Reply

Living network

Half-year financial report 2010

CONTENTS

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

BOARD OF DIRECTORS AND CONTROLLING BODIES

Board of Directors	
Chairman and Chief Executive Officer	Mario Rizzante
Chief Executive Officers	Sergio Ingegnatti Tatiana Rizzante
Executive Directors	Oscar Pepino Claudio Bombonato Fausto Forti[(1) (2) (3)] Marco Mezzalama[(1)(2)] Carlo Alberto Carnevale Maffè[(1) (2)]

Statutory Auditors	
President	Cristiano Antonelli
Statutory Auditors	Paolo Claretta Assandri Ada Alessandra Garzino Demo

Independent auditors	Reconta Ernst & Young S.p.A.

[1] Directors not invested with operational proxy;
[2] Independent directors, according to the Corporate Governance code for public companies;
[3] Lead Independent Director.

FINANCIAL HIGHLIGHTS

FY 2009	%	Economic figures (thsd Euros)	1st half 2010	%	1st half 2009	%
340,166	100.0	Revenues	181,774	100.0	170,300	100,0
42,860	12.6	Gross operating income	21,982	12.1	20,895	12,3
35,882	10.5	Operating income	18,912	10.4	17,966	10,5
33,968	10.0	Income before taxes	18,170	10.0	17,008	10,0
16,628	4.9	Group net income	9,339	5.1	8,238	4,8

31/12/2009	Financial figures (thsd Euros)	30/06/2010	30/06/2009
123,823	Group shareholders' equity	130,899	117,778
6,462	Minority interest	6,483	7,808
309,072	Total assets	310,096	291,466
89,345	Net working capital	92,687	78,287
140,785	Net invested capital	145,985	132,900
26,022	Cash Flow (*)	8,926	22,840
(10,500)	Net financial position	(8,603)	(7,314)

31/12/2009	Data per single share (in Euros)	30/06/2010	30/06/2009
9,222,857	Number of shares	9,222,857	9,222,857
3.89	Operating income per share	2.05	1.95
1.84	Net result per share	1.03	0.92
2.82	Cash Flow per share	0.97	2.48
13.43	Shareholders' equity per share	14.19	12.77

31/12/2009	Other information	30/06/2010	30/06/2009
2,994	Number of employees	3,034	2,946

(*) calculated as the sum of operating cash flows and change in operating activities

REPLY LIVING NETWORK

REPLY LIVING NETWORK

Reply specializes in consultancy, planning and implementing new solutions based on new communication networks and digital media. Today, Reply is one of the market leaders in Italy in the Information and Communication Technology segment.

Reply integrates culture, competence and pro-activeness with vertical focus by applying new paradigms and new information and communication technologies to excel in building innovative and effective solutions.

THE BUSINESS MODEL

Reply operates with a network of companies specializing respectively in Processes, Applications and Technologies, forming centers of excellence capable of winning “Best in Class” positions in their specific area of competence.

Processes – Reply considers the knowledge and usage of technology as a new enabling factor for business processes resulting from an in-depth expertise of the market and industry-specific implementations.

Applications – Reply designs and deploys application solutions aimed at satisfying the core business requirements of companies.

Technologies – Reply optimizes the use of state-of-the-art technologies to develop solutions that can guarantee its customers maximum efficiency and operating flexibility.

Reply services include:

Consultancy – strategic, communication, process and technology consulting.

System Integration – full exploitation of the potential of technology, combining business consultancy with innovative and high value-added technological solutions.

Application Management – management, monitoring and on-going innovation of technological assets.

MARKET FOCUS

Reply supports primary European Industrial groups operating in the Telco & Media, Industry and Services, Banking and Insurance and Public Administration segments.

Telco & Media

In recent years, the Telecommunications market has been marked by a rapid transformation from mere connectivity providers to providers of digital content and innovative services. Major players in this sector have invested enormous amounts in new value-added services, made possible by the technological evolution of devices (e.g. Smartphones, PDAs, e-books, STB multichannel), the use of new generation networks (NGN) and the development and broad proliferation of Social Networks, which has become the new “media” of today’s generation.

Against this highly erratic scenario, Reply is able to anticipate evolution and the market by joining technological knowledge with operating process skills and business in the two main segments: BSS/OSS and Value Added Services.

The areas of Business Support Systems (BSS) and Operation Support Systems (OSS) are characterized by a constant demand on the containment of operating costs without influencing the quality and time-to-market services of sell2cash. Reply, using its experience in SOA models, has provided its clients with process and service integration activities, exploiting the usability of SW components and structuring managed services applications with IT Governance instruments and ITIL V.3 operating models able to guarantee process effectiveness and efficiency.

The high diffusion of latest generation devices, supported by giants like Apple and Google, along with the exponential increase of Social Networks and User Generated Content has led to an actual convergence between diffusion channels and value added services especially for the Web, TV and Mobile.

By means of an integrated consulting, communication and creativity supply, Reply devises content and enables innovative services by harnessing all the potential of new digital channels. A new example is the Digital Store, which is able to offer, via a channel-independent user experience, digital content that is always available and accessible through high quality formats, on PC, TV and mobile.

As regards the Media and Broadcast market, it has witnessed a precise change in investment strategy towards multichannel and the Web. As a consequence Media Companies redefined their business models, which today are based primarily on the increase of distribution channels and the customisation of Themed Channels or VOD. In this scenario, where both technological components and “time to market” are essential factors in the new media value chain, Reply, with its experience gained in Telecommunications and Industry has worked with some of the key players in this sector in the planning and implementation of SOA platforms to support production processes and content distribution.

Banking, Insurance and Financial companies

Reply collaborates with major Banking Institutions and Insurance Companies in the identification and implementation of solutions to combine core process optimization with a substantial improvement in information asset efficiency. More specifically, Reply operates in defining end to end strategies and solutions by integrating the various components and making available all the necessary skills such as consultancy, process, development, application and technology.

Reply assists clients in areas defined as “mission critical” where a high percentage of innovation is needed. Examples are all areas of retail multichannel networks, with innovative CRM solutions and segment orientated marketing, advanced platforms for mobile banking and on-line trading, development of innovative digital products, new generation of internet banking sites, the transformation of call centers into new generation contact centers at a technological and organizational level and the development of multichannel portals.

With regard to Wealth management solutions, Reply has defined a diverse range both for distribution network support (promoters, private bankers, and high net worth management) and for investment and risk control in Asset Management.

For most banks a very critical and rapidly growing issue is credit. Reply’s offer focuses on new generation monitoring systems and risk control on one side and on integrated solutions for consumer credit and retail loans on the other.

Reply also assists clients in constructing revolutionary strategies based on new technologies (SOA, Cloud Computing, SaaS) with the aim of reducing costs, and at the same time improving flexibility and “time to market”.

Industry and Services

Technological innovation and the ability to effectively integrate it into application solutions make up the foundations of Reply, which supports its customers in the implementation, change and management of information systems: from strategic design to the understanding and re-definition of core processes through to the building of solutions ensuring integration of the applications supporting the entire value chain of the Extended Enterprise.

- **Customer relationship management** – Reply specializes in defining CRM solutions as a means of supporting Marketing, Sales and Customer Service.
- **Logistics and distribution** - Reply helps its customers integrate operating partners, designing optimized Supply Chain Execution models in Warehouse Management, Transportation Management, Planning and Inventory components.
- **Production systems –** Meeting market needs quicker and quicker with products that are often customer-defined requires production systems that can speed up adaptation to product features that are less and less predictable and more and more variable. For Reply this means re-thinking the systems governing production under a real-time perspective, increasingly aligning them to extended enterprise model paradigms.

Energy & Utilities

Following regulatory change and the progressive tendency towards renewable sources of energy and growing competition, in recent years Energy and Utilities operators have undertaken strategic initiatives on process and technology innovation, more specifically in energy and gas distribution.

Reply has defined a specific offer regarding the main industry’s vertical areas for supporting Retailers and Distribution Companies in relation to change and operational, organizational and technological alignment.

Reply has not only continually consolidated its capacity in designing models and creating application solutions in the main processes of CRM and Billing in the Utilities market, but has also worked with the main European Energy providers in implementing solutions in Pricing, Forecasting and Meter Data Management.

In the remote meter data management sector, thanks to its experience in Italy - increasingly acknowledged as a reference for best practice globally - Reply is involved, across the major European markets, in projects adopting Smart Metering and Meter Data Management technologies.

Public Administration

Consulting ability and domain technology represent an essential factor in achieving strategic objectives set out by the Public Administrations. Against this scenario Reply, through its experience and know-how, will accompany Central and Local Public Administration through this phase of transition towards innovation.

Reply’s offer responds to the needs of the *new* Public Administration on various levels:

- **Context/process –** supporting strategic planning and reorganization of front and back office processes;
- **Skilled infrastructures –** in areas such as the management of data, application co-operation, organization and retrieval of information, social networking and security;
- **Technology –** through planning and implementing solutions able to guarantee efficiency and operating flexibility.

INTERIM MANAGEMENT REPORT 2010

REPLY GROUP HALF-YEAR FINANCIAL REPORT

Introduction

The Half-Year report for the period ended June 30, 2010 has been prepared in accordance with Legislative Decree 58/1998, as amended, and the "Regolamento Emittenti" issued by Consob.
This 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. The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2009, except as otherwise stated under "Accounting principles, amendments and interpretations adopted from January 1, 2010" in the Notes to the Half-year Condensed Financial Statements.

Trend of the first half

Reply is specialized in designing and implementing solutions based on new communication channels and digital media.

Reply, consisting of a network of specialized companies, provides applications to optimize corporate processes and develops innovative technology-based solutions to enable communication between customers, business partners and suppliers. Reply's activities are focused on the areas of Telecom & Media, Manufacturing, Finance and Public Administration.

Reply services include consulting, system integration, application management and business process outsourcing.
Reply is listed on the STAR index of the Italian Stock Exchange [REY.MI].

In the second quarter of 2010 the Group reports consolidated revenues worth 95.4 million Euros with an increase of 10.9% compared to the same period in 2009 (86.0 million Euros).

During the second quarter of 2010, operating margin has grown significantly: consolidated EBITDA amounts to 12.4 million Euros with an increase of 22% compared to second quarter of 2009 and EBIT amounts to 10.9 million Euros (+25.4% compared to 2Q of 2009).

Income before taxes amounted to 10.6 million Euros with an increase of 29.2% compared to the corresponding period of 2009.

In the first half of 2010 the Group's consolidated revenue totaled 181.8 million Euros with an increase of 6.7% compared to the previous year.

Operating margin had a positive trend and in the first half of 2010 EBITDA amounted to 22.0 million Euros with an increase of 5.2% compared to the previous year (20.9 million Euros). EBIT totaled 18.9 million Euros with an increase of 5.3% compared to 18.0 million Euros of 2009.

Net result has increased by 13.4% compared to June 30, 2009 and amounts to 9.3 million Euros.

As at June 30, 2010 the Group's net financial position was negative by 8.6 million Euros, compared with the negative values of 5.1 million Euros as at March 31, 2010 and 10.5 million Euros as at December 31, 2009.

In Italy the Group has focused on the development of new platforms and applications related to Cloud Computing, the Internet of Things, and Social Networking and the expansion of its offer for banks and insurance companies and for the Energy & Utilities and Transportation industries.

In Germany, Reply continued to broaden its presence with investments in the Telco & Media sector where Reply is engaged in VAS (Value Added Services), and in the development of new mobile applications.

In the UK, since the beginning of 2010, in line with the Group's network model, Reply has set in motion a specific initiative for the Financial Services market and established three new companies: Sytel Reply, specializing in the Telco & Media market, Open Reply, for the development of Open Source and Mobility solutions and @logistics Reply, which focuses on Supply Chain Execution

Reclassified consolidated statement of income of the second quarter

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

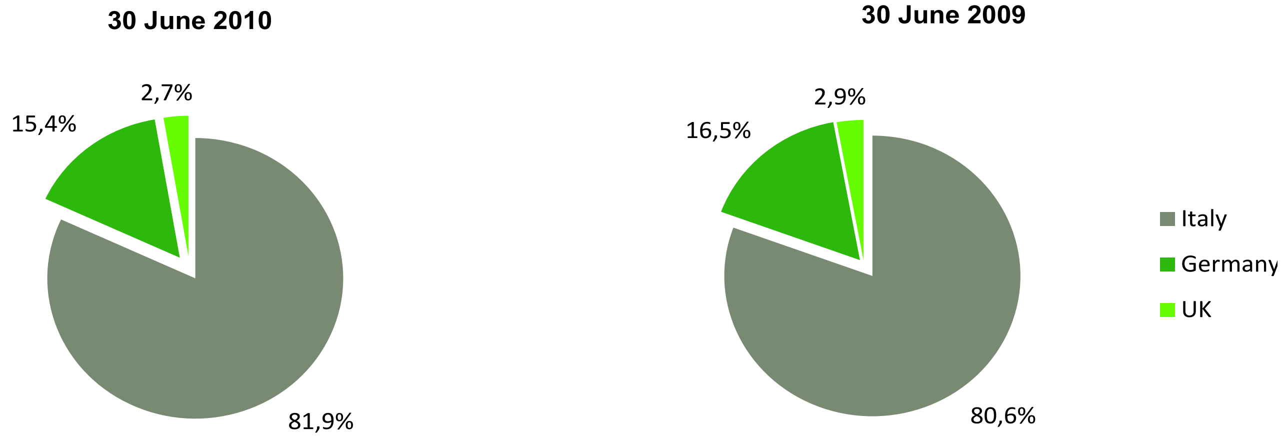
(thousand Euros)	2nd Q 2010	%	2nd Q 2009	%
Revenues	**95,361**	**100.0**	**86,002**	**100.0**
Purchases	(1,835)	(1.9)	(1,700)	(2.0)
Personnel	(51,090)	(53.6)	(47,532)	(55.3)
Services and other costs	(30,335)	(31.8)	(27,388)	(31.8)
Other unusual operating income/(expenses)	294	0.3	779	0.9
Operating Costs	**(82,966)**	**(87.0)**	**(75,841)**	**(88.2)**
Gross operating income (EBITDA)	**12,395**	**13.0**	**10,161**	**11.8**
Amortization, depreciation and write-downs	(1,499)	(1.6)	(1,473)	(1.7)
Operating income (EBIT)	**10,896**	**11.4**	**8,688**	**10.1**
Financial income/(expenses)	(345)	(0.4)	(523)	(0.6)
Result before tax	**10,551**	**11.1**	**8,165**	**9.5**

Reclassified consolidated statement of income at June 30, 2010

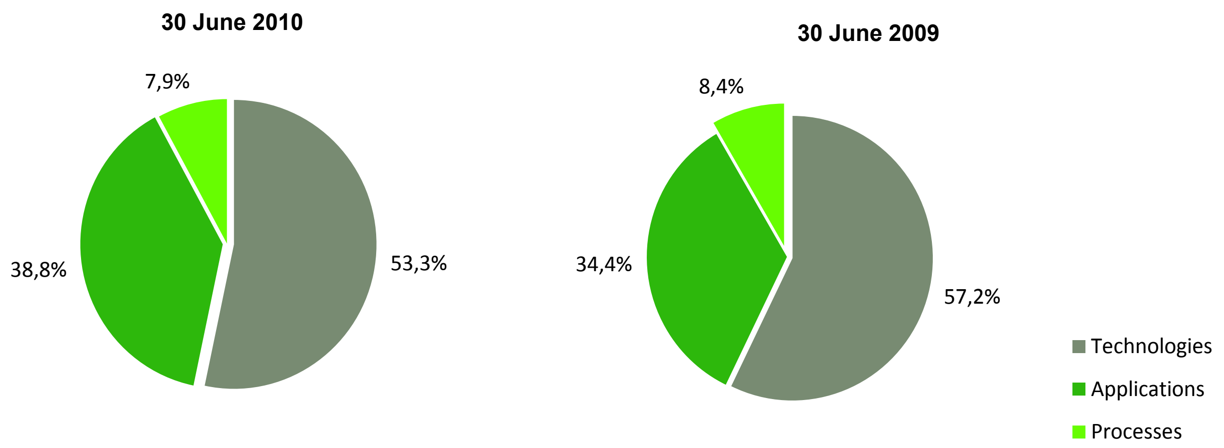
Reply’s performance is shown in the following reclassified consolidated statement of income and is compared to corresponding figures of the previous year:

(thousand Euros)	1st half 2010	%	1st half 2009	%
Revenues	**181,774**	**100.0**	**170,300**	**100.0**
Purchases	(4,023)	(2.2)	(4,261)	(2.5)
Personnel	(98,665)	(54.3)	(90,668)	(53.2)
Services and other costs	(58,501)	(32.2)	(55,037)	(32.3)
Other unusual operating income/(expenses)	1,397	0.8	561	0.3
Operating Costs	**(159,792)**	**(87.9)**	**(149,405)**	**(87.7)**
Gross operating income (EBITDA)	**21,982**	**12.1**	**20,895**	**12.3**
Amortization, depreciation and write-downs	(3,070)	(1.7)	(2,929)	(1.8)
Operating income (EBIT)	**18,912**	**10.4**	**17,966**	**10.5**
Financial income/(expenses)	(742)	(0.4)	(958)	(0.5)
Result before tax	**18,170**	**10.0**	**17,008**	**10.0**
Income taxes	(8,322)	(4.6)	(8,148)	(4.8)
Net result of continued operations	**9,848**	**5.4**	**8,860**	**5.2**
Profit for the period attributable to non-controlling interests	(509)	(0.3)	(622)	(0.4)
Profit for the period attributable to owners of the parent	**9,339**	**5.1**	**8,238**	**4.8**

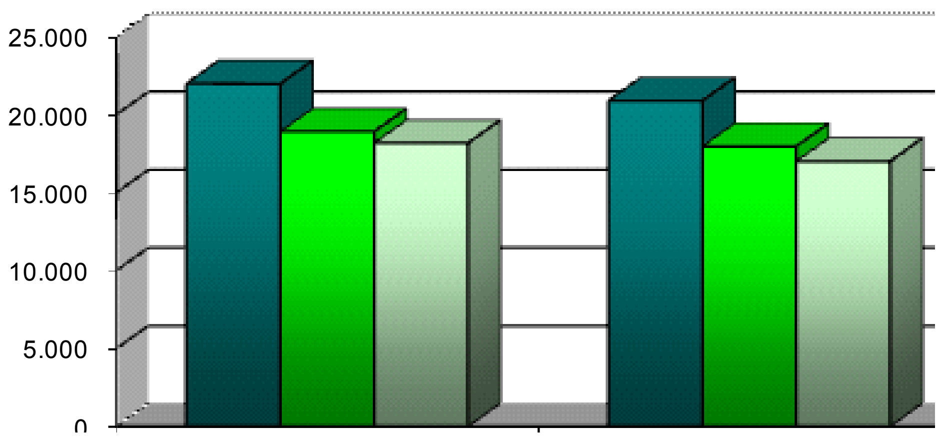
Revenues by geographical area



Revenues by business line



Trends in margins



Analysis of the financial structure

The table below details the Group's financial structure as at June 30, 2010 compared to December 31, 2009:

(thousand Euros)	30/06/2010	%	31/12/2009	%	Change
Current operating assets	183,750		183,677		73
Current operating liabilities	(91,063)		(94,332)		3,269
Net working capital (A)	**92,687**		**89,345**		**3,342**
Non current assets	92,687		91,428		1,259
Non current financial liabilities	(39,389)		(39,988)		599
Net fixed capital (B)	**53,298**		**51,440**		**1,858**
Net invested capital (A+B)	**145,985**	**100.0**	**140,785**	**100.0**	**5,200**
Shareholders' equity (C)	137,382	94.1	130,285	92.5	7,097
NET FINANCIAL POSITION (A+B-C)	**8,603**	**5.9**	**10,500**	**7.5**	**(1,897)**

Net invested capital as at June 30, 2010, amounted to 145,985 thousand Euros and was financed by Shareholders' equity for 137,382 thousand Euros, with a net debt of 8,603 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2010	31/12/2009	Change
Inventories	21,431	15,084	6,347
Trade receivables	148,717	153,725	(5,008)
Other operating assets	13,602	14,868	(1,266)
Current operating assets (A)	**183,750**	**183,677**	**73**
Trade payables	31,476	36,185	(4,709)
Other current liabilities	59,587	58,147	1,440
Current operating liabilities (B)	**91,063**	**94,332**	**(3,269)**
Net working capital (A-B)	**92,687**	**89,345**	**3,342**
% return on revenues	*25.5%*	*26.3%*	

Net financial position and cash flows statement

(thousand Euros)	30/06/2010	31/12/2009	Change
Cash and cash equivalents	32,855	33,163	(308)
Due to banks	(27,348)	(21,037)	(6,311)
Other providers of finance	(336)	(600)	264
Short term financial position	**5,171**	**11,526**	**(6,355)**
Non financial assets	804	804	-
Due to banks	(13,979)	(22,223)	8,244
Other providers of finance	(599)	(607)	8
M/L term financial position	**(13,774)**	**(22,026)**	**8,252**
Total net financial position	**(8,603)**	**(10,500)**	**1,897**

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

(thousand Euros)	30/06/2010
Cash flows from operating activities (A)	8,926
Cash flows from investment activities (B)	(3,897)
Cash flows from financial activities (C)	(11,725)
Change in cash and cash equivalents (D) = (A+B+C)	**(6,696)**
Cash and cash equivalents at beginning of period (*)	29,263
Cash and cash equivalents at year end (*)	22,567
Total change in cash and cash equivalents (D)	**(6,696)**

(*) Cash and cash equivalents are stated net of bank overdrafts.

The statement of cash flows has been fully analyzed in the consolidated financial statements and explanatory notes herein.

SIGNIFICANT EVENTS IN THE FIRST HALF

Domination Agreement

In the month of April ,Reply S.p.A took the necessary actions to enter into a Domination Agreement with syskoplan AG, a stock corporation incorporated under the laws of Germany and listed on the German stock exchange of which Reply holds 79.11% of the share capital.

The agreement provides that Reply, the controlling company, can influence the controlled company and its management, which otherwise is not possible under German legislation with the current ownership structure. Under a legal stand point such influence can be translated as the right for Reply to directly give orders to syskoplan's administrative bodies in accordance to art. 308 AktG. At present Reply's influence is limited and indirect through its representatives in the Supervisory board.

Through the Domination Agreement Reply will strengthen integration with syskoplan within the Group by simplifying the implementation of development strategies and shared management as well as the use of potential synergies in order to respond to future market developments.

The agreement provides that Reply shall assume the following obligations:

(i) Reply is obliged to compensate syskoplan for each annual net loss that would otherwise arise during the term of the agreement, unless such loss is compensated for by withdrawing amounts from other profit reserves which have been allocated thereto during the agreement;
(ii) if and to the extent that the annual dividends actually paid by syskoplan per financial year falls short of the Guaranteed Dividend, Reply will pay to each Minority Shareholder of syskoplan the corresponding difference;
(iii) upon request of a Minority Shareholder, Reply shall acquire his shares in return for a cash consideration (8.19 Euros), within the term of three months after the date on which the commercial register of syskoplan has been announced in accordance with Sec 10 of the German Commercial Code (HGB);
(iv) upon request of a Minority Shareholder, Reply shall acquire his shares in return for a cash consideration, within the term of two months after the date on which the agreement has expired and notice has been given to the commercial register in accordance with Sec 10 of the German Commercial Code (HGB).

The aforesaid obligations could imply the following financial disbursements for Reply:
(i) annual dividend integration for a maximum amount of 441 thousand Euros;
(ii) obligation to acquire the Minority Shareholders' shares for a maximum amount of 8.1 million Euros;
In addition to compensation for any annual net loss of the Minority Shareholders that would be summed to the loss related to Reply's direct holding.

The Agreement will be in effect for an indefinite term; it may be terminated in writing with a notice period of six months with the effect as of the end of a business year of syskoplan.

OTHER INFORMATION

Research and development activities

Reply offers services and solutions with high technological standards in a market where innovation is of primary importance.

Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.

Reply dedicates resources to Research and Development activities and concentrates on two sectors:

- Development and evolution of its own platforms:
  - Click Reply™
  - Discovery Reply™
  - Gaia Reply™
  - TamTamy™

- Distribution of new technologies and encouraging early adoption by the market:
  - Digital store
  - Widget factory
  - Internet of things (M2M)

Furthermore Reply has important business partnerships with main global vendors so as to offer solutions to different company needs. In particular Reply, both in Italy and Germany, has achieved the maximum level in certifications with the three technological leaders in the Enterprise sector: Microsoft (Gold Certified Partner), Oracle (Certified Advantage Partner) and SAP (Special Expertise Partner in SAP Netweaver sector).

Transactions with related parties and group companies

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.

Information on transactions with related parties as per Consob communication of July 28, 2006 is disclosed at Note 32 in the Half year Financial Report at June 30, 2010.

Human resources

At June 30, 2010 the number of employees of the Group was 3,034 with an increase of 40 compared to December 31, 2009 and an increase of 88 resources compared to June 30, 2009.

OUTLOOK ON OPERATIONS

In a very difficult and uncertain economic phase Reply, thanks to a strong innovation orientation and the renown quality of its services, was able to obtain a constant growth in the principle areas of activities with positive results in every market segment both in financial and economic terms.

The positive start of the first half of 2010 has set solid basis on which Reply intends on developing even the second half of the year with the aim of being a technological and consultant reference point for enterprises that consider innovation and new business models the strategic lever to compete on the market.

Turin, August 5, 2010

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2010

REPLY
CONSOLIDATED INCOME STATEMENT (*)
(thousand Euros)

	Note	1st half 2010	1st half 2009	2009
Revenues	5	181,774	170,300	340,166
Other revenues		833	913	1,877
Purchases	6	(4,023)	(4,261)	(8,205)
Personnel	7	(98,665)	(90,668)	(176,652)
Services and other costs	8	(59,334)	(55,950)	(117,373)
Amortization, depreciation and write-downs	9	(3,070)	(2,929)	(6,978)
Other unusual operating income/(expenses)	10	1,397	561	3,047
Operating income		**18,912**	**17,966**	**35,882**
Financial income/(expenses)	11	(742)	(958)	(1,914)
Result before tax of continuing operations		**18,170**	**17,008**	**33,968**
Income tax	12	(8,322)	(8,148)	(17,098)
Net result of continuing operations		**9,848**	**8,860**	**16,870**
Result from discontinued operations		-	-	125
Non controlling interest		(509)	(622)	(367)
Group net result		**9,339**	**8,238**	**16,628**
Net result per share	13	1.03	0.92	1.84
Diluted net result per share	13	1.01	0.90	1.81

(*)Pursuant to Consob Regulation no. 15519 of July 27, 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 32.

REPLY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousand Euros)

	Note	1st half 2010	1st half 2009
Profit of the period (A)		**9,848**	**8,860**
Gain/(Losses) on cash flow hedges	24	80	(918)
Gain/(Losses) on exchange differences on translating foreign operations	24	(78)	293
Actuarial gains/(losses) from employee benefit plans	24	339	755
Total other comprehensive net of tax (B)		**341**	**130**
Total comprehensive income (A)+(B)		**10,189**	**8,990**
Total comprehensive income attributable to:			
Owners of the parent		9,681	8,359
Non-controlling interests		508	630

REPLY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)
(thousand Euros)

	Note	30/06/2010	31/12/2009	30/06/2009
Tangible assets	14	9,422	9,823	10,541
Goodwill	15	66,047	66,047	66,827
Other intangible assets	16	5,764	6,644	6,333
Equity investments	17	2	8	0
Other financial assets	18	3,909	3,685	3,358
Deferred tax assets	19	8,347	6,024	6,642
Non Current assets		**93,491**	**92,231**	**93,701**
Inventories	20	21,431	15,084	18,356
Trade receivables	21	148,717	153,725	131,212
Other receivables and current assets	22	13,602	14,868	7,837
Cash and cash equivalents	23	32,855	33,163	40,360
Current assets		**216,605**	**216,840**	**197,765**
TOTAL ASSETS		**310,096**	**309,071**	**291,466**
Share capital		4,796	4,796	4,796
Other reserves		116,764	102,399	104,744
Group net result		9,339	16,628	8,238
Group shareholders' equity	24	**130,899**	**123,823**	**117,778**
Non controlling interest	24	6,483	6,462	7,808
SHAREHOLDERS' EQUITY		**137,382**	**130,285**	**125,586**
Financial liabilities	25	14,578	22,830	30,774
Employee benefits	26	15,427	15,492	14,420
Deferred tax liabilities	27	8,761	8,584	4,388
Provisions	28	15,201	15,912	19,654
Non current liabilities		**53,967**	**62,818**	**69,236**
Financial liabilities	25	27,684	21,637	17,526
Trade payables	29	31,476	36,185	24.289
Other current liabilities	30	55,198	52,167	49.122
Provisions	28	4,389	5,979	5.707
Current liabilities		**118,747**	**115,968**	**96,644**
TOTAL LIABILITIES		**172,714**	**178,786**	**165,880**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**310,096**	**309,071**	**291,466**

(*) Pursuant to Consob Regulation no. 15519 of July 27, 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 32.

REPLY
CONSOLIDATED STATEMENT OF CASH FLOWS
(thousand Euros)

	1st half 2010	1st half 2009
Net result for the period	9,848	8,860
Income tax	8,322	8,147
Depreciation and amortization	3,070	2,928
Change in trade receivables	5,008	13,500
Change in inventories	(6,347)	(336)
Change in trade payables	(4,709)	(8,364)
Change in other assets and liabilities	(5,704)	(1,931)
Other non monetary changes	386	627
Income tax paid	(948)	(591)
Net Cash flows from operating activities	**8,926**	**22,840**
Payments for tangible and intangible assets	(1,788)	(2,569)
Payments for financial assets	(224)	(197)
Out payments for the acquisition of subsidiaries	(1,885)	(6,516)
Net cash flows from investment activities	**(3,897)**	**(9,282)**
Dividends paid	(3,354)	(3,695)
Sale/(acquisition) of treasury shares	125	2,516
In payments from financial loans	-	4,911
Payment of installments	(8,222)	(8,222)
Change in financial leases	(274)	31
Other changes	-	(510)
Net Cash flows from financing activities	**(11,725)**	**(4,969)**
Net cash flows	**(6,696)**	**8,589**
Cash and cash equivalents at beginning of period	29,263	31,769
Cash and cash equivalents at the end of period	22,567	40,358
Total change in cash and cash equivalents	**(6,696)**	**8,589**

Detail of net cash and cash equivalents

(thousand Euros)	**30/06/2010**	**30/06/2009**
Cash and cash equivalents at the beginning of period	**29,263**	**31,769**
Cash and cash equivalents	33,163	39,356
Bank overdrafts	(3,900)	(7,587)
Cash and cash equivalents at the end of period	**22,567**	**40,358**
Cash and cash equivalents	32,855	40,360
Bank overdrafts	(10,288)	(2)

REPLY
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
(thousand Euros)

	Share capital	Treasury shares	Capital reserve	Earning reserve	Reserve for cash flow hedges	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interest	Total
Balance at January 1, 2009	**4,796**	**(3,691)**	**50,260**	**59,985**	**358**	**(62)**	**-**	**13,278**	**124,924**
Capital increase	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	(3,222)	-	-	-	(473)	(3,695)
Change in treasury shares	-	2,516	-	-	-	-	-	-	2,516
Total comprehensive income for the period	-	-	-	8,238	(921)	293	749	630	8.990
Other changes	-	-	(760)	(762)	-	-	-	(5,627)	(7,149)
Balance at June 30, 2009	**4,796**	**(1,175)**	**49,500**	**64,239**	**(563)**	**231**	**749**	**7,808**	**125,586**

	Share capital	Treasury shares	Capital reserve	Earning reserve	Reserve for cash flow hedges	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interest	Total
Balance at January 1, 2010	**4,796**	**(1,472)**	**49,483**	**71,270**	**(570)**	**(5)**	**321**	**6,462**	**130,285**
Capital increase	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	(3,170)	-	-	-	(184)	(3,354)
Change in treasury shares	-	126	-	-	-	-	-	-	126
Total comprehensive income for the period	-	-	-	9,339	102	(78)	318	508	10.189
Other changes	-	-	292	147	-	-	-	(303)	136
Balance at June 30, 2010	**4,796**	**(1,346)**	**49,775**	**77,586**	**(468)**	**(83)**	**639**	**6,483**	**137,382**

EXPLANATORY NOTES

NOTA 1 – General information

Reply is a Consulting, System Integration and Application Management company and leader in the design and implementation of solutions based on new communication channels and digital media.

Reply, consisting of a network of specialized companies, provides applications to optimize corporate processes and develops innovative technology-based solutions to enable communication between customers, business partners and suppliers. Reply's activities are focused on the areas of Telecom & Media, Manufacturing, Finance and Public Administration.

The Group is headed by the Parent Company Reply S.p.A., company listed on the STAR segment of Borsa Italiana [REY.MI] with legal headquarters based in Turin (Italy).

NOTA 2 - Accounting principles and basis of consolidation

Introduction

This Half-year financial report has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") 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").

In particular, this Half-year financial report has been prepared in accordance with IAS 34 - *Interim Financial Reporting* applying the same accounting principles and policies used in the preparation of the Consolidated financial statements at December 31, 2009, other than those discussed in the following paragraph "Accounting principles, amendments and interpretations adopted from January 1, 2010".

This Half-year financial report is expressed in thousands of Euros.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. 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. Reference should be made to the section "Use of estimates" in the consolidated financial statements for the year ended December 31, 2009 for a detailed description of the more significant valuation procedures used by the Group.
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.

Income taxes are recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year.

Format of the financial statements

This Half-year financial report includes, statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory notes.

The income statement format adopted by the Group classifies costs according to their nature, which is deemed to properly represent the Group's business.
The Balance sheet 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 corresponding period of the previous year for income statement items and to the previous year for the balance sheet items are provided

In connection with the requirements of Consob Resolution No. 15519 of July 27, 2006 as to the format of the financial statements, additional statements: income statement and balance sheet have been added showing the amounts of related party transactions.

Accounting principles, amendments and interpretations adopted from 1 January 2010

The Group has applied the following Standards, amendments and interpretations from January 1, 2010.

IFRS 3 (2008) – Business Combinations
In accordance with the transitional provision of the Standard the Group adopted IFRS 3 (revised in 2008) – *Business Combinations*, prospectively, to business combinations for which the acquisition date is on or after 1 January 2010.
The main changes to IFRS 3 concern the accounting treatment of step acquisition, to allow a choice for the measurement of non-controlling interest in a partial acquisition either at fair value or at the non-controlling interest's share of the fair value of the identifiable net assets of the acquiree, the recognition of acquisition-related costs as period expenses and the recognition at the acquisition date of any contingent consideration included in the arrangements.

Step acquisitions of a subsidiary
In the case of step acquisitions IFRS 3 (2008) states that a business combination occurs only in respect of the transaction that gives one entity control of another. At that time, the identifiable net assets of the acquiree are measured at fair value and any non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets (a method already permitted under the previous version of IFRS 3).
An equity interest previously held in the acquiree and accounted for under IAS 39 – *Financial Instruments: Recognition and Measurement,* or under IAS 28 – *Investments in Associates*, or under IAS 31 – *Interests in Joint Ventures* is treated as if it were disposed of and acquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Moreover, any changes in the value of the equity interest that were previously recognized in Other comprehensive income are reclassified from equity to profit or loss as if they had been disposed of. Goodwill, or the gain from a bargain purchase (in the case of negative goodwill), arising from an acquisition is measured as the consideration transferred to obtain control, plus the amount of non-controlling interest (using either option), plus the fair value of previously held non-controlling equity interest, less the fair value of the identifiable net assets of the acquiree.
Under the previous version of the standard controlling interests achieved in stages was dealt with as a series of separate transactions with goodwill recognized as the sum of the goodwill arising on the separate transactions.

Acquisition related costs
Under IFRS 3 (2008) acquisition-related costs are recognized as expenses in the periods in which the costs are incurred. Under the previous version of the Standard, these costs were included in the acquisition cost of the net assets of the acquired entity.

Recognition of contingent consideration
Under IFRS 3 (2008) contingent consideration is recognized as part of the consideration transferred in exchange for the acquiree net assets, measured at its acquisition date fair value. Similarly, where the purchase agreement includes a right to the return of previously-transferred consideration if specified conditions are met, that right to return is classified as an asset by the acquirer. Subsequent changes in this fair value are recognized as adjustments against original accounting for the acquisition if they are the result of the acquirer obtaining additional information and occur within 12 months from the acquisition date. All other changes in the fair value of the contingent consideration are recognized in profit or loss. Under the previous version of the Standard contingent considerations were recognized at the acquisition date only if their
payment was probable and it could be measured reliably. Any subsequent adjustments to the contingent consideration were recognized against goodwill.

IAS 27 (2008) – Consolidated and Separate Financial Statements
The revisions to IAS 27 principally affect the accounting for transactions and events that result in a change in the Group's interest in its subsidiaries and the attribution of a subsidiary's losses to non-controlling interests. In accordance with the relevant transitional provisions, the Group adopted these changes to IAS 27 prospectively. The adoption of the revised standard has affected the accounting of certain increases and decreases in the Group's ownership interest in its subsidiaries.
IAS 27 (2008) specifies that once control has been obtained, further transactions whereby the parent entity acquires additional equity interests from non-controlling interests, or disposes of equity interests without losing control are transaction with owners and therefore shall be accounted for as equity transactions. It follows that the carrying amounts of the controlling and non-controlling interests must be adjusted to reflect the changes in their relative interests in the subsidiary and any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent. There is no consequential adjustment to the carrying amount of goodwill and no gain or loss is recognized in profit or loss. Costs associated with these transactions are recognized in equity in accordance with IAS 32 paragraph 35.
In prior years, in the absence of a specific principle or interpretation, if the Group purchased a non-controlling interest in a subsidiary that it already controlled it recognized any excess of the acquisition cost over the carrying value of the assets and liabilities acquired as goodwill (the "Parent entity extension method"). If it disposed of a non-controlling interest without losing control, however, the Group recognized any difference between the carrying amount of assets and liabilities of the subsidiary and the consideration received in profit or loss.
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Standards, amendments and interpretations effective from 1 January 2010 but not applicable to the Group
The following amendments, improvements and interpretations have also been issued and are effective from 1 January 2010; these relate to matters that were not applicable to the Group at the date of these half-year condensed financial statements but which may affect the accounting for future transactions or arrangements:
- Improvement to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*
- Amendments to IAS 28 – *Investments in Associates* and to IAS 31 – *Interests in Joint Ventures* consequential to the amendment to IAS 27.
- Improvements to IAS/IFRS (2009).
- Amendments to IFRS 2 – *Share based Payment: Group Cash-settled Share-based Payment Transactions*.
- IFRIC 17 – *Distributions of Non-cash Assets to Owners.*
- IFRIC 18 – *Transfers of Assets from Customers.*
- Amendment to IAS 39 – *Financial Instruments: Recognition and Measurement: Eligible Hedged items*

Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Group

On 8 October 2009, the IASB issued an amendment to IAS 32 – *Financial Instruments: presentation, classification of rights issues* in order to address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applicable retrospectively from 1 January 2011; when applied this amendment is not expected to lead to significant effects on the Group's financial statements.

On 4 November 2009, the IASB issued a revised version of IAS 24 - *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011. The revised standard had not yet been endorsed by the European Union at the date of these half-year condensed financial statements.

On 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial Instruments* on the classification and measurement of financial assets, having an effective date for mandatory adoption of 1 January 2013. The new standard represents the completion of the first part of a project to replace IAS 39. The new standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 also requires a single impairment method to be used. The new standard had not yet been endorsed by the European Union at the date of these half-year condensed financial statements.

On 26 November 2009, the IASB issued a minor amendment to IFRIC 14 - *Prepayments of a Minimum Funding Requirement*. The amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of 1 January 2011; the amendment had not yet been endorsed by the European Union at the date of these half-year condensed financial statements.

On 26 November 2009, the IFRIC issued the interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially, then the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and are measured at their fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the profit or loss for the period. The interpretation has an effective date for mandatory adoption of 1 January 2011; the interpretation had not yet been endorsed by the European Union at the date of these half-year condensed financial statements.

On 6 May 2010 the IASB issued a set of amendments to IFRSs (“Improvements to IFRSs”) that are applicable from 1 January 2011; set out below are those that will lead to changes in the presentation, recognition or measurement of financial statement items, excluding those that only regard changes in terminology or editorial changes having a limited accounting effect and those that affect standards or interpretations that are not applicable to the Group.

- IFRS 3 (2008) – *Business combinations*: this amendment clarifies that the components of non-controlling interests that do not entitle their holders to a proportionate share of the entity’s net assets must be measured at fair value or as required by the applicable accounting standards. For example, therefore, stock options granted to employees must be measured in accordance with the requirements of IFRS 2 in the case of a business combination, while the equity portion of a convertible debt instrument must be measure in accordance with IAS 32. In addition, the Board goes into further detail on the question of share-based payment plans that are replaced as part of a business combination by adding specific guidance to clarify the accounting treatment.
- IFRS 7 – *Financial instruments: disclosures:* this amendment emphasizes the interaction between the qualitative and quantitative disclosures required by the standard concerning the nature and extent of risks arising from financial instruments. This should assist users of financial statements to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial statements. In addition, the disclosure requirement concerning financial assets that are past due or impaired but whose terms have been renegotiated, and that relating to the fair value of collateral, have been eliminated.
- IAS 1 – *Presentation of financial statements*: the amendment requires the reconciliation in the changes of each component of equity to be presented in the notes or in the primary statements.
- IAS 34 – *Interim financial reporting:* by using a series of examples certain clarifications are provided concerning the additional disclosures that must be presented in interim financial reports.

At the date of these half-year condensed financial statements the competent bodies of the European Union had not yet completed their endorsement process for the above improvements.

NOTE 3 –Risk management

Credit risk
For business purposes, specific policies are adopted in order to guarantee that clients honor payments. 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 Group companies are monitored on a centralized basis through Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's capital resources (maintaining the availability of minimum reserves of liquidity that are readily convertible to cash and committed credit).

Currency risk and interest rate risk
As the Group operates mainly in a "Euro area" the exposure to currency risks is limited.
The Group's exposure to interest rate risk is mainly associated to financial loans bearing free float interest rates. The Group manages this risk with the use of interest rate swaps which allows floating interest rates to be transformed to fixed interest rates.
Information related to the fair value of the derivative financial instrument is disclosed in Note 25.

NOTE 4 - Consolidation

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

No change in consolidation has occurred compared to June 30, 2009.

A list of Reply Group companies as at June 30, 2010 is provided at the Annexed tables herein.

NOTE 5 - Revenues

Revenues from sales and services, including change in work in progress, amounted to 181,774 thousand Euros.

This items includes revenues from consultancy activities, projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by geographic area:

Country	1st half 2010	1st half 2009
Italy	81.9%	80.6%
Germany	15.4%	16.5%
UK	2.7%	2.9%
	100.0%	**100.0%**

Disclosure required by IFRS 8 (“Operating segment”) is provided in Note 31 herein.

NOTE 6 - Purchases

Detail is as follows:

(thousand Euros)	1st half 2010	1st half 2009	Change
Software licenses for resale	2,334	3,041	(707)
Hardware for resale	471	73	398
Other	1,218	1,147	71
Total	**4,023**	**4,261**	**(238)**

The items *Software licenses for resale* and *Hardware licenses for resale* include any change in inventory.

The item *Other* mainly includes the acquisition of fuel amounting to 868 thousand Euros and office material amounting to 155 thousand Euros.

NOTE 7 - Personnel

Detail is as follows:

(thousand Euros)	1st half 2010	1st half 2009	Change
Payroll employees	90,645	81,664	8,981
Executive Directors	6,382	7,573	(1,191)
Project collaborators	1,638	1,431	207
Total	**98,665**	**90,668**	**7,997**

The increase in personnel expenses amounting to 7,997 thousand Euros refers to the overall increase of the Group's business and the number of employees.

Personnel expenses include the fair value of the stock options vested (5 thousand Euros).

Detail of personnel by category is provided below:

(number)	30/06/2010	30/06/2009	Change
Directors	237	221	16
Managers	467	421	46
Staff	2,330	2,304	26
Total	**3,034**	**2,946**	**88**

At June 30, 2010 the number of employees of the Group was 3,034 compared to 2,946 at June 30, 2009.

Human resources mainly comprise electronic engineer and economic and business graduates from the best Italian and foreign Universities

NOTE 8 – Services and other costs

Service expenses comprised the following:

(thousand Euros)	1st half 2010	1st half 2009	Change
Commercial and technical consulting	29,171	25,748	3,423
Travelling and professional training expenses	9,192	8,299	893
Other service costs	12,189	12,198	(9)
Office expenses	4,158	4,427	(269)
Lease and rentals	3,058	3,065	(7)
Other	1,566	2,213	(647)
Total	**59,334**	**55,950**	**3,384**

Change in *Services and other costs* amounted to 3,384 thousand Euros and owes to an overall increase in the Group's activities.

Office expenses include charges from related parties in connection to service contracts for the use of premises and centralized secretarial services amounting to 2,871 thousand Euros.

NOTE 9 – Amortization, depreciation and write-downs

Depreciation of tangible assets, amounting to 1,863 thousand Euros at June 30, 2010, has been determined on a straight-line basis at economic-technical rates that reflect the useful lives of the asset. Details of depreciation are provided at the notes to tangible assets.

This item also includes the government grant established by the Regional laws 34/2004 and 4/2006 in relation to the financed research project "Internet of things" amounting to 108 thousand Euros.

Amortization of intangible assets in the first half of 2010 amounted to 1,209 thousand Euros. The details are provided at the notes to intangible assets herein.

NOTE 10 – Other unusual operating income/(expenses)

Other unusual operating income/(expenses) amounting to 1,397 thousand Euros is related to events falling out of the ordinary course of business.

NOTE 11 – Financial income/(expenses)

Detail is as follows:

(thousand Euros)	1st half 2010	1st half 2009	Change
Financial gains	89	276	(187)
Interest expenses	(840)	(1,256)	416
Other	9	22	(13)
Total	**(742)**	**(958)**	**216**

The item *Financial gains* mainly includes interest on bank accounts for 89 thousand Euros.

Interest expenses mainly include the interest costs related to the use of the syndicated bank loan granted by a pool of credit institutions for M&A operations.

NOTE 12 – Income taxes

At June 30, 2010 income taxes amounted to 8,322 thousand Euros and were recognized in accordance to the best estimate of the expected annual average income tax rate (45.8%).

NOTE 13 – Earnings per share

Basic earnings per share

Basic earnings per share at June 30, 2010 was calculated with reference to the profit attributable to the owners of the parent and amounted to 9,339 thousand Euros (8,238 thousand Euros at June 30, 2009) divided by the weighted average of shares outstanding at June 30, 2010 which were 9,091,693 (8,970,890 at June 30, 2009).

	1st half 2010	1st half 2009
Profit/(Loss) attributable to owners of the parent	9,339,000	8,238,000
Weighted average number of shares	9,091,693	8,970,890
Basic earnings per share	1.03	0.92

Diluted earnings per share

Diluted earnings per share at June 30, 2010 was calculated with reference to the profit attributable to the owners of the parent and amounted to 9,339 divided by the weighted average of shares outstanding at June 30, 2010 taking in consideration the diluting effect which could derive from hypothetical exercising of financial instruments potentially convertible in shares (stock options).

	1st half 2010	1st half 2009
Profit/(Loss) attributable to owners of the parent	9,339,000	8,238,000
Weighted average number of shares	9,091,693	8,970,890
Diluting effect	168,400	162,400
Weighted number of diluted shares	9,260,093	9,133,290
Diluted earnings per share	1.01	0.90

NOTE 14 - Tangible assets

Tangible assets as at June 30, 2010 amounted to 9,422 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2010	31/12/2009	Change
Buildings	2,687	2,758	(71)
Plant and machinery	1,715	1,942	(227)
Hardware	3,013	3,558	(545)
Other	2,007	1,565	442
Total	**9,422**	**9,823**	**(401)**

Change in tangible assets in the first half of 2010 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	4,023	5,433	16,632	4,760	30,848
Accumulated depreciation	(1,265)	(3,491)	(13,074)	(3,195)	(21,025)
Balance at 31/12/2009	**2,758**	**1,942**	**3,558**	**1,565**	**9,823**
Historical cost					
Additions	-	240	596	762	1,598
Disposals	-	(58)	(867)	(76)	(1,001)
Other changes	-	-	15	-	15
Accumulated depreciation					
Depreciation	(71)	(460)	(1.127)	(313)	(1,971)
Utilization	-	51	841	69	961
Other changes	-	-	(3)	-	(3)
Historical cost	4,023	5,615	16.376	5,446	31,460
Accumulated depreciation	(1,336)	(3,900)	(13.363)	(3,439)	(22,038)
Balance at 30/06/2010	**2,687**	**1,715**	**3.013**	**2,007**	**9,422**

During the first half 2010 the Group carried out investments amounting to 1,598 thousand Euros mainly in relation to computers and network equipment.

The item *Buildings* includes a building belonging to a syskoplan group company located in Gutersloh Germany.

Increase in *Plant and machinery* amounting to 174 thousand Euros refers to investments made by Syskoplan group companies and investments carried out by Italian companies for 66 thousand Euros.

The item *Plant and machinery* includes the lease of video conference equipment amounting to 12 thousand Euros.

Change in Hardware owes to investments carried out by the Group mainly for computers and network equipment. This item also includes financial leases amounting to 862 thousand Euros (1,118 thousand Euros at December 31, 2009).

The item *Other* at June 30, 2010 includes improvements to third party assets (1,576 thousand Euros) and office furniture (352 thousand Euros). Increase in the first half of 2010 refers to improvements to third party assets amounting to 583 thousand Euros and 126 thousand Euros for office furniture.

NOTE 15 – Goodwill

This item includes goodwill arising from consolidation of subsidiaries and the value of business branches purchased against payment.

During the first half this item has not undergone any changes. Detail is as follows:

Company originating goodwill	CGU/Legal entity	Year of acquisition	% acquired	30/06/2010 (thsd Euros)
@Logisitcs Reply S.r.l.	@Logisitcs Reply S.r.l.	2000	30.0%	459
Business Reply S.r.l.	Business Reply S.r.l.	2000	30.0%	160
Cluster Reply S.r.l.	Cluster Nord	2000	15.0%	155
Sytel Reply S.r.l.	Sytel Roma	2000	20.0%	223
Whitehall Reply S.r.l.		2000	100.0%	-
E*Finance Reply S.r.l.		2001	58.0%	-
Aware Reply S.r.l.		2001 - 2003	100.0%	-
Sysproject Reply S.r.l.	Cluster Nord	2002	100.0%	1,665
IrisCube		2003	51.0%	-
Aware Reply S.r.l.	Bitmama Srl	2001 - 2003	100.0%	2,418
Blue Reply S.r.l.	Blue Reply S.r.l.	2004	12.0%	285
Planet Reply S.r.l.	Sytel Nord	2004	20.0%	1,191
E*Finance Reply S.r.l.	E*Finance Reply S.r.l.	2001 - 2005	42.0%	2,561
Eos Reply S.r.l.	Eos Reply S.r.l.	2005	(*)	360
IrisCube Reply S.p.A.	IrisCube Reply S.p.A.	2003 - 2005	100.0%	1,563
IrisCube Reply S.p.A. (***)	Live	2003 - 2005	100.0%	5,100
Spike Reply S.r.l.	Security Reply S.r.l.	2005	10.0%	298
Discovery Reply S.r.l.	Discovery Reply S.r.l.	2005	(*)	210
syskoplan AG	syskoplan Group	2006	63.8%	9,611
Interactiv! (**)	Interactiv!	2006	85.1%	709
Macros Innovation (**)	Macros Innovation	2006	100.0%	4,652
Discovery sysko Gmbh (**)	Discovery sysko Gmbh	2006	20.0%	11
Santer Reply S.p.A.	Santer	2002 - 2006	100.00%	1,062
Xuccess Consulting GmbH (**)	Xuccess Consulting GmbH	2007	100.0%	5,195
Axcel Reply S.r.l.	Aktive Reply S.r.l.	2007	100.0%	558
Axcel Reply S.r.l.	Live	2007	100.0%	250
Communication Valley S.p.A.	Security Reply S.r.l.	2008	100.0%	11,868
glue Reply Ltd.	glue Reply Ltd.	2008	100.0%	10,772
Reply Consulting S.r.l.	Reply Consulting S.r.l.	2008	44.0%	4,306
Hermes Reply S.r.l.	Hermes Reply S.r.l.	2008	5.0%	116
Other syskoplan group	Other syskoplan group			-
Other (*)				289
Total				**66,047**

(*) business branch acquisitions

(**) syskoplan group company

(***) goodwill related to the branch transferred in Sytel Reply S.r.l.

Goodwill is an intangible asset with an indefinite life and therefore is not subject to a systematic amortization but is tested for impairment annually. During the first half of 2010 no impairment indicators have arisen which may have changed the value of goodwill.

Goodwill is subject to impairment test as required by IAS 36. This assessment, to be carried out at least once a year, was performed at the level of the Cash Generating Units (CGU), to which value of goodwill is attributed.

NOTE 16 - Other intangible assets

Intangible assets as at June 30, 2010 amounted to 5,764 thousand Euros (6,644 thousand Euros at December 31, 2009) and detail is as follows:

(thousand Euros)	Historical cost	Accumulated amortization	Net book value at 30/06/2010
Development costs	8,388	(5,945)	2,443
Software	11,460	(10,306)	1,154
Trademarks	540	-	540
Other intangible assets	2,950	(1,323)	1,627
Total	**23,339**	**(17,575)**	**5,764**

Change in intangible assets during the first half 2010 is summarized in the table below:

(thousand Euros)	Net book value at 31/12/2009	Increases	Other changes	Accumulated amortization	Net book value at 30/06/2010
Development costs	2,680	254	-	(491)	2,443
Software	1,545	87	(25)	(453)	1,154
Trademarks	527	13	-	-	540
Other intangible assets	1,892	-	-	(265)	1,627
Total	**6,644**	**354**	**(25)**	**(1,209)**	**5,764**

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

The item *Software* is related mainly to software licenses purchased and used internally by the Group companies. This item also includes work in progress of internally developed software for 100 thousand Euros.

The item *Trademarks* expresses the value of the “Reply” trademark granted on June 9, 2000 to the Parent Company Reply S.p.A. (before Reply Europe Sàrl) in connection to the Company’s share capital increase that was resolved and undersigned by the Parent Company Alister Holding SA. Such amount is not subject to systematic amortization.

Other intangible assets is mainly related to Know-how of the *Security Operation Center,* a specific activity which supplies *Managed Security Services* to avoid and detect real or potential threats to which complex IT infrastructures are exposed, apart from proposing and carrying out adequate counter-measures to limit or void such dangers. It also reflects the allocation process related to the acquisition of Communication Valley, business unit of Security Reply S.r.l.

NOTE 17 - Equity investments

Detail is as follows:

(thousand Euros)	30/06/2010	31/12/2009	Change
Investments in subsidiaries	-	8	(8)
Investments in associates	2	-	2
Total	**2**	**8**	**(6)**

The item *Investments in associates* refers to investments in the company NextNext S.r.l. of which Bitmama S.r.l. holds 24% of the share capital.

NOTE 18 - Financial assets

Financial assets amounted to 3,909 thousand Euros and refer to non-current assets.

Detail is as follows:

(thousand Euros)	30/06/2010	31/12/2009	Change
Receivables from insurance companies	2,598	2,413	185
Guarantee deposits	496	457	39
Long term securities	804	804	-
Short term securities	11	11	-
Total	**3,909**	**3,685**	**224**

The item *Receivables from insurance companies* is related mainly to the insurance premium paid against directors' severance indemnities carried out by the syskoplan group.

The item *Long term securities* is related mainly to long term investments to hedge pension obligations of the syskoplan group.

NOTE 19 – Deferred tax assets

This item amounted to 8,347 thousand Euros at June 30, 2010 (6,024 thousand Euros at December 31, 2009), and includes the fiscal charge corresponding to the temporary differences deriving from statutory income and taxable income related to deferred deductibility items.

This item mainly includes deferred tax assets related to costs that will become deductible in future years in relation to doubtful account provisions, amortization and consolidation adjustments.

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.

There are no deferred tax assets on losses carried forward.

NOTE 20 - Inventories

The item inventories amounted to 21,431 thousand Euros and is detailed below:

(thousand Euros)	30/06/2010	31/12/2009	Change
Contract work in progress	46,105	57,633	(11,528)
Finished products and goods for resale	-	35	(35)
Advance payments from customers	(24,674)	(42,584)	17,910
Total	**21,431**	**15,084**	**6,347**

NOTE 21 - Trade receivables

Trade receivables at June 30, 2010 amounted to 148,717 thousand Euros with a decrease of 5,008 thousand Euros compared to December 31, 2009 owing to an improvement in days sales outstanding.

Trade receivables are shown net of allowances for doubtful accounts amounting to 3,070 thousand Euros at June 30, 2010 (3,035 thousand Euros at December 31, 2009).

(thousand Euros)	30/06/2010	31/12/2009	Change
Domestic receivables	133,971	139,334	(5,363)
Foreign trade receivables	17,913	17,543	370
Credit notes to be issued	(97)	(117)	20
Total	**151,787**	**156,760**	**(4,973)**
Allowance for doubtful accounts	(3,070)	(3,035)	(35)
Total trade receivables	**148,717**	**153,725**	**(5,008)**

During the first half 2010 the *Allowance for doubtful accounts* developed as follows:

(thousand Euros)	31/12/2009	Accrual	Utilized	30/06/2010
Allowance for doubtful accounts	3,035	161	(126)	3,070

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

Over-due trade receivables and the corresponding allowance for doubtful accounts compared to the previous year is summarized in the tables below:

(thousand Euros)				Aging at June 30, 2010			
	Trade receivables	current	1-90 days	91-180 days	181-360 days	over 360 days	Total overdue
Trade receivables	151,787	128,483	13,076	3,783	1,067	2,274	20,200
Allowance for doubtful accounts	(3,070)	-	(43)	(141)	(864)	(2,022)	(3,070)
Total trade receivables	**148,717**	**128,483**	**13,033**	**3,642**	**203**	**253**	**17,130**

(thousand Euros)				Aging at December 31, 2009			
	Trade receivables	current	1-90 days	91-180 days	181-360 days	over 360 days	Total overdue
Trade receivables	156,760	136,149	12,774	2,542	2,916	2,379	20,611
Allowance for doubtful accounts	(3,035)	-	(743)	(96)	(884)	(1,312)	(3,035)
Total trade receivables	**153,725**	**136,149**	**12,031**	**2,446**	**2,032**	**1,067**	**17,576**

NOTE 22 - Other receivables and current assets

Detail is as follows:

(thousand Euros)	30/06/2010	31/12/2009	Change
Tax receivables	3,359	6,436	(3,077)
Advances to employees	180	186	(6)
Receivables from tax institutions	1,114	702	412
Other receivables	5,681	4,595	1,086
Accrued income and prepaid expenses	3,268	2,949	319
Total	**13,602**	**14,868**	**(1,266)**

The item tax receivables mainly included:

- Vat tax receivables (1,445 thousand Euros);
- Receivables for withholding tax (259 thousand Euros);
- Tax receivables from foreign tax authorities (1,416 thousand Euros).

Other receivables include a capital contribution amounting to 4,655 thousand Euros in accordance to the Regional laws 34/2004 and 4/2006 with reference to the research project "*Internet of Things*".

The carrying value of *Other receivables and current assets* is deemed to be in line with its fair value.

NOTE 23 - Cash and cash equivalents

This item amounted to 32,855 thousand Euros, with a decrease of 308 compared to December 31, 2009, and reflects the amount of cash at banks and on hand at the balance sheet date.

Change in cash and cash equivalents is fully detailed in the consolidated statement of cash flow.

The carrying value of *Cash and cash equivalents* is deemed to be in line with its fair value.

NOTE 24 – Shareholders’ equity

Share capital

At June 30, 2010 the fully subscribed paid-in share capital of the Parent Company Reply S.p.A. amounted to 4,795,885.64 Euros and is made up of 9,222,857 ordinary shares, par value 0.52 Euros per share.

Treasury shares

Reserve of treasury shares on hand amounting to 1,346 thousand Euros is related to shares held by the Parent company that as at June 30, 2010 were equal in number to 109,874. During the first half 2010 Reply S.p.A. acquired no. 34,674 ordinary shares while 65,952 ordinary shares were disposed. The disposal of 35,348 ordinary shares were transferred for the acquisition of the minority shares in subsidiaries and 30,604 ordinary shares were assigned to personnel as a form of remuneration for services provided. The accounting effects related to treasury shares were entirely accounted in equity.

Capital reserve

At June 30, 2010 capital reserve amounted to 49,775 thousand Euros and is summarized as follows:

- *Share premium reserve* amounted to 20,138 thousand Euros.
- *Reserve for treasury shares on* hand amounting to 1,346 thousand Euros is related to shares held by the Parent company.
- *Reserve for purchase of treasury shares*, amounting to 28,653 thousand Euros, was constituted through withdrawal from the *Reserve for treasury shares on hand*, following the resolution made by the General Shareholders Meeting of Reply S.p.A. on April 29, 2009 which authorized, pursuant to art. 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earnings reserves

Earning reserves amounted to 77,586 thousand Euros and are as follows:

- Legal reserve of Reply S.p.A. amounted to 959 thousand Euros;
- Retained earnings totaled 67,288 thousand Euros (54,298 thousand Euros at December 31, 2009);
- The profit attributable to owners of the parent amounting to 9,339 thousand Euros (16,628 thousand Euros at December 31, 2009).

Other comprehensive income

The amount of Other comprehensive income can be analyzed as follows:

(thousand Euros)	1st half 2010	1st half 2009
Gains/(Losses) on cash flow hedges arising during the period	80	(918)
Reclassification adjustment for gains/(losses) on cash flow hedges included in income statement	-	-
Gains/(Losses) on cash flow hedges	**80**	**(918)**
Gains/(Losses) on exchange differences on translating foreign operations arising during the period	(78)	293
Gains/(Losses) on exchange differences on translating foreign operations included in income statement	-	-
Gains/(Losses) on exchange differences on translating foreign operations	**(78)**	**293**
Other gains/(losses) arising during the period	339	755
Other gains/(losses) included in income statement	-	-
Other gains/(losses)	**339**	**755**
Income tax relating to components of Other comprehensive income	-	-
Total Other comprehensive income, net of tax	**341**	**130**

Non-controlling interest

The non-controlling interest of 6,483 thousand Euros at June 30, 2010 (6,462 thousand Euros at December 31, 2009), refers mainly to the following companies consolidated on a line-by-line basis:

(thousand Euros)	30/06/2010	31/12/2009
Italian companies		
4Cust Reply S.r.l.	56	(4)
Bridge Reply S.r.l.	9	-
Open Reply S.r.l.	39	2
Power Reply S.r.l.	252	190
Tender Reply S.r.l.	3	-
Twice Reply S.r.l.	103	94
Bitmama S.r.l.	251	94
Foreign companies		
Syskoplan AG	5,746	5,968
is4 GmbH & Co. KG	24	118
Total	**6,483**	**6,462**

NOTE 25 - Financial liabilities

Detail is as follows:

(thousand Euros)	30/06/2010 Current	Non current	Total	31/12/2009 Current	Non current	Total
Advances on receivables and bank overdrafts	10,288	-	10,288	3,900	-	3,900
Financial bank borrowings	17,060	13,979	31,039	17,137	22,223	39,360
Total due to banks	**27,348**	**13,979**	**41,327**	**21,037**	**22,223**	**43,260**
Other financial borrowings	336	599	935	600	607	1,207
Total financial liabilities	**27,684**	**14,578**	**42,262**	**21,637**	**22,830**	**44,467**

The future out payments of financial liabilities are detailed as follows:

(thousand Euros)	30/06/2010 Due within a year	Between 1 and 5 years	Over 5 years	Total	31/12/2009 Due within a year	Between 1 and 5 years	Over 5 years	Total
Advances on receivables and bank overdrafts	10,288	-	-	**10,288**	3,900	-	-	**3,900**
Syndicated loan- Intesa SanPaolo Tranche B	16,443	8,221	-	**24,664**	16,443	16,444	-	**32,887**
Stand-by credit line	-	4,911	-	**4,911**	-	4,093	818	**4,911**
Commerzbank	115	581	455	**1,151**	104	581	523	**1,208**
Other financial borrowings	336	599	-	**935**	600	607	-	**1,207**
Fair Value IRS and other	502	(189)	-	**313**	590	(236)	-	**354**
Total	**27,684**	**14,123**	**455**	**42,262**	**21,637**	**21,489**	**1,341**	**44,467**

The *Syndicated loan* is referred to the contract undersigned on December 30, 2005 by Reply S.p.A. with Intesa SanPaolo, pool leader of a group of banks for the granting of the loan. The loan (the maximum total amount of 66 million Euros utilized by December 31, 2008) was finalized for M&A operations.

The total amount utilized amounted to 61,330 thousand Euros and has been divided as follows:

- Tranche A, was used as an overdraft for a total of 12,000,000 Euros with the purpose of entirely reimbursing the previous loan. Installments were paid on a half year basis (Euribor 6 months + 0.75%).
- Tranche B, was utilized for 49,330 thousand Euros with the purpose of satisfying Reply's financial needs in maintaining the growth strategy finalized at the acquisition of companies, strategic investments or shares. The residual amount totals 41,108 thousand Euros and the installments are paid on a half-year basis (Euribor 6 months + 0.75%) and expires December 31, 2011.

Reply has pledged shares and/or quotas of the companies acquired in guarantee of all obligations connected to the loan.

The stand-by financial loan is referred to a loan undersigned on March 31, 2009 by Reply S.p.A with Intesa SanPaolo, for an initial line of credit amounting to 50,000,000 euro. The loan will be reimbursed on a half-year basis (Euribor 6 months + 2.5%) commencing June 30, 2012 and expires on December 31, 2014.
On June 25, 2009 this credit line was used as an overdraft for 4,911 thousand Euros.

Throughout the duration of the contract and until the loan is completely reimbursed, Reply S.p.A. must achieve predetermined ratios (Covenants) of economic and financial nature calculated on the consolidated financial statements as at December 31 and June 30, of each year.

As contractually defined, such ratios are as follows:

- Net financial indebtedness / Equity ≤ 1.5
- Net financial indebtedness / EBITDA ≤ 3.0

At the date of this Report the Covenants established by the loan have been fully achieved by the company.

The loan with *Commerzbank* is referred to a loan undersigned by syskotool, a syskoplan Group company, for the acquisition of the building in which the parent company has its registered office. Installments are paid on a half year basis (at a rate of 4.28%) and expire on September 30, 2019.

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

Fair value IRS and other is mainly related to the fair value of the cash flow hedge.

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 July 28, 2006 and in accordance with CESR's *Recommendations for the consistent implementation of the European's regulation on Prospectuses* issued on February 10, 2005, the Net financial position at June 30, 2010.

(thousand Euros)	**30/06/2010**	**31/12/2009**	**Change**
Cash and cash equivalents	32,855	33,163	(308)
Non-current financial assets	804	804	-
Total financial assets	**33,659**	**33,967**	**(308)**
Current financial liabilities	(27,684)	(21,637)	(6,047)
Non current financial liabilities	(14,578)	(22,830)	8,252
Total financial liabilities	**(42,262)**	**(44,467)**	**2,205**
Total net financial position	**(8,603)**	**(10,500)**	**1,897**

For further detail with regards to the table see Notes 18, 23 and 25.

NOTE 26 - Employee benefits

(thousand Euros)	30/06/2010	31/12/2009	Change
Employee severance indemnities	11,957	12,138	(181)
Employee pension funds	2,472	2,396	76
Directors severance indemnities	955	915	40
Other	43	43	-
Total	**15,427**	**15,492**	**(65)**

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 December 31, 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.

Reassessment of Employee severance indemnities in accordance to 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 to IAS 19 Employment severance indemnities in the first half 2009 is summarized in the table below:

(thousand Euros)	
Balance at 31/12/2009	**12,138**
Service cost	747
Actuarial gain/loss	(339)
Interest cost	224
Indemnities paid during the year	(813)
Balance at 30/06/2010	**11,957**

Pension funds

The item Pension funds is related to the liability for defined benefit plans for some syskoplan Group companies.

NOTE 27 – Deferred tax liabilities

Deferred tax liabilities at June 30, 2010 amounted to 8,761 thousand Euros (8,584 at December 31, 2009) 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 mainly include the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

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 28 – Provisions

Provisions amounted to 19,590 thousand Euros (of which 15,201 thousand Euros non current).

Change in the first half 2010 is summarized in the table below.

(thousand Euros)	Balance at 31/12/2009	Accruals	Utilization	Write-off	Balance at 30/06/2010
Payables to minority shareholders	2,889	-	-	-	2,889
Fidelity provisions	3,424	2,252	(2,014)	(9)	3,653
Purchase price adjustment provision	1,879	386	(1,879)	-	386
Other provisions	2,285	1,015	(1,312)	(44)	1,944
Provision for Motorola research center	11,414	-	(696)	-	10,718
Total	**21,891**	**3,653**	**(5,901)**	**(53)**	**19,590**

Payables to minority shareholders for 2,889 thousand Euros represent the fair value of the minority interest equal to 49% of is4, a syskoplan group company. This amount has been stated according to IAS 32 as syskoplan has signed a put option agreement with the minority shareholders to be exercised with a 12 months' notice.

Fidelity provisions are referred mainly to provisions made for some syskoplan group companies in relation to anniversary bonuses. The liability is determined through actuarial calculations applying a 5.5% rate.

The provisions for *Purchase price adjustments* cover the earn-out components of acquiring shares in some syskoplan group companies.

The *Provision for Motorola Research center* originates from the acquisition of the business branch Motorola Electronics S.p.A., and has been extensively commented in the 2009 Annual Report.

The acquisition of the Motorola Research Center was carried out as a consequence of agreements reached with Motorola Electronics S.p.A, Trade Unions and the region of Piedmont.

The utilization of the provision is strictly connected to the implementation of the research and development projects agreed upon and funded by the Region of Piedmont and the Ministry for economic development.

The residual provision will be written off to profit and loss on the basis of the progress of the research activities, in part financed by the public administrations, for which the Group has committed to carry out to several parties in view of the undersigning of the aforesaid agreements.

NOTE 29 - Trade payables

Trade payables as at June 30, 2010 amounted to 31,476 thousand Euros with a change of 4,709 thousand Euros compared to December 31, 2009.

Detail is as follows:

(thousand Euros)	30/06/2010	31/12/2009	Change
Domestic suppliers	32,148	35,628	(3,480)
Foreign suppliers	2,150	1,998	152
Advances to suppliers	(2,822)	(1,441)	(1,381)
Total	**31,476**	**36,185**	**(4,709)**

The carrying value of *Trade payables* is deemed to be in line with its fair value.

NOTE 30 - Other current liabilities

Other current liabilities as at June 30, 2010 amounted to 55,198 thousand Euros and with a change of 3,031 thousand Euros compared to December 31, 2009.

Details are provided below:

(thousand Euros)	30/06/2010	31/12/2009	Change
Income tax payable	10,238	2,220	8,018
VAT payable	1,358	3,818	(2,460)
Withholding tax and other	2,734	3,913	(1,179)
Total due to tax authorities	**14,330**	**9,951**	**4,379**
Social security payables	7,802	9,444	(1,642)
Other	441	1,041	(600)
Total due to social security authorities	**8,243**	**10,485**	**(2,242)**
Employee accruals	21,912	16,556	5,356
Other payables	8,055	12,853	(4,798)
Accrued expenses and deferred income	2,658	2,322	336
Total other payables	**32,625**	**31,731**	**894**
Total other payables and current liabilities	**55,198**	**52,167**	**3,031**

Due to tax authorities amounting to 14,330 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Other payables to social security authorities amounted to 8,243 thousand Euros and refer to amounts payable for employee and employer contributions.

Other payables at June 30, 2010 amounted to 32,625 thousand Euros and included:

- Amounts due to employees that at the balance sheet date had not yet been paid;
- Amounts due to directors.

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

NOTE 31 – Segment reporting

Segment reporting has been prepared in accordance to IFRS 8, determined as the area in which the services are executed.

Economic figures

(thousand Euros)	Italy	%	Germany	%	UK	%	Intrasegment	Total 1st half 2010	%
Revenues	**149,636**	**100.0**	**27,921**	**100.0**	**4,954**	**100.0**	**(737)**	**181,774**	**100.0**
Operating costs	(128,960)	(86.2)	(26,377)	(94.5)	(5,192)	(104.8)	737	(159,792)	(87.9)
Gross operating income	**20,676**	**13.8**	**1,544**	**5.5**	**(238)**	**(4.8)**	**-**	**21,982**	**12.1**
Amortization, depreciation and write-downs	(2,288)	(1.5)	(769)	(2.8)	(13)	(0.3)	-	(3,070)	(1.7)
Operating income	**18,388**	**12.3**	**775**	**2.8**	**(251)**	**(5.1)**	**-**	**18,912**	**10.4**

(thousand Euros)	Italy	%	Germany	%	UK	%	Intrasegment	Total 1st half 2009	%
Revenues	**137,621**	**100.0**	**28,152**	**100.0**	**4,869**	**100.0**	**(342)**	**170,300**	**100.0**
Operating costs	(119,060)	(86.5)	(26,387)	(93.7)	(4,300)	(88.3)	342	(149,405)	(87.7)
Gross operating income	**18,561**	**13.5**	**1,765**	**6.3**	**569**	**11.7**	**-**	**20,895**	**12.3**
Amortization, depreciation and write-downs	(2,222)	(1.6)	(695)	(2.5)	(12)	(0.2)	-	(2,929)	(1.8)
Operating income	**16,339**	**11.9**	**1,070**	**3.8**	**557**	**11.5**	**-**	**17,966**	**10.5**

Financial figures

(thousand Euros)	30/06/2010					31/12/2009				
	Italy	Germany	UK	Intrasegment	Total	Italy	Germany	UK	Intrasegment	Total
Current operating assets	166,791	15,111	3,213	(1,365)	183,750	170,416	11,639	2,562	(940)	183,677
Current operating liabilities	(79,371)	(10,659)	(2.398)	1,365	(91,063)	(81,456)	(12,312)	(1,618)	1,054	(94,332)
Net working capital (A)	**87,420**	**4,452**	**815**	**-**	**92,687**	**88,960**	**(673)**	**944**	**114**	**89,345**
Non current assets	74,925	17,629	133	-	92,687	73,278	18,185	79	(114)	91,428
Non current liabilities	(32,872)	(6,517)	-	-	(39,389)	(33,531)	(6,457)	-	-	(39,988)
Net fixed assets (B)	**42,053**	**11,112**	**133**	**-**	**53,298**	**39,747**	**11,728**	**79**	**(114)**	**51,440**
Net invested capital (A+B)	**129,473**	**15,564**	**948**	**-**	**145,985**	**128,707**	**11,055**	**1,023**	**-**	**140,785**

Breakdown of employees per country is as follows:

Country	1st half 2010	1st half 2009	Change
Italy	2,564	2,468	96
Germany	415	434	- 19
UK	55	44	11
Total	**3,034**	**2,946**	**88**

NOTE 32 - Transactions with Related parties

On the face of the consolidated financial statements the economic and financial effects deriving from transactions with group companies, that is consolidated companies, are eliminated.

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

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

Main economic and financial transactions

(thousand Euros)

FINANCIAL TRANSACTIONS	30/06/2010	31/12/2009	NATURE OF TRANSACTION
Trade receivables and other	504	844	Receivables from professional services
Trade payables and other	1,431	2,077	Payables for professional services and office rental

ECONOMIC TRANSACTIONS	1st half 2010	1st half 2009	NATURE OF TRANSACTION
Revenues from professional services	105	151	Receivables from professional services
Services from Parent company and related parties	2,871	2,701	Services related to office rental and office of the secretary

In accordance with Consob Resolution no. 15519 of July 27, 2006 and Consob communication no. DEM/6064293 of July 28, 2006 the financial statements 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. The above can be found in the annexed tables.

Pursuant to art. 150, paragraph 1 of the Italian Legislative Decree n. 58 of February 24, 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 33 – Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

As described at the paragraph “Significant events of the first half” on April 14, 2010 the Board of Directors of Reply S.p.A. and the Management Board and Supervisory Board of Syskoplan AG resolved the finalization of a Domination Agreement between Syskoplan AG, dominated company and Reply S.p.A., dominating company, by which Reply S.p.A. can exercise the operational control of the company through the Management Board that will respond to Reply S.p.A.’s Board of Directors.

The agreement provides that Reply shall assume the following obligations upon registration of the agreement with the commercial register of Syskoplan AG foreseen by the end of August 2010:

(i) Reply is obliged to compensate syskoplan for each annual net loss that would otherwise arise during the term of the agreement, unless such loss is compensated for by withdrawing amounts from other profit reserves which have been allocated thereto during the agreement;
(ii) if and to the extent that the annual dividends actually paid by syskoplan per financial year falls short of the Guaranteed Dividend, Reply will pay to each Minority Shareholder of syskoplan the corresponding difference;
(iii) upon request of a Minority Shareholder, Reply shall acquire his shares in return for a cash consideration (8,19 Euros), within the term of three months after the date on which the commercial register of syskoplan has been announced in accordance with Sec 10 of the German Commercial Code (HGB);
(iv) upon request of a Minority Shareholder, Reply shall acquire his shares in return for a cash consideration, within the term of two months after the date on which the agreement has expired and notice has been given to the commercial register in accordance with Sec 10 of the German Commercial Code (HGB).

The aforesaid obligations could imply the following financial disbursements for Reply:
(i) annual dividend integration for a maximum amount of 441 thousand Euros;
(ii) obligation to acquire the Minority Shareholders’ shares for a maximum amount of 8.1 million Euros;
In addition to compensation for any annual net loss of the Minority Shareholders that would be summed to the loss related to Reply’s direct holding.

Such obligations, under an accounting stand point, will imply a financial liability against non controlling interest measured at fair value.

The Agreement will be in effect for an indefinite term; it may be terminated in writing with a notice period of six months with the effect as of the end of a business year of syskoplan.

Contingent liabilities

As an international company , the Group is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group financial position and results. At June 30, 2010 contingent liabilities estimated by the Group amount to approximately 1 million Euros for which no provisions have been recognized since an outflow of resources is not considered to be probable. Furthermore, contingent assets and expected reimbursement in connection with these contingent liabilities for approximately 3 million Euros have been estimated but not recognized.

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.

NOTE 34 – Events subsequent to June 30, 2010

On August 2, the Domination Agreement was registered with the commercial register of Syskoplan AG. The nature and effects of this agreement have been broadly described in the Interim Management report and at Note 33 herein.

On August 4, 2010 Reply S.p.A acquired 75.06% of the share capital of Riverland Solution GmbH, a German company with headquarters in Munich, specializing in consultancy and system integration on Oracle Applications (Oracle CRM, master Data Management, Fusion Middleware, Business Intelligence and Fusion Applications). The acquisition of the company involves an investment of 4.5 million Euros, paid up entirely in cash utilizing the Stand by line of credit granted to Reply S.p.A by Intesa Sanpaolo S.p.a.

ANNEXED TABLES

Consolidated Income Statement pursuant to Consob Resolution No. 15519 of July 27, 2006

(thousand Euros)	1st half 2010	Of which related parties	%	1st half 2009	Of which related parties	%
Revenues	181,774	105	0.1%	170,300	151	0.1%
Other revenues	833	-	-	913	-	-
Purchases	(4,023)	-	-	(4,261)	-	-
Personnel expenses	(98,665)	-	-	(90,668)	-	-
Services and other costs	(59,334)	(2,871)	4.8%	(55,950)	(2,701)	4.8%
Amortization and write-offs	(3,070)	-	-	(2,929)	-	-
Other unusual operating income/(expenses)	1,397	-	-	561	-	-
Operating income	**18,912**	**-**	**-**	**17,966**	**-**	**-**
Financial income/(expenses)	(742)	-	-	(958)	-	-
Result before tax of continuing operations	**18,170**	**-**	**-**	**17,008**	**-**	**-**
Income taxes	(8,322)	-	-	(8,148)	-	-
Net result of continuing operations	**9,848**	**-**	**-**	**8,860**	**-**	**-**
Profit/(loss) for the period attributable to non- controlling interest	(509)	-	-	(622)	-	-
Profit/(loss) for the period attributable to owners of the parent	**9,339**	**-**	**-**	**8,238**	**-**	**-**

Consolidated Statement of financial position pursuant to Consob Resolution No. 15519 of July 27, 2006

(thousand Euros)	30/06/2010	Of which related parties	%	31/12/2009	Of which related parties	%
Tangible fixed assets	9,422	-	-	9,823	-	-
Goodwill	66,047	-	-	66,047	-	-
Other intangible assets	5,764	-	-	6,644	-	-
Equity investments	2	-	-	8	-	-
Other financial assets	3,909	-	-	3,685	-	-
Deferred tax assets	8,347	-	-	6,024	-	-
Non current assets	**93,491**	**-**	**-**	**92,231**	**-**	**-**
Inventories	21,431	-	-	15,084	-	-
Trade receivables	148,717	504	0.3%	153,725	844	0.5%
Other receivables and current assets	13,602	-	-	14,868	-	-
Cash and cash equivalents	32,855	-	-	33,163	-	-
Current assets	**216,605**	**-**	**-**	**216,840**	**-**	**-**
TOTAL ASSETS	**310,096**	**-**	**-**	**309,071**	**-**	**-**
Share capital	4,796	-	-	4,796	-	-
Other reserves	116,764	-	-	102,399	-	-
Net result	9,339	-	-	16,628	-	-
Group Shareholders' equity	**130,899**	**-**	**-**	**123,823**	**-**	**-**
Non-controlling interest	6,483	-	-	6,462	-	-
TOTAL SHAREHOLDERS' EQUITY	**137,382**	**-**	**-**	**130,285**	**-**	**-**
Financial liabilities	14,578	-	-	22,830	-	-
Employee benefits	15,427	-	-	15,492	-	-
Deferred tax liabilities	8,761	-	-	8,584	-	-
Other provisions	15,201	-	-	15,912	-	-
Non current liabilities	**53,967**	**-**	**-**	**62,818**	**-**	**-**
Financial liabilities	27,684	-	-	21,637	-	-
Trade payables	31,476	1,431	4.5%	36,185	2,077	5.7%
Other payables and current liabilities	55,198	-	-	52,167	-	-
Other provisions	4,389	-	-	5,979	-	-
Current liabilities	**118,747**	**-**	**-**	**115,968**	**-**	**-**
Total liabilities	**172,714**	**-**	**-**	**178,786**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**310,096**	**-**	**-**	**309,071**	**-**	**-**

REPLY
COMPANIES INCLUDED IN CONSOLIDATION AT JUNE 30, 2010

Company name	Registered office		Share capital	Group interest
PARENT COMPANY				
Reply S.p.A.	Torino - Corso Francia, 110	€	4,795,886	-
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS				
4Cust Reply S.r.l.(*)	Torino - Corso Francia, 110	€	10,000	80.00%
@Logistics Reply S.r.l.	Torino - Corso Francia, 110	€	78,000	100.00%
Aktive Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Atlas Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Bitmama S.r.l.	Torino - Corso Francia, 110	€	29,407	51.00%
Blue Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Bridge Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	60.00%
Business Reply S.r.l.	Torino - Corso Francia, 110	€	78,000	100.00%
Consorzio Whitehall Reply	Torino - Corso Francia, 110	€	17,000	100.00%
Cluster Reply S.r.l.	Torino - Corso Francia, 110	€	139,116	100.00%
Discovery Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
e*finance consulting Reply S.r.l.	Torino - Corso Francia, 110	€	34,000	100.00%
Ekip Reply S.r.l.	Torino - Corso Francia, 110	€	10,400	100.00%
EOS Reply S.r.l.	Torino - Corso Francia, 110	€	14,000	100.00%
Glue Reply Ltd.	London – Old Baily, 16	GBP	54,175	100.00%
Hermes Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
IrisCube Reply S.p.A.	Torino - Corso Francia, 110	€	651,735	100.00%
Iriscube Reply SA	Savosa - Switzerland	CHF	100,000	100.00%
Open Reply S.r.l.(*)	Torino - Corso Francia, 110	€	10,000	85.00%
Plus Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Power Reply S.r.l. (*)	Torino - Corso Francia, 110	€	10,000	85.00%
Reply Consulting S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Reply Services S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Security Reply S.r.l.	Torino - Corso Francia, 110	€	50,000	100.00%
Square Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Santer Reply S.p.A.	Milano - Via Durando, 38	€	2,209,500	100.00%
Syskoplan AG e controllate	Gutersloh, Germany	€	4,743,869	79.11%
Syskoplan Reply S.r.l.	Torino - Corso Francia, 110	€	32,942	100.00%
Sytel Reply GmbH	Dũsseldorf, Germany	€	25,000	100.00%
Sytel Reply S.r.l.	Torino - Corso Francia, 110	€	115,046	100.00%
Target Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Technology Reply S.r.l.	Torino - Corso Francia, 110	€	79,743	100.00%
Tender Reply S.r.l. (*)	Torino - Corso Francia, 110	€	10,000	80.00%
Twice Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	94.00%
Whitehall Reply S.r.l.	Torino - Corso Francia, 110	€	21,224	100.00%

(*)For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters.

ASSOSCIATE COMPANIES

NextNext S.r.l.	Torino - Corso Sommellier, 23	€	10,000	24.00%

Attestation of the Half-year condensed financial statements pursuant to Article 154-bis of Legislative Decree No. 58/98

1. The undersigned, Sergio Ingegnatti, in their 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, 2010.

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 30 June 2009 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, 2010:
- 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;
- 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 for the second half of the year

Turin, August 5, 2010

/s/ Sergio Ingegnatti
(Chief Executive Officer)

Sergio Ingegnatti

/s/ Giuseppe Veneziano
(Director responsible of drawing up the accounting documents)

Giuseppe Veneziano

INDEPENDENT AUDITOR'S REPORT

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Reply S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes, of Reply S.p.A. and its subsidiaries (the "Reply Group") as of June 30, 2010. Management of Reply S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to the reports issued by other auditors on April 8, 2010 and on August 6, 2009, respectively.

3. 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, 2010 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, August 6, 2010

Reconta Ernst & Young S.p.A.
Signed by: Luigi Conti, Partner

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

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