, Pulse and Sonar platforms are able to transform the collected data into stories, while its Data Creativity Score is the first data-driven system designed to quantify the level of creativity in a marketing campaign. Moreover, thanks to the application of models based on the principles of behavioural psychology and in comparison with the echo generated by social networks, Reply helps companies to monitor their Digital Brand Equity in real time.

These services, complemented by the proprietary Advanced Analytics system based on automatic and massive data extraction algorithms on social media, take advantage of artificial intelligence and natural language processing. Thanks to this system, Reply is able to offer real-time monitoring of the return on investment for a marketing campaign, thus enabling companies to achieve their goals, while optimising costs.

In 2020, Reply also applied its expertise in data-driven marketing to analyse the effects of the pandemic on the different product sectors and consumer habits.

DIGITAL WORKPLACE

The first response of businesses to the pandemic was, where possible, the remotisation of work and the adoption of digital tools capable of guaranteeing the sharing of information among employees. In many cases, this was an emergency solution rather than the result of a structured planning process. However, this situation has confirmed to companies that there needs to be a change of vision: a new way of conceiving smart working that is focused on people and on the birth of a new Digital Workplace, an ecosystem in which tools and ways of working are rethought, in order to provide an experience similar to being in the office.

The management of data, projects and operations now requires collaborative, secure and controlled environments, capable of guaranteeing the traceability of activities while, at the same time, enabling collaboration without geographical constraints.

To respond to this scenario and to the growing integration of systems, Reply supports companies through the adoption of the best technologies to manage workflows and remote communication systematically. In 2020, and during the most challenging months of the pandemic in particular, Reply helped companies to reshape or rethink their activities from a Covid perspective, through the adoption of ad hoc tools: from the remote management and training of the sales force, to the organisation of virtual events, all the way to the creation of a shared ecosystem that enabled employees to team up, even remotely. Reply achieved this by leveraging its proprietary solutions like the TamTamy social enterprise platform, which is capable of providing different communication tools in a single space and enabling uninterrupted access to the database and to business applications. In this context, solutions designed to guarantee the safety of workers and companies also played a key role, such as Managed Desktop and Mobile Device Management, which facilitate the protection of company data and devices from unauthorised access.

The various anti-Covid innovations implemented by Reply in 2020 also include tools for the management of distancing. On the one hand these included a desk sharing solution for offices for the secure management of workstations, and, on the other, a more complex monitoring system for production sites, capable of managing – and possibly alerting – the social distancing of workers based on custom distance and exposure values at the time of interaction, using high-precision, Ultra Wide Band technology.

E-COMMERCE

The global Covid-19 pandemic has put a considerable strain on the retail sector and has accelerated its digitalisation process. In many cases, e-commerce has become the only sales tool and the only channel accessible during the most difficult months of the lockdown. In this context, it was the major e-commerce players who found themselves to be at an advantage compared to the rest of the field, even though many other businesses tried to keep up, supported by ad hoc services and solutions. In sectors such as fashion and luxury, for example, technologies like 3D prototyping and virtual showrooms made it possible to bring customers closer to the shopping experience typically experienced in-store.

Shopping assistants played a key role in this process and facilitated a smoother ‘transition’ between the physical and the digital, thanks to the support of physical persons, available to interact via chat or video chat, and also virtual assistants controlled by AI and machine learning solutions. The B2B segment has also seen an increase in digital transactions.

During this phase of radical transformation, Reply was able to support retailers in the quick adoption of cross-channel sales models. This achievement was also made possible thanks to Reply’s partnership with leading vendors of e-commerce solutions, its expertise in voice interaction and to its consolidated experience in the augmented reality and virtual reality segment.

The digitalisation of sales processes did not only impact the retail sector, but nearly all commercial areas, including sectors such as banking, insurance and telco. Players in these segments pursued several e-commerce projects, taking advantage of new channels such as instant messaging and social networks and using Reply as a strategic partner, thanks to its ability to govern operating models and advanced logistics systems, as well as to manage digital identities without neglecting cybersecurity needs.

ENTERPRISE ARCHITECTURE & AGILE DEVELOPMENT

The Covid-19 pandemic has radically changed the way work is approached, managed and organised. The fact that, under the pressure of the health emergency, companies suddenly found themselves implementing agile and primarily remote models, clearly demonstrates this.

The ability to operate on an international scale based on shared models, leveraging cloud-based architectures and edge computing in particular, have become distinctive elements for businesses that were able to seize this opportunity to bring about a change, particularly where there was already a solid level of maturity in terms of distributed and agile architectures.

In 2020, Reply accompanied and supported companies in the implementation of distributed, agile and remote operating models, thanks to an offer of architectural frameworks and specific methods and models such as scalable Agile and SecDevOps. Moreover, it carried out several projects in this direction for major industrial, financial and media groups, and for companies operating in the services sector.

GAME STUDIOS

The video game industry was not spared from the impact of the Covid-19 pandemic: like many others, this sector was also hit hard by major changes, yet it managed to adapt quickly to the new scenario. Indeed, the lockdown months led to a significant increase in digital entertainment. The use of video games in domestic environments experienced a strong growth, both on the mobile front and on consoles and PCs.

Reply is engaged in all facets of the gaming domain, both with products in its back-catalogue, and at the same time, working on the development of new titles designed for next generation PCs and consoles, like the latest PlayStation 5 and Xbox Series X/S recently released on the market. In the months and years ahead, the efforts of the sector will focus precisely on these new developments, as it is called upon to innovate constantly in order to satisfy the requirements of an ever-demanding public searching for new content.

INDUSTRY 4.0

Data processing power, latest-generation mechanical automation, as well as machine learning systems and AI: these are the key aspects of the fourth industrial revolution. This is a revolution that is redefining production sites around the world, transforming factories into interconnected systems capable of communicating in real time with the entire supply chain. The new Industry 4.0 models make it possible to manage flows, diversify production, maintain a high level of system reliability and, at the same time, ensure greater efficiency and control.

Reply guides companies in this transformation path: from the new design with virtual reality tools, to the development of solutions capable of connecting production sites and products, all the way to the management of plant and machine maintenance, supported by latest generation tools such as digital twins. Moreover, Reply provides support in the processing of data collected by the interconnected systems, in order to generate information and develop algorithms aimed at automating production, distribution and collaborative processes, in an efficient and effective manner.

On this front, in 2020 Reply continued to grow its portfolio of solutions in the Industry 4.0 and Logistic 4.0 domain, introducing the new Axulus Reply solution to the market. This is designed to facilitate the adoption of solutions in the Industrial Internet realm, by making it possible to integrate new generation Internet of Things components into complex production contexts.

Reply is actively engaged in Industry 4.0 research, having established important partnerships with institutional actors. It is collaborating with the Polytechnic University of Turin on an application in the Additive Manufacturing domain and, together with the same University, it is a founding partner of CIM 4.0 (Competence Industry Manufacturing 4.0), a competence centre specialised in additive manufacturing and technologies for the digital factory.

Also, with a focus on research, Reply is participating in MADE (multimedia application development environment), the competence centre led by the Polytechnic University of Milan, founded with the aim of disseminating knowledge relating to Industry 4.0 technologies, supporting companies in a path of growth and adoption and facilitating the understanding of how 4.0 solutions can be used to improve industrial competitiveness.

MIXED REALITY

The exponential growth of video content and the increasingly high resolution of such content, the increased computing power of devices, networks' ability to deliver incredibly low latency levels and the evolutions of computer vision machine learning algorithms, have all contributed to changing the paradigms of immersive technologies.

Thanks to mixed reality, it is now possible to pass from a logic of 'experimentation' to a logic of actual adoption of these technologies in various business areas. This is due to the emergence of innovative software solutions such as pixel streaming and the evolution of increasingly compact and powerful viewers.

Reply has already introduced immersive technologies in projects aimed at supporting the communication and marketing of customer brands, but also as a tool for improving training processes, thanks to the creation of virtual environments where users can experiment and practice in complete safety.

Mixed reality has numerous fields of application, starting from the medical domain. Today, the sector that already demonstrates interesting prospects is the one related to cultural communication and virtual tours, which have already been exploiting the possibilities of virtual reality for some time and are now making them even more immersive using mixed reality.

Reply is also working on solutions that take advantage of mixed reality to support field maintenance operations, with support for both mobile devices and viewers. These solutions make it possible to view a series of Internet of Things data on the intervention area, together with instructions and useful documentation to speed up the technicians' work.

MOBILE & APPS

Over the past few years, the exponential growth in the performance of mobile devices has facilitated the entry into the mobile world of AI systems, capable of enabling a range of different features and advanced services: from object recognition, to the processing of biometric data and augmented reality.

In this context, Reply is committed to supporting companies towards a 'mobile digital transformation', through the adoption of a multi-channel approach and an expanded offer that ranges from User Experience to Data-Centric Design and Multi-modal Human Machine Interface. This approach allows users to access a series of services enabled by the terminal, but external to it, such as voice assistants, chatbots and infotainment systems in cars, thus creating a 'liquid' mobile experience.

Reply offers its customers a mobile factory capable of not only exploiting the potential of native development, but also of quickly attacking new market segments, leveraging the capabilities of hybrid development. All this, based on a versatile approach that enables the creation of applications natively conceived for smartphones, tablets, wearables, TVs and cars.

CONNECTED PRODUCTS AND PLATFORMS

The Internet of Things is an enabler of connected products and solutions that, combined with technologies such as edge computing and artificial intelligence, make it possible to design and market value-added services, which are gaining in popularity in various fields, from the industrial sphere to public services. During this phase (and also as a result of the global Covid-19 pandemic), sectors such as insurance and healthcare have seen the demand and use of connected platforms and solutions grow, thanks to the ability to monitor behaviour remotely, guaranteeing the privacy of users and, at the same time, reducing risks and improving the offer.

When it comes to widespread connectivity, one of the main areas of development is the smart home. Leading vendors are concentrating their efforts on creating and developing large ecosystems capable of offering interesting opportunities for both customers and companies. At the core of the smart home there are smart speakers and home automation elements, in addition to the application of intelligent sensors to major household appliances. Indeed, sensors enable not only a human-machine interaction, but also greater customisation of use, with a consequent energy optimisation.

In this context, Reply supports the design, implementation and evolution of connected products and platforms in various domains: from manufacturing (also thanks to the adoption of Industrial Internet of Things solutions) to insurance, from telco to home automation, all the way to consumer electronics and healthcare. It is precisely in this last domain that Reply concentrated its efforts in 2020, with the aim of ensuring an ever greater integration between proprietary platforms and devices in the field of medicine and wellness.

QUANTUM COMPUTING

Real-time problem solving, the reconfiguration of complex processes and understanding the correlations between seemingly disparate data sets. These are all challenges out of reach from a 'classic' computational point of view, but which today can be supported by accelerated computing and quantum computing through the use of innovative hardware platforms.

The main aim of quantum computing is to perform computationally expensive operations in a very short period of time, thus enabling the acceleration of business performance. Quantum Computing makes it possible to encapsulate information within Quantum Bits (Qubits), taking advantage of the massive parallelisation of quantum algorithms, thus making it possible to solve problems that are typically beyond the reach of traditional technologies. Thanks to this enormous potential, Quantum Computing can optimise business processes, by maximising the cost/benefit ratio, optimising operations, logistics, workforce management and delivering immediate financial benefits.

Reply has created a competence centre dedicated to Quantum Computing, with the aim of delving deeper into the application of different types of quantum algorithms to areas of interest to customers, competencies that are already being integrated into innovative projects. Indeed, various solutions were developed during 2020 in different domains.

These include optimisation of the management of trains and journeys within the transport sector; a solution capable of minimising interference along the entire network for telecommunications; maximising the number of maintenance interventions in the energy sector; and in finance, the implementation of an optimal model for managing costs associated with the performance of transactions on financial markets. These solutions are complemented by the design of Quantum Machine Learning solutions applied to classification algorithms. In 2020, Reply was declared the winner of an international competition organised by Airbus, a leading company in the aerospace sector. This was achieved thanks to a quantum algorithm to find the optimal arrangement of cargo on an aeroplane, in order to maximise the transported mass. In 2021, Reply will work with Airbus to test their solution in the field.

SOCIAL MEDIA

During the months of lockdown imposed by the pandemic, social media and instant messaging platforms proved to be a key tool for providing socialisation and communication on the one hand, while consolidating its position as a means of information and entertainment on the other. In the professional domain, social networking and remote communication platforms also reached remarkable levels of use, as a result of the increase in remote work.

Social media platforms have, for some time, seen an increased use by companies to communicate with their audience and to target advertising messages, while attempting to address the growing concerns of user privacy. Over the past few years, digital advertising sales have reached new records, even at the expense of traditional media, and 2020 saw the growth of these channels as tools integrated into the e-commerce experience, particularly in the fashion and hi-tech fields.

In this context, Reply supports large multinationals and companies from different sectors in building an active and responsible social media presence. Interaction on social media is managed as one of several touchpoints and is integrated with secure platforms for data collection and analysis. One of the most interesting consulting areas offered by Reply in this domain is support in the management of marketing automation and in the local presence on social media.

SUMMARY REPORT OF THE THIRD QUARTER

SUMMARY REPORT OF THE THIRD QUARTER 2021 AND EXPECTED BUSINESS DEVELOPMENTS

The Group's consolidated turnover in the first nine months of the year reached €1,073.4 million, an increase of 18.2% compared to €908.3 million recorded on 30 September 2020.

All indicators are positive for the period. Consolidated EBITDA was €183.2 million, an increase of 29.8% compared to the €141.1 million recorded in September 2020.

EBIT, from January to September, was €147.5 million, which is an increase of 29.0% compared to €114.4 million at September 2020.

Pre-tax profit, from January to September 2021, was €150.0 million (+31.9% compared to €113.8 million in 2020).

For the third quarter of the year, the Group's performance is equally positive, with consolidated turnover for the period of €360.6 million, an increase of 23.0% compared to 2020.

EBITDA, from July to September 2021, was equal to €63.7 million, with an EBIT of €51.5 million and pre-tax profit of €51.3 million.

As at 30 September 2021, the Group's net financial position was positive at €244.4 million. The net financial position as at 30 June 2021 was positive for €165.4 million.

The first nine months of 2021 have been very positive in terms of both revenue and margins. In the last quarter, Reply additionally increased investments in technology by companies in two principal fields of innovation: cloud and artificial intelligence.

Reply position in these areas means that Reply is increasingly involved in transforming entire sectors and supply chains. In the automotive sector, for example, Reply is engaged in projects related to self-driving vehicles and the definition of new electric grids; in the banking and insurance sector, Reply is working with the main players on redefining solutions to support the digitalization and automation of the main processes on cloud architectures; while in the telco sector, Reply is developing platforms and services able to exploit the full potential of 5G networks.

Today, Reply combines great financial solidity with a variety of skills that are unique on the market, combined with an execution and delivery capacity of the highest quality. This mix enables to face the coming months with determination, with the aim of establishing ourselves in those innovation niches that will increasingly be decisive in the daily lives of people and companies, such as green tech and all the as yet largely unexplored areas created by the fusion of the digital world with the physical world through the combined use of technologies such as digital twin, artificial intelligence, robotics and augmented reality.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Reply's performance is summarized in the following reclassified consolidated statements of income.

CONSOLIDATED FINANCIAL STATEMENT AT 30 SEPTEMBER 2021

(thousand Euros)	Note	30/09/2021	%	30/09/2020	%
Revenue	4	1,073,401	100	908,305	100
Purchases	5	(13,526)	(1.3)	(15,152)	(1.7)
Personnel	6	(544,739)	(50.7)	(448,415)	(49.4)
Services and other costs	7	(334,271)	(31.1)	(304,503)	(33.5)
Other operating (costs)/income	8	2,313	0.2	885	0.1
Operating costs		(890,224)	(82.9)	(767,186)	(84.5)
EBITDA		183,177	17.1	141,119	15.5
Amortization and depreciation	9	(35,653)	(3.3)	(30,072)	(3.3)
Other non-recurring (costs)/income	8	(20)	-	3,315	0.4
Operating income (EBIT)		147,504	13.7	114,362	12.6
(Loss)/gain on investments	10	6,008	0.6	4,671	0.5
Financial income/(losses)	11	(3,487)	(0.3)	(5,252)	(0.6)
Income before taxes		150,026	14.0	113,780	12.5

CONSOLIDATED FINANCIAL STATEMENT OF THE THIRD QUARTER

(thousand Euros)	Note	Q3 2021	%	Q3 2020	%
Revenue	4	360,568	100	293,129	100
Purchases	5	(4,197)	(1.2)	(4,421)	(1.5)
Personnel expenses	6	(179,336)	(49.7)	(142,738)	(48.7)
Services and other costs	7	(113,768)	(31.6)	(95,205)	(32.5)
Other operating (costs)/Income	8	428	0.1	136	-
Operating costs		(296,872)	(82.3)	(242,228)	(82.6)
Gross operating margin (EBITDA)		63,696	17.7	50,901	17.4
Amortization and depreciation	9	(12,157)	(3.4)	(10,663)	(3.6)
Other non-recurring (costs)/income	8	(1)	-	(23)	-
Operating income (EBIT)		51,538	14.3	40,215	13.7
(Loss)/gain on investments	10	1,771	0.5	(46)	-
Financial income/(expenses)	11	(2,002)	(0.6)	(1,526)	(0.5)
Income before taxes		51,307	14.2	38,643	13.2

NET FINANCIAL POSITION

The Group's net financial position as at 30 September 2021, analyzed by due date and with comparative figures as at 30 June 2021 and at 31 December 2020, is shown in the following statement:

(thousand Euros)	Nota	30/09/2021	30/06/2021	31/12/2020
Cash and cash equivalents		382,667	327,921	332,500
Current financial assets		17,225	2,300	2,108
Due to banks		(2,056)	(6,354)	(10,815)
Due to other providers of finance		(1,090)	(973)	(1,495)
Financial liabilities IFRS 16		(26,925)	(26,385)	(24,453)
Net financial position - Short term	12	369,821	296,509	297,844
Due to banks		(18,531)	(18,681)	(19,735)
Financial liabilities IFRS 16		(106,885)	(112,440)	(119,448)
Net financial position - Long term	12	(125,416)	(131,121)	(139,183)
Total net financial position		244,406	165,388	158,661

NOTE 1 – ACCOUNTING PRINCIPLES

Notwithstanding that Legislative Decree no. 25 of 15 February 2016 has removed the obligation to prepare Interim Management Statements, these as at 30 September 2021 in relation to the third quarter of financial year 2021, have been prepared, in capacity of STAR segment issuer, as required by Borsa Italiana S.p.A. under communication no. 7587 of 21 April 2016; the contents herein are pursuant to Art. 154-ter, paragraph 5 of Legislative Decree 24 February 1998, no. 58.

The interim report herein has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") 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").

The accounting policies applied in these financial statements are consistent with those adopted in preparing the annual report.

The preparation of the interim report requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities the financial statements reported herein. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Moreover, these valuation procedures, in particular those of a more complex nature regarding matters such as any impairment of non-current assets, are only carried out in full during the preparation of the annual financial statements, when all the information required is available, other than in the event that there are indications of impairment, when an immediate assessment is necessary.

The values indicated in the accounting statements are expressed in thousands of Euros.

The Interim Management report as at 30 September 2021 was not subject to audit by Reply's Independent auditors, as allowed by existing laws.

NOTE 2 – GROUP ACTIVITIES

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

NOTE 3 - CONSOLIDATION

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

Change in consolidation compared to 30 September 2020 is related to:

- Sprint Reply SA (ex Brightknight SA), a company acquired in the month of September 2020 under Belgium law of which Reply Ltd holds 100% of share capital, specializing in Robotic Process Automation;
- Airwalk Holdings Ltd., a company established under English law, acquired together with its subsidiaries in the month of November 2020 of which Reply Ltd holds 100% of share capital, specialized in innovative services based on design and consulting models declined according to the paradigms of Cloud Computing;
- Mansion House Consulting Ltd., a company established under English law, acquired together with its subsidiaries in the month of December 2020 of which Reply Ltd holds 100% of share capital, specialized in digital transformation in the financial field;
- Business Elements Group BV, a company established under Belgium law, acquired in the month of May 2021 of which Reply Sarl holds 100% of share capital, specialized in consulting services and application development on the Microsoft Dynamics CRM platform.

Change in the consolidation as at September 30, 2021 affected Group's revenues by 6.1% and profits before tax by 0.4%.

The list of the Reply Group companies, presented as an annex herein include the start-up companies Concept Reply LLC, WM Reply Ltd (NZ), Like Reply GmbH, Machine Learning GmbH, Target Reply GmbH, Reply Sarl.

NOTE 4 - REVENUES

Revenues from sales and services, including change in work in progress, amounted to 1,073,401 thousand Euros (908,305 thousand Euros in the previous period of 2020) with an increase of 18.2%.

This item includes revenues generated from consulting activities, turn-key projects and assistance and maintenance services and other minor amounts.

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

Region (*)	30/09/2021	30/09/2020
Region 1	64.10%	68.10%
Region 2	19.50%	21.60%
Region 3	16.40%	10.30%
IoT Incubator	0.00%	0.00%
Total	100.0%	100.0%

(*)

Region 1: ITA, USA, BRA, POL, ROU, CHN (Nanjing), NZL

Region 2: DEU, CHE, CHN (Beijing), HRV

Region 3: GBR, LUX, BEL, NLD, FRA, BLR. SGP, HKG

The following table shows the percentage breakdown of revenues by business line:

Business line	30/09/2021	30/09/2020
Technologies	64.9%	62.6%
Applications	25.3%	29.7%
Processes	9.8%	7.7%
Total	100.0%	100.0%

NOTE 5 - PURCHASES

Detail is as follows:

Q3 2021	Q3 2020	(thousand Euros)	30/09/2021	30/09/2020	Change
2,292	2,982	Software licenses for resale	9,460	11,159	(1,699)
517	146	Hardware for resale	1,018	804	214
1,388	1,293	Other	3,048	3,189	(141)
4,197	4,421	Total	13,526	15,152	(1,626)

The items Software licenses for resale and Hardware licenses for resale include change in inventory of software and hardware products for resale.

The item Other includes the purchase of fuel for 1,428 thousand Euros, the purchase of tangible assets for 772 thousand Euros, the purchase of consumption material for 488 thousand Euros and the purchase of office stationery for 243 thousand Euros.

NOTE 6 - PERSONNEL

Increase in personnel expenses amounting to 96,324 thousand Euros owes to the overall increase of the Group's business and to the increase of the number of employees.

Detail of personnel by category is provided below:

(number)	30/09/2021	30/09/2020	Change
Directors	351	315	36
Managers	1,235	1,099	136
Staff	8,294	7,336	958
Total	9,880	8,750	1,130

Change in consolidation brought an increase of 171 employees.

NOTE 7 – SERVICES AND OTHER COSTS

Services and other costs amounting to 334,271 thousand Euros (304,503 thousand Euros in the previous period of 2020) comprised the following:

Q3 2021	Q3 2020	(thousand Euros)	30/09/2021	30/09/2020	Change
89,691	59,171	Commercial and technical consulting	255,201	187,443	67,758
4,410	3,517	Travelling and professional training expenses	12,264	15,384	(3,119)
12,419	11,971	Other services costs	35,658	29,473	6,184
2,972	2,965	Office expenses	9,639	9,895	(256)
1,417	1,018	Lease and rentals	3,469	2,844	626
2,858	16,563	Other	18,040	59,465	(41,425)
113,768	95,205	Total	334,271	304,503	29,768

Change in the item Commercial and technical consulting, amounting to 67,758 thousand Euros, is attributable to an overall increase in the Group's business.

The item Other services costs mainly includes marketing services, administrative and legal services, telephone and canteen expenses.

Office charges are related to costs incurred for the management of the locations in which the Group operates (expenditure on utilities, security services and cleaning services).

Change in the item Other is due mainly to the extraordinary accrual posted as at 30 September 2020 that management deemed necessary subsequent to the economic effects in relation to COVID-19 with contra-entry offsetting working capital items.

NOTE 8 - OTHER OPERATING AND NON RECURRING INCOME/(EXPENSES)

Other operating and non-recurring net income, related to events and transactions that do not occur in the regular course of business, amounted to 2,293 thousand Euros (positive for 4,200 thousand Euros in the previous period of 2020) and refer to:

- a positive income of 2,313 thousand Euros in relation to net changes in provisions for risks and charges in relation to contractual, commercial and legal disputes;
- a negative charge of 20 thousand Euros in relation to the fair value adjustment of the liability referred to the deferred consideration for the acquisition of shareholdings in subsidiary companies (Business combination).

NOTE 9 - AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Depreciation of tangible assets, amounting to 7,838 thousand Euros 30 September 2021 has been determined on a straight-line basis at economic-technical rates that reflect the useful lives of the asset. Amortization of intangible assets at 30 September 2021 amounted to 5,501 thousand Euros and is mainly related to:

- development charges capitalized according to IAS 38;
- amortization of other intangible assets arising from the allocation of the purchase price subsequent to several Business combinations;
- software licenses used internally by the Group.

Amortization related to RoU assets arising from the adoption of IFRS 16 amounted to 22,314 thousand Euros.

NOTE 10 – (LOSS)/GAIN ON INVESTMENTS

The item amounting to positive 6,008 thousand Euros and is related to the fair value adjustments to equity investments in start-up companies made by the Investments company Breed Investments Ltd. and more specifically to:

- positive fair value adjustments for 6,221 thousand Euros;
- impairment of investments in the amount of negative 213 thousand Euros.

NOTE 11 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

Q3 2021	Q3 2020	(thousand Euros)	30/09/2021	30/09/2020	Change
194	255	Financial income	360	442	82
(369)	(499)	Financial losses	(1,103)	(1,229)	126
(1,827)	(1,282)	Other	(2,744)	(4,466)	1,721
(2,002)	(1,526)	Total	(3,487)	(5,252)	1,766

The item Financial gains mainly includes interest on bank accounts.

Interest expenses mainly include the interest costs related to the use of the credit lines for M&A operations.

The item Other mainly includes:

- the interest expenses arising from the adoption of the International Accounting Standard IFRS 16 for 2,595 thousand Euros (2,115 at 30 September 2020);

- a net gain on exchange rate differences from the translation of balance sheet items not stated in Euros for 287 thousand Euros (net gain of 582 thousand Euros at 30 September 2020);
- a net loss on changes in fair value of financial liabilities pursuant to IFRS 9 for 457 thousand Euros (negative 2,885 thousand Euros at 30 September 2020).

NOTE 12 – NET FINANCIAL POSITION

The net financial position as at 30 September 2021 was positive for 244,406 thousand Euros (158,661 thousand Euros at 31 December 2020).

The improvement in the item Cash and cash equivalents amounting to 50,167 thousand Euros compared to the previous period is entirely attributable to cash flows related to operating activities.

Due to banks, amounting to 20,586 thousand Euros, is referred mainly to credit lines for M&A operations and to a mortgage loan.

NOTE 13 – EVENTS SUBSEQUENT TO 30 SEPTEMBER 2021

No significant events have occurred subsequent to 30 September 2021.

NOTE 14 – OTHER INFORMATION

The following is to be noted:

- 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, these transactions took place in accordance with the internal procedures containing the rules aimed at ensuring transparency and fairness, under Consob Regulation 17221/2010.
- pursuant to art. 150, 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.

For the Board of Directors

/s/ Mario Rizzante

Chairman

Mario Rizzante

DIRECTOR RESPONSIBLE DECLARATION

DECLARATION PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

The director responsible for preparing the Company's financial reports, Dott. Giuseppe Veneziano, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this interim management report at 30 September 2021 corresponds to the results documented in the books, accounting and other records of the company.

Turin, 15 November 2021

/s/ Giuseppe Veneziano
(Director responsible of drafting
financial statements)

Giuseppe Veneziano

ANNEXED TABLES

ANNEXED TABLES

List of Group companies at 30 September 2021

Company name	Headquarters	Group interest
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Companies consolidated on a line-by-line basis		
4brands Reply GmbH & CO. KG.	Minden, Germany	51.00%
Air Reply S.r.l.	Turin, Italy	85.00%
Airwalk Holding Ltd.	Kent, United Kingdom	100.00%
Airwalk Consulting Ltd.	Edinburgh, Scotland	100.00%
Airwalk Consulting Ltd. (Hong Kong)	Shueng Wan, Hong Kong	100.00%
AWC Partners Ltd.	London, United Kingdom	100.00%
Alpha Reply GmbH	Guetersloh, Germany	100.00%
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%
Autonomous Reply GmbH	Guetersloh, Germany	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sprl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd.	London, United Kingdom	100.00%
Avvio Reply S.r.l.	Turin, Italy	100.00%
Blowfish Digital Holdings 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 Elements Group BV	Belgium	100.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd.	London, United Kingdom	92.50%
Breed Reply Investment Ltd.	London, United Kingdom	92.50%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG	Munich, Germany	100.00%
Cluster Reply Informatica LTDA.	San Paolo, Brazil	100.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%

Comsysto D.O.O.	Zagreb, Croatia	100.00%
ComSysto Reply GmbH	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%
Concept Reply LLC	Michigan, USA	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Core Reply S.r.l.	Turin, Italy	90.00%
Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH	Munich, Germany	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%
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Solidsoft Reply Ltd.	London, United Kingdom	100.00%

Spark Reply S.r.l.	Turin, Italy	100.00%
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WM Reply Ltd.	London, United Kingdom	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xister Reply S.r.l.	Turin, Italy	100.00%

Companies carried at fair value

Amiko Digital Health Ltd	England	4.92%
BlueGrove AS (formerly CageEye AS)	Norway	9.93%
Callsign Inc.	England	3.61%
Canard Drones Ltd	Spain	35.41%
Connecterra BV	Belgium	16.00%
enModus Ltd.	England	19.18%
FoodMarble Digestive Health Ltd	England	18.05%
iNova Design Ltd	England	34.05%
Iotic Labs Ltd	England	16.28%
Kokoon Technology Ltd	England	26.22%
Metron Sas	France	7.40%
RazorSecure Ltd	England	29.73%
Senseye Ltd	England	12.58%
Sensoria Inc.	USA	24.00%
TAG Sensors AS	Norway	19.67%
Ubirch GmbH	Germany	18.51%
We Predict Ltd	England	16.64%
Yellow Line Parking Ltd	England	8.99%
Zeetta Networks Ltd	England	24.00%

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