STRICTLY PRIVATE AND CONFIDENTIAL
THIS IS NOT A PROSPECTUS OR AN OFFERING CIRCULAR
NOVEMBER 2000

This document contains, *inter alia* a translation of substantially all of the official prospectus prepared in the Italian language and registered with the Commissione Nazionale per le Società e la Borsa, the Italian Securities Exchange Commission ("Consob"), on November 22, 2000 (the "Prospectus"). The Prospectus a copy of which accompanies this document, contains information about the Company, the Selling Shareholders and the Public Offering (each as defined below). This document also contains information relating to the Institutional Offering and the Private Offering (both as defined below). This document is strictly private and confidential and should not be copied or passed to any third party.

Reply

Institutional Offering of ordinary shares of Reply S.p.A. as part of a Combined Offering of 1,970,000 ordinary shares (Euro 0.52 nominal value per ordinary share)

Combined Offering of 1,970,000 ordinary shares of Euro 0.52 nominal value each ("Shares") of Reply S.p.A. (the "Company" or "Reply"), a company incorporated under the laws of the Republic of Italy ("Italy"), are being offered for subscription by the Company and for sale (the "Institutional Offering") by certain shareholders of the Company (the "Selling Shareholders") (i) in Italy to authorised intermediaries as defined in Article 25, paragraph 1, letter d) of Regulation No. 11522 approved by Consob on July 1, 1998 (other than savings management companies authorised to provide individual investment portfolio management services on behalf of third parties and asset management companies *(società fiduciarie*) which provide investment portfolio management services also by means of fiduciary registration, referred to in Article 60, paragraph 4, of Legislative Decree No. 415 of July 23, 1996), savings management companies other than those mentioned herein above, SICAV (open-end investment companies), pension funds, insurance companies, companies and entities that issue financial instruments traded on regulated markets, companies entered in the lists referred to in Articles 106, 107 and 113 of Legislative Decree No. 385 of September 1, 1993 and banking foundations (the "Professional Investors") and in compliance with the forms and procedures therein provided, and (ii) outside Italy (except in the United States, Canada, Australia and Japan in reliance upon Regulation S under the U.S. Securities Act of 1933, as amended) to institutional investors. The Institutional Offering is part of a combined offering (the "Combined Offering") of 1,970,000 Shares (the "Shares") consisting of (i) an offering of at least 492,000 Shares to investors (other than Professional Investors) in Italy, of which a maximum of 30,000 Shares have been reserved for subscription by Employees and Directors (both as hereinafter defined) of Reply and (ii) an Institutional Offering of Shares not allocated under the Public Offering. Professional investors and institutional investors may purchase and/or subscribe for Shares only in the Institutional Offering.
The Shares represent 24.14% of the Company's total share capital (including Shares to be issued in the Combined Offering). After the Combined Offering, the Selling Shareholders will hold, in the aggregate, 911,268 Shares. Of the 1,970,000 Shares offered in the Combined Offering, (i) 1,862,200 are being issued by the Company pursuant to a capital increase approved at the extraordinary shareholders' meeting of the Company on July 10, 2000; and (ii) 107,800 are being sold by the Selling Shareholders. None of the proceeds of the portion of the Combined Offering attributable to the sale of Shares by the Selling Shareholders will be received by the Company.

Iceberg SàRL has granted to the Global Coordinator a *Greenshoe* Option (as hereinafter defined) to purchase, at the Offering Price, a maximum number of 295,500 Shares, equal to approximately 15% of the total amount of the Global Ofefring exercisable within 30 days as of the date of commencement of trading of the Shares, also to cover over-allotments, if any, and for purposes of stabilisation.

Prior to the Combined Offering, there has been no public market for the ordinary shares of the Company. Application has been made for the ordinary shares of the Company to be listed on Nuovo Mercato ("New Market") managed by Borsa Italiana S.p.A., the Italian Stock Exchange. Dealings are expected to commence on the New Market on or about December 6, 2000 (the "Listing Date"). The payment for and delivery of the Shares is expected to be made on or about December 6, 2000 (the "Closing Date").

The Offered Shares will be eligible for dividends, if any, declared in respect of the financial year ending December 31, 2000 and subsequent years.

INVESTORS SHOULD BASE THEIR DECISION ON WHETHER TO INVEST IN SHARES ON THE CONTENTS OF THE PROSPECTUS IN THE ITALIAN LANGUAGE ONLY, A COPY OF WHICH ACCOMPANIES THIS DOCUMENT.

The English-language translation of the Prospectus contained in this document is provided to potential institutional investors for ease of reference only. In the event of any discrepancy between the Prospectus and the English language translation of the Prospectus contained herein, the Prospectus shall prevail.

CHASE H&Q

Global Coordinator and lead manager of the Institutional Offering

Banca IMI S.p.A.

Co-lead manager of the Institutional Offering

This document consists of information supplied by the Company which may be of particular interest to investors outside the Republic of Italy ("Italy"). The Public Offering is being undertaken on the basis of the Italian-language Prospectus prepared in accordance with applicable Italian law, an unofficial English translation of substantially all of which (including certain of the Annexes thereto) is set out in this document and the original of which accompanies this document.

No action has been, or will be, taken by the Company, the Selling Shareholders or the managers of the Institutional Offering (the "Institutional Managers") for the purpose of permitting a public offering of Shares outside Italy or the circulation of this document, the Prospectus or any other material in relation to the Company or the Shares in any country or jurisdiction where action for that purpose is required. The distribution of this document, the Prospectus or any other such material and the offering and sale of the Shares in certain jurisdictions is restricted by law. Persons into whose possession this document, the Prospectus or any other such material comes are required by the Company, the Selling Shareholders and the Institutional Managers to inform themselves about and to observe any such restrictions. This document and any other such material do not constitute, contain or form part of, or any solicitation of, any offer for sale or subscription or any offer to buy or subscribe any securities nor shall any of the foregoing or any part of the foregoing form the basis of or be relied on in connection with any contract or commitment whatsoever.

No person has been authorised to give any information or make any representations not contained in this document in connection with the Institutional Offering. If given or made, such information or representations must not be relied upon as having been authorised by the Company, the Selling Shareholders or any of the Institutional Managers. Neither the delivery of this document, nor any sale made in the Institutional Offering, shall, under any circumstance, create an implication that there has not been any change in the facts set forth in this document or in the affairs of the Company since the date of this document.

This document is confidential and personal to recipients and should not be distributed, published or reproduced in whole or in part or disclosed by recipients to any other person.

Neither this document, nor the Prospectus nor any other document issued in connection with the Combined Offering may be issued or passed on in the United Kingdom except to a person who is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investments Advertisements) (Exemptions) Order 1995 or is a person to whom such document may otherwise lawfully be issued or passed on. The Shares may not be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

Neither this document nor any copy of it may be taken, transmitted or distributed, directly or indirectly, into the United States of America, its territories or possessions or passed to United States residents, corporations or other entities organised under the laws of the United States or any State thereof or any US branch, agency or affiliate of any such corporation or entity, wherever located. Neither this document nor any copy of it may be taken or transmitted into Canada, Australia or Japan or distributed in Canada, Australia or Japan or to any Canadian, Australian or Japanese person. Neither this document nor any copy hereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Distribution of this document in the United States, Canada, Australia or Japan or any such other jurisdictions may constitute a violation of United States or Canadian or Australian or Japanese securities laws, or the law of any such other jurisdictions.

The Shares have not been and will not be (i) registered under the Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any State of the United States and may not be offered or sold in the United States, (ii) qualified for distribution under the legislation of the provinces of Canada and may not be offered or sold in Canada or (iii) registered under the Securities and Exchange Law of Japan or Australia and may not be offered or sold in Japan or Australia.

In connection with the Offering, the Global Co-ordinator (as defined herein) may effect transactions, on behalf of himself or the other Institutional Managers, and the Italian managers, which stabilise or maintain the market price of the Shares at levels different from those which might otherwise prevail in the open market. Such stabilisation, if commenced, may be discontinued at any time.

The Shares offered in the Institutional Offering may not be offered or sold, directly or indirectly, in Italy other than to authorised intermediaries as defined in Article 25, paragraph 1, letter d) of Regulation No. 11522 approved by Consob on July 1, 1998 (other than savings management companies authorised to provide individual investment portfolio management services on behalf of third parties and asset management companies *(società fiduciari*e) which provide investment portfolio management services also by means of fiduciary registration, referred to in Article 60, paragraph 4, of Legislative Decree No. 415 of July 23, 1996), savings management companies other than those mentioned herein above, SICAV (open-end investment companies), pension funds, insurance companies, companies and entities that issue financial instruments traded on regulated markets, companies entered in the lists referred to in Articles 106, 107 and 113 of Legislative Decree No. 385 of September 1, 1993 and banking foundations (the "Professional Investors"), and in compliance with the forms and procedures provided therein. Any such offer or sale or any distribution of this document or the Prospectus or any rendering of advice in respect of investment in the Shares within Italy in connection with the Institutional Offering must be conducted either by registered securities dealing firms (Società di Intermediazione Mobiliare, or "SIMs") or by authorised intermediaries, as described in Legislative Decree No. 58 of 24 February 1998.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the financial information contained in this document has been prepared in accordance with the accounting principles prescribed by Italian law as supplemented by the accounting principles issued by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri, or, in the absence thereof, the International Accounting Standards Committee (collectively, "Italian GAAP").

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THE GLOBAL OFFERING

Global Offering
The Global Offering is composed of a maximum of no. 1,970,000 ordinary shares (the"Shares", or "Offered Shares"), of which no. 1,862,200 to be issued by Reply S.p.A. ("Reply" or the "Company") and no. 107,800 offered for sale by Ferdinando Masella, Sandro Peracchio, Daniele Angelucci, Riccardo Iezzi, Riccardo Lodigiani, Domenico Piantelli, Marco Torchio, Roberto Casagrande and Fabio Giallonardo (the "Selling Shareholders"). Such Global Offering comprises a Public Offering for subscription and sale of a minimum of no. 492,000 Shares in Italy.

Private Placement
An offering to (i) professional investors in Italy; and (ii) certain institutional investors outside of Italy, excluding United States of America, Canada, Australia and Japan (the "Institutional Placement").

Public Offering
A minimum of no. 492,000 Shares is being offered in Italy in the Public Offering. Such Public Offering comprises an offering of a maximum of no. 30,000 Shares to Employees and Directors (see Section Three, Chapter XI, Paragraph 11.1);

The underwriting period for the Public Offering is expected to commence on November 27, 2000, following the publication of the Maximum Offer Price, and will last for 2 business days until November 29, 2000.

Global Co-ordinator and Lead Manager
Chase H&Q is the Global Co-ordinator of the Global Offering and the lead manager of the Institutional Offering ("Flemings" or the "Global Co-ordinator"). Banca Aletti & C. S.p.A. is the lead manager of the Italian Public Offering ("Banca Aletti" or the "Lead Manager").

Shares
The Shares are ordinary shares of Reply with a nominal value of Euro 0.52 each and having the rights described under Section Two, Chapter VII, Paragraph 7.2.

Share Capital outstanding before and after the Global Offering
As at the date of the Prospectus, Reply's share capital amounts to Euro 3,276,000, represented by no. 6,300,000 subscribed and fully-paid up ordinary shares, par value Euro 0.52 each. The ordinary shares are issued in the name of the holder and are not divisible. Each share carries the right to one vote at all ordinary and extraordinary general meetings, as well as all the other real and administrative rights attached to them by law and in accordance with the articles of association of the Company. There are no other classes of shares or other financial instruments. On July 10, 2000, an increase of share capital up to Euro 4,303,546 was approved by an extraordinary meeting of the Company's shareholders with the renouncement of the shareholder of the pre-emption rights, to be carried out through the issue of a maximum of no. 2,378,050 ordinary shares of nominal value Euro 0.52 each, of which no. 1,862,000 reserved to the Global Offering (see Section One, Chapter VI, Paragraph 6.12).

Dividends
Although Reply currently expects to declare and pay annual dividends on its issued and outstanding shares, the declaration and payments of dividends, if any, and the amounts thereof, will depend upon, among other things, the amount of the Company's distributable profits and reserves, its earnings, financial conditions and cash requirements, applicable restrictions on the payments of dividends under Italian law and other relevant factors. The first dividends to which the holders of the Shares subscribed in the Global Offering may be entitled is the dividend, if any, in respect to the financial year of Reply ending on 31 December 2000.

Dividends on the Company's shares which will be declared and paid in Italian Lire and, following the introduction of the single European currency, in Euro, are subject to the deduction of the related with-holding tax (see Section Two, Chapter VII, Paragraph 7.4).

Voting Rights
Holders of ordinary shares of the Company are entitled to attend and vote at shareholder's meetings on the basis of one vote for each share held (see Section One, Chapter VI, Paragraph 6.9).

Offer Price
The extraordinary meeting of Reply held on 10 July 2000 resolved that the Shares resulting from the capital increase reserved to the Global Offering would be offered with an overprice of at least Euro 0.29 each. The Offer Price, in application of the open price mechanism and according to the rights attributed by the abovementioned extraordinary meeting, will be determined by the Board of Directors of the Company (or by a member of the Board of Directors appointed by the latter for such purpose) together with the other Offerors and by common agreement with the Global Co-ordinator, after having consulted with the Lead Manager of the Public Offering, taking into account the characteristics of the request from investors within the framework of the Institutional Placement (the so called book building, particularly concerned the interest shown by institutional investors during pre-marketing and their expected behaviour after the start of trading) and of the quantity of application received in the Public Offering, as well as the condition of the domestic and international markets (see Section Three, Chapter XI, Paragraph 11.8).

Allocation
Assuming sufficient acceptances are received, at least no. 492,000 Shares (i.e. 25 %) of the total Shares comprising the Global Offering, will be reserved to the Public Offering. The remaining Shares, i.e. no. 1,478,000 Shares, will be divided between the underwriting syndicate for the Public Offering and that for the Private Placement, at the discretion of Global Co-ordinator, taking into account the quantity of acceptances received in connection with the Public Offering and of the quantity and quality of acceptances received in connection with the Private Placement (see Section Three, Chapter XI, Paragraph 11.10).

Greenshoe Option
Iceberg SàRL ("Iceberg") has granted a Greenshoe Option to Chase H&Q of up to no. 295,500 existing ordinary shares of Reply (see Section Three, Chapter XI, Paragraph 11.18).

Proceeds
The estimate of the proceeds to be received by the Company from the Global Offering, net of commissions and underwriting commissions and other charges and expenses associated with the Global Offering, will be communicated to the public by means of notice published on "MF/Milano Finanza" by the day prior to the commencement of the Public Offering. The Company intends to use the net proceeds of the issue of the Global Offering to finance the development of its strategies which are outlined under Section One, Chapter I, Paragraph 1.2.18.

Lock-up Agreement
Iceberg - save as for the Shares subject to the abovementioned Greenshoe Option – and all the other shareholders in the Company have undertaken with the Italian Stock Exchange, in compliance with the provisions of Section 2.2.3 of the Rules of the Stock Exchange, not to sell, offer, pledge or to carry out any transaction on the 80% of the Shares held by them at the date of the starting of the listing and for the period of one year thereafter.

Furthermore, Alister Holding S.A. ("Alister"), Iceberg and Alika S.r.l. ("Alika"), will undertake to assume towards Chase H&Q as follows:

a) before the Global Offering, Iceberg, Alister and Alika will commit themselves, for the first 6 months after the signing date of the placement and underwriting agreements, not to offer, sell, or dispose of in any way, directly or indirectly, new or existing shares in Reply or securities that are convertible into or exchangeable for Reply shares, except in the case the Greenshoe Options applying to them are exercised, as provided in Section Three, Chapter XI, Paragraph 11.18 and 11.20, and thus under more restricted conditions than those provided in the Regulation;

b) during the 6 months after the foregoing period (and thus until 12 months after the signing date of the placement and surety agreements), Iceberg, Alister and Alika shall also undertake not to offer, sell, or dispose of in any way, directly or indirectly, new or existing shares in Reply or securities that are convertible into or exchangeable for Reply shares, unless they total less than 20% of the shares in their possession on the date trading commences;

For 12 months after the signing date of the placement and underwriting agreements, these same individuals and entity shall also undertake towards Chase H&Q not to vote for capital increases and issues of securities convertible into shares at Reply shareholders' meetings. However, exceptions to the foregoing restrictions may be granted (in compliance with applicable regulations) upon written authorisation from Chase H&Q, which may not be unreasonably withheld. (see Section Three, Chapter XI, Paragraph 11.19).

Expected Payment and Closing date
The payment for and delivery of the Offered Shares is expected to be made within and not later than December 6, 2000.

Listing and Trading
Application has been made for the Reply shares to be listed on the Italian Stock Exchange, and dealings are expected to commence on the New Market on or about December 6 (see Section Three, Chapter XII, Paragraph 12.2).

FOREIGN INVESTMENT AND EXCHANGE CONTROL REGULATIONS IN ITALY

The following illustration of exchange controls in Italy summarises the relevant Italian laws currently in force, but does not purport to be a comprehensive description of all exchange control considerations that may be relevant to a decision to purchase the Shares.

There are no exchange controls as such in Italy restricting rights deriving from the ownership of the Shares. Residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy. Non-residents may invest in Italian securities and may export cash, instruments of credit or other securities, whether in foreign currency or lire, representing interest, dividends, other asset distributions and the proceeds of their disposal.

Certain procedural requirements, however, are imposed by law. Italian resident, as well as non-resident, investors who transfer, directly or indirectly (through banks or other intermediaries) into or out of Italy, cash, investments of credit or other securities in excess of Lit. 20 million must report all such transfers to the Italian Exchange Office ("Ufficio Italiano Cambi" or "UIC"). In the case of indirect transfers, banks or other intermediaries are required to maintain records of all such transfers for five years (for inspection, inter alia, by Italian tax and judicial authorities). Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in case of false reporting or in certain cases of incomplete reporting, criminal penalties. The UIC is required to maintain reports for a period of ten years and may use such reports, directly or through other government offices, to police money laundering, tax evasion and any other crime or violation.

Individuals, non-profit entities and partnerships that are residents of Italy must disclose on their annual tax returns all investments and financial assets held outside Italy, as well as the total amount of transfers to, from, within and between countries other than Italy relating to such foreign investments or financial assets, even if at the end of the taxable period such persons no longer own foreign investments or financial assets. No such tax disclosure is required if (i) such foreign investments or financial assets are exempt from income tax; or (ii) the total value of such foreign investments or financial assets at the end of the taxable period or the total amount of the transfers effected during the fiscal year does not exceed Lit. 20 million. Corporate residents of Italy are exempt from such tax disclosure requirements with respect to their annual tax returns because this information is required to be discussed in their financial statements.

There can be no assurance that the present regulatory environment in or outside Italy will continue or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership of the European Union and other international organisations and its adherence to various bilateral and multilateral international agreements.

ITALIAN TAXATION

The following is a summary of the material Italian tax consequences of the purchase, ownership and disposition of the Shares. The summary does not purport to be a complete description of all of the tax considerations that may be relevant to your decision to purchase, own or dispose of the Shares. The following summary does not discuss the treatment of Shares that are held in connection with a permanent establishment or fixed base through which a holder carries on business or performs personal services in Italy.

This summary is based upon tax laws and the practice of Italy as in effect on the date of this prospectus, which are subject to change and potentially retroactively. You should consult your own advisors as to the Italian, or other tax consequences of your purchase, beneficial ownership and disposition of the Shares including, in particular, the effect of any state, regional or local tax laws.

1. Taxation of Dividends

The new tax treatment of dividends provided for by Decree No. 461 of 21 November, 1997, as amended, which applies to dividends declared on or after 1 July, 1998, would vary depending on whether the Shares represent a "qualified" interest or not.

With respect to shares listed in regulated markets, an interest is defined as "qualified" if it amounts to (i) more than 2% of the shares with voting rights in an ordinary shareholders' meeting, or (ii) more than 5% of the share capital.

Pursuant to Legislative Decree No. 213 of 24 June, 1998, as at 1 January, 1999, shares of Italian resident companies listed in regulated markets are mandatorily registered in the centralized deposit system, managed by Monte Titoli S.p.A. ("Monte Titoli"), under the so-called "dematerialization" regime.

Pursuant to Article 27-ter of Presidential Decree No. 600 of 29 September, 1973, dividends paid on ordinary shares that are registered in the centralized deposit system are not subject to the ordinary withholding tax, but are instead subject to a substitute tax, at the same rate and conditions as the withholding tax. The substitute tax is applied by the resident or non-resident bank or broker in the Monte Titoli system, with which the ordinary shares are deposited, as well as by non-resident intermediaries participating in foreign centralized deposit systems participating in the Monte Titoli system. If the intermediary is not a resident in Italy, the foregoing duties and obligations must be carried out by a bank or an Investment Company that is a resident in Italy (or a permanent establishment in Italy of a foreign bank or investment bank) and has been appointed by the intermediary as its fiscal representative in Italy.

In particular, the substitute tax would apply as follows:

(i) Italian pension funds: 12.5% substitute tax (the substitute tax will no longer apply as at 1 January, 2001);

(ii) Italian real property investment funds: 12.5% substitute tax

(iii) Italian exempt entities: 27% substitute tax

(iv) individual shareholders not engaged in an entrepreneurial activity who are residents of Italy for tax purposes and own a "non qualified interest" interest in a corporation: 12.5% substitute tax, provided that they timely declare to meet the relevant requirements.

The above substitute tax will not be applied to resident individual owners of the ordinary shares who so request as of the date of the collection of dividends or who do not submit a declaration that they meet the requirements for the application of the substitute tax. In such case, the shareholders will receive the gross amount of the dividends and include them in their income tax return.

The dividends will have attached to them a tax credit equal to 58.73% of their gross amount, to the extent that such tax credit is covered by taxes paid by the Company, as provided by Article 105, paragraph 1, letters (a) and (b) of Presidential Decree No. 917, 22 December, 1986. If the 58.73% tax credit exceeds the amount of tax owed by the shareholder at the end of the fiscal year, and provided that the income out of which the dividends are distributed has been fully subject to corporate income tax at the level of the Company, the excess amount can be carried forward or a refund can be requested. Instead, no such carry forward or refund may be requested if the income out of which the dividends are distributed has not been fully subject to corporate income tax at the level of the Company.

In addition, the substitute tax will not apply in the event the shareholder has elected, with respect to the shares the from which dividends are paid out, the application of the non-discretionary investment portfolio regime. In such a case, the dividends will form part of the appreciation of the investment portfolio, subject to an ad-hoc 12.5% substitute tax (see under Capital Gains, below).

(v) dividends paid to non-resident shareholders without a permanent establishment in Italy to which the ordinary shares are effectively connected: 27% substitute tax. The substitute tax rate is reduced to 12.5% with respect to saving shares. Under domestic Italian law, provided that a refund procedure is implemented, non-resident shareholders who own common stock may recover up to 4/9 of the substitute tax from the Italian tax authorities by providing evidence of full payment of income tax on such dividends in their country of residence in an amount at least equal to the total refund claimed. Expenses and extensive delays have been encountered by non-residents seeking refunds from the Italian tax authorities.

As an alternative to the refund procedure, reduced rates of substitute tax may apply to non resident shareholders who are entitled to, and comply with, procedures for claiming benefits under a double taxation treaty entered into by Italy. In order to obtain a reduced rate of substitute tax under an applicable tax treaty to avoid double taxation, generally the beneficial owner should timely file (i) an application with the intermediary requesting the reduced rate of substitute tax under the specified tax treaty, containing all the data identifying such person as being the beneficial owner of the ordinary shares and indicating the existence of the conditions necessary for the application of the treaty, as well as the elements that are necessary in order to determine the applicable treaty withholding tax rate; (ii) a certification by the tax authorities of the beneficial owner’s country of residence that such beneficial owner is a resident of that country, is taxed in that country and that, as far as it is known to such tax authority, the beneficial owner has no permanent establishment in Italy; and (iii) if required by the Italian tax authorities, an affidavit of a bank in the beneficial owner’s country of residence certifying that the declaration made in the beneficial owner’s application and the certification of the tax authorities are true and correct in all material respects. The certification by the tax authorities of the beneficial owner’s country of residence should be valid until 31 March of the year following the one in which it is submitted. The foregoing documentation must be kept by the intermediary for the entire period in which the Italian tax authorities are entitled to issue an assessment with respect to the tax year in which the dividends are paid or, if an assessment is issued, until the assessment is settled.

Certain tax treaties may alternatively provide for the filing of specified forms with the Italian tax authorities in order to obtain a refund of taxes collected in excess of the applicable treaty rate. Italy has tax treaties with over 60 foreign countries, including all members of the EU, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, the United States and some countries in Africa, the Middle East and the Far East. It should be noted, however that relief is not available under most tax treaties, unless otherwise specifically provided, to beneficial owner that is a tax-exempt entity or, with a few exceptions, a partnership or a trust. Under the Italy-United States Double Tax Treaty (the “U.S. Convention”), dividends paid on ordinary shares of the Company to a US individual resident fully eligible for benefits of the U.S. convention, may be subject to Italian tax at a reduced rate of 15%, provided that the dividends are not effectively connected with (i) a permanent establishment in Italy through which such U.S. resident carries on a business or (ii) a fixed base in Italy through which such U.S. resident performs independent personal services.

A new Double Tax Treaty has been signed between Italy and the United States, which has not entered into force yet. However, the treaty rate applicable to dividends paid on ordinary shares of the Company to an individual resident in the U.S. would still remain 15%.

2. Capital Gains

Pursuant to Decree No. 461 of 21 November, 1997, as amended, in general, the capital gains tax (“CGT”) regime is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities through the disposal of participation, securities and/or rights issued by Italian resident corporations, even though such participation, securities and/or rights are held outside Italy.

As a general rule, CGT is levied at a rate, of 27% (in the case of a disposal of a “qualified” interest as defined above in the section “Taxation of Dividends”) or 12.5% (in the case of a disposal of a “non-qualified” interest). The disposal of a “qualified” interest is deemed to occur when a beneficial owner (i) owns participation, securities and/or rights representing, in the aggregate, a “qualified” interest as defined above, and (ii) in any twelve-month period following the date the ownership test under (i) is met, such beneficial owner engages in the disposal of participation, securities and/or rights that individually or in the aggregate constitute a “qualified” interest, as defined above.

With respect to non resident person, pursuant to Article 20 of Presidential Decree No. 917 of 22 December, 1986, capital gains realised by non-resident individuals or corporations without a permanent establishment in Italy on the disposal of participation, securities and/or rights issued by Italian resident corporations are in principle subject to tax in Italy. However, capital gains realized by non-resident individuals or corporations without a permanent establishment in Italy on the disposal of securities and/or rights listed on a regulated market, representing a “non-qualified” interest, would not be subject to tax in Italy, even though such securities and/or rights are held in Italy.

Capital gain realized by non resident persons from the disposal of a “qualified” interest would be subject to CGT at 27% rate. However, provisions of double tax treaties executed by Italy which are more favourable may apply. The majority of double taxation treaties entered into by Italy, in accordance with the OECD model, provide that capital gains realized from the disposal of Italian securities are subject to tax only in the country of residence of the seller.

Therefore, if the foreign seller (i) is a resident, for tax purposes, of a country which executed a double taxation treaty with in accordance with the OECD model and (ii) is fully eligible for benefits under such a treaty, the capital gain realized from the disposal of Italian securities will not be subject to CGT in Italy pursuant to the provisions of the applicable double tax treaty, regardless of whether the interest disposed of is “qualified” or “non-qualified”. Non Italian residents who dispose of shares may be required to timely provide appropriate documentation establishing that the above mentioned conditions of non-taxability of capital gains realized pursuant to the applicable double tax treaty have been satisfied.

Taxpayers can opt for one of the three following regimes in order to pay the 12.5% CGT due with respect to the disposal of “non-qualified” interest:

(a) pursuant to the tax return regime (regime della dichiarazione), the taxpayer will have to assess the overall capital gains realized in a certain fiscal year, net of any incurred capital loss, in his annual income tax return and pay the CGT so assessed together with the income tax due for the same period. Losses in excess of any capital gains may be carried forward against capital gains realized in each of the following years up to the fourth. As such regime constitutes the ordinary regime, the taxpayer must apply it whenever he does not opt for any of the two other regimes.

(b) pursuant to the non-discretionary investment portfolio regime (risparmio amministrato regime), the CGT due on each capital gain realized on each transfer of shares in any fiscal year, net of any incurred capital loss, is paid on behalf of the taxpayer by the professional intermediary with which the securities and/or rights are deposited. Losses in excess of any gains may be carried forward against capital gains realized in each of the following years up to the fourth.

(c) pursuant to the discretionary investment portfolio regime (risparmio gestito regime), CGT is at a flat rate of 12.5% due on the appreciation of the investment portfolio accrued, even if not realized, at year-end (which appreciation includes any capital gains on the ordinary shares) and is applied on behalf of the taxpayer by the managing professional intermediary. Any depreciation of the investment portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth.

Under the tax declaration and the non-discretionary investment portfolio regimes, as to securities and/or rights that have been held for more than 12 months the taxable capital gain is determined by applying to the actual gain an adjustment coefficient (so-called “equalization”). The amount and the method of application of such coefficient will be determined by a Ministerial Decree.

3. Transfer tax

Royal Decree No. 3278 of 30 December, 1923, as amended by Legislative Decree No. 435 of 21 November, 1997 regulates the application of transfer tax on securities including the ordinary shares. Pursuant to said Decree, in general transfer tax is currently payable in the following cases at the following rates:

Lit. 140 per Lit. 100,000 (or fraction thereof) of the price at which the ordinary shares are transferred, when the transfer is made between private subjects directly or through the intervention of intermediaries other than banks or other investment companies regulated by Legislative Decree 23 July, 1996, No. 415, as superseded by Legislative Decree of 24 February, 1998, No. 58, or stock brokers or SIMs (“Authorized Intermediaries”);

Lit. 50 per Lit. 100,000 (or fraction thereof) of the price at which the ordinary shares are transferred, when the transfer is made either (a) between private subjects and Authorized Intermediaries or (b) between private subjects through the intervention of the Authorised Intermediaries; and

Lit. 12 per Lit. 100,000 (or fraction thereof) of the price at which the ordinary shares are transferred, when the transfer is made between Authorized Intermediaries.

The above transfer tax does not apply, inter alia, to the following:

contracts concluded in regulated markets regarding the transfer of securities, shares, quotas and participation in corporations of any kind, including contracts between a qualified intermediary and his principal and between qualified intermediaries;

off-market transactions regarding securities listed on regulated markets, provided that such transactions occurred:

(i) between Authorized Intermediaries;

(ii) between Authorized Intermediaries, on the one hand, and non-Italian residents on the other hand;

(iii) between Authorized Intermediaries, on the one hand, and undertakings for collective investment in transferable securities, on the other hand;

contracts entered into in the context of a public offering (offerta pubblica di vendita) (i) aimed at listing the securities on a stock exchange, or (ii) involving financial instruments already listed on a stock exchange.

contracts related to securities not listed in regulated markets, entered into between Authorized Intermediaries and non resident persons.

contracts having a value not higher than Lit. 400,000.

securities lending transactions and any contracts with the same economic purpose.

The change of depository (e.g., Euroclear, Clearstream or Monte Titoli) not involving a transfer of the ownership of the transferred securities will not trigger the Italian transfer tax.

4. Inheritance and gift tax

Italian inheritance and gift tax is payable on transfer of the Company's shares by reason of death or donation, regardless if the ordinary shares are held outside Italy.

Italian inheritance and gift tax are applicable at progressive rates, depending on the value of the inheritance or gift and the relationship between the donee or beneficiary and donor or decedent, respectively. Atax credit is granted with respect to the taxes paid in a foreign country in relation to shares held in said country upon such donation or death. The value of such tax credit is equal to up to the inheritance or gift tax apply to such shares. Double tax treaties may apply.

INSTITUTIONAL OFFERING

Chase H&Q and Banca IMI S.p.A. (collectively, the “Institutional Underwriters”) will severally agree with Reply and the Selling Shareholders, to procure subscribers and purchasers for, or themselves to subscribe or purchase, up to an aggregate of 1,478,000 Shares. The 492,000 Shares reserved under the terms of allocation for the Public Offering have not been guaranteed by the Institutional Underwriters, but rather by a syndicate of Italian banks and other Italian institutions.

SELLING RESTRICTIONS

The Shares must not be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. Any document received in connection with the Offering may only be issued or passed on in the United Kingdom to a person who is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on. Neither this document nor any copy of it may be taken, transmitted or distributed, directly or indirectly, into the United States of America, its territories or possessions or passed to United States residents, corporations or other entities organised under the laws of the United States or any State thereof or any US branch, agency or affiliate of any such corporation or entity, wherever located. Neither this document nor any copy of it may be taken or transmitted into Canada, Japan or Japan or distributed in Canada, Australia or Japan or to any Canadian, Australian or Japanese person. Neither this document nor any copy hereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Distribution of this document in the United States, Canada, Australia or Japan or any such other jurisdictions may constitute a violation of United States or Canadian or Australian or Japanese securities laws, or the law of any such other jurisdictions. The Shares have not been and will not be (i) registered under the Securities Act or the securities laws of any State of the United States and may not be offered or sold in the United States, (ii) qualified for distribution under' the legislation of the provinces of Canada and may not be offered or sold in Canada or (iii) registered under the Securities and Exchange Law of Japan and may not be offered or sold in Japan.

ENGLISH LANGUAGE TRANSLATION OF PARTS OF THE PROSPECTUS

The English Language translation of parts of the Prospectus is contained in the following section.

Such translation has been provided for information purposes only. In the event of any discrepancy between the Prospectus and this English language translation, the contents of the Prospectus in the Italian language will prevail. In making an investment decision, investors should rely solely on the contents of the Prospectus in the Italian language.

Not all of the Prospectus has been translated. For ease of reference, the full contents of the Prospectus are listed on the following pages together with an indication of which parts of the Prospectus have not been translated. There then follows a translation of various parts of the Prospectus maintaining the same order and layout as in the original document. Neither the financial statements of the Company (whether consolidated or not) nor the pro-forma financial statements (i.e. the consolidated financial statements for the financial years ending December 31, 1997, 1998 and 1999 and June 30, 2000, drafted upon the assumption that the Reply Group has always operated with the current structure) have been translated into English.

START OF THE TRANSLATION

PROSPECTUS

on the Public Offering for Subscription and Sale and New Market organised and managed by Borsa Italiana S.p.A. listing of ordinary shares of

Reply S.p.A.

Offerors:

Reply S.p.A.

Daniele Angelucci, Roberto Casagrande, Fabio Giallonardo, Riccardo Iezzi, Riccardo Lodigiani, Fernando Masella, Sandro Peracchio, Domenico Piantelli, Marco Torchio
COMBINED OFFERING OF 1,970,000 ORDINARY SHARES OF

REPLY S.P.A.

The Public Offering for subscription and sale is part of a Combined Offering of 1,970,000 ordinary shares in Reply S.p.A., which includes a Public Offering to the general public in Italy of 492,000 shares, an Institutional Offering reserved for professional investors in Italy and to institutional investors in other countries and a further Private Offering. A maximum of 30,000 shares forming part of the Public Offering will be reserved for employees and collaborators of Reply S.p.A. and its subsidiary companies in Italy.

Global Co-ordinator and Specialist

Robert Fleming & Co. Limited a subsidiary company of The Chase Manhattan Group (**Chase H&Q**)

Sponsor
Robert Fleming Sim S.p.A.

Placement Manager for the Public Offering for Sale and Subscription in Italy
Banca Aletti S.p.A.

Prospectus lodged with the Italian Securities Exchange Commission (CONSOB) on November 22, 2000, following notice of authorisation no. 87066 of November 21, 2000. Fulfilment of the requirement of publication of the Prospectus does not imply any judgement by CONSOB as to the suitability of the investment or the merit of the data and information relating thereto.

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Some of the terms and definitions contained within this Prospectus are defined and illustrated in the "Glossary" or "Technical glossary" hereinafter attached.
The aforementioned terms are indicated in this Prospectus with Capital letters.

GLOSSARY

• Alika:	Alika s.r.l., with its registered office at Turin, Corso Francia 110
• Alister Holding:	Alister Holding SA, a company operating under the laws of Luxembourg, with its registered office at 400 Route d'Esch, Luxembourg.
• Aktive Reply:	Aktive Reply s.r.l. with its registered office in Turin (TO), Corso Francia, n. 110
• Directors:	members of the Board of Directors of the companies of the Reply Group as of the date of the Prospectus
• Shares:	Reply ordinary shares with a nominal value of Euro 0.52 each and with the same rights of the shares of the Company already issued at the date of this Prospectus, starting from 01.01.2000
• Selling Shareholders:	Messers Daniele Angelucci, Roberto Casagrande, Fabio Giallonardo, Riccardo Iezzi, Riccardo Lodigiani, Fernando Masella, Sandro Peracchio, Domenico Piantelli, Marco Torchio, as identified in the Third Section, Chapter IX, Paragraph 9.1 of this Prospectus
• Lead manager of the Public Offer:	Banca Aletti & C. S.p.A., Via S. Spirito n.14 – 20121 Milan
• Borsa Italiana:	Borsa Italiana s.p.a., with its registered office at Piazza degli Affari,6, Milan
• Business Reply:	Business Reply s.r.l with its registered office in Turin (TO), Corso Francia, n.110
• CAGR:	compound annual growth rate
• Chase H&Q:	Is a trading name of Robert Fleming & Co. Limited, which is a subsidiary of The Chase Manhattan Banks Corporation. Such definition includes the Global Co-ordinator and the Instutional placement manager.
• Cluster Reply:	Cluster Reply s.r.l. with its registered office in Turin (TO), Corso Francia, n.110
• Cluster Reply Milan:	Cluster Reply Milano s.r.l. with its registered office in Turin (TO), Cosro Francia, n.10
• Cluster Reply Rome:	Cluster Reply Roma s.r.l. with its registered office in Rome, Via Giambattista Vico, N.31
• Institutional Allotment:	private allotment reserved for Professional Italian and Foreign Investors, with the exception of the United States of America, Canada, Australia and Japan.
• Dealer for the Offer to Employees and Directors:	The exclusive party through which the allotment of Shares will be made, which form the offer to Employees and Directors, the identity of whom will notified with notice deposited with Consob and the Company's registered office and published in the newspaper "MF – Milano Finanza" at least five days prior to the applications period, together with notice of publications of this prospectus, with which same notice will be notified the list of parties making up the Consortium for public allotment.
• Dealers:	banks and stock market brokerage companies participating in the Consortium for public allotment
• Online dealers:	Dealers offering investment services through electronic methods
• Board of Directors:	Board of Directors of the Company
• CONSOB:	National Commission for Listed Companies and the Stock Exchange
• Consortium for institutional allotment:	Consortium of banks and financial institutions promoting the Institutional Allotment co-ordinated by Chase HQ.
• Consortium for public allotment:	consortium of banks and credit instrument brokerage companies co-ordinated by Banca Aletti & C. S.p.A
• Global Co-ordinator:	Robert Fleming & Co. Ltd with its registered Office at 10 Aldermanbury, EC2V, 7RF London, England, part of the group, The Chase Manhattan Corporation
• Creative Reply:	Creative Reply s.r.l. with its registered office in Turin (TO), Corso Francia, n.110
• Employees:	subordinate workers of the Reply Group listed in the employee register of the respective companies on the date of the publication of this Prospectus and who are not at the same date in charge as Directors and/or members of the Board of Directors of any of the companies of the Reply Group.

• **Issuer:**	Reply s.p.a.
• **EV/Ebit:**	balance between the Company value and operating income
• **EV/Sales:**	balance between the company value and sales
• **Greenshoe:**	right of option granted by Iceberg to Chase H&Q to purchase at the Offer Price a maximum of 295,500 Shares to be allocated to the Institutional Allotment, to be exercised within 30 days from the date of the beginning of share negotiations
• **Group and Reply Group:**	Reply Group as at 31st August 2000, including Reply s.p.a and its controlled companies, as described in First Section, Chapter I, Paragraph 1.5.
• **Iceberg:**	Iceberg SàRL, a company incorporated under the laws of Luxembourg with registered office at 400 route d'Esch Luxembourg.
• **Professional Investors:**	Italian professional investors as provided by Article 31, sub-paragraph 2, of the Regulation approved by CONSOB resolution n.11522 dated 1st July 1998 and subsequent amendments, that is authorised brokers, investment-management companies ('SGR'), SICAV, pension funds, insurance companies, companies and issuers of financial instruments negotiated in regulated markets, companies listed in the registers as per Articles 106, 107 and 113 of the Legislative Decree dated 1st September 1993, n. 385, individuals documenting the professional requisites as provided in the Consolidation Act for those who perform administration, management and control functions at credit instrument brokerage companies, banking institutions, as well as every company or legal entity having specific competence and experience in operations relating to financial instruments expressly declared in writing by the legal representative
• **Regulation Instructions:**	Regulation (as defined below) Instructions approved on July 19th 2000, as subsequently amended.
• **Minimum lot:**	minimum quantity of allottable Shares, equal to 50 Shares
• **New Market:**	New Market organised and managed by Borsa Italiana, introduced in 1999 for shares of high-growth companies characterised by a highly innovative content
• **Offerors:**	The Company and Selling Shareholders
• **Offer to Employees and Directors:**	a maximum of 30,000 Shares forming part of the Global Offer reserved for Employees and Directors of the Reply Group
• **Global Offer:**	offer of 1,970,000 Shares comprising 1,862,200 shares from an increase in Reply's share capital (which was subject to the waving of shareholders' pre-emption rights), resolved by an extraordinary general meeting of Reply on July 10th 2000, and 107,800 shares from the Selling Shareholders
• **Public Offer:**	public offer of subscription and sale, addressed to the general public in Italy, a part of which is reserved to Employees and Directors. Professional Investors are not entitled to participate in the Public Offer, if they may participate in the Institutional Allotment, with the exception as provided in the Third Section, Chapter XI, Paragraph 11.4
• **Over-allotment Option:**	please refer to Greenshoe
• **Offer Period:**	the Public Offer will start at 9.00 am on 27 November 2000 and will end on 29 November 2000, without any possibility of an anticipated closing.
• **Offer Price:**	the price of Shares of the Global Offer, being the same for the Public Offer and Institutional Allotment, as set out in the Third Section, Chapter XI, Paragraph 11.8 and notified within the next two days of open Exchange following the closing of the Public Offer and made public by means of a notice on the daily newspaper "MF - Milano Finanza".
• **Price of the Offer to Employees and Directors:**	price corresponding to the Offer Price, discounted at a rate of 10%
• **Maximum Price:**	maximum allotment price of the Shares, forming part of the Global Offer, fixed by the Board of Directors, in the presence of its chairman, close to the commencement of the transaction and rendered public within the day preceding the Public Offer through a notice in the daily newspaper "MF - Milano Finanza"
• **Price/Book value:**	relation between the Stock Exchange capitalisation and net assets.
• **Price/Cash flow:**	relation between Stock Exchange capitalisation and cash flow
• **Price/Earnings:**	relation between Stock Exchange capitalisation and net profit

• **Prospectus:**	the present prospectus
• **Regulation:**	Rules of the New Market organised and managed by Borsa Italiana adopted by the Borsa Italiana's general meeting of December 20th 1999 and 1st March and approved by CONSOB with resolution n. 12463 of March 29th 2000 and n. 12469 of April 4th 2000
• **CONSOB Regulation:**	CONSOB Regulation approved with resolution n. 11971 on 14.05.1999 and subsequent amendments
• **Reply:**	Reply s.p.a., with its registered office in Turin, Corso Francia 110
• **Reply Europe:**	Reply Europe SàRL, the previous name of Reply s.p.a. which prior to 9 June 2000 had its registered office in Luxembourg and was consequently regulated by the laws of Luxembourg
• **Allotment Manager:**	Banca Aletti & C. S.p.A., Via S. Spirito n.14 – 20121 Milan
• **Institutional Allotment Manager:**	Robert Fleming & Co. Ltd. with its registered office at 10 Aldermanbury, EC2V, 7RF London, England, which is a subsidiary of The Chase Manhattan Corporation.
• **SIM:**	(Società Intermediazione Mobiliare) Stock broking company
• **The Company:**	Reply s.p.a., as defined above
• **Controlled companies:**	companies controlled by Reply s.p.a., as described in the First Section, Chapter I, Paragraph 1.5
• **Specialist:**	Robert Fleming & Co. Ltd, part of The Chase Manhattan group, with its registered office in 10 Aldermanbury, EC2V 7RF London, England: as from the date of commencement of negotiations, they will intervene to provide the Shares' liquidity in the market and will carry out financial research
• **Sponsor:**	Robert Fleming SIM s.p.a. part of The Chase Manhattan Corporation group with its registered office in Milan, Via Manzoni, n. 12
• **Articles of association:**	approved by a resolution of the extraordinary general meeting on July 10th 2000
• **Sytel Reply:**	Sytel Reply s.r.l with registered office in Rome, Via Giambattista Vico, n. 31
• **Sytel Reply Milan:**	Sytel Reply Milano s.r.l with its registered office in Turin (TO), Corso Francia n. 110
• **Technology Reply:**	Technology Reply s.r.l. with its registered office in Turin (TO), Corso Francia, n.110
• **Technology Reply Turin:**	Technology Reply Torino s.r.l. with registered office in Turin (TO), Corso Francia n. 110
• **TNT:**	TNT Automotive Logistics s.p.a. with its registered office in None (Turin), Via Aldo Moro n, 15
• **Consolidated Act:**	Legislative Decree dated February 24th 1998 no 58
• **Sellers:**	please refer to Selling Shareholders
• **Yellow House Reply:**	Yellow House Reply s.r.l. with its registered office in Rome, Via Giambattista Vico, n.31

TECHNICAL GLOSSARY

• Art Direction:	the conception and control of a multimedia production as far as image, style, graphic and content aspects are concerned.
• Client-server architecture:	data processing structure defining the distribution of activity between a (server) computer and one or more (client) computers.
• ASP:	programming language for the dynamic composition of Web pages.
• Extended enterprise:	processes and systems which integrate in an efficient and effective way the going concern's activity with those pertaining to its suppliers and customers, through the Internet digital channel.
• Back-end:	administrative management of a process
• Back-office:	administrative management of a process
• Browser:	graphics interface for Web surfing allowing Web page display as well as the use of all the multiplicity of services offered by the site visited.
• Business-to-Business:	commercial exchange of products, services, information between companies
• Business-to-Consumer:	commercial exchange of products, services, information between companies and consumers
• Business Unit:	company's internal operating unit, aimed at developing activities in a specific market area
• Call Center:	both the system and personnel responding to customers' demands, problems and queries through the telephone
• Chat:	system allowing real time Internet communication (receipt of the message comes immediately after its sending).
• Client:	a computer processing certain requests to another computer denominated as server.
• Contact Center:	both the systems and personnel responding to customers' demands, problems and queries through different communication channels (ex. telephone, Internet). It is an evolution of the Call Center.
• CORBA - Common Object Request Broker Architecture:	Communication standard on distributed architecture.
• CRM - Customer Relationship Management:	Management of business processes concerning the relationship between the Company and its customers.
• Customer Care:	continuing assistance to the customer for the complete satisfaction of their requests
• Customer Care & Billing:	process comprehensively managing the relationship between the telecommunications company and its customers; calculating the charges on the basis of telephony traffic generated, taxes and discounts for each customer's planned tariff
• Customer Facing:	Call center operators, counter clerks and consultants
• Customer Repository:	customer data base
• Data Base:	data base, even for miscellaneous data managed by the computer
• Data Processing:	data processing
• DCOM:	communication protocol for distributed architecture developed by Microsoft
• E-business:	business management on the Internet. It is a wider concept compared to E-commerce insofar as it is not limited to sale or purchase, but that it also includes information and services supply addressed to customers or collaboration with commercial partners
• E-business Communication:	communication, marketing and graphics activity necessary for projection, fulfilment and promotion of an E-business solution.
• E-business Consulting:	strategic consulting activity and organisation of business processes aimed at the projection and planning of an e-business solution
• E-business Implementation:	activity of projection and fulfilment of technological architectures for E-business solutions
• E-commerce:	any type of transaction aimed at selling or purchasing a product or a service, in which seller and buyer interact electronically rather than with physical exchanges or direct contact.
• E- procurement:	purchase and supply activity of companies through electronic commerce
• E-publishing:	publishing activity on the Internet

- **E- sourcing:** application and system management of technological infrastructures for E-business
- **Enterprise Portals:** company internal portals
- **ERP- Enterprise Resource Planning:** information management system
- **Extranet:** net application and architecture based on IP technology allowing an enterprise to communicate with external subjects with which it regularly exchanges data and information
- **Front-end [applications for Internet/Intranet]:** system of interfaces aimed at acquiring and publishing data
- **Hardware:** material components of the computer
- **Hosting:** activity performed by an Internet service centre, hosting within its premises a client's site on a server pertaining to it, shared among many customers, supervising the correct functioning and the continued Internet connection.
- **HTML- HyperText Mark-Up Language:** computer language used to write a document that can be read by a Web browser. Its main characteristic is hypertextuality, a mechanism connecting a word or an image to another document. Underlined words contained in any Web page or which when selected open another page are a clear example of this.
- **HTTP - HyperText Transfer Protocol:** communication protocol used in order to transfer hypertextual documents between a browser and a server
- **ICT - Information & Communication Technology:** technology for information and communication processing as well as communication of the same through different channels, ICT and IT are sometimes used as synonyms indicating an industrial sector comprising companies operating in the supply of services, products or technological instruments
- **Information Processing:** information processing
- **Internet:** global network connecting computers all over the world and through which computers can give and receive information
- **Internet Consulting:** projection, planning and fulfilment activity of Internet sites
- **Intranet:** internal network of the enterprise
- **ISP - Internet Service Provider:** company which provides connection to the internet
- **IT - Information Technology:** technology for elaboration and treatment of information (see also ICT)
- **Java:** object-programming language developed by the US company Sun Microsystem which allows users to add interactivity to Web pages
- **JSP:** programming language which allows generation of dynamic Web pages
- **Knowledge Management:** organisational and technological initiatives for supporting the management of a company's information assets. It usually typifies initiatives regarding business processes and provision of informational support for acquisition, archiving and sharing of business documents and information
- **Marketplace:** virtual market. It is an internet site allowing access to electronic trading sites of various manufacturers
- **New Media:** new means of digital communication which allow the creation of interactive interfaces with the client
- **On-line:** mode of communication utilising networks or computerised systems
- **Outsourcing:** process through which a company gives to an third party, the management of an activity which was previously carried out internally
- **Portal:** Web site which offers access to the Web, provides a number of services (search engine, free access by modem, news, electronic mail etc.) and guides the user to resources of information and services offered on Internet
- **Profiling:** activity of user characterisation
- **Project Management:** activity of management and advancement control of activities of groups of persons working on a specific project
- **RDBMS - Relational Data Base Management System:** relational system for managing data
- **Repository:** see “Data Base”
- **SCM – Supply Chain Management:** management of business processes relative to the relationship between the going concern and its suppliers

• **Search Engine:**	search engine which aims to facilitate the identification of information on the web
• **Server:**	computer which allows other computers(client) to find and use Web resources
• **Web Site:**	Internet address in which information can be discovered, usually in HTML form
• **Software:**	computer programmes
• **Software (System) Integration:**	activities aimed at defining how to proceed in the creation of software or in the communication of data between different software. These processes must satisfy functional characteristics, performance characteristics and need to conform to pre-established parameters
• **System Integrator:**	company specialising in system integration
• **TCP/IP:**	data communication protocol common to all networks forming part of the Internet
• **Open standard technologies:**	technologies which adhere to standards of communication or computer language defined by international consortia such as IEEE, W3C
• **UMTS:**	communication protocol for mobile telephony
• **WAP – Wireless Application Protocol**:	data communication protocol for mobile telephony which allows display of hypertextual information on the mobile phone's screen
• **WEB - World Wide Web:**	geographical information technology network constituting a global system of information, based on a combination of search and retrieval of hypertextual information and techniques
• **Web Agency:**	companies specialising in communication and graphics relative to the projection and realisation of internet Web sites
• **Web Design:**	web site projection
• **Web Hosting:**	see Hosting
• **XML - Extensible Markup Language:**	hypertextual marking language, evolved from HTML

WARNING FOR INVESTORS

Following, are listed generic or specific risk factors that should be considered by investors before making an investment decision, in particular those related (A) to the Issuer, (B) to the context within which it operates (C) the proposed financial instruments. Whilst evaluating the possibility of making an investment, investors should for this reason consider the factors listed hereunder. For the definition of terms hereinafter used with capitals, please refer to the Glossary and Technical Glossary

A) RISKS CONNECTED TO THE ISSUER

Key managers and dependence upon personnel

The activity of the Group is strongly characterised by technical competence and by the role assumed by the chairman of the Board of Directors, Mr. Mario Rizzante, as well as by managing directors of the Company, Mr.Sergio Ingegnatti and Mr.Oscar Pepino. Furthermore, the Group largely attributes the future success of the Business to the continuing of the functions performed by the management, by specialised technicians who are at present employed by the Group, by external consultants as well as by the ability to attract and keep highly skilled personnel in those areas in which the activity of the Group is concentrated. In this regard please refer to the First Section, chapter I, paragraphs 1.2.8 and 1.6.1.1.

Implementation cycles

Management of the implementation activity relative to the consultancy services of the Group realized on a specific projects, usually demands a long-term commitment, also considering the need to carry out training activity with customers in order to allow the correct use of acquired services. Please refer to First Section, chapter I, paragraphs 1.2.3

Any eventual delay due to extended implementation cycles of projects may influence the performance of the business activity, the financial situation and the operating result of the Group.

Partnership agreements

Reply's strategy is also based upon partnership agreements with several major worldwide software developers (Autonomy, broadVision, LHS, Microsoft, Net Perceptions, Open Market, Open Text, Oracle, Portal Software, Selectica, Siebel), that bring to the group an active relationship with such developers including collaboration and technical staff support, access to information on products not in the public domain, of pre sales support and joint marketing. Non of the agreements give exclusivity to the Group.

Unfulfilment of one or more of these agreements, and the lack of capacity of the Group to timely substitute with an alternative technology could have a negative impact on the growth potential of the Group.

For further detail refer to the First Section, Chapter 1 Paragraph 1.2.1.3.

Risks arising from potential future acquisitions

Within the strategic growth context, the Group has worked out a programme of acquisitions aimed at increasing the supply of services, technologies and activities offered to customers. Such an expansion policy includes risks determined by the potential difficulty of finding strategic and synergistic going concerns relative to the objectives pursued by Reply. In this regard please refer to the First Section, chapter I, Section 1.2.18

Eventual future acquisitions shall be financially supported both through the cash resources at the Group's disposal and through the assumption of debt, and also through share transfers with potentially diluting effects. In this regard the economic and financial structure of the Group could be affected by further financial burdens or additional amortisation relating to goodwill and other intangible fixed assets. Such elements could negatively affect the business, the operating results or the financial condition of the Group. Moreover, acquisitions normally bring about numerous risks, that can be singled out for example in the difficulty of assimilating new operational activities, technologies, products and personnel of the acquired company, diversion of managerial resources, risk of entry into new markets of which the Reply Group has little experience, and potential loss of key personnel of the acquired company.

Control of the Issuer

The Company, following the Global Offer will be controlled indirectly by Mr. Mario Rizzante, Chairman of the Board of Directors. The holdings are:

- 51% of Alika, which in turn presently directly holds 20,59% of Reply and following the Global Offer (inclusive of the Greenshoe) will hold 15,90% of Reply;

- 51% of Waterside Financial Limited, which holds 99,9% of Alister Holding, which in turn holds:

  - at present, 42,13 % of and following the Global Offer (inclusive of the Greenshoe) will hold 32,52% of Reply;

  - 100% of Iceberg, which in turn, presently holds 15,33% of Reply and following the Global Offer (inclusive of the Greenshoe) will hold 8,22% of Reply

As such the company is not open to takeover on the open market.

For further detail refer to Section I, Chapter II, Paragraph 2.7 and Chapter III, Paragraph 3.3.

Protection of technological property

Software programmes of the Group (Click, Lyra, People&Web – please refer to the First Section, Chapter I, Paragraph 1.2.1.3) are protected by Italian copyright law. The Company has not registered these copyrights with the SIAE (Italian Authors' and Publishers' Association).

Software programmes are characterised by a high technological component arising from know-how acquired through the significant professional experience of management together with the employment of highly skilled personnel.

It is not a simple task, in the software products area, to obtain an adequate protection of intellectual property, especially relative to standardised products.

These difficulties and eventual infringement of intellectual property rights could lead to a significant contraction in the value of the Group's products, negatively affecting economic results as well as the net assets of the Company.

Dividends

Up to present, the Company has not distributed dividends. Considering the growth in turnover in the last years Reply's Board of Directors deem it fit that the expected profits for the financial year 2000 should not be distributed to shareholders, but should be used to self-finance company growth (please see First Section, chapter V, paragraph 3). For the same reason, the Company deems that the expected profits forecast for 2001 and 2002 should be allocated to finance the growth of the Group, excluding in this way the distribution of dividends. Starting from 2003 there may be a distribution of dividends to shareholders.

Operations with related parties

Between May and July 2000, the Company carried out several transactions aimed at rationalising and increasing the transparency of the Group in preparation for admission to the New Market. Specifically, operations were carried out with Alister, Iceberg and Alika (companies directly and indirectly controlled by the Board of Directors, Messers Mario Rizzante, Sergio Ingegnatti and Oscar Pepino – see Section I, Chapter 2, Paragraph 2.7):

- In a transaction completed in May 2000, Alister Holding acquired from minority shareholders in subsidiary companies the following shareholdings in subsidiaries:

Company	Percentage Acquired	Consideration
Technology Reply	30%	Lire 1,755,600,000
Sytel Reply	20%	Lire 907,300,000
Business Reply	30%	Lire 639,200,000
Cluster Reply	15%	Lire 809,500,000
Aktive Reply	20%	Lire 3,900,000
Creative Reply	15%	Lire 3,000,000

- On the 9th of June 2000, the Capital of Reply Europe was increased to Lire 3,232,100,000 by means of the issue of 18,546 quotas of Lire 100,000 each (plus a Premium in total of Lire 5,563,900,000), completely subscribed for by Alister Holding by means of the contribution of the shareholdings in the operating subsidiaries indicated above (at the above mentioned value), and the Reply Trademark (valued at an amount of Lire 3,300,000,000).

In order to convey to the Company (in it's role as parent company), the residual activities, assets relating to the Business, still in possesion of the holding company and one of the Selling Shareholders, on the 10th of July 2000, Alika sold to Reply, the business activities arriving from the activities managed by the former and related to consultancy services in the Information Technology sector, as well as administration services of the group. The acquisition was valued at Lire 265,000,0000, determined in part in relation to the net asset value of the company, including goodwill of Lire 280,000,000, determined based upon the profitability of the activities in the last three years. The transaction was completed on 31 July 2000.

For further details on these related party transactions and for information on the criteria for acquisition amounts due and the above subscriptions, see the First Section, Chapter I, Paragraph 1.1 and the graph included, and in addition Paragraph 1.5.

Finally it is pointed out that the operations described above were carried out to rationalise and increase the transparency of the Group in preparation for the admission to trading on the New Market, and the transactions with related parties were strictly linked to optimising Group activities and specifically are based on service contracts (see First Section, Chapter I, Paragraph 1.2.17).

Commercial Agreement with TNT Post Group N.V.

On October 2000 Reply signed a contract with TNT Post Group N.V. (for further detail see Section I, Chapter III, Paragraph 3.1) with a duration of 5 years, having as its objective, the realisation of a collaborative partnership to offer integrated SCM solutions, to control and manage the processes for the purchasing, production and distribution of products and services.

The agreement foresees:
- The incorporation, by December 2001, of a new company ("E-Chain) by Reply and from this directly and indirectly controlled company, to wich Reply must transfer its logistics business activities, including:

  a) intellectual property rights for the Click software

  b) employees of the Group dedicated to this business area

  c) software platforms relating to this business

  d) put in place contracts with clients in these sectors

- On the part of TNT Post Group B.V., and of the companies directly or indirectly controlled ("TNT Group") grants to E-Chain, (or to Reply during the transition period), the role of preferred supplier of TNT related to integrated SCM solutions aimed at the control and management of the purchasing, production and distribution of products and services.

- The forecast for the services, mentioned above, which TNT Group can give to E-Chain are in the region of Lire 167 billion offer the five years 2001 to 2005, in the following countries: Italy, Brazil, France, Spain, Turkey, Germany, Benelux and Polland.

- The granting of a call option over 100% of E-Chain has been given by Reply. The option is exercisable in only if control of Reply is transferred, directly or indirectly during the period of the contract, to one or more of the five principal (in terms of volume of business) international logistics operators. This option could be exercised at a market value for E-Chain, determined by one of the primary merchant banks.

Due to the above, and inspite of the fact that the Company is not open to takeover on the open market as referred to above, the possibility exists that, the activities of the Group indicated above which will be transferred to E-Chain, will be acquired by TNT Post Group B.V. For further details on the Group's logistics business, which is subject of this transfer to E-Chain, see Section I, Chapter V, Paragraph 5.1.2.

Client dependence

During 1999, the Reply Group has traded with over 100 different clients. Of these, the top 5 generated income for the Group of Lire 12,057,000,000, equal to 35.6% of turnover for 1999, non of which individually accounted for over 9% of the consolidated group turnover for the same period (see Section I, Chapter I Paragraph 1.2.5)

For these reasons, and in consideration that the aforementioned 5 clients which belong to different groups, and unconnected, and that the nature of the business is such that over the years the top 5 clients, in terms of turnover, are not always the same, the management of the Company maintain that there is no dependence upon a single client. However, not with standing the above considerations, any eventual unforeseen breakdown of relationships with one or more of these clients could give rise to a potential risk to the Business and the operating results of the Group.

Forecast representations

This prospectus contains forecast representations by which Reply has formulated several assumptions relating to the economic and financial performance as well as to future events. The results of the Group could be different from those forecasts due to known and unknown risks, uncertainties and other factors, also noted in these warnings. (see Section I, Chapter V, Paragraph 5.3)

B) RISKS RELATING TO THE AREA IN WHICH THE ISSUER OPERATES

Errors or inefficiencies relating to the Group's Services or Software Products

Complex consultancy services and software products such as those offered by the Group, (in this regard please refer to the First Section, chapter I, paragraph 1.2.1), may contain errors, defects or unidentified anomalies, or they may yet prove to be inconsistent with the hardware structure for which they are created and /or installed. In particular, information technology production is characterised by a wide variety of standard and non standard configurations, making the precautionary checking of programmes, solutions and eventual relative incompatibilities burdensome and inconvenient, in terms of time. Furthermore, even if duly tested, solutions and new services and products offered and distributed by the Group can show inefficiencies or anomalies in phases subsequent to sale or integration in the customer's information technology system. Such circumstances may cause damage to the image of the Issuer as well as of the Controlled Companies, of the solutions offered by them as well as their products and it also exposes them to eventual judicial proceedings by clientele for payment of damages sustained.

The Group may also have to set aside large resources for eventual corrective action, and be required to stop, delay or end the supply of services to customers.

Up until now, none of the aforementioned hypotheses has caused conflict in the relationship with customers.

Rapidly evolving technology

Solutions and services offered by the Group are subject to rapid technological changes. The Group deems that the future success of the business also depends on the capacity of improved adaptation of the solutions and services offered and of development and production of new services with advanced characteristics, always better meeting customer needs. This orientation is not in any case sufficient to ensure that the Group will always be able to recognise and use innovative technological instruments, to exclude the risk of obsolescence of services already existing or to assure the ability of the Group to develop new solutions re-organising/innovating those already in existence in sufficient time for the customer and for the market. It is consequently clear that in the aforementioned situations there could be a potential risk for the business, for financial conditions and for the operating results of the Group. Please refer to the Fist Section. chapter I. paragraph 1.2.7 and 1.2.8.2

Competition

At present the Group works in a competitive context, pitching it against Italian and multinational entities equipped with larger financial resources than the Group. This situation is also present for the Internet activity, where there is a further likelihood that the Company may have to compete with numerous small and specialised firms, whose research and development activities are concentrated on more limited product types. (Please refer to the First Section, chapter I paragraph 1.2.14). The aforementioned situations could, all or in part, adversely affect the financial situation, the financial performance and the operating results of the Group.

Internet

The Group's production strategy is based on expectations of fast and constant Internet development for a large number of systems and applications. In any case, the pace of Web development may be slowed down by unpredictable events such as terrorism, viruses and frauds; moreover the present confrontation between the European Union and United States of America concerning the safeguard of privacy, could introduce limits on data and information flow on the network. Such events can contribute to reduce possibilities for commercialisation of the Group's Internet based products and consequently could affect the business, the financial situation and operating results of the Group. Please refer to the First Section, chapter I, paragraph 1.2.8.2

C) RISKS RELATING TO THE PROPOSED FINANCIAL INSTRUMENTS

Risks relating to potential volatility and/or corrections of share prices

The market for shares of companies in the technology sector and in other sectors characterised by a high level growth have seen large fluctuations in prices and in volumes traded. Such fluctuations in prices could have an adverse effect on the Share price.

The Shares have been admitted to quotation on the New Market, a market regulated, organised and managed by Borsa Italia and created for the trading of shares in innovative and high growth potential companies. The valuation of the Company has been carried out principally using the methodology of comparable company multiples, and in particular, companies active in the technology sector (Internet).

At a global level, in the markets designated for high growth and innovative companies, there have been, in some cases, significant reductions in share prices, and notable fluctuations, in terms of prices and volumes traded. Such variations could have an adverse affect on the Shares.

Market multiples and estimate of proceeds

Price multiples (Price/Earnings, Price/Cash Flow, Price/Book Value), the overall value of the offer and the market capitalisation, calculated based upon the Maximum Price, will be communicated and will be notified together with communication of the same through an apposite integrative notice which will be published in the daily newspaper "MF - Milano Finanza" within the day prior to the beginning of the Public Offer. In the summary information of the profile of operations of the Issuer, the multiples, referring to the pro-forma 1999 information are given, calculated for the Sponsor's and Global Co-ordinator's indicative valuation range. (see "Summary information" and Section 3 Chapter XI, Paragraph 8)

Allocation criteria (for further details please see the Third Section, chapter 11, paragraph 11.10)

Banca Aletti & C. S.p.A. in its capacity as Allotment Manager, taking note of the lack consistency of computer procedures now being used by the banking and finance system, declares itself not to be entitled to carry out the allocation as provided in article 13, paragraph 6 of the CONSOB Regulations. The Allotment Manager has committed to determine on behalf of all Dealers the means of assignment through a draw by lot.

Recent operations relating to Shares in Reply

The extraordinary general meeting of Reply of 10 July 2000, with a resolution approved by the Tribunal of Turin, dated 21 July, with decree C4926, has amongst other things (for further detail see Section I, Chapter VI, Paragraph 6.1):

- prior to waiver by the members of the right to options due to members, to increase the share capital by payment, with a share premium from Euro 3,066,960 to Euro 4,303,546 by means of issue, in one or more parts, a maximum of 2,378,050 new ordinary shares with a nominal value of Euro 0.52 and to allocate such increase in capital as follows:
  - Up to a total of 102,000 shares, in various proportions to Messers Angelo Bo, Ciro Perrucci, Ennio Montani, Marco Torchio, Claudio Giannotti, Roberto Casagrande and Fabio Giallonardo;
  - Up to 1,862,200 shares to reserved for quotation observing the Consolidated Act;
  - Up to 413,850 to strategic or synergistic partners.

On 5 September 2000 Messers Angelo Bo, Ciro Perrucci, Ennio Montani, Marco Torchio, Claudio Giannotti, Roberto Casagrande and Fabio Giallonardo have subscribed and paid for all of the shares allocated to them according to the following table:

New member	**N. Shares subscribed**	**Consideration (Euro)**
Angelo Bo	9,000	7,290
Ciro Perrucci	6,000	4,860
Ennio Montani	24,000	19,440
Marco Torchio	3,000	2,430
Claudio Giannotti	12,000	9,720
Roberto Casagrande	24,000	19,440
Fabio Giallonardo	24,000	19,440
Totale	**102,000**	**82,620**

On 2 November 2000, TNT, a strategic partner of the Group subscribed and paid for part of the increase in capital reserved for strategic or synergistic partners. TNT acquired 300,000 shares are a price of Euro 0.949 per share, corresponding to a total amount of Euro 284,700

SUMMARY INFORMATION CONCERNING THE OPERATION AND ISSUER

1. Summary of the data relative to the financial instruments and the Offer

Summary of data relative to the Global Offer

With resolution no 1347 of 10 November 2000, the Italian Stock Exchange authorised the trading of Reply Shares on the New Market pursuant to article 2.4.2 of the Regulation.

Reply has appointed Robert Fleming Sim s.p.a, a subsidiary of The Chase Manhattan Corporation, as Sponsor pursuant to Title 2.3.1 of the Regulation, and as Specialist Robert Fleming & Co. Limited, also a member of The Chase Manhattan Corporation group. The Company and selling shareholders (Mr. Daniele Angelucci, Roberto Casagrande, Fabio Giallonardo, Riccardo Iezzi, Riccardo Lodigiani, Fernando Masella, Sandro Peracchio, Domenico Piantelli e Marco Torchio) have appointed Chase H&Q to act as a Co-ordinator of the Global Offer.

The Company has undertaken to Italian Stock Exchange to notify the results of the Global Offer (as hereinafter defined) within the next trading day after the date fixed for closure of the Global Offer.

The Company and Selling Shareholders have undertaken the obligation to put at the disposal of those entitled to them, the Shares in intangible form within the date fixed for the relative payment, through at Monte Titoli s.p.a.

The commencement of trading will be determined by the Italian Stock Exchange, in accordance with Article 2.4.2 of the Regulation upon confirmation that the Shares of the Company have been sufficiently distributed.

The Global Offer comprises a maximum number of 1,970,000 ordinary shares with a nominal value of Euros 0.52 each having equal rights from 1 January 2000, representing approx. 24.14%. of the share capital, of the Company, assuming total subscription of the Global Offer, which comprises:

- 1,862,200 Shares with a total nominal value of Euro 968,344, resulting from an increase in share capital resolved with waiver by the shareholders of their option rights, as approved at the extraordinary general meeting on July 10th 2000, at a minimum price of Euro 0.81of which Euros 0.52 per share is a premium. With the aforementioned an increase in capital with a share premium from Euro 3,066,960 to a maximum of Euro 4,303,546 was foreseen, following the issue in one ore more parts, to a maximum of 2,378.050 shares, and intended as follows: (i) a total of 102,000 shares, for subscription in differing proportions to Messers Angelo Bo, Ciro Perrucci, Ennio Montani, Marco Torchio, Claudio Giannotti, Roberto Casagrande and Fabio Giallonardo (this quota has already been subscribed for);(ii) a total of 413,850 shares for subscription by strategic partners (of these, 300,000 shares have already been subscribed for by TNT as a strategic partner, on 2 November 2000); (iii) the remaining total of 1,862,200 shares for subscription under the Global Offer – for further detail on share capital and on its development see Section 1 Chapter VI paragraph 6.9 and 6.10.

- 107,800 Shares, currently owned by the Selling Shareholders at the Offer Price

The Global Offer is thus divided:

a) a Public Offer for sale and subscription openly addressed to the general public in Italy of a minimum of 492,00 Shares, corresponding to 25% of Shares of the Global Offer, of which up to a maximum of 30,000 (approximately 6% of the Global Offer) will be made available to the Employees and Directors, with the exception of Professional Investors, as provided in article 30, paragraph and 31, paragraph II of the CONSOB Regulations, who will be entitled to adhere to the Institutional Allotment as provided in item (b) hereinafter, with the exception of individuals as provided in article 31 paragraph 2 of the CONSOB Regulations, fiduciary companies (società fiduciarie) managing portfolio investments regulated by art. 60, para. 4 of Legislative Decree No. 415 of 23 July 1996 and in accordance with applicable Italian laws and regulations and asset management companies authorised to manage investment portfolios in accordance with mandates given by investors on a discretionary client-by-client basis who will be able to subscribe exclusively to the Global Offer;

b) At the same time, an Institutional Allotment addressed to Professional Investors as well as Institutional foreign investors, with the exception of the United States of America, Canada, Australia and Japan, that will be promoted by the Consortium for Institutional Allotment.

The Maximum Price for Shares will be determined by offers and with the methodology as provided in the Third Section chapter 11 of this Prospectus.

The Maximum Price of Shares, and the related capitalisation, as well as price ratios (price/earning, price cash flow, price/book value) and the estimate of proceeds will be notified to the public and jointly to CONSOB through an additional notice to be published in the daily newspaper “MF - Milano Finanza” on or by the day before the Public Offer.

The Offer Price, which will be the same for the Public Offer (with the exception of the offer to Employees and Directors, to which will be applied a discount of 10% on the Offer Price) and for the Institutional Placing, will be determined by the offer according to the methodologies as provided for in the Third Section, Chapter 11, Paragraph 11.8 of this Prospectus and will be notified jointly to CONSOB two days after the closing of the Public Offer, through an additional notice to be published in the daily newspaper “MF - Milano Finanza”.

Iceberg has granted a purchase option, so-called Greenshoe, to Chase HQ to order to purchase at the Offer Price a maximum of an additional n. 295,500 of Shares, equal to 15% of the total amount of the Global Offer, to be allocated to the Institutional Allotment. This option may be exercised within 30 days of the beginning of trading of the Shares on New Market (please see Third Section, chapter 11, paragraph 11.18)

The Shares of the Public Offer will be distributed through a Consortium for Public Allotment co-ordinated by Banca Aletti & C. S.p.A.. The list of authorised dealers will be communicated, as provided for in article 9 of the CONSOB Regulation, with a subsequent notice filed with CONSOB and at the registered office of the Company to be published in the daily newspaper “MF - Milano Finanza” at least 5 days before the period of subscription, jointly with notice of the publication of this Prospectus.

The following table illustrates the expected principal dates for the Global Offer:

Calendar of the transaction	
Notice of Publication of the Prospectus and the Consortium for the Public Allotment	22 November 2000
Communication of Maximum Price	25 November 2000
Commencement of the Public Offer	27 November 2000
Termination of the Public Offer	29 November 2000
Communication of the Offer Price	1 December 2000
Communication of the allocation	5 December 2000
Payment of Shares	6 December 2000
Expected commencement of trading	6 December 2000

The following table sets out key information relating to the Global Offer. The Number of Shares in circulation before the Offering: 6,300,000 (with a nominal value of Euros 0.52 each, equal to a total of Euro 3,276,000)

	Values for Green Shoe
Number of offered Shares (with a nominal value of Euros 0.52)	1,970,000
• Of which offered for subscription	1,862,200
• Of which offered for sale	107,800
Number of Shares after the Global Offer	8,162,200
Amount of share capital of the Issuer after the Global Offer (Euro)	4,244,344
Percentage of the share capital of the Issuer represented by the Shares offered	24.14%
	Green Shoe Values
Maximum number of Shares subject to Greenshoe	295,500
Percentage of the share capital represented by the shares subject to Greenshoe	3.62%
Percentage of share capital represented by shares in case of a total exercise of Greenshoe	27.76%

The following table sets out the structure of the Global Offer

	Pre Global Offer Structure		OPS	OPV	Post Offer Structure		Green Shoe	Post Green Shoe Structure (*)	
	N° shares	**%**	**N° shares**	**N° shares**	**N° shares**	**%**	**N° shares**	**N° shares**	**%**
Alister	2.654.383	42,13%			2.654.383	32,52%		2.654.383	32,52%
Iceberg (**)	966.060	15,33%			966.060	11,84%	-295.500	670.560	8,22%
Alika	1.297.445	20,59%			1.297.445	15,90%		1.297.445	15,90%
Masella	70.803	1,12%		-7.500	63.303	0,78%		63.303	0,78%
Peracchio	59.124	0,94%		-6.250	52.874	0,65%		52.874	0,65%
Angelucci	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Iezzi	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Lodigiani	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Piantelli	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Bo	15.022	0,24%			15.022	0,18%		15.022	0,18%
Torchio	14.861	0,24%		-1.250	13.611	0,17%		13.611	0,17%
Montani	30.022	0,48%			30.022	0,37%		30.022	0,37%
Giannotti	12.000	0,19%			12.000	0,15%		12.000	0,15%
Casagrande	24.000	0,38%		-2.400	21.600	0,26%		21.600	0,26%
Giallonardo	24.000	0,38%		-2.400	21.600	0,26%		21.600	0,26%
Perrucci	6.000	0,10%			6.000	0,07%		6.000	0,07%
TNT	300.000	4,76%			300.000	3,68%		300.000	3,68%
Market		0,00%	1.862.200	107.800	1.970.000	24,14%	295.500	2.265.500	27,76%
Total	**6.300.000**	**100%**	**1.862.200**	**0**	**8.162.200**	**100%**	**0**	**8.162.200**	**100%**

(*) It is assumed that the entire Greenshoe Option is exercised (see Section III, Chapter XI, Paragraph 11-18)
(**) Iceberg, following the Global Offer and the entire Greenshoe exercise, will have 670,560 shares of which 82,761 are linked to the call option granted to Chase H&Q (for further detail see Section III, Chapter XI, Paragraph 11.20).

The Company is and will be, following the Global Offer, controlled indirectly by Mr. Mario Rizzante, Chairman of the Board of Directors. The holdings are:

- 51% of Alika, which in turn presently directly holds 20,59% of Reply and following the Global Offer (inclusive of the Greenshoe) will hold 15,90% of Reply;
- 51% of Waterside Financial Limited, which holds 99,9% of Alister Holding, which in turn holds:
  - at present, 42,13 % of and following the Global Offer (inclusive of the Greenshoe) will hold 32,52% of Reply;
  - 100% of Iceberg, which in turn, presently holds 15,33% of Reply and following the Global Offer (inclusive of the Greenshoe) will hold 8,22% of Reply

Specifically Mr. Mario Rizzante retains, indirectly 78.05% of Reply and following the Global Offer and the entire Greenshoe exercise, will have a holding equal to 56.64%.

For further detail see Section I Chapter 1, Paragraph 1.2.18.

The maximum proceeds estimated to result from the Global Offer will be communicated at the same time as the Maximum Price, the value of the minimum lots and the capitalisation foreseen by means of notice published in the newspaper "MF - Milano Finanza" on the day prior to the Public Offer.

2. Selected financial data relative to the Issuer

Set out below is selected financial information for each of the last three accounting years and for the half year situation as at June 30th 2000 for the Group.

Consolidated data is deemed to be more suitable compared with data of the Issuer in order to represent the economic, patrimonial and financial situation of the Company and its Controlled Companies.

The first table gives consolidated pro-forma data of Reply and its Controlled Companies (with amounts in millions of lire), the second shows data related to single shares (with amounts in lire).

Consolidated Pro- forma data concerning the Reply Group

Consolidated data (millions of lire)	1997	1998	1999	30/6/1999	30/6/2000
Revenues [1]	11.409	17.643	35.397	16.031	30.295
Gross operating income	1.313	2.978	7.915	3.089	6.460
Operative income	(23)	1.525	6.203	2.281	5.420
Income before extraordinary items [2]	(227)	1.308	5.940	2.147	5.240
Net income	(433)	279	2.834	953	2.446
Net assets	7.866	8.980	12.463	9.933	14.885
Total assets	13.531	19.878	29.963	n.d.	42.870
Share Capital	2.045	2.803	3.232	2.803	3.280
Working Capital	2.492	4.275	7.828	n.d	10.643
Cash flow [3]	903	1.732	4.546	1.761	3.486
Fixed assets	7.857	8.283	8.971	n.d	9.566
Investments	7.658	728	1.193	n.d	909
Net financial position	(2.101)	(2.903)	(3.134)	(n.d)	(3.817)

(1) Revenues are stated net of discounts and vouchers.
(2) Income before extraordinary items includes operating income and the result of financial management.
(3) Cash flow is calculated as a sum of the net income plus amortisation.

Data relative to single shares

The following table was prepared using the number of financial instruments forming the Global Offer at the date of the relative consolidated pro-forma balance sheets with a nominal value of ITL 1,000 for each.

Data per share (Lire)	1997	1998	1999	30/6/2000 (six months)
Number of shares [1]	2,045,000	2,803,000	3,232,000	3,280,000
Dividends	-	-	-	-
Operating result per share	(11)	544	1,919	1,652
Net result per share after tax deduction	(213)	100	879	744
Net profit per share	(212)	100	877	746
Cash flow per share	442	618	1.407	1.063
Net worth per share	3.846	3.204	3.856	4.538

(1) Up to June 9th the share Capital of the Company was represented by quotas with anominal value of 100,000 lira each. Since July 10th 2000, the Share Capital of the Company has been represented by Shares with a nominal value of Euro 0.52 each, equal to ITL. 1,006.86.

Percentage Composition of turnover relative to the first three and the first ten customers

Pro-forma data expressed as a percentage	**1997**	**1998**	**1999**	**30/6/2000 (six months)**
Percentage of turnover of first three customers	48	35	23	28
Percentage of turnover of first ten customers	78	70	57	51

The following table is based on the total number of employees employed by Group at the relevant reference dates (for the average number of employees please refer to the First Section, chapter I, Paragraph 1.6.1.3). The group does not have subsidiaries, branches or employees located abroad.

	31 December 1997	**31 December 1998**	**30 June 1999**	**31 December 1999**	**30 June 2000**	**30 September 2000**
N. of employees	83	141	218	244	312	346

	30 June 2000	**30 September 2000**
Bank accounts and cash on hand	2,240	3,643
Short term portion of borrowings with banks	(4,695)	(2,289)
Short term portion of borrowings with financial institutions	(461)	(450)
Cash and short term borrowings, net	(2,916)	904
Long term borrowings	(901)	(689)
Total net financial debt	**(3,817)**	**215**

The net financial position as at 30 September 2000, in respect of the position as at 30 June 2000 has changed, due to the consistent strong growth in turnover, principally for the following reasons.

- Improvement in the trade debtor position as a result of significant receipts in September 2000, that slow during the month of August

- Improvement in working capital resulting from an increase in trade creditors, principally for resale products

No interruptions to the business activity took place in the last three accounting years of the Company or its Controlled Companies, nor were they involved in any bankruptcy proceedings.

Multiples

The Company, with the aid of analysis and the valuation carried out by the Sponsor and the Global Co-ordinator, has identified a value of it’s economic capital that reflects a range from Euro 157.5 million to a maximum of Euro 208 million (Lire 305 billion to Lire 403 billion respectively), equal to a minimum of Euro 25 and a maximum if Euro 33 per share (approx Lire 48,407 to Lire 63,897 respectively per share). The capitalisation was calculated by reference to the number of Shares prior to the increase in capital for the Global Offer.

However, such a valuation of the capitalisation of the Company does not constitute a price range for the Maximum Price and the Offer Price can be fixed outside this value range.

Set out in the following tables are several ratios relating to the Company, calculated on the basis of the minimum and maximum of the indicative value range of the economic capital of the Company as described in Paragraph 11.8 of Chapter XI.

The multiples shown in the table refer to financial information for 1999, whilst the determination of the indicative value range also refers to forecast financial data.

	Minimum of value range	Maximum of value range
Ev/Sales	8.7x	11.5x
EV/Ebitda	38.9x	51.3x
Ev/Ebit	49.7x	65.4x
Price/Earnings	107.6x	142.0x
Price/Cash flow	67.1x	88.6x
Price/Book value	24.5x	32.3x
Value of Global Offer (billion Lire)	95.4	125.9

The following table shows multiples relating to the selection of comparable quoted companies, considered in arriving at the value range (see Section III, Chapter XI, Paragraph 11.8.)

The shown multiples relate to 1999 financial data and the prices utilised are those of the market capitalisation as at 27 October 2999, whilst the analysis carried out in arriving at the indicative value range of the Company also uses forecast financial information.

Financial Information as of 31 December 1999 - Prices 27 October 2000

Company	EV/Sales	EV/EBITDA	EV/EBIT	Price Book Value	Price Cash Flow	Price Earning
Scient	6,2x	n/m	n/m	4,7x	n/m	n/m
Sapient	14,4x	67,2x	77,7x	13,7x	109,3x	138,2x
Proxicom	6,6x	n/a	110,7x	4,6x	124,5x	164,7x
Diamond Technology Partners	8,1x	17,2x	44,9x	122,3x	20,4x	69,9x
Axon	13,4x	75,5x	81,8x	21,3x	110,3x	122,8x
Nettec	25,3x	n/m	n/m	13,7x	n/m	n/m
FI System	10,9x	190,3x	304,4x	7,0x	n/m	n/m
Valtech	35,7x	988,1x	n/m	n/m	n/m	n/m
Himalaya	41,7x	139,1x	141,8x	44,5x	250,8x	259,8x
Cross System	6,6x	66,0x	73,8x	12,0x	82,8x	94,6x
Devoteam	15,9x	99,2x	138,8x	n/m	156,8x	260,1x
Icon Medialab	7,8x	n/m	n/m	n/m	n/m	n/m
Framfab Ab	11,9x	70,1x	116,9x	6,6x	98,4x	210,9x
Cell Network	2,0x	21,5x	35,6x	6,3x	27,4x	91,5x
Adcore	7,2x	86,4x	250,7x	n/m	122,3x	641,6x
GFT	18,6x	n/a	623,2x	30,9x	185,6x	394,6x
Pixelpark	68,0x	n/a	n/m	105,7x	n/m	n/m
Sinnerschrader	48,7x	134,3x	143,5x	n/m	274,4x	315,8x
Kabel New Media	12,3x	n/m	n/m	4,4x	n/m	641,6x
TXT	25,1x	321,3x	432,8x	310,6x	796,5x	n/m
Inferentia	54,9x	n/m	n/m	168,6x	n/m	n/m
Data Service	9,4x	67,2x	84,1x	33,6x	n/m	116,7x
Average	20,5x	167,4x	177,4x	53,6x	181,5x	251,6x

Given the operating activities carried out by the Issuer other sizeable or significant key factors that could affect the business are not identifiable, over and above those set out in this Paragraph.

PART ONE

INFORMATION RELATING TO THE ISSUER

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I. INFORMATION REGARDING THE ISSUER'S ACTIVITY

Preliminary

Starting from the second half of the 1990's, the arrival of the digital economy, characterised by a growth in technology and by the development of new services, spur the development of new models of organisation, promoting in this way the rise of new Companies based on innovative communication channels like the Internet, while traditional Companies started a process of transformation towards the so-called "Extended enterprise", where the distances between suppliers, company and customers are reduced and where reaction times become increasingly shorter. Performances offered by these new media, increasing the speed by which information travels and is shared, make knowledge the prime asset to capitalise on in order to adapt quickly to rapid changes in the market.

In this regard and in order to provide to the customers the instruments necessary to reformulate the strategies and models of organisation to face the fast digital evolution, the Reply Group developed an integrated offer of services, including the consulting, communication and technological skills/ability.

Professional services of the Group include:

- E-business consulting (strategic, organisational and processing consultancy)

- E-business communication (web-marketing and multimedia communication consulting)

- E-business implementation (projection and implementation of Internet Systems such as Portals, e-commerce systems, web-sites)

The Reply Group carries on these activities through its Controlled companies, specialised and focused on offer lines in order to combine the flexibility and dynamism which are typical of small-sized structures with a projection and organisational ability that are typical of large entities.

Consolidated pro-forma turnover of the Reply Group grew at an annual compounded rate concerning the period 1997 – 1999 equal to 76%. During the last year the consolidated turnover of the Group showed a growth equal to 100%.

The remarkable growth of the Group took place mainly internally, corresponding to an increase in the number of employees, from an average of 73 in 1997 to an average of 206 in 1999. At the time of this Prospectus, the number of employees working for the Group exceeds 300 (please see the First Section, article I, sub-paragraph 1.6.1.3)

Reply in 1999 provided professional services for more than 100 customers, among which the FIAT group, Telecom, Wind, TNT Group, Omnitel as well as the Fininvest group.

The strategy of the Reply Group is focused on:

- A strengthening in the Italian market of professional as well as E-business services;

- An enlargement of the range of products and services;

- Entry into new geographic markets,

to be pursued even with acquisition operations in Italy and abroad, exploiting the opportunities offered by new technology and by the growing demand in this sector.

1.1 History and evolution of the activity

The Group was founded in 1995 with the incorporation of Alika (with corporate name Bridge s.r.l, which was subsequently changed to Reply s.r.l. in July 1996 and again in July 2000 to the present name).

The Company was incorporated as Reply Europe, two years after, on 30 December 1997 by Alika and Alister Holding, both Luxembourg companies.

A description of the development of the Group follows.

On 23rd November 1995, Alika was incorporated by the founding partners Mario Rizzante, Tatiana Rizzante, Filippo Rizzante and Graziella Paglia. The activity was focused on the provision of consultancy services in the sector, at the time of its beginnings of emerging technology linked with the net.

In July 1996 Tatiana Rizzante, Filippo Rizzante and Graziella Paglia sold their shares in Alika to Sergio Ingegnatti, Oscar Pepino and Riccardo Iezzi respectively, and consequently Alika's share capital was divided as follows: 51% to Mario Rizzante, 22% to Sergio Ingegnatti, 22% to Oscar Pepino and 5% to Riccardo Iezzi. This is still the position today.

During June and July 1996, Alika acquired controlling shareholdings in Technology Reply, with registered office in Milan, Sytel (which later on changed its corporate name to Sytel Reply s.r.l) with its registered office in Rome, Business Bridge s.r.l (which later changed its corporate name to Business Reply s.r.l) and Cluster (which subsequently changed its corporate name to Cluster Reply s.r.l) both with registered office in Turin, as described below:

- Technology Reply mainly carries on design and implementation activities of Web-applications based on Oracle and Internet Open Standard technologies as well as logistic applications within the SCM, related to Extended Enterprise;

- Cluster Reply provides consultancy services for the Internet, with a specific knowledge of Microsoft technology and works within the CRM sector for Extended Enterprise;

- Business Reply offers business consultancy and business process re-engineering services within the Extended Enterprise;

- Sytel Reply mainly carries out activities of development and implementation of solutions for Internet Service Providers and telecommunications operators.

Under a deed dated December 30th 1997, Alika incorporated, together with Alister Holding, a company under the law of Luxembourg called Reply Europe (the current Reply) with a share capital of ITL. 864,000,000 and with its registered office in Luxembourg. Alika's shareholding in Reply Europe was subscribed by assigning the "Reply" trade-mark (please refer to item 1.2.17.6 below) as well as all shareholdings in the above-mentioned companies owned by them (in particular, the 70% of the share capital of Technology Reply, 80% of the share capital of Business Reply and 85% of the share capital of Cluster Reply).

On 27 February 1998 the share capital of Reply Europe was increased to ITL. 948,000,000, entirely subscribed by Alister Holding.

Again in February 1998, Alika promoted the incorporation of the following Companies:

- Cluster Reply Milan, with its registered office in Turin and headquarters in Milan, whose share capital was subscribed for, 39% by Cluster Reply, 39% by Technology Reply and the remaining 22% by Alika;

- Cluster Reply Rome, with its registered office in Rome, whose share capital was subscribed for, 39% by Cluster Reply, 39% by Sytel Reply and the remaining 22% by Alika, in order to spread the resources developed by Cluster Reply between Milan and Rome.

In February 1999, in order to develop a centre of competence related to Extended Enterprise and internet Open Standard technologies within the industrial area of Turin, Technology Reply Turin was incorporated, with its registered office in Turin, whose share capital was subscribed for, 39% by Cluster Reply, 39% by Technology Reply and the remaining 22% by Alika.

On August 4th 1999 the share capital of Reply Europe was increased to ITL. 1,377,500,000, entirely subscribed for by Alister Holding.

During 1999 the following were incorporated:

- Sytel Reply Milan, with its registered office in Turin and headquarters in Milan, with the aim of replicating within the industrial area of Milan the same line of offer as Sytel Reply. The share capital at incorporation was divided between Reply Europe (25%), Technology Reply (37.5%) and Sytel Reply (37.5%):

- Aktive Reply, with its registered office in Turin, in order to distribute the range of services offered within the Knowledge Management area. The capital upon incorporation was divided between Reply Europe (80%) and individual shareholders.

Varoious share transfers were carried out at the end of 1999 by Reply Europe. Within a context of rationalisation of the Group (see Section I Chapter I Paragraph 1.2.17), some internal restructuring operations took place in the share capital of the following companies:

- The share capital of Cluster Reply Milan was assigned, 37.5% to Cluster Reply, an additional 37.5% to Technology Reply and the remaining 25% to Reply Europe;

- The share capital of Cluster Reply Rome was assigned, 32.5% to Cluster Reply, an additional 37.5% to Technology Reply and the remaining 25% to Reply Europe;

- The share capital of Technology Reply Turin was allocated, 37.5% to Cluster Reply, 37.5% to Technology Reply and the remaining 25% to Reply Europe.

In February 2000, the company, Creative Reply was incorporated in order to develop the line related to New Media business. The share capital at incorporation was divided between Reply Europe (85%) and individual shareholders.

In March 2000 Reply Europe acquired a 51% shareholding in Yellow House Reply, with its registered office in Rome. The activity of this company relates to the telecommunications market and principally the provision of professional services for the implementation as well as the management of Web sites aimed at large numbers of users.

Between May and July 2000, the Company undertook, with Alister Holding, and Alika, various financial operations aimed exclusively at rationalising and ensuring the transparency of the Group in order to be admitted to trading on New Market. In particular:

a) Following a transaction executed in May 2000, minority shareholders holding 30% of Technology Reply, 20% of Sytel Reply, 30% of Business Reply, 15% of Cluster Reply, 20% of Aktive Reply and 15% of Creative Reply, transferred to Alister Holding the above mentioned holdings;

b) On June 2nd 2000 Alister Holding transferred to the shareholders holding the minority interests of the above-mentioned Companies, 5,371 shares in Reply of Lire 100,000 nominal value each, and specifically to Mr Daniele Angelucci 1,132 shares, to Mr Domenico Piantelli 1,132 shares, to Mr Riccardo Lodigiani 1,132 shares, to Mr Riccardo Iezzi 1,132 shares, to Mr Ferrando Masella 338 shares, to Mr Sandro Peracchio 324 shares, to Mr Marco Torchio 65 shares, to Mr Ennio Montani 32 shares and to Mr Angelo Bo 33 shares (for further details please refer to item 1.2.17.6 below);
On June 9th 2000 the share capital of Reply Europe was increased to ITL. 3,232,100,000 by the issue of 18,546 shares of Lire 100,000 each (with a total share premium of Lire 5,563,900,000) entirely subscribed for by Alister Holding through the transfer of shares in the operating companies, indicated above in item a), held by Alister Holding, and through the transfer of the "Reply" trademark (for further detail see Paragraph 1.2.17.6); this transfer was not in accordance with article 2440 of the Italian Civil Code as the Company at this date was subject to Luxembourg law.

c) On the same date Alister Holding incorporated Iceberg, under Luxembourg law, to which were transferred 1,294 shares in Reply Europe at a value agreed between the parties of Lire 750,000 (Euro 387.34) per share. Still on the same date, 9 June 2000, Alister Holding sold to Iceberg a further 4,000 shares in Reply Europe, agreeing a value of Lire 1,600,500,000 subject to an upward adjustment, corresponding to any eventual higher value resulting from the Offer Price (see Paragraph 2.7 for further information);

d) Under a further deed dated June 9th 2000, Reply Europe transferred its administrative and legal headquarters to Italy, acquiring Italian nationality and acquiring the corporate name "Reply Europe s.r.l";

e) On July 10th 2000, Reply Europe:

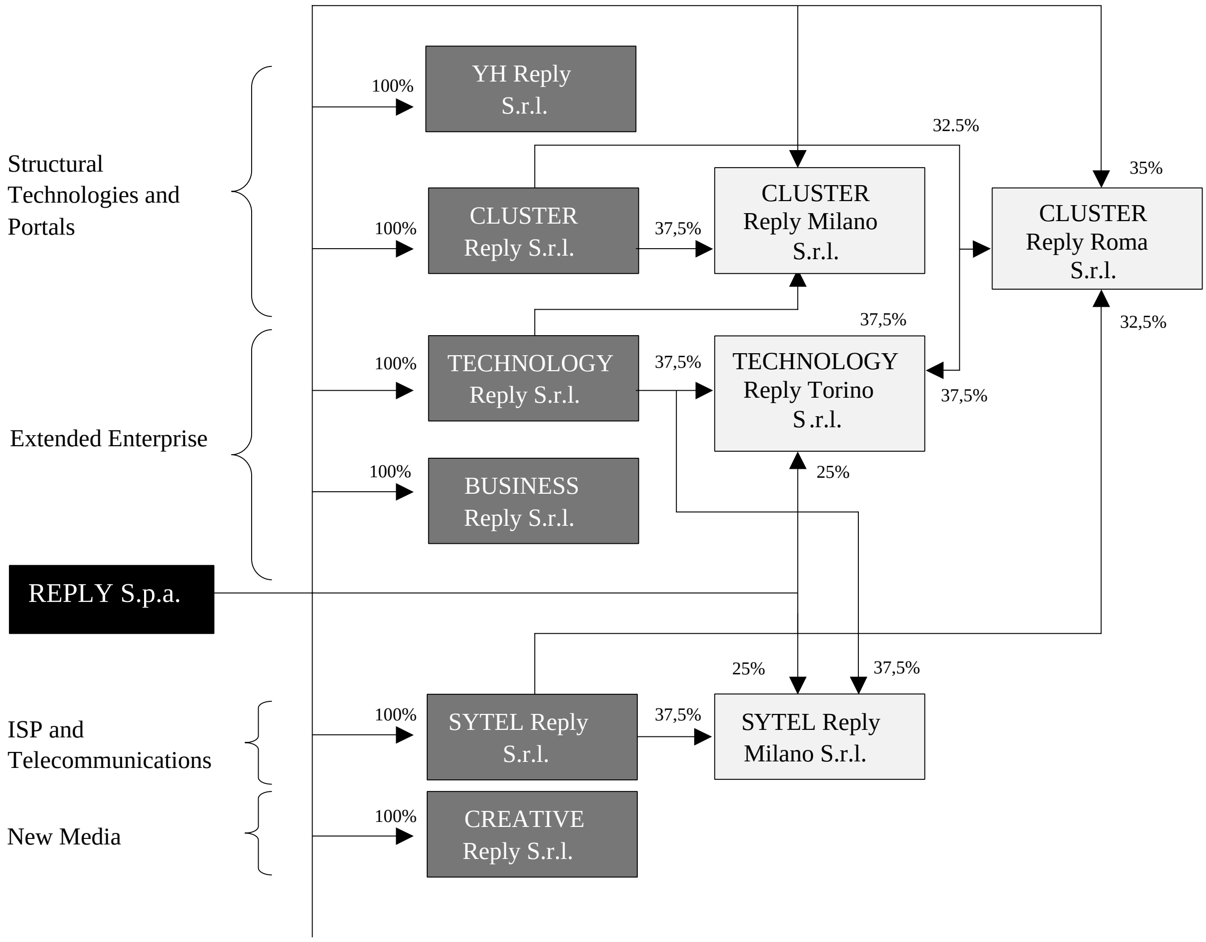
- Acquired the remaining 49% of Yellow House Reply's share capital becoming its sole shareholder;

- Acquired from Alika the business composed of consulting activities in Information Technology as well as administrative support for the Business, previously performed by Alika for Reply Group, with effect from July 31st 2000 (for further detail see Paragraph 1.2.17.6);

- Became a public company (società per azioni) with the corporate name of "Reply s.p.a" (for the other resolutions of the General meeting dated July 10th 2000 please see the First section, Chapter VI).

Further to the above-mentioned transactions, all assets (stocks in Controlled Companies and the Reply trade-mark) and activities (Alika's branch of business) were conveyed to the Company, being essential to carrying out the Business and which resulted in them being held, directly or indirectly, by the current shareholders of Reply.

Consequently at the time of this Prospectus, the Reply has the following structure, that emphasizes the individual specialisations of the controlled companies with reference to the services offered by the Group (in this regard please refer to Paragraph 1.2.1e below):



1.2 Description of the business

1.2.1. Introduction

The Reply Group was founded with the aim of working in the professional services market related to E-Business, which is characterised by a flourishing of new organisational patterns, by a spread of new communication standards and by the development of complex structural technologies. Services provided by the Group are aimed towards the creation and implementation of projects supporting customers during the evolution towards new E-business strategies as well as towards the realisation of applications for companies created and operating exclusively on the Internet.

Professional services offered by the Reply Group within the E-business area involve a wide range of competencies, being divided into 5 main lines of offer:

- **New Media**
  Communication and marketing strategies for new interactive channels, communication planning, Art Direction, Web Design, implementation of integrated solutions on different media (ie internet, CD, video, cellular phones).
  Creative Reply's activity is orientated towards the development of this line of business.

- **Technological architecture and portals**
  Web technologies as well as complex software architectures for the E-business which, in their complete form, allow the creation of portals for a big numbers of users.
  Cluster Reply, Cluster Reply Rome, Cluster Reply Milan and Yellow House Reply's activities are orientated towards this line of business.

- **Extended Enterprise**
  Business processes which, exploiting the Internet as a mass medium, involve parties pertaining to the whole production cycle, from the supplier to the manufacturer and the customer. In this scenario, Supply Chain Management (SCM) and Customer Relationship Management (CRM) are key-elements, which are based on the development of new digital mass media.
  Technology Reply, Technology Reply Turin and Business Reply focus their activities mainly on this line of offer; the first two refer to the planning and implementation of E-business systems and the third one to E-business Consulting.

- **Knowledge Management**
  Services addressed both to the definition of supporting processes for the creation and the implementation of knowledge, and to the planning of technological solutions on Web architectures for the admittance and use of information (for example, search engines, Enterprise Portals).
  Aktive Reply is responsible for Knowledge Management.

- **Internet Service Provider and Telecommunications**
  Services addressed to Internet Service Providers (ISP) for the planning implementation and support of Internet systems like, for instance, e-mail, chat, profiling and hosting, and the management of communities.
  Within the telecommunications area, the object of this offer is the management of net infrastructures, the development of applications for mobile communication and Customer Care & Billing services.
  Sytel Reply Sytel Reply Milan's activities related to this line of business.

Each of these lines of offer is further divided into strategic consultancy services, organisational consultancy, Project Management (E-business Consulting) communication (E-business Communication) and technological implementation (E-business Implementation).

	New Media	**Technology Architectures and Portals**	**Extended enterprise**	**Knowledge Management**	**ISP and Telecommunications**
E-business Consulting		•	•	•	•
E-business Communication	•				
E-business Implementation		•	•	•	•

The various lines of offer, as developed by the Reply Group in terms of contents and through dedicated companies, are focused in order to pursue the following objectives;

- Specialisation of working groups in each single sector;

- Development of synergies in projects requiring different professions;

- Presence, for more consolidated services, of dedicated companies in the main industrial areas of Italy.

Side-by-side with the offer of professional services, one finds proprietary software platforms created by the Reply Group, in particular within the extended enterprise (Click and Lyra) and in the area of Internet Service Providers (People & Web).

To complement the proprietary software, the Group works with software developed by a selected number of producers (strategic partners of the Group), in order to satisfy at their best the customers' needs as well as maintaining the specialisation on innovative technologies.

1.2.1.1 Main Lines of Offer

New Media

The development of the Internet caused a radical change in the approach towards marketing and communication, characterised by the passage from a mass communication addressed solely to an indistinct public to an interactive and customised one between the author of the message and its recipient.

On the other hand, the variety and complexity of digital means of communication allows one to reach customers in a way which tends to be more and more personalised independently of one's physical location.

Services in this area include the projection of multimedia contents – which is an essential part of the implementation of e-business solutions forming one of the specialisation sectors of the Group, in which it combines the knowledge of new technologies with the ability to offer E-business communication services.

Such services involve the communication and content planning related to Internet sites and Portals defining new marketing strategies linked with digital initiatives, Web design and result measuring.

The New Media line, is focused on solution planning that exploits the convergence between new media – (Internet, Cellular phones, CD, palmtops) and traditional means of communication (video and printing) and requires the ability to integrate different skills. In presenting its own strategic, communication and marketing services, the Reply Group uses technological and applicable competencies developed by other lines of offer in order to propose Web marketing strategies which are customised and innovative.

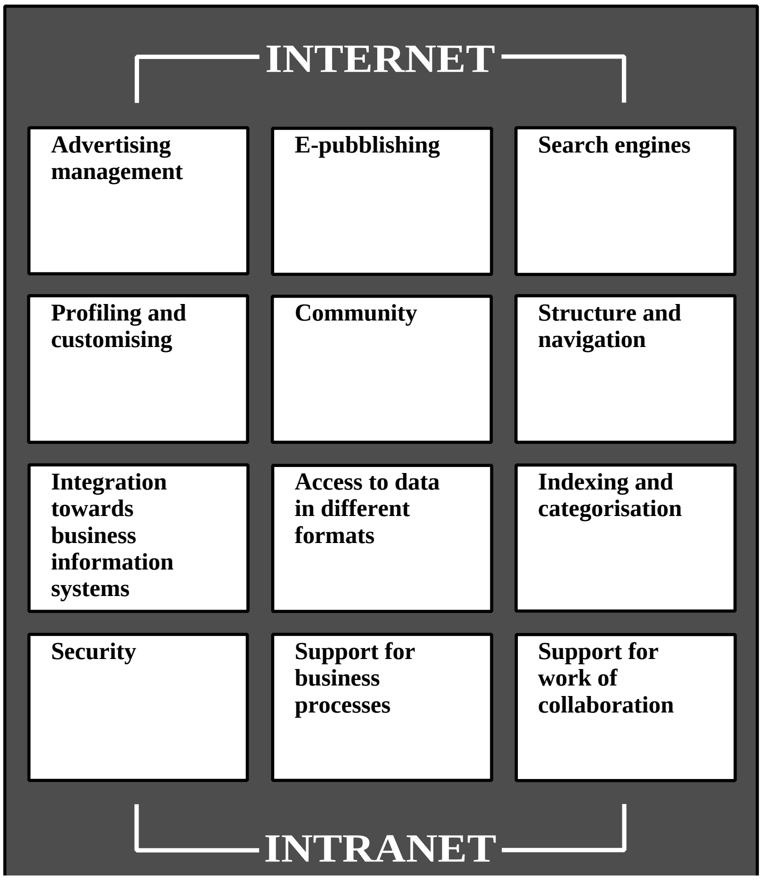
Technological architecture and portals

The Group has developed a significant competence in the design of complex computer structures and in mastering software infrastructures for e-business which allow the building of Portals for a significant number of users.

Portals offer users easy access to information, products and services offered by enterprises, allow for the research of information by index and category, and allow an ability to bundle contents. In their most developed form, they allow for the insertion of services and contents intended for a specific section of the public (interest community).

Services of the Reply Group aimed towards the development of technological architecture for the Internet are articulated on three different specialisation levels:

- **Infrastructure services:** system support and hardware and software architectures used for development of Web sites, characterised by efficiency, reliability and security, despite an ever-growing number of users;
- **Basic services:** services and solutions forming the basis of E-business systems, such as e-mails, chat, profiling, hosting, support for co-operative work (traditional or multimedia systems based);
- **Value-added services:** creation of customised applications according to the client's needs: from electronic commerce solutions to on-line services aimed at a specific community of users.



Knowledge Management

Changes brought about by the new digital economy, based on E-business, make knowledge a corporate asset, which is necessary in order to maintain and increase the competitiveness. Knowledge Management is the group of solutions and systems responding to the growing necessity to organise, distribute and re-use information within the company.

Furthermore, the flow of internal information (for example, documents, mail and publications) as well as external information (for example, Internet site contents, news) which the Company is in daily touch with grows and creates the necessity for re-organisation processes that allow value creation and a timely and focused distribution of knowledge.

Services offered by the Reply Group within the context of Knowledge Management are addressed both towards the definition of processes supporting the creation and organisation of knowledge, as well as towards the planning of safe and modular technological application based solutions.

In this context, the Reply Group works in two principal areas: the first is focused on recovering and using the knowledge spread within the enterprise, for example through the planning of Enterprise Portals: the second in order to capture and gather the knowledge produced from the daily interaction among users.

An element of overlap between Knowledge Management and the Internet is formed by services and by solutions for content publishing. In this area the Group has consolidated experience in E-publishing systems and on the creation of both manual contents (done by editors) and automated ones (done by software agents) based on the indexing of enterprise knowledge or on instruments of content management.

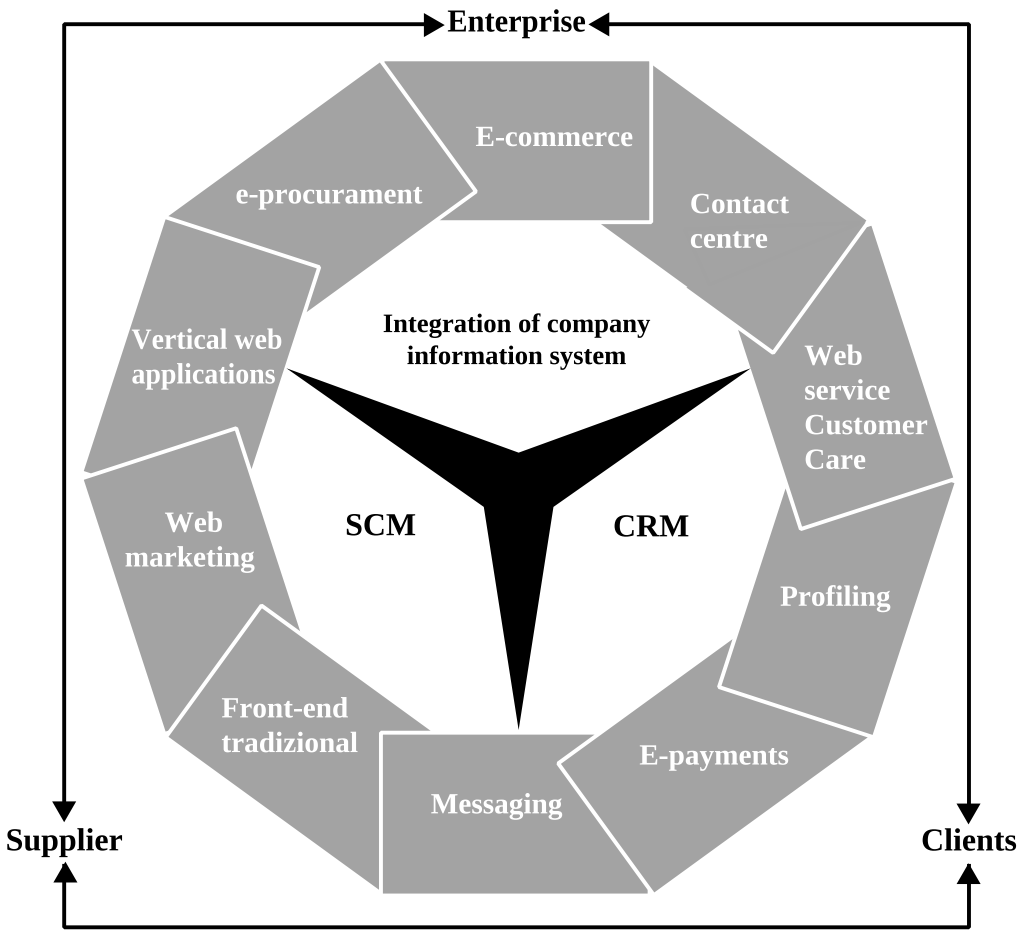
Extended enterprise

An Extended enterprise is a group of systems and processes integrating in an efficient and effective way the activity of the Company with that of its suppliers and customers, using the Internet digital channel.

The implementation of applications for the Extended enterprise demands competence in Internet technologies, experience in System Integration and applications competence for the entire value chain.

Areas which characterise the offers of the Reply Group within Extended enterprise are represented by Supply Chain Management (SCM) and Customer Relationship Management (CRM).

Within SCM, the Reply Group is focused on solutions for E-business evolution of supply processes, logistics, warehouse management as well as order management (so-called order fulfilment). These solutions, jointly with the competence in Internet technologies, allow the Group to propose a complete offer – from the electronic commerce interface to systems for logistics – in the implementation of a virtual market for enterprises (Marketplace, Business-to-Business).



For SCM solutions, Reply Group uses both their own software products such as warehouse management systems as well as systems for physical movement of materials (“Click”) and systems for transport management (“Lyra”), as well as software products of strategic partners.

Within the CRM solution field – aimed towards real time collaboration between an enterprise and its clients, from the integration of Front-end and Back-end systems to the synchronisation of all channels of interaction between an enterprise and the market (call centre, mobile sales force, Internet) Reply Group is specialised in the creation of shared Customer Repositories and in the realisation of Front-end solutions (Contact centre, Sales Force Automation, E-commerce, Customer Care).

Internet Service Provider and Telecommunication

The Reply Group carries out its business for the implementation of Internet initiatives for the main national telephone operators, in this way acquiring a complete knowledge related to the most diffused software platforms in use and an understanding of the characteristics that services should give to the user. The experience obtained allows the Group to combine the knowledge acquired with competence in network infrastructures and in applications for mobile communication, forming the development of Business-to-Consumer interfaces.

On the other hand, the speed of evolution within the telecommunications market and the nature of services offered force emerging operators to have a different focus, looking at problems related to the definition of pricing policies, flexibility in sales and customer loyalty schemes. The competitive nature of these clients markets creates a need for technologically advanced and integrated Customer Care & Billing.

In this respect, the Reply offer is articulated along two main levels:

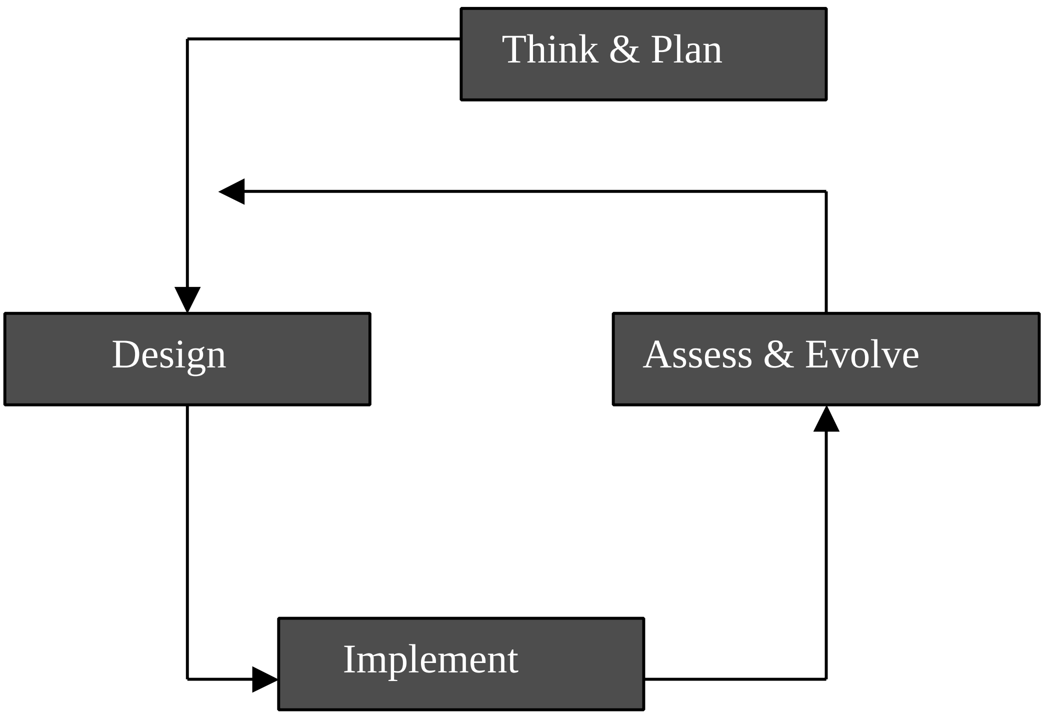
- Specialised consultancy in the analysis, planning and implementation of Customer Care & Billing, systems, addressed to telecommunications operators at local and national levels as well as towards the ISP world. Planning takes advantage of platforms and products on which Reply has partnership agreements with some of the most important operators in this sector.

- Specialised consultancy in planning, implementation and management of systems allowing the control and configuration of fixed and mobile telecommunication networks.

1.2.1.2 Methodology

The services of Reply Group are based on a methodological approach linking consultancy cycles (E-business Consultancy and E-business Communication), bound to specific application areas of the offer as well as to implementation phases (E-business Implementation).

Reply, in order to follow and respond to the rapid changes to which its customers' strategies are linked in E-business initiatives, has developed a methodology which comprises 4 phases: Think & Plan, Design, Implement, Assess & Evolve.



Think & Plan

In this phase, business, communication and marketing strategies related to the customer are defined, as well as the project plan managing the implementation. This phase is organised as follows:

- E-business strategy: analysis of the existing business and future strategies, up to the definition of milestones and project teams; business process re-engineering: analysis and definitions of corporate processes to favour e-business strategy as well as applicable limitations imposed by the customers technological platforms: marketing and communication strategy; the study of the image and of marketing strategy, the study of communication, style and structure of contents: project planning: planning for the implementation of E-business solutions according to those priorities identified from the analysis of business, marketing and technological structure.

Design

This is the phase of planning of contents, technological structure as well as functionality of the E-business solution to be implemented. This phase is subdivided as follows:

- communication design: structure of contents, navigation and access interfaces to services and definitions of publishing plan; software requirements: definition of software functionality, of data flow, of users and their roles, of editing requirements and updating mechanisms; structural design: definition of software structures, hardware, of the network environment, of the basis of knowledge (structured and non-structured data) and of integration with other systems.

Implement

This is the phase of development of software and components of integration of other corporate systems as well as multimedia content production. This phase is organised as follows:

- web & content production: interface design on different devices and production of text, graphics and multimedia contents;

- development: software environment configuration and development of application logic; test: checking of solutions in terms of efficiency, accuracy (graphics and contents), performance and robustness; Deployment: transfer from a test environment to an executive one with monitoring of the first phase of operation.

Assess & Evolve

This is the last phase of the methodological approach of the Group, during which results obtained are measured and further developments planned as described below:

- measure: monitoring of the current system and statistical analysis of results of the proposed solution; E-business strategy: evolution of strategies in based on the results and changes experienced by business plan; Marketing & Communication strategy: evolution of marketing strategy relating to digital initiatives bases upon the results obtained in the previous cycle.

1.2.1.3 Reply's Technology

To provide its services, the Reply Group uses a set of technologies and advanced platforms.

In the spirit of finding a balance between innovation and results, solutions offered by the Reply Group involve the use of different programming languages for the Internet (such as Java, ASP, JSP, HTML and XML), design and component standards (i.e. CORBA and DCOM) as well as communication protocols (e.g. TCP/IP, HTTP, WAP and UMTS).

As far as software platforms are concerned, the approach towards technology by the Reply Group has developed along three different lines:

• Proprietary Software

People & Web:
This allows the creation as well as the updating of personal Web sites and pages assuring configurability and efficiency along with growth in user numbers, and simplifying its management for system operators.

Click:
This is a system for warehouse management, materials handling and allotment, based on Web architecture and which can be integrated with E-commerce systems or with the latest order-form management systems through standard XML.

Lyra:
This allows the management of vehicle routing, for the pick up of materials and delivery to their recipients.

• Co-operation Agreements

The Group strategy is also based upon strategic partnership agreements with some of the major global software developers. With several of these, Reply Group entered into co-operation agreements, (Microsoft, Oracle, Broadvision, Autonomy, Net Perceptions, Selectica, Portal, Siebel, Open Market, Open Text, LHS) aimed on the one hand at reenforcing market penetration, and on the other, to increase the number of technological solutions which can be developed for the customer.

The following table shows the duration of the agreements with the above mentioned technological partners:

Technological Partner	Agreement date	Duration
Autonomy	31 March 1999	30 March 2001, renewable for a period of one year
BroadVision	3 November 2000	2 November 2001, renewable for a period of one year
LHS	1 January 1999	31 December 2000, renewable for a period of one year
Microsoft		31 December 2000
Net Perceptions	4 September 2000	3 September 2003 renewable for a period of one year
Open Market	24 May 2000	23May 2002 renewable for a period of one year
Open Text	1 June 1999	31 May 2001
Oracle	12 May 2000	11 May 2001 renewable for a period of one year
Portal Software	28 April 1999	27April 2001
Selectica	8 May 2000	7 May 2003 renewable for a period of one year
Siebel	12 January 1999	11 January 2001

These agreements, having various names, allow the Group to have an interactive link with such producers which involves co-operation as well as support by the supplier's technical staff, access to information on products outside the public domain, support at a pre-sale stage and a joint trade-mark marketing approach.

• Non-proprietary technologies of reference

In the Internet solutions offered to customers, the Group has developed, based upon the above mentioned agreements, and independently, significant competencies based on non-proprietary technologies from the most of the leading producers in their respective markets, among which are: Autonomy, Bea, Broadvision, Compaq, Intec, LHS, Manugistics, Microsoft, Open Market, Open Text, Oracle, Portal, SAP, Selectica, Siebel, Vantive, Netscape; Sun, Dynamo, Net perceptions, Kenan and Tibco.

The development and implementation achieved on the basis of such technologies independently and with a significant use of resources, today allow the Reply Group to possess the competence and the reliability necessary for the development of solutions based on information technology platforms which are recognised as being the market trend-setters.

1.2.2 Income performance [(1)]

In 1999 the consolidated pro-forma income of the Reply Group exceeded ITL. 35 billion.

Pro-forma turnover (in ITL) of the Reply Group during accounting years 1997 – 1999 as hereinafter described are divided by lines of business:

Service	1997 proforma	% of income	1998 proforma	% of income	1999 proforma	% of income
Technological architecture	2.985	26,1	7.441	42,1	13.248	37,4
Extended enterprise	5.069	44,4	6.018	34,1	13.857	39,1
ISP and telecommunications	3.355	29,5	4.184	23,8	8.292	23,5
Total Income	**11.409**	**100**	**17.643**	**100**	**35.397**	**100**

Consolidated pro-forma turnover of the Reply Group during the first half of 2000, during which the New Media and Knowledge Management lines of offer were commenced, is described in the following table and divided into lines of business.

(1) 'Income' means income from which discounts and vouchers are netted.

Service	30/6/2000 (millions of lire)	% income
Technological architecture	11,124	35.9
Extended enterprise	11,159	36
ISP and telecommunications	7,936	25.7
Knowledge Management	236	0.8
New Media	472	1.6
Total Income (including changes in work-in-progress)	**30.927**	**100**

1.2.3 Order book

The sales orders performance during the three years ended December 31st 1997, 1998 and 1999 and the six months ended June 30th 2000 is indicated in millions of ITL in the table below:

31 December 1997	31 December 1998	31 December 1999	30 June 2000
8,590	17,920	32,099	22,886

The amount of the portfolio orders at June 30th 2000, if compared with the one on December 31st 1999, can be explained by the fact that the Reply Group works essentially on the basis of two types of job-order, made up of assignments on specific projects and by recurring consultancy assignments. Specific projects are completed within terms which on average do not exceed 5 months, whilst recurring assignments are generally subject to renewal (also price-adjustment) at the beginning of each calendar year.

1.2.4 Sales Channels

The type of activity performed by the Reply Group and the large size of its customers mean that the Group possesses a sales system independent of any commercial internal and external dedicated network.

The methodology used by the Group for the sale of its own services is based on two channels.

The first one leads up to the directors and to the managers of each operative Controlled Company, to whom, within their complete responsibility, is directly responsible for marketing the services of the Group and customer development, combining commercial responsibility with technical competence in the relevant areas of operation. The Group has a series of periodical meetings of the persons vested with these roles, aimed at the comparison and review of commercial results obtained by each single Controlled Company and at the co-ordination of specific activities in view of an integrated offer for each single customer.

The second sales channel is based on the activities of strategic partners of the Group (such as Microsoft, Oracle, Broadvision – please refer to the above Paragraph 1.2.1.3) which, where they identify a suitable opportunity, broaden the range of services offered to their customers, complementing it with the application and technological consultancy services of the Group.

1.2.5 Dependence on holding companies - Dependence on suppliers, clients and lenders

Reply does not belong to any group and enjoys managerial autonomy.

There is no form of dependence on lenders or suppliers since these are diversified and may be substituted at any time without any significant impact of the activity of the Group.

During 1999 the Reply Group traded with more that 100 different clients. Of these, the first 5 generated revenues of ITL. 12,057,000,000, equal to 35.6% of turnover in 1999 with none of them individually exceeding 9% of the consolidated Group turnover in the period. For these reasons, and considering that these customers belong to independent and separate groups, the management deems that there is no dependence on any one client.

1.2.6 Relevant Market

The Group's reference market is that related to the planning and implementation of E-business solutions.

Hereinafter are indicated the main characteristics of the areas in which the Group focuses its offer of services. The current paragraph is based on independent data and research, not commissioned by the Company, prepared by the International Data Corporation (IDC) of Framingham (Massachusets USA), Forrester Research in Cambridge (Massachusets, USA), the Kennedy Information Research Group (KIRG) in Fitzwilliam (New Hampshire, USA), AMR Research Inc from Boston (Massachusets, USA), European Information Technology Observatory (Eito) in Frankfurt, (Germany) Assinform (Associazione Nazionale Produttori Tecnologie e Servizi per l'Informazione e la Comunicazione) in Milan and Morgan Stanley Dean Witter. Where there is no specific reference to these sources, the representations listed as follows shall be construed as the result of analysis undertaken by the Company.

The reference market

Reply Group has developed an integrated offer of E-business professional services, this forms an emerging component within the Information Technology market.

The world Information Technology market, according to Assinform, is developing at a significant growth rate and at the end of 1999 reached a value equal to $ 790 billion[(1)], with a growth of 10.5% compared to the previous year. The United States is the country in which the highest rate of penetration of computer technologies are present, but the phenomenon is also becoming increasingly prevalent in Europe and Asia/Pacific

It was mainly the spread of the Internet within enterprises and the setting up of numerous E-business applications which contributed to the growth of the IT market[(2)]. The Internet in particular has significantly changed the way in which companies can communicate, obtain and spread information, sell and purchase goods and services.

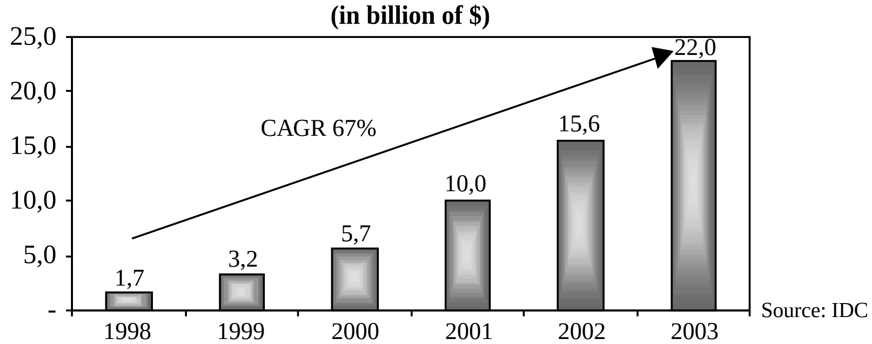
Companies which have an interest in incorporating Web solutions within the area of their Information Technology strategies and business, feel the necessity to receive integrated professional services which can combine business strategy components with a high-level of technological knowledge in order to create infrastructures, applications and safe systems which can be extended and flexible.

According to forecasts made by Forrester Research, which is one of the main research institutes in this sector, the world market for internet related professional services (e.g. services relating to strategy design, e-technology, etc) will reach US$ 64.8 billion dollars in 2003, increasing during the period 1998-2003 at an annual compound rate equal to 74%.

Internet services markets will provide greater possibilities compared to those created for traditional IT services and the reduction of the life-span of Internet solutions will maintain a higher stability in demand growth trends[(3)].

According to a forecast made by IDC, by 2003, the market for Internet services in Europe will reach US$ 22.8 billion, growing over the period 1998-2003 at a CAGR equal to 67%[(4)]. Again according to IDC, the market for Internet services in Europe, despite at present being slower than that of the United States, will show a more significant growth by comparison and will in future years be second only to the Japanese.

The market for Internet services in Europe
(in billion of $)

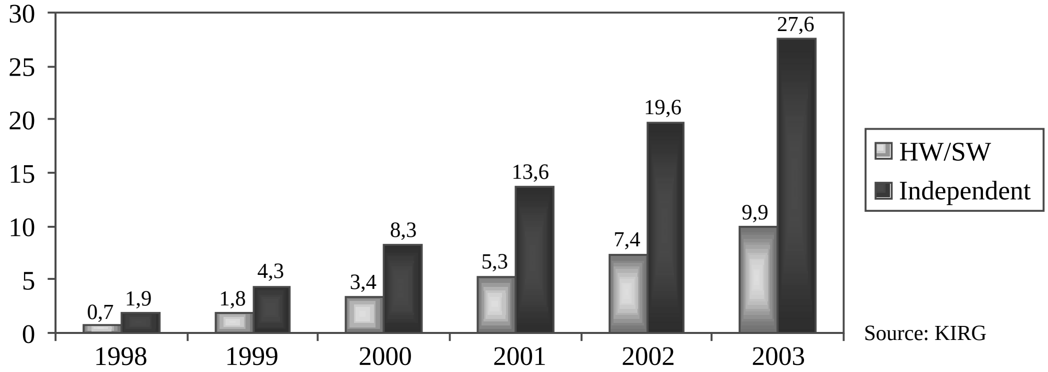


(1) Assinform: Associazione nazionale Produttori Tecnologie e Servizi per l'Informazione e la Comunicazione (National Association of Producers of Technologies and Services for Information and Comunication). Rapporto Assinform 2000.
(2) Assinform: Rapporto Assinform 2000.
(3) MSDW, Building and Managing the Digital Economy, april 2000.
(4) International Data Corporation, European Internet and E-Commerce Services Markets and Trends 1998 – 2003, September 1999.

In part, professional services for E-business relate to applications for the electronic commerce.

Consequently the growth of electronic commerce will affect the growth of the consultancy services. In particular KIRG deems that within the E-commerce market an ever-growing market quota will be held by companies offering consultancy services which have not had any software or hardware production history, and whose income, on a global scale, will rise from less than US$2 billion in 1998 up to US$28 billion in 2003[(6)].

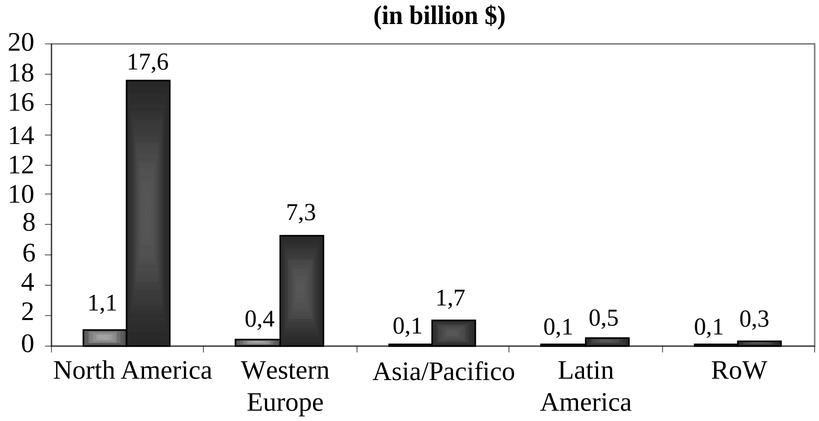
The global market of consultancy services for e-commerce
(in billions of $)



Source: KIRG

Analysis carried out by KIRG on a geographical basis shows during the period 1998 – 2003 the European E-commerce consultancy market, for companies independent from hardware manufacturers and software developers, will grow from US$ 0.4 billion up to US$ 7.3.

The market for e-commerce consultancy services
by geographic area , 1998 e 2003
(in billion $)



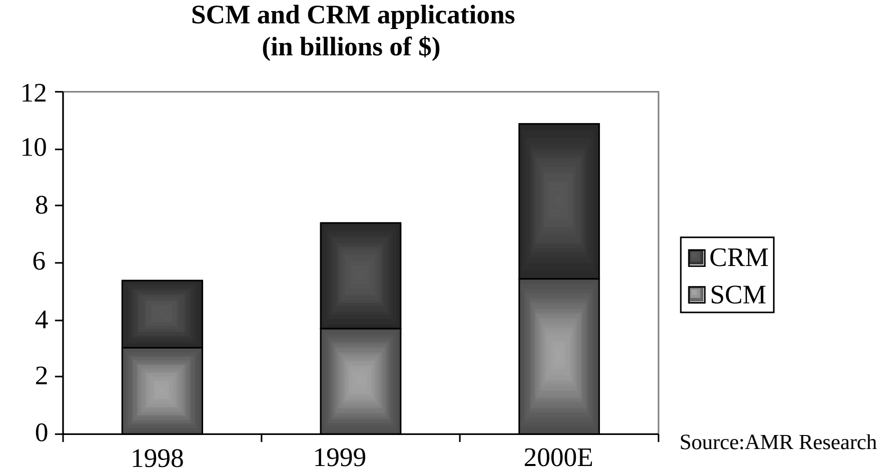
Source: KIRG

In relation to specific components of the Reply Group services (for further detail see Paragraph 1.2.1.1), the following is noted.

(6) Kennedy Information LLC, E-Ccommerce Consulting – Forecast, Analysis & Key Data, Edition 1999.

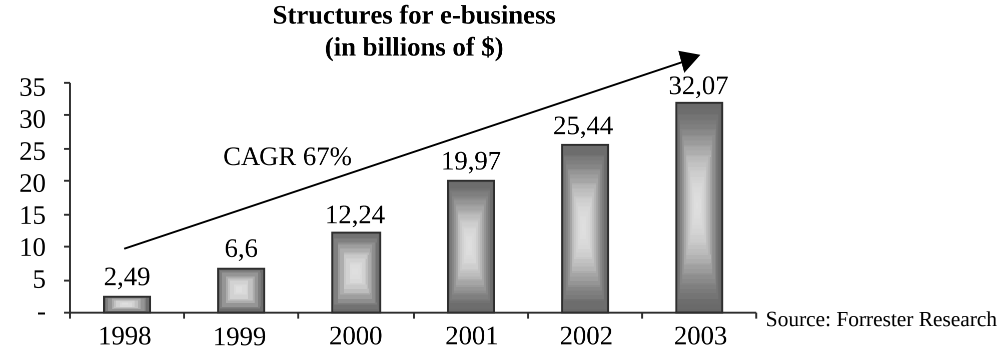
• ***Supply Chain Management and Customer Relationship Management***

According to AMR Research, the market of SCM and CRM applications in the year 2000 will reach US$ 11 billion, with a growth-rate of 46% compared with the previous year(7).



• **Technological Architecture for E-business**

According to the forecasts made by Forrester Research, the demand for services aimed at the implementation of technological architectures for E-business will grow at a CAGR of 67% over the period 1998 – 2003, reaching US$ 12.24 billion in 2000 and US$ 32.07 billion in 2003

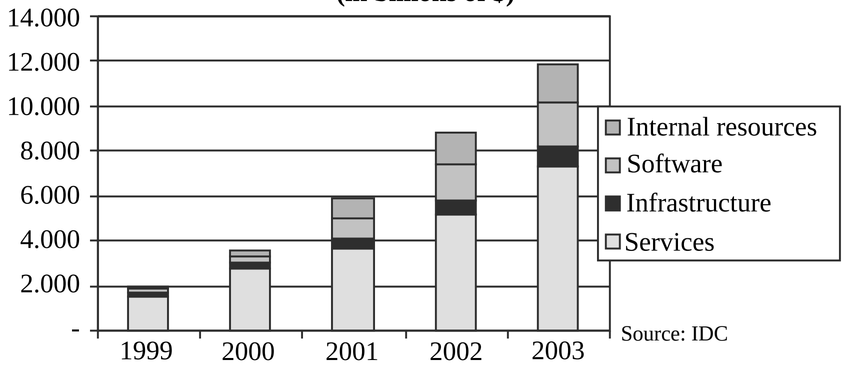


(7) AMR Research Inc., The Report on Enterprise Applications, January 2000

• Knowledge Management

The tendency of enterprises to evolve towards business models based on Knowledge Management, brings one to forecast a strong growth for the next years in the global market of Knowledge Management, which in 2003, according to IDC forecasts will reach US$ 7.3 billion against US$ 1.5 billion in 1999 and US$ 2.8 billion in 2000.

The global Knowledge Management Market (in billions of $)



Source: IDC

• Internet Service Provider applications and Telecommunications

Growth trends within the market for applications for ISP and telecommunications is directly correlated to the development of the communications sector and to the spread of the Internet.

In Italy, according to Assinform, the Telecommunications market in 1999 registered a growth equal to 14.6% compared with the previous year(8), a rate higher than that in other European countries and the global average. The year 2000 is confirming positive growth trends in the sector which will see a strong development of activities linked with call centre services as well as WAP (Wireless Application Protocol) services, these latter allowing access to the Internet with a mobile phone.

With reference to the Internet Service Provider market in Italy, according to Eito estimates, Web users will grow from 5.3 million in 1999 to 13.3 million in 2002 with a CAGR of 35.5%(9).

1.2.7 Factors influencing the management

The management of the Company deems that the following are the main factors that can influence the activity and future development of the Reply Group.

• Economic trends

The computer consultancy market is linked to the performance of economies in industrialized countries where the demand for products with a high-level of technological content is higher. Any eventual economic slowdown on a national or international scale or a high rate of inflation could reduce or stop the growth in demand.

• Dependence on New Economy

The evolution of organisational models which are the basis of New Economy determines the market in which the Reply Group operates. Consequently, choices in industrial and government policies, which today reflect an intention to promote the New Economy through incentives for companies, investment strategies orientated towards young workers' training as well as the introduction of new kinds of work and investments in favour of telecommunications infrastructure, form a key-element in achieving a higher penetration in the Internet and connected services.

(8) Assinform, Rapporto Assinform 2000.
(9) Eito, Eito 2000.

• Evolution of services linked with the Internet

The area of E-business consultancy services in which the Reply Group operates is characterised by fast and significant technological changes as well as by a constant evolution in the composition of skills and competencies to be brought together in the implementation of such services, with a necessity of constant development and updating of services and products. Therefore, the future development of the Reply Group's activity will depend on the ability to anticipate technological evolution and the content of such services, even through significant investment in research and development activities.

1.2.8 Threats and Opportunities

1.2.8.1 Opportunities

The management of Reply indicates the opportunities for the Group in three key areas:

• Development of the Internet and rapidly evolving Technologies

From the commencement of its business, the Group has grown thanks to its ability to develop and keep its know-how of technological solutions, which are among the most advanced on the market, updated.

The expected development of the Internet and the parallel revolution of the relative technologies may constitute a basis for the widening of and the evolution of solutions and services offered by the Group. According to the forecast of the Company, this will offer the Group the concrete possibility of acquiring, in the short-medium term, a leading market position considerably wider than that it has today. This expected development is also supported by the functionality and flexibility of the solutions offered.

• Evolution of the demand for services

As specified in Paragraph 1.2.6, the areas of the market in which the Group operates are in a state of intense development. Nevertheless, the need for enterprises to introduce complex technological solutions are accompanied by limited internal technical know-how.

The combination of these factors leads to an increased recourse to external consultancy.

In the implementation of these E-business solutions, the limitations of traditional consultancy active in the market have emerged: on one hand, Web Agencies specialised in the services of graphic projection, find difficulty in offering the professional services necessary for the development of E-business strategies; on the other hand, traditional IT consultancy firms are anchored to their specific competencies, mostly in the field of applications.

• International expansion

The growth rates of the European markets (see Paragraph 1.2.6), are not at present supported by an adequate offering of services from the Internet consultancy companies currently operational.

The consolidated experience in net based applications of the Group, give rise to the opportunity to increase the geographic spread of the offer of these solutions to cover different industrial areas, which will assist the Group in its policy of international expansion (see Paragraph 1.2.18).

1.2.8.2 Threats

• Barriers to entry

Barriers to entry in the E-business consultancy market are not such as to prevent new operators from becoming active in this sector. In fact, despite the market being quite rarefied in this sector, financial investment for the development of solutions is relatively limited. Consequently, the Group does not exclude the possibility of a increase in competition in the medium term.

• High level of competition

The Internet consultancy market is highly competitive. In particular, some of the Group's competitors (see Paragraph 1.2.14 of this Chapter) have greater resources at their disposal from a financial and marketing point of view and are more visible on the market. For the above reasons, some competitors could be able increase their market share, thereby damaging the Reply Group.

• Rapidly changing technology

Solutions offered by the Group are subject to rapid technological changes. The Group believes that the future success of the business will depend on its ability to adapt and on providing improved solutions and developing new products with advanced characteristics, increasingly better meeting customer requirements. This orientation is not in any case sufficient to guarantee that the Group will always be able to recognise and use new and innovative technological instruments, or to assure the ability of the Group to develop and introduce new solutions or of innovating those already existing within a time-frame that is useful for the customer and acceptable for the market.

• Safeguard of technological property

Reply Group believes it does not infringe, in the carrying out of its activity, third parties' rights to industrial property. Even today, however, despite research on patents and other forms of registration of products commercialised by the Group, one cannot exclude the possibility that current products may be the subject of previous patents or other forms of registration.

• Reduction of Internet diffusion

The management of the Company believes that the future success of the Group is strongly linked to the development of the Internet and its general popularity as a commercial instrument. A widespread acceptance of the Internet and its adoption as a business vehicle are strictly conditioned by the net's ability to offer an increasingly higher efficiency and effectiveness. Should the Internet not continue to grow, or should it grow at a slower rate, the development of the Reply Group as well as its profitability may be affected.

• Dependence on personnel

Company management carry out particularly significant operating functions in the Group's business. Without certain individuals, and in particulars Messrs. Mario Rizzante, Sergio Ingegnatti and Oscar Pepino (see Paragraph 1.6.1 of this Chapter), the activity of the Group would be adversely affected. Furthermore, the Group ascribes its prospects of success in a high degree on the ability to select, train, motivate and retain highly-skilled personnel to manage the growth process. Competition in recruiting such personnel is high and there is no certainty that the Group will in future always be able to select qualified staff.

1.2.9 Seasonal Variations

The activity of the Group is not significantly affected by seasonal variations.

1.2.10 Interest and exchange rate risk

There are not any significant exchange risks, as almost all turnover and purchases take place in Member States of the European Monetary Union

The risk linked with the interest payable rate trend is considered insignificant, given the limited recourse to external financing by the Reply Group, which was equal to approx. ITL 3,817,000,000 on June 30th 2000.

1.2.11 Raw material price trends

Reply Group does not use raw or semi-manufactured materials within its own productive cycle, except for normal office equipment.

1.2.12 Product price trends

As noted in Paragraph 1.2, Reply Group concentrates its main activity within technological consultancy services, for which product sales or third party services are a consequence of the core business, with an insignificant effect in terms of consolidated turnover (around 4% of turnover in 1999) and only a marginal effect on net profit.

The Reply Group charges its service to the clients on the basis of two different but substantially homogeneous approaches: by hourly tariffs and 'turnkey' projects.

In the first case, the cost of the consultancy service is calculated, periodically, in accordance with the time effectively worked by the Group staff at the hourly rate agreed with the client. In the case where an agreement is drawn up with an individual client, such agreement will include the definition of the types of services which Reply will provide, professional competencies to be included as well as hourly rates based on the single professional individuals working on the project.

In the second case, the a fixed price is set at the beginning of the project, in view of a number of factors which depend on the market and on Reply's approach to the project, among which include:

- an evaluation carried out during sales phase, depending on the preliminary specific design of a solution, planning of the project and necessary competencies required
- the difficulty of the solution (in terms of technology, communication and applicable consultancy service)
- the specific activity in relation to the market sector (contextual knowledge);
- spread and availability of technological platforms as well as communication instruments chosen.

The hourly rate used by the Reply Group on average both in formulating the offer as well as in preparing the estimates for turnkey projects is calculated as having increased, in the tri-ennial period 1997-1999, by 10.2%.

1.2.13 Regulatory situation

The business developed by Reply Group is not subject to any specific sector regulations.

1.2.14 Competitive position of Reply

In the opinion of the management, the principal factors relating to the sector in which Reply Group operates, can be identified as being the ability to develop and rapidly implement E-business systems, in the quality of the service offered, in the knowledge and technical competencies, in the experience acquired in project management, in the ability and experience acquired in providing professional services, in the brand's value and in the added value of the services.

In fact, the Group operates in a competitive sector, which puts it in competition with Italian and multinational companies with access to greater financial resources than are available to the Reply Group. This situation is also true for Internet activities, where it is likely that the Company will also have to compete with numerous small specialised companies, able to carry out research and development concentrated on a narrow product range.

The market of E-business solutions is highly competitive and segmented, and currently the presence of operators can be subdivided following the cultural background characterising them, and the services offered:

- E-business consultancy companies (Marchfirst, Proxicom, Sapient, Scient). These companies are focused on the Internet and have developed in recent years with the purpose of assisting businesses in creating, planning and implementing E-business solutions. Unlike other operators, such as the traditional System Integrators and computer consultancy companies, their incomes derive mostly from Internet technologies.

- "Big Five" (Andersen Consulting, Deloitte & Touche, Ernst & Young/CapGemini, KPMG and PriceWaterhouseCoopers). These are companies that have a consultancy background characterised by specific competencies in developing business strategies and processes, assisting their clients in finding the best solution in order to integrate Internet technologies within the corporate business model.

- System Integrator (Atos, Datamat, Etnoteam, Sema, TXT). These companies come from consultancy activity in the IT sector and their services are principally in the context of system integration and the development of application and technological infrastructures.

- Owners of technology (Hewlett Packard, IBM, Microsoft, Oracle). These are companies in which the core business was and is formed by the production of software or hardware and which have diversified their activity expanding within the sector of technological consultancy.

- Web Agency (Icon Medialab, Inferentia, Razorfish). These are companies which come from the world of multimedia graphics and/or advertising, which are specialised in the communication, marketing and design of Internet sites.

- Niche operators. These are companies of which there are currently a high number, which are characterised by their small size, diversified backgrounds and which focus their own businesses on specific services for technological consultancy or industrial sectors.

Considering the lines of offer in which the services of the Reply Group come to the fore (New Media, Technological architecture and Portals, Knowledge Management, Extended enterprise and Internet Service Provider and Telecommunications: see Paragraph 1.2.1 of the this Chapter), it is the opinion of the management that the Group is placed mainly within the first of the aforementioned categories. Nevertheless, Internet services characteristically being so fragmented, the Company believes that competitors within the Italian market can also be identified within other categories described above.

Within such a context, the management points out its competitors as being the following(10):

- Etnoteam S.p.A, with its registered office in Milan. The company designs, implements and manages information communication technologies, and solutions in Telecommunications, E-business and the E-governance sectors;

- Icon Medialab S.r.l. with its registered office in Milan, controlled by Icon Medialab International AB with its registered office in Stockholm, Sweden. It offers services for the implementation of Intranet, Extranet and Internet services, focused on communications.

- Inferentia s.p.a., with its registered office in Milan. A media agency which develops a line of offer of web outsourcing, web design, marketing and strategy services;

- Marchfirst Inc., with its registered office in Chicago, Illinois, USA. It offers professional services for the implementation of E-business systems, including ASP and brand building services.

- Proxicom Inc., with its registered office in Reston, VA, USA. It provides professional services for the implementation of E-business systems (SCM, CRM and marketing), technology (E-business architectures, communication protocols, etc.) and creativity (structure of contents, graphics, interfaces design, etc.);

- Sapient s.p.a., with its registered office in Milan. Part of the Sapient Corp. group, with its registered office in Cambridge, Massachusetts, USA, specialised in professional consultancy services for Internet orientated towards supplying of end-to-end solutions and start-ups;

- Scient Corp., with its registered office in San Francisco, California, USA. The Company provides professional services for the implementation of E-business systems. Markets of reference are; finance, electronic, enterprise solutions, telecommunications, retail, and media.

The Company deems that competition within the Internet sector is bound to increase in the near future, especially when important IT services companies decide to use larger resources in trying to exploit the opportunities offered by E-business.

1.2.15 Dependence on patents, trademarks, licenses and manufacturing processes

The Company and its controlled companies do not use patents owned by third parties.

The Company owns the trademark “Reply”, for which a request was presented in Italy for registration, it already being registered in Switzerland and within the EU. Such a trade-mark is used by all companies of the Group in compliance with specific agreements (Please refer to Paragraph 1.2.17.5. below).

The business of the Company and its controlled companies does not depend on licenses or other intellectual property rights belonging to third parties.

(10) For the description of the above mentioned companies’ activities it has been made reference to the Web sites of the single companies.

1.2.16 Freely transferable assets

The Reply Group does not use any freely transferable assets.

1.2.17 Transactions undertaken with related parties and Group Companies

During the last three years significant transactions between the Company and its controlled companies have been carried out, as well as between such entities and shareholders.

1.2.17.1 Guarantees

The Company has given guarantees in favour of the controlled companies, as shown in the table below.

Date	Beneficiary	Credit Institute	Guarantee
11/10/2000	Cluster Reply	Monte Paschi Siena	1.020.000.000
28/08/00	Cluster Reply Roma	Credito Italiano	144.000.000
28/08/00	Sytel Reply	Credito Italiano	720.000.000
28/08/00	Cluster Reply Milano	Banca Pop. Milano	144.000.000
11/10/00	Technology Reply	Monte Paschi Siena	516.000.000
11/10/00	Business Reply	Monte Paschi Siena	240.000.000
11/10/00	Aktive Reply	Monte Paschi Siena	120.000.000
21/9/00	Cluster Reply Milano	San Paolo IMI	93..000.000
21/9/00	Sytel Reply	San Paolo IMI	100.000.000
21/9/00	Technology Reply Torino	San Paolo IMI	39..000.000
21/9/00	Business Reply	San Paolo IMI	105.000.000
21/9/00	Cluster Reply	San Paolo IMI	44.000.000
21/9/00	Technology Reply	San Paolo IMI	90.000.000
21/9/00	Cluster Reply Roma	San Paolo IMI	50.000.000
26/9/00	Cluster Reply Roma	San Paolo IMI	14.400.000

On 14 April 2000, the Company, gave a further letter of guarantee to Banca Popolare di Lodi in relation to Yellow House Reply, relating to their granting of credit facilities up to an amount of Lire 440,000,000.

On 30 October 2000, the Company gave two guarantees to Cassa di Risparmio di Torino s.p.a. for Aktive Reply and Creative Reply, relating to the granting of credit lines for these two companies.

All of the above mentioned guarantees are exclusively aimed at allowing the beneficiary companies to avail themselves of the means necessary for the development of their business.

1.2.17.2 Service Agreements

• Contracts of service having as an object, premises, bill payments and secretarial services.

Alika, which holds a has a holding equal to 20.59% of the Company, has entered into several service contracts with Reply and with the Group companies, having as their object the right to use the premises owned or leased by Alika, as well as the bill payment and secretarial services (such as receipt of mail and of telephone communications, and the carrying out of reception activities), as set forth in the table below:

Company	Date	Place	Annual cost
Reply	01/08/2000	Corso Francia 110 – Torino	336.000.000
Aktive Reply	10/01/2000	Corso Francia 110 – Torino	60.000.000
Business Reply	10/01/2000	Via Ripamonti 89 – Milano	84.000.000
Cluster Reply	10/01/2000	Via Assietta 14 – Torino	276.000.000
Cluster Reply Milano	10/01/2000	Via Ripamonti 89 –Milano	84.000.000
Technology Reply	10/01/2000	Via Ripamonti 89 – Milano	216.000.000
Technology Reply Torino	10/01/2000	Via Assietta 14 – Torino	60.000.000
Sytel Reply Milano	02/05/2000	Corso Francia 110 – Torino	12.000.000
Sytel Reply Milano	29/09/2000	Via Ripamonti 89 – Milano	45.600.000
Creative Reply	29/09/2000	Via Ripamonti 89 – Milano	45.600.000

The annual costs indicated above were stipulated according to market values.

The above contracts have a fixed duration of one year, with the possibility to extend the original terms for an additional 3 months.

• Contracts of administrative assistance

Alika has also entered into several contracts with Reply and the Group companies having as their object the provision of administrative, managerial, commercial and marketing assistance, as well as services relating to the Intranet, electronic mail and Web management for each Controlled Company.

These contracts, described in the table below, have been transferred from Alika to Reply on the transfer of the business executed on the 10th July 2000 (see following Paragraph), having effect from the 31st July 2000. Reply has consequently taken on the position of provider of the above services.

Company	Date	Annual cost
Aktive Reply	01/07/2000	36.000.000
Business Reply	10/01/2000	300.000.000
Cluster Reply	10/01/2000	450.000.000
Cluster Reply Milan	10/01/2000	240.000.000
Cluster Reply Rome	10/01/2000	180.000.000
Creative Reply	01/08/2000	40.000.000
Sytel Reply	10/01/2000	450.000.000
Sytel Reply Milan	10/01/2000	60.000.000
Technology Reply	10/01/2000	600.000.000
Technology Reply Turin	10/01/2000	120.000.000
Yellow House Reply	01/07/2000	96.000.000

The annual costs indicated above were according to open market values.

The duration of the contracts is until 31 December 2000, with the option to automatically renew for the a period of 1 year.

1.2.17.3 Transfer of going concern

For the purpose of bringing into the Group, all the residual activities still with and managed by Alika, which are fundamental to the ongoing business, relating to the Group administration function, on 10th July 2000, by private contract, authenticated by the notary Caterina Bima of Turin, Alika transferred to Reply these activities. The transaction, at net book value and with goodwill determined by the profitability of the activity in the last three years, was executed on 31st July 2000.

1.2.17.4 Financial contracts relating to the Group

The By-laws of the Controlled Companies expressly provide the companies with the right to request from their own shareholders the loans which are instrumental to the running of their business. The table below shows those companies within the Group who have availed themselves of this right and the shareholders who have granted such loans and the amounts loaned.

Borrowing Company	**Lending Shareholder**	**Financing partner**	**Amount**
Aktive Reply	Reply	**301.980.000**	- 1.980.000: on 31/12/2000 - 300.000.000: automatic annual renewal
Business Reply	Reply	**280.000.000**	automatic annual renewal
Cluster Reply Milano	1. Cluster Reply Milano	75.000.000	automatic annual renewal
	2. Technology Reply	75.000.000	
	3. Reply	50.000.000	
	Total	**200.000.000**	
Cluster Reply Roma	1. Cluster Reply	113.750.000	automatic annual renewal
	2. Sytel Reply	113.750.000	
	3. Reply	122.500.000	
	Total	**350.000.000**	
Creative Reply	Reply	**102.880.000**	- 2.880.000: on 31/12/2000 - 100.000.000: automatic annual renewal
Sytel Reply	Reply	**293.075.100**	31/12/2000
Sytel Reply Milano	1. Sytel Reply	75.000.000	- L. 10.800.000 from
	2. Technology Reply	75.000.000	Reply: 31/12/2000
	3. Reply	60.800.000	- 200.000.000 automatic
	Total	**210.800.000**	annual renewal
Technology Reply	Reply	**227.407.500**	31/12/2000
Technology Reply Torino	1. Cluster Reply	75.000.000	automatic annual renewal
	2. Technology Reply	75.000.000	
	3. Reply	50.000.000	
	Total	**200.000.000**	
Yellow House Reply	Reply	**44.476.200**	31/12/2000

All the above financing is non interest bearing and are aimed, without limiting the scope, to financially support the activities of the Controlled Companies.

1.2.17.5 Trademark "Reply"

The trademark "Reply" was assigned from Alika to Reply (Reply at the time of assignment being called Reply Europe) when the latter was incorporated on the 30th December 1997 for Lire 9,971,000, determined, without recourse to expert independent advisors, on the basis of costs incurred to that date in registering the mark in Italy, Switzerland and the European Union.

By means of a contract signed on the 1st October 1998, the Company assigned the above trademark to Alister Holding (a shareholder of the Company having at that time a shareholding of 82.3%, and on the date of this prospectus a holding of 42.13%). This assignment was effective from the 27th February 1998. Following the assignment, Alister Holding granted a licence to use the trademark in favour of the Issuer, by means of a contract signed on the 1st October 1998. Reply then entered into sub-license contracts granting the use of the trademark to the companies of the Reply Group. Such contracts are renewable annually and the consideration agreed for the use of the trademark has been agreed at 3% of the amounts invoiced by the sub-licensed companies towards third parties. The table below shows the sub-licensed companies of the Group, the date of signing of the relative contract and the initial duration of the contract, as well as the consideration agreed.

Sub-licensing company	Duration	Consideration
Business Reply	27/02/98 – 31/12/98 (annually renewable)	3% invoiced to third parties
Cluster Reply	27/02/98 – 31/12/98 (annually renewable)	3% invoiced to third parties
Cluster Reply Milan	27/02/98 – 31/12/98 (annually renewable)	3% invoiced to third parties
Cluster Reply Rome	27/02/98 – 31/12/98 (annually renewable)	3% invoiced to third parties
Sytel Reply	27/02/98 – 31/12/98 (annually renewable)	3% invoiced to third parties
Technology Reply	27/02/98 – 31/12/98 (annually renewable)	3% invoiced to third parties
Technology Reply Turin	22/02/99 – 31/12/99 (annually renewable)	3% invoiced to third parties
Sytel Reply Milan	26/07/99 – 31/12/99 (annually renewable)	3% invoiced to third parties
Aktive Reply	05/11/99 – 31/12/00 (annually renewable)	3% invoiced to third parties
Creative Reply	21/02/00 – 31/12/00 (annually renewable)	3% invoiced to third parties
Yellow House Reply	10/03/00 – 31/12/00 (annually renewable)	3% invoiced to third parties

Finally, further to the capital increase Reply (then Reply Europe), resolved on the 9th June 2000 and subscribed by Alister Holding via the transfer of its participations in the Controlled Companies, as well as of the Reply trademark (see paragraph 1.1 of the this Chapter), the ownership of the above mentioned trademark was again transferred to Reply.

At present, the Group companies use the Reply Trademark, under the same conditions reported above, paying Reply the sums indicated.

1.2.17.6 Corporate operations

- By deed of the 30th December 1997, filed by Notary Jean Joseph Wagner of Luxembourg, Alika incorporated, together with Alister Holding, the company Reply Europe (now Reply s.p.a.) (for further details please refer to Paragraph1.1) with a share capital of ITL. 864,000,000, divided into 8,460 shares of ITL. 100,000 each. The shareholding held by Alika in Reply Europe was subscribed for by means of the transfer of the trademark "Reply" (please see Paragraph 1.2.17.5 above) and of the following stakes held in the Controlled Companies:

  - 70% of the share capital of Technology Reply (valued at Lire 178,582,894);
  - 80% of the share capital of Sytel Reply (valued at Lire 240,129,105);
  - 55% of the share capital of Business Reply (valued at Lire 63,394,082);
  - 85% of the share capital of Cluster Reply (valued at Lire 219,065,841).

The above transfer values were determined on the basis of net asset value of the company at 30 September 1997, in proportion to the percentage participation transferred.

- By means of a private agreement authenticated by the notary Caterina Bima of Turin on the 9th December 1999 (index no.59371) the following shares held in Cluster Reply Milan were transferred with effect from the 1st January 2000:

  - Cluster Reply assigned to the Company a shareholding with a nominal value of ITL. 300,000 equal to 1.5% of the capital for consideration of Lire 398,000;

- Alika assigned to the Company a shareholding with a nominal value of ITL. 4,400,000 equal to 22% of capital for consideration of Lire 5,837,000;

- Technology Reply assigned to the Company a shareholding with a nominal value of ITL. 300,000 equal to 1.5% of the capital for consideration of Lire 398,000.

The above values for acquisition were determined on the basis of the value of net assets of the target company, based on the last approved accounts.

- By means of a private agreement authenticated by the notary Caterina Bima of Turin on the 9th and 21 December 1999 (index no.59373) the following shares held in Cluster Reply Roma were transferred with effect from the 1st January 2000:

  - Cluster Reply assigned to the Company a shareholding with a nominal value of ITL. 1,300,000 equal to 6.5% of the capital for consideration of Lire 1,571,000;

  - Alika assigned to the Company a shareholding with a nominal value of ITL. 2,400,000 equal to 12% of the capital for consideration of Lire 2,900,000;

  - Sytel Reply assigned to the Company a shareholding with a nominal value of ITL. 1,300,000 equal to 6.5% of the capital for consideration of Lire 1,571,000;

  - Other minority shareholders assigned to the Company shareholdings with a nominal value of ITL. 2,000,000 equal to 10% of the capital for consideration of Lire 2,500,000.

The above values for acquisition were determined on the basis of the value of net assets of the target company, based on the last approved accounts.

- By means of a private agreement authenticated by the notary Caterina Bima of Turin on the 9th December 1999 (index no.59372) the following shares held in Technology Reply Torino were transferred with effect from the 1st January 2000:

  - Cluster Reply assigned to the Company a shareholding with a nominal value of Euro 150 equal to 1.5% of the capital;

  - Alika assigned to the Company a shareholding with a nominal value of Euro 2,200 equal to 22% of the capital;

  - Technology Reply assigned to the Company a shareholding with a nominal value of Euro 150 equal to 1.5% of the capital;

- Between May and July 2000, the Company, together with Alister Holding, Iceberg and Alika (companies which are managed directly and indirectly by the directors Mario Rizzante, Sergio Ingegnatti and Oscar Pepino – see Paragraph 2.7 below) undertook several operations having as a specific purpose, the rationalisation and transparency of the Group in view of the listing on the New Market. In particular:

  - By means of an operation finalised in May 2000, Alister Holding acquired from minority shareholders in the companies shown in the table below, the following shareholdings:

Company	**Percentage acquired**	**Consideration**
Technology Reply	30%	Lire 1.755.600.000
Sytel Reply	20%	Lire 907.300.000
Business Reply	30%	Lire 639.200.000
Cluster Reply	15%	Lire 809.500.000
Aktive Reply	20%	Lire 3.900.000
Creative Reply	15%	Lire 3.000.000

The above stated consideration was determined on the basis of a valuation of the relevant company, corresponding to 50% of the consolidated turnover deriving from the individual company in 1999, adjusted for the percentage participation acquired, and excluding the holdings in Aktive and Creative Reply which were sold at nominal value.

- On June 9th, 2000 Reply's share capital was been increased to ITL. 3,232,1000,000 by means of 18,546 shares issued at a nominal value of ITL. 100,000 each (plus a total premium of Lire 5,563,900,000), entirely subscribed for by Alister Holding by means the holdings in the operating companies mentioned above (at the above mentioned values) and of the transfer of the 'Reply' trademark (at a value of Lire 3,300,000,000 determined without reference to expert independent advisors, on the basis of the discounted value of Royalties). This transfer was not carried out in line with article 2440 of the Italian Civil Code, as at that date the Company was subject to Luxembourg legislation.

- As regards the current Group structure, following the above mentioned transfers, please refer to Section I Chapter 1, Paragraph 1.1 and the figure shown there, and Paragraph 1.5.

1.2.18 Future plans and strategies

Reply Group's strategic objective is to gain a leading position in the Italian market for E-business services and solutions as well as to increase its presence on international markets. To achieve such objectives, management intend to follow these main directions:

• Launch of new products

The development of new services including the creation of a line of business, named E-sourcing, having as its object the management of Web systems. Within E-sourcing, Reply includes all management activities of Internet systems including Interactive support, technical assistance on Internet systems, Customer Care, evolution of applications as well as ordinary repairs for such activities.

In launching new services, such as E-sourcing, and in the expansion of most recent lines of business such as Knowledge Management and New Media, the Group should continue to benefit from the synergies between the Group companies.

• Methodological approach and Knowledge Management

Rapid technological evolution, which is an identifying characteristic of the world of the Internet, demands specialised competencies as well as a methodological approach in order to facilitate the prompt implementation of efficient solutions.

In order to maintain and benefit from this characteristic, identified as one of the most important by management, the Group strategy will be aimed on the one hand at financing the development of the Reply methodology; on the other hand, at sharing the knowledge acquired during the implementation of projects thanks to a constant improvement of the internal knowledge management systems.

• Territorial expansion - Acquisitions

The Group intends to expand, both in domestic and international markets, replicating the current business model of a network of operating companies, that are both specialised and flexible, with a customer portfolio ranging from medium to large clients. The geographical development, both nationally and abroad, can also be achieved through the acquisition of innovative niche businesses, which would be equipped with qualified human resources, operating within the current lines of offer of the Group.

• Human resources management

Management consider the capacity to attract professionals in the E-business sector as a key-element for success, in order to achieve the development strategies. In fact, a competitive characteristic of the Group is the source of its professional staff, coming from the best universities and polytechnics for the sector. Reply intends to keep this factor as a distinctive feature in the process of staff expansion, increasing investments dedicated to training, as well as relationships with universities and to a constant innovation of business, technological and communication competencies. In order to maintain these privileged channels for attracting highly-skilled staff, the Company intends to consolidate the co-operative relationships set up with different universities in the past. Furthermore, the Group foresees the commencement of incentive plans based on the achievement of objectives for all business strategies of the Company by means of a programmed launch of stock options (see Paragraph 3.4).

1.3 Real estate, plant and machinery

1.3.1 Real estate

The Issuer and the Controlled Companies do not own any real estate.

1.3.2 Leasehold property

1.3.2.1 Real estate leases

The following table shows the real estate utilised by Reply and by the Controlled Companies through lease contracts and service contracts listed in the previous Paragraph (1.2.17.2)

Company	Location	Address	Use	Annual fee (Lire)
Reply (*)	Torino	Corso Francia n.110	Registered office	336.000.000 (*)
Technology Reply (*)	Milano	Via Ripamonti n. 89	Registered office	
			Office	216.000.000 (*)
Sytel Reply	Roma	Via G.B. Vico n. 31	Registered office	96.156.288
Cluster Reply (*)				
Local Unit	Torino	Via Assietta n. 14	Registered office	276.000.000 (*)
Business Reply (*)				
Local Unit	Milano	Via Ripamonti n. 89	Registered office	
			Office	84.000.000 (*)
Yellow House Reply	Roma			
Local Unit	Roma	Via Dora n. 2	Registered office	
			Office	32.400.000
Cluster Reply Milano (*)				
Local Unit	Milano	Via Ripamonti n. 89	Registered office	
			Office	84.000.000 (*)
Cluster Reply Roma				
Local Unit	Roma	Via Gianturco n.5	Registered office	
			Office	57.600.000
Technology Reply Torino(*)				
Local Unit	Torino	Via Assietta	Registered office	
			Office	60.000.000 (*)
Sytel Reply Milano (*)	Torino	Corso Francia n. 110	Registered office	12.000.000 (*)
Local Unit (*)	Milano	Via Ripamonti n. 89	Office	45.600.000 (*)
Aktive Reply (*)	Torino	Corso Francia n. 110	Registered office	
			Office	60.000.000(*)
Creative Reply (*)	Milano	Via Ripamonti n. 89	Registered office	
			Office	45.600.000 (*)

(*) The use of these sites is subject to the service contract with Alika (for further details see Paragraph 1.2.17.6) and the corresponding amounts indicated are inclusive of all the services offered by Alika, depending on availability at the individual sites, and other services used.

1.3.2.2 Movable assets

None of the Group companies hold any significant moveable assets on the basis of lease contracts or hire contracts.

1.4 Exceptional Events

No exceptional events have had any influence on the information supplied as per Paragraphs 1.2 to 1.3 (inclusive) of the present Chapter.

1.5 Structural Organisation of the Reply Group

At the date of the Prospectus, the Group is organised in a structure, with Reply at the head of the Group, controlling directly and indirectly, 11 companies as indicated in the table below:

Company	Capital	% Holding
Technology Reply	ITL 150.000.000	100% Reply
Sytel Reply	ITL 120.000.000	100% Reply
Cluster Reply	ITL 100.000.000	100% Reply
Business Reply	ITL 150.000.000	100% Reply
Yellow House Reply	Euro 21.224	100% Reply
Cluster Reply Milan	ITL 20.000.000	25% Reply
		37,5% Cluster Reply
		37,5% Technology Reply
Cluster Reply Rome	ITL 20.000.000	35% Reply
		32,5% Cluster Reply
		32,5% Sytel Reply
Technology Reply Turin	Euro 10.000	25% Reply
		37,5% Cluster Reply
		37,5% Technology Reply
Sytel Reply Milan	Euro 10.000	25% Reply
		37,5% Sytel Reply
		37,5% Technology Reply
Aktive Reply	Euro 10.000	100% Reply
Creative Reply	Euro 10.000	100% Reply

The Company is holding company of the Reply Group. As such it manages operational co-ordination, technical direction, quality, administration, financial functions, purchasing, an marketing activities of the Group and the Controlled Companies. Furthermore, following the acquisition of the business from Alika on 10 July 2000, (see Section I, Chapter I, paragraph 1.2.17.3), the Company can undertake IT consultancy activities and consultancy for Extended Enterprise activities, using professionals from the Controlled Companies. In such cases, the operating relationship between the Company and the Group company would be at normal market rates.

For details regarding the ownership structure of the Company at the date of the Prospectus please refer to Section One, Chapter III, paragraph 3.1. For general information on the Company, on the corporate capital and on the evolution of Company in the course of the last three years, please see Section One, Chapter VI.

As far as the Controlled Companies are concerned:

- **Technology Reply s.r.l.** was incorporated on the 20th October,1994. It has its registered office in Turin (TO), Corso Francia, 110. The share capital which is entirely subscribed and paid up, is equal to ITL.150,000,000 and is held by the Issuer up to 100%. The company’s activities principally concern the design and achievement of solutions for Internet Portals which are open standard and based on Oracle technologies, and is also active in the field of SCM for the Extended enterprise in the geographical area of Milan.

- **Sytel Reply s.r.l.** was incorporated on the 9th December 1994. It has its registered office in Rome, Via Giambattista Vico, 31. The share capital which is entirely subscribed and paid up, is equal to ITL. 120,000,000. and is held by the Issuer up to 100%. The activities carried out by the company principally consist in the planning and implementation of solutions for Internet Service Providers, and Telecommunications Operators in the geographical area of Rome.

- **Cluster Reply s.r.l.** was incorporated on the 13th April 1995. It has its registered office in Turin (TO), Corso Francia, n.110. The share capital which is entirely subscribed and paid, is equal to Lit.100,000,000 and is held by the Issuer up to 100%. The company's activities principally concern the design and execution of solutions for Internet Portals based on Microsoft technologies, and it is also active in the field of CRM for the Extended Enterprise.

- **Business Reply s.r.l.** was incorporated on the 10th April 1996. It has its registered office in Turin (TO), Corso Francia, n. 110. The share capital which is entirely subscribed and paid up, is equal to Lit.150,000,000 and is held by the Issuer up to 100%. The company specialises in the service of business consultancy and business process re-engineering in the field of the Extended Enterprise.

- **Yellow House Reply s.r.l.** was incorporated on the 5th July 1996. It has its registered office in Rome, Via Giambattista Vico n.31. The share capital which is entirely subscribed and paid up, is equal to Euro 21,224. and is held by the Issuer up to 100%. The company develops and maintains basic support services for Internet Portals and is active in the design of solutions in the field of integration of Web based applications.

- **Cluster Reply Milano s.r.l.** was incorporated on the 2nd February 1998. It has its registered office in Turin (TO), Corso Francia, n. 110. The share capital which is entirely subscribed and paid up is equal to ITL. 20,000,000. Cluster Reply s.r.l. owns 37.5%, while 37.5% is owned by Technology Reply s.r.l. and the remaining 25% is owned by the Issuer. The company carries on the same activity as Cluster Reply within the geographic area of Milan.

- **Cluster Reply Roma s.r.l.** was incorporated on the 20th February 1998. It has its registered office in Rome, Via Giambattista Vico n.31. The share capital which is entirely subscribed and paid up and is equal to ITL. 20,000,000. Cluster Reply s.r.l. owns 32.5%, while 32.5% is owned by Sytel Reply s.r.l. and the remaining 35% is owned by the Issuer. The company carries on the same activity as Cluster Reply within the geographic area of Rome.

- **Technology Reply Torino s.r.l.** was incorporated on the 22nd February 1999. It has its registered office in Turin (TO), Corso Francia, n. 110. The share capital which is entirely subscribed and paid up and is equal to Euro 10,000. Cluster Reply s.r.l. owns 37.5%, while 37.5% is owned by Technology Reply s.r.l. and the remaining 25% is owned by the Issuer. The company carries on the same activity as Technology reply s.r.l. within the geographic area of Turin.

- **Sytel Reply Milano s.r.l.** was incorporated on the 26th July 1999. It has its registered office in Turin (TO), Corso Francia, n. 110. The share capital which is entirely subscribed and paid up is equal to Euro 10,000. Sytel Reply s.r.l. owns 37.5%, while 37.5% is owned by Technology Reply s.r.l. and the remaining 25% is owned by the Issuer. The company carries on the same activity as Sytel Reply s.r.l. within the geographic area of Milan.

- **Aktive Reply s.r.l.** was incorporated on the 5th November 1999. It has its registered office in Turin (TO), Corso Francia, n. 110. The share capital which is entirely subscribed and paid up, is equal to Euro 10,000 and is owned by the Issuer up to 100%. The company provides consultancy services for business processes and for Internet based solutions for the administration of know-how.

- **Creative reply s.r.l.** was incorporated on the 21st February 2000. It has its registered office in Turin (TO), Corso Francia, n. 110. The share capital which is entirely subscribed and paid up, is equal to Euro 10,000 and is owned by the Issuer up to 100%. The activities carried out by the company principally consist in provision of consultancy services for Web marketing and Web design.

In addition to the above mentioned companies, Alika (a company which has a stake in Reply's –refer to Paragraph 2.4) has holdings in the following companies:

- **E-masters s.r.l.**, which was incorporated on the 30th March 2000. It has its registered office in Turin (TO), Corso Francia, n. 114. The share capital is entirely subscribed and paid up and is equal to Euro 10,000. Alika owns 85% while the other 15% is owned by Mr. Michele Giordano. The activities carried out by the company principally consist in selecting specialised professionals in the sector of E-business and personnel training, and this activity is also carried out on-line.

- Intercambi s.p.a., which was incorporated on the 17th May 2000. It has its registered office in Turin (TO), Corso Francia, n. 114. The share capital is entirely subscribed and paid up and is equal to Euro 100,000. Alika owns 96% while the other 4% is owned by Mr. Luigi Fera. The activities which will be carried out by the company principally consist in inter-mediation and the provision of services connected with sales via the Internet sites and Portals.

1.6 Other Information

1.6.1 Key managers and personnel

1.6.1.1 Key managers

The details relating to the key managers of the Reply Group are set out in the table below, together with an indication of their relative role:

Name	**Role**
Mario Rizzante	Operative Manager of the Reply Group
Sergio Ingegnatti	Financial and Administrative Manager of the Reply Group
Oscar Pepino	Technical and Quality Manager of the Reply Group
Daniele Angelucci	Person responsible for Cluster
Angelo Bo	Person responsible for Aktive
Roberto Casagrande	Person responsible for Yellow House
Massimo Cerrato	Person responsible for Technology in Turin
Marco Cusinato	Person responsible for Cluster in Turin
Nushin Farhang	Person responsible for Cluster in Rome
Ludovico Ferrara	Person responsible for Cluster in Milan
Fabio Giallonardo	Person responsible for Yellow House
Claudio Giannotti	Person responsible for Sytel in the North
Riccardo Iezzi	Person responsible for Sytel
Riccardo Lodigiani	Person responsible for Technology
Fernando Masella	Person responsible for Business
Ennio Montani	Person responsible for Creative
Sandro Peracchio	Person responsible for Business
Ciro Perrucci	Person responsible for Aktive
Domenico Piantelli	Person responsible for Technology
Tatiana Rizzante	Person responsible for Creative
Marco Torchio	Person responsible for Cluster in Milan

Mario Rizzante (52 years old)
Graduated in Information Technology from the University of Turin, 1975.

Professional experience:
- Founder of the Reply Group and he has been Chairman since 1996
- Since 1994 Territory Manager in Southern Europe of Digital's (today Compaq's) System Integration
- From 1990 President of Mesarteam and Director of Operations in Italy of Sligos (a data processing company held by Credit Lyonnais)
- Since 1981 Chairman and founder of Mesarteam s.p.a., which started as a small start-up and which in the 1980s became on of the most important software and services suppliers in the Italian industry
- In 1970 he began his professional activities in the data processing sector of Fiat

Sergio Ingegnatti (52 years old)
Graduated in Management from the school of Industrial Management of Turin, 1975.

Professional Experience:
- Founder of the Reply Group and since 1996 Managing Director of the Group having the specific role of Administrative and Financial Manager
- Since 1995 Administrative and Financial Advisor
- Since1990 Administrative-Financial Manager of operations in Italy of Sligos (a data processing company held by Credit Lyonnais)
- In 1981 founder of Mesarteam (which then became Sligos Italia s.p.a.) where he was General Manager and Administrative-Financial Manager
- In 1974 he began his professional activities in the data processing sector of Fiat

Oscar Pepino (48 years old)
Graduated in Information Technology from the Università degli Studi of Turin in 1977.

Professional Experience:
- Founder of the Reply Group and since 1996 Director of the Reply Group wherein he has been engaged in the following roles:
  - Technical and Quality Manager of the Reply Group since 1998 and President of Cluster Reply, Milan
  - Since 1996 Managing Director of Cluster Reply
- Since 1983 the person responsible for the Milan seat of Mesarteam s.p.a. (which then became Sligos Italia s.p.a.)
- In 1981 Founding shareholder of Mesarteam s.p.a

Daniele Angelucci (44 years old)

Professional Experience:
- Founder Cluster Reply and since 1996 he has been Chairman
- Since 1986 in Mesarteam wherein:
  - In 1995 he took on the Technical Administration of the Turin area
  - In 1992 he took on the management of the Technical Software Division
  - In 1989 he was nominated Technical Manager of the Rome subsidiary
  - In 1986 Project Manager for the realisation of systems of computerisation and supervision in the industrial sector
- In 1976 at CSELT he was engaged in the development of software systems for the simulation of integrated circuits and in the definition of innovative methodologies.

Angelo Bo (41 years old)

Professional Experience:
- She has been President of Aktive Reply since 1999
- In 1998 at Compaq s.p.a.: Sales Director with reference to the telecommunications market and to the System Integrators for Northern Italy
- In 1987 at Digital Equipment s.p.a. wherein he was engaged in the following roles
  - accounts manager for important clients in the production and telecommunications market
  - person responsible for the Genova subsidiary, a structure made up of ten people including accounts manager and technicians managing a products and services turnover of Lira 40 billion.
- In 1982 at Sistex s.p.a. and A B Programs s.r.l.
  In both these companies, a representative and an agent for IBM systems respectively, he was employed as person responsible for the marketing sector and as unit manager for ERP applications in medium-sized industries.
- In 1979 he was employed with Riso Gallo s.p.a.. in the role of marketing manager in support of the sales network on the national territory.

Roberto Casagrande (35 years old)
Graduated in Electronic Engineer from "La Sapienza" University, Rome, 1988

Professional Experience:
- In1998 at YH (which then became YH Reply) employed in the role of sole director and technical manager
- In 1997 he was shareholder and technical director of cooperativa Rasenna s.r.l.c.
- In 1992 at Sysin s.p.a. first as programmer-analyst then as person responsible for technical matters of the Research and Innovation group
- In 1991 at IBM Semea s.p.a. as programme-analyst
- In 1988 at "La Sapienza" University, Rome collaborated in an Image classification project

Massimo Cerrato (40 years old)
Graduated in Electronic Engineering from the Polytechnic of Turin, 1984

Professional Experience:
- In 1999 Managing Director of Technology Reply Turin
- In 1996 at ATOS he was the Person Responsible for Sales in the North-west Industrial sector
- In 1990 at Sligos he was the Accounts Manager of important clients in the automotive area
- In 1986 at Mesarteam he was the Product Manager of an ERP product
- In 1984 at Mesarteam he was employed in the development of system integration projects in the industrial sector

Marco Cusinato (30 years old)
Graduated in Electronic Engineering from the Polytechnic of Turin, 1994

Professional Experience:
- In July 2000 he has been General Manager of Cluster Reply
- In 1997 at Sytel Reply he was engaged in the role of Person Responsible for software development
- In 1996 Project Manager at Cluster Reply
- In 1994 he carried out research activities for the Polytechnic of Turin in the Department of Automation and Data Processing

Nushin Farhang (31 years old)
Graduated in Electronic Engineering from the Polytechnic of Turin, 1999

Professional Experience:
- Since 2000 she has been Managing Director of Cluster Reply Rome
- In 1999 at Cluster Reply she was engaged in the roles of Accounts Manager and Project Manager for the realisation of internet systems
- In 1997 she founded and was a director of the co-operative Arcipelago s.c.r.l. engaged in the roles of technical manager with regard to the software engineering sector
- In 1996 at Cluster Reply where she participated in the realisation of Web construction projects
- In 1994 she collaborated with the Polytechnic of Turin for the management of certain information labs.

Ludovico Ferrara (39 years old)
Graduated in Electronic Engineering from the Polytechnic of Turin, 1985

Professional Experience:
- He has been Managing Director of Cluster Reply Milan since July 2000
- In 1996 he was at Cluster Reply as Technical Manager in the projects sector of E-business and the skills centre of Microsoft technologies.
- In 1989 at Mesarteam (then Sligos) where he was employed as Project Manager for the realisation of software projects relative to monitoring and tele-control of technological networks
- In 1985 at A.S.H. s.r.l. where he began his professional activity as a hardware and firmware programmer of microprocessing systems for digital image processing.

Fabio Giallonardo (35 years old)
Graduated in Economics and Marketing from “La Sapienza” University, Rome, 1990

Professional Experience:
- Since 1998 at YH (now YH Reply) he has been engaged in the role of Administrative Manager and Marketing Manager
- In 1997 he was President and Administrative Manager of the co-operative Rasenna Srlc
- In 1991 at Sysin S.p.a. where he was Administrative and Human Resources Manager
- In 1990 fiscal consultant of a marketing firm
- In 1985 at REMAT srl as a marketing and management consultant

Claudio Giannotti (44 years old
Graduated in Electronic Engineering from the University of Pisa, 1984

Professional Experience:
- Since 1999 Managing Director of Sytel Reply Milan.
- In 1995 at Pirelli Optical System he was engaged in the role of Marketing & Sales Regional Manager for the European market
- In 1991 at OTE S.p.A he was employed as Sales Area Manager for the Italian and Spanish telecom markets.
- In 1985 at Mesarteam S.p.a. he was employed as Project Manager for the realisation of system integration projects in the industrial sector and subsequently as Accounts Manager of Fiat Auto.

Riccardo Iezzi (45 years old):

Professional Experience:
- Founder of Sytel Reply and since December 1995 its Chairman:
- In 1988 Director Mesarteam in the Centre-South regions (since 1994: Sligos Italia)
- In 1983 Director of Wang in the centre-south region (a multinational company operative in the Distributive systems and Office Automation sectors).

Riccardo Lodigiani (43 years old):
Graduated in Information technology from the Università degli Studi, Turin, 1983

Professional Experience:
- Founder of Technology Reply and General Manager since 1995
- In 1983 at Sligos Italia (previously Mesarteam) where he was engaged in the roles of
  - In 1992, Marketing Manager of the Sales Division in the Northern region for the metal and mechanical industry, energy, publishing and food & beverage markets
  - In 1989, Director of the Advanced Technologies Group
  - In 1986, Technical Manager of the Artificial Intelligence sector
  - In 1983, software specialist.

Fernando Masella (51 years old):
Graduated in Information Technology from the University of Genova, 1976

Professional Experience:
- Founder and Chairman since 1996 of Business Reply
- In 1976 at Digital S.p.A engaged with the following roles:
  - In 1994 Director of the Professional Service Centre of Northern Italy, working on System Integration.
  - In 1993 Sales Director of Manufacturing Italia
  - In 1991 Marketing Director of Manufacturing Nord Italia
  - In 1988 District sales manager for Piemonte-Liguria-Valle d’Aosta
  - In 1986 Sales Manager of the Genova District
  - In 1981 Software Manager of the Genova District
  - In 1978 Project leader
  - In 1976 software specialist

Ennio Montani (35 years old)

Professional Experience:
- Since 2000 Chairman of Creative Reply
- In 1994 at Orchestra srl where he was engaged in the role of Production Manager and Human Resources Manager
- In 1992 at Multimedia System srl where he was engaged in the role of Project Manager and Accounts Manager for the development of products and multimedia applications
- In 1987 at ADCOMM S.p.a. engaged in the role of Project Manager of multimedia applications

Sandro Peracchio (38 years old)
Graduated in Information Technology from the Università degli Studi, Turin, 1986.

Professional Experience:
- Since 1997 Managing Director of Business Reply.
- In 1996 employed with Coopers & Lybrand. As Senior Manager, he co-ordinated international projects mostly in the strategic-organisational area
- In 1991 at Mesarteam

He carried out management consultancy activities in the area of organisation of information systems
Furthermore he lectured in the masters course of the School of Business Management (Turin) and published certain articles on management control and decision processes
- In 1986 with Andersen Consulting
  Professional formation to a managerial level

Ciro Perrucci (36 years old)
Graduated in Information Technology from the University of Turin, 1989

Professional Experience:
- Since 1999 Technical Manager of Aktive Reply
- In 1990 at ATOS (previously Sligos and Mesarteam) where he was engaged in the following roles:
  - in 1997: Accounts Manager for the industrial and telecommunications markets in the North-Western region.
  - in 1994: Product Manager in the sector of Object-Orientated technologies
  - in 1990: participation in projects of document management subsequently taking on the role of Project Manager

Domenico Piantelli (41 years old)
Graduated in Information Technology from the Università degli Studi, Milan, 1984

Professional Experience:
- Since 1995 Chairman of Technology Reply and is a founding shareholder of the company
- In 1993 at Sligos as he was Technical Manager of the Milan seat
- In 1991 at AIVE srl where he was engaged in the role of Person Responsible for the Business Unit for Logistics and Material Handling
- In 1986 at Mesarteam S.p.a. where he was Project Manager for realisation of material handling and shop floor control systems

Tatiana Rizzante (30 years old)
Graduated in Information Technology in the Polytechnic of Turin, 1995

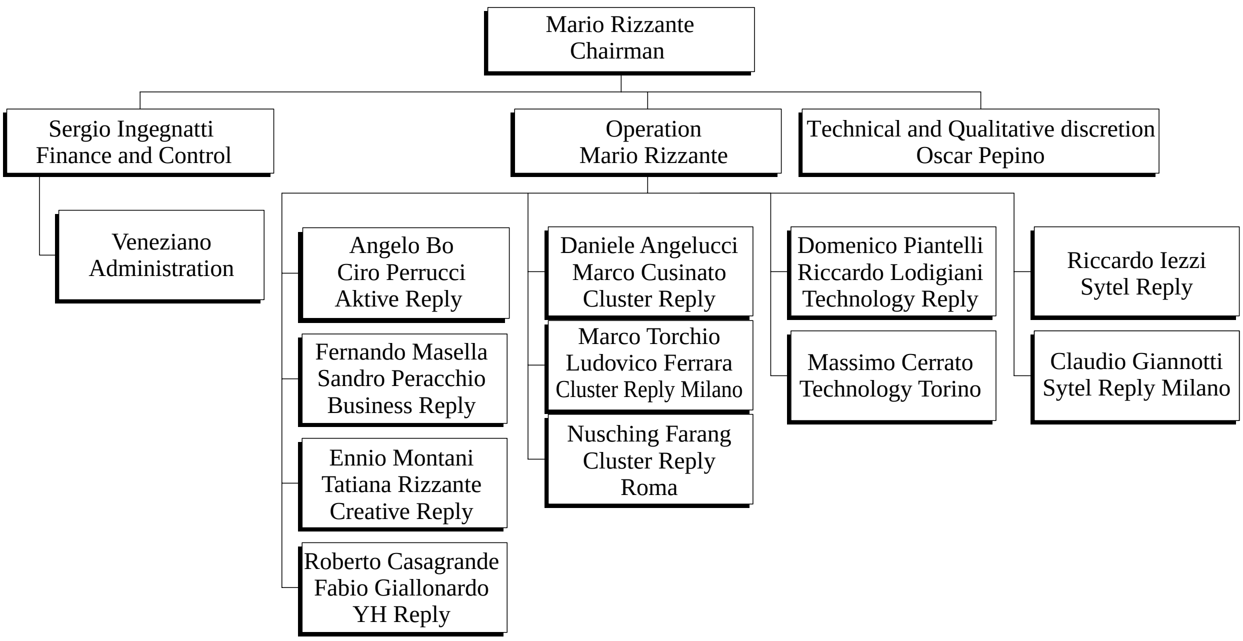
Professional Experience:
- Since 2000 General Manager of Creative Reply.
- In 1997 at Sytel Reply where she was engaged in the role of Technical Manager charged with developing a skills centre in the area of Internet services for telecommunications operators
- In 1996 at Technology Reply where she participated in projects for the realisation of Intranet sites, network computing and information retrieving
- In 1995 Research and experimentation of Internet technologies in collaboration with the Polytechnic of Turin and with Cselt

Marco Torchio (41 years old):
Graduated in Electronic Engineering from the Polytechnic of Milan, 1986

Professional Experience:
- Since July 2000 President of Cluster Reply, Milan
- In 1998 he was General Manager of Cluster Reply Milan
- In 1996 he was a collaborator of the magazine “Networking Italia” for articles regarding Business-Telecommunications-Information Technology and of the Associazione BVE for the writing of articles and relative texts concerning Internet and E-Business
- In 1996 at Sun Microsystem where he was engaged in the role of Marketing Manager for Northern Italy and Person Responsible for the Financial Division
- In 1992 at AT&T Italia where he was employed as Accounts Manager of the Banks Division
- In 1987 at NCR where he was employed in the systems sector of which he subsequently became the Manager for UNIX systems and Co-operative Computing

1.6.1.2 Organisation chart

Reply's organisational chart



1.6.1.3 Employees

As at 30 October 2000 the Reply Group had 367 personnel of which 18 are employees of Reply.

The table that follows shows the development of the staff position over the last three financial, at 30 June 2000 and 30 September 2000.

(People)	**1997**		**1998**		**1999**		**30/6/2000**		**30/9/2000**	
	Annual average	**Number at end of period**	**Annual average**	**Number at end of period**	**Annual average**	**Number at end of period**	**Annual average**	**Number at end of period**	**Annual average**	**Number at end of period**
Managers	3	3	4	4	6	8	12	13	12	14
‘Quadri’	5	8	10	11	14	17	18	19	18	20
Employees	65	72	101	126	186	219	257	280	270	312
Total	**73**	**83**	**115**	**141**	**206**	**244**	**287**	**312**	**300**	**346**

1.6.1.4 Redundancy funds

None of the companies in the Reply Group has ever made recourse to the redundancy fund.

1.6.2 Investments

1.6.2.1 Total amounts of main investments made during last three financial years and the first half of 2000

The table below shows the main investments effected by the Company in the course of the last three financial years and in the first half of the year 2000:

INVESTMENTS in millions of Lire	**1997**	**1998**	**1999**	**6/2000**
Intangible fixed assets				
Costs for plant and expansion		32	17	16
Right of use of skilled work	31	9	55	232
Rights to use of intellectual property (software licenses)				
Other	6	87	69	26
TOTAL	**37**	**128**	**141**	**274**
Tangible fixed assets				
Plant and machinery	1	45	51	4
Fixtures and fittings	10	2		26
Other Goods (electronic machines, computers)	190	532	1.001	605
TOTAL	**201**	**579**	**1.052**	**635**
Financial fixed assets				
Holdings in companies				
25% Technology Reply Torino			5	
25% Cluster Reply Milano			6	
35% Cluster Reply Roma	n. a.		9	
25% Sytel Reply Milano			5	
80% Aktive Reply			15	
20% Aktive Reply				4
20% Business Reply				639
15% Cluster Reply				810
100% Creative Reply				19
20% Sytel Reply				907
30% Technology Reply				1.756
51% Yellow House Reply				100
TOTAL			**40**	**4.235**

In the above table there is no specific reference to financial assets relating to 100% holdings. (whether direct or indirect) in the Controlled Companies, as these are consolidated line by line in the pro-forma accounts Group. Furthermore, no assets are subject to financing by third parties. For further details regarding the operation of acquisition and sale of investments in the Controlled Companies in the course of the last three years, please refer to Section One, Chapter I, Paragraphs 1.1 and 1.2.17.6.

For further information regarding investments made by the Group during the last three financial years, please refer to Chapter IV below. At the date of the Prospectus, no significant acquisitions of fixed assets have been approved by the Board of Directors.

1.6.2.2 Total amounts of main investments made in the current financial year

Since the beginning of the current financial year (the first six months of which are dealt with by the table in Paragraph 1.6.2.1 above), the Reply Group has made investments mainly in the following areas:

- Electronic equipment (personal computers, servers and connected accessories) used by the Group staff for carrying out Group business;
- Instrumental assets connected with the expansion of the operative offices;
- Software licences for software used in the laboratory, and in research and development activities.

All of the above mentioned activities were funded through the use of the cash flow generated by the current activities.

1.6.3 Research and development policies

The Reply Group does not capitalise the costs of research and development, but writes them off as incurred against profit. This approach is explained by the fact that the Group does not have a structure specifically dedicated to Research and Development (except with regard to certain products, namely Click, Lyra and People&Web), which activities are carried on by the separate Controlled Companies with regard to the range of products of their competence. The allocation of resources destined for Research and Development devolved to the separate Controlled Companies, rather than in a centralised manner, has as its purpose the maintenance of the closest and quickest connection possible - also taking into account the reaction times required in the Internet world - between the demands of the market and the Group’s capacity to develop competencies, solutions and services.

The policies regarding Research and Development in the course of these last few years have essentially followed three main lines:

- Activity orientated to the devising, planning and achievement of proprietary solutions through products such as Click, Lyra and People&Web. This activity essentially tends towards the technological and functional development of the above-mentioned products in their successive versions, in order to be able to deal with the continuous and progressive demands of clients and the market.
- Activity of investigation and experimentation of new technological architecture and solutions relative to the world of internet systems. Such activity is carried out by single operative groups, composed of staff pertaining to different companies of the Group, by means of laboratory activities and experimental projects, sometimes realised in collaboration with universities or technological partners.
- Development and experimentation of methodology. This activity consists in the simulation of practical cases from which to derive the methods and standards that the companies of the Group apply for every single type of project, and which are constantly updated.

With regard to the current financial year, the management of the Company deems that the total investments of the Group in the area of Research and Development amount to approximately 7% of the consolidated turnover of the same.

1.6.4 Legal and arbitral proceedings

As on the date of the Prospectus, the Company and the Controlled Companies are not subject to judicial or arbitration proceedings that could influence, directly or indirectly, the activity or net asset position.

The Company and the Controlled Companies have not had any recent inspections by the tax or social security authorities, and neither are there any proceedings in progress with these authorities.

1.6.5 Fiscal position

1.6.5.1 Last closed year

As at the date of the Prospectus, only the fiscal periods for the indirect taxation of 1994 relating to Technology Reply and Sytel Reply have been closed. The fiscal periods for direct or indirect taxation do not, on the other hand, appear to have been settled, relating to either Reply or any of the Controlled Companies, all the companies in the Reply Group (with the above-mentioned exception of Technology Reply and Sytel Reply) having been incorporated subsequent to the 31st December 1994.

1.6.5.2 Evaluation of any tax litigation pending as at date of preparation of the financial statements

None of the companies in the Reply Group is a party to pending litigation with the Public Authority for Inland Revenue, nor have they received any notice of assessment for the periods of reference subsequent to the defined tax years.

1.6.5.3 Total of losses that can be carried forward for tax purposes, with a break-down according to year of allocation

None of the companies in the Reply Group has any losses that can be carried forward.

1.6.5.4 Eventual tax exemptions or reductions available to the Company or that it has utilised in the last three years

None of the companies in the Reply Group has ever enjoyed tax exemptions or reductions, with the exception of the application, where permitted, of a reduced IRPEG rate for DIT purposes.

1.7 Information about the Reply Group

As indicated in Paragraph 1.5 above (of this Chapter), Reply heads a group composed of 12 companies, in respect of which Reply is the head of the group and controls, directly or indirectly, the other 11 companies.

As far as information relative to the other companies of the Reply Group are concerned, please refer to paragraphs 1.1 to 1.6 above (of this Chapter)

II. DESCRIPTION OF THE COMPANY'S CORPORATE BODIES

2.1 Board of Directors

As provided in article 15 of the By-laws, the management of the Company is entrusted to a Board of Directors formed by a minimum of 3 up to a maximum of 11 members, as provided for by a resolution of the general. The members of the Board of Directors are in charge for a period of three years, except if a lower period is established by the assembly at the moment of appointment. They may be re-elected.

The Board of Directors of the Company in charge at the time of the Prospectus and up to the approval of the relevant financial statements for the year ending on December 31st 2002, is made up of 4 directors and is composed as provided in the following chart:

Office	Name and Surname	Date and place of birth
Chairman	Mario Rizzante	Valperga (TO) – 12 June 1948
Director	Sergio Ingegnatti	Mondovì (CN) – 18 July 1948
Director	Oscar Pepino	Cuneo (CN) – 10 August 1952
Director (*)	Marco Mezzalama	Turin – 17 September 1948
Director (*)	Paul de Sury	London – 1May 1956

(*) Independent directors, according to the corporate governance code for listed companies.

Following a resolution on August 1st 2000, the Board of Directors conferred on Mario Rizzante all powers for the ordinary and extraordinary administration of the Company.

By means of such a resolution, the following powers exercisable by his endorsement have been conferred on Mr.Sergio Ingegnatti:

- To accomplish all actions related to the ordinary management of the Company including the purchase, sale and exchange of products, goods, vehicles, securities and any other chattels related with the corporate activity;
- To stipulate rental and leasing contracts for periods not exceeding 9 years, establishing relevant clauses, arranging all things necessary to ensue the supply of necessary services for the Company such as: telephone, telex, water, electricity, gas, waste-disposal, and signing relevant supply contracts with public and private entities;
- To make a review of final accounts;
- To collect any amount or credit and charges and give discharges, agree upon cancellations, reductions, deferment and charge substitution;
- To subscribe to insurance policies against risks related to the place in which the Company performs its activity, as well as to the production of goods owned by the Company or treated by it, as well as motor-vehicle-insurance policies and other insurance policies deemed necessary and suitable;
- To carry out and perfect operations of any nature at the offices for public debt, the public coffers, the public treasury, postal offices, administrative and financial authorities, customs offices, transport authorities, any government or local, regional, provincial, municipal authority, and dependent authorities, ministries and all public or private offices, including any acts or declarations necessary for fiscal laws;
- To collect and collect postal orders, money-orders, parcels, registered and insured letters, both postal or from the train authorities, from aerial and maritime freight companies, and from any other public or public enterprise for transport and delivery, to perform any act necessary for the import or export of products or goods, demand the release of the necessary licenses, to deposit and release such objects;
- To collect vouchers, any kind of cheques from banks or financial institutions giving receipts;
- To allow bonds and releases, giving receipt;

- To file judicial letters, judicial demands, protests or claims of any nature;

- To represent the Company before any judicial or administrative authority in the Republic of Italy and abroad, as plaintiff or defendant, even for fiscal proceedings in any instance or degree, even for appeals, revocations and annulment proceedings, to institute protests, proceeding with acts of conservation and execution, or their revocation, intervening in bankruptcy proceedings, taking part in creditors' meetings, to prove debts in bankruptcy, making declarations on oath on such, discussing, accepting, endorsing and refusing compromises, granting to bankrupts the benefits accorded by law, setting time-frames for payment, demand divisions, witness inventories, appointing advocates, attorneys and experts for litigation, settling or appointing arbitrators and signing acts of settlement;

- To require the placing and removal of seals,

- To promote and revoke pledges and seizures;

- To appoint advocates and proxies for litigation and proxies and negotiate for certain acts retaining the faculty of exercising the powers conferred by the mandate;

- To file or drop suits, taking part as civil party whenever he deems necessary in the Company's interests;

- To consent to the execution, transcription, cancellation, delaying and subrogation of privileges and charges on motor-vehicles with exoneration from the Conservator of public registry of responsibility;

- To make deposits or withdrawals at any banking institution;

- To request, accept and use short, medium and long-term bank loans, without limits of charge, according to the methods that may be necessary at any credit institute and at the postal current accounts administration,

- To stipulate prices, conditions and dilations of payment;

- To assume and dismiss personnel in employment, appoint and give charge to consultants and partners, agree to relative contractual conditions, including remuneration, resolving and the rescinding of such contracts;

- To sign correspondence, even if onerous;

- To do, in the Company's interests, anything necessary or convenient in the context of the powers conferred above.

Following a resolution dated September 7th 2000, the Board of Directors conferred on Oscar Pepino the same powers conferred to Sergio Ingegnatti under the aforementioned resolution dated August 1st 2000.

Members of the Board of Directors are domiciled for their duties at the registered office of the Company.

The Company did not appointed any executive committee.

2.2 Board of Auditors

The Board of Auditors of the Company was appointed on June 9th 2000.

At the general meeting of the 7th of November 2000, this was partially renewed.

The Board of Auditors of the Company in office on the date of the Prospectus, according to the By-laws, will be in office for three years and specifically up to the approval of the financial statement for the year ending December 31st 2002. This is composed of three regular auditors and two supplementary auditors and is composed as hereinafter described:

Office held	Name and surname	Place and date of birth
Chairman	Piergiorgio Re	Torino – 25 June 1947
Auditor	Tommaso Vallenzasca	Torino – 4 August 1936
Auditor	Giorgio Gianeri	Cairo Montenotte (SV)– 20 December 1941
Supplementary auditor	Paolo Claretta-Assandri	Torino – 1 November 1954
Supplementary auditor	Domenica Gai	Torino – 23 November 1965

Members of the Board of Auditors are domiciled for their functions at the registered office of the Company

As provided in articles 16 and 23 of the Statute, approved by the extraordinary resolution of the 10th July 2000 (see the First Section, chapter VI, paragraph 6.8.2), the appointment of members of the Board of Directors and the Board of Auditors of the Company occurs, except for a different unanimous resolution of the general meeting, through a list voting procedure to ensure the representation of minority shareholders.

2.3 Founding shareholders

The Company was incorporated by the following companies on December 30th 1997, by means of a deed of Notary Jean Joseph Wagner, according to Luxembourg law:

- Alika (formerly called Reply s.r.l), incorporated on November 23rd 1995, with its registered office in Turin, Corso Francia 110, having an actual share capital equal to Euro 99,000, held on November 30th 1997 and today as follows:

Name	Date and place of birth	Shareholding
Mario Rizzante	Valperga (TO) – 12 June 1948	51%
Sergio Ingegnatti	Mondovì (CN) – 18 July 1948	22%
Oscar Pepino	Cuneo (CN) – 10 August 1952	22%
Riccardo Iezzi	Marino (Rome) – 12 December 1955	5%

All above-mentioned shareholders are domiciled at the registered office of Alika in Turin, Corso Francia 110

- Alister Holding, incorporated on December 29th 1997under the laws of Luxembourg, with its registered office at 400, route d'Esch, Luxembourg, with share capital 1,250,000 Luxembourg Francs with unchanged shareholdings; 99.9% by Waterside Financial LTD, a Virgin Islands company, and 0.1% by Gerard Becquer. As far as the control by Waterside Financial LTD is concerned please see paragraph 2.7.

2.4 Management

The following chart shows data relating to the top management of the Reply Group:

Managers

Company	Name and Surname	Place and date of birth	Years of service the Group	Duty
Reply	Ciro PERRUCCI	Chivasso (TO) 04/02/1964	16/12/1999	Responsible for Knowledge Management
Reply	Massimo CERRATO	Asti 19/10/1959	18/02/1999	Responsible for Extended enterprise Turin
Reply	Giuseppe VENEZIANO	San Giorgio Lucano (MT) 06/05/1964	17/01/2000	Responsible for Reply Administration
Reply	Ennio Antonio MONTANI	Milan 06/12/1964	07/02/2000	Responsible E-business Communication
Business Reply	Sandro PERACCHIO	Casale Monferrato (AL) 7/5/1962	02/01/1997	Responsible E-business Consultancy
Cluster Reply	Ludovico FERRARA	Salerno 29/11/1960	03/06/1996	Responsible E-business Implementation

The following companies of the Group do not have general managers or managers: Aktive Reply, Cluster Reply Milan, Cluster Reply Rome, Creative Reply, Technology Reply Turin, Yellow House Reply.

2.5 Main activities carried on outside the Company by members of the Board of Directors and the Board of Auditors and bearing relevance to the Company

Board of Directors

Directors, MR. Mario Rizzante, Sergio Ingegnatti and Oscar Pepino control, by means of a shareholding in Alika (see paragraph 2.7), the following companies:

- **E-masters S.r.l.**

- **Intericambi S.r.l.**

The activities of which are described in paragraph 1.5

Except for such a shareholding, members of the Board of Directors do not carry out any significant activities outside of the Reply Group.

It is noted that:

(i) Mario Rizzante is also president of the Board of Directors of Alika and Director of the following companies forming part of the Group; Technology Reply, Cluster Reply, Sytel Reply, Business Reply, Aktive Reply and Yellow House Reply;

(ii) Sergio Ingegnatti is also managing director of all companies forming part of the Group, as well as Alika;

(iii) Oscar Pepino is also a director of Technology Reply, Sytel Reply, Business Reply, Cluster Reply and Cluster Reply Milan, as well as Alika;

(iv) Marco Mezzalama is a professor of Elaboration Systems, and Vice-Rector of Turin polytechnic, as well as President of the Centro Politecnico per i Servizi Informatici e Telematici (information technology and computer services centre) of the same polytechnic (C.E.S.I.T.). He also performs the following activities and has the following duties:

- Member of different national and international entities, among which is at present, the Commission for the implementation of the Information system at the MURST and the Commission “Long-Distance Learning” of the MURST.

- National co-ordinator of Strategic projects of CNR for the safeguard of information technology systems;

- Member of the Scientific Committee of CSELT (Telecom’s Centre of Study on Telecommunications)

- Member, as representative of the Politecnico di Turin, of the Board of Directors of CSI (Consortium for the Information Technology System of the Piemonte region), of COREP; and CSP (Centre of Excellence for Research, Development and Experimentation of Advanced computer technologies) of which he is also vice-president.

(v) Paul de Sury is a professor of the University of Turin, in Economics and Financial Markets. Amongst other things he is involved in the following activities.

- professor of International Financial Markets, Bocconi University

- professor of Private Banking, University of Lugano

- member of the Committee for International Relations, Bocconi University

- executive member of CEMS

- co-ordinator of CEMS masters, Bocconi University

- co-ordinator of “Financial” interfaculty group of CEMS.

Board of Auditors

Members of the Board of Auditors of the Company do not perform any activities outside the Reply Group which bear relevance to the Company.

2.6 Remuneration of the Board of Directors and Board of Auditors of the companies within the Reply Group

For the year 1999, Mr. Sergio Ingegnatti, at that time sole director of the Company and currently a director of the Company, has not received any remuneration for any reason and of any kind from the Company and its Controlled Companies.

The Company, according to the laws of Luxembourg by virtue of which was incorporated, did not appoint any Board of Auditors for the financial year ending 1999.

No award or bonus or award is foreseen in favour of the members of the Board of Directors of the Company for the successful outcome of the Offer and the commencement of trading of the Shares on the New Market.

2.7 Shares in companies within the Reply Group held directly or indirectly by members of the Board of Directors and Board of Auditors

On the date of the Prospectus, members of the Board of Directors, their spouses or children did not, directly, own shares of the Company.

On the date of the Prospectus, members of the Board of Auditors, their spouses or children did not, directly or indirectly, own shares of the Company.

On the date of the Prospectus, the following members of the Board of Directors own the following indirect shares in the Company:

- Messrs. Mario Rizzante, Sergio Ingegnatti, Oscar Pepino own respectively 51%, 22% and 22% of Waterside Financial Limited, a company incorporated under the law of the Virgin Islands with its registered office at Skeleton Building, Road Town Tortola, Main Street, Tortola, Virgin Islands.

  Waterside Financial Limited owns 99.9% of the share capital of Alister Holding, a company incorporated under the laws of Luxembourg with its registered office at 400, route d'Esch, Luxembourg.

  Alister Holding owns directly 2,654,383 of shares of the Company, equal in to (at the date of the prospectus) to 42.13% of the share capital of the Company prior to the Global Offer and 32.52% of the share capital of the Company post Global Offer

- Alister Holding, in the above-mentioned companies, owns 100% of the share capital of Iceberg, a company incorporated under the laws of Luxembourg with its registered office in 400 route d'Esch Luxembourg. Iceberg owns directly 966,060 shares of the Company, equal to (at the date of the Prospectus) 15.33% of the share capital of the Company and post Offer, 11.84% of the share capital of the Company. In case of full exercise of Greenshoe, the percentage of the shareholding of Iceberg in share capital of the Company would be reduced to 8.22%.

- Messrs. Mario Rizzante, Sergio Ingegnatti, Oscar Pepino own respectively 51%, 22% and 22% of Alika, limited company with its registered office at C.so Francia Turin.

  Alika s.r.l directly owns 1,297,445 shares of the Company, equal, at the date of the Prospectus to 20.59% of the share capital of the Company, and post Offer 15.90% of the share capital of the Company.

2.8 Interests of the members of the Board of Directors and Board of Auditors in extraordinary transactions carried out by the Company

Between May and July 200, the Company, together with Alister, Iceberg and Alika (companies directly or indirectly controlled by Mario Rizzante, Sergio Ingegnatti and Oscar Pepino), executed some transactions aimed exclusively at the rationalisation and transparency of the Group in view of admission to listing on the New Market, organised and managed by the Italian Stock Exchange.

These transactions are described in detail in paragraph 1.2.17,

2.9 Interests of the managers in the Company

The managers of Reply Group, listed below, at the date of the Prospectus, had the following shares in the Company:

- Mr. Sandro Peracchio, manager of Business Reply, owns 59,124 shares of the Company;
- Mr. Ennio Antonio Montani, manager of the Company, owns 30,022 of the Company;
- Mr. Ciro Perrucci manager of the Company, owns 6,000 shares of the Company.

The aforementioned managers have no other shares in Group companies.

For any further details please see chapter VI, paragraph 6.10 of the Prospectus.

2.10 Loans and guarantees granted by the Company or Controlled Companies to members of the Board of Directors and the Board of Auditors

On the date of the Prospectus, there are no loans or guarantees granted by the Company or any of its Controlled Companies to members of the Board of Auditors or the Board of Directors.

III. INFORMATION ON OWNERSHIP

3.1 Indication of individuals with voting rights higher than the 2% of the Company’s share capital

According to the Company’s register of shareholders, as at the date of the Prospectus, the following had shareholdings equal in amount to more than 2% of the subscribed and paid-up share capital:

Shareholdings equivalent to or higher than 2%

Name and surname	Number of shares	Percentage of share capital
Alister Holding (*)	2,654,383	42.13%
Iceberg (*)	966,060	15.33%
Alika (*)	1,297,445	20.59%
TNT (**)	300,000	4.76%
Riccardo Iezzi	206,570	3.28%
Daniele Angelucci	206,570	3.28%
Riccardo Lodigiani	206,570	3.28%
Domenico Piantelli	206,570	3.28%

(*) For more detail see paragraph 2.7 These companies are controlled indirectly by Mr Mario Rizzante, through which he retains control indirectly of Reply, with 39.78% of the share capital.
(**) this company is indirectly controlled by the Dutch Government.

TNT is indirectly controlled 100% by TNT Post Group NV, a Dutch company with its registered office at Neptunusstraat 41/63, 2132 JA Hoofddorp, 1100 KG Amsterdam, Holland, and listed on the Amsterdam, London, New York and Frankfurt stock exchanges.

Specifically, TNT is controlled 100% by TNT Global Express S.p.A., with its registered office in Milan, Via Emanuele Filberto 7, which in turn is controlled 100% by TNT Holding B.V with its registered office at Neptunusstraat 41/63, 2132 JA Hoofddorp, 1100 KG Amsterdam, Holland. The latter is owned 100% by Koninklijke PTT Post B.V. with its registered office at Prinsess Beatrixlaan 23, 2595 AK ‘s-GRAVENHAGE, Holland, and this in turn is 100% owned by TNT Post Group N.V..

The Dutch government owns 43,4% of TNT Post Group N.V., which indirectly controls TNT, whilst the remaining share capital is owned by third party investors and traded on the above mentioned markets.

TNT Post Group N.V. is the holding company of a group which is one of the global leaders in express mail, parcels and logistics sectors. It operates in over 200 countries (including Italy) and is present in 60 of these through wholly owned subsidiaries. The group has 115,000 employees and carries out an average of 2.1 million deliveries every week.

3.2 Description of the shareholding resulting after the Global Offer

The modification to the holdings in Reply in the case of entire allocation of the Global Offer is described in the table below:

Share structure after the Global Offer

Shareholders	N. of shares before increase in capital and global Offer	Percentage of share capital	Increase capital	N. shares offered for sale	N. of shares after the global offer	Percentage of share capital	N. of shares object of Greenshoe	N. of shares after Greenshoe (*)	Percentage of share capital
Alister	2.654.383	42,13%			2.654.383	32,52%		2.654.383	32,52%
Iceberg (**)	966.060	15,33%			966.060	11,84%	-295.500	670.560	8,22%
Alika	1.297.445	20,59%			1.297.445	15,90%		1.297.445	15,90%
Masella	70.803	1,12%		-7.500	63.303	0,78%		63.303	0,78%
Peracchio	59.124	0,94%		-6.250	52.874	0,65%		52.874	0,65%
Angelucci	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Iezzi	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Lodigiani	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Piantelli	206.570	3,28%		-22.000	184.570	2,26%		184.570	2,26%
Bo	15.022	0,24%			15.022	0,18%		15.022	0,18%
Torchio	14.861	0,24%		-1.250	13.611	0,17%		13.611	0,17%
Montani	30.022	0,48%			30.022	0,37%		30.022	0,37%
Giannotti	12.000	0,19%			12.000	0,15%		12.000	0,15%
Casagrande	24.000	0,38%		-2.400	21.600	0,26%		21.600	0,26%
Giallonardo	24.000	0,38%		-2.400	21.600	0,26%		21.600	0,26%
Perrucci	6.000	0,10%			6.000	0,07%		6.000	0,07%
TNT	300.000	4,76%			300.000	3,68%		300.000	3,68%
Market		0,00%	1.862.200	107.800	1.970.000	24,14%	295.500	2.265.500	27,76%
Total	**6.300.000**	**100%**	**1.862.200**	**0**	**8.162.200**	**100%**	**0**	**8.162.200**	**100%**

(*) Assuming that the Greenshoe option is entirely exercised in full (See Section Three, Chapter XI, par. 11.18)
(**) Iceberg, following the Global Offer and complete exercising of the Greenshoe option will have 670,560 Shares, of which 82,761 are subject to the option given to Chase H&Q (see Section 3, Chapter XI, Paragraph 11.2)

For further detail on the ownership of Alister Holding, Iceberg, and Alika, see Paragraph 2.7 of this Chapter. It should be noted that these companies are controlled directly and indirectly by Mr Mario Rizzante, by which he retains control directly and indirectly of Reply with a holding of 39.78% of the share capital.

3.3 Indication of the eventual controlling party according to Art. 93 of the Consolidated Act

As at the date of the Prospectus, Mr Mario Rizzante Chairman of the Board of the Directors of Reply, retains, directly and indirectly a proportion of the share capital in Reply, of 78.05% and so indirectly controls the Company. Specifically, Mr Rizzante has:

- 51% of Alika, which owns 20.59% of Reply.
- 51% of Waterside Financial Limited which owns 99.9% of Alister Holding, which in turn owns:
  - 42.13% of Reply and;
  - 100% of Iceberg, which owns 15.33% of Reply

For further detail see Section 1, Chapter II, Paragraph 2.7

Such control will also remain following the Global Offer (inclusive of the Greenshoe Operation), retaining indirectly 56.64% of the share capital. The control of the Company by Mr Rizzante results form the following share holdings:

- 51% of Alika, which will own 15.90% of Reply

- 51% of Waterside Financial Limited which owns 99.9% of Alister Holding, which in turn will own:
  - 32.52% of Reply and;
  - 100% of Iceberg, which will own 8.22% of Reply

For these reasons, and given that Mr Rizzante intends to maintain control of the Company, Reply is not open to take-over on the open market, even after the Global Offer.

3.4 Agreements concerning company shares

There are no limitations on the free disposal of company shares except for the following.

• Call Option Agreement

On 5 September 2000, shareholders, Messers Marco Torchio, Angelo Bo, Ennio Montani, Claudio Giannotti and Ciro Perrucci have granted to Reply a call option over part of their holdings, as shown in the following table.

Shareholder	N. Shares held	N. shares subject to option	N. shares post Global Offer and Greenshoe	% of capital post Global Offer and Greenshoe
Marco Torchio	14.861	3.000	13.611	0,17
Angelo Bo	15.022	9.000	15.022	0,18
Ennio Montani	30.022	24.000	30.022	0,37
Claudio Giannotti	12.000	12.000	12.000	0,15
Ciro Perrucci	6.000	6.000	6.000	0,07
Total	**77.905**	**54.000**	**76.655**	**0,94**

These options were conditionally suspended subject to missing company operating objectives agreed between the parties for the years 2000, 2001, 2002, and 2003.

In addition, by virtue of the above call option agreements, under the hypothesis that the objectives are not reached in reasonable time, Reply will be able to exercise the options over the shares at a price of Euro 0.81 per share

• Lock up agreement in accordance with art. 122, Paragraph b) of the Consolidated Act

Under an agreement dated 7 September 2000, members Messers Fernando Masella, Sandro Peracchio, Daniele Angelucci, Riccardo Iezzi, Riccardo Lodigiani, Domenico Piantelli, Roberto Casagrande and Fabio Giallonardo, in respect of the Company have undertaken not to place their shares on the New Market for a period of 5 years from the beginning of trading This agreement provides for gradual disposal of 20% in each of the 5 years of the agreement as follows as shown in the following table:

Shareholder	N. of shares owned	% of share capital post Global Offer and Greenshoe	N. shares free of restriction after 1 year	N. shares free of restriction after 2 years	N. shares free of restriction after 3 years	N. shares free of restriction after 4 years	N. shares free of restriction after 5 years
Masella	63.303	0.78	12.661	25.322	37.983	50.644	63.303
Peracchio	52.874	0.65	10.575	21.150	31.725	42.300	52.874
Angelucci	184.570	2.26	36.914	73.828	110.742	147.656	184.570
Iezzi	184.570	2.26	36.914	73.828	110.742	147.656	184.570
Lodigiani	184.570	2.26	36.914	73.828	110.742	147.656	184.570
Piantelli	184.570	2.26	36.914	73.828	110.742	147.656	184.570
Casagrande	21.600	0.26	4.320	8.640	12.960	17.280	21.600
Giallonardo	21.600	0.26	4.320	8.640	12.960	17.280	21.600

Under a further agreement of 7 September 2000, the above mentioned shareholders who have granted a call option in favour of Reply as previously described (being Messers Marco Torchio, Angelo Bo, Ennio Montani, Claudio Giannotti and Ciro Perrucci) have the following obligations to the Company:

to not dispose of the shares, not subject to the option for a period of 5 years from the commencement of trading on the New Market. This agreement provides for gradual disposal of 20% in each of the 5 years of the agreement as follows:

Shareholder	N. of shares owned not subject to option	% of share capital post Global Offer and Greenshoe of Shares not subject to options	N. shares free of restriction after 1 year	N. shares free of restriction after after 2 years	N. shares free of restriction after after 3 years	N. shares free of restriction after after 4 years	N. shares free of restriction after after 5 years
Torchio	10.611	0.13	2.122	4.244	6.366	8.488	10.611
Bo	6.022	0.07	1.204	2.408	3.612	4.816	6.022
Montani	6.022	0.07	1.204	2.408	3.612	4.816	6.022

- In the case that the agreed company operating objectives are achieved meaning the Company does not exercise or waive the option right on all or part of the Shares, the shareholders mentioned above have undertaken not to dispose of the remaining shares subject to the timing as follows:

- Marco Torchio:
  - total of 3.000 Shares up to the end of 2002;
  - total of 2.250 Shares up to the end of 2003;
  - total of 1.500 Shares up to the end of 2004;
  - total of 750 Shares up to the end of 2005.

- Angelo Bo:
  - total of 9.000 Shares up to the end of 2003;
  - total of 6.000 Shares up to the end of 2004;
  - total of 3.000 Shares up to the end of 2005.

- Ennio Montani:
  - total of 24.000 Shares up to the end of 2002;
  - total of 21.750 Shares up to the end of 2003;
  - total of 17.500 Shares up to the end of 2004;
  - total of 8.750 Shares up to the end of 2005.

- Claudio Giannotti
  - total of 12.000 Shares up to the end of 2002;
  - total of 10.500 Shares up to the end of 2003;
  - total of 7.000 Shares up to the end of 2004;
  - total of 3.500 Shares up to the end of 2005.

- Ciro Perrucci
  - total of 6.000 Shares up to the end of 2001;
  - total of 5.400 Shares up to the end of 2002;
  - total of 4.050 Shares up to the end of 2003;
  - total of 2.700 Shares up to the end of 2004;
  - total of 1.350 Shares up to the end of 2005.

Moreover, under the agreement, dated 27 October 2000 (for further detail see Chapter 5) TNT Post Group B.V. has undertaken to the Company, also in the name of and on behalf of TNT, to not grant to third parties their voting rights, and in any case, to not dispose in any way, directly or indirectly, of the 300,000 Shares in Reply (corresponding to 4.76% of share capital of the Company prior to the Global Offer and to 3.68% after the Global Offer), subscribed for on 2 November 2000, for a period of 3 years from the date of their subscription For further information see Paragraph 11.18 and 11.19.

IV. INFORMATION REGARDING THE ECONOMIC, FINANCIAL POSITION OF THE ISSUER

INTRODUCTION

The proforma consolidated financial statements of the Reply Group ("the Group") as at 31 December 1997, 1998 and 1999 and 30 June 2000, including the notes to the financial statements, are discussed in this section.

The financial statements have been reclassified in accordance with the financial analysis criteria which facilitates the examination of the balance sheet and profit and loss of the Group. Where necessary, certain reconciling information has been provided between the historical financial statements as at 31 December 1999 and 30 June 2000 (prepared in accordance with the layout outlined in article 2424 and 2425 of the Civil Code) and the proforma financial statements included in the Information Prospectus.

The historical consolidated financial statements of the Group as at 31 December 1999 and 30 June 2000 have been subject to a full scope audit by PricewaterhouseCoopers SpA, while the statutory financial statements as at 31 December 1999 have been subject to a full scope audit by PricewaterhouseCoopers SàRL (Luxembourg). The statutory financial statements as at 31 December 1998 have not been subject to an audit. The relative audit reports are included in the appendices to this Information Prospectus.

The proforma consolidated financial statements as at 31 December 1997, 1998 and 1999 and 30 June 2000 have been prepared with the objective of presenting, on a uniform basis, the financial situation that the Group assumed following the restructuring effected during 2000, which was completed in connection with the quotation. This simulates the economic, financial and equity position that the Group would have achieved had the reorganisation taken place on 1 January 1997 and if from that date it produced the related effects.

This section analyses the proforma consolidated economic and financial position of the Group. As indicated in the opinion of the auditing firm noted above and reproduced in the Appendices to this Information Prospectus, the information relative to 1997, 1998, 30 June 1999 and 30 September 1999 and 2000 should be considered **unaudited**.

The balance sheets and statements of operations are stated in millions of Lire and thousands of Euro; the conversion from Lire into Euro was effected on the base of the exchange rate fixed on 31 December 1998 (Euro 1= Lire 1,936.27)

For enhanced readability of the financial statements, captions with zero values in each of the three years presented have been eliminated.

4.1 Proforma consolidated reclassified balance sheets and statements of operations for the past three years

4.1.1 Proforma consolidated balance sheets for 1997, 1998 and 1999 in millions of Lire

(Millions of Lire)	**1997 (unaudited)***	**1998 (unaudited)***	**1999**
Intangible assets	7,497	7,563	7,606
Property, plant and equipment	249	552	1,116
Other long term assets	111	168	249
Total fixed assets (A)	**7,857**	**8,283**	**8,971**
Inventories	3	939	1,503
Trade receivables	5,179	9,924	18,056
Other current assets	93	250	365
Total current assets (B)	**5,275**	**11,113**	**19,924**
Trade payables	(1,283)	(2,221)	(4,144)
Other current liabilities	(1,500)	(4,617)	(7,952)
Total current liabilities (C)	**(2,783)**	**(6,838)**	**(12,096)**
Net current assets (D) (B + C)	**2,492**	**4,275**	**7,828**
Employee severance indemnity (E)	**(264)**	**(483)**	**(902)**
Reserve for risks and charges (F)	**(118)**	**(192)**	**(300)**
Net invested capital (A + D + E+ F)	**9,967**	**11,883**	**15,597**
Shareholders' equity of the Group	7,866	8,980	12,463
Long term borrowings	158	124	242
Cash and short term borrowings, net	1,943	2,779	2,892
Shareholders' equity and net financial debt	**9,967**	**11,883**	**15,597**
Memorandum accounts			
Guarantees received	856	856	3,033
Obligations for leasing commitments	-	-	1,113
Total Memorandum Accounts	**856**	**856**	**4,146**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.

4.1.2 Proforma consolidated balance sheets for 1997, 1998 and 1999 in thousands of Euro

(Thousands of Euro)	1997 (unaudited)*	1998 (unaudited)*	1999
Intangible assets	3,872	3,906	3,928
Property, plant and equipment	129	285	576
Other long term assets	57	87	129
Total fixed assets (A)	**4,058**	**4,278**	**4,633**
Inventories	2	485	776
Trade receivables	2,675	5,125	9,325
Other current assets	48	129	189
Total current assets (B)	**2,725**	**5,739**	**10,290**
Trade payables	(663)	(1,147)	(2,140)
Other current liabilities	(775)	(2,384)	(4,107)
Total current liabilities (C)	**(1,438)**	**(3,531)**	**(6,247)**
Net current assets (D) (B + C)	**1,287**	**2,208**	**4,043**
Employee severance indemnity (E)	**(136)**	**(249)**	**(466)**
Reserve for risks and charges (F)	**(61)**	**(99)**	**(155)**
Net invested capital (A + D + E+ F)	**5,148**	**6,138**	**8,055**
Shareholders' equity of the Group	4,062	4,639	6,436
Long term borrowings	82	64	125
Cash and short term borrowings, net	1,004	1,435	1,494
Shareholders' equity and net financial debt	**5,148**	**6,138**	**8,055**
Memorandum accounts			
Guarantees received	442	442	1,566
Obligations for leasing commitments	-	-	575
Total Memorandum Accounts	**442**	**442**	**2,141**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.

4.1.3 Proforma consolidated statements of operations for 1997, 1998 and 1999 in millions of Lire

(Millions of Lire)	**1997**		**1998**		**1999**	
	(unaudited)	**%**	**(unaudited)***	**%**		**%**
Revenues from sales and services	11,409		17,643		35,397	
Change in work in progress	-		933		469	
Other income and revenues	73		139		141	
Value of production	**11,482**	**100%**	**18,715**	**100%**	**36,007**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(629)	(5.5)%	(813)	(4.4)%	(1,436)	(4.0)%
Services	(3,448)	(30.0)%	(5,429)	(29.0)%	(9,360)	(26.0)%
Leases and rentals	(468)	(4.1)%	(707)	(3.8)%	(1,264)	(3.5)%
Other operating costs	(107)	(0.9)%	(231)	(1.2)%	(391)	(1.1)%
Value added	**6,830**	**59.5%**	**11,535**	**61.6%**	**23,556**	**65.4%**
Personnel costs and directors' remuneration	(5,517)	(48.0)%	(8,557)	(45.7)%	(15,641)	(43.4)%
Gross operating income	**1,313**	**11.5%**	**2,978**	**15.9%**	**7,915**	**22.0%**
Depreciation and amortisation	(1,336)	(11.7)%	(1,453)	(7.8)%	(1,712)	(4.8)%
Operating income	**(23)**	**(0.2)%**	**1,525**	**8.1%**	**6,203**	**17.2%**
Financial income/(expenses), net	(204)	(1.8)%	(217)	(1.2)%	(263)	(0.7)%
Income before extraordinary items	**(227)**	**(2.0)%**	**1,308**	**6.9%**	**5,940**	**16.5%**
Extraordinary income/(expenses)	2	-	(2)	-	(8)	-
Income before taxes	**(225)**	**(2.0)%**	**1,306**	**6.9%**	**5,932**	**16.5%**
Income taxes	(208)	(1.8)%	(1,027)	(5.5)%	(3,098)	(8.6)%
Net income/(loss)	**(433)**	**(3.8)%**	**279**	**1.4%**	**2,834**	**7.9%**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.

4.1.4 Proforma consolidated statements of operations for 1997, 1998 and 1999 in thousands of Euro

(Thousands of Euro)	**1997**		**1998**		**1999**	
	(unaudited)*	**%**	**(unaudited)***	**%**		**%**
Revenues from sales and services	5,892		9,112		18,281	
Change in work in progress	-		482		242	
Other income and revenues	38		72		73	
Value of production	**5,930**	**100%**	**9,666**	**100%**	**18,596**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(325)	(5.5)%	(420)	(4.4)%	(742)	(4.0)%
Services	(1,781)	(30.0)%	(2,804)	(29.0)%	(4,834)	(26.0)%
Leases and rentals	(242)	(4.1)%	(365)	(3.8)%	(653)	(3.5)%
Other operating costs	(55)	(0.9)%	(119)	(1.2)%	(202)	(1.1)%
Value added	**3,527**	**59.5%**	**5,958**	**61.6%**	**12,165**	**65.4%**
Personnel costs and directors' remuneration	(2,849)	(48.0)%	(4,419)	(45.7)%	(8,078)	(43.4)%
Gross operating income	**678**	**11.5%**	**1,539**	**15.9%**	**4,087**	**22.0%**
Depreciation and amortisation	(690)	(11.7)%	(750)	(7.8)%	(884)	(4.8)%
Operating income	**(12)**	**(0.2)%**	**789**	**8.1%**	**3,203**	**17.2%**
Financial income/(expenses), net	(105)	(1.8)%	(112)	(1.2)%	(136)	(0.7)%
Income before extraordinary items	**(117)**	**(2.0)%**	**677**	**6.9%**	**3,067**	**16.5%**
Extraordinary income/(expenses)	1	-	(1)	-	(4)	-
Income before taxes	**(116)**	**(2.0)%**	**676**	**6.9%**	**3,063**	**16.5%**
Income taxes	(107)	(1.8)%	(530)	(5.5)%	(1,600)	(8.6)%
Net income/(loss)	**(223)**	**(3.8)%**	**146**	**1.4%**	**1,463**	**7.9%**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.

4.2 Proforma consolidated statements of cash flow for 1997, 1998 and 1999

(Millions of Lire)	**1998 (unaudited)***	**1999**
Net income	279	2,834
Depreciation and amortisation	1,453	1,712
Accrual for employee severance indemnity	331	625
Accrual for reserve for risks and charges	74	108
Accrual for allowances for doubtful accounts	61	96
Other	-	19
Cash inflow from operating activities before working capital movements	**2,198**	**5,394**
Change in inventories	(936)	(564)
Change in trade receivables	(4,806)	(8,228)
Change in other current assets	(157)	(115)
Change in trade payables	938	1,923
Change in other current liabilities	3,118	3,329
Change in employee severance indemnity	(113)	(206)
Change in working capital	**(1,956)**	**(3,861)**
Cash flows from operating activities (A)	**242**	**1,533**
Capitalisation of intangible assets	(128)	(141)
Purchase of plant, property and equipment	(618)	(1,113)
Change in other long term assets	(57)	(81)
Cash flows used in investing activities (B)	**(803)**	**(1,335)**
Increase in share capital and share premium	84	644
Other movements in proforma shareholders' equity	(325)	(1,073)
Cash flows used in financing activities (C)	**(241)**	**(429)**
Change in net financial debt (A + B + C)	**(802)**	**(231)**
Net financial debt at the beginning of the year	(2,101)	(2,903)
Change in net financial debt	(802)	(231)
Net financial debt at the end of the year	**(2,903)**	**(3,134)**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.

4.3 Proforma consolidated movements in shareholders' equity for 1997, 1998 and 1999

(Millions of Lire)	Share capital	Share premium reserve	Legal reserve	Extra-ordinary Reserve	Other reserves and proforma adjustments	Net income/ (loss) for the year	Total
Balance as at 1 January 1997	**190**	**-**	**-**	**11**	**-**	**-**	**201**
Increase in share capital	1,855	5,564	-	-	-	-	7,419
Reinstatement of amortisation on brand name and goodwill, net of the theoretical tax effect	-	-	-	-	706	-	706
Other	-	-	-	-	(27)	-	(27)
Result for the year	-	-	-	-	-	(433)	(433)
Balance as at 31 December 1997 (unaudited)*	**2,045**	**5,564**	**-**	**11**	**679**	**(433)**	**7,866**
Contribution of investment and cash payment	674	-	-	(11)	(319)	-	344
Allocation of prior year result	-	-	-	-	(433)	433	-
Increase in share capital	84	-	-	-	-	-	84
Reinstatement of amortisation on brand name and goodwill, net of the theoretical tax effect	-	-	-	-	788	-	788
Elimination of royalties paid	-	-	-	-	(377)	-	(377)
Other	-	-	-	-	(4)	-	(4)
Result for the year	-	-	-	-	-	279	279
Balance as at 31 December 1998 (unaudited)*	**2,803**	**5,564**	**-**	**-**	**334**	**279**	**8,980**
Allocation of prior year result	-	-	3	-	276	(279)	-
Increase in share capital	429	215	-	-	-	-	644
Reinstatement of amortisation on brand name and goodwill, net of the theoretical tax effect	-	-	-	-	788	-	788
Elimination of royalties paid	-	-	-	-	(758)	-	(758)
Other	-	-	-	-	(25)	-	(25)
Result for the year	-	-	-	-	-	2,834	2,834
Balance as at 31 December 1999	**3,232**	**5,779**	**3**	**-**	**615**	**2,834**	**12,463**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.

As noted in the previous section, paragraph 1.1 "History and development of activities", share capital was increased as follows:

- on 27 February 1998 for Lire 84,000,000 fully undersigned by Alister Holding;
- on 4 August 1999 for Lire 429,500,000 fully undersigned by Alister Holding.

4.4 Commentary on the development of the Group for 1997, 1998 and 1999

4.4.1 Analysis of the results of the Group for the three years 1997 – 1999

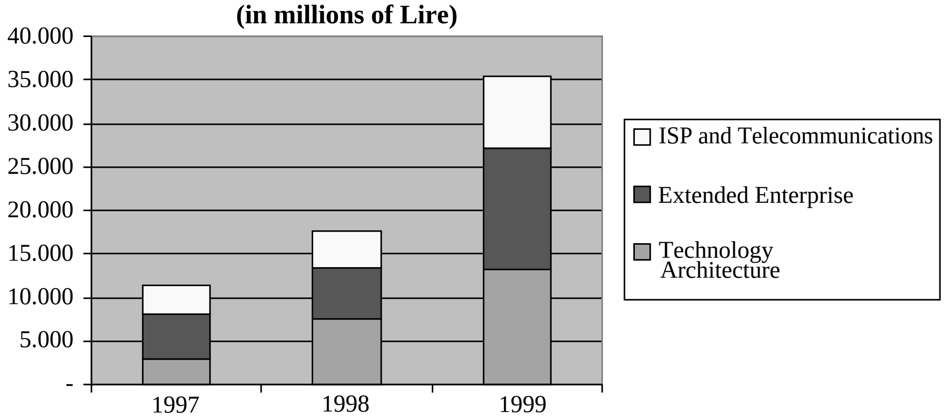
In the three years 1997 through 1999, revenues of the Group experienced significant growth increasing from Lire 11,409 million in 1997 to Lire 35,397 million in 1999, which represents an annual growth rate of 76%. In particular, revenues increased by Lire 6,234 million in 1998 compared to 1997 (+55%), and Lire 17,754 million in 1999 compared to 1998 (+100%), for an accumulated increase of Lire 23,988 million.

With reference to the increase in revenues, including the variation in work in progress, the growth by business line for the period 1997 – 1999 is presented as follows:

(Millions of Lire)	**1997**		**1998**		**1999**	
Technology Architecture	2,985	26.1%	7,441	42.1%	13,248	37.4%
Extended Enterprise	5,069	44.4%	6,018	34.1%	13,857	39.1%
ISP and Telecommunications	3,355	29.5%	4,184	23.8%	8,292	23.5%
Total Revenues	**11,409**	**100.0%**	**17,643**	**100.0%**	**35,397**	**100.0%**
Change in work in progress	-		933		469	
Other revenues	73		139		141	
Total Value of Production	**11,482**		**18,715**		**36,007**	

The growth in revenues by business line is presented in the following graph:

Revenues 1997 - 1999 by business line
(in millions of Lire)



In relation to the development of revenues by geographic area, it is noted that sales abroad amounted to 4.4% of total revenues in 1997, 8.1% in 1998 and 6.9% in 1999. The principal countries in which the Group traded during the above periods are: Argentina, Austria, Germany and Switzerland.

Value of production

Technology Architecture

For the Technology Architecture business line, the value of production increased from Lire 2,985 million in 1997, to Lire 7,441 million in 1998 (+149%) and to Lire 13,248 million in 1999 (+78%). In 1998, the Group's development was based on offering services to its historical clients, while expanding the Rome and Milan markets by establishing two companies: Cluster Reply Milano and Cluster Reply Roma.

1999 confirmed the previous growth experienced in revenues, which was, amongst other things, due to the new activity generated by the above mentioned companies in the three geographic areas of reference. In addition, the development of System integration services continued in relation to infrastructure, architecture and E-business applications.

Extended Enterprise

In the period 1997-1999 the value of production generated by the Extended Enterprise line increased from Lire 5,069 million to Lire 13,857 million. In particular, in the last year the growth was equivalent to 130% compared to the previous year as a result of the development of consultancy services relative to E-business. During 1998, a progressive diffusion of technology was experienced due to an increased Internet presence in the market; this allowed the Group to increase its activities in general. In addition, the activities performed for an important logistics operator should be noted. During 1999, Technology Reply Torino was established, wherein the development of Group's activities in the Turin area were supported.

Internet Service Provider and Telecom

With reference to the Internet Service Provider and Telecom business line, revenues for the three years 1997 through 1999 experienced continuing growth and increasing from Lire 3,355 million in 1997 to Lire 4,184 million in 1998 and Lire 8,292 million in 1999. On the base of the growth of this business line, is the increased presence of Internet in Italy which results in growth of Internet Service Providers in the market. This market is where the Group operates and is the centre of the development of the telecommunications sector.

In addition to the increase in revenues of 98% over the previous year, 1999 was characterised by the establishment of Sytel Reply Milano, by which the Group, after having operated primarily in the Lazio region, offered its services in the Milan area where certain principal industrial players operate in the telecommunications sector.

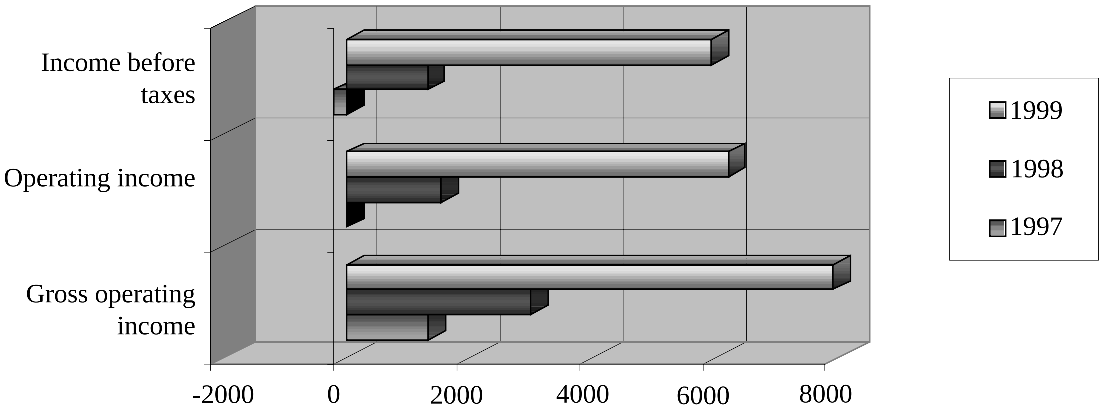
Development of profitability of the Group

(Millions of Lire)	**1997**	**%**	**1998**	**%**	**1999**	**%**
Revenues from sales and services	11,409		17,643		35,397	
Change in finished products inventories and work in progress	-		933		469	
Other revenues	73		139		141	
value of production	**11,482**	**100%**	**18,715**	**100%**	**36,007**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(629)	(5.5)%	(813)	(4.4)%	(1,436)	(4.0)%
Services	(3,448)	(30.0)%	(5,429)	(29.0)%	(9,360)	(26.0)%
Leases and rentals	(468)	(4.1)%	(707)	(3.8)%	(1,264)	(3.5)%
Other operating costs	(107)	(0.9)%	(231)	(1.2)%	(391)	(1.1)%
value added	**6,830**	**59.5%**	**11,535**	**61.6%**	**23,556**	**65.4%**
Personnel costs and directors' remuneration	(5,517)	(48.0)%	(8,557)	(45.7)%	(15,641)	(43.4)%
Gross operating income	**1,313**	**11.5%**	**2,978**	**15.9%**	**7,915**	**22.0%**

With respect to profitability in the three years 1997 – 1999, a continued improvement was experienced. In particular, gross operating income increased from 11.5% in 1997 to 22% in 1999 (from Lire 1,313 million in 1997 to Lire 7,915 million in 1999), operating profit from (0.2)% in 1997 to 17.2% in 1999 (from Lire (23) million in 1997 to Lire 6,203 million in 1999), and income before taxes from (2.0)% in 1997 to 16.5% in 1999 (from Lire (225) million in 1997 to Lire 5,932 million in 1999).

The graph below illustrates that development of gross operating income, operating income and income before taxes in the relevant periods.

Development of gross operating income, operating income and income before taxes (in millions of Lire)



The increase in gross operating income is primarily due to the significant increase in revenues noted above, to the increase in profitability of contracts, the containment of service costs and employee related costs.

Service costs and employee related costs represent the most significant component of operating costs. In particular, service costs are largely made up of technical and commercial consultancy costs; the percentage to revenues of this caption decreased from 30% in 1997 to 26% in 1999. Personnel costs increased from Lire 5,517 million in 1997 to Lire 15,641 million in 1999; this increase is attributed to the growth in the structure of the Group, achieved by internal growth, while the percentage of such costs to revenues for the three years decreased from 48% al 43.4%.

The decrease in the percentage of the above two mentioned cost categories to revenues is due to the progressive increase in revenues and a continued growth in gross operating income which increased from 11.5% in 1997 to 22% in 1999.

An additional analysis of the gross operating income by business line for the years 1997-1999 is as follows:

(Millions of Lire)	**1997**		**1998**		**1999**	
	Amount	**% ***	**Amount**	**% ***	**Amount**	**% ***
Technology Architecture	435	15%	1,396	19%	3,386	26%
Extended Enterprise	303	6%	834	14%	2,749	20%
ISP & Telecommunications	575	17%	748	18%	1,780	21%
Total	**1,313**	**11.5%**	**2,978**	**15.9%**	**7,915**	**22.0%**

* Such percentages have been calculated based on revenues by business line, see paragraph 4.4.1 “Analysis of the results of the Group for the three years 1997-1999”.

The increasing trend in the gross operating income by business line is due to the following factors:

- In the years 1997 and 1998 a significant increase in the number of employees as a result of the commencement of activities and the promotion of the “Reply” trade mark with customers;
- The increase in revenues significantly improved the absorption of fixed costs, which remained relatively constant;
- Improvement in the profitability of projects resulting from a tighter control of service and labour costs.

Operating income and income before taxes registered a significant increase as a result of the improvement in the gross operating income described above, combined with a containment of depreciation and amortisation and finance costs. The incidence of depreciation and amortisation to revenues decreased from 11.7% in 1997 to 4.8% in 1999 (from Lire 1,336 million in 1997 to Lire 1,712 million in 1999). Depreciation and amortisation remained relatively stable, and the absolute amount is contained as a result of the modest level of capital expenditure required from the nature of the business in which the Group operates.

Financial costs, however, increased from Lire 209 million in 1997, to Lire 231 million in 1998, to Lire 275 million in 1999.

As a consequence of the movements in the components discussed above, net income for the three-year period registered a progressive increase both in absolute terms and as a percentage of revenues. The net result in fact increased from a loss of Lire 433 million in 1997 to income of Lire 2,834 million in 1999, equivalent to some 7.9% of revenues.

Reconciliation of the effective tax rate

The following table summarises the consolidated tax situation of the Group:

(Millions of Lire)		**1997**	**1998**	**1999**
Income before taxes		(225)	1,306	5,932
Income taxes:	IRPEG	145	637	2,284
	IRAP (1997: ILOR)	63	390	814
Effective tax rate		**-***	**78.6%**	**52.2%**

* insignificant

A reconciliation of the effective tax rate to the theoretical tax rate applicable to Group companies is illustrated in the following table:

	1997	**1998**	**1999**
Theoretical tax rate for corporate taxes (IRPEG)	53.2%	37.0%	37.0%
IRAP	-	23.0%	12.9%
Permanent differences	**-***	**18.6%**	**2.3%**
Effective tax rate	**-***	**78.6%**	**52.2%**

* insignificant

The theoretical tax rate corresponds to the tax rates applicable under current legislation. For 1997, the rate represents the sum of IRPEG (37%) and ILOR (16.20%) while for 1998 and 1999, only the IRPEG tax is considered since IRAP cannot be considered a corporate tax as it is applied against different tax base.

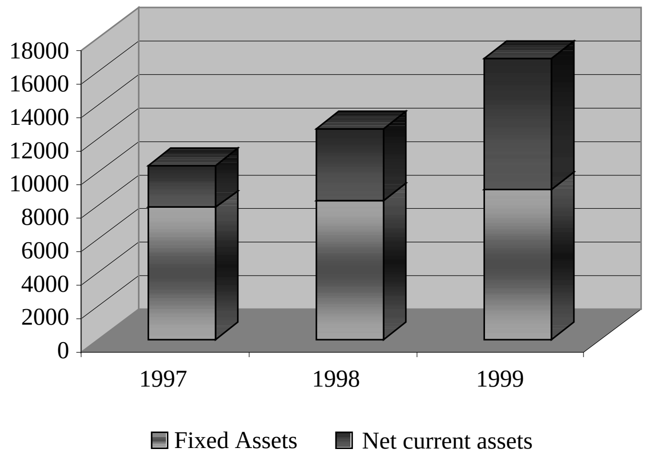
Permanent differences primarily represent costs not deductible for tax purposes for automobiles, mobile telephones and costs relating to prior years. For 1997, the effective tax rate was not calculated since the proforma consolidated result was negative due to permanent non-deductible differences and a reduced profitability resulting from the start-up of activities.

4.4.2 Movements in shareholders' equity and net financial debt of the Group for 1997-1999

a) Net invested capital

Consolidated net invested capital amounted to Lire 9,967 million in 1997, to Lire 11,883 million in 1998 and Lire 15,597 million as at 31 December 1999. In relation to this caption, it is possible to analyse the increase both as a component of fixed assets and net current assets:

Movements in net invested capital (in Millions of Lire)



Fixed assets amounted to Lire 7,857 million in 1997, to Lire 8,283 million in 1998 and to Lire 8,971 million in 1999.

b) Working capital

Proforma consolidated net working capital is analysed in the following table:

(Millions of Lire)	1997	1998	1999
Inventories	3	939	1,503
Trade receivables	5,179	9,924	18,056
Other current assets	93	250	365
Current assets (A)	**5,275**	**11,113**	**19,924**
Trade payables	(1,283)	(2,221)	(4,144)
Other current liabilities	(1,500)	(4,617)	(7,952)
Current liabilities (B)	**(2,783)**	**(6,838)**	**(12,096)**
Net working capital (C) (A+B)	**2,492**	**4,275**	**7,828**
Short term portion of bank borrowings	(2,342)	(3,261)	(3,960)
Cash on hand	399	482	1,068
Cash and short term borrowings, net (D)	**(1,943)**	**(2,779)**	**(2,892)**
Net invested capital (E) (C+D)	**549**	**1,496**	**4,936**
Value of production (F)	**11,482**	**18,715**	**36,007**
Percentage of current assets to value of production (A/F)	**45.9%**	**59.4%**	**55.3%**

Net invested capital remained consistently positive during the three-year period, increasing from Lire 2,492 million in 1997 to Lire 7,828 million in 1999.

Inventories increased from Lire 3 million in 1997, to Lire 939 million in 1998 to Lire 1,503 million in 1999. The increase can be attributed to the numerous number of projects managed and the high level of work in progress which resulted from the stage of completion of certain projects at the end of the year.

During the course of the three-year period, average receivable days were relatively constant at some 100 days. For the calculation of receivables days, reference should be made to paragraph 4.7.1 “Comments on balance sheet components – Trade receivables”.

c) Proforma consolidated cash flows for the years 1998 and 1999

(Millions of Lire)	**1998**	**1999**
Cash flows from operating activities before working capital movements	2,198	5,394
Change in working capital	(1,956)	(3,861)
Cash flow from operating activities (A)	**242**	**1,533**
Cash flow used in investing activities (B)	**(803)**	**(1,335)**
Cash flow used in financing activities (C)	**(241)**	**(429)**
Change in net financial debt (A+B+C)	**(802)**	**(231)**

Cash flows from operating activities before working capital movements in 1999 were Lire 5,394 million compared to Lire 2,198 million in the previous year. This increase was primarily due to the increase in the net income in 1999 which increased from Lire 279 million in 1998 to Lire 2,834 million.

Cash flows used in investing activities in 1999 were Lire 1,335 million compared to Lire 803 million in the previous year resulting from the reduction of fixed asset acquisitions effected by the Group in 1999. The limited investment in equipment is directly correlated to operations characteristic of the Group that does not require significant investments.

d) Net financial debt

(Millions of Lire)	**1997**	**1998**	**1999**
Bank accounts and cash on hand	399	482	1,068
Short term portion of borrowings with banks	(2,342)	(3,244)	(3,842)
Short term portion of borrowings with other financial institutions	-	(17)	(118)
Cash and short term borrowings, net	**(1,943)**	**(2,779)**	**(2,892)**
Long term portion of borrowings with other financial institutions	(158)	(124)	(242)
Total net financial debt	**(2,101)**	**(2,903)**	**(3,134)**

Net financial debt increased moderately in the periods under review as a result of the significant growth in revenues, equivalent to an annual growth rate of 76%. This change is due to the auto-financing capacity of the Group and a constant control of ordinary activities, in particular receivables days from clients.

4.5 Information relative to proforma consolidated financial statements as at and for the years ended 31 December 1997, 1998 and 1999

4.5.1 Profroma consolidated financial statements

The proforma consolidated financial statements have been prepared by simulating the economic and financial position that the Group would have assumed had the increase in share capital and share premium, which contributed both the "Reply" brand name and minority interests, as well as the contribution of the Alika division, taken place on 1 January 1997, rather than during the year 2000. As noted in paragraph 1.2.17.6 "Company transactions", in the period between May and July 2000, the Company entered into certain financing operations exclusively for the rationalisation and transparency of the Group in light of the quotation on the New Market; in particular:

- acquisition, by majority shareholder Alister Holding, of the quota of minority interests held by the minority shareholders' in the relevant operating companies;

- sale to the above shareholders', 5,371 quotas of the issuing company. The acquisition and sale operations were effected at the same value:

- on 9 June 2000, the quota of minority interests in addition to the "Reply" trade mark were contributed to Reply following the increase in capital at the nominal value of Lire 1,854,600,000 in addition to a share premium of Lire 5,563,900,000.

Given the fact that this is a simulation, the proforma economic and financial position are not necessarily representative of the actual position of the Group had the operation actually taken place on 1 January 1997.

The proforma financial statements are not intended to represent a forecast of future profitability of the Group.

The principal assumptions utilised in the preparation of the proforma consolidated financial statements as at 31 December 1997, 1998 and 1999, which incorporate the economic and financial adjustments noted above, are described as follows:

1. It is assumed that the above-mentioned increase in share capital and share premium of 9 June 2000, for an amount of Lire 7,419 million, was effected on 1 January 1997. In connection therewith, the "Reply" brand name for an amount of Lire 3,300 million and the minority interests quota amounting to Lire 4,119 million were contributed. For a clearer understanding of the proforma consolidated financial statements of the Group for the years ended 31 December 1997, 1998 and 1999, the operation was registered as follows:

   (a) the "Reply" brand name was recorded at acquisition cost for Lire 3,300 million and amortised on a straight line basis over five years. The yearly amortisation of Lire 660 million had a negative impact in the consolidated statement of operations, net of the relative tax impact, since such depreciation was deductible for taxation purposes;

   (b) elimination of royalties recorded and paid to associated companies since the "Reply" brand name was not the property of the Group. This adjustment was effected in order to avoid any duplication of costs originating from the proforma operation noted in point (a) above;

   (c) minority interests included in the historical financial statements have been eliminated against the above stated increase in share capital. The original carrying amount of shareholders' equity of the investment with respect to the increase in the share capital, generated a "difference on consolidation" which was recorded as goodwill and amortised on a straight line basis over ten years.

2. It is assumed that the sale of the division of the Company from Alika was effected on 1 January 1997. Such contribution was performed in the month of July 2000 with the objective of concentrating in Reply the operative and human resources activities in order to realise the Group's mission. A summary of the assets and liabilities of the division contributed on 31 July 2000 is as follows:

Assets	Amount (Millions of Lire)	Liabilities	Amount (Millions of Lire)
Goodwill	280	Employee severance indemnity	86
Other fixed assets	310	Bank borrowings	450
Trade receivables	2,185	Trade payables	1,863
Other receivables	81	Other payables	192
		Net value of "division"	265
Total	**2,856**	**Total**	**2,856**

Following the consolidation on a line-by-line basis of the above division, significant intercompany transactions with companies included within the proforma consolidated financial statements have been eliminated, while maintaining the net result characteristic of the division. In addition, the estimated rental cost of buildings has been included in the statement of operations since such assets were not contributed.

3. The proforma adjustments noted above have been adjusted, where appropriate, in the movements in consolidated shareholders' equity in the years 1997, 1998 and 1999. This methodology results in a correct and actual representation of the assets ("Reply" brand name and goodwill), of consolidated shareholders' equity and liabilities (royalties) as at 30 June 2000.

4. The impact of eventual synergies that would have eventuated had the transaction actually taken place on 1 January 1997 has not been considered.

The effects of the above proforma adjustments compared to the historical consolidated shareholders' equity and net result for the years 1997, 1998 and 1999 have been included in paragraph 4.5.4 below.

4.5.2 Principles of consolidation

The proforma consolidated financial statements have been prepared in accordance with the rules introduced by Italian Legislative Decree No. 127 of 9 April 1991, interpreted and supplemented by the Italian principles issued by the National Boards of Dottori Commercialisti and of Ragioneri, and, where there are none, by International Accounting Standards (IAS).

The principles of consolidation adopted are as follows:

- the carrying amount of investments of subsidiaries held by the parent company and other investments included in the area of consolidation have been eliminated against the subsidiaries' related shareholders' equity. The assets and liabilities of such subsidiaries have been consolidated on a line-by-line basis. Negative differences arising from the elimination of investments against the related shareholders' equity of the investment are recorded in shareholders' equity as a "consolidation reserve". The positive differences remaining after the allocation to the relevant assets, are recorded in fixed assets as "goodwill" and are amortised on a straight line basis over ten years.

- third parties share of shareholders' equity of consolidated companies is included separately within the caption "minority interests", while the minority interests share in the net result for the year is highlighted separately in the statement of operations.

- intercompany receivables and payables and revenues and expenses between companies consolidated on a line-by-line basis are eliminated. In particular, unrealised intercompany profits included within inventories arising from transactions with Group companies are eliminated, if significant.

- dividends received from consolidated companies and recorded as income from investments in the statements of operations of the parent company and other companies included in the area of consolidation, have been eliminated against shareholders' equity.

- adjustments and accruals effected exclusively for fiscal purposes taking into consideration, where appropriate, the related tax impact, have been eliminated.

4.5.3 Area of consolidation

The proforma consolidated financial statements is composed of the parent company, Reply SpA, and the consolidation on a line-by-line basis, of subsidiaries, where the parent company, directly or indirectly, has an interest of more than 50% of the voting rights or otherwise has the power to exercise control over operations by means of contractual agreements, statutory clauses or agreements with shareholders'. Subsidiaries are summarised as follows:

Company	**Share capital (in Lire)**	**Percentage held in 1997, 1998 and 1999**
Consolidated under the line-by-line method:		
Technology Reply	150,000,000	100%
Cluster Reply	100,000,000	100%
Sytel Reply	120,000,000	100%
Business Reply	150,000,000	100%
Cluster Reply Milano	20,000,000	100%
Cluster Reply Roma	20,000,000	100%
Sytel Reply Milano	19,362,700	100%
Technology Reply Torino	19,362,700	100%
Carried at cost:		
Aktive Reply	19,362,700	100%

Aktive Reply has been carried at cost since it was established on 5 November 1999 and commenced operations on 1 January 2000. This subsidiary will prepare its first set of financial statements for the year ending 31 December 2000.

4.5.4 Reconciliation between historical and proforma consolidated net income and shareholders' equity

A reconciliation between the historical and proforma consolidated net income and shareholders' equity for the three years 1997-1999 is as follows:

(Millions of Lire)	Shareholders' equity			Net income		
	1997 (unaudited)*	1998 (unaudited)*	1999	1997 (unaudited)*	1998 (unaudited)*	1999
Historical financial statements of the issuing company	**- ****	**1,007**	**1,722**	**- ****	**59**	**71**
Difference between the carrying amount of the investment and the relevant shareholders' equity and net result	- **	498	2,630	- **	469	2,138
Adjustments for standardising accounting principles and the elimination of intercompany profits and losses, net of the relevant tax effect.	- **	-	(35)	- **	-	(35)
Historical consolidated financial statements	522	1,505	4,317	235	528	2,174
Increase in share capital	**7,419**	**7,419**	**7,419**	**-**	**-**	**-**
Amortisation of brand name and goodwill, net of the theoretical impact of taxation	-	-	-	(706)	(788)	(788)
Elimination of royalties recognised by Alister	-	-	-	-	377	758
Effect derived from the contribution of the Alika activities	-	66	260	-	66	194
Effect derived from the acquisition of minority interests	55	171	687	55	116	516
Consolidation reserve utilised historically	(85)	(29)	(21)	-	-	-
Other	(45)	(152)	(199)	(17)	(20)	(20)
Proforma consolidated financial statements	**7,866**	**8,980**	**12,463**	**(433)**	**279**	**2,834**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the year ended 31 December 1999 have been subject to a full audit.
** Not available since the issuing company (Reply Europe SaRL of Luxembourg) was established on 30 December 1997 and prepared its first set of financial statements on 31 December 1998.

The reconciliation between the 1997 and 1998 historical net income and shareholders' equity and the proforma consolidated financial statements, should be considered indicative only since the consolidated financial statements were not prepared for such years as this was not required by the legislation in force.

4.6 Accounting policies

In addition to the accounting principles applied, the proforma consolidated financial statements, have been prepared by applying the principle of prudence, the accrual concept and the assumption that the Group will continue as a going concern. The accounting principles for each financial statement caption are based on the rules introduced by Legislative Decree No. 127 of 9 April 1991, interpreted and supplemented by the Italian principles issued by the National Boards of Dottori Commercialisti and of Ragioneri, and, where not specifically covered, by International Accounting Standards (IAS).

Form and content of the proforma consolidated financial statements

The proforma consolidated financial statements include the consolidated balance sheet, the consolidated statement of income, the consolidated statement of cash flows and the statement of movements of consolidated shareholders' equity. The closing balance sheet dates coincides with the closing date of the statutory financial statements of the parent company and its subsidiaries. The financial statements utilised were those approved by the shareholders' of the individual companies.

Accounting principles

The accounting principles used are as follows:

Intangible assets

Intangible assets are recorded at cost adjusted by amortisation calculated on a straight-line basis over the period to be benefited. The brand name and goodwill are exceptions, and, as noted in section 4.5.2, are amortised in five and ten years, respectively in the consolidated statement of operations. However the original value of goodwill and brand name has been reinstated as a direct adjustment against shareholders' equity of the Group. Intangible assets and deferred charges are amortised as follows:

	Percent
Start up and expansion costs	20%
Industrial patents and intellectual property rights	33%
Leasehold improvements	20%
Other deferred charges	20%

Plant, property and equipment

Plant, property and equipment are recorded at purchase or construction cost, including direct accessory costs. No revaluations or other adjustments have been made to the historical cost of the assets.

Depreciation is provided on a straight-line basis with rates that reflect the estimated useful life of the related assets; the annual depreciation rates applied are as follows:

	Percent
Plant and machinery	50%
Industrial and commercial equipment	30%
Furniture and fittings	24%
Computer equipment	40%
Other office equipment	24%
Automobiles	50%

In the year of acquisition, assets are depreciated at 50% of the normal rate which represents the reduced utilisation of such assets with respect to future years. Acquisitions with a unit value of less than Lire 1 million are recorded in the statement of operations in the year of purchase.

Maintenance costs of an ordinary nature are included in the statement of operations in the year they are incurred. Maintenance costs that increase the value of the related asset are capitalised and depreciated in relation to the remaining useful life of the assets.

Finance leases

Finance lease assets are recorded at the contract cost within property, plant and equipment; the relating lease liability is also recorded. The leased asset is depreciated over the estimated useful life of the related asset, and in line with the relevant depreciation rates of the plant, property and equipment category. The depreciation expense and finance element of the lease liability is charged to the statement of operations.

Non consolidated investments

Non consolidated investments are carried at cost or subscription value, including associated acquisition costs. Cost is reduced for any permanent impairment in value.

Inventories

Inventories are stated at the lower of cost or net realisable value. The valuation methods are as follows:

- contract work in progress, for “turn key” projects of a long term nature are valued based on agreed project revenues and the stage of completion;

- work in progress for contracts with a duration of less than twelve months are valued based on the costs sustained;

- finished goods and merchandise are valued at the lower of cost, including costs to bring the asset to its current location and condition, or net realisable value.

Receivables

Receivables are carried at their estimated realisable value which corresponds to the nominal value reduced for the allowance for doubtful accounts which represents an estimate of the associated credit risk and is calculated based on an individual analysis of customers and historical experience.

Cash and short term borrowings

Cash and short term borrowings are carried at nominal value.

Payables

Payables are carried at face value adjusted for returns and other adjustments to revenues.

Reserve for risks and charges

The reserve for risks and charges is recorded to cover certain or probable losses or liabilities, which at the time of preparing the financial statements, was not accurately estimable nor the timing certain. The reserve represents the best estimate based on the available evidence.

Employee severance indemnity

Employee severance indemnity comprises the liability for severance indemnities for Italian consolidated companies accrued at the end of the year for each employee and determined in accordance with labour legislation.

Included within other long-term assets, is a receivable in relation to advances for tax on employee severance indemnity as outlined in Law No. 662 of 23 December 1996 and subsequently modified and integrated. This receivable is revalued in accordance with the relevant legislation.

Accruals and deferrals

Accrued income and expenses are determined using the deferral method based on the income and expense to which they relate. Prepaid expenses and deferred income relate to costs and revenues originating in the current period but relating to future periods.

Costs and revenues

Revenues from sales generated on the execution of contracts are recognised at the moment of approval from the customer of the completion of the work or on the base of the percentage of completion of the contact.

Sales and income and costs and charges are recorded net of discounts, premiums and taxes directly connected with the sale of products and services.

Dividends

Dividends are recorded in the year they are received. The relative tax credit is recorded in the same year.

Income taxes

Income taxes currently payable are provided for on the basis of reasonable estimates of the liability for the year, in accordance with existing legislation. Deferred taxes are accounted for on all temporary differences between the statutory assets and liabilities and the corresponding amounts for taxation purposes, in addition to tax losses carried forward. Deferred tax assets and the benefit generated on tax losses carried forward have only been recorded if it is more likely than not that the asset will be recovered.

Conversion of foreign currencies

Receivables and payables originally expressed in foreign currencies denominated outside the European Monetary Union are accounted for at the exchange rates prevailing at the time of the transactions. Gains and losses resulting from the settlement of such transactions are recognised in the statement of operations, after utilising the relevant provision for exchange rate fluctuations.

If, at the end of the year, the translation of short and long term receivables and payables denominated in foreign currencies results in a net loss, this is recorded in the statement of operations for the year. If however, the translation of short and long term receivables and payables denominated in foreign currencies results in a net income, this is not recognised on the basis of prudence.

4.7 Analysis of significant balance sheet and statement of operations components for 1997, 1998 and 1999

4.7.1 Comments on balance sheet components

FIXED ASSETS

INTANGIBLE ASSETS

(Millions of Lire)	Start up and expansion costs	Industrial Patents and intellectual property rights	Concessions, licenses, trade marks and similar rights	Goodwill	Other	Total
Balance as at 31 December 1997	**33**	**30**	**3,300**	**4,120**	**14**	**7,497**
Increases	32	9	-	-	87	128
Amortisation	(18)	(22)	(660)	(412)	(22)	(1,134)
Reinstatement of proforma amortisation	-	-	660	412	-	1,072
Balance as at 31 December 1998	**47**	**17**	**3,300**	**4,120**	**79**	**7,563**
Increases	17	55	-	-	69	141
Amortisation	(21)	(34)	(660)	(412)	(43)	(1,170)
Reinstatement of proforma amortisation	-	-	660	412	-	1,072
Balance as at 31 December 1999	**43**	**38**	**3,300**	**4,120**	**105**	**7,606**

Intangible assets primarily relate to the following:

- for start up and expansion costs: the capitalisation of costs relative to the commencement of activities;
- for industrial patents and intellectual property rights: the capitalisation of costs relating to the acquisition of software;
- for concessions, licenses, trade marks and similar rights: costs sustained in the first half of 2000 in relation to the acquisition of the "Reply" brand name, which was recorded on a proforma basis from 1997 in order to present the situation of the Group on a uniform basis (see paragraph 4.5.1 for details);
- for goodwill: to that recognised following the acquisition of the remaining quota of minority interests for an amount of Lire 3,840 million and the amount included in the contribution of the division effected by Alika in favour of Reply for an amount of Lire 280 million (see details in paragraph 4.5.1);
- for other: the capitalisation of costs in relation to leasehold improvements.

PLANT, PROPERTY AND EQUIPMENT

(Millions of Lire)	1997			1998			1999		
	Historic-al cost	Accum. dep	Net book value	Historic-al cost	Accum. dep	Net book value	Historic-al cost	Accum. dep	Net book value
Machinery	15	(13)	2	60	(23)	37	111	(55)	56
Industrial and commercial equipment	10	(1)	9	12	(5)	7	4	(2)	2
Other assets	456	(218)	238	930	(443)	487	1,911	(853)	1,058
Construction in progress	-	-	-	21	-	21	-	-	-
	481	**(232)**	**249**	**1,023**	**(471)**	**552**	**2,026**	**(910)**	**1,116**

Plant, property and equipment relate primarily to the following:

- for machinery: costs sustained in relation to the acquisition of air conditioning units;
- for industrial and commercial equipment: video projectors and other equipment for presentations;
- for other assets: for computer equipment (server, hardware and accessories) and for furniture and fittings for the office.

Movements in plant, property and equipment can be summarised as follows:

(Millions of Lire)	Machinery	Industrial & commercial equipment	Other assets	Construction in progress	Total
Balance as at 1 January 1997	**6**	**-**	**203**	**-**	**209**
Increases	1	10	190	-	201
Decreases	-	-	(6)	-	(6)
Depreciation	(5)	(1)	(149)	-	(155)
Balance as at 31 December 1997	**2**	**9**	**238**	**-**	**249**
Increases	45	2	532	21	600
Decreases	-	-	(51)	-	(51)
Depreciation	(10)	(4)	(232)	-	(246)
Balance as at 31 December 1998	**37**	**7**	**487**	**21**	**552**
Increases	51	-	1,001	-	1,052
Decreases	-	(4)	(16)	(21)	(41)
Depreciation	(32)	(1)	(414)	-	(447)
Balance as at 31 December 1999	**56**	**2**	**1,058**	**-**	**1,116**

OTHER LONG TERM ASSETS

(Millions of Lire)	1997	1998	1999
Investment in Aktive Reply Srl	-	-	15
Insurance receivable for directors' severance indemnity	42	118	192
Advances for tax on employee severance indemnity	3	4	5
Customer deposits	66	46	37
Total	**111**	**168**	**249**

In 1999, Reply recorded an 80% investment in an Italian company, Aktive Reply in its financial statements. This company was established on 5 November 1999 and become operative on 1 January 2000.

The following items were also classified within other long term assets:

- insurance receivables for the policies to cover contract payables for directors' severance indemnity;
- customer deposits in relation to rental agreements, telephone contracts, major utilities and for the leasing of automobiles;
- advances for tax paid on employee severance indemnity in line with Italian legislation.

CURRENT ASSETS

INVENTORIES

(Millions of Lire)	1997	1998	1999
Work in progress	-	933	1,402
Finished goods and merchandise	3	6	101
Total	**3**	**939**	**1,503**

Inventories primarily include work in progress relative to “turn key” projects which have not been completed at the end of the year and software and hardware products for resale.

TRADE RECEIVABLES

(Millions of Lire)	1997	1998	1999
Domestic receivables	4,842	8,995	14,686
Foreign receivables	125	231	801
Invoices to be issued	260	1,093	2,939
Credit notes to be issued	-	(286)	(164)
Total trade receivables due within 12 months	**5,227**	**10,033**	**18,262**
Less:			
Allowance for doubtful accounts	(48)	(109)	(206)
Trade receivables, net	**5,179**	**9,924**	**18,056**

The receivables included in the above table are of a commercial nature and are all due within one year. Such receivables are recorded at their net realisable value.

Receivables days for the 1997-1999 period were equivalent to 100 days and was determined by applying the ratio of trade receivables at 31 December, net of VAT, to monthly revenues based on a FIFO criteria, in order to eliminate the effect deriving from the increase in revenues during the year.

Movements in the allowance for doubtful accounts are summarised as follows:

(Millions of Lire)	1997	1998	1999
Balance as at 1 January	20	48	109
Accruals	28	61	97
Utilisation	-	-	-
Balance as at 31 December	**48**	**109**	**206**

OTHER CURRENT ASSETS

(Millions of Lire)	1997	1998	1999
Advances to suppliers	10	-	96
Advances to employees	19	-	28
Other receivables	5	112	135
Accrued income and prepaid expenses	59	138	106
Total	**93**	**250**	**365**

Such receivables, none of which are due over twelve months, are all considered collectable and accordingly, no allowance for doubtful accounts has been recorded against them.

CURRENT LIABILITIES

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(Millions of Lire)	**1997**	**1998**	**1999**
Trade payables	1,283	2,221	4,144
Advances from customers	-	1,597	2,050
Payables to parent company	47	104	136
Taxes payable	439	1,025	2,550
Social contributions payable	306	462	872
Payables to employees	276	699	1,198
Other payables	231	637	1,126
Accrued expenses and deferred income	201	93	20
Total	**2,783**	**6,838**	**12,096**

Trade payables at the end of each year all have a due date of within one year and relate to payables with suppliers for services rendered in relation to the general functioning of the company and for goods destined for resale.

Advances relate to monies received from customers based on the percentage of completion of the project.

Taxes payable represent direct and indirect taxes due to the tax authorities based on a prudent interpretation of the fiscal legislation in force. Payables are net of taxes paid during the year.

Social contribution payable relates to contributions in connection with remuneration for the month of December.

Payables to employees represent remuneration payable for the month of December and accrued holiday pay.

EMPLOYEE SEVERANCE INDEMNITY

(Millions of Lire)	**1997**	**1998**	**1999**
Balance as at 1 January	**103**	**264**	**483**
Accrual	208	293	620
Utilisation	(47)	(74)	(201)
Balance as at 31 December	**264**	**483**	**902**

Employee severance indemnity represents the liability for severance indemnities accrued at year-end for each employee. This provision is determined in accordance with labour legislation as outlined in Law No. 297 of 29 May 1982.

RESERVE FOR RISKS AND CHARGES

(Millions of Lire)	**1997**	**1998**	**1999**
Directors' severance indemnity	118	192	300
Total	**118**	**192**	**300**

Directors' severance indemnity relates to the additional leaving indemnity for the Board of directors' of the various companies of the Group, payable at the end of their term.

SHAREHOLDERS' EQUITY

(Millions of Lire)	1997	1998	1999
Share capital	2,045	2,803	3,232
Share premium	5,564	5,564	5,779
Legal reserve	-	-	3
Extraordinary reserve	11	-	-
Other reserves and proforma adjustments	679	334	615
Net income for the year	(433)	279	2,834
Total	**7,866**	**8,980**	**12,463**

Share capital of Reply, fully subscribed and paid in as at 31 December 1999, was equivalent to Lire 1,378 million and is represented by 13,780 quotas with a nominal value of Lire 100,000 each. The difference of Lire 1,854 million is due to the proforma operation described in paragraph 4.5.1.

The share premium as at 31 December 1999 is made up of Lire 215 million relating to the increase in share capital approved by the shareholders' meeting of 4 August 1999 and Lire 5,564 million from the proforma operation described in paragraph 4.5.1.

The legal reserve represents 5% of the statutory net income generated by the company as at 31 December 1999.

Other reserves as at 31 December 1999 are represented by:

- reserve for the reinstatement of amortisation on the brand name;
- reserve for the reinstatement of amortisation on goodwill;
- registration of royalties paid by group companies.

Such reserves derive from the proforma operation described in paragraph 4.5.1, net of the relative tax effect.

NET FINANCIAL DEBT

Movements in net financial debt can be analysed as follows:

(Millions of Lire)	1997	1998	1999
Long term borrowings with financial institutions	(158)	(124)	(242)
Long term borrowings	**(158)**	**(124)**	**(242)**
Short term portion of borrowings with financial institutions	-	(17)	(118)
Bank overdrafts	(2,342)	(3,244)	(3,842)
Bank accounts and cash on hand	399	482	1,068
Cash and short term borrowings, net	**(1,943)**	**(2,779)**	**(2,892)**
Total	**(2,101)**	**(2,903)**	**(3,134)**
Net financial debt/shareholders' equity ratio	**0.27**	**0.32**	**0.25**

Bank overdrafts as at 31 December 1999 represent overdrafts on current accounts and advances on invoices.

Borrowings with financial institutions primarily represent finance lease liabilities. The commitment of the Group for finance and operating lease agreements, for both the remaining instalments and the residual value as at 31 December 1999 is Lire 1,113 million.

MEMORANDUM ACCOUNTS

(Millions of Lire)	**1997**	**1998**	**1999**
Guarantees received from group companies	856	856	3,006
Guarantees received from third parties	-	-	27
Obligations for leasing commitments	-	-	1,113
Total	**856**	**856**	**4,146**

Guarantees received from group companies relate to patronage letters issued by the shareholders' of the Reply Group in favour of credit institutions in order to provide the company with autonomous credit lines.

Obligations for leasing commitments represent future instalments and the residual value of financing and operating leases.

4.7.2 Comments on statement of operations components

REVENUES FROM SALES AND SERVICES

(Millions of Lire)	**1997**	**1998**	**1999**
Projects based on hourly rates	8,831	14,043	25,425
"Turn key" projects	1,993	2,608	8,250
Sales of software and hardware	511	864	1,496
Technical assistance contracts	74	128	226
Total	**11,409**	**17,643**	**35,397**

Consolidated revenues of the Group are effected almost exclusively in Italy. Consolidated revenues by nature of services provided can be analysed as follows:

Revenues are net of discounts and allowances.

OTHER INCOME

(Millions of Lire)	**1997**	**1998**	**1999**
Gain on the sale of fixed assets	-	60	2
Other income	73	79	139
Total	**73**	**139**	**141**

Other income for the year ended 31 December 1999 includes Lire 53 million for contributions received from the Association of Small Companies (Associazione Piccole Imprese or A.P.I.) in relation to specific training courses.

ACQUISITION OF RAW MATERIALS, SUPPLIES AND MERCHANDISE, NET OF THE CHANGE IN FINISHED GOODS INVENTORIES

(Millions of Lire)	**1997**	**1998**	**1999**
Acquisition costs of raw materials,			
supplies and merchandise	632	816	1,531
Change in inventories	(3)	(3)	(95)
Total	**629**	**813**	**1,436**

Costs for the acquisition of raw materials, supplies and merchandise primarily represents the purchase of hardware and software for resale and other internal consumables.

Purchases are almost exclusively effected in Italy.

SERVICES

(Millions of Lire)	1997	1998	1999
Commercial and technical consultancy	1,623	2,940	4,751
Training and transportation costs	869	1,332	2,734
Administrative and legal fees	310	245	399
Marketing costs	203	256	350
Maintenance	142	92	165
Utilities	90	189	327
Other	211	375	634
Total	**3,448**	**5,429**	**9,360**

The primary cost within the "services" caption, relates to commercial and technical consultancy which represents the utilisation of external professionals by the Group, in addition to the employees, in the execution of contract work.

LEASES AND RENTALS

(Millions of Lire)	1997	1998	1999
Rental expenses	284	368	505
Leasing and rental of cars	184	331	436
Rental of hardware	-	-	247
Other	-	8	76
Total	**468**	**707**	**1,264**

OTHER OPERATING COSTS

(Millions of Lire)	1997	1998	1999
Other direct taxes	32	72	129
Subscriptions	17	14	16
Contributions to associations	7	15	14
Other	22	69	136
Accrual for allowance for doubtful accounts	29	61	96
Total	**107**	**231**	**391**

PERSONNEL COSTS

(Millions of Lire)	1997	1998	1999
Wages and salaries	3,233	5,284	10,308
Social contribution	1,166	1,517	2,802
Employee severance indemnity	208	331	625
Directors remuneration	855	1,351	1,798
Employee severance indemnity for directors	55	74	108
Total	**5,517**	**8,557**	**15,641**

The reduction in the percentage of social contributions from 1998 is due to elimination of contributions for health care services introduced as part of the new direct taxation system.

The average number of employees in the respective years, divided by category, is summarised as follows:

Category	**1997**	**1998**	**1999**
Managers (Dirigenti)	3	4	6
White collar workers (Quadri)	5	10	14
Office workers (Impiegati)	65	101	186
Total	**73**	**115**	**206**

DEPRECIATION AND AMORTISATION

(Millions of Lire)	**1997**	**1998**	**1999**
Amortisation on intangibles	1,111	1,134	1,170
Depreciation on plant, property and equipment	225	319	542
Total	**1,336**	**1,453**	**1,712**

FINANCIAL INCOME/(EXPENSES), NET

Details of financial expenses are as follows:

(Millions of Lire)	**1997**	**1998**	**1999**
Interest on bank current accounts	106	143	187
Interest on factoring	43	15	5
Interest on instalments	-	7	10
Other	60	66	73
Total	**209**	**231**	**275**

Financial income in 1997 amounted to Lire 5 million, in 1998 to Lire 14 million and in 1999 to Lire 12 million and primarily represents interest on bank accounts.

INCOME TAXES

Current taxes represent the tax charge for IRPEG and IRAP (ILOR until 1997) for each Group company determined in accordance with the current fiscal legislation in the respective years that they are payable.

(Millions of Lire)	**1997**	**1998**	**1999**
Current taxes	208	1,027	3,092
Deferred taxes	-	-	6
Total	**208**	**1,027**	**3,098**

Deferred taxes recorded in 1999 represent the tax impact deriving from the accounting of finance lease contracts in accordance with the finance lease methodology.

4.8 Proforma consolidated reclassified balance sheets and statements of operations as at and for the twelve and six month periods ended 31 December 1999 and 30 June 2000

4.8.1 Proforma consolidated balance sheets as at 31 December 1999 and 30 June 2000 in millions of Lire

(Millions of Lire)	31 December 1999	30 June 2000
Intangible assets	7,606	7,814
Property, plant and equipment	1,116	1,389
Other long term assets	249	363
Total fixed assets (A)	**8,971**	**9,566**
Inventories	1,503	2,576
Trade receivables	18,056	28,160
Other current assets	365	328
Total current assets (B)	**19,924**	**31,064**
Trade payables	(4,144)	(6,942)
Other current liabilities	(7,952)	(13,479)
Total current liabilities (C)	**(12,096)**	**(20,421)**
Net current assets (D) (B + C)	**7,828**	**10,643**
Employee severance indemnity (E)	**(902)**	**(1,149)**
Reserve for risks and charges (F)	**(300)**	**(358)**
Net invested capital (A + D + E+ F)	**15,597**	**18,702**
Shareholders' equity of the Group	12,463	14,885
Long term borrowings	242	901
Cash and short term borrowings, net	2,892	2,916
Shareholders' equity and net financial debt	**15,597**	**18,702**
Memorandum accounts		
Guarantees received	3,033	4,073
Obligations for leasing commitments	1,113	1,388
Total Memorandum Accounts	**4,146**	**5,461**

4.8.2 Proforma consolidated balance sheets as at 31 December 1999 and 30 June 2000 in thousands of Euro

(Thousands of Euro)	**31 December 1999**	**30 June 2000**
Intangible assets	3,928	4,036
Property, plant and equipment	576	717
Other long term assets	129	187
Total fixed assets (A)	**4,633**	**4,940**
Inventories	776	1,330
Trade receivables	9,325	14,543
Other current assets	189	169
Total current assets (B)	**10,290**	**16,042**
Trade payables	(2,140)	(3,585)
Other current liabilities	(4,107)	(6,961)
Total current liabilities (C)	**(6,247)**	**(10,546)**
Net current assets (D) (B + C)	**4,043**	**5,496**
Employee severance indemnity (E)	**(466)**	**(593)**
Reserve for risks and charges (F)	**(155)**	**(185)**
Net invested capital (A + D + E+ F)	**8,055**	**9,658**
Shareholders' equity of the Group	6,436	7,688
Long term borrowings	125	465
Cash and short term borrowings, net	1,494	1,505
Shareholders' equity and net financial debt	**8,055**	**9,658**
Memorandum accounts		
Guarantees received	1,566	2,103
Obligations for leasing commitments	575	717
Total Memorandum Accounts	**2,141**	**2,820**

4.8.3 Proforma consolidated statements of operations for the six months ended 30 June 1999 and 2000 in millions of Lire

(Millions of Lire)	**30 June 1999 (unaudited)***	**%**	**30 June 2000**	**%**
Revenues from sales and services	16,031		30,295	
Change in work in progress	113		632	
Other income and revenues	32		232	
Value of production	**16,176**	**100%**	**31,159**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(963)	(5.9)%	(3,252)	(10.4)%
Services	(4,206)	(26.0)%	(7,731)	(24.8)%
Leases and rentals	(498)	(3.1)%	(759)	(2.4)%
Other operating costs	(126)	(0.8)%	(280)	(0.9)%
Value added	**10,383**	**64.2%**	**19,137**	**61.5%**
Personnel costs and directors' remuneration	(7,294)	(45.1)%	(12,677)	(40.7)%
Gross operating income	**3,089**	**19.1%**	**6,460**	**20.8%**
Depreciation and amortisation	(808)	(5.0)%	(1,040)	(3.3)%
Operating income	**2,281**	**14.1%**	**5,420**	**17.5%**
Financial income/(expenses), net	(134)	(0.8)%	(180)	(0.6)%
Income before extraordinary items	**2,147**	**13.3%**	**5,240**	**16.9%**
Extraordinary income/(expenses)	(3)	-	(7)	-
Income before taxes	**2,144**	**13.3%**	**5,247**	**16.9%**
Income taxes	(1,191)	(7.4)%	(2,801)	(9.0)%
Net income	**953**	**5.9%**	**2,446**	**7.9%**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the six months ended 30 June 2000 have been subject to a full audit.

4.8.4 Proforma consolidated statements of operations for the six months ended 30 June 1999 and 2000 in thousands of Euro

(Thousands of Euro)	**30 June 1999**		**30 June 2000**	
	(unaudited)*	**%**		**%**
Revenues from sales and services	8,279		15,646	
Change in work in progress	58		326	
Other income and revenues	17		120	
Value of production	**8,354**	**100%**	**16,092**	**100%**
Raw materials, supplies and merchandise,				
net of the change in inventories	(497)	(5.9)%	(1,679)	(10.4)%
Services	(2,172)	(26.0)%	(3,993)	(24.8)%
Leases and rentals	(257)	(3.1)%	(392)	(2.4)%
Other operating costs	(65)	(0.8)%	(145)	(0.9)%
Value added	**5,363**	**64.2%**	**9,883**	**61.5%**
Personnel costs and directors' remuneration	(3,767)	(45.1)%	(6,547)	(40.7)%
Gross operating income	**1,596**	**19.1%**	**3,336**	**20.8%**
Depreciation and amortisation	(417)	(5.0)%	(537)	(3.3)%
Operating income	**1,179**	**14.1%**	**2,799**	**17.5%**
Financial income/(expenses), net	(69)	(0.8)%	(93)	(0.6)%
Income before extraordinary items	**1,110**	**13.3%**	**2,706**	**16.9%**
Extraordinary income/(expenses)	(2)	-	4	-
Income before taxes	**1,108**	**13.3%**	**2,710**	**16.9%**
Income taxes	(615)	(7.4)%	(1,447)	(9.0)%
Net income	**493**	**5.9%**	**1,263**	**7.9%**

* The proforma information has not been subject to a full audit, however comfort is given by a PricewaterhouseCoopers report that contains a comment on the reasonableness of the assumptions applied and on the correct application of the same in the determination of above information. The historical consolidated financial statements of the Reply Group as at and for the six months ended 30 June 2000 have been subject to a full audit.

4.8.5 Proforma consolidated statements of cash flows for the six months ended 30 June 2000

(Millions of Lire)	31 December 1999 (twelve months)	30 June 2000 (six months)
Net income	2,834	2,446
Depreciation and amortisation	1,712	1,040
Accrual for employee severance indemnity	625	464
Accrual for reserve for risks and charges	108	58
Accrual for allowances for doubtful accounts	96	87
Other	19	-
Cash inflow from operating activities before working capital movements	**5,394**	**4,095**
Change in inventories	(564)	(1,073)
Change in trade receivables	(8,228)	(10,191)
Change in other current assets	(115)	37
Change in trade payables	1,923	2,798
Change in other current liabilities	3,329	5,527
Change in employee severance indemnity	(206)	(217)
Change in working capital	**(3,861)**	**(3,119)**
Cash flows from operating activities (A)	**1,533**	**976**
Capitalisation of intangible assets	(141)	(274)
Purchase of plant, property and equipment	(1,113)	(685)
Change in other long term assets	(81)	(115)
Cash flows used in investing activities (B)	**(1,335)**	**(1,074)**
Increase in share capital and share premium	644	75
Other movements in proforma shareholders' equity	(1,073)	(660)
Cash flows used in financing activities (C)	**(429)**	**(585)**
Change in net financial debt (A + B + C)	**(231)**	**(683)**
Net financial debt at the beginning of the period	(2,903)	(3,134)
Change in net financial debt	(231)	(683)
Net financial debt at the end of the period	**(3,134)**	**(3,817)**

4.8.6 Movements in proforma consolidated shareholders' equity as at and for the six months ended 30 June 2000

(Millions of Lire)	Share capital	Share premium	Legal reserve	Extra-ordinary reserve	Other reserves and proforma adjustments	Income for the period	Total
Balance as at 31 December 1999	**3,232**	**5,779**	**3**	**-**	**615**	**2,834**	**12,463**
Allocation of prior period result	-	-	4	-	2,830	(2,834)	-
Increase in share capital	48	27	-	-	-	-	75
Reinstatement of amortisation on brand name and goodwill, net of the theoretical tax effect	-	-	-	-	394	-	394
Elimination of royalties paid	-	-	-	-	(474)	-	(474)
Other	-	-	-	-	(19)	-	(19)
Result for the period	-	-	-	-	-	2,446	2,446
Balance as at 30 June 2000	**3,280**	**5,806**	**7**	**-**	**3,346**	**2,446**	**14,885**

As stated in section 5, paragraph 5.1 "Events subsequent to the closing of the financial statements as at and for the period ended 30 June 2000" and as approved by the shareholders' meeting held on 10 July 2000, share capital increased by 102,000 shares of which 48,000 were undersigned by R. Casagrande and F. Giallionardo for a total amount, including the share premium, of Lire 75,282,178,000.

4.8.7 Commentary on the results of the Group for the six months ended 30 June 1999 and 2000

The six months ended 30 June 2000 confirmed the growth of revenues in the Group. Revenues increased from Lire 16,144 million for the six months ended 30 June 1999 to Lire 30,927 million for the same period in 2000 which represents a growth rate of 91.6%.

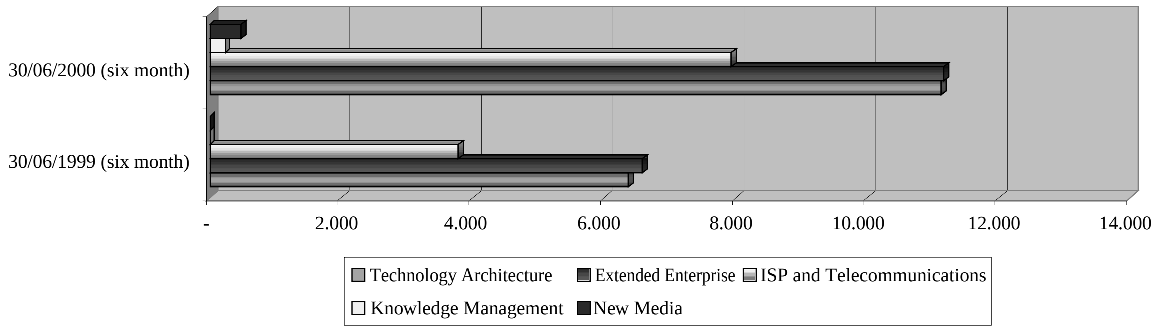
An analysis of the increase in revenues, including the effect of the change in work in progress, by business line for the six months ended 30 June 2000 is as follows:

(Millions of Lire)	30/06/2000 *		30/6/99 *	
Technology Architecture	11,124	35.9%	6,219	38.5%
Extended Enterprise	11,159	36.0%	6,251	38.7%
ISP and Telecommunications	7,936	25.7%	3,674	22.8%
Knowledge Management	236	0.8%	-	-
New Media	472	1.6%	-	-
Total Revenues	**30,927**	**100.0%**	**16,144**	**100.0%**

* including the change in work in progress

The growth in revenues by business line is presented in the following graph:

Development of revenues by business line (millions of lire)



The increase realised in the course of the first six months of 2000, can be attributed to the development of the market in which the Group operates, characterised by an ever increasing demand by companies for E-business services and solutions, and the commercial development.

The analysis by business line demonstrates the growth in the Technology Architecture, Extended Enterprise and ISP and Telecommunications business lines. In addition to such increases, new business lines were introduced in the first six months of 2000 as the New Media and Knowledge Management segment. These business lines contributed some Lire 708 million to revenues of which Lire 472 million relates to New Media projects and Lire 236 million to Knowledge Management projects.

In relation to the revenues for the first six months of the year 2000 by geographic area, it is noted that sales abroad amounted to 2.7% of total revenues. The principal countries in which the Group trade are Austria and Germany.

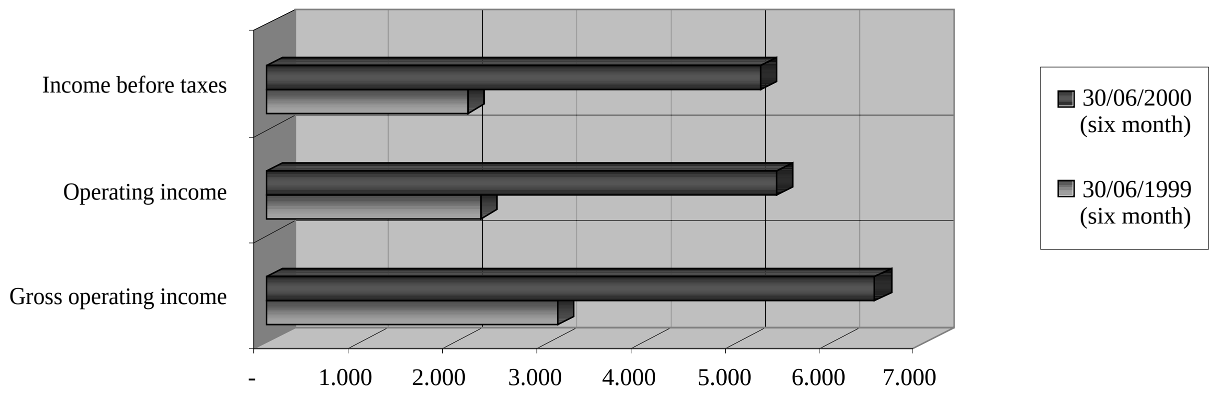
Development of profitability of the Group

With the background of a strong increase in revenues, the Group increased profitability both in absolute and percentage terms. Gross operating income increased from 19.1% for the six months ended 30 June 1999 to 20.8% for the same period ended 30 June 2000, Operating income increased from 14.1% for the period to 30 June 1999 to 17.5% for the period to 30 June 2000, income before taxes from 13.3% to 16.9% and net income from 5.9% to 7.9%.

In particular, gross operating income in the proforma financial statements is detailed as follows:

(Millions of Lire)	**30/06/1999 (six months)**	**%**	**30/06/2000 (six months)**	**%**
Revenues from sales and services	16,031		30,295	
Change in finished products inventories and work in progress	113		632	
Other revenues	32		232	
value of production	**16,176**	**100%**	**31,159**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(963)	(5.9)%	(3,252)	(10.4)%
Services	(4,206)	(26.0)%	(7,731)	(24.8)%
Leases and rentals	(498)	(3.1)%	(759)	(2.4)%
Other operating costs	(126)	(0.8)%	(280)	(0.9)%
value added	**10,383**	**64.2%**	**19,137**	**61.5%**
Personnel costs and directors’ remuneration	(7,294)	(45.1)%	(12,677)	(40.7)%
Gross operating income	**3,089**	**19.1%**	**6,460**	**20.8%**

Development of gross operating income, operating income and income before taxes (millions of Lire)



The improvement in gross operating income is due in part to the increase in revenues in the first six months of 2000, which allowed a greater absorption of fixed costs, and in part to a higher profitability on projects. Added to these factors is a reduction in the percentage of "services" and "personnel costs and directors' remuneration".

With reference to the latter caption, in absolute terms an increase amounting to some Lire 5,400 million was experienced following the growth of the Group structure where employee numbers increased from 244 at the end of 1999 to 312 as at 30 June 2000, while a significant decrease was experienced in the percentage of the value of production which decreased from 45.1% for the six months ended 30 June 1999 to 40.7% for the six months ended 30 June 2000.

An additional analysis of the gross operating income by business line for the six months ended 30 June 2000 compared to the same period in 1999 is as follows:

	30/6/2000 (six months)		**1999 (twelve months)**
(Millions of Lire)	**Amount**	**% ****	**% ****
Technology Architecture	3,017	27%	26%
Extended Enterprise	2,179	20%	20%
ISP and Telecommunications	1,392	18%	21%
Knowledge Management	(190)	*	-
New Media	62	13%	-
Total	**6,460**	**21%**	**22%**

* insignificant
** Such percentages have been calculated based on revenues by business line, see paragraph 4.8.7 "Commentary on the results of the Group for the six months ended 30 June 1999 and 2000".

No significant variations were noted in the gross operating income by business line with respect to the previous year with the exception of the "ISP and Telecommunications" business line where the margin percentage decreased by some 3 percentage points. This resulted from revenues which are characterised by retail products where the contribution and percentage is lower. For "Knowledge Management" and "New Media", the first six months of 2000 represents the commencement of activities for these business lines. Consequently, the margin is significantly influenced by the fixed costs connected to the start-up phase.

The improvement in gross operating income and income before taxes is attributable to the improvement in gross operating income described above, and a containment, in percentage terms, of depreciation and amortisation. The percentage of this latter caption decreased from 5.0% for the six months ended 30 June 1999 to 3.3% for the six months ended 30 June 2000.

As a consequence of the improvement in the statement of operations captions described above, net income for the period registered an increase both in absolute terms, increasing from Lire 953 million for the six months ended 30 June 1999 to Lire 2,446 million for the same period in 2000, and in percentage terms (from 5.9% to 7.9%).

Reconciliation of the effective tax rate

The following table summarises the consolidated tax situation of the Group:

(Millions of Lire)	**1999 (twelve months)**	**30/06/2000 (six months)**
Net income before taxes	5,932	5,247
Income taxes:		
IRPEG	2,284	2,091
IRAP	814	710
Effective tax rate	**52.2%**	**53.3%**

A reconciliation of the effective tax rate to the theoretical tax rate applicable to Group companies is illustrated in the following table:

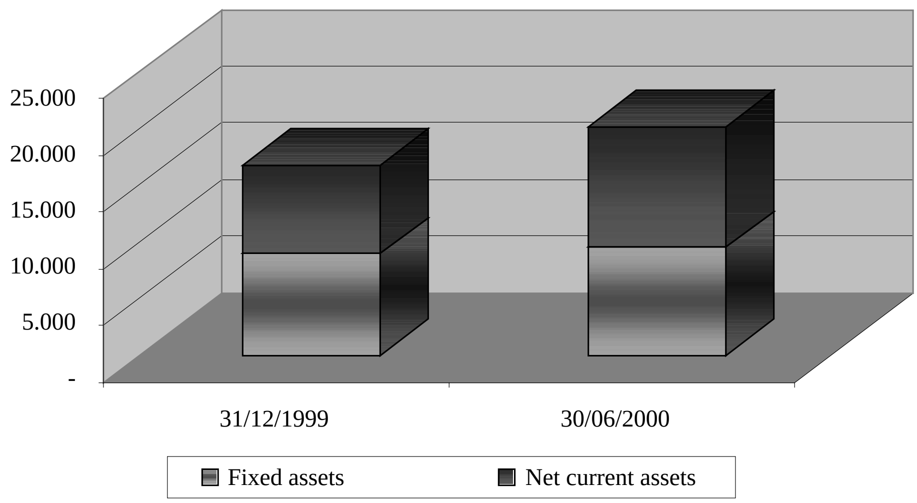
	1999	**30/06/2000**
Theoretical tax rate for corporate taxes (IRPEG)	37.0%	37.0%
IRAP	12.9%	13.1%
Permanent differences	2.3%	3.2%
Effective tax rate	**52.2%**	**53.3%**

The theoretical tax rate corresponds to the tax rates applicable under current legislation. From 1999, only the IRPEG tax rate is considered since IRAP cannot be considered a corporate tax as it is applied against different tax base.

Movements in shareholders' equity and the net financial debt of the Group for the six months ended 30 June 2000

Proforma consolidated net invested capital as at 30 June 2000 amounted to Lire 18,702 million which represents an increase of some 20% with respect to 31 December 1999.

Movement in net invested capital (millions of Lire)



Within net invested capital, fixed assets increased from Lire 8,971 million as at 31 December 1999 to Lire 9,566 million as at 30 June 2000, and net current assets increased from Lire 7,828 million to Lire 10,643 million; this increase can primarily be attributed to an increase in trade receivables (equivalent to 56% with respect to 31 December 1999) which increased from Lire 18,056 million as at 31 December 1999 to Lire 28,160 million as at 30 June 2000.

(Millions of Lire)	31/12/1999	30/06/2000
Inventories	1,503	2,576
Trade receivables	18,056	28,160
Other current assets	365	328
Current assets (A)	**19,924**	**31,064**
Trade payables	(4,144)	(6,942)
Other current liabilities	(7,952)	(13,479)
Current liabilities (B)	**(12,096)**	**(20,421)**
Net working capital (C) (A+B)	**7,828**	**10,643**
Short term portion of bank borrowings	(3,960)	(5,156)
Cash on hand	1,068	2,240
Cash and short term borrowings, net (D)	**(2,892)**	**(2,916)**
Net invested capital (E) (C+D)	**4,936**	**7,727**
Value of production (F)	**36,007**	**62,318 ***
Percentage of current assets to value of production (A/F)	**55.3%**	**49.8%**

* annualised

Proforma consolidated cash flow for the six months ended 30 June 2000

(Millions of Lire)	1999 (twelve months)	30/06/2000 (six months)
Cash flows from operating activities before working capital movements	5,394	4,095
Change in working capital	(3,861)	(3,119)
Cash flow from operating activities	**1,533**	**976**
Cash flow used in investing activities	**(1,335)**	**(1,074)**
Cash flow used in financing activities	**(429)**	**(585)**
Net financial debt at the beginning of the period	**(2,903)**	**(3,134)**
Change in net financial debt	**(231)**	**(683)**
Net financial debt at the end of the period	**(3,134)**	**(3,817)**

The negative net financial debt during the first six months of 2000 experienced a variation of 22% with respect to 31 December 1999 increasing from Lire 3,134 million to Lire 3,817 million. The variation, equivalent to Lire 683 million is attributable to a decrease in cash flow from operating activities, primarily due to an increase in trade receivables.

Net financial debt

(Millions of Lire)	1999	30/6/2000
Bank accounts and cash on hand	1,068	2,240
Short term portion of borrowings with banks	(3,842)	(4,695)
Short term portion of borrowings with other financial institutions	(118)	(138)
Short term portion of other borrowings	-	(323)
Cash and short term borrowings, net	**(2,892)**	**(2,916)**
Long term portion of borrowings with other financial institutions	(242)	(280)
Long term portion of other borrowings	-	(621)
Long term borrowings	**(242)**	**(901)**
Total net financial debt	**(3,134)**	**(3,817)**

4.8.8 Proforma consolidated financial statements as at 30 June 2000

The proforma consolidated financial statements as at and for the six months ended 30 June 2000 were prepared based on the underlying financial records of Group companies adjusted to bring the financial statements in line with Group accounting policies. For comparative purposes, the proforma consolidated balance sheet as at 31 December 1999 and the statement of operations for the six months ended 30 June 1999 have also been presented.

For the assumptions utilised in the preparation of the proforma consolidated financial statements as at and for the six months ended 30 June 2000, reference should be made to paragraph 4.5.1. However, in contrast to what was stated in point 1 of the above paragraph in the assumptions utilised in the preparation of the proforma consolidated financial statements in the years 1997 – 1999, the increase in share capital and share premium was effected on 9 June 2000. In relation thereto, both the “Reply” brand name and the minority interests previously acquired were contributed.

An additional proforma adjustment relates to the underwriting of an aggregate of numbers 48,000 shares on behalf of Mr Casagrande and Mr Gianlonardo, for an amount, including share premium, of Lire 75,000,000. In addition, the acquisition of 49% of YH Reply, effected on 10 July 2000, was considered in the preparation of the proforma consolidated information as at 30 June 2000, whereby the investment was consolidated at 100%.

4.8.9 Principles of consolidation

The same principles applied in the preparation of the proforma consolidated financial statements for the years 1997 – 1999 were used in the preparation of the proforma consolidated financial statements as at and for the six months ended 30 June 2000 (see paragraph 4.5.2).

4.8.10 Area of consolidation

The companies included in the area of consolidation on a line-by-line basis in the proforma consolidated financial statements of the Group as at 30 June 2000 and 31 December 1999 are included in paragraph 4.5.3 “Area of consolidation”. The only variations in the 30 June 2000 financial statements are as follows:

- consolidation on a line-by-line basis of the subsidiary Aktive Reply, which was carried at cost as at 31 December 1999 since it was non-operative at that time;

- consolidation on a line-by-line basis of the subsidiary YH Reply, an operating company acquired during 2000;

- consolidation on a line-by-line basis of the subsidiary Creative Reply, an operating company established on 21 February 2000.

4.8.11 Reconciliation between historical and proforma consolidated shareholders' equity and net income as at and for the six months ended 30 June 2000

A reconciliation between the historical and proforma consolidated net income and shareholders' equity as at and for the six months ended 30 June 2000 is as follows:

(Millions of Lire)	**Shareholders' equity as at 30 June 2000**	**Net income 30 June 2000**
Historical financial statements of the issuer	**9,295**	**155**
Difference between the carrying amount of the investment and the relevant shareholders' equity and net result	4,630	2,000
Adjustments for standardising accounting principles and the elimination of intercompany profits and losses, net of the relevant tax effect.	(49)	12
Historical consolidated financial statements	**13,876**	**2,167**
Increase in share capital	75	-
Difference in the determination of proforma and historical goodwill	745	(231)
Elimination of royalties recognised by Alister	-	474
Effect derived from the contribution of the Alika activities	22	(239)
Effect derived from the acquisition of minority interests of YH Reply	328	338
Other	(161)	(63)
Proforma consolidated financial statements	**14,885**	**2,446**

4.8.12 Accounting policies

In the preparation of the proforma consolidated financial statements as at and for the six months ended 30 June 2000 and 1999, the same accounting principles used in the preparation of the proforma consolidated financial statements for the years 1997-1999 were utilised (see paragraph 4.6).

4.8.13 Comments on balance sheet components

FIXED ASSETS

INTANGIBLE ASSETS

(Millions of Lire)	**Start up and expansion costs**	**Industrial patents and intellectual property rights**	**Concessions, licenses, trade-marks and similar rights**	**Goodwill**	**Other**	**Total**
Balance as at 1 January 2000	**43**	**38**	**3,300**	**4,120**	**105**	**7,606**
Increases	16	232	11	-	26	285
Amortisation	(12)	(47)	(330)	(206)	(18)	(613)
Reinstatement of proforma amortisation	-	-	330	206	-	536
Balance as at 30 June 2000	**47**	**223**	**3,300**	**4,131**	**113**	**7,814**

The increase in the period is principally due to the acquisition of software.

PROPERTY, PLANT AND EQUIPMENT

(Millions of Lire)	**31 December 1999**			**30 June 2000**		
	Historical cost	**Accum. dep**	**Net book value**	**Historical cost**	**Accum. dep**	**Net book value**
Machinery	111	(55)	56	115	(78)	37
Industrial and commercial equipment	4	(2)	2	31	(5)	26
Other assets	1,911	(853)	1,058	2,479	(1,153)	1,326
	2,026	**(910)**	**1,116**	**2,625**	**(1,236)**	**1,389**

Movements in plant, property and equipment can be summarised as follows:

(Millions of Lire)	**Machinery**	**Industrial & commercial equipment**	**Other assets**	**Total**
Balance as at 1 January 2000	**56**	**2**	**1,058**	**1,116**
Increases	4	26	605	635
Decreases	-	-	(9)	(9)
Depreciation	(23)	(2)	(328)	(353)
Balance as at 30 June 2000	**37**	**26**	**1,326**	**1,389**

The primary increase in the period was registered in the caption "other assets" and substantially relates to the acquisition of computer equipment (server, hardware and accessories).

OTHER LONG TERM ASSETS

(Millions of Lire)	**31 December 1999**	**30 June 2000**
Investments	15	2
Insurance receivable for directors' severance indemnity	192	296
Advances for tax on employee severance indemnity	5	-
Customer deposits	37	65
Total	**249**	**363**

As described in paragraph 4.8.10 "Area of consolidation", the subsidiary Aktive Reply was consolidated on a line-by-line basis from 1 January 2000.

In addition, the following assets were classified in other long term assets:

- insurance receivables for the policies to cover contract payables for directors' severance indemnity;
- customer deposits in relation to rental agreements, telephone contracts, major utilities and for the leasing of cars.

CURRENT ASSETS

INVENTORIES

(Millions of Lire)	**31 December 1999**	**30 June 2000**
Work in progress	1,402	2,034
Finished goods and merchandise	101	542
Total	**1,503**	**2,576**

Inventories primarily include work in progress relative to “turn key” projects which have not been completed at the end of the year and software and hardware products for resale.

The increase in both categories is connected to the growth in revenues experienced in the first six months of the year 2000.

TRADE RECEIVABLES

(Millions of Lire)	**31 December 1999**	**30 June 2000**
Domestic receivables	14,686	24,235
Foreign receivables	801	118
Invoices to be issued	2,939	4,146
Credit notes to be issued	(164)	(46)
Total trade receivables due within 12 months	18,262	28,453
Less:		
Allowance for doubtful accounts	(206)	(293)
Trade receivables, net	**18,056**	**28,160**

The receivables included in the above table are of a commercial nature and are all due within one year. Such receivables are recorded at their net realisable value.

Receivables days for the six months ended 30 June 2000 were equivalent to 115 days compared to 100 days for the year ended 31 December 1999 and was determined by applying the same methodology as described in paragraph 4.7.1 “Comments on balance sheet components” – Trade receivables. The increase between the two periods is due to a delay in cash receipts of receivables for the period ended 30 June 2000.

Movements in the allowance for doubtful accounts are summarised as follows:

(Millions of Lire)	**2000**
Balance as at 1 January	**206**
Accrual	87
Utilisation	-
Balance as at 30 June	**293**

OTHER CURRENT ASSETS

(Millions of Lire)	31 December 1999	30 June 2000
Advances to suppliers	96	64
Advances to employees	28	22
Other receivables	135	78
Accrued income and prepaid expenses	106	164
Total	**365**	**328**

Such receivables, none of which are due over twelve months, are all considered receivable.

CURRENT LIABILITIES

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(Millions of Lire)	31 December 1999	30 June 2000
Trade payables	4,144	6,942
Advances from customers	2,050	2,219
Payables to parent company	136	233
Taxes payable	2,550	5,752
Social contribution payable	872	1,168
Payables to employees	1,198	2,321
Other payables	1,126	1,755
Accrued expenses and deferred income	20	31
Total	**12,096**	**20,421**

Trade payables at the end of each period all have a due date of within one year and relate to payables with suppliers for services rendered in relation to the general functioning of the company and for goods destined for resale.

Advances relate to monies received from customers based on the percentage of completion of the project.

Taxes payable represent direct and indirect taxes due to the tax authorities based on a prudent interpretation of the fiscal legislation in force. Payables are stated net of taxes paid during the year.

Social contribution payable relates to contributions in connection with remuneration for the month of June 2000.

Payables to employees represent remuneration payable, accrued holiday and the portion of the 13th month salary accrued as at 30 June 2000. The 13th month salary accrues from 1 September to 31 August of every year and accordingly, the portion accrued by the Group is relative to a period of ten months compared to four months as at 31 December 1999.

EMPLOYEE SEVERANCE INDEMNITY

(Millions of Lire)	31 December 1999	30 June 2000
Opening balance	**483**	**902**
Accrual	620	458
Utilisation	(201)	(211)
Closing balance	**902**	**1,149**

Employee Severance Indemnity represents the liability for severance indemnities accrued at period end for each employee. This provision is determined in accordance with labour legislation as outlined in Law No. 297 of 29 May 1982.

RESERVE FOR RISKS AND CHARGES

(Millions of Lire)	31 December 1999	30 June 2000
Directors' severance indemnity	300	358
Total	**300**	**358**

Directors' severance indemnity relates to the additional leaving indemnity for the Board of directors' of the various companies of the Group, payable at the end of their term.

SHAREHOLDERS' EQUITY

(Millions of Lire)	31 December 1999	30 June 2000
Share capital	3,232	3,280
Share premium	5,779	5,806
Legal reserve	3	7
Extraordinary reserve	-	-
Other reserves	615	3,346
Net income for the period	2,834	2,446
Total	**12,463**	**14,885**

Share capital of Reply SpA, fully subscribed and paid in as at 30 June 2000, was equivalent to Lire 3,232 million and is represented by 3,232,100 quotas with a nominal value of Lire 1,000 each. The difference of Lire 48 million and the relative share premium of Lire 27 million, originates from the operation described in paragraph 4.8.8.

NET FINANCIAL DEBT

(Millions of Lire)	31 December 1999	30 June 2000
Long term borrowings with financial institutions	(242)	(280)
Long term portion of bank borrowings	-	(621)
Long term borrowings	**(242)**	**(901)**
Short term portion of borrowings with financial institutions	(118)	(138)
Short term portion of bank borrowings	-	(323)
Bank overdrafts	(3,842)	(4,695)
Bank accounts and cash on hand	1,068	2,240
Cash and short term borrowings, net	**(2,892)**	**(2,916)**
Total	**(3,134)**	**(3,817)**
Net financial debt/shareholders' equity ratio	**0.25**	**0.25**

Bank overdrafts represent overdrafts on current accounts and advances on invoices.

Borrowings with financial institutions primarily represent finance lease liabilities. The commitment of the Group for finance and operating lease agreements, for both the remaining instalments and the residual value is Lire 1,388 million.

As at 30 June 2000, the Group had five financing contracts, the conditions of which are summarised below:

Financial institution	Maturity date	Interest rate	Original value (in millions of lire)	Type of payment
SANPAOLO IMI	3 April 2003	Euribor 6 months + 1.25%	171	Monthly
SANPAOLO IMI	31 March 2003	Euribor 6 months + 1.25%	163	Monthly
SANPAOLO IMI	8 March 2005	Euribor 6 months + 1.25%	59	Monthly
SANPAOLO IMI	30 March 2003	Euribor 6 months + 1.25%	163	Monthly
SANPAOLO IMI	31 March 2003	Euribor 6 months + 1.25%	65	Monthly
Total			**621**	

In order to obtain the above financing agreements, the Group obtained a guarantee from “Consorzio Unionfidi” for an amount of Lire 756 million equivalent to 80% of the amount collected by SANPAOLO IMI. In connection with this, the Group undersigned certain shares of “Consorzio Unionfidi” for an amount of Lire 2 million.

MEMORANDUM ACCOUNTS

(Millions of Lire)	31 December 1999	30 June 2000
Guarantees received from group companies	3,006	3,290
Guarantees received from third parties	27	783
Obligations for leasing commitments	1,113	1,388
Total	**4,146**	**5,461**

Guarantees received from group companies relate to patronage letters issued by the shareholders’ of the Reply Group in favour of credit institutions in order to provide the company with autonomous credit lines.

Obligations for leasing commitments represent future instalments and the residual value of financing and operating leases.

4.8.14 Comments on statement of operations components

REVENUES FROM SALES AND SERVICES

(Millions of Lire)	30 June 1999	30 June 2000
Projects based on hourly rates	10,879	17,636
“Turn key” projects	3,960	9,220
Sales of software and hardware	1,082	3,248
Technical assistance contracts	110	191
Total	**16,031**	**30,295**

Consolidated revenues of the Group are effected almost exclusively in Italy. Consolidated revenues by nature of services provided can be analysed as follows:

Revenues are net of discounts and allowances.

OTHER INCOME

(Millions of Lire)	30 June 1999	30 June 2000
Gain on the sale of fixed assets	2	2
Other	30	230
Total	**32**	**232**

ACQUISITION OF RAW MATERIALS, SUPPLIES AND MERCHANDISE, NET OF THE CHANGE IN FINISHED GOODS INVENTORIES

(Millions of Lire)	30 June 1999	30 June 2000
Acquisition costs of raw materials, supplies and merchandise	957	3,785
Change in inventories	6	(533)
Total	**963**	**3,252**

Costs for the acquisition of raw materials, supplies and merchandise primarily represents the purchase of hardware and software for resale and other internal consumables.

Purchases are almost exclusively effected in Italy.

SERVICES

(Millions of Lire)	30 June 1999	30 June 2000
Commercial and technical consultancy	2,139	4,695
Training and transportation costs	1,216	2,050
Administrative and legal fees	179	293
Marketing costs	175	311
Maintenance	35	78
Utilities	128	179
Other	334	125
Total	**4,206**	**7,731**

The primary cost within the “services” caption, relates to commercial and technical consultancy which represents the utilisation of external professionals by the Group, in addition to the employees, in the execution of contract work.

LEASES AND RENTALS

(Millions of Lire)	30 June 1999	30 June 2000
Rental expenses	176	447
Leasing and rental of cars	166	285
Rental of hardware	147	25
Other	9	2
Total	**498**	**759**

OTHER OPERATING COSTS

(Millions of Lire)	**30 June 1999**	**30 June 2000**
Other direct taxes	54	88
Subscriptions	5	6
Contributions to associations	7	10
Other	24	89
Accrual for allowance for doubtful accounts	36	87
Total	**126**	**280**

PERSONNEL COSTS

(Millions of Lire)	**30 June 1999**	**30 June 2000**
Wages and salaries	4,756	8,309
Social contribution	1,300	2,524
Employee severance indemnity	285	464
Directors remuneration	899	1,322
Employee severance indemnity for directors	54	58
Total	**7,294**	**12,677**

The average number of employees, divided by category, is summarised as follows:

Category	**30 June 1999**	**30 June 2000**
Managers (Dirigenti)	6	12
White collar workers (Quadri)	12	18
Office workers (Impiegati)	161	257
Total	**179**	**287**

DEPRECIATION AND AMORTISATION

(Millions of Lire)	**30 June 1999**	**30 June 2000**
Amortisation on intangibles	572	629
Depreciation on plant, property and equipment	236	411
Total	**808**	**1,040**

FINANCIAL INCOME/(EXPENSES), NET

Details of financial expenses are as follows:

(Millions of Lire)	**30 June 1999**	**30 June 2000**
Interest on bank current accounts	90	123
Interest on factoring	2	5
Other	42	59
Total	**134**	**187**

INCOME TAXES

(Millions of Lire)	**30 June 1999**	**30 June 2000**
Current tax	1,191	2,801
Total	**1,191**	**2,801**

Current taxes represent the tax charge for IRPEG and IRAP for each Group company determined in accordance with the current fiscal legislation in force.

4.9 Commentary on the results for the quarter ended 30 September 2000

4.9.1 Revenues, gross operating income and operating results

Following the closure of the period ended 30 June 2000, activities continued to develop on a consistent basis and in line management forecasts. The table below compares the results for the nine month and three month periods ended 30 September 2000 and 1999. The results have been presented to the "operating income" level and have been reclassified on a consistent basis with the information presented in this section.

The information presented has been prepared by applying the proforma adjustments, where applicable, as described in paragraph 4.5.1 "Proforma consolidated financial statements" and 4.8.8 "Proforma consolidated financial statements as at 30 June 2000".

	1999 Quarter III proforma (unaudited)		**2000 Quarter III proforma (unaudited)**	
(Millions of Lire)	**Amount**	**%**	**Amount**	**%**
Revenues from sales and services	9,008		12,959	
Change in finished products inventories and work in progress	(6)		834	
Other revenues	66		100	
Value of production	**9,068**	**100%**	**13,893**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(121)	(1.3)%	(422)	(3.1)%
Services	(2,721)	(30.0)%	(2,903)	(20.9)%
Leases and rentals	(304)	(3.3)%	(507)	(3.6)%
Other operating costs	(111)	(1.2)%	(29)	(0.2)%
Value added	**5,811**	**64.2%**	**10,032**	**72.2%**
Personnel costs and directors' remuneration	(4,119)	(45.5)%	(6,714)	(48.3)%
Gross operating income	**1,692**	**18.7%**	**3,318**	**23.9%**
Depreciation and amortisation	(475)	(5.2)%	(543)	(3.9)%
Operating income	**1,217**	**13.5%**	**2,775**	**20.0**

(Millions of Lire)	Period from 1 January to 30 September 1999 proforma (unaudited) Amount	%	Period from 1 January to 30 September 2000 proforma (unaudited) Amount	%
Revenues from sales and services	25,039		43,254	
Change in finished products inventories and work in progress	107		1,466	
Other revenues	98		332	
Value of production	**25,244**	**100%**	**45,052**	**100%**
Raw materials, supplies and merchandise, net of the change in inventories	(1,084)	(4.4)%	(3,674)	(8.2)%
Services	(6,927)	(27.4)%	(10,634)	(23.6)%
Leases and rentals	(802)	(3.2)%	(1,266)	(2.8)%
Other operating costs	(237)	(0.9)%	(309)	(0.7)%
Value added	**16,194**	**64.1%**	**29,169**	**64.7%**
Personnel costs and directors' remuneration	(11,413)	(45.2)%	(19,391)	(43.0)%
Gross operating income	**4,781**	**18.9%**	**9,778**	**21.7%**
Depreciation and amortisation	(1,283)	(5.1)%	(1,583)	(3.5)%
Operating income	**3,498**	**13.8%**	**8,195**	**18.2%**

The statement of operations data summarised above, have been prepared in accordance with the principles and criteria applied in the preparation of the year end financial statements. Any procedures for estimates that are different from those normally applied in the preparation of the year end financial statements, ensure that the information presented is reliable.

Revenues from sales and services experienced growth in the third quarter of 44% and 73% for the nine-month period with respect to the same period in the previous year. This is due to the strong development in the market characterised by an ever increasing demand from companies for E-business services and solutions, in particular in the new business lines, New Media e Knowledge Management.

The improvement in gross operating income of some 5.2 percentage points for the quarter and some 2.8 percentage points for the nine-month period, is due to an improvement in the absorption of fixed costs in relation to the increase in revenues. In the third quarters of 1999 and 2000, employee costs and directors' remuneration, in percentage terms, was affected by the limited activity experienced during the month of August resulting from the normal holiday period in Italy.

4.9.2 Net financial debt

Net financial debt at the end of the quarter ended 30 September 2000 registered an improvement with respect to 30 June 2000 as indicated in the following table:

(Millions of Lire)	1999	30/6/2000	30/9/2000
Bank accounts and cash on hand	1,068	2,240	3,643
Short term portion of borrowings with banks	(3,842)	(4,695)	(2,289)
Short term portion of borrowings with financial institutions	(118)	(138)	(133)
Short term portion of other borrowings	-	(323)	(317)
Cash and short term borrowings, net	**(2,892)**	**(2,916)**	**904**
Long term portion of borrowings with financial institutions	(242)	(280)	(114)
Long term portion of other borrowings	-	(621)	(575)
Long term borrowings	**(242)**	**(901)**	**(689)**
Total net financial debt	**(3,134)**	**(3,817)**	**215**

The improvement in the net financial debt, despite a consistently strong increase in revenues, is due to a decrease in the trade receivables balance resulting from significant collections in the month of September 2000 and a slow-down of activities resulting from the vacation period in August 2000. An additional improvement in working capital was experienced as a result of a growth in trade payables, primarily for resale products.

4.10 Information relative to investments held by the issuer

4.10.1 Information relative to significant investments held

(Millions of Lire)	Cluster	Sytel	Technology
Name and registered office	Cluster Reply Srl	Sytel Reply Srl	Technology Reply Srl
	C.so Francia 110	V. Giambattista Vico 31	C.so Francia 110
	Turin	Rome	Turin
Business line	Architecture and Technology	ISP and Telecommunications	Extended Enterprise
Share capital	100	120	150
% interest held	100%	100%	100%
Equity reserves	1,269	884	802
Revenues (six months)	7,260	8,569	5,722
Net result *	849	785	405
Cost of investment	1,029	1,147	1,934
Unpaid capital	N/A	N/A	N/A
Dividends	N/A	N/A	N/A
Receivable with issuer	321	335	282
Payables with issuer	N/A	N/A	N/A
Audit of financial statements	N/A	N/A	N/A

*: extraordinary income and costs do not significantly influence the net result for the year.
N/A: not applicable.

4.10.2 Information relative to other investments

	Name and registered office	N° quotas Issued	Cost of investment (Millions of Lire)	% interest held
Business	Business Reply Srl C.so Francia 110, Turin	1	725	100%
Yellow House	Yellow House Reply Srl V. Giambattista Vico 31, Rome	3	100	51%
Cluster Milan	Cluster Reply Milano Srl C.so Francia 110, Turin	3	7	25%
Cluster Rome	Cluster Reply Roma Srl V. Giambattista Vico 31, Roma	3	9	35%
Technology Turin	Technology Reply Torino Srl C.so Francia 110, Turin	3	5	25%
Sytel Milan	Sytel Reply Milano Srl C.so Francia 110, Turin	3	5	25%
Aktive	Aktive Reply Srl C.so Francia 110, Turin	1	19	100%
Creative	Creative Reply Srl C.so Francia 110, Turin	1	19	100%

V. INFORMATION ON THE RECENT PERFORMANCE AND PROSPECTS OF THE REPLY GROUP

5.1 Events subsequent to the closing of the six months as at 30th June 2000.

5.1.1 Company Events

On July 10th, 2000, the Company, still as Reply Europe, purchased from Mr Roberto Casagrande and Mr Fabio Giallonardo, the remaining 49% of the share capital of Yellow House Reply, becoming, as a consequence, its sole shareholder paying an amount of Lire 73,600,000. It also purchased from Alika the Information Technology consultancy activities branch, and the activities of administrative support for Reply Group, with effect as from the 31st July 2000. (see Section I, Chapter I, Paragraph 1.2.17.6 for further information)

By a resolution of July 10th 2000, affirmed by Notary Caterina Bima of Turin (rep 64132/7956), approved on the 21st July 2000, the Company resolved the following:

- the transformation into a *società per azioni* (public company) having the corporate name "Reply s.p.a.";
- by means of bonus issue an increase in the share capital from ITL. 3,232,100,000 to ITL. 5,898,000,000, (i.e. by ITL. 2,665,900,000) by utilisation of an equivalent amount taken from the share premium reserves;
- the conversion of the corporate capital as increased into Euro 3,066,960, subdivided into 5,898,000 shares of Euro 0.52 each, using share premium reserves of Lira.40,462,639;
- after waiver by the shareholders of their option rights, to increase the share capital by means of payment (to include a share premium), from Euro 3,066,960 to Euro 4,303,546 through the issuance, in one or more parts, of a maximum of 2,378,050 new ordinary shares with a nominal value of Euro 0.52 each, and subject to the same rights as those of the other shares in issues. The issue was reserved as follows:
- up to a total of 102,000 shares, in differing proportions, to Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo with the aim of securing key management of the Group and allow their active involvement as shareholders in the business of the Company.
- Up to a total of 1,862,200 shares to third parties in the Consolidated Act;
- Up to a total of 413,850 shares to strategic or synergistic third party investors;
- the granting to the Board of Directors, and through it, to its Chairman, the power to determine the methods, terms and conditions of the offer for subscription of the shares forming part of each tranche, including the methods, terms and conditions relative to the offer made to the general public in Italy, to the Allotment directed at professional Italian and foreign institutional investors, to the offer made to the employees of the Group, and of the faculty of determining eventual loyalty schemes for the new shareholders and to carry out the activities considered necessary for the issue and placement of the shares.
- the appointment to the Board of Directors in the persons of Mario Rizzante, Sergio Ingegnatti and Oscar Pepino.
- the request for listing on the Italian New Market of the ordinary shares of the Company
- the adoption of a new text of the Company's By-Laws in relation to the resolutions passed and to make them compliant with the Code of Self-Discipline prepared by the Committee for Corporate Governance of Listed Companies (for further details please see Paragraph 6.8.2)

By means of a resolution of the general meeting of September 5th 2000, Reply resolved, among other things:

- to authorise the Board of Directors to purchase, within the limits provided by article 2357 of the Civil Code, as well as by art.132 of the Consolidated Act, within eighteen months from the date of the resolution, the Company's own shares representing not more than the 10% of the share capital, in compliance with the applicable legal provisions and regulations, at a price not less than Euro 0.81 for each Share and not higher than the official price of the negotiations registered on the New Market on the day prior to the purchase.

- to authorise the Board of Directors to sell any of the Company's own shares purchased in compliance with the resolution of the general meeting adopted the same day.

- to confer the certification of the Company's accounts for the financial years 2000, 2001 and 2002 in terms of art.159 of the Consolidated Act to PriceWaterhouseCoopers s.p.a.

- to appoint Prof. Marco Mezzalama as independent non executive director.

On September 5th 2000, Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo subscribed for the increase in share capital reserved for them by the resolution of 10 July 2000 (for further detail see Chapter VI, Paragraph 6.10)

On September 7th 2000 the Board of Directors:

- appointed as members of the Committee for Remuneration Mario Rizzante and Marco Mezzalama (under a resolution dated 26 October 2000 a new independent audit committee member Paul de Sury was also appointed to the Committee for Remuneration). This Committee is intended to formulate proposals in the field of remuneration of the managing directors and of those directors holding particular offices, as well as, under the direction of the managing directors, proposals for the determination of the criteria for the remuneration of the top management of the Company.

- appointed Marco Mezzalama (independent non-executive director) and Mario Rizzante as members of the Committee for Internal Control having the duty of evaluating the adequacy of the system of internal control and of formulating proposals in this regard. The newly elected director Paul di Sury was added to this Committee following a board resolution of 26 October 2000.

- appointed Mr. Riccardo Lodigiani as the person responsible for relations with the investors.

By means of a resolution of the general meeting of October 26th 2000, Reply resolved, among other things:

- to modify the number of members of the Board of Directors from 4 to 5

- to nominate Paul de Sury as the fifth director, in an independent non executive position

On 2nd November 2000, in fulfilling the obligations taken on with the contract described below, TNT subscribed for part of the increase in capital approved by the extraordinary general meeting of 10 July 2000, reserved for strategic or synergistic partners. TNT subscribed for 300,000 shares at a price of Euro 0.949 per share.

By means of a resolution of the ordinary general meeting of Reply, of November 7th 2000, the Company nominated Giorgio Gianeri and Tommaso Vallenzasca as executive auditors to the Company and Paolo Claretta-Assandri and Domenica Gai as additional auditors to the Company, and nominating Giorgio Re as Chairman of the Board of Auditors.

5.1.2 Commercial events – letters of intent

On 12 October 2000 the Company signed, with the shareholders of XYZ s.r.l (independent from Reply), with its registered office in Milan, Via Vigevanese 43 (hereinafter "XYZ") and which operated in the advertising and web graphics sector, a letter of intent to enter into negotiations for a contract for:

- the acquisition by Reply, subject to satisfactory due diligence, to be concluded by 30 November 2000, and the subsequent negotiation of an mutually agreeable contact for all parties, to be completed by 31 December 2000 for the acquisition of a 70% stake in the share capital of XYZ, for consideration of Lire. 4,550,000,000;

- the granting of a call option to Reply, and a put option to the shareholders of XYZ, of the remaining 30% for the share capital to be exercised by 31 December 2002, for consideration of Lire 1,950,000,000;

- a commitment from the current shareholders of XYZ to remain with and to exclusively continue their activity for the benefit of XYZ up to 31 December 2003.

The following table shows key data on XYZ:

	31 December 1999	30 September 2000
Sales receipts XYZ (*)	3,900	4,000
Total assets (*)	1,600	2,600
Net assets(*)	146	454
Employees	6	8

(*) million Lire

The letter of intent states that the completion of the acquisition will be delayed, conditional on admission to listing of the Shares in Reply on the New Market.

On 27 October 2000 Reply signed a Contract with TNT Post Group N.V.(for further detail see Section I, Chapter III, Paragraph 3.1) with a duration of 5 years, having as its objective, the realisation of a collaborative partnership to offer integrated SCM solutions, to control and manage the processes for the purchasing, production and distribution of products and services.

This agreement foresees:

- The incorporation, by 31 December 2001, of a new company ("E-Chain") by Reply and from this directly or indirectly controlled company, to which Reply must transfer its logistics business activities, including:

  a) intellectual property rights for the Click software
  b) employees of the Group dedicated to this business area
  c) software platforms relating to this business
  d) put in place contracts with clients in these sectors;

  Set out below are key figures of Reply's logistics business, which are subject to the transfer to E-Chain:

	31 December 1999	30 June 2000	30 September2000
Sales receipts of the logistics business which is subject to the transfer (*)	5,500	3,300	5,000
Employees			34

(*) Such receipts, expressed in millions of Lire, refer to the activities in the area of Extended Enterprise which relate to SCM, developed by Technology Reply and Technology Reply Torino

- On the part of TNT Post Group B.V., and of the companies directly or indirectly controlled ("TNT Group") grants to E-Chain, (or to Reply during the transition period), the role of preferred supplier of TNT Group and a rights for pre emption and first refusal[1] in respect of third parties for the supply of services related to integrated SCM solutions aimed at the control and management of the purchasing, production and distribution of products and services.

The forecast for the services, mentioned above, which TNT Group can give to E-Chain are in the region of Lire 167 billion over the five years 2001 to 2005, in the following countries; Italy, Brazil, France, Spain, Turkey, Germany, Benelux and Poland.

The granting of a call option over 100% of E-Chain has been given by Reply. The option is exercisable in only if control of Reply is transferred, directly or indirectly during the period of the contract, to one or more of the five principal (in terms of volume of business) international logistics operators. This option could be exercised at a market value for E-Chain, determined by one of the primary merchant banks.

(1) In the case that TNT and E-Chain do not reach an agreement in relation to the offer that the latter will present, E-Chain has been granted the right of first refusal that will allow it to take the engagement, on the same conditions as the most favourable offer presented by third parties to TNT.

5.2 Performance since the closing of the financial statements as at 30th June 2000.

Subsequent to the closing of the semester, the business relating to the offers made by the Reply Group continued to develop according to management forecasts. In such areas of business, no events of an extraordinary nature, such as to significantly influence the management prospects were registered.

For further detail and information relating to the performance of the business following the closure of the half year, see Paragraph 4.9 of Chapter 4.

In addition, the number of personnel as at 30 September 2000, has increased by 34 people, bringing the total to 346. The process of recruitment of qualified resources ongoing in order to support the realisation of the Group strategy.

5.3 Prospects of the Issuer– Forecast for the current financial year

On the basis of the results achieved in the first semester of the year 2000 and the and the results to September 2000, management believe that the current year will demonstrate a level of growth in line with the prior years. In particular, management forecast that for the year 2000, turnover will be in the region of Lire 63 billion, a growth of 78% over the prior year turnover of Lire 35.4 billion. In addition, the gross operating margin should be circa 20% of turnover, whilst profit after tax, before any costs of the Offer which are estimated at Lire 8 billion (see Section III, Chapter XI Paragraph 11.2) and are to be capitalised and amortised over five years, should be in the region of Lire 4.5 billion, equal to a margin of around 7.1%.

VI. GENERAL INFORMATION ABOUT THE ISSUER AND SHARE CAPITAL

6.1 Name and legal form of the Issuer

The Company's name is "Reply s.p.a." and it is constituted as a società per azioni (joint-stock company).

6.2 Registered Office

The Company has its registered and administrative office at Corso Francia 110, Turin.

6.3 Details of the statute of incorporation

The Company was incorporated by a public deed in the acts of Notary Jean Joseph Wagner of Sanem – Luxembourg on the 30th December 1997, with the company name of Reply Europe SàRL, a limited liability company compliant with the law of Luxembourg.

The Company resolved to transfer its registered and administrative office to Italy, Turin, Corso Francia 110, by means of a resolution of the Extraordinary General Meeting of the 9th June 2000, in the acts of Notary Joseph Elvinger of Luxembourg, filed with Notary Caterina Bima of Turin, index no. 63570/7835 of the 19th June 2000.

By means of a resolution of the 10th July 2000, in the acts of Notary Caterina Bima of Turin (index no. 64132/7956), the Company was transformed into a società per azioni (joint-stock company) with the name Reply S.p.A.

6.4 Duration of the Company

The duration of the Company is established till the 31st December 2100 and may be extended in accordance with the law.

6.5 Legislation applicable to the Issuer and competent authority in case of dispute

The Company has been incorporated according to the law of Luxembourg and it is currently, following the transfer of the registered and administrative office to Turin, subject to Italian law. Please see Paragraph 6.3 above.

6.6 Register of Companies.

The Company registered (dated 13 July 2000) in the Register of Companies at the C.C.I.A.A. of Turin, with the n. 112006/2000 and in the Economic Administrative Index at the C.C.I.A.A. of Turin, with the n. 938289.

6.7 Indication of the Company's object and reference to the relevant article of the Company By-Laws

The Company's object is defined in article 4 of the Company's By-Laws, which provides as follows:

"The company has the following objects:

- the production of applicational software and technical software, the integration of information systems, whether hardware or software, the planning, acquisition, sale, importation, exportation and representation of electric electro-mechanical, and electronic appliances and of components, basic and applicational software packages, the supply of information and organisational consultancy services, the distribution of outsourcing services, with the exclusion of activities reserved for registered professionals;

- the representation in Italy and abroad of Italian and foreign undertakings operating in one of the branches of any of the activities contemplated in this article;

- the engagement in interests and shareholdings in companies or undertakings in general that carry on activities included in the Company's object or in any case connected with it, or complementary or analogous to it, in compliance with the limits provided by the relevant legislation in force.

"The Company, moreover, may carry out all acts considered necessary or useful for the achievement of the Company's object, in that it may carry out all operations relating to tangible assets and real estate, and industrial, commercial, and financial operations which are pertinent, directly or indirectly, to the Company's object, including the granting of real or personal guarantees, as well as requesting loans, all this within the limits of the laws in force. The financial operations, including the undertaking of shareholdings should not in any case be carried on in the public's regard.

The Company is specifically precluded from any act which is prohibited by current and future legislation, and also from:

(a) the professional exercise vis-à-vis the public, of investment services reserved to investment firms and to banks in terms of art.18 comma 1, of the Consolidated Act and subsequent amendments;

(b) the exercise, vis-à-vis the public, of the activities described in art.106, comma 1, of the Legislative Decree. 1st September 1993, n.385.

(c) financial lease and factoring."

6.8 Compliance of the Company By-Laws with the Consolidated Act and the Code of Self-Discipline

6.8.1 Consolidated Act

The By Laws of the Issuer comply with the provisions of the Consolidated Act.

6.8.2 Code of Self-Discipline

The extraordinary shareholders' meeting held on the 10th July 2000 in the acts of Notary Caterina Bima of Turin (index no. 64132/7956), and filed at the Registry of Companies on the 21st July 2000, modified the Company's By-Laws to render them compliant with the provisions of the Code of Self-Discipline prepared by the Committee for Corporate Governance of Listed Companies.

In particular, to guarantee that the appointment of directors take place on the basis of a transparent procedure capable of supplying the shareholders with, among other things, adequate information on the characteristics of the candidates, article 16 of the By Laws provides that, except in the case where the Shareholders' meeting unanimously provides otherwise, the appointment should take place on the basis of lists presented to the shareholders which, alone or jointly with others, represent at least 2% of the shares having the right to vote in the ordinary shareholders' meeting.

Furthermore, article 17 of the By-Laws provides that the Board of Directors should meet at least once every quarter.

By virtue of the resolutions of the 10th July 2000, of the 5th September 2000 and of the 26th October2000 the Board of Directors is made up by 3 Executive Directors (Mario Rizzante, Sergio Ingegnatti and Oscar Pepino) and of 2 independent non-executive directors (Marco Mezzalama and Paul de Sury).

On the 7th September 2000, the Board of Directors appointed to the Committee of Remuneration Mario Rizzante and Marco Mezzalama (and added by a Board resolution on the 26th October 2000, the newly elected independent non executive director, Paul de Sury). This Committee is intended to formulate proposals in the field of remuneration of the managing directors and of those directors having particular posts, as well as, under the direction of the managing directors, proposals for the determination of the criteria for the remuneration of the top management of the company.

Moreover, on the same date, the Board of Directors appointed Marco Mezzalama (independent, non-executive director) and Mario Rizzante as members of the Committee for Internal Control having the duty of evaluating the adequacy of the system of internal control and of formulating proposals in its regard. The aforementioned Committee was added to, following a Board resolution of the 26th October 2000, when the newly elected independent non executive director Paul de Sury was appointed to the committee.

Mr. Riccardo Lodigiani was appointed the person responsible for relations with investors.

6.9 Share Capital

As at the date of this Prospectus, the share capital, entirely subscribed and paid-up of the Company, is of Euro 3,276,000 (three million two hundred and seventy six thousand) subdivided into 6,300,000 ordinary shares of a nominal value of Euro 0.52 each.

As far as concerns the evolution of the share capital, see the following Paragraph 6.10 as regards and as specifically regards the increase in capital for the listing, see Paragraph 6.12 of this Chapter.

The ordinary shares are registered and indivisible and each of them gives the holder a right to vote in all the ordinary and extraordinary general meetings, as well as other capital and administrative rights according to the provisions of the law and the By-laws. As of the date of the Prospectus, no other category of shares exists, nor are there in existence any other financial instruments. Nevertheless by the terms of article 6 of the By-laws, deferred and other privileged shares may be issued in compliance with the requirements of the law. The Company may also issue named or bearer, which can also be convertible.

At least 5% of the net profit of the financial year must be set aside for legal reserves within the terms of article 2430 of the Civil Code. The residue is shared in conformity with the resolutions passed by the shareholders' meeting. The dividends which remain undistributed within five years from the day on which they became due are prescribed in favour of the reserve fund of the Company. In case of liquidation, the ordinary shares have the right to participate in the distribution of the active residue in terms of the law.

6.10 History of share capital.

The company was incorporated on 30 December 1997 as a Luxembourg limited liability company with a share capital of ITL. 864,000,000. Before the increase in capital for the listing, indicated in Paragraph 6.12 below (present Chapter), Reply, in the last three years, effected the following increases of the corporate capital:

- On the 27th February 1998: from ITL. 864,000,000 to ITL. 948,000,000 and so for Lire 84,000,000 the issue of 840 shares with a nominal value of Lire 100,000 each subscribed for entirely by Alister Holding at the nominal value

- On the 4th August 1999: from ITL. 948,000,000 to ITL.1,377,500,000 and so for Lire 429,500,000 the issue of 4,295 shares with a nominal value of Lire 100,000 each subscribed for entirely by Alister Holding with a share premium of Lire 214,750,000

- On the 9th June 2000: from ITL.1,377,500,000 to ITL. 3,232,100,000. With the issue of 18,546 shares of Lire 100,000 each (and a share premium in total of Lire 5,563,900,000), entirely subscribed for by Alister Holding, by means of transfer of holdings in the operating companies and of the Reply trademark (for further detail see Paragraph 1.2.17.6)

On the 10th July 2000, the extraordinary general meeting, by a resolution filed at the Court of Turin on the 21st July 2000 (decree C4926), among other things decided to effect by means of a bonus issue, an increase of share capital from Lire. 3,232,100,000 to ITL. 5,898,000,000, i.e. by ITL. 2,665,900,000 through the utilisation of an equivalent amount taken from the share premium reserve, as well as to convert the share capital as increased into Euro 3,066,960, subdivided into 5,898,000 shares of Euro 0.52 each, utilising an amount of Lire.40,462,639 from the share premium reserve. At the same time, existing members option rights were waived to allow the increase in share capital, by payment, with a share premium, from Euro 3,066,960 to Euro 4,303,546 through the issue, in one or more tranches, of a maximum of 2,378,050 new ordinary shares with a nominal value of Euro 0.52 each, The issue was reserved as follows:

- up to a total of 102,000 shares, in differing proportions, to Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo..

- Up to a total of 1,862,200 shares to third parties in accordance with the legislative decree of 24-2-1998, number 58 and CONSOB regulations;

- Up to a total of 413,850 shares to strategic or synergistic third party investors;

On September 5th 2000, Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo subscribed for the entire increase in share capital reserved for them as detailed below:

New shareholder	N. Shares subscribed for	Consideration (Euro)
Angelo Bo	9,000	7,290
Ciro Perrucci	6,000	4,860
Ennio Montani	24,000	19,440
Marco Torchio	3,000	2,430
Claudio Giannotti	12,000	9,720
Roberto Casagrande	24,000	19,440
Fabio Giallonardo	24,000	19,440
Total	**102,000**	**82,620**

On the 2nd November 2000, TNT, a strategic partner of Reply, subscribed for 300,000 Shares, representing part of the increase in share capital reserved for such investors, at a price per share of Euro 0.949, giving a total consideration of Euro 284,700.

The share capital issued and paid up at the date of the Prospectus is Euro 3,276,000 divided into 6,300,000 Shares.

For further details on the capital increases approved but not yet subscribed for see Paragraph 6.12 below.

6.11 Specific provisions of law or the By-laws governing the purchase and/or transfer of Shares

All the Shares are subject to the normal regulations established by the law for ordinary shares issued by società per azioni (joint-stock companies) subject to Italian law. There are no statutory limits to the free transferability of the Shares.

6.12 Eventual existence of authorised capital not subscribed, commitments to increase capital or delegation of the powers to increase the capital to the directors

In accordance with a previous waiver by shareholders' of their right of option, the extraordinary general meeting on 10th July 2000 resolved to increase the paid-up share capital with a share premium, from Euro 3,066,960 to Euro 4,303,546 through the issue, in one or more tranches, of a maximum of 2,378,050 new ordinary shares with a nominal value of Euro 0.52 each, with the same rights as those of the other shares in circulation at the moment of their subscription.

In terms of article 2439, 2nd comma, Civil Code, the final date for subscription is the 30th June 2001 and, any in any case where the Global Offer takes place prior to this date, and the Offer is not fully subscribed, the Share Capital will be increased by an amount equivalent to the subscriptions received.

It was also resolved that the increase in capital should be reserved as follows:

- Up to a total of 102,000 shares, in different proportions, to Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo, who subscribed and paid for the capital reserved in for them (see Paragraph 6.10 for further details).

- Up to a total of 1,862,200 shares to third parties in compliance with the Consolidated Act and with the CONSOB resolution;

- Up to a total of 413,850 shares to third party investors, whether strategic or synergistic. (of which, 300,000 Shares were subscribed for by TNT, see Paragraph 6.10 for further details)

Moreover, the general meeting fixed the minimum price at which the Shares should be issued for every tranche, at Euro 0.81 each, of which Euro 0.52 is the nominal value and the remaining Euro 0.29 a share premium. This power was conferred on the Board of Directors of the Company, and through it, to its Chairman, to establish, in respect of the above-mentioned minimum price, at a time when the offer for subscription of each quota is imminent, or, at a time subsequent to the closure of each quota, a price-interval and/or the maximum price of the offer and the final price(s) of the offer, also for each quota, at which the Shares may be sold.

The power was conferred on the Board of Directors, and through it, on its Chairman, to determine the manner, terms and conditions of the offer for subscription of the Shares forming part of each quota, including the manner, terms and conditions relating to the offer made to the public in Italy, to the placement directed at Italian professionals and foreign institutional investors, to the offer made to Employees and Directors of the Group, and to the faculty of determining eventual loyalty schemes for the new shareholders and to carry out the activities considered necessary for the issue and placement of the shares.

The Board of Directors was given the powers necessary for the execution of the resolved increase of capital.

There exist no further obligations to increase the share capital of the Company, nor were any powers to resolve on further increases of capital delegated to the directors.

For details regarding the terms of the Global Offer please refer to Section Three, Chapter XI of the Prospectus.

6.13 Actual and/or foreseen shareholding by employees in the share capital

As on the date of the Prospectus no employees participate in the capital of the companies forming part of the Reply Group, with the exception of:

- Mr Ennio Montani, shareholder and manager of the Company;
- Sandro Peracchio, shareholder of the Company and manager of Business Reply;
- Ciro Perrucci, shareholder and manager of the Company.

Please see Section One, Chapter II, Paragraph 2.9.

6.14 Indication of net book value of shares held by the Issuer

As at the date of the Prospectus, Reply does not hold any of its own shares, whether directly or indirectly, whether through trustee companies or through any intermediary.

6.15 General Meeting resolutions authorising the purchase of own shares

By a resolution of the general meeting of the 5th September 2000, Reply resolved to authorise the Board of Directors to purchase, within the limits contemplated by art. 2357 of the Civil Code, as well as art. 132 of the Consolidated Act, within 18 months from the date of the resolution, its own shares, representing not more than 10% of the corporate capital, in compliance with the applicable provisions of the law and regulations, at a price not inferior to Euro 0.81 per Share and not higher than the official price of the negotiations registered on the New Market on the day preceding the purchase.

By a resolution of the general meeting of the 5th September 2000, Reply resolved to authorise the Board of Directors to sell any of its own shares purchased further to the resolution of the ordinary general meeting passed on the same date.

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PART TWO

INFORMATION RELATING TO SHARES OF THE OFFERING

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VII. INFORMATION RELATING TO THE SHARES

7.1 Description of Shares

The financial instruments which form the Global Offer are 1,970,000 shares with a nominal value of Euro 0.52 each, representing 24.14% of the share capital (entirely represented by ordinary shares) of the Company after subscription for the entire capital increase reserved for the Offer, as resolved by the general meeting on July 10th 2000, and provided in the Legislative Decree dated 24.02.1998 no. 58 and in CONSOB[2] resolutions (please refer to the First Section, Chapter VI, Paragraph 6.12). Shares offered will have the same rights as those already in issue.

At the time fixed for delivery and payment, Shares will not be represented by stock certificates in compliance with the Art. 28 of the Legislative Decree no. 213 dated June 24th, 1998.

7.2 Rights associated with the Shares, with particular reference to voting rights, to the right to share in profits, to participate in the residual assets in the event of liquidation

The Shares are registered and joint ordinary shares, and each of them grants the right to a single vote in all ordinary and extraordinary shareholder meetings of the Company, as well as property and administrative rights as provided in law and the By-Laws.

The By-Laws do not provide for the distribution of advance payments on dividends.

At least 5% of net profit has to be allocated to the legal reserve, within the limits as provided in Art. 2430 of the Civil Code. The remaining part is divided according to the resolutions adopted by the Board of Directors. Dividends not cashed within 5 years from the day in which they became receivable will revert to the Company's Reserve Fund. In case of the Company's liquidation, the Shares will have the right to participate in the distribution of the remaining net profit as provided for by the law.

No By-Law clauses exist which grant particular privileges.

7.3 Commencement of rights

The Shares have the same rights as those ordinary shares already in issue at the date of the Prospectus.

7.4 Tax regime

Law Decree no. 461 of 21st November 1997,amended the tax regime and the tax rates applying to dividends whose distribution was approved after 1st July 1998 and to capital gains obtained after the same date.

(a) Qualified shareholdings

In case of securities traded on regulated markets, "qualified shareholdings" are deemed to be holdings of shares other than savings shares, rights or securities, representing a percentage of voting rights at the ordinary meeting exceeding 2% or a holding of capital exceeding 5% of the company share capital. The calculation of the aforesaid percentages takes into account all transfers carried out in the 12 months prior to the transfer of a shareholding, even if involving different parties. The 12-month term runs from the date the limits are triggered.

(b) Dividends

Dividends paid to resident individuals, received outside the exercise of an enterprise, and related to holdings not forming a qualified shareholding (and also dividends in any form paid to pension funds according to Law Decree no. 124 of 21 April 1993 and real estate investment funds according to Law no. 86/94) are subject to a withholding tax of 12,5 %

The 12,5% withholding tax is not applicable to those persons owning shares, who, upon collection of dividends, opt for the application of the ordinary tax regime with the right to benefit from a tax credit of 58.73% of the gross dividend, provided that this credit is covered by the amount of taxes provided under letters a) and b) of Paragraph 1, Section 105 of Presidential Decree no. 917 of 22 December 1986 paid by the entity that distributes the dividends. The ordinary taxation

2 The percentage of share capital indicated does not take into account the share capital increase reserved for strategic partners (see Paragraph 6.12)

of dividends also applies to resident individuals who do not certify having satisfied the requirements for charging the 12.5% withholding tax.

Similarly, withholding tax is not applicable to shares transferred by individuals for management by authorised financial brokers, and for which the option has been exercised for the application of alternative tax on the overall result of individual portfolio performance pursuant to Section 7 of Law Decree no. 461 of 21 November 1997.

Dividends received by residents other than those previously described, including individuals carrying on their own business for the securities related to their businesses, entities subject to IRPEG, and non-resident persons and entities with a permanent establishment in Italy, are not subject to any withholding tax at source. Such dividends contribute to the formation of the relevant overall taxable income of the recipient and are subject to ordinary tax with the right to benefit from a tax credit of 58.73% of the gross dividend, provided that this credit is covered by the amount of the taxes provided at letters a) and b) of Paragraph 1, Section 105 of Presidential Decree no. 917 of 22 December 1986, paid by the party distributing the dividends.

Dividends received by resident parties exempt from IRPEG are subject to 27% withholding tax at source.

A 27% withholding tax is charged at source on dividends from shares, other than saving shares (for which a 12.5% deduction is always granted), paid to non-residents in connection with holdings not relating to permanent establishment. Non-resident shareholders have the right to be refunded, up to a limit of 4/9 of the withholding charged, with the tax they have paid abroad (if proved), prior to the submission of a certification issued by the tax office of the foreign State. However, the alternative is that of charging the reduced tax rate foreseen by applicable double taxation international treaties.

Dividends relating to deposited shares with Monti Titoli S.p.A. are subject to a tax in substitution of income tax at the same rates as above. This is applied by the depositories (banks, stockbrokers, financial brokers resident in Italy) participating in the regime of a centralised deposit system managed by Monte Titoli S.p.A., and by non-resident persons and entities that participate in foreign deposit systems belonging to the Monte Titoli S.p.A. system (Euroclear or Cedel). The substitute tax is applied to persons and entities resident in countries with which a double taxation treaty is in force, up to the limit set out in the treaties and provided that the non-resident person or entity, effective beneficiary of the profits, produces a declaration showing his/her personal data and that the conditions for the application of the treaty has been satisfied, with a declaration issued by the competent tax authority of the country of residence of the actual beneficiary of the profits which demonstrates the residence in that country for the purposes of the tax treaty.

(c) Substitute tax on capital gains

Tax rates

Capital gains other than those realised in the performance of business activities, achieved by the transfer at a price of qualified and non-qualified shareholdings in companies (as well as securities and rights by which the aforesaid shareholdings may be acquired), are subject to substitute tax at rates of 27% and 12.5% respectively.

The capital gains and losses are calculated according to the criteria provided for by article 82 of the Income Taxes Consolidated Text (i.e. T.U.I.R.), as amended by law decree n. 461/97 and n. 505/99.

Method of taxation

The taxpayer has the right to opt for one of the following regimes of application of the substitute tax.

(I) TAXATION ON THE BASIS OF THE ANNUAL INCOME TAX RETURN (ORDINARY REGIME)
Taxation on the basis of the annual income tax return constitutes the ordinary regime and is applied in the absence of an option for one of the alternative regimes as at points (ii) and (iii). This regime is compulsory for capital gains resulting from sales of qualified shareholdings.
The annual return indicates the capital gains and losses in the course of the year for each transaction and determines whether they result from qualified or non-qualified shareholdings. Tax is payable on the capital gains net of the relevant losses at the rate of 27% for sales of qualified shareholdings and 12.5% in other cases. Losses in excess are carried forward for deduction from capital gains realised in the following four years. Tax due must be paid according to the same procedures and terms of payment of income taxes due according to the return. The eventual substitute tax paid, relevant to capital gains realised by the transfer at a price of "non qualified" shareholdings, up to the

exceeding of the percentage of capital or voting rights that makes the shareholding itself "qualified", can be deducted from the substitute tax due

(II) ADMINISTRATED SAVINGS REGIME (OPTIONAL)

This regime may be applied at the tax payers' option, provided that the shares are in the custody or under management by an authorised financial broker. The option is exercised by giving notice in writing at the time of the appointment or, for existing relationships, prior to the commencement of the tax period. It applies to the full tax period and can be revoked before the end of the calendar year, having effect in the following tax period.

This regime foresees the application of tax on each capital gain realised as a result of the sale of non-qualified shareholdings only. In the event of losses, the broker deducts them from the capital gains realised in subsequent transactions in the same or in the next four subsequent tax periods. The substitute tax is applied at a rate of 12.5% and is paid by the broker. This regime ensures anonymity of the taxpayer.

(III) MANAGED SAVINGS REGIME (OPTIONAL)

This regime may be adopted at the tax payer's option, provided that he/she appoints authorised brokers for personal savings management. The option is exercised by giving notice in writing to the managing party at the time of the execution of the contract or, for existing relationships, prior to the commencement of the tax period. It may be revoked only before the end of each calendar year, having effect in the following tax period.

This regime foresees the application of substitute tax at a rate of 12.5% on the gain achieved during the tax period. The balance is made up of the difference in value between the savings at the end of the period and its value at the commencement of the period, and it includes income from both capital and other sources. Withdrawals taking place during the same calendar year must be added to the amount resulting from the difference in the savings, net of charges and commissions, and deposits made during the calendar year, income subject to withholding tax, income which forms part of the overall income of the taxpayer, exempt income and earnings from shares in collective investment entities with substitute tax and from property investment funds must be subtracted. If one year generates a loss, the corresponding sum for the period is taken as a deduction from the balance of the following four years for the entire amount which can be accommodated in each of them. Tax is paid by the manager.

If, as a result of any transaction within the management relationship, shareholdings exceed the percentage for the definition of qualified shareholdings, these must be excluded from the calculation of the balance. In this case, the taxpayer has to calculate the balance on the basis of the tax return regime (see item (i) above). This regime also ensures anonymity of the taxpayer.

Regime for non-residents

Capital gains resulting from the sale of non-qualified shareholdings in resident companies traded in regulated markets are not considered as having been produced in the territory of the State, even if they are held in the territory of the State. Therefore, they are not subject to tax in Italy.

For non-residents, capital gains resulting from the sale of qualified holdings are subject to the substitute tax at a rate of 27%.

Nevertheless, double taxation treaties may be applied, if more favourable.

The "equalisation" mechanism

As from January 1st 2001 the equalisation ("equalizzatore") mechanism will be applicable, that is to say the tool - already foreseen in article 82, point 9 of Presidential Decree no 917 of 22 December 1986 (as amended by Law Decree no 461 of 21st November 1997) – aimed at making taxation on a cash basis (characteristic of the ordinary regime and of the administrated savings regime) consistent with the taxation on an accrual basis (characteristic of the managed savings regime). In other words this mechanism intends to modify the taxable amount: the gains or the losses from the investment are amended by a factor in order to make the taxation consistent with the one that should have been applicable if the shares would have been held by a managed savings regime.

The "equalisation" mechanism will be applicable on gains and losses (as opposed to other income) in connection with shares held for at least one year: it will not be applicable if the shares are held for less than one year and, in any case, to income from capital (that is to say, in the case of shares, to dividends).

Capital gains and losses obtained will be multiplied by a factor that originates from including the values of the shares held (as published by the Ufficio Italiano dei Cambi) into the formula determined by the Decree of Ministry of Finance of August 4th 2000.

The value obtained will be the correct taxable basis if it is a gain or the correct loss to be carried forward.

The above mentioned mechanism will be applicable on gains and losses cashed from January 1st 2001, even if the shares were acquired in prior to that date.

(d) Stock transfer tax

Law Decree no. 435 of 21 November 1997 (effective from 1 January 1998) amended the measures relating to the stock transfer tax.

Current law provides for tax exemption from stock transfer tax for the transfers of securities listed in regulated markets, for transactions between banks or parties authorised to render professional investment or brokerage services to the general public (hereinafter “Authorised Brokers”) and for transactions between Authorised Brokers and their customers. Contracts relating to public offers for sale with a view to admission to listing are also exempt.

Contracts concerning shareholdings in listed companies, concluded outside of regulated markets are also exempt from stock transfer tax, provided that these contracts are drawn up between:

- resident or non-resident Authorised Brokers;
- resident or non-resident Authorised Brokers on the one hand, and non-resident entities, on the other hand;
- resident or non-resident Authorised Brokers on the one hand, and collective investment funds on the other hand.

If the stock transfer tax is applicable, three tax rates are provided according to whether the contracts for the transfer of title to the shares are concluded:

- between private persons (ITL 140 of tax for every ITL 100,000 of share price or fraction of share price);
- between private persons, through Authorised Brokers or between private persons and Authorised Brokers (ITL 50 of tax for every ITL 100,000 of share price or fraction of share price);

between Authorised Brokers (ITL 12 of tax for every ITL 100,000 of share price or fraction of share price).

7.5 Circulation regime

Shares can be freely transferred and are subject to the circulation regime provided in Italian law for ordinary shares issued by joint-stock limited companies.

7.6 Limitation on the free transferability of the Shares imposed by the Issue Conditions towards the subscribers

There are no impairments to the free disposal of shares by the subscribers and/or buyers.

7.7 Dilution Effects

The conditions of the Public Offer do not involve dilution effects since the price of the Offer will be higher than the net asset value for each Share as resulting from the half-yearly position on June 30th, 2000.

7.8. Dilution Effects in case of a lack of subscription of option rights

The Global Offer does not involve the exercise of option rights. It is consequently not possible to have any dilution effects connected to the eventual lack of subscription of option rights.

VIII. INFORMATION RELATING TO RECENT OPERATIONS CONCERNING THE SHARES

8.1 Information on the issue and/or the placement of ordinary Shares Reply in the Twelve months period prior to the Global Offer

The Company was transformed into a joint stock limited Company on July 10th 2000. Consequently, the information on the issue of ordinary shares in Reply is from that date.

- On the 10th July 2000, the extraordinary general meeting, by a resolution filed at the Court of Turin on the 21st July 2000 (decree C4926), among other things decided to effect by means of a bonus issue, an increase of share capital from Lire. 3,232,100,000 to ITL. 5,898,000,000, i.e. by ITL. 2,665,900,000 through the utilisation of an equivalent amount taken from the share premium reserve, as well as to convert the share capital as increased into Euro 3,066,960, subdivided into 5,898,000 shares of Euro 0.52 each, utilising an amount of Lire.40,462,639 from the share premium reserve. At the same time, existing members option rights were waived to allow the increase in share capital, by payment, with a share premium, from Euro 3,066,960 to Euro 4,303,546 through the issue, in one or more tranches, of a maximum of 2,378,050 new ordinary shares with a nominal value of Euro 0.52 each, The issue was reserved as follows:

- up to a total of 102,000 shares, in differing proportions, to Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo.

- Up to a total of 1,862,200 shares to third parties in accordance with the legislative decree of 24-2-1998, number 58 and CONSOB regulations;

- Up to a total of 413,850 shares to strategic or synergistic;

On September 5th 2000, Mr. Angelo Bo, Mr. Ciro Perrucci, Mr. Ennio Montani, Mr. Marco Torchio, Mr. Claudio Giannotti, Mr. Roberto Casagrande, and Mr. Fabio Giallonardo subscribed for the entire increase in share capital reserved for them as detailed below:

New shareholder	N. Shares subscribed for	Consideration (Euro)
Angelo Bo	9,000	7,290
Ciro Perrucci	6,000	4,860
Ennio Montani	24,000	19,440
Marco Torchio	3,000	2,430
Claudio Giannotti	12,000	9,720
Roberto Casagrande	24,000	19,440
Fabio Giallonardo	24,000	19,440
Total	**102,000**	**82,620**

On the 2nd November 2000, TNT, a strategic partner of Reply, subscribed for 300,000 Shares (equal to 4.76% of the share capital of Reply), representing part of the increase in share capital reserved for such investors, at a price per share of Euro 0.949, giving a total consideration of Euro 284,700.

For any information for operations relating to the share capital and the issue of Shares refer to Paragraph 6.9, 6.10. and 6.12.

8.2 Indications relative to Public Offers in the previous financial year and in the current financial year

During the prior financial year and the current financial year no public offer for sale or exchange of the Shares was carried out with third parties, neither has Reply carried out any public offer for sale or exchange with the shares or quotas representing the capital of other companies or entities.

8.3 Eventual subscriptions or private placements around the time of listing of offering

Around the time of the listing, no other operations of issue or placement of financial instruments of the same class of Shares are foreseen, in addition to those already concluded and previously indicated in Paragraph 6.10.

PART THREE

INFORMATION RELATING TO THE OFFERING

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IX. INFORMATION RELATING TO THE OFFEROR

9.1 Information relating to the Offeror and the Selling Shareholders

For information relating to Reply please refer to First Section of the current Prospectus.

On the contrary, as far as information relating to Selling Shareholders is concerned, please note the following:

Selling Shareholders	Personal information Personal information	No of shares prior to the increase in capital and Global Offer	Percentage Percentage of share capital	No of shares
Offered for sale				
Fernando Masella	Valmontone (Rome), 4-12-1948	70,803	1.12%	-7,500
Sandro Peracchio	Casale Monferrato (AL), 7-5-1962	59,124	0.94%	-6,250
Daniele Angelucci	Turin, 21-10-1956	206,570	3.28%	-22,000
Riccardo Iezzi	Marino (Rome), 12-12-1955	206,570	3.28%	-22,000
Riccardo Lodigiani	Alessandria, 29-8-1957	206,570	3.28%	-22,000
Domenico Piantelli	Crema (CR), 18-2-1961	206,570	3.28%	-22,000
Marco Torchio	Milan, 4-5-1960	14,861	0.24%	-1,250
Roberto Casagrande	Rome, 25-4-1965	24,000	0.38%	-2,400
Fabio Giallonardo	Rome, 3-9-1965	24,000	0.38%	-2,400

The selling shareholders have nominated the Company's registered office, Corso Francia 110, Torino, as their domiciled address.

9.2 Places at which documentation may be consulted by the public

A copy of the Prospectus as well as the attached documentation, complete copies of the balance sheets for the years 1997, 1998, 1999 and June 30th 2000 and the consolidated balance sheet for the period ending on June 30th 2000 are available for consultation at the registered office of Reply and the Italian Stock Exchange in Milan, Piazza degli Affari n. 6. A copy of the Prospectus and attached documents are also available for consultation on the web site, www.Reply.it.

X. INFORMATION RELATING THE ISSUERS

The Global Offer is being coordinated and managed by Chase H&Q.

10.1 Public Offer

Banca Aletti & C S.p.A is responsible for the placing of the Public Offer.

Shares forming part of the Public Offer, except for the quota reserved for Employees and Directors, are to be placed by members of the Consortium for public allotment. The list of parties forming part of the Consortium for the Public Offer will be published, as provided in section 9 of the CONSOB Regulation, by means of a notice filed with Consob and at the Company's registered office and published in the daily newspaper "MF - Milano Finanza" at least 5 days before the commencement of the period of subscription jointly with the notice of the publication of this Prospectus.

The same notice will disclose the name of the exclusive party responsible for placement of the shares reserved for Employees and Directors.

Issuers authorised to make the offering in places other than their registered office as provided by section 30 of the Consolidated Act, will provide for the placing of Shares via the gathering of requests for subscription both directly and indirectly through their own offices, and through financial promoters as provided in section 31 of the Consolidated Act.

As provided in section 30, Paragraph 8, of the Consolidated Act, and following the Consob directives, section 30, sub-Paragraph 6 of the aforementioned Consolidated Act shall not apply to Public Offers having as their object, shares purchased in regulated markets, which law provides for the suspension of the effectiveness of contracts signed outside the registered office through financial promoters for a period of 7 days starting form the date of subscription.

Upon customers' request, a copy of the current Prospectus will be freely available at each issuer's office, the registered office of the Company and the registered office of the Italian Stock Exchange.

10.2 Institutional Allotment

Chase H&Q is responsible for the Institutional Placing.

Shares forming part of the Institutional Placing will be placed with professional Italian Investors and institutional investors abroad, but not those within the United States of America (according to Regulation 'S' of the "United States Securities Act 1993"), Japan, Australia and Canada, through a placement syndicate and managed by Chase H&Q.

XI. INFORMATION RELATING TO THE GLOBAL OFFER

11.1 Introduction

The Public Offer forms part of the Global Offer, within which an Institutional Allotment aimed at Italian and Foreign Professional Investors is provided, with the exception of investors from Japan, America, Canada and Australia (as provided in Regulation "S" of the "United States Securities Act of 1993"). The total amount of the Global Offer is equal to a maximum 1,970,000 Shares, representing 24.14% of the share capital, if the Offer is fully subscribed, and comprises:

- 1,862,200 Shares with a nominal value of Euro 0.52 each, equal in total to a share capital of Euro 968,344 in the case of subscription for the entire increase in capital as resolved by the extraordinary general meeting of 10th July 2000 (for further information see Section I, Chapter VI, Paragraph 6.10 and 6.12), and

- 107,800 Shares (equal to a total value of Euro 56,056), offered by the Selling Shareholders.

Iceberg has granted to the Global Co-ordinator an option (Over allotment Option, so-called Greenshoe) for the purchase, at the Offer Price, of a maximum of 295,500 ordinary shares held by it, equal to 15% of the total amount of the Global Offer, to be addressed to the Institutional Allotment (please see the Paragraph 11.18 of this Chapter)

The Public Offer will comprise a minimum of 492,000 Shares, of which up to a maximum of 24,600 Shares are reserved for Employees and Directors.

The Public Offer represents around 25% of the Global Offer.

11.2 Availability and ownership of the Shares forming the Public Offer for Sale

The Selling Shareholders have full title to and may fully dispose of the107,800 shares as a part of the Global Offer. Such shares will be lodged with Monte Titoli S.p.A for the entire period of the Public Offer.

11.3 Resolutions, authorisations and approvals

Submission of the request for admission to trading of the Shares on the New Market was resolved by the general meeting of the Company on July 10th 2000.

On the same date, the extraordinary general meeting of the Company resolved a paid increase in the share capital in the context of the Global Offer. This resolution was ratified by the Court of Turin with decree 4807 of July 19th 2000 and deposited for inscription in the Register of Companies by the C.C.I.A.A of Turin on August 2nd 2000. (please refer to Paragraph 6.12, Chapter VI).

11.4 Intended recipients of the Public Offer

The Global Offer is formed by:

a) a Public Offer of sale and subscription of a minimum of 492,000 Shares, equating to approx. 25% of the Shares forming of the Global Offer, a number of which, up to a maximum of 30,000 (circa 6% of the Public Offer) Shares are reserved for Employees and Directors. The Public Offer is addressed to the general public in Italy with the exception of Italian Professional Investors, who will be entitled to subscribe to the Institutional Allotment as provided in the following item (b), with the exception of persons as provided by section 31, sub-Paragraph 2. of the CONSOB Regulation, trust companies managing portfolio investments regulated by art. 60, para. 4 of Legislative Decree No. 415 of 23 July 1996 and in accordance with applicable Italian laws and regulations, which will be entitled to subscribe exclusively to the Public offer.

b) an Institutional Allotment reserved for Italian professional investors as well as Foreign Institutional Investors, with the exception of those in the United States of America, Canada, Australia and Japan.

11.5 Limits of the right of option

The increase in capital in the context of the Global Offer was resolved by the extraordinary general meeting of the Company on July 10th 2000 with a shareholders' waiver of their Option right.(Please refer to Chapter VI, sub-Paragraph 6.12)

11.6 Global Offer Markets

The Public Offer, including the Offer to Employees and Directors, will take place exclusively in Italy and will be implemented by means of a Consortium for the Public Allotment directed and co-ordinated by Banca Aletti S.p.A.

The Institutional Allotment, which is reserved to Italian professional investors and Foreigner professional investors, will take place both in Italy and in international markets with the exclusion of the United States of America, Canada, Australia and Japan. The Institutional Allotment will be implemented on the basis of an information document in English, drawn up following international procedure and will be similar to the Prospectus and will be promoted by the Consortium for the Institutional Allotment co-ordinated and directed by Chase H&Q.

11.7 Period of acceptance

The Public offer will start at 9.00 am on 27 November 2000 and will end on 29 November2000, without any possibility of an early closing. Furthermore, the Global Co-ordinator considering the offerers, reserves the right to prolong the period of the offer, giving immediate notice to Consob and the public, via notice in the newspaper. "MF - Milano Finanza", within one day of the agreement.

Should there occur, between the date of the publication of the current Prospectus and the day preceding the beginning of the Public Offer, any extraordinary events, as provided by international procedure, such as, inter alia, extraordinary changes of a political, financial, economic, monetary, or regulatory nature, as well as events regarding the financial, net asset or income situation of the Reply Group, having such an importance as to jeopardise the positive result of the Global Offer, that is in case the subscription agreements do not take place as provided in the following sub-Paragraph 11.15 of this Chapter, the Offeror, in agreement with the Global Co-ordinator after having heard the Allotment Manager can halt the Global Offer. Such a decision will be promptly communicated promptly to CONSOB, as well as to the public by means of a notice in the daily newspaper "MF - Milano Finanza" within the day prior to the commencement of the Public offer. In this case, the Global Offer shall be deemed to be cancelled.

The Offeror, in agreement with the Global Co-ordinator and the Allotment Manager, reserve the right to renounce the Public Offer, after a notice to CONSOB and subsequently to the public by means of a notice published in the aforementioned daily newspaper, (a) in the five days running up to the end of the offer period, and in any case, by the date of the publication of the notice concerning the results of the Global Offer,(i) if at the end of such deadline of the Public Offer subscriptions are lower than the minimum offered, or (ii) if within the payment date, and in any case the date of the commencement of trading, the Institutional Allotment should fail in whole or in part for absence of subscriptions of or revocation of the warranty of purchase and of subscription guarantee on the shares forming the Institutional Allotment as detailed in Paragraph 11.5 of the this Chapter. The non starting of trading will imply revocation of the Offer.

11.8 Offer Price

The extraordinary general meeting of the Company on July 10th 2000 resolved that Shares arising from an increase of capital due to the Global Offer shall be issued with an share premium, not lower than Euro 0.29 for each share, further the EGM conferred to the Board of Directors, with the power to delegate to one or more members, all powers necessary to execute such increase of capital, including (i) the power to determining immediately prior to the Allotment, the maximum share premium on issue, and (ii) the power to establish for Shares reserved for Employees and Directors, a discount of a maximum of 10% compared to the Price of Offer.

In applying the open price mechanism, the Offer Price, in accordance with powers granted as noted above by the extraordinary general meeting of the Company, will be determined by the Board of Directors of the Company (that is to say by one or more of the members appointed) jointly with other Offerors and in agreement with the Global Co-ordinator, having heard the person responsible of the Placing, at the end of the Offer Period, considering the characteristics of the request made by the investors within the Institutional Allotment (so-called book building, having particular regard to the interest exhibited by the institutional investors during the pre-marketing activity and the behaviour expected of these after commencement of negotiations) of the quantity of the request made within the Public Offer, as well as conditions on domestic and international markets.

For the purpose book building, the Offeree, even with the help of the analysis and evaluation carried out by the Sponsor and by the Global Co-ordinator, have determined a value of the economic capital of the Company which is reflected in an interval which ranges between a minimum of Euro 157.5 million (equal to Lire 305 billion, and a maximum of Euro 208 million (equal to Lire 403 billion), corresponding to a minimum of Euro 25 and a maximum of Euro 33 per share (Lire 48,407 and Lire 63,897 respectively). This appraisal of the Company is based on results of the previous year for the period from 1st January 2000 to June 30th 2000, on prospects for development of the current year as well as following ones, considering market conditions and using two methods of appraisal, generally recognised by the law and by international professional procedure: the direct method (main evaluation criterion) and the financial method (controlling evaluation criterion).

With the direct method (in the present case identified as the method “Market Multiples ”) the value of the Company is determined by means of a comparison with several quoted reference companies on the basis of indexes and significant multipliers. With the financial method (Discounted Cash Flow) on the contrary, the value of the Company is determined by means of discounting back expected cash flows.

The sample of comparable companies taken into consideration is composed of a group of European and American companies working in the market of reference of the Group and in particular: Scient, Sapient, Proxicom, Diamond Technology Partners, Axon, Nettec, FI System, Valtech, Himalaya, Cross System, Devoteam, Icon Medialab, Framfab Ab, Cell Network, Adcore, GFT, Pixelpark, Sinnerschrader, Kabel New Media, TXT, Inferentia, Data Service.

In any case, such an evaluation will not be binding in terms of determination of the Offer Price, consequently the Maximum Price and the Offer Price can be determined outside the interval as indicated above.

In particular the Offer Price, which will be the same for the Public Offer and the Institutional Allotment, will be determined by the Offeror, in discussion with the Global Co-ordinator, in accordance with methods and terms as hereinafter indicated:

- Two day prior to the beginning of the Public Offer, the Maximum Price of the Share allotment will be determined taking into account market conditions registered in the period preceding the Public Offer, having heard the Allotment Manager as well as interest showed by investors at pre-marketing activities of the Institutional Allotment and, on the day preceding the commencement of the Public Offer, will be notified to CONSOB and to the Public by means of an additional notice to be published in the daily newspaper “MF - Milano Finanza”. Price Multipliers (price/earning, price/cash flow, price/book value) and the estimate of the proceeds of the Global Offer will be notified to the public jointly with the communication of the Maximum Price by means of a notice published in the aforementioned daily the day preceding the Public Offer.

- The Offer Price will be determined at the end of the Offer Period, considering the indications of interest expressed by Institutional investors, market conditions registered during the period preceding the commencement of the Global Offer, as well as for the level of demand received for Public Offer.

The Offer Price will be notified to CONSOB and to the public within the two working days prior to the closing of the Public Offer by means of an additional publication in the daily newspaper “MF - Milano Finanza”.

In any case, the Offer Price as well as the Offer Price for Employees and Directors will not be lower than Euro 0.81 as resolved by the extraordinary meeting of the Company on July 10th 2000.

No additional costs or expenses are to be paid by those subscribing to the Public Offer

11.9 Acceptance procedures and reservable quantities to purchase within the framework of the Public Offer

NOT TRANSLATED AS NOT MATERIAL TO THE INTERNATIONAL PRIVATE PLACEMENT.

11.10 Allotment criteria

The minimum share quota of around 25% of the total amount of Shares being offered as part of the Global Offer, that is to say 492,000 Shares, will be reserved for the allotment under the Public Offer, while the remaining Shares, namely 1,478,000, will be available at the discretion of Global Co-ordinator between the Public Offer and the Institutional Allotment, taking into consideration, the volume of acceptances received by the Consortium for the Public Allotment, and the quality and quantity of subscription received by the Consortium for the Institutional Allotment.

Within the total Shares assigned to the Consortium for the Public Offer, a maximum of 30,000 Shares will be reserved for the Offer for Employees and Directors. Shares to the general public and those addressed to Employees and Directors will be assigned following criteria as hereinafter indicated, noted that; a) should the acceptances from Employees and Directors result number lower than the maximum number of Shares reserved, the remaining shares will be converted without any discount into the Shares addressed to the general public; (b) should the acceptance-forms presented by the general public result in a number of Shares lower than the number of Shares reserved for it, the remaining Shares will be transferred to the Institutional Allotment.

The Allotment Manager, intends to verify within 2 months from the date fixed for the publication of the notice concerning results of the Offer, the regularity of Allotment transactions and the eventual allotment and engages himself to communicate to CONSOB the result of such check in accordance with provisions in section 13, sub-Paragraph 8°, of CONSOB Regulation.

The Allotment Manager, having taken note of the difference in computer procedures currently in use by the banking and financial system, declares to be unable to directly allot the Shares as provided by section 13 sub-Paragraph 6 of the CONSOB regulations.

Should it be necessary to proceed to drawing by lot in order to have a proportional allotment, such a draw will be carried out on the basis of a drawing methodology defined by the Allotment Manager and to the common knowledge for all Dealers, thus allowing the verification of procedures used as well as their correspondence to criteria of correctness and equality of treatment.

Such methodology in the case in which it should be necessary to proceed to a draw, will be communicated by the Allotment Manager jointly with the communication of the allotment for Dealers. In this regard relevant procedures will be implemented in the presence of an independent third such as a notary, a member of the Board of Directors of the company or an auditor)

a) Subscription by general public

NOT TRANSLATED AS NOT MATERIAL TO THE INTERNATIONAL PRIVATE PLACEMENT.

11.11 Obligation to communicate the results of the Global Offer to the general public and CONSOB of the Global Offer

The person Allotment Manager shall undertake to publish, in the daily newspaper “MF - Milano Finanza”, within 5 days of the termination of the Offer Period, the results of the Public Offer as well as summarised results of the Global Offer, in accordance with the provisions of Article 13, par. 7, of the CONSOB Regulations. A copy of such notice shall be simultaneously forwarded to CONSOB, as well as to the Italian Stock Exchange. With this objective, the Global Co-ordinator has undertaken to communicate to the Allotment Manager the results of the Institutional Allotment.

The Allotment Manager, within 2 months of the publication of the aforementioned results, will communicate to CONSOB, results of verification of the regularity of the allotment procedures.

11.12 Methods and conditions of communication of the allocations made

The Dealers shall communicate to the applicants, the quantities assigned to them shortly after the communication made regarding the possible division of Shares by the Allotment Manager. The applicants may in any case, on the date of payment, refer to the Dealer, who received the request for Shares, for confirmation of the quantity of Shares assigned to them.

11.13 Terms and methods of payment for Shares

The full payment for the Shares allotted shall be made on the 6 December 2000, with the Dealer who received the application for subscription, without commissions or charges at the expense of the applicant.

11.14 Terms and methods of delivery of the Shares

Simultaneous to the payment, the Shares shall be made available to their rightful owners in immaterial form via entry into deposit accounts held at Monte Titoli S.p.A. by the Dealers.

11.15 Allotment and Guarantee

The Allotment of the Shares of the Public Offer, shall be guaranteed by the Consortium for the Public Allotment. The relative Allotment and guarantee contract shall be stipulated prior to the commencement of the Public Offer between the Offeror and the members of the Consortium for the Public Allotment and shall provide for the possibility that the Consortium shall not be obliged to fulfil the guarantee obligations, that is such obligations may be revoked in case of extraordinary circumstances. These are substantially: (i) non signing, termination of or termination of the validity of the Allotment and Guarantee agreement relative to the Institutional Allotment or (ii) the occurrence of certain circumstances as provided for by international custom, among which serious changes concerning the economic, financial and net asset situation of the Company or of the Group, meaning that the financial, economic, monetary or market situation changes so that the Global Co-ordinator together with the Allotment Manager deems it of prejudice to the outcome of the Global Offer.

The tranches of the Global Offer not guaranteed by the Consortium for the Public Allotment shall be guaranteed by the Consortium for the Institutional Allotment with the signing of the relevant contract. Such contract shall be executed immediately after the closing of the Public Offer and shall provide for the possibility that the Consortium for the Institutional Allotment shall not be obliged to fulfil the guarantee obligations in that it may rescind the contract in case of extraordinary circumstances as contemplated by international practice, among which serious changes concerning the economic, financial and net asset situation of the Company or of the Group, meaning that the financial, economic, monetary or market situation changes so that the Global Co-ordinator, after consulting with the Allotment Manager, deems it of prejudice to the outcome of the Global Offer, or failure to pass the resolution on commencement of trading by the Italian Stock Exchange, or even the case in which warranties and representations made by the Offerors should result to be incorrect or untrue.

Furthermore, the agreement provides for the possibility that the Offerors and Institutional Allotment Manager, also on behalf of the members of the Consortium for the Institutional Allotment, should not agree to the signing of the Allotment and guarantee contract for the Institutional Allotment if an adequate level is not reached as regards the quantity and quality of the applications, to be evaluated on the basis of the kinds of investors, or if no agreement is reached on the Offer Price.

11.16 Methods and terms for the repurchase of shares

Except for the provisions of Section One, Chapter III, Paragraph 3.4, no agreements exist for the repurchase of Shares.

11.17 Stabilisation

The Global Co-ordinator, in the name and on behalf of the Dealers and of the Members of the Consortium of Dealers for the Institutional Allotment, reserves the right to carry out activities of stabilisation within the 30 days subsequent to the date of commencement of negotiations in relation to the allocated Shares, in fulfilment of the laws in force.

11.18 Greenshoe Option

Iceberg has granted to the Global Co-ordinator a Greenshoe option for the purchase, at the Offering Price, of a maximum number of 295,500 Shares held it, equal to approximately 15% of the total amount of the Global Offer, aimed at the Institutional Allotment. The Greenshoe Option may be exercised within 30 days as of the date of commencement of trading of the Shares, also with the purpose of stabilisation referred to in the preceding Paragraph 11.17 of the present Chapter.

11.19 Temporary limits to the sale of Shares

In compliance with Art. 2.2.3 of the Regulation, for a period of 12 months from the date of the commencement of trading, Iceberg (with the exception of the Shares subject to the Greenshoe option) and all the other shareholders of the Company are obliged, to the Italian Stock Exchange, to not offer, sell, give charges over and in general not to carry out operations relating to a proportion of their Shares (new or existing issue) in Reply equal to or higher than the 80% of the ordinary shares held by the same.

Moreover, Alister Holding, Iceberg and Alika shall commit to Chase H&Q as follows:

a) Alister Holding, Iceberg, and Alika shall commit themselves, prior to the Global Offer, for a six month period subsequent to the date of executing the agreements of allotment and guarantee, to refrain from offering, selling or carrying out, directly or indirectly, acts of transfer involving Shares, whether existing or newly issued, of Reply, or involving securities which may be converted into or exchanged with Reply Shares, except for any eventual exercise of the Greenshoe Option granted by Iceberg to Chase H&Q (see Paragraph 11.18) or the option granted to Chase H&Q as further consideration for the activity of Global Co-ordinator (for further details please refer to the Paragraphs 11.20, Chapter XI);
b) in the 6 months subsequent to such deadline (and therefore until the expiration of 12 months from the date of the signing of the agreements of allotment and guarantee), Alister Holding, Iceberg, and Alika will commit themselves, moreover, to refrain from offering, selling or carrying out, directly or indirectly, acts of transfer involving an amount of Shares, whether existing or newly issued, of Reply Shares, or securities which may be converted into or exchanged with Reply Shares, higher than the 20% of the Shares in their possession on the date of commencement of trading.

The same companies shall undertake also, vis-à-vis Chase H&Q during the 12 months from the date of the signing of the agreements of allocation and guarantee to refrain from voting in the shareholders' meeting of Reply in favour of increases of capital and issuing of bonds convertible into Shares. A departure from the above shall be in any case possible (in compliance with laws in force) in case of written authorisation of Chase H&Q that may not be unreasonably refused.

11.20 Commissions and Charges relating to the transaction

In total it is possible to estimate the fees relating to the admission, the placement of Shares, and to the quotation at around Lire 8,000 million. This estimate was based upon a value in the middle of the valuation range set out in Paragraph 11.8.

Considering the forementioned fees and expenses, around Lire 3,000 million are due to parties that have provided professional services relating to the listing transaction. These fees and expenses will be funded by the Company.

The total remuneration of the Global Co-ordinator and the allotment Manager for the Pubblic Offer of members of the institutional offer consortium and members of the Public offer Consortium calculated on the above noted mid value would be equal to Lire 5,000 million of which Lire 1,500 million are commissions for management, Lire 1,000 million commisions for guarantees and Lire 2,500 are allotment fees. These fees will be payable by the Company and the Selling Shareholders in proportion to the receipts of each party resulting from the allotment of shares. This is represented by a total global commission equal to 4.4% of the offer value of the Shares allocated in the Global Offer and of the Greenshoe option, subdivided in the broad ratio of 20%, 20%, 60% for guarantees, administration and allocation respectively.

Furthermore, if the Greenshoe option is exercised, the financial intermediaries will be entitled to a commission for the placement, management and direction of around Lire 600 million. These fees will be paid by the Iceberg.

In addition, Iceberg, as a shareholder of the Company has granted Chase H&Q as Global Co-ordinator a call option at a price equal to the Offer Price, on a maximum of 82,761 shares, equal to about 1.01% of the share capital of Reply, to be exercised within 6 months from the commencement of trading of shares on the New Market. This option was granted as a form of additional compensation for the activities of the Global Co-ordinator, as agreed in the signed mandate of 19 June 2000 between the Company, the Selling Shareholders and the Global co-ordinator.

11.21 Total amount of the income relating to the subscription and its estimated destination

The estimate of the income deriving from the allocation of Shares offered in subscription under the Global Offer, net of the commission and expenses, shall be communicated to the public through a notice published in the daily newspaper "MF - Milano Finanza", the day prior to the commencement of the Public Offer.

The Company shall allocate the net income deriving from the allocation of Shares offered in subscription in the ambit of the Global Offer for the achievement of the development strategies, to acquire a leadership position in the Italian market in the area of E-Business solutions and services, and to expand its presence in international markets.

The total financial resources deriving from the allotment transaction on the New Market will be dedicated to the development of the group in three specific areas:
- international expansion;
- consolidation and development of the existing business lines and the launch of a new business line called e-sourcing;
- acquisition of Italian consultancy companies to support the development of the current business.

(For further detail see Section I Chapter I Paragraph 1.2.18).

XII. INFORMATION REGARDING THE LISTING

12.1 Listing procedure

The Italian Stock Exchange, by means of directive number 1347 of 10 November 2000, admitted the Shares to trading in the New Market of Shares in compliance with article 2.4.2 of the Regulation.

As at the date of the Prospectus, the Company has no stocks in such category or other stocks traded on the regulated markets in Italy or abroad.

12.2 Commencement of trading

The date of commencement of trading shall be established, subsequent to the result of the Global Offer, by the Italian Stock Exchange, in compliance with the article 2.4.2, sub-Paragraph 5, of the Regulation, saving verification of the sufficient diffusion of Shares.

In virtue of the Regulation no minimum quota of trading for the Shares is contemplated.

12.3 Obligations of the Specialist (art. 2.3.2, sub-Paragraph 4, of the Regulation)

The Issuer charged Robert Fleming Limited to act as Expert for a year starting from the date of the commencement of trading, which company undertook to:

1. Release continuously on the market proposals for sale and purchase at prices that do not differ between themselves by a percentage greater than that established in the instructions of the Italian Stock Exchange, for a daily amount fixed in the same Instructions, as well as managing the Institutional book;

2. Publish at least two financial analyses a year, relative to the Company, one of which is complete and the other an update, to be drawn up timely and according to the best standards on occasion of the publication of the results of the accounts relative to the financial year and the half-yearly accounts;

3. Publish brief analyses on occasion of the circulation of the quarterly accounts and the principal corporate events of Reply;

4. Organise, at least twice a year, a meeting with the management of the Company and financial community.

12.4 Commitments of the Sponsor

The Issuer charged Robert Fleming SIM s.p.a as Sponsor in accordance with Section 2.3 of the Regulations.

The Sponsor has accepted the following responsibilities in accordance with article 2.3.2, second paragraph of the Regulations, providing the Italian Stock Exchange with individual written declarations thereon, namely:

1. it certifies that it has provided the Italian Stock Exchange with all the information and facts which have come to its knowledge during its activities and which should be taken into consideration by the Italian Stock Exchange for the purpose of admission for trading with the information already provided by the issuer in accordance with article 2.4.1, second Paragraph, of the Regulations.

2. It guaranteed that those representing the Company have been sufficiently informed about the responsibilities and obligations deriving from the current laws and regulations and those consequent upon admission for trading of the Company shares;

3. it certifies on the basis of specific checks made by an auditing firm, that the Company has introduced internal procedures which allow those responsible to prepare periodically and promptly a sufficiently comprehensive account of the financial and economic situation of the Company and the Group;

4. it declares that it is convinced that the auditing data exhibited by the issuer, relating to the first annual period following the date of submission of the applicant for trading has been prepared after careful and in depth documentary analysis of the financial and economic prospects of the Company and the Group

5. it certifies that the shares are being placed in accordance with the rules of the best national and international practice

XIII. APPENDICES AND DOCUMENTATION AVAILABLE TO THE PUBLIC

Appendices

13.1 Balance sheets and income statements

(NOT TRANSLATED)

13.2 Auditors' reports

(NOT TRANSLATED)

13.3 Reports of the Board of Directors

(NOT TRANSLATED)

13.4 Reports of the Statutory of Auditors

(NOT TRANSLATED)

13.5 Documentation available to the Public at the registered office of Reply (C.so Francia n. 110, Turin) and Borsa Italiana S.p.A. (P.zza degli Affari n. 6, 20123 Milan)

(NOT TRANSLATED)

XIV. INFORMATION RELATING TO THE PERSONS RESPONSIBLE FOR THE PROSPECTUS, THE AUDITING OF THE ACCOUNTS AND THE CONSULTANTS

14.1 Persons responsible for the Prospectus

The following parties assume responsibility in respect of their own competence, for the completeness and accuracy and for the information contained in this Prospectus:

Reply S.p.a	Issuer	C.so Francia 110 – 10143 Torino
Daniele Angelucci	Selling Shareholder	C.so Francia 110 – 10143 Torino
Riccardo Iezzi	Selling Shareholder	C.so Francia 110 – 10143 Torino
Riccardo Lodigiani	Selling Shareholder	C.so Francia 110 – 10143 Torino
Domenico Piantelli	Selling Shareholder	C.so Francia 110 – 10143 Torino
Fernando Masella	Selling Shareholder	C.so Francia 110 – 10143 Torino
Sandro Peracchio	Selling Shareholder	C.so Francia 110 – 10143 Torino
Roberto Casagrande	Selling Shareholder	C.so Francia 110 – 10143 Torino
Fabio Giallonardo	Selling Shareholder	C.so Francia 110 – 10143 Torino
Marco Torchio	Selling Shareholder	C.so Francia 110 – 10143 Torino
Robert Fleming SIM s.p.a., subsidiary of The Chase Manhattan Corporation	Sponsor	Via Alessandro Manzoni n. 12 – 20121 Milano
Banca Aletti & C. S.p.A	Public Offer Manager	Via S. Spirito n. 14 – 20121 Milano

14.2 Auditing Firm

PricewaterhouseCoopers S.p.A., with its registered office in Milan, Via V. Pisani, 20, and PricewaterhouseCoopers SàRL with its registered office in Luxembourg, 400 route d'Esch, have audited the balance sheets and the consolidated balance sheets of the Company in respect of to the financial year ending on the 31st December 1999 and the period ending 30th June 2000.

The Company's ordinary shareholders' meeting of September 5th, 2000 resolved to confer to PricewaterhouseCoopers S.p.A. the auditing of the accounts ex art. 155 of the Civil Code and of the consolidated accounts of the Company for the three years starting with the year 2000 and ending with the year 2002.

14.3 External Bodies

There is no external auditing body other than the auditing company.

14.4 Miscellaneous

The information and details set forth in this Prospectus, where they do not originate from the accounts, whether consolidated or otherwise, have not been verified by the auditing company, nor checked by the Board of Auditors.

14.5 Findings with Disclaimers

There have been no findings or refusals of certification on the part of the auditing company, both with regard to the accounts of Reply up to December 31st, 1999 and up to June 30th, 2000, and with regard to Reply's consolidated accounts up to December 31st, 1999 and up to June 30th, 2000.

14.6 Declaration of Responsibility

The present Prospectus complies with the model filed at the CONSOB on November 22, 2000 and contains all necessary information on the basis of which the net asset and financial situation, the results and prospects of the Issuer, as well as the rights linked to the financial instruments listed on the New Market with Borsa Italiana decree number 1347 of 10 November 2000 that may be seen and checked.

The writers are responsible for the completeness and veracity of details and information contained in the Prospectus for the parts of their respective competence. Each of the drafters of the Prospectus also bears responsibility for any other fact or information that he was obliged to know and verify.

Issuer
Reply S.p.a
(Chairman of the Board of Directors, Mario Rizzante)
(Chairman of the Board of Auditors, Piergiorgio Re)

Selling Shareholders
Daniele Angelucci

Riccardo Iezzi

Riccardo Lodigiani

Domenico Piantelli

Fernando Masella

Sandro Peracchio

Roberto Casagrande

Fabio Giallonardo

Marco Torchio

Sponsors
Robert Fleming SIM s.p.a., subsidiary of The Chase Manhattan Corporation (Lorenzo Pugassi)

Manager of public offer for subscription and sale, and Allotment Manager
Banca Aletti & C. S.p.A (Francesco Aletti Montano)