Reply

Living network

_Half-year financial report 2009

CONTENTS

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

BOARD OF DIRECTORS AND CONTROLLING BODIES

Board of Directors	
Chairman and Chief executive officer	Mario Rizzante
Chief executive officers	Sergio Ingegnatti Tatiana Rizzante
Directors	Oscar Pepino Claudio Bombonato Fausto Forti[1] [2] [3] Marco Mezzalama[1][2] Carlo Alberto Carnevale Maffè[1] [2]

Board of Statutory auditors	
Chairman	Cristiano Antonelli
Statutory auditors	Paolo Claretta Assandri Ada Alessandra Garzino Demo

Independent auditors	Deloitte & Touche S.p.A.

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

FINANCIAL HIGHLIGHTS
(thousand Euros)

FY 2008	%	Economic figures	1st half 2009	%	1st half 2008	%
330,210	100.0	Revenues	170,300	100.0	160,254	100.0
46,044	13.9	Gross operating income	20,895	12.3	21,725	13.6
41,159	12.5	Operating income	17,966	10.5	19,759	12.3
40,135	12.2	Income before taxes	17,008	10.0	19,356	12.1
18,924	5.7	Group net income	8,238	4.8	7,760	4.8

31/12/2008	Financial figures	30/06/2009	30/06/2008
111,646	Group shareholders' equity	117,778	97,190
13,278	Minority interest	7,808	13,528
301,038	Total assets	291,466	260,259
81,358	Net working capital	78,287	63,866
143,551	Net invested capital	132,900	111,776
10,267	Cash Flow (*)	22,840	10,744
(18,627)	Net financial position	(7,314)	(1,058)

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

31/12/2008	Data per share (in Euros)	30/06/2009	30/06/2008
9,222,857	Number of shares	9,222,857	9,079,920
4.46	Operating income per share	1.95	2.18
2.05	Net result per share	0.89	0.85
1.11	Cash Flow per share	2.31	1.18
12.11	Shareholders' equity per share (*)	12.77	10.70

(*) attributable to owners of parent

31/12/2008	Other information	30/06/2009	30/06/2008
2,686	Number of employees	2,946	2,539

REPLY LIVING NETWORK

The Internet has become a real “informatics system” capable of moving and allowing enormous amounts of data, information and ever more complex contents to be utilized, bringing about a new generation of products and services. A revolution that has triggered different competitive levers and has generated new organizational and behavioral models.

We are all now experiencing a “living network”, a new form of ecosystem in which the barriers between digital components and real components overlap, a system in which technology enables innovation (products, processes) and innovation facilitates innovation (relations, models and products).

We are rapidly moving towards a future in which technology will preside in all moments of our lives, a visible or invisible driver of things, objects and customs.

Reply supports its customers in this path of innovation with solutions and services aimed at leveraging the opportunities provided by the Internet and emerging communication technologies.

The business model

Reply operates with a network of companies respectively specialized in Processes, Applications and Technologies that are centers of excellence capable of winning “Best in Class” positions in their own areas of competence.

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

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

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

Reply services include:

Consultancy – strategic, communication, process and technology consultancy.

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

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

MARKET FOCUS

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

Telco & Media

In recent years, in the Telecommunications market operators have turned from connectivity providers into value-added service providers. Network infrastructures and available applications enable a new generation of convergent services related to users (business, consumer, employee), devices (Smart phone, PDA, PC, etc.) and the pattern of use. Wireless applications and applications based on Internet standards require an increasingly sophisticated approach, both in design and in development. The volume of the information managed and transmitted requires increasingly complex infrastructures, such as storage area networks.

At present Reply is a renowned actor in the process of convergence between Telco and Media, with a special focus on components regarding VAS, the digital terrestrial technology, multimedia content and asset management and Billing and CRM services.

Technology evolution and market requirements boost innovation towards a consumer market-oriented approach. Clients no longer want to see their digital world confined to a computer screen but would like to be able to have access to its services and contents at any time, independent of the device utilized.
By means of an integrated consulting, communication and creativity supply, Reply devises contents and enables innovative services harnessing all the potential of new digital channels.

Furthermore, Reply is one of the main partners with Telco Operators regarding Device Testing & Certification and internally Reply has work groups who take advantage on skills developed through many years of work on critical aspects of telecommunications scenario.

Banking, Insurance and Financial companies

Reply cooperates with major Banking Institutions and Insurance Companies in the identification and implementation of solutions combining core process optimization with a substantial improvement in information asset efficiency.

In particular, Reply helps its customers anticipate change by defining strategies based on new technologies (Web Services, SOA, Mobile and Wireless solutions, multi-channel portals, on-line self services, Business Intelligence and Knowledge Management) aimed at introducing actual innovation in mission-critical industries such as Trading, Asset Management, distribution channels, risk and security management.

It should also be stressed that Reply’s activity in consulting and support to change are increasingly recognized by important Banking Institutions as a result of Reply’s successful highly critical projects in asset management and cost optimization.

Industry and Services

Successful enterprises must be able to make quick decisions and act effectively, aligning strategies, people, processes and technologies quickly and simultaneously within “networked” structures: complex aggregations of customers, partners and providers.

Information systems ensure maximum flexibility of processes and increasingly accurate checking. New technologies strengthen and extend their potential: electronic tagging, web services, mobile solutions and instant messaging have changed the pace of evolution of companies.

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

Energy & Utilities

In past years this industry has tackled competition and deregulation, and has had to comply with EU regulations which require the separation between the production and selling processes, under significant pressure in terms of revenues and margins and the need to provide increasing levels of service and security. Such evolution has generated consequent dynamic investments by the operators, who have discovered new competitive drives in ICT components.

Reply has defined a set of specific supplies regarding the main industry’s vertical areas – Retailer, Merchant Energy Provider and Network Operations – made up of strategic and technology consulting services which optimize processes and select and implement the technology architectures and platforms most suitable to the context.

The continuous consolidation and development of competences on business core processes has made Reply a main Italian operator and has allowed Reply to enter the international market.

Public administration

Consultancy ability and business technology represent an essential factor to achieve strategic objectives set out by the Government. In this scenario, Reply which is one of the main qualified partners, will use its knowhow and experience to accompany Central and Local Public Administration in this phase of transition towards innovation.

Reply, in particular in the Public Administration, has a distinctive specialization in providing integration solutions, interoperable and orientated at application co-operation between the local and central governments and it is able to guarantee the Public Administrations a high level of consultancy support in redesigning and optimizing administration processes.

Reply supports Public Administration in achieving new modernization objectives and improving efficiency with: innovative community solutions, multichannel infotainment services and a consolidated experience in defining integration models among heterogeneous application contents.

INTERIM MANAGEMENT REPORT 2009

FINANCIAL REVIEW OF THE GROUP

Note

The Half-year Financial Report for the six months ended June 30, 2009 has been prepared in accordance with Legislative Decree 58/1998, as amended, and the Issuer Regulations issued by Consob.

This Report also conforms with the requirements of the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) adopted by the European Union and has been prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2008, except as otherwise stated under “Accounting principles, amendments and interpretations adopted from January 1, 2009" in the Notes to the Interim Consolidated Financial Statements.

Trend of the first half

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

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

Reply’s services include: consulting, system integration, application management and business process outsourcing.

Reply is listed on the STAR index of the Italian Stock Exchange [REY.MI].

The Group’s consolidated turnover for the first six months stands at 170.3 million Euros, up 6.3% compared to the same period in 2008.

Margins were good with a consolidated EBITDA of 20.9 million Euros, down 3.8% compared to 21.7 million Euros of 2008, and an EBIT of 18 million Euros, down 9.1% compared to 19.8 million Euros in 2008.

Net profits grew by 6.2% compared to June 30, 2008, reaching 8.2 million Euros.

Regarding the second quarter of 2009, the Group’s consolidated turnover stands at 86 million Euros, an increase of 3.5% on the previous year (83.1 million Euros), with a consolidated EBITDA of 10.2 million and an EBIT of 8.7 million Euros.

The Group’s net financial position as of June 30, 2009 is minus 7.3 million Euros, compared to a positive 1.8 million Euros as of March 31, 2009 and minus 18.6 million Euros as of December 31, 2008.

In financial terms, in the second quarter of 2009 the Group incurred extraordinary, non-recurring disbursements totaling more than 17 million Euros. These were mainly due to compensation to former *Centro Ricerche Motorola* employees who were not kept on board by the Group (8.4 million Euros), purchase of minority shares of controlled operating companies (5.8 million Euros) and the payment of dividends (3.2 million Euros).

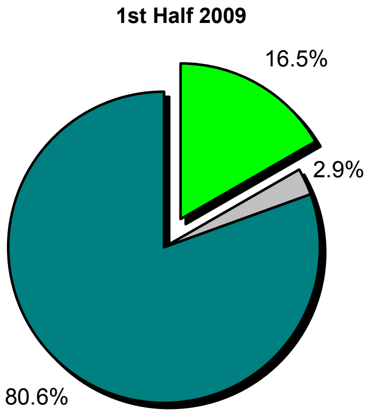
Net of these expenditures, the Group has shown a considerable second quarter growth in cash flow entirely attributable to its core business.

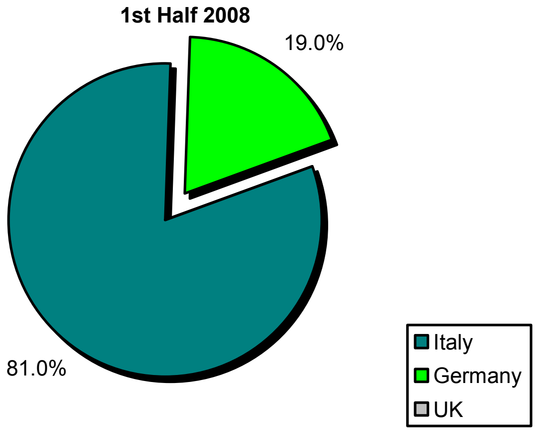
Reclassified consolidated statement of income

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

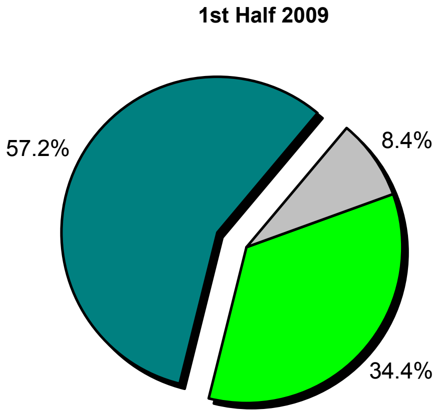
(thousand Euros)	1st Half 2009	%	1st Half 2008	%
Revenues	**170,300**	**100.0**	**160,254**	**100.0**
Purchases	(4,261)	(2.5)	(6,005)	(3.7)
Personnel	(90,668)	(53.2)	(80,957)	(50.5)
Services and other costs	(55,037)	(32.3)	(50,481)	(31.5)
Other unusual operating income/(expenses)	561	0.3	(1,086)	(0.7)
Operating costs	**(149,405)**	**(87.7)**	**(138,529)**	**(86.4)**
Gross operating income (EBITDA)	**20,895**	**12.3**	**21,725**	**13.6**
Amortization, depreciation and write-downs	(2,929)	(1.8)	(1,966)	(1.2)
Operating income (EBIT)	**17,966**	**10.5**	**19,759**	**12.4**
Financial income/(expenses)	(958)	(0.5)	(403)	(0.3)
Result before tax of continuing operations	**17,008**	**10.0**	**19,356**	**12.1**
Income taxes	(8,148)	(4.8)	(9,947)	(6.2)
Net result of continuing operations	**8,860**	**5.2**	**9,409**	**5.9**
Result from discontinued operations	-	0.0	(48)	(0.1)
Profit for the period attributable to Non-controlling interests	(622)	(0.4)	(1,601)	(1.0)
Profit for the period attributable to Owners of the parent	**8,238**	**4.8**	**7,760**	**4.8**

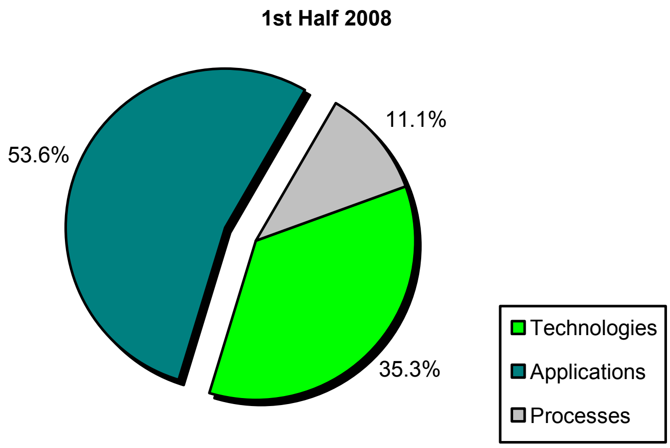
Revenues by geographical area





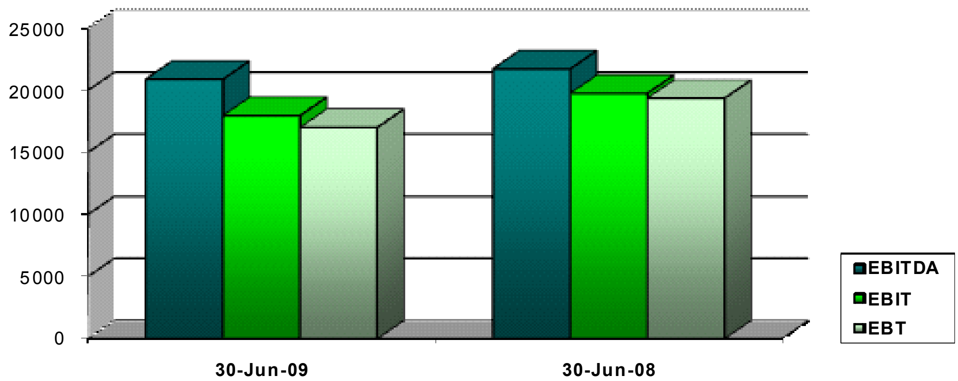
Revenues by business line





Trend in the major economic indexes

(thousand Euros)



Analysis of the financial structure

The table below details the Group's financial structure as at June 30, 2009 compared to December 31, 2008:

(thousand Euros)	30/06/2009	%	31/12/2008	%	Change
Current operating assets	157,405		172,483		(15,078)
Current operating liabilities	(79,118)		(91,125)		12,007
Net working capital (A)	**78,287**		**81,358**		**(3,071)**
Non-current assets	93,075		88,637		4,438
Non M/L term financial liabilities	(38,462)		(26,444)		(12,018)
Net fixed capital (B)	**54,613**		**62,193**		**(7,580)**
Net invested capital (A+B)	**132,900**	**100.0**	**143,551**	**100.0**	**(10,651)**
Equity (C)	125,586	94.5	124,924	87.0	662
Net financial position (A+B-C)	**7,314**	**5.5**	**18,627**	**13.0**	**(11,313)**

Net invested capital amounted to 132,900 thousand Euros as at June 30, 2009 and was financed by Equity for 125,586 thousand Euros, with a negative financial position of 7,314 thousand Euros.

The following table provides the breakdown of net working capital.

(thousand Euros)	30/06/2009	31/12/2008	Change
Inventories	18,356	18,020	336
Trade receivables	131,212	144,711	(13,499)
Other operating assets	7,837	9,752	(1,915)
Current operating assets (A)	**157,405**	**172,483**	**(15,078)**
Trade payables	24,289	32,652	(8,363)
Other current liabilities	54,829	58,473	(3,644)
Current operating liabilities (B)	**79,118**	**91,125**	**(12,007)**
Net working capital (A-B)	**78,287**	**81,358**	**(3,071)**
Return on revenues	*23.0%*	*24.6%*	

Net financial position and cash flows statement

(thousand Euros)	30/06/2009	31/12/2008	Change
Cash and cash equivalents	40,360	39,356	1,004
Due to banks	(17,144)	(23,858)	6,714
Due to other providers of finance	(382)	(254)	(128)
Short term financial position	**22,834**	**15,244**	**7,590**
Non-current financial assets	626	562	64
Due to banks	(30,432)	(33,994)	3,562
Due to other providers of finance	(342)	(439)	97
M/L term financial position	**(30,148)**	**(33,871)**	**3,723**
Total net financial position	**(7,314)**	**(18,627)**	**11,313**

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

(thousand Euros)	1st Half 2009
Cash flows from operating activities (A)	22,840
Cash flows from investment activities (B)	(9,282)
Cash flows from financial activities (C)	(4,969)
Change in cash and cash equivalents (D) = (A+B+C)	**8,589**
Cash and cash equivalents at beginning of period	31,769
Cash and cash equivalents at end of period	40,358
Change in cash and cash equivalents (D)	**8,589**

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

SIGNIFICANT OPERATIONS IN THE FIRST HALF

Acquisition of the Motorola research centre

In the month of February 2009 Reply, through its subsidiary Santer Reply S.p.A., finalized the acquisition of the Motorola research centre based in Turin.
The Motorola branch was purchased by Reply for a symbolic amount of 1 euro, and comprised 339 employees, 20.6 million Euros in cash, 2.9 million Euros of assets and a risk provision of 23.5 million Euros.

Reply has given force to the operation on the basis of the research and development perspectives outlined at the time of acquisition and the agreements defined with the public administrations (Region and Ministries). Such agreements foresee that the Piedmont Region finance through a free grant a maximum of 10 million Euros so long as the Research centre carries out projects within the research and development of Machine to Machine ("M2M") and that proof can be provided. Furthermore, the *Ministero dello Sviluppo Economico (S.M.E.)* has made a commitment to grant the Research centre a loan for a maximum of 15 million Euros of which 10 million a free grant for research and development projects similar to those agreed with the Piedmont Region. The Piedmont Region will manage such funding.

At present, the reorganization strategies of the Research centre have not yet been defined. More specifically, Reply's Top management together with Santer Reply S.p.A.'s Top management are retracing the essential requirements in order to verify the costs to re-qualify the human resources that will be allocated to new M2M projects as well as the real financial resources to be received by public authorities (Region and Ministries) and timing and means of supply of the same. Such elements will be determined for future developments of the branch activities and to consequently confirm employment to the employees and economic perspective to the stakeholders within a short time frame and however by the end of 2009.

Joint venture Reply - Armando Testa

At the beginning of May, Reply and Armando Testa announced the launch of Bitmama, a new company within the digital communication segment. The transaction was realized through the incorporation of TestaWebEDV in Aware Reply, giving life to the new company Bitmama of which Reply will hold 51% and the remaining 49% will be held by Armando Testa. The accounting effects of the incorporation will be effective from the second half of 2009.

Transactions with Related parties

During the period, there were no transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of July 28, 2006, is provided in Note 32 of the Half-year Condensed Financial Statements at June 30, 2009.

Employees

At June 30, 2009, the Group had 2,946 employees, an increase of 260 compared to December 31, 2008.

OUTLOOK

Reply has achieved, in the first half of 2009, positive results in terms of revenue as well as margin, despite a syskoplan turnover that was down 8% compared to 2008, with an EBIT of 3.8%.

Reply was able to grow during a period characterized by widespread reduction in investment by companies. Reply was able to increase market share thanks to excellence in its solutions proposed and to its ability to support clients in projects aimed at the simplification of processes and the optimization of core activities.

Moreover Reply is witnessing an ever-growing interest in innovative technologies such as SaaS and Cloud Computing, two specific areas where Reply can capitalize on investments made in 2008, positioning itself in terms of expertise and completeness of offer among the sector leaders.

These are the key elements on which the Group intends on maintaining and developing in order to achieve the same results for the second half of 2009.

Turin, August 6, 2009

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF-YEAR CONDENSED FINANCIAL STATEMENTS AT JUNE 30, 2009

REPLY

CONSOLIDATED INCOME STATEMENT(*)

(thousand Euros)

	Note	1st Half 2009	1st Half2008	2008
Revenues	5	170,300	160,254	330,210
Other revenues		913	697	1,459
Purchases	6	(4,261)	(6,005)	(10,262)
Personnel	7	(90,668)	(80,957)	(162,396)
Services and other costs	8	(55,950)	(51,178)	(112,758)
Amortization, depreciation and write-downs	9	(2,929)	(1,966)	(4,885)
Other unusual operating income/(expenses)	10	561	(1,086)	(209)
Operating income		**17,966**	**19,759**	**41,159**
Financial income/(expenses)	11	(958)	(403)	(1,024)
Result before taxes of the continued operations		**17,008**	**19,356**	**40,135**
Income tax	12	(8,148)	(9,947)	(18,266)
Net result of continuing operations		**8,860**	**9,409**	**21,869**
Result from discontinued operations	13	-	(48)	(119)
Net profit attributable to Non-controlling interests		(622)	(1,601)	(2,826)
Net profit attributable to owners of the parent		**8,238**	**7,760**	**18,924**
Net result per share	14	0.92	0.86	2.12
Diluted net result per share	14	0.90	0.84	2.08

(*) Pursuant to Consob Regulation no. 15519 of July 27, 2006, the effects of related party transactions on the consolidated income statement are disclosed at the annexed tables herein and further described in Note 32.

REPLY
STATEMENT OF COMPREHENSIVE INCOME
(thousand Euros)

	Note	1st Half 2009	1st Half 2008
Profit/(loss) for the period (A)		**8,860**	**9,361**
Gains/(Losses) on cash flow hedges	24	(918)	222
Gains/(Losses) on exchange differences on translating foreign operations	24	293	-
Gains/(Losses) on actuarial gains/(losses)	24	755	-
Total Other comprehensive income, net of tax (B)	24	**130**	**222**
Total Comprehensive income (A)+(B)		**8,990**	**9,583**
Total Comprehensive income attributable to:			
Owners of the parent		8,359	7,982
Non-controlling interests		630	1,601

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

	Note	30/06/2009	31/12/2008	30/06/2008
Tangible assets	15	10,541	8,237	7,926
Goodwill	16	66,827	66,827	55,063
Other intangible assets	17	6,333	6,050	3,434
Other financial assets	18	3,358	3,161	3,150
Deferred tax assets	19	6,642	4,924	4,574
Non current assets		**93,701**	**89,199**	**74,147**
Inventories	20	18,356	18,020	23,917
Trade receivables	21	131,212	144,711	113,418
Other receivables and current assets	22	7,837	9,752	5,887
Cash and cash equivalents	23	40,360	39,356	42,322
Current assets		**197,765**	**211,839**	**185,544**
Total assets from discontinued operations	13	-	-	568
TOTAL ASSETS		**291,466**	**301,038**	**260,259**
Share capital		4,796	4,796	4,722
Other reserves		104,744	87,926	84,708
Profit attributable to owners of the parent		8,238	18,924	7,760
Equity attributable to owners of the parent	24	**117,778**	**111,646**	**97,190**
Non-controlling interests		7,808	13,278	13,528
SHAREHOLDERS' EQUITY		**125,586**	**124,924**	**110,718**
Financial liabilities	25	30,774	34,433	35,746
Employee benefits	26	14,420	14,518	13,895
Deferred tax liabilities	27	4,388	5,615	4,261
Provisions	28	19,654	6,311	7,445
Non current liabilities		**69,236**	**60,877**	**61,347**
Financial liabilities	25	17,526	24,112	8,838
Trade payables	29	24,289	32,652	22,941
Other current liabilities	30	49,122	53,889	50,927
Provisions	28	5,707	4,584	5,462
Current liabilities		**96,644**	**115,237**	**88,168**
Total liabilities from discontinued operations	13	-	-	26
TOTAL LIABILITIES		**165,880**	**176,114**	**149,541**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**291,466**	**301,038**	**260,259**

(*) Pursuant to Consob Regulation no. 15519 of July 27, 2006, the effects of related party transactions on the consolidated statement of financial position are disclosed at the annexed tables herein and further described in Note 32.

REPLY
CONSOLIDATED CASH FLOWS STATEMENT
(thousand Euros)

	1st Half 2009	1st Half 2008
Net result for the period	8,860	9,360
Income tax	8,147	9,947
Depreciation and amortization	2,928	1,966
Change in trade receivables	13,500	10,062
Change in inventories	(336)	(15,225)
Change in trade payables	(8,364)	(3,252)
Change in other current assets and liabilities	(1,931)	(4,749)
Other non monetary changes	627	-
Income tax paid	(591)	(484)
Net Cash flows from operating activities	**22,840**	**7,625**
Payments for tangible and intangible assets	(2,569)	(2,900)
Payments for financial assets	(197)	-
Out payments for the acquisition of subsidiaries	(6,516)	(13,937)
Net cash flows from investment activities	**(9,282)**	**(16,837)**
Dividend distribution	(3,695)	(613)
Payments for acquisition of treasury shares	2,516	(2,163)
In payments from financial loans	4,911	15,500
Payment of installments	(8,222)	(2,000)
In payments from financial leases	31	-
Other changes	(510)	-
Net Cash flows from financing activities	**(4,969)**	**10,724**
Net cash flows	**8,589**	**1,512**
Cash and equivalents at beginning of period	31,769	40,810
Cash and cash equivalents at end of period	40,358	42,322
Total change in cash and cash equivalents	**8,589**	**1,512**

Detail of net cash and cash equivalents

(thousand Euros)	**30/06/2009**	**30/06/2008**
Cash and cash equivalents at the beginning of period:	**31,769**	**40,810**
Cash and cash equivalents	39,356	40,810
Bank overdrafts	(7,587)	-
Cash and cash equivalents at the end of period:	**40,358**	**42,322**
Cash and cash equivalents	40,360	42,322
Bank overdrafts	(2)	-

REPLY

STATEMENT OF CHANGES IN EQUITY

(thousand Euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Reserve for *cash flow hedge*	Cumulative translation reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
Balance at 1st January 2008	**4,722**	**(1,253)**	**47,325**	**43,279**	**420**	**-**	**-**	**12,713**	**107,206**
Share capital increase	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	(3,119)	-	-	-	(613)	(3,732)
Change in treasury shares	-	(2,163)	-	-	-	-	-	-	(2,163)
Total comprehensive income for the year	-	-	-	7,760	222	-	-	1,601	9,583
Other changes	-	-	119	(122)	-	-	-	(173)	(176)
Balance at 30 June 2008	**4,722**	**(3,416)**	**47,444**	**47,798**	**642**	**-**	**-**	**13,528**	**110,718**

(thousand Euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Reserve for *cash flow hedge*	Cumulative translation reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
Balance at 1st January 2009	**4,796**	**(3,691)**	**50,260**	**59,985**	**358**	**(62)**	**-**	**13,278**	**124,924**
Share capital increase	-	-	-	-	-	-	-		
Dividend distribution	-	-	-	(3,222)	-	-	-	(473)	(3,695)
Change in treasury shares	-	2,516	-	-	-	-	-	-	2,516
Total comprehensive income for the year	-	-	-	8,238	(921)	293	749	630	8,990
Other changes	-	-	(760)	(762)	-	-	-	(5,627)	(7,149)
Balance at 30 June 2009	**4,796**	**(1,175)**	**49,500**	**64,239**	**(563)**	**231**	**749**	**7,808**	**125,586**

EXPLANATORY NOTES

NOTE 1 – General information

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

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

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

NOTE 2 – Accounting principles and basis of consolidation

Premise

This Half-year financial report has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") endorsed by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

In particular, this Half-year financial report has been prepared in accordance with IAS 34 - *Interim Financial Reporting* applying the same accounting principles and policies used in the preparation of the Consolidated financial statements at December 31, 2008, other than those discussed in the following paragraph "Accounting principles, amendments and interpretations adopted from January 1st, 2009".

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

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Reference should be made to the section "Use of estimates" in the consolidated financial statements for the year ended December 31, 2008 for a detailed description of the more significant valuation procedures used by the Group.
Moreover, these valuation procedures, in particular those of a more complex nature regarding matters such as any impairment of non-current assets, are only carried out in full during the preparation of the annual financial statements, when all the information required is available, other than in the event that there are indications of impairment, when an immediate assessment is necessary.

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

Format of the financial statements

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

The income statement format adopted by the Group classifies costs according to their nature, which is deemed to properly represent the Group's business.
The Balance sheet is prepared according to the distinction between current and non-current assets and liabilities.
The statement of cash flows is presented using the indirect method.

The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the corresponding period of the previous year for income statement items and to the previous year for the balance sheet items are provided

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

Accounting principles, amendments and interpretations adopted from 1 January 2009

The Group has applied the following Standards, amendments and interpretations, which include those revised in conjunction with the IASB's 2008 annual improvements project, since January 1st, 2009.

IAS 1 Revised – Presentation of financial statements

The revised version of IAS 1 - *Presentation of Financial Statements* does not permit the presentation of components of comprehensive income (that is "non-owner changes in equity") in the statement of changes in equity, requiring these to be presented separately from owner changes in equity. Under the revised standard, all non-owner changes in equity are required to be shown in one statement showing performance for the period (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income). These changes are also required to be shown separately in the Statement of changes in equity.
The Group has adopted the revised standard retrospectively from January 1st, 2009, electing to present both the Income statement and the Statement of comprehensive income and has consequently amended the presentation of the Statement of changes in equity.
In addition, as part of its 2008 annual improvements project, the IASB published an amendment to the revised version of IAS 1 which requires an entity to classify hedging derivative financial instruments between current and non-current assets and liabilities in the statement of financial position. Adopting this amendment did not lead to any effect on the presentation of derivative financial instruments in the statement of financial position as the Group uses the mixed current/non-current distinction format for presentation that is permitted by IAS 1.

IFRS 8 – *Operating Segments*

IFRS 8 – *Operating Segments* has replaced IAS 14 – *Segment Reporting*. The new standard requires the information provided in segment reporting to be based upon the components of the entity that management uses to make decisions about operational matters. The standard requires these operating segments to be identified on the basis of internal reports that are regularly reviewed by the entity's management in order to allocate resources to the segment and assess its performance. The adoption of this standard had no effects on the measurement of items in the financial statements. The operating segments identified under IFRS 8 are the same as those disclosed pursuant to IAS 14.

Amendment to IFRS 2 – Share-based Payment: Vesting conditions and cancellations

The amendment to IFRS 2 - *Share-based Payment: Vesting Conditions and Cancellations* clarifies that for the purpose of measuring share-based payments, only service conditions and performance conditions may be considered vesting conditions. Any other clauses shall be considered non-vesting conditions and included in the determination of fair value at the grant date The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The Group retrospectively adopted the amendment from January 1st, 2009; no effects arose from first-time adoption because the share-based payments outstanding within the Group and not fully vested do not provide for vesting conditions different from performance conditions and service conditions as defined by the amendment and because no awards were cancelled during the period.

Improvement to IAS 19 – Employee benefits

The improvement to IAS 19 – *Employee Benefits* clarifies the definition of positive/negative past service costs and states that in the case of a curtailment, only the effect of the reduction for future service shall be recognized immediately in the income statement, while the effect arising from past service periods shall be considered a negative past service cost. This amendment is applicable prospectively to changes to plans occurring on or after January 1st, 2009, but there was no significant accounting effect at June 30, 2009 for the Group following adoption.

The amendment also revises the definition of the return on plan assets, stating that this amount should be stated net of any costs for administering the plan (other than those included in the measurement of the defined benefit obligation) and clarifies the definition of short-term employee benefits and other long-term employee benefits. The Group adopted this amendment retrospectively from January 1st, 2009 for the definitions of return on plan assets and short-term and long-term employee benefits, although no effects arose as the Group's accounting treatment of these items was already consistent with the requirements of the amendment.

Improvement to IAS 38 – Intangible assets

The improvement to IAS 38 – Intangible Assets requires expenditure on advertising and promotional activities to be recognized as an expense. Further, in the case expenditure is incurred to provide future economic benefits to an entity but no intangible asset is recognized, an entity shall recognize the expenditure as an expense when it has the right to access the goods in the case of the supply of goods or when it receives the services in the case of the supply of services. The standard has also been amended in order to allow entities to use the unit of production method for determining the amortization charge for an intangible asset with a finite useful life.

The Group adopted the amendment to IAS retrospectively on January 1st, 2009, although adoption had no effect on the Group's financial statements as the Group already recognized such expenditure as an expense. In connection with the possibility of using the unit of production method for determining the amortization charge for an intangible asset with a finite useful life, the Group amortizes these assets on the straight-line-basis.

Amendments and interpretations effective from 1 January 2009 but not applicable to the Group

The following amendments, improvements and interpretations have also been issued and are effective from 1 January 2009, relating to matters that were not applicable to the Group at the date of this Half-year financial report:

- Amendments to IAS 32 – *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- *IAS 23 Revised – Borrowing costs*
- *Improvement to IAS 16 – Property, Plant and Equipment*
- *Improvement to IAS 20 – Government Grants and Disclosures of Government Assistance*
- *Improvement to IAS 28 – Investments in Associates*
- *Improvement* to IAS 36 – *Impairment of Assets*
- *Improvement* to IAS 39 – *Financial instruments: recognition and Measurement.*
- *Improvement* to IAS 40 – *Investment Property.*
- IFRIC 13 – *Costumer Loyalty Programmes.*
- IFRIC 15 – *Agreements for the Construction of Real Estate*.
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation.*

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

On January 10, 2008 the IASB issued a revised version of IFRS 3 – *Business Combinations* and an amended version of IAS 27 - *Consolidated and Separate Financial Statements*. The main changes that revised IFRS 3 will make to existing requirements are the elimination of the need to measure at fair value every asset and liability at each step in a step acquisition for the purpose of calculating a portion of goodwill. Instead, goodwill will be measured as the difference at acquisition date between the value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Moreover, for a business combination in which the acquirer achieves control without purchasing all of the acquiree, the remaining (non-controlling) equity interests are measured either at fair value or by using the method already provided in IFRS 3. The revised IFRS 3 also requires acquisition related costs to be recognized as expenses and the acquirer to recognize the obligation to make an additional payment (contingent consideration) as part of the business combination. In the amended version of IAS 27, the IASB has added a requirement specifying that changes in a parent’s interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions and recognized within equity. Moreover when a parent loses control of a subsidiary but retains an ownership interest it must initially measure any retained investment at fair value. At the date when control is lost, the difference between the fair value and the carrying amount of the retained interest must be recognized in profit or loss. Finally, the amendment to IAS 27 requires losses pertaining to non-controlling interests to be allocated to non-controlling interest equity, even if this result in the non-controlling interest having a deficit balance. The new rules will apply prospectively from January 1, 2010.

As part of its 2008 annual improvements project, the IASB issued an amendment to IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*. This amendment, to be applied prospectively from 1 January 2010, requires an entity that is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liabilities of that subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

On 31 July 2008 the IASB issued an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* which is to be applied retrospectively from 1 January 2010. The amendment clarifies how existing principles determining whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. At the date of this Half-year financial report the European Union had yet to complete the endorsement process required for the amendment to be applicable.

On 27 November 2008 the IFRIC issued interpretation IFRIC 17 – *Distributions of Non-cash Assets to Owners* that will standardize practice in the accounting treatment of the distribution of non-cash assets to owners. In particular, the interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and that an entity should measure this dividend payable at the fair value of the net assets to be distributed. Finally, an entity should recognize the difference between the dividend paid and the carrying amount of the net assets used for payment in income statement. The interpretation is effective prospectively from 1 January 2010; the European Union had not yet endorsed the interpretation at the date of this Half-year financial report.

On 29 January 2009 the IFRIC issued the interpretation IFRIC 18 – *Transfers of Assets from Customers* that clarifies the accounting treatment to be followed for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which will then be used to acquire or construct the item of property, plant and equipment to be used to fulfill the requirements of the contract. The interpretation is effective prospectively from 1 January 2010; the European Union had not yet endorsed the interpretation at the date of this Half-year financial report.

On 5 March 2009 the IASB issued an amendment to IFRS 7 - *Improving Disclosures about Financial Instruments* to improve the disclosure requirements for fair value measurements and reinforce existing principles for disclosures concerning the liquidity risk associated with financial instruments. The amendment is effective from 1 January 2009; the European Union had not yet endorsed the amendment at the date of this Half-year financial report.

On 12 March 2009 the IASB issued amendments to IFRIC 9 – *Reassessment of Embedded Derivatives* and to IAS 39 – *Financial Instruments: Recognition and Measurement* that allow entities to reclassify certain financial instruments out of the 'fair value through profit or loss' category in specific circumstances. The amendments clarify that on the reclassification of a financial asset out of the 'fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The amendments are effective retrospectively from 31 December 2009; at the date of this Half-year financial report the European Union had yet to complete the endorsement process required for the amendments to be applicable.

On 16 April 2009 the IASB issued a series of amendments to IFRS (Improvements to IFRSs). Details are provided in the following paragraphs of those identified by the IASB as resulting in accounting changes for presentation, recognition and measurement purposes, leaving out any amendments regarding changes in terminology or editorial changes which are likely to have minimal effects on accounting and amended standards or interpretations not applicable to the Reply Group.

- IFRS 2 – *Share-based Payment*: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that following the change made by IFRS 3 to the definition of a business combination, the contribution of a business on the formation of a joint venture and the combination of entities or businesses under common control do not fall within the scope of IFRS 2.

- IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*: this amendment, that shall be applied from January 1, 2010, requires an entity that is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liability of that subsidiary as held for sale, regardless of whether the entity will retain a non controlling interest in its former subsidiary after the sale.

- IFRS 8 *Operating Segments*: this amendment, effective from 1 January 2010 (with early application permitted), requires an entity to report a measure of total assets for each reportable segment if such amount is regularly provided to the chief operating decision maker. Before the amendment, disclosure of total assets for each segment was required even if that condition was not met.

- IAS 1 – *Presentation of Financial Statements*: this amendment, effective from 1 January 2010 (with early application permitted), amends the definition of a current liability contained in IAS 1. The previous definition required liabilities which could be extinguished at any time by issuing equity instruments to be classified as current. That led to liabilities relating to convertible bonds which could be converted at any time into the shares of the issuer to be classified as current. Following this amendment the existence of a currently exercisable option for conversion into equity instruments becomes irrelevant for the purposes of the current/non-current classification of a liability.

- IAS 7 – *Statement of Cash Flows*: this amendment, applicable from 1 January 2010 (with early application permitted), clarifies that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities in the statement of cash flows; cash flows originating from expenditures that do not result in a recognized asset (as could be the case for advertising and promotional activities and staff training) must be classified as cash flows from operating activities.

- IAS 17 – *Leases*: following the changes, the general conditions required by IAS 17 for classifying a lease as a finance lease or an operating lease will also be applicable to the leasing of land, independent of whether the lease transfers ownership by the end of the lease term. Before these changes the standard required the lease to be classified as an operating lease if ownership of the leased land was not transferred at the end of the lease term because land has an indefinite useful life. The amendment is applicable from 1 January 2010 (with early application permitted). At the date of adoption the classification of all land elements of unexpired leases must be reassessed, with any lease newly classified as a finance lease to be recognized retrospectively.

- IAS 36 – *Impairment of Assets*: this amendment, applicable prospectively from 1 January 2010 (with early application permitted), states that each unit or group of units to which goodwill is allocated for the purpose of impairment testing shall not be larger than an operating segment as defined by paragraph 5 of IFRS 8 – *Operating Segments* before any aggregation on the basis of similar economic characteristics and other similarities as permitted by paragraph 12 of IFRS 8.

- IAS 38 – *Intangible Assets*: IFRS 3 (as revised in 2008) states that if an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure its fair value reliably; amendments are made to IAS 38 to reflect that revision of IFRS 3. Moreover these amendments clarify the valuation techniques commonly used to measure intangible assets at fair value when assets are not traded in an active market; in particular, such techniques include discounting the estimated future net cash flows from an asset, and estimating the costs the entity avoids by owning an intangible asset and not having to license it from another party in an arm's length transaction or the costs to recreate or replace it (as in the cost approach). The amendment is applicable prospectively from 1 January 2010 (with early application permitted); if an entity applies the revised IFRS 3 for an earlier period it shall also apply this amendment to IAS 38.

- IAS 39 – *Financial Instruments: Recognition and Measurement*: this amendment restricts the non-applicability of IAS 39 under paragraph 2(g) of the standard to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date when the completion of the business combination is not dependant on further actions of either party and only the passage of a normal period of time is required. Option contracts, whether or not currently exercisable, which allow one party to control the occurrence or non-occurrence of future events and on exercise will result in control of an entity are therefore included in the scope of IAS 39. The amendment also clarifies that embedded prepayment options whose exercise price compensates the lender for the loss of interest income resulting from the prepayment of the loan shall be considered closely related to the host debt contract and therefore not accounted for separately. Finally, the amendment clarifies that the gains or losses on a hedged instrument must be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The amendment is applicable prospectively from 1 January 2010 although early application is permitted.

- IFRIC 9 – *Reassessment of Embedded Derivatives*: this amendment excludes from the scope of IFRIC 9 embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control or the formation of a joint venture. The amendment is applicable prospectively from 1 January 2010.

These revised standards had not yet been endorsed by the European Union at the date of this Half-year financial report.

In June 2009, the IASB issued an amendment to IFRS 2 – *Share based payment: Group Cash-settled Share-based Payment transactions*. The amendment clarifies the scope of IFRS 2 and the interactions of IFRS 2 and other standards. In particular, it clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash; moreover, it clarifies that a 'group' has the same meaning as in IAS 27 - *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. In addition, the amendment clarifies that an entity must measure the goods or services it received as either an equity-settled or a cash-settled share-based payment transaction assessed from its own perspective, which may not always be the same as the amount recognized by the consolidated group. The amendments also incorporate guidance previously included in IFRIC 8 - Scope of IFRS 2 and IFRIC 11 - IFRS 2—*Group and Treasury Share Transactions*. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.The amendment is effective from 1 January 2010; the European Union had not yet endorsed the amendment at the date of this Half-year financial report.

NOTE 3 –Risk management

Credit risk

For business purposes, specific policies are adopted in order to guarantee that clients honour payments. With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralized basis through Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's capital resources (maintaining the availability of minimum reserves of liquidity that are readily convertible to cash and committed credit).

Currency risk and interest rate risk

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

NOTE 4 - Consolidation

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

Change in consolidation compared to 30 June 2008 is related to the incorporation of the English company glue Reply Ltd. as of July 1st, 2008 in which the Parent Company Reply holds 100% of the share capital.

A list of the Reply Group companies as at June 30, 2009 is provided at the Annexed tables herein.

NOTE 5 - Revenues

Revenues from sales and services, including change in work in progress, amounted to 170,300 thousand Euros and are detailed at the table below:

(thousand Euros)	1st Half 2009	1st Half 2008	Change
Consulting services and fixed price project activities	158,624	148,482	10,142
Assistance and maintenance services	10,756	10,259	497
Other	920	1,513	(593)
Total	**170,300**	**160,254**	**10,046**

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

Country	1st Half 2009	1st Half 2008
Italy	80.6%	81.0%
Germany	16.5%	19.0%
UK	2.9%	-
	100.0%	**100.0%**

Disclosure required by IFRS 8 ("Segment reporting") is provided in Note 31 herein.

NOTE 6 - Purchases

Detail is as follows:

(thousand Euros)	1st half 2009	1st half 2008	Change
Software licenses for resale	3,041	3,628	(587)
Hardware for resale	73	972	(899)
Other	1,147	1,405	(258)
Total	**4,261**	**6,005**	**(1,744)**

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

The item *Other* mainly includes the acquisition of fuel amounting to 834 thousand Euros and office material amounting to 145 thousand Euros.

NOTE 7 - Personnel

Detail is as follows:

(thousand Euros)	1st half 2009	1st half 2008	Change
Payroll employees	81,664	71,558	10,106
Executive Directors	7,573	7,979	(406)
Project collaborators	1,431	1,420	11
Total	**90,668**	**80,957**	**9,711**

Increase in personnel expenses amounted to 9,711 thousand Euros and mainly owes to the overall increase in the Group's business and in human resources.

Personnel expenses include the fair value of the stock options vested as at June 30, 2009 (25 thousand Euros).

Detail of personnel by category is provided below:

(number)	30/06/2009	30/06/2008	Change
Directors	221	190	31
Managers	421	374	47
Staff	2,304	1,975	329
Total	**2,946**	**2,539**	**407**

As at June 30, 2009 the number of employees of the Group amounted to 2,946, compared to 2,539 at June 30, 2008.

Consolidation of glue Reply and the acquisition of the Motorola research centre brought a net organic increase of 44 and 180 employees respectively.

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

NOTE 8 – Services and other costs

Service expenses comprised the following:

(thousand Euros)	1st half 2009	1st half 2008	Change
Commercial and technical consulting	25,748	22,835	2,913
Travelling and professional training expenses	8,299	8,699	(400)
Other service costs	12,198	11,523	675
Office expenses	4,427	3,871	556
Lease and rentals	3,065	3,011	54
Miscellaneous	2,213	1,239	974
Total	**55,950**	**51,178**	**4,772**

Change in the item Services and other costs totaled 4,772 thousand Euros and owes to an overall increase in the Group's activities.

Office expenses include charges from related parties in connection to service contracts for the use of premises and centralized secretarial services which amounted to 4,427 thousand Euros.

NOTE 9 – Amortization, depreciation and write-downs

Depreciation of tangible assets, amounting to 1,861 thousand Euros, at June 30, 2009, was determined on a straight-line basis at economic-technical rates that reflect the useful lives of the asset. Details of depreciation are provided at the notes to tangible fixed assets herein.

Amortization of intangible assets in the first half of 2009 amounted to 1,068 thousand Euros. The details are provided at the notes to intangible assets herein.

NOTE 10 – Other unusual operating income/expenses

This item amounted to 561 thousand Euros and is related to events falling out of the ordinary course of business.

NOTE 11 – Financial income and expenses

Detail is as follows:

(thousand Euros)	1st half 2009	1st half 2008	Change
Financial income	276	843	(567)
Interest expenses	(1,256)	(1,228)	(28)
Other	22	(18)	40
Total	**(958)**	**(403)**	**(555)**

The item *Financial income* mainly includes interest on bank accounts and decreased due to a fall in interest rates.

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

NOTE 12 – Income taxes

Income taxes are recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year and as at June 30, 2009 amount to 8,148 thousand Euros.
The tax rate as at June 30, 2009 is substantially in line with the year ended 2008 tax rate.

NOTE 13 – Assets, liabilities and result of discontinued operations

As at June 30, 2009 there are no discontinued operations. The amount as at June 30, 2008 is referred to the assets, liabilities and result of the American companies Syskoplan Consulting and Syskoplan Holding, whose activities ceased in the month of December 2008.

NOTE 14 – Earnings per share

Basic earnings per share

Basic earnings per share at June 30, 2009 was calculated with reference to the profit attributable to the owners of the parent and amounted to 8,238 thousand Euros (7,760 thousand Euros at June 30, 2008) divided by the weighted average of shares outstanding at 30 June 2009 which were 8,970,890 (9,051,669 at June 30, 2008).

	1st half 2009	1st half 2008
Profit/(loss) attributable to owners of the parent	8,238,000	7,760,000
Weighted average number of shares	8,970,890	9,051,669
Basic earnings per share	0.92	0.86

Diluted earnings per share

Diluted earnings per share at June 30, 2009 was calculated with reference to the profit attributable to the owners of the parent and amounted to 8,238 thousand Euros divided by the weighted average number of shares outstanding at June 30, 2009, taking in consideration the diluting effect which could derive from hypothetical exercising of financial instruments potentially convertible in shares (stock options).

	1st half 2009	1st half 2008
Profit/(loss) attributable to owners of the parent	8,238,000	7,760,000
Weighted average number of shares	8,970,890	9,051,669
Diluting effect	162,400	152,400
Weighted number of diluted shares	9,133,290	9,204,069
Diluted earnings per share	0.90	0.84

NOTE 15 – Tangible assets

Tangible assets at June 30, 2009 amounted to 10,541 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2009	31/12/2008	Change
Buildings	2,829	2,900	(71)
Plant and equipment	2,005	1,286	719
Hardware	3,529	3,157	372
Other	2,178	894	1,284
Total	**10,541**	**8,237**	**2,304**

Change in tangible assets in the first half of 2009 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	4,023	4,227	13,520	3,538	25,308
Accumulated depreciation	(1,123)	(2,941)	(10,363)	(2,644)	(17,071)
Balance at 31/12/2008	**2,900**	**1,286**	**3,157**	**894**	**8,237**
Historical cost					
Additions	-	218	844	223	1,285
Disposals	-	(112)	(244)	(71)	(427)
Other changes	-	869	790	1,498	3,157
Accumulated depreciation					
Depreciation	(71)	(356)	(1,036)	(394)	(1,857)
Utilization	-	104	224	32	360
Other changes	-	(4)	(206)	(4)	(214)
Historical cost	4,023	5,202	14,910	5,188	29,323
Accumulated depreciation	(1,194)	(3,197)	(11,381)	(3,010)	(18,782)
Balance at 30/06/2009	**2,829**	**2,005**	**3,529**	**2,178**	**10,541**

During the first half 2009 the Group made investments amounting to 1,285 thousand Euros, mainly with reference to computers and network equipment.

The item *Buildings* includes a building belonging to a syskoplan Group company located in Gutersloh, with a net book value amounting to 2,822 thousand Euros.

Increase in *Plant and machinery* amounting to 142 thousand Euros refers to investments made by syskoplan Group companies and 66 thousand Euros carried out by Italian companies.

Increase in *Hardware* owes to investments made by the Italian subsidiaries for 573 thousand Euros and 249 thousand Euros to the purchases made by the German companies. Furthermore this item includes financial leases for 635 thousand Euros (595 thousand Euros referred to the syskoplan Group and 37 thousand Euros to Communication Valley S.p.A.).

The item *Other* at June 30, 2009 includes improvements to third party assets (104 thousand Euros) and investments in office furniture (74 thousand Euros).

The item *Other changes* includes the assets acquired within the acquisition of the Motorola research centre (for a total of 2,948 thousand Euros). This operation is described in the Interim management report as at June 30, 2009 at the paragraph “Significant events in the first half” and further described at Note 28.

NOTE 16 - Goodwill

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

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

(thousand Euros)	Year of acquisition	% acquired	30/06/2009
@Logisitcs Reply S.r.l.	2000	30.0%	459
Business Reply S.r.l.	2000	30.0%	160
Cluster Reply S.r.l.	2000	15.0%	155
Sytel Reply S.r.l.	2000	20.0%	223
Whitehall Reply S.r.l.	2000	100.0%	16
Sysproject Reply S.r.l. (now Cluster Reply S.r.l.)	2002	100.0%	1,665
Bitmama S.r.l. (ex Aware Reply S.r.l.)	2001 - 2003	100.0%	2,418
Blue Reply S.r.l.	2004	12.0%	285
Planet Reply S.r.l. (now Sytel Reply S.r.l.)	2004	20.0%	1,191
e*Finance Consulting Reply S.r.l.	2001-2005	100.0%	2,561
Eos Reply S.r.l.	2005	(*)	360
IrisCube Reply S.p.A.	2003 - 2005	100.0%	1,563
IrisCube Reply S.p.A. (now Sytel Reply S.r.l.) (***)	2003 - 2005	100.0%	5,100
Spike Reply S.r.l.	2005	10.0%	298
Discovery Reply S.r.l.	2005	(*)	210
syskoplan AG	2006	63.8%	9,611
Interactiv! (**)	2006	85.1%	1,489
Macros Innovation (**)	2006	100.0%	4,652
Discovery sysko Gmbh (**)	2006	20.0%	11
Santer Reply S.p.A.	2002 - 2006	100.00%	1,062
Xuccess Consulting GmbH (**)	2007	100.0%	5,195
Axcel Reply S.r.l.	2007	100.0%	808
Communication Valley S.p.A.	2008	100.0%	11,868
glue: Reply Ltd.	2008	100.0%	10,772
Reply Consulting S.r.l.	2008	44.0%	4,306
Hermes Reply S.r.l.	2008	5.0%	116
Other syskoplan Group			38
Other(*)			235
Total			**66,827**

(*) business branch acquisitions.

(**) syskoplan Group companies.

(***) goodwill referred to branch transferred to Sytel Reply S.r.l.

Goodwill is an intangible asset with an indefinite life and therefore is not subject to a systematic amortization but is tested for impairment annually. During the first half of 2009 no impairment indicators have arisen which may have changed the value of goodwill.

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

NOTE 17 – Other intangible assets

Intangible assets at June 30, 2009 amounted to 6,333 thousand Euros (6,050 thousand Euros at December 31, 2008) and detail is as follows:

(thousand Euros)	Historical cost	Accumulated amortization	Net book value 30/06/2009
Development costs	7,135	(4,875)	2,260
Software	10,083	(8,693)	1,390
Trademarks	527	-	527
Other intangible assets	2,950	(794)	2,156
Total	**20,695**	**(14,362)**	**6,333**

Change in intangible assets during the first half of 2009 is summarized in the table below:

(thousand Euros)	Net book value 31/12/2008	Increases	Amortization	Net book value 30/06/2009
Development costs	1,640	1,000	(380)	2,260
Software	1,464	349	(423)	1,390
Trademarks	525	2	-	527
Other intangible assets	2,421	-	(265)	2,156
Total	**6,050**	**1,351**	**(1,068)**	**6,333**

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

The item *Software* is related mainly to software licenses purchased and used internally by the Group companies. This item also includes work in progress of internally developed software for 157 thousand Euros.

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

The item *Other intangible assets* is mainly related to Know-how of the Security Operation Center, a specific activity which supplies Managed Security Services to avoid and individualize real or potential threats to which complex IT infrastructures are exposed, apart from proposing and carrying out adequate counter measures to limit or void such dangers. This item was recognized following the allocation process related to the acquisition of Communication Valley S.p.A. in 2008.

NOTE 18 – Financial assets

Other financial assets amounted to 3,358 thousand Euros and are all referred to non-current assets.

Detail is as follows:

(thousand Euros)	30/06/2009	31/12/2008	Change
Receivables from insurance companies	2,281	2,220	61
Guarantee deposits	450	378	72
Long term securities	626	562	64
Other financial assets	1	1	-
Total	**3,358**	**3,161**	**197**

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

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

NOTE 19 – Deferred tax assets

This item amounted to 6,642 thousand Euros at June 30, 2009 (4,924 thousand Euros at December 31, 2008), and includes the fiscal charge corresponding to the temporary differences deriving from statutory income and taxable income related to deferred deductibility items.

The decision to recognize deferred tax assets is taken by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of expected future results.
There are no deferred tax assets on losses carried forward.

NOTE 20 – Inventories

The item *Inventories* amounted to 18,356 thousand Euros and is detailed below:

(thousand Euros)	30/06/2009	31/12/2008	Change
Contact work in progress	45,532	49,581	(4,049)
Finished products and goods for resale	-	167	(167)
Advance payments from customers	(27,176)	(31,728)	4,552
Total	**18,356**	**18,020**	**336**

NOTE 21 – Trade receivables

Trade receivables at June 30, 2009 amounted to 131,212 thousand Euros with a net decrease of 13,499 thousand Euros compared to December 31, 2008 mainly due an improvement of the days sales outstanding.

Trade receivables are shown net of allowances for doubtful accounts amounting to 2,706 thousand Euros at June 30, 2009 (2,335 thousand Euros at December 31, 2008).

(thousand Euros)	30/06/2009	31/12/2008	Change
Domestic receivables	118,378	133,089	(14,711)
Foreign trade receivables	15,547	14,093	1,454
Credit notes to be issued	(7)	(136)	129
Total	**133,918**	**147,046**	**(13,128)**
Allowance for doubtful accounts	(2,706)	(2,335)	(371)
Total trade receivables	**131,212**	**144,711**	**(13,499)**

Allowance for doubtful accounts during the first half of 2009 evolved as follows:

(thousand Euros)	31/12/2008	Accrual	Utilized	30/06/2009
Allowance for doubtful accounts	2,335	404	(33)	2,706

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

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

(thousand Euros)				Due 30 June 2009			
	Trade receivables	Current	1-90 days	91-180 days	181-360 days	over 360 days	Total Overdue
Trade receivables	133,918	114,150	12,696	4,015	1,805	1,252	19,768
Allowance for doubtful accounts	(2,706)	-	(217)	(906)	(528)	(1,055)	(2,706)
Total trade receivables	**131,212**	**114,150**	**12,479**	**3,109**	**1,277**	**197**	**17,062**

(thousand Euros)				Due 31 December 2008			
	Trade receivables	Current	1-90 days	91-180 days	181-360 days	over 360 days	Total Overdue
Trade receivables	147,046	127,340	13,674	2,824	2,695	513	19,706
Allowance for doubtful accounts	(2,335)	-	(208)	(264)	(1,444)	(418)	(2,335)
Total trade receivables	**144,711**	**127,340**	**13,466**	**2,560**	**1,251**	**95**	**17,372**

NOTA 22 – Other receivables and current assets

Detail is as follows:

(thousand Euros)	30/06/2009	31/12/2008	Change
Tax receivables	4,436	6,776	(2,340)
Advances to employees	93	108	(15)
Other receivables	802	728	74
Accrued income and prepaid expenses	2,506	2,140	366
Total	**7,837**	**9,752**	**(1,915)**

The item tax receivables mainly included:

- Vat tax receivables (1,233 thousand Euros);
- Receivables for withholding tax (277 thousand Euros);
- Tax receivables from German tax authorities (1,906 thousand Euros).

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

NOTE 23 – Cash and cash equivalents

This item amounted to 40,360 thousand Euros, with an increase of 1,004 thousand Euros compared to December 31, 2008, and reflects the amount of cash at banks and on hand at the balance sheet date.

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

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

NOTE 24 – Shareholders' equity

Share capital

As at June 30, 2009 the fully subscribed paid-in share capital of the Parent Company Reply S.p.A. amounted to 4,795,885.64 Euros and is made up of 9,222,857 ordinary shares, par value 0.52 Euros per share.

Treasury shares

The *Reserve for treasury shares on hand* amounting to 1,175 thousand Euros, is related to shares held by the Parent company that as at June 30, 2009 were equal in number to 83,900. During the first half of 2009 the Parent Company acquired no. 133,800 ordinary shares and sold no. 236,399 ordinary shares.
The sale of such shares is related to the transfer of treasury shares for the acquisition of the non-controlling shares in Hermes Reply S.r.l. and Reply Consulting S.r.l. Changes to treasury shares and the gains realized on the transaction were recorded in shareholders' equity.

The *Reserve for purchase of treasury shares*, amounting to 28,825 thousand Euros was constituted through withdrawal from the Reserve for treasury shares on hand, following the resolution made by the General Shareholders Meeting of Reply S.p.A. on April 29, 2009 which authorized, pursuant to Art. 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution. Increase compared to December 31, 2008 is due to the aforementioned purchase of treasury shares.

The item *Comprehensive income* can be analyzed as follows:

(thousand Euros)	**1st half 2009**	**1st half 2008**
Gains/(Losses) on cash flow hedges arising during the period	(918)	222
Reclassification adjustment for gains/(losses) on cash flow hedges included in income statement	-	-
Gains/(Losses) on cash flow hedges	**(918)**	**222**
Gains/(Losses) on exchange differences on translating foreign operations arising during the period	293	-
Gains/(Losses) on exchange differences on translating foreign operations included in income statement	-	-
Gains/(Losses) on exchange differences on translating foreign operations	**293**	**-**
Other gains/(losses) arising during the period	755	-
Other gains/(losses) included in income statement	-	-
Other gains/(losses)	**755**	**-**
Income tax relating to components of Other comprehensive income	**-**	**-**
Total Other comprehensive income for the year, net of tax	**130**	**222**

NOTE 25 – Financial liabilities

Detail is as follows:

(thousand Euros)	30/06/2009 Current	30/06/2009 Non-current	30/06/2009 Total	31/12/2008 Current	31/12/2008 Non-current	31/12/2008 Total
Advances on receivables and bank overdrafts	2	-	2	7,587	-	7,587
Financial bank borrowings	17,142	30,432	47,574	16,271	33,994	50,265
Total due to banks	**17,144**	**30,432**	**47,576**	**23,858**	**33,994**	**57,852**
Other financial borrowings	382	342	724	254	439	693
Total financial liabilities	**17,526**	**30,774**	**48,300**	**24,112**	**34,433**	**58,545**

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

(thousand Euros)	30/06/2009				31/12/2008			
	Due within one year	Between 1 and 5 years	Over 5 years	**Total**	Due within one year	Between 1 and 5 years	Over 5 years	**Total**
Advances on receivables and bank overdrafts	2	-	-	**2**	7,587	-	-	**7,587**
Syndicated loan	16,443	24,665	-	**41,108**	16,443	32,887	-	**49,330**
Bank loan – Intesa Sanpaolo	-	4,093	818	**4,911**	-	-	-	**-**
Commerzbank	159	576	573	**1,308**	201	576	632	**1,409**
Other financial borrowings	382	342	-	**724**	254	439	-	**693**
Fair Value IRS and other	540	(293)	-	**247**	(373)	(101)	-	**(474)**
Total	**17,526**	**29,383**	**1,391**	**48,300**	**24,112**	**33,801**	**632**	**58,545**

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

The amount utilized totaled 61,330 thousand Euros divided as follows:

- Tranche A was used as an overdraft for a maximum amount of 12,000 thousand Euros with the purpose of entirely reimbursing the previous loan. Installments were paid on a half-year basis with Euribor 6 months + 0.75%.

- Tranche B was utilized for a total of 49,330 thousand Euros, with the purpose of satisfying Reply's financial needs in maintaining the growth strategy finalized at the acquisition of companies, strategic investments or shares. The residual loan amounts to 41,108 and installments are paid on a half-year basis (Euribor 6 months + 0.75%) and expires on December 31, 2011.

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

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

As contractually defined, such ratios are as follows:

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

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

The bank loan from Intesa Sanpaolo is referred to the contract signed on March 31, 2009 for a stand-by credit line with Reply S.p.A. for an initial amount of 30,000 thousand Euros that can be increased to 50,000 thousand Euros given that determined conditions are met starting from May 1, 2010. Installments will be reimbursed on a half-year basis (Euribor at 6 months and a 2.5% Margin) commencing June 30, 2012 and will expire December 31, 2014.
On June 25, 2009 this credit line was used as an overdraft for 4,911 thousand Euros.

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

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

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

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

Net financial position

In compliance with Consob Regulation issued on July 28, 2006 and in accordance with CESR's Recommendations for the consistent implementation of the European's regulation on Prospectuses issued on February 10, 2005, the Net financial position at June 30, 2009 was as follows:

(thousand Euros)	30/06/2009	31/12/2008	Change
Cash and cash equivalents	40,360	39,356	1,004
Non-current financial assets	626	562	64
Total financial assets	**40,986**	**39,918**	**1,068**
Current financial liabilities	(17,526)	(24,112)	6,586
Non-current financial liabilities	(30,774)	(34,433)	3,659
Total financial liabilities	**(48,300)**	**(58,545)**	**10,245**
Total net financial position	**(7,314)**	**(18,627)**	**11,313**

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

NOTE 26 – Employee benefits

(thousand Euros)	30/06/2009	31/12/2008	Change
Employee severance indemnities	11,178	11,413	(235)
Employee pension funds	2,354	2,325	29
Directors' severance indemnities	845	737	108
Other	43	43	-
Total	**14,420**	**14,518**	**(98)**

Employee severance indemnities

The *Employee severance indemnity* represents the obligation to employees under Italian law (amended by Law 296/06) that has accrued up to December 31, 2006 and that will be settled when the employee leaves the company. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.

Reassessment of Employee severance indemnities in accordance to IAS 19 was carried out "ad personam" and on the existing employees, that is analytical calculations were made on each employee in force in the company at the assessment date without considering future work force.

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.

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

(thousand euro)	
Balance at 31/12/2008	**11,413**
Service cost	724
Actuarial (gains)/losses	(755)
Interest cost	245
Indemnities paid during the year	(449)
Balance at 30/06/2009	**11,178**

Employee pension funds

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

NOTE 27 – Deferred tax liabilities

Deferred tax liabilities at June 30, 2009 amounted to 4,388 thousand Euros (5,615 at December 31, 2008 and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

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

NOTE 28 – Provisions

The item *Provisions* amounts to 25,361 thousand Euros (of which 19,654 thousand Euros non-current).

Change in the first half is summarized in the table below:

(thousand Euros)	Balance at 31/12/2008	Other	Accruals	Utilized	Balance at 30/06/2009
Payables to minority shareholders	3,123	-	-	-	3,123
Fidelity provisions	3,762	(37)	1,964	(2,561)	3,128
Purchase price adjustment provision	2,235	-	40	(393)	1,882
Restructuring provisions	268	-	-	-	268
Other risks provision	1,507	(60)	1,242	(908)	1,781
Motorola research center provision	-	23,536	-	(8,357)	15,179
Total	**10,895**	**23,439**	**3,246**	**(12,219)**	**25,361**

Payables to minority shareholders for 3,123 thousand Euros represent the fair value of the non-controlling interest equal to 49% of is4, a syskoplan group company. This amount has been stated according to IAS 32 as syskoplan has signed a put option agreement with the minority shareholders to be exercised with a 12 months' notice.

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

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

Restructuring provision includes employee leave incentives following restructuring plans.

The *Provision for other risks* represents the amounts set aside by the individual companies of the Group principally in connection with contractual and commercial risks and disputes.

The Motorola research center provision was transferred to the Reply Group (column "Other") within the acquisition transaction described at the paragraph "Significant events of the first half" in the Interim management report and is related to personnel expenses and write downs of tangible assets. The provision related to personnel expenses in the first half of 2009, was used for 8.4 million Euros to cover costs related to employee leave incentives paid to no. 180 employees of the Research centre.

At present, the reorganization strategies of the Research centre have not yet been defined. More specifically, Reply's Top management together with Santer Reply S.p.A.'s Top management are retracing the essential requirements in order to verify the costs to re-qualify the human resources that will be allocated to new M2M projects as well as the real financial funds to be received by public authorities (Region and Ministries) and timing and means of supply of the same. Such elements are fundamental for the future developments of the branch activities and to consequently confirm employment to the employees and economic perspective to the stakeholders.

Given such uncertainty, it was deemed prudent to maintain (also in accordance with the quality characteristics of financial statements drawn up according to IAS-IFRS principles), at June 30, 2009, the residual Motorola research centre provision (15.2 million Euros).

NOTE 29 – Trade payables

Trade payables at June 2009 30, 2009 amounted to 24,289 thousand Euros with a change of 8,363 thousand Euros compared to December 31, 2008.

Detail is as follows:

(thousand Euros)	30/06/2009	31/12/2008	Change
Domestic suppliers	23,574	31,525	(7,951)
Foreign trade payables	2,147	2,017	130
Advances to suppliers	(1,432)	(890)	(542)
Total	**24,289**	**32,652**	**(8,363)**

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

NOTE 30 – Other current liabilities

Other current liabilities at June 30, 2009 amounted to 49,122 thousand Euros with a change of 4,767 thousand Euros compared to year-ended 2008.

Details are provided below:

(thousand Euros)	30/06/2009	31/12/2008	Change
Income tax payables	7,850	1,507	6,343
VAT payables	1,226	4,689	(3,463)
Withholding tax and other	2,888	3,163	(275)
Total due to tax authorities	**11,964**	**9,359**	**2,605**
INPS	5,973	8,651	(2,678)
Other	711	817	(106)
Total due to social security authorities	**6,684**	**9,468**	**(2,784)**
Employee accruals	19,997	14,211	5,786
Other payables	7,886	18,341	(10,455)
Accrued expenses and deferred income	2,591	2,510	81
Total other payables	**30,474**	**35,062**	**(4,588)**
Total other payables and current liabilities	**49,122**	**53,889**	**(4,767)**

Due to tax authorities amounting to 11,964 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Other payables to social security authorities amounted to 6,684 thousand Euros and refer to amounts payable for employee and employer contributions.

Other payables at June 30, 2009 amounted to 30,474 thousand Euros and include:

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

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

NOTE 31 – Segment reporting

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

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

Economic figures (thousand Euros)	Italy	%	Germany	%	UK	%	Intra segment	Total 1st half 2008	%
Revenues	**129,806**	**100.0**	**30,539**	**100.0**	**-**	**-**	**(91)**	**160,254**	**100.0**
Operating costs	(111,683)	(86.0)	(26,937)	(87.3)	-	-	91	(138,529)	(86.4)
Gross operating income	**18,123**	**14.0**	**3,602**	**12.7**	**-**	**-**	**-**	**21,725**	**13.6**
Amortization, depreciations and write downs	(1,357)	(1.0)	(609)	(2.0)	-	-	-	(1,966)	(1.2)
Operating income	**16,766**	**12.9**	**2,993**	**9.8**	**-**	**-**	**-**	**19,759**	**12.3**

Balance sheet figures (thousand Euros)	30/06/2009					31/12/2008				
Net invested capital	**Italy**	**Germany**	**UK**	**Intrasegment**	**Total**	**Italy**	**Germany**	**UK**	**Intrasegment**	**Total**
Current operating assets	140,296	14,966	2,550	(407)	157,405	160,108	10,807	1,960	(392)	172,483
Current operating liabilities	(66,327)	(11,570)	(1,628)	407	(79,118)	(78,100)	(12,005)	(1,412)	392	(91,125)
Net working capital (A)	**73,969**	**3,396**	**922**	**-**	**78,287**	**82,008**	**(1,198)**	**548**	**-**	**81,358**
Non current assets	74,707	18,300	68	-	93,075	70,200	18,386	51	-	88,637
Non current liabilities	(32,071)	(6,391)	-	-	(38,462)	(18,248)	(8,196)	-	-	(26,444)
Net fixed assets (B)	**42,636**	**11,909**	**68**	**-**	**54,613**	**51,952**	**10,190**	**51**	**-**	**62,193**
Net invested capital (A+B)	**116,605**	**15,305**	**990**	**-**	**132,900**	**133,960**	**8,992**	**599**	**-**	**143,551**

NOTA 32 – Transactions with related parties

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

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

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

Reply Group- Main economic and financial transactions

(thousand Euros)

FINANCIAL TRANSACTIONS	30/06/2009	NATURE OF TRANSACTION
Trade receivables and other	637	Receivables from professional services
Trade payables and other	1,556	Payables for professional services and office rental

ECONOMIC TRANSACTIONS	1st Half 2009	NATURE OF TRANSACTION
Revenues from sales and services	151	Consulting services
Services from Parent company and related parties	2,701	Services related to office rental and office of the secretary

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

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

NOTE 33 – Guarantees, commitments and contingent liabilities

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

NOTE 34 – Events subsequent to June 30, 2009

No significant events have occurred following June 30, 2009.

ANNEXED TABLES

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

(thousand Euros)	1st half 2009	Of which related parties	%	1st half 2008	Of which related parties	%
Revenues	170,300	151	0.1%	160,254	30	0.0%
Other revenues	913	-	-	697	-	-
Purchases	(4,261)	-	-	(6,005)	-	-
Personnel expenses	(90,668)	-	-	(80,957)	-	-
Services and other costs	(55,950)	(2,701)	4.8%	(51,178)	(2,420)	4.7%
Amortization and write-offs	(2,929)	-	-	(1,966)	-	-
Other unusual operating income/(expenses)	561	-	-	(1,086)	-	-
Operating income	**17,966**	**-**	**-**	**19,759**	**-**	**-**
Financial income/(expenses)	(958)	-	-	(403)	-	-
Result before tax of continuing operations	**17,008**	**-**	**-**	**19,356**	**-**	**-**
Income taxes	(8,148)	-	-	(9,947)	-	-
Net result of continuing operations	**8,860**	**-**	**-**	**9,409**	**-**	**-**
Result of discontinued operations	-	-	-	(48)	-	-
Non- controlling interest	(622)	-	-	(1,601)	-	-
Profit/(loss) for the period attributable to owners of the parent	**8,238**	**-**	**-**	**7,760**	**-**	**-**

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

(thousand Euros)	30/06/2009	Of which related parties	%	31/12/2008	Of which related parties	%
Tangible fixed assets	10,541	-	-	8,237	-	-
Goodwill	66,827	-	-	66,827	-	-
Other intangible assets	6,333	-	-	6,050	-	-
Other financial assets	3,358	-	-	3,161	-	-
Deferred tax assets	6,642	-	-	4,924	-	-
Non current assets	**93,701**	**-**	**-**	**89,199**	**-**	**-**
Inventories	18,356	-	-	18,020	-	-
Trade receivables	131,212	637	0.5%	144,711	491	0.3%
Other receivables and current assets	7,837	-	-	9,752	-	-
Cash and cash equivalents	40,360	-	-	39,356	-	-
Current assets	**197,765**	**-**	**-**	**211,839**	**-**	**-**
TOTAL ASSETS	**291,466**	**-**	**-**	**301,038**	**-**	**-**
Share capital	4,796	-	-	4,796	-	-
Other reserves	104,744	-	-	87,926	-	-
Profit /(Loss) attributable to owners of parent	8,238	-	-	18,924	-	-
Net equity attributable to the owners of parent	**117,778**	**-**	**-**	**111,646**	**-**	**-**
Net equity attributable to non-controlling interests	7,808	-	-	13,278	-	-
TOTAL SHAREHOLDERS' EQUITY	**125,586**	**-**	**-**	**124,924**	**-**	**-**
Financial liabilities	30,774	-	-	34,433	-	-
Employee benefits	14,420	-	-	14,518	-	-
Deferred tax liabilities	4,388	-	-	5,615	-	-
Other Provisions	19,654	-	-	6,311	-	-
Non current liabilities	**69,236**	**-**	**-**	**60,877**	**-**	**-**
Financial liabilities	17,526	-	-	24,112	-	-
Trade payables	24,289	1,556	6.4%	32,652	1,959	6.0%
Other payables and current liabilities	49,122	-	-	53,889	-	-
Other provisions	5,707	-	-	4,584	-	-
Current liabilities	**96,644**	**-**	**-**	**115,237**	**-**	**-**
TOTAL LIABILITIES	**165,880**	**-**	**-**	**176,114**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**291,466**	**-**	**-**	**301,038**	**-**	**-**

REPLY
COMPANIES INCLUDED IN CONSOLIDATION AT JUNE 30, 2009

Company name	Registered Office		Share capital	Group interest
PARENT COMPANY				
Reply S.p.A.	Torino - Corso Francia, 110	€	4,795,886	-
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS				
4Cust Reply S.r.l.(*)	Torino - Corso Francia, 110	€	10,000	80.00%
@Logistics Reply S.r.l.	Torino - Corso Francia, 110	€	78,000	100.00%
Aktive Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Atlas Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Axcel Reply S.r.l.	Torino - Corso Francia, 110	€	15,000	100.00%
Bitmama S.r.l. (già Aware Reply S.r.l.)	Torino - Corso Francia, 110	€	12,939	100.00%
Blue Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Business Reply S.r.l.	Torino - Corso Francia, 110	€	78,000	100.00%
Cluster Reply S.r.l.	Torino - Corso Francia, 110	€	139,116	100.00%
Communication Valley S.p.A.	Parma – Via Budellungo, 2	€	100,000	100.00%
Discovery Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
e*finance consulting Reply S.r.l.	Torino - Corso Francia, 110	€	34,000	100.00%
Ekip S.r.l.	Torino - Corso Francia, 110	€	10,400	100.00%
EOS Reply S.r.l.	Torino - Corso Francia, 110	€	12,000	100.00%
Glue Reply Ltd.	London – Old Baily, 16	GBP	54,175	100.00%
Hermes Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
IrisCube Reply S.p.A.	Torino - Corso Francia, 110	€	651,735	100.00%
Iris SA	Savosa - Svizzera	CHF	100,000	100.00%
Open Reply S.r.l.(*)	Torino - Corso Francia, 110	€	10,000	85.00%
Plus Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Power Reply S.r.l. (*)	Torino - Corso Francia, 110	€	10,000	85.00%
Reply Consulting S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Reply Services S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Spike Reply S.r.l.	Torino - Corso Francia, 110	€	50,000	100.00%
Square Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	100.00%
Santer Reply S.p.A.	Milano - Via Don Minzoni, 24	€	2,209,500	100.00%
Syskoplan AG	Gutersloh, Germania	€	4,729,340	74.34%
Syskoplan Reply S.r.l.	Torino - Corso Francia, 110	€	32,942	100.00%
Sytel Reply GmbH	Dũsseldorf, Germania	€	25,000	100.00%
Sytel Reply S.r.l.	Torino - Corso Francia, 110	€	115,046	100.00%
Target Reply S.r.l. (*)	Torino - Corso Francia, 110	€	10,000	80.00%
Technology Reply S.r.l.	Torino - Corso Francia, 110	€	79,743	100.00%
Twice Reply S.r.l.	Torino - Corso Francia, 110	€	10,000	94.00%
Whitehall Reply S.r.l.	Torino - Corso Francia, 110	€	21,224	100.00%

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

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

1. The undersigned, Sergio Ingegnatti,in their capacity as Chief Executive Officer and Giuseppe Veneziano, director responsible of drawing up the Company's financial statements pursuant to the provisions of article 154-bis, paragraph 3 and 4 of legislative decree no. 58 of February 24, 1998, hereby attest:

   - the adequacy with respect to the Company's structure and

   - the effective application,

   of the administrative and accounting procedures applied in the preparation of the Company's Half-year condensed financial statements at 30 June 2009.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed financial statements as of and for the period ended 30 June 2009 was based on a process defined by Replyin accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

3.1 the Half-year condensed financial statements at 30 June 2009:
   - have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
   - correspond to the amounts shown in the Company's accounts, books and records; and
   - provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries;

3.2 the related interim management report includes a reliable analysis of the significant events affecting the Company in the first six months of the current fiscal year and the impact of such events on the Company's condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year in addition to a reliable analysis of the information on the significant related party transactions.

Turin, August 6, 2009

/s/ Sergio Ingegnatti
Chief Executive Officer

Sergio Ingegnatti

/s/ Giuseppe Veneziano
Executive officer responsible for the preparation of the Company's financial statements

Giuseppe Veneziano

INDEPENDENT AUDITORS' REPORT

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AUDITORS' REVIEW REPORT ON THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
REPLY S.p.A.

1. We have reviewed the half-year condensed consolidated financial statements, consisting of the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, statements of changes in equity, consolidated cash flows statement and related explanatory notes as of June 30, 2009 of Reply S.p.A. and its subsidiaries (the "Reply Group"). These half-year condensed consolidated financial statements, prepared in conformity with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union, are the responsibility of Reply S.p.A.'s Directors. Our responsibility is to issue a report on these half-year financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the half-year condensed consolidated financial statements, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the half-year condensed consolidated financial statements.

   With regard to the comparative figures related to the prior year consolidated financial statements and to the half-year condensed consolidated financial statements as of June 30, 2008, reclassified to consider the changes to the financial statements required by the amendment of IAS 1 (2007), reference should be made to our reports respectively dated April 9, 2009 and August 8, 2008.

3. Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of the Reply Group as of June 30, 2009 are not presented fairly, in all material respects, in accordance with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union.

4. For a better understanding of the half-year condensed consolidated financial statements, attention is drawn to the fact that, as more widely disclosed in the explanatory notes, the reorganization strategies of the "Motorola research centre" branch, purchased during the half-year period, have not yet been defined. Given such situation, the Directors have deemed to maintain in the half-year condensed consolidated financial statements the residual amount of the provision (Euro 15.2 million) transferred within the above mentioned branch acquisition.

DELOITTE & TOUCHE S.p.A.

Signed by
Luca Scagliola
Partner

Turin, Italy
August 6, 2009

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

Corporate information

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