Reply

Living network

Half-year financial report 2013

Reply
Half year financial report 2013

Contents

This half year report has been translated into English from the original Italian version, 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 Officer
Tatiana Rizzante

Executive Directors
Daniele Angelucci
Claudio Bombonato
Oscar Pepino
Filippo Rizzante
Fausto Forti [1] [2] [3]
Carlo Alberto Carnevale Maffè [1] [2]
Marco Mezzalama [1] [2]

Statutory Auditors

President
Cristiano Antonelli

Statutory auditors
Paolo Claretta Assandri
Ada Alessandra Garzino Demo

Independent Auditors

Reconta Ernst & Young S.p.A.

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

Financial highlights

Year 2012	%	Economic figures (Euros/000)	1st Half 2013	%	1st Half 2012	%
494,831	100.0	Revenues	270,015	100.0	244,170	100.0
62,424	12.6	Gross operating income	37,382	13.8	30,724	12.6
52,249	10.6	Operating income	32,814	12.2	27,586	11.3
50,265	10.2	Income before taxes	31,954	11.8	26,814	11.0
27,094	5.5	Group net income	17,360	6.4	14,021	5.7

Year 2012	Financial figures (Euros/000)	1st Half 2013	1st Half 2012
175,756	Group shareholders' equity	188,161	164,341
2,704	Non-controlling interest	1,066	1,795
475,298	Total assets	452,786	413,063
120,476	Net working capital	115,688	80,881
178,834	Net invested capital	182,984	133,944
31,896	Cash flow	23,624	11,229
(373)	Net financial position	6,243	(17,683)

Year 2012	Data per single share (in Euros)	1st Half 2013	1st Half 2012
9,222,857	Number of shares	9,267,857	9,222,857
5.67	Operating income per share	3.54	2.99
2.94	Net result per share	1.87	1.52
3.46	Cash flow per share	2.55	1.22
19.06	Shareholders' equity per share	20.30	17.82

31/12/2012	Other information	30/06/2013	30/06/2012
3,725	Number of employees	3,951	3,577

Reply living network

Reply Living Network

Reply is a leading Consulting, Systems Integration and Application Management company, specialising in the creation and implementation of solutions based on new communication networks and digital media.

Reply's offer is aimed at fostering the success of its customers through the introduction of innovation along the whole economic digital chain. Given its knowledge of specific solutions and due to a consolidated experience, Reply addresses the main core issues of the various industrial sectors.
Reply's offer covers three areas of competence:

Processes – for Reply the understanding and the use of technologies means introducing a new enabler for processes, as a result of in-depth knowledge of the market and of the specific industrial implementation contexts;

Applications – in Reply the design and implementation of application solutions are aimed at meeting the needs of the core business of enterprises;

Technologies – in Reply the use of innovative technologies is optimised to implement solutions to ensure customers benefit from maximum operational efficiency and flexibility.

Within the three areas Reply offers:

Consultancy – strategic, communications, process and technology;

Systems Integration – a combination of business consulting with high value-added and innovative technology Solutions to harness the potential of technology;

Application Management – management, monitoring and continuous evolution of the technological assets.

Market focus

Reply supports the main European Industrial groups operating in Telco and Media, Banking, Insurance and Financial companies, Industry and Services, Energy and Utilities and Public Administration market segments.

Telco and Media

In 2009 - 2012, the major players in this sector invested substantial amounts in new value-added services. This was made possible by; the technological evolution of devices (ex. Smartphone, PDA, e-book, STB multichannel), the use of new generation networks (NGN) and the development and wide spreading of Social Networks, which has become the new "media" of today's generation.
Reply is a distinguished player in the process of convergence between Telco and Media, with a special focus on components regarding; VAS, the Digital Terrestrial Technology, Multimedia Content Management and Billing and CRM services.

Furthermore, Reply is one of the main partners with Telco Operators regarding Device Testing & Certification.

Banking, Insurance and Financial companies

Reply cooperates with major Banking Institutions and Insurance Companies in the identification and implementation of solutions combining core process optimisation with a substantial improvement in information asset efficiency. More specifically, Reply operates in defining end to end strategies and solutions by integrating the various components and putting forth all the necessary skills such as consulting, process, development, application and technology.

Industry and Services

Reply supports companies in the implementation, change and management of Business IT Systems from the strategic design to the understanding and redefinition of the core Processes. Reply designs and deploys solutions aimed at ensuring application integration supports the Extended Enterprise (CRM, SCM, BI).

Energy and Utilities

Reply has defined a set of specific offers regarding the main industry's vertical areas by supporting and assisting Retailers and Distribution Companies in relation to change and operational, organisational and technological alignment. In particular Reply is focused on designing models and creating application solutions in the main processes of CRM and Billing in the Utilities market, but has also worked with the main European Energy providers in implementing solutions in Pricing, Forecasting and Meter Data Management.

Public Administration

For Central Public Administration and the National Health Service, Reply leverages its experience gained in the most advanced online services, integrating applications and competencies to create specific solutions to manage relations with the citizen.

Technology innovation

The increasing popularity of user-driven on-line services, such as Facebook, Wikipedia and YouTube, has introduced a new way of experiencing Internet: 2.0; a perspective of the net based on user collaboration and enabled by tools such as Web Services, User Generated Contents, Social Networks and Cloud Computing. This is a starting point for new methodologies and software applications, for the purpose of sharing and collaboration between people.

Social Networks

The application of 2.0 models and technologies introduces new ways of participating in companies, based on dispersed and unstructured knowledge. The knowledge management platforms, which allow users have a 'voice' (as more and more often is the case) open up to bottom-up approaches of construction and sharing of information based on wikis and blogs. New forms of communication based on Unified Messaging tools appear, speeding up interaction between corporate processes. Reply bases its offer in social networking with its own platform, Enterprise Social Network: TamTamy ™.

Cloud Computing

Reply's Cloud Computing offering is based on:

- → End to End Consulting (from the process to the operative management) which is able to support clients in understanding, selecting and in the evolution of the most suitable technological and application solution;
- → Proprietary Enterprise Private Cloud platform to help organisations to rapidly introduce this new method of supplying services in companies;

SaaS solutions are based on Reply's main application platforms (TamTamy™ , SideUp Reply™ , Gaia Reply ™, Discovery Reply ™). Consolidated partnerships with Amazon, Google, Microsoft and Oracle enable Reply to anticipate innovative technological competencies in Cloud Computing and SaaS platforms and make them immediately available to clients.

Widget Factory

The phenomena such as Cloud Computing and the "always connected" status of users have pushed software to abandon desktop and to transform into network services. There is a growing need to enrich web applications with the same or higher levels of interaction compared to the ones already accustomed to.
Reply supports its clients with this new way of interpreting the web through the domain of innovative solutions which are available today, such as Adobe Flex, Adobe Air, and Microsoft Silverlight. The development of these technologies has brought about a greater distribution of Widget; a light-weight application accessible from more devices and channels (desktop, mobile, internet…). To effectively follow this trend, Reply has created internally a Widget Factory to analyse and extend the different widgeting solutions to expand their applications in the Enterprise sector.

Internet of Things

The continuous push for the convergence between Telco, Media and Consumer Electronics will bring in the coming years the necessity to interpret how on line devices, objects which are not linked to any form of connectivity (appliances, controllers for home automation, integrated system,…) will integrate with other machines. Machine 2 Machine or Internet of Things, is destined to become a fundamental sector for the distribution of new technologies both in companies and in daily life. Reply intends to become an important point of reference for this sector and its correlated services.
In February 2009, Reply acquired the Motorola research centre in Turin and set up its own Research and Development Centre aimed at working on the new internet of objects. The aim of Reply's new research centre is to create a platform of services, devices and middleware to support specific vertical applications such as info-mobility, advanced logistics, environmental safety, contactless payment and product traceability.

Interim financial report 2013

Financial Review of the Group

Premise

The Half-Year report for the period ended June 30, 2013 has been prepared in accordance with the Legislative Decree. 58/1998, as amended, and the "Regolamento Emittenti" issued by Consob.
The Report also conforms with the requirements of the International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") adopted by the European Union and has been prepared in accordance with IAS 34 – Interim Financial Reporting.
The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2011, except those otherwise stated under "Accounting principles, amendments and interpretations adopted from January 1, 2013.

Trend of the first half

Since the beginning of 2013, the Group has achieved consolidated sales of 270 million Euros, an increase of 10.6% compared to 2012.

The first half of 2013 also registered significant improvements in margins, with consolidated EBITDA of 37.4 million Euros (+21.7%) and EBIT of 32.8 million Euros (+18.9%) for the period. Earnings before tax at 31.9 million Euros were up 19.1% compared to the same period in 2012.

With regard to the second quarter of 2013, the Group's results were also positive with a consolidated turnover for the period of 135.5 million Euros, a 10.6% increase over the 2012 figure.

The EBITDA from April to June 2013 amounted to 18.7 million Euros (+21.5% compared to 2012), with an EBIT of 15.8 million Euros (+15.5%), and earnings before tax of 15.4 million Euros (+14.8%).

As at 30 June 2013, the Group's net financial position was positive in the amount of 6.2 million Euros (net of extraordinary transactions it would have been positive in the amount of 14.7 million Euros), compared to 23.1 million Euros at 31 March 2013.

The first half of 2013 – was very positive for Reply, with significant growth in all market segments where it is present. The most significant aspect is the soundness of this growth, based on the consolidation of relations with major customers who appreciate Reply's ability to always offer highly innovative paradigms in terms of technology, processes and business models.

Reply's objective, in an increasingly global and multinational market, is to make Reply a reference point for all companies that view technology as their main lever for competitiveness and innovation.

Reclassified consolidated statement of income at June 30, 2013

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

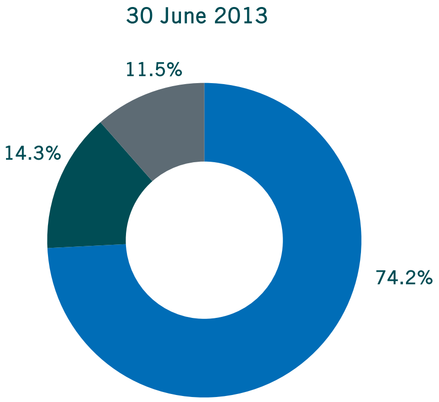
(thousand Euros)	1st Half 2013	%	1st Half 2012	%
Revenues	**270,015**	**100.0**	**244,170**	**100.0**
Purchases	(5,237)	(1.9)	(5,054)	(2.1)
Personnel	(132,599)	(49.1)	(121,695)	(49.8)
Services and other costs, net	(94,798)	(35.1)	(85,698)	(35.1)
Other operating income/(expense)	-	0.0	(1,000)	(0.4)
Operating Costs	**(232,634)**	**(86.2)**	**(213,446)**	**(87.4)**
Gross operating margin (EBITDA)	**37,382**	**13.8**	**30,724**	**12.6**
Amortization, depreciation and write-downs	(3,640)	(1.3)	(3,138)	(1.3)
Other unusual income/(expenses)	(928)	(0.3)	-	0.0
Operating income (EBIT)	**32,814**	**12.2**	**27,586**	**11.3**
Financial income/(expenses)	(860)	(0.3)	(772)	(0.3)
Result before tax of continuing operations	**31,954**	**11.8**	**26,814**	**11.0**
Income tax	(14,253)	(5.3)	(12,185)	(5.0)
Net result of continuing operations	**17,702**	**6.6**	**14,630**	**6.0**
Non controlling interests	(342)	(0.1)	(609)	(0.2)
Group net result	**17,360**	**6.4**	**14,021**	**5.7**

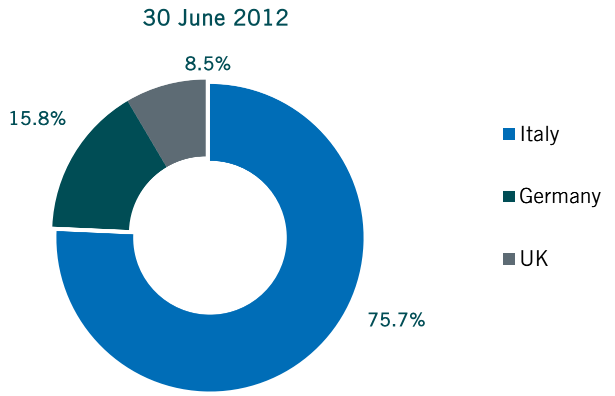
Reclassified consolidated statement of income of the second quarter

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

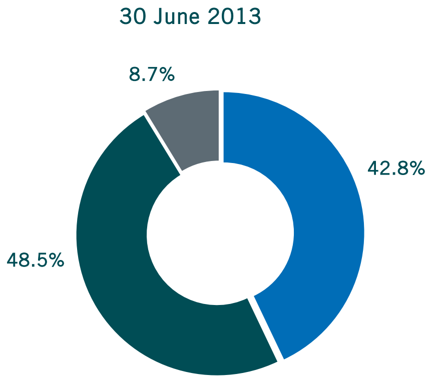
(thousand Euros)	2nd Q 2013	%	2nd Q 2012	%
Revenues	**135,523**	**100.0**	**122,495**	**100.0**
Purchases	(2,608)	(1.9)	(2,811)	(2.3)
Personnel	(67,885)	(50.1)	(60,748)	(49.6)
Services and other costs, net	(46,359)	(34.2)	(42,573)	(34.8)
Other operating income/(expense)	-	0.0	(1,000)	(0.8)
Operating Costs	**(116,853)**	**(86.2)**	**(107,132)**	**(87.5)**
Gross operating margin (EBITDA)	**18,670**	**13.8**	**15,363**	**12.5**
Amortization, depreciation and write-downs	(1,929)	(1.4)	(1,682)	(1.4)
Other unusual income/(expenses)	(928)	(0.7)	-	0.0
Operating income (EBIT)	**15,813**	**11.7**	**13,681**	**11.2**
Financial income/(expenses)	(418)	(0.3)	(273)	(0.2)
Result before tax of continuing operations	**15,395**	**11.4**	**13,408**	**10.9**

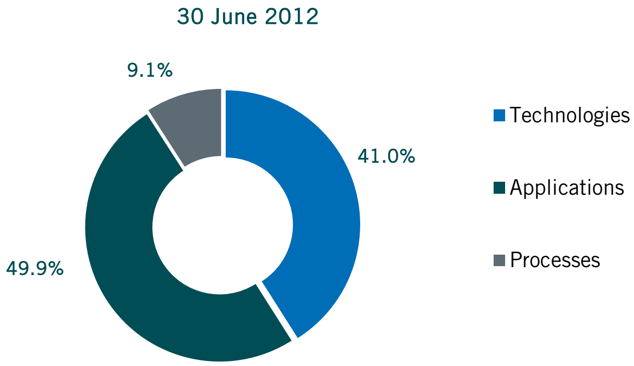
Revenues by geographical area



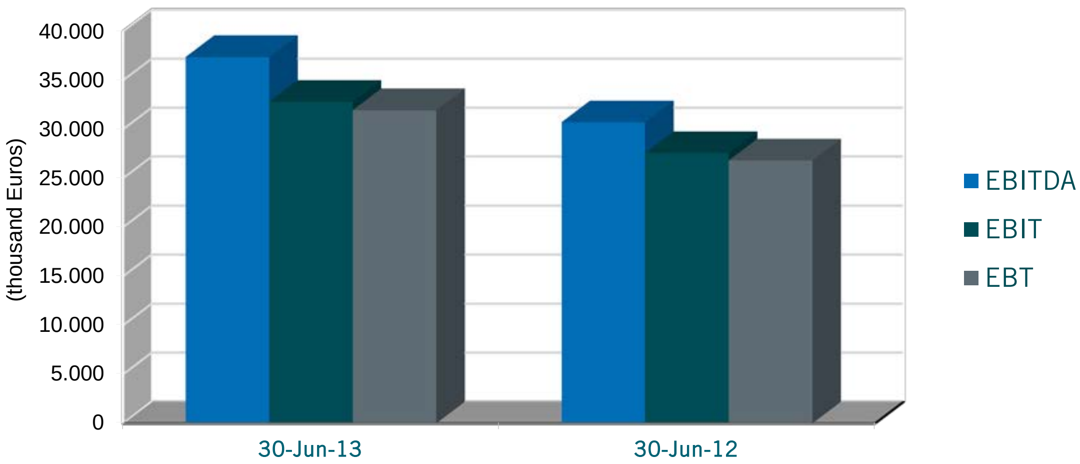


Revenues by business line





Trend in the principle economic indicators



Analysis of the financial structure

The table below illustrates the Group's financial structure as at June 30, 2013 compared to December 31, 2012:

(thousand Euros)	30/06/2013	%	31/12/2012	%	Change
Current operating assets	264,020		280,451		(16,430)
Current operating liabilities	(148,332)		(159,974)		11,642
Net working capital (A)	**115,688**		**120,476**		**(4,788)**
Non current assets	135,396		136,689		(1,293)
Non current financial liabilities	(68,100)		(78,332)		10,232
Fixed capital (B)	**67,296**		**58,358**		**8,939**
Net invested capital (A+B)	**182,984**	**100.0**	**178,834**	**100.0**	**4,150**
Shareholders' equity (C)	189,227	103.4	178,461	99.8	10,767
NET FINANCIAL POSITION (A+B-C)	**(6,243)**	**(3.4)**	**373**	**0.2**	**(6,616)**

Net invested capital as at June 30, 2013, amounted to 182,984 thousand Euros, and was financed by Shareholders' equity for 189,227 thousand Euros, with a remaining positive net financial position of 6,243 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2013	31/12/2012	Change
Work-in-progress	36,093	15,428	20,665
Trade receivables	204,336	237,699	(33,363)
Other operating assets	23,592	27,323	(3,732)
Current operating assets (A)	**264,020**	**280,451**	**(16,430)**
Trade payables	50,662	56,656	(5,994)
Other current liabilities	97,671	103,318	(5,648)
Current operating liabilities (B)	**148,332**	**159,974**	**(11,642)**
Net working capital (A-B)	**115,688**	**120,476**	**(4,788)**
% return on revenues	*21.4%*	*24.7%*	

Net financial position and cash flows statement

(thousand Euros)	30/06/2013	31/12/2012	Change
Cash and cash equivalents, net	27,129	18,610	8,519
Current financial assets	699	1,315	(616)
Due to banks	(10,686)	(9,150)	(1,536)
Other providers of finance	(309)	(572)	263
Short-term financial position	**16,833**	**10,203**	**6,630**
Non current financial assets	2,946	2,851	95
Due to banks	(12,713)	(12,778)	65
Other providers of finance	(822)	(649)	(173)
M/L term financial position	**(10,589)**	**(10,576)**	**(13)**
Total net financial position	**6,243**	**(373)**	**6,617**

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

(thousand Euros)	30/06/2013
Cash flows from operating activities (A)	23,624
Cash flows from investment activities (B)	(10,952)
Cash flows from financial activities (C)	(4,143)
Change in cash and cash equivalents (D) = (A+B+C)	**8,519**
Cash and cash equivalents at beginning of period (*)	18,610
Cash and cash equivalents at year end (*)	27,129
Total change in cash and cash equivalents (D)	**8,519**

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

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

Other information

Research and development activities

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

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

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

→ Development and evolution of its own platforms:
- Click Reply™
- Definio Reply™
- Discovery Reply™
- Gaia Reply™
- Hi Reply™
- Sideup Reply™
- Starbytes™
- TamTamy™

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

→ Microsoft
→ Oracle
→ SAP
→ Amazon
→ GOOGLE
→ Hybris
→ Salesforce

Research and development activities are fully described in the Corporate information of “Reply Living Network”.

Intergroup transactions and with related parties

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

The Annual Report provides the information required by art. 154-ter of the TUF as requested by Consob Regulation no. 17221 of 12 March 2010, disclosing that no significant transactions took place in the period under exam.

Information on transactions with related parties as per Consob communication of July 28, 2006 is disclosed at the Notes to the consolidated financial statement and annexed tables.

Human resources

At June 30, 2013 the number of employees of the Group was 3,951 with an increase of 226 compared to December 31, 2012 and an increase of 374 resources compared to June 30, 2012.

Outlook on Operations

Despite a challenging and uncertain economic context Reply, thanks to its strong thrust for innovation and renowned quality of its services, was able to grow in its main areas of activities, achieving positive results both in economic and financial terms in all its market areas.
The positive start of the first half of 2013 has laid a solid basis on which Reply tends developing even in the second half of the year.

Turin, August 1, 2013

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

Half year condensed consolidated financial statements at June 30 2013

Reply Consolidated income statement (*)

(thousand Euros)	Note	1st Half 2013	1st Half 2012	2012
Revenues	5	**270,015**	**244,170**	**494,831**
Other revenues		6,033	4,069	11,563
Purchases	6	(5,237)	(5,054)	(10,894)
Personnel	7	(132,599)	(121,695)	(239,258)
Services and other costs	8	(100,830)	(89,767)	(191,803)
Amortization, depreciation and write-downs	9	(3,640)	(3,138)	(6,855)
Other unusual operating income/(expenses)	10	(928)	(1,000)	(5,334)
Operating income		**32,814**	**27,586**	**52,249**
Financial income/(expenses)	11	(860)	(772)	(1,984)
Result before tax of continuing operations		**31,954**	**26,814**	**50,265**
Income tax	12	(14,253)	(12,185)	(22,006)
Net result of continuing operations		**17,702**	**14,630**	**28,259**
Non controlling interest		(342)	(609)	(1,164)
Group net result		**17,360**	**14,021**	**27,094**
Net result per share	13	1.94	1.56	3.01
Diluted net result per share		1.93	1.54	2.97

(*)Pursuant to Consob Regulation no. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 33.

Reply Consolidated statement of comprehensive income

(thousand Euros)	Note	1st Half 2013	1st Half 2012
Gain (loss) of the period (A)		**17,702**	**14,630**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	24	844	(348)
tax relating to Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**844**	**(348)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		-	-
Gains/(losses) on cash flow hedges	24	41	-
Gains/(losses) on exchange differences on translating foreign operations	24	328	(193)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)		**369**	**(193)**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)		**1,213**	**(541)**
Total comprehensive income (A)+(B)		**18,915**	**14,089**
Total comprehensive income attributable to:			
Owners of the parent		18,553	13,463
Non-controlling interests		362	626

Reply Consolidated statement of financial position (*)

(thousand Euros)	Note	30/06/2013	31/12/2012 (**)	01/01/2012 (**)
Tangible assets	14	10,966	11,562	10,361
Goodwill	15	105,195	105,195	96,646
Other intangible assets	16	5,366	5,960	6,180
Equity investments	17	7	23	58
Other financial assets	18	5,844	5,724	4,430
Deferred tax assets	19	10,965	11,530	9,689
Non current assets		**138,342**	**139,994**	**127,364**
Work-in-progress	20	36,093	15,428	10,184
Trade receivables	21	204,336	237,699	219,764
Other receivables and current assets	22	23,592	27,323	25,774
Other financial assets	18	699	1,315	341
Cash and cash equivalents	23	49,724	53,992	40,444
Current assets		**314,444**	**335,757**	**296,507**
TOTAL ASSETS		**452,786**	**475,751**	**423,871**
Share capital	24	4,819	4,796	4,796
Other reserves	24	165,982	142,808	126,756
Group net result		17,360	27,094	24,150
Group shareholders' equity		**188.161**	**174,698**	**155,702**
Non controlling interest	24	1,066	2,704	1,915
SHAREHOLDERS' EQUITY		**189,227**	**177,402**	**157,617**
Payables to minority shareholders and corporate transactions	25	30,904	40,190	32,307
Financial liabilities	26	13,535	13,427	16,414
Employee benefits	27	19,089	19,547	16,309
Deferred tax liabilities	28	8,478	9,945	8,404
Provisions	29	9,629	10,162	11,244
Non current liabilities		**81,635**	**93,271**	**84,677**
Financial liabilities	26	33,591	45,104	42,025
Trade payables	30	50,662	56,656	48,005
Other current liabilities	31	96,207	102,160	90,868
Provisions	29	1,463	1,159	677
Current liabilities		**181,923**	**205,078**	**181,575**
TOTAL LIABILITIES		**263,559**	**298,349**	**266,252**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**452,786**	**475,751**	**423,869**

(*)Pursuant to Consob Regulation no. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of financial position are reported in the Annexed tables herein and fully described in Note 33.

(**) Following the retrospective application of the amendment to IAS 19 from January 1, 2013 the comparative figures at January 1 and December 31,2012 have been restated as required by IAS 1. Reference should be made to the paragraph Accounting principles, amendments and interpretations adopted from January 1, 2013 for further details.

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Statement of changes in consolidated equity

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Reserve for cash flow hedges	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
At December 31, 2011 (reported amounts)	4,796	(3,183)	49,184	104,666	-	(91)	728	1,917	158,017
IAS 19 revised adoption effect	-	-	-	-	-	-	(400)	-	(400)
At January 1, 2012	4,796	(3,183)	49,184	104,666	-	(91)	328	1,917	157,617
Dividends distributed	-	-	-	(4,494)	-	-	-	(582)	(5,076)
Change in treasury shares	-	(422)	-	-	-	-	-	-	(422)
Total comprehensive income for the period	-	-	-	14,021	-	(193)	(365)	626	14,089
Other changes	-	-	34	(340)	-	-	-	(166)	(472)
At 30 June 2012	4,796	(3,605)	49,218	113,853	-	(284)	(37)	1,795	165,736

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Reserve for cash flow hedges	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
At December 31, 2012 (reported amounts)	4,796	(3,605)	48,776	126,305	(73)	24	(466)	2,704	178,461
IAS 19 revised adoption effect	-	-	-	-	-	-	(1,058)	-	(1,058)
At January 1, 2013	4,796	(3,605)	48,776	126,305	(73)	24	(1,524)	2,704	177,403
Share capital increase	23								23
Dividends distributed	-	-	-	(5,131)	-	-	-	(844)	(5,975)
Change in treasury shares	-		-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	17,360	41	328	824	362	18,915
Other changes	-	-	2,261	(941)			(1,303)	(1,156)	(1,139)
At 30 June 2013	4,819	(3,605)	51,037	137,593	(32)	352	(2,003)	1,066	189,227

Reply
Consolidated statement of cash flows

(thousand Euros)	1st Half 2013	1st Half 2012
Net result for the period	17,360	14,021
Income tax	14,253	12,184
Depreciation and amortization	3,640	3,138
Change in inventories	(20,665)	(19,727)
Change in trade receivables	33,363	21,075
Change in trade payables	(5,994)	(2,243)
Change in other assets and liabilities	(15,882)	(16,119)
Income tax paid	(2,450)	(1,100)
Net Cash flows from operating activities (A)	**23,624**	**11,229**
Payments for tangible and intangible assets	(2,449)	(4,540)
Payments for financial assets	496	(1,904)
Payments for the acquisition of subsidiaries net of cash acquired	(8,999)	31
Net cash flows from investment activities (B)	**(10,952)**	**(6,413)**
In payments from the issuing of shares	960	-
Dividends paid	(5,975)	(5,076)
Payments for acquisition of treasury shares	-	(422)
In payments from financial loans	6,000	-
Payment of instalments	(4,551)	(3,906)
Other changes	(586)	55
Net Cash flows from financing activities (C)	**(4,153)**	**(9,349)**
Net cash flows (D) = (A+B+C)	**8,519**	**(4,533)**
Cash and cash equivalents at beginning of year	18,610	6,394
Cash and cash equivalents at year end	27,129	1,861
Total change in cash and cash equivalents (D)	**8,519**	**(4,533)**

Detail of net cash and cash equivalents

(thousand Euros)	1st Half 2013	1st Half 2012
Cash and cash equivalents at the beginning of the year:	**18,610**	**6,394**
Cash and cash equivalents	53,992	40,444
Bank overdrafts	(35,382)	(34,050)
Cash and cash equivalents at the end of the period:	**27,129**	**1,861**
Cash and cash equivalents	49,724	28,570
Bank overdrafts	(22,596)	(26,709)

Notes

NOTE 1 – General information

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

NOTE 2 - Accounting principles and basis of consolidation

Compliance with International accounting principles

This Half- year financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC"). Following the coming into force of European Regulation No. 1606 of July 2002, starting from January 1, 2005, the Reply Group adopted International Financial Reporting Standards (IFRS).

The Half-Year financial report has been prepared in accordance with Consob regulations regarding the format of financial statements, in application of art. 9 of Legislative Decree 38/2005 and other Consob regulations and instructions concerning financial statements.

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, 2012 other those discussed in the following paragraph "Accounting principles, amendments and interpretations adopted January 1, 2013.

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, 2012 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.

General principles

The half-year condensed consolidated financial statements are prepared under the historical cost convention, modified as required for the valuation of certain financial instruments. The criteria of fair value is adopted as defined by IAS 39.

The half-year condensed consolidated financial statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern.

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

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

Format of the financial statements

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

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

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.

The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.
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 statement of financial position have been added showing the amounts of related party transactions.

Accounting principles, amendments and interpretations adopted by January 1, 2013

Amendment to IAS 19 – Employee benefits

On June 16, 2011, the IASB issued an amendment to IAS 19 – Employee Benefits, that the Group has retrospectively applied from January 1, 2013. The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The amendment removes the previous option of being able to defer actuarial gains and losses under the "corridor method", requiring these to be recognized directly in other comprehensive income. In addition, the amendment requires the immediate recognition of past service costs in profit or loss. Net interest expense is calculated for all components by using the discount rate applied for measuring the obligation for defined benefit plans at the beginning of the period. In accordance with the previous version of IAS 19, the expected return on plan assets was calculated by using a long-term expected rate of return.
In accordance with the transitional rules included in paragraph 173 of IAS 19, the Group has applied this amendment retrospectively from January 1, 2013, restating the balances of the statement of financial position at January 1, 2012 and December 31, 2012, as if the amendments to IAS 19 had always been applied. In detail, the final effects arising on the consolidated statement of financial position at January 1, 2012 and at December 31, 2012 due to the adoption of the amendment are as follows:

			At January 1, 2012
(thousand Euros)	Amounts as previously reported	IAS 19 revised adoption effect	Amounts as restated
Group net equity	156,100	(398)	155,702
Deferred tax assets	9,519	170	9,689
Employee benefits	15,740	569	16,309

			At December 31, 2012
(thousand Euros)	Amounts as previously reported	IAS 19 revised adoption effect	Amounts as restated
Group net equity	175,756	(1,058)	174,698
Deferred tax assets	11,076	454	11,530
Employee benefits	18,035	1,512	19,547

Adopting this amendment did not lead to any significant additional effects on the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the first half of 2012.

Other accounting standards, amendments and interpretations effective from January 1, 2013

On May 12, 2011, the IASB issued IFRS 13 – Fair Value Measurement, which clarifies the determination of fair value for the purpose of the financial statements and is applicable to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The Group has prospectively applied this standard from January 1, 2013. The application of this standard did not have any effect on the measurement of items in this Half-year condensed financial statements.

On June 16, 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring companies to group items presented in comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendment is applicable for periods beginning on or after July 1, 2012; the Group has applied this amendment since January 1, 2013. The application of this amendment had no effect on the measurement of items and had a limited effect on the disclosures provided in this Half-year condensed financial statements.

On December 16, 2011, the IASB issued certain amendments to IFRS 7 – Financial Instruments: Disclosures. The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The required disclosures should be provided retrospectively. The Group has applied these amendments from January 1, 2013. Applying these amendments has not had effects on the disclosures presented in this Half-year condensed financial statements.

On May 17, 2012, the IASB issued a set of amendments to IFRSs ("Annual Improvements to IFRSs 2009-2011 Cycle"), to be applied retrospectively from January 1, 2013; set out below are those applicable to the Group that lead to changes in the presentation, recognition or measurement of financial statement items, excluding those that only regard changes in terminology having a limited accounting effect:

→ IAS 1 – *Presentation of Financial Statements*: the amendment clarifies the way in which comparative information should be presented when an entity changes accounting policies and when an entity provides comparative information in addition to the minimum comparative financial statements;;

→ IAS 16 – *Property, Plant and Equipment*: the amendment clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment, otherwise such items shall be classified as inventory.

→ IAS 32 – Financial instruments: Presentation: the amendment eliminates an inconsistency between IAS 12 – Income Taxes and IAS 32 concerning the recognition of taxation arising from distributions to shareholders, establishing that this shall be recognized in profit or loss to the extent the distribution refers to income generated by transactions originally recognized in profit or loss;

→ IAS 34 – *Interim Financial Reporting*: the amendment clarifies that the disclosures for total assets and total liabilities for a particular reportable segment shall be provided if and only if:

a) a measure of total assets and liabilities, or both, is regularly provided to the chief operating decision maker, and

b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The Group has applied this amendment from January 1, 2013. Applying this amendment has had no effect on the measurement of items and has had limited effects on the disclosures presented in this Half-year condensed financial statements.

The Group has not early adopted any other accounting standards, amendments and interpretations that have not yet come into force.

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 or managed on a centralized basis through the control of the Group Treasury, with the aim of guaranteeing the efficient and effective management of actuarial and prospective financial resources (maintaining an adequate level of available liquidity and available reserves that are readily convertible to cash and credit through an adequate amount of *committed* credit lines).

The difficult economic situation of the markets and of financial markets necessitates special attention being given to the management of the liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and maintaining an adequate level of available liquidity as an important factor in facing 2013, which promises to be a difficult year. The Group therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Risks associated with fluctuations in currency and interest rates

As the Group operates mainly in a “Euros area” the exposure to currency risks is limited.

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

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

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

NOTE 4 - Consolidation

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

Change in consolidation compared to 30 June 2012 is as follows:

- → Arlanis Software AG, acquired in August 2012, in which Reply S.p.A. holds 100% of the share capital. The company, is specialized in Social Business Applications, CRM, data migration and integration;
- → Avvio Design Associates Ltd. acquired in December 2012. Reply S.p.A., through its subsidiary Reply Ltd., has acquired 100% of the shares of Avvio, an English company specialized in consulting and the implementation of strategies and solutions for Brand Engagement and Internal Communications, based on Corporate Social Networking.

The change in the consolidation area does not significantly affect the Group's revenues and result before tax of continuing operations in the first half of 2013.

Furthermore, the list of the Reply Group's companies and equity investments, presented in an annex, also includes in the consolidation area the following newly incorporated companies with respect to 30 June 2012:

- → Pay Reply S.r.l. incorporated in November 2012, in which Reply holds 100% of the share capital. The company is specialised in consultancy services related to platforms based on remote and proximity payments;
- → Juice Reply S.r.l. incorporated in December 2012, in which Reply holds 100% of the share capital. The company is specialised in Bigdata services.

NOTE 5 - Revenues

Revenues from sales and services, including changes in work in progress on orders, amounted to 270,015 thousand Euros (244,170 thousand Euros as at June 30, 2012).

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

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

Country	1st Half 2013	1st Half 2012
Italy	74.2%	75.7%
Germany	14.3%	15.8%
United Kingdom	11.5%	8.5%
	100.0%	**100.0%**

Disclosure required by IFRS 8 ("Operating segment") is provided in Note 32 herein.

NOTE 6 - Purchases

Detail is as follows:

(thousand Euros)	1st Half 2013	1st Half 2012	Change
Software licenses for resale	2,957	3,136	(179)
Hardware for resale	175	295	(120)
Other	2,105	1,623	483
Total	**5,237**	**5,054**	**184**

Purchases of *Software licenses* and *Hardware licenses for resale* are recognized net of any change in inventory.

The item *Other* mainly includes the purchase of fuel amounting to 1,145 thousand Euros and the purchase of office materials amounting to 538 thousand Euros.

NOTE 7 - Personnel

Detail is as follows:

(thousand Euros)	1st Half 2013	1st Half 2012	Change
Payroll employees	118,251	107,663	10,588
Executive Directors	11,747	11,331	416
Project collaborators	2,601	2,701	(100)
Total	**132,599**	**121,695**	**10,904**

The increase of the cost of labour, equal to 10,904 thousand Euros, refers to the overall increase of the Group’s business and the number of employees.

Detail of personnel by category is provided below:

(number)	1st Half 2013	1st Half 2012	Change
Directors	264	261	3
Managers	600	548	52
Staff	3,087	2,768	319
Total	**3,951**	**3,577**	**374**

As at 30 June 2013, the Group had 3,951 employees, compared to 3,577 in the first half of 2012.

Change in consolidation brought an increase of 58 employees.

Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Italian and foreign Universities.

NOTE 8 – Services and other costs

Service and other costs comprised the following:

(thousand Euros)	1st Half 2013	1st Half 2012	Change
Commercial and technical consulting	57,410	53,833	3,576
Travelling and professional training expenses	11,565	10,717	848
Other service costs	21,344	15,011	6,333
Office expenses	6,487	4,913	1,574
Lease and rentals	3,164	3,153	11
Other	861	2,140	(1,279)
Total	**100,830**	**89,767**	**11,064**

The change of *Services and other costs*, amounting to 11,064 thousand Euros, is attributable to an overall increase in the Group's business.

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

Office expenses include services from related parties in connection to service contracts for the use of premises, domicile, and secretarial services amounting to 4,289 thousand Euros , and rent charged by third parties amounting to 1,964 thousand Euros.

NOTE 9 - Amortization, depreciation and write downs

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 30 June 2013 of 2,033 thousand Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets for the first half of 2013 amounted to an overall charge of 1,607 thousand Euros. Details of depreciation are provided at the notes to intangible assets.

NOTE 10 - Other unusual operating income/(expenses)

Other unusual operating costs amounted to 928 thousand Euros (1,000 thousand Euros in the first half of 2012), and refer to the adjustment of the liability related to the variable consideration for the acquisition of the English company Portaltech Reply Ltd. The adjustment was required following the higher trend of the company with respect to the original plan used to estimate the Earn-Out.

NOTE 11 - Financial income/(expenses)

Detail is as follows:

(thousand Euros)	1st Half 2013	1st Half 2012	Change
Financial income	51	96	(45)
Interest expenses	(624)	(855)	231
Other	(287)	(13)	(274)
Total	**(860)**	**(772)**	**(88)**

Financial income mainly includes interest on bank accounts amounting to 49 thousand Euros.

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

The item *Other* includes the Exchange rate differences from the translation of balance sheet items not stated in Euros, as well as changes in fair value of financial liabilities pursuant to IAS 39.

NOTE 12 – Income taxes

At June 30, 2013 income taxes amounted to 14,253 thousand Euros and were recognized in accordance to the expected annual average income tax rates.

NOTE 13 – Earnings per share

Basic earnings per share

Basic earnings per share at June 30, 2013 was calculated with reference to the profit for the period of the Group which amounted to 17,360 thousand Euros (14,021 thousand Euros at June 30, 2012) divided by the weighted average number of shares outstanding at June 30, 2013 which were 8,930,438 (8,987,175 at June 30, 2012).

(in Euros)	1st Half 2013	1st Half 2012
Group net income	17,360,000	14,021,000
Weighted average number of shares	8,930,438	8,987,175
Basic earnings per share	1.94	1.56

Diluted earnings per share

Diluted earnings per share at June 30, 2013 was calculated with reference to the profit for the period of the Group which amounted to 17,360 divided by the weighted average number of shares outstanding at June 30, 2013, taking in consideration the diluting effect which could derive from hypothetical exercising of financial instruments potentially convertible in shares (stock options).

(in Euros)	1st Half 2013	1st Half 2012
Group net income	17,360,000	14,021,000
Weighted average number of shares	8,930,438	8,987,175
Diluting effect	85,000	145,000
Weighted number of diluted shares	9,015,438	9,132,175
Diluted earnings per share	1.93	1.54

NOTE 14 – Tangible assets

Tangible assets as at June 30, 2013 amounted to 10,966 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Buildings	2,261	2,332	(71)
Plant and machinery	766	712	54
Hardware	3,612	3,865	(253)
Other	4,327	4,652	(326)
Total	**10,966**	**11,562**	**(596)**

Change in tangible assets in the first half of 2013 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	4,023	3,918	21,383	10,714	40,038
Accumulated depreciation	(1,691)	(3,206)	(17,517)	(6,062)	(28,477)
Balance at 31/12/2012	**2,332**	**712**	**3,865**	**4,652**	**11,562**
Historical cost					
Purchases	-	162	1,001	486	1,648
Disposals	-	(42)	(102)	(459)	(604)
Other changes	-	17	27	(14)	30
Accumulated depreciation					
Depreciation	(71)	(123)	(1,283)	(556)	(2,033)
Utilization	-	1	102	217	320
Other changes	-	39	2	-	41
Historical cost	4,023	4,054	22,308	10,728	41,113
Accumulated depreciation	(1,762)	(3,288)	(18,696)	(6,401)	(30,148)
Balance at 30/06/2013	**2,261**	**766**	**3,612**	**4,327**	**10,966**

The item *Buildings* mainly includes the net value of a building owned by the company Tool Reply GmbH amounting to 2,256 thousand Euros, located in Gutersloh, Germany.

The change of the item *Hardware* is due to investments made in computers and servers Furthermore this item includes financial leases for 720 thousand Euros (778 at 31 December 2012).

The item *Other assets* as at 30 June 2013 mainly includes improvements to third party assets and office furniture. Such item also includes finance leasing for furniture having a net value of 203 thousand Euros.

As at 30 June 2013, tangible assets were depreciated by 73.3% of their value, compared to 71.1% at the end of 2012.

NOTE 15 - Goodwill

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

In the first half of 2013 no changes occurred in this item.

Goodwill is allocated to the Group's cash-generating units identified in the countries in which the Group operates and detail is as follows:

CGU	Euros/000
Italy	35,004.1
Germany	30,154.2
United Kingdom	40,036.5
Total	**105,194.8**

In the first half of 2013 no impairment indicators have arisen which may have changed the value of goodwill.

NOTE 16 – Other intangible assets

Intangible assets as at 30 June 2013 amounted to 5,366 thousand Euros (5,960 thousand Euros as at 31 December 2012) and are detailed as follows:

(thousand Euros)	Historical cost	Accumulated amortisation	Net book value 30/06/2013
Development costs	14,537	(11,045)	3,492
Software	13,211	(12,115)	1,096
Trademarks	538	-	538
Other intangible assets	3,150	(2,909)	241
Total	**31,436**	**(26,069)**	**5,366**

Change in intangible assets in the first half of 2013 is summarized in the table below:

(thousand Euros)	Net book value 31/12/2012	Increases	Amortisation	Net book value 30/06/2013
Development costs	3,755	632	(896)	3,492
Software	1,184	381	(469)	1,096
Trademark	538	-	-	538
Other intangible assets	482	-	(242)	241
Total	**5,960**	**1,013**	**(1,607)**	**5,366**

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

The item *Software* mainly refers to software licenses purchased and used internally by the Group companies. This item includes 77 thousand Euros related to software development for internal use.

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

Other intangible assets mainly includes the know-how of the *Security Operation Centre* (*SOC*), which offers a range of *Managed Security Services* (*MSS*) aimed at avoiding and identifying real or potential threats to which the complex IT infrastructures are exposed, in addition to proposing and implementing adequate counter-measures to limit or remove such dangers.

NOTE 17 – Equity investments

The item *Equity Investments* equivalent to 7 thousand Euros is referred to investments in associate companies not consolidated.

NOTE 18 – Financial assets

Current and non-current *Financial assets* amounted to 6,543 thousand Euros compared to 7,039 thousand Euros as at 31 December 2012.

Detail is as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Receivables from insurance companies	2,886	2,852	34
Guarantee deposits	2,622	2,504	118
Loans to non consolidated companies	-	5	(5)
Long term securities	324	347	(23)
Other financial assets	12	28	(16)
Receivables from factoring companies	310	834	(524)
Short term securities	389	469	(80)
Total	**6,543**	**7,039**	**(496)**

The item *Receivables from insurance companies* mainly refers to the insurance premiums paid against pension plans of Reply Deutschland AG and to Directors' severance indemnities.

Guarantee deposits are referred to the amounts paid as deposits on rental contracts for offices.

Long term securities mainly refers to long term investments to hedge pension obligations of Reply Deutschland AG and are measured at fair value.

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse, net of advance payments received.

Short term securities mainly refer to Time Deposit investments made by the Brazilian subsidiary.

In accordance with IFRS 7 the fair value used by the Group is classified as a hierarchy of Level 1 (prices available on active markets for the assets or liabilities being measured). As at 30 June 2013, there have not been any transfers within the hierarchy levels.

The items *Receivables from insurance companies* and *Other financial assets* are not included in the net financial position.

NOTE 19 – Deferred tax assets

Such item, which amounted to 10,965 thousand Euros as at 30 June 2013 (11,530 thousand Euros as at 31 December 2012), includes the fiscal charge corresponding to the temporary differences deriving from income before taxes and taxable income in relation to deferred deductibility items.

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

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

NOTE 20 – Work in progress

Work in progress, amounting to 36,093 thousand Euros , is detailed as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Contract work in progress	70,810	46,711	24,099
Finished products and goods for resale	-	-	-
Advance payments from customers	(34,717)	(31,283)	(3,434)
Total	**36,093**	**15,428**	**20,665**

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

NOTE 21 – Trade receivables

Trade receivables as at 30 June 2013 amounted to 204,336 thousand Euros, with a net decrease of 33,364 thousand Euros compared to 31 December 2012.

Trade receivables are shown net of allowances for doubtful accounts amounting to 4,648 thousand Euros as at 30 June 2013 (3,998 thousand Euros as at 31 December 2012).

(thousand Euros)	30/06/2013	31/12/2012	Change
Domestic receivables	170,138	202,635	(32,497)
Foreign trade receivables	38,967	39,194	(227)
Credit notes to be issued	(121)	(131)	10
Total	**208,983**	**241,697**	**(32,714)**
Allowance for doubtful accounts	(4,648)	(3,998)	(650)
Total trade receivables	**204,336**	**237,700**	**(33,364)**

The Allowance for doubtful accounts in the first half of 2013 developed as follows:

(thousand Euros)	31/12/2012	Provision	Utilization and reversals	30/06/2013
Allowance for doubtful accounts	3,998	886	(236)	4,648

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 2012, are summarized in the tables below:

Aging at 30/06/2013 (thousand Euros)	Trade receivables	Current	0 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	Total overdue
Trade receivables	208,983	173,311	24,702	5,430	2,378	3,162	35,672
Allowance for doubtful accounts	(4,648)	(685)	(800)	(275)	(473)	(2,415)	(3,963)
Total trade receivables	**204,336**	**172,627**	**23,902**	**5,155**	**1,905**	**748**	**31,708**

Aging at 31/12/2012 (thousand Euros)	Trade receivables	Current	0 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	Total overdue
Trade receivables	241,697	199,474	31,774	4,465	3,019	2,965	42,223
Allowance for doubtful accounts	(3,998)	(654)	(1,106)	(112)	(372)	(1,753)	(3,343)
Total trade receivables	**237,700**	**198,820**	**30,668**	**4,353**	**2,647**	**1,212**	**38,880**

Assignment of receivables

The Group assigns part of its trade receivables through factoring operations.

The assignments of receivables can be with or without recourse; some assignments without recourse can include deferred payment clauses (for example, payment by the factor of a minor part of the purchase price is subordinated on the collection of the total amount of the receivables), require a deductible from the assignor, or require maintaining significant exposure to the cash flow trend deriving from the assigned receivables. This type of operation does not comply with the requirements of IAS 39 for the elimination of the assets from the Financial Statements, since the risks and benefits related to their collection have not been substantially transferred.

Consequently, all receivables assigned through factoring operations that do not satisfy the requirements for elimination provided by IAS 39 continue to be recognized in the Group's Financial Statements, even though they have been legally assigned and a financial liability for the same amount is recognized in the consolidated Financial Statements as Liabilities for advance payments on assignments of receivables. Gains and losses related to the assignment of these assets are only recognized when the assets are derecognized from the Group's financial-economic position.

The book value of the assets assigned without recourse as at 30 June 2013 amounted to 885 thousand Euros, with an increase of available liquidity of 575 thousand Euros and the book value of assets assigned with recourse amounted to 2,143 thousand Euros.

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

Trade receivables are all collectible within one year.

NOTE 22 - Other receivables and current assets

The detail is as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Tax receivables	5,584	7,527	(1,943)
Advances to employees	292	127	165
Other receivables	12,090	13,383	(1,293)
Accrued income and prepaid expenses	5,625	6,286	(661)
Total	**23,592**	**27,323**	**(3,732)**

The item *Tax receivables* mainly includes:

- → VAT tax receivables (4,765 thousand Euros);
- → Receivables and advance payments for income tax net of the allocated liability (236 thousand Euros);
- → Receivables for withholding tax (319 thousand Euros).

The item *Other receivables* includes a contribution for research related to financed projects amounting to 9,520 thousand Euros (8,902 thousand Euros as at 31 December 2012).

NOTE 23 - Cash and cash equivalents

The balance of 49,724 thousand Euros, a decrease of 4,267 thousand Euros compared to 31 December 2012, represents cash and cash equivalents and the existence of cash on hand and valuables as at the end of the year.
Changes in cash and cash equivalents are fully detailed in the *Consolidated statement of cash flow*.

NOTE 24 - Shareholders' equity

Share capital

As at 30 June 2013 the share capital of Reply S.p.A., fully subscribed and paid, amounted to 4,819,285.64 and comprises 9,267,857 ordinary shares of a nominal value of 0.52 Euros each.
The increase during the period refers to the exercise of stock options, in the amount of 45,000 options for a total value of 960,225 Euros, of which 23,400 Euros by increase of share capital and 936,825 Euros as share premiums.

Treasury shares

The value of Treasury shares*,* amounting to 3,605 thousand Euros, is related to the shares of Reply S.p.A., which as at 30 June 2013 amounted to 235,813. During the first half there were no changes.

Capital reserves

As at 30 June 2013, Capital reserves amounted to 51,037 thousand Euros, and were mainly comprised as follows:

- → Share premium reserve amounting to 21,560 thousand Euros;
- → Reserve for treasury shares, amounting to 3,605 thousand Euros related to shares of Reply S.p.A. held by the Parent Company;
- → Reserve for the purchase of treasury shares, amounting to 26,395 thousand Euros, created through an initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 27 April 2012, Reply S.p.A. again authorized, in accordance with and pursuant to the effects of Article 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earnings reserve

Earnings reserves amounted to 137,593 thousand Euros and were comprised as follows:

- → Reply S.p.A.'s Legal reserve amounted to 961 thousand Euros;
- → Retained earnings amounted to 119,002 thousand Euros (retained earnings amounted to 98,252 thousand Euros as at 31 December 2012);
- → Income attributable to shareholders of the Parent Company amounted to 17,360 thousand Euros (27,094 thousand Euros as at 31 December 2012).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(thousand Euros)	30/06/2013	31/12/2013
Other comprehensive income that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) from employee benefit plans	844	(1,194)
Tax relating to Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**844**	**(1,194)**
Other comprehensive income that may be reclassified subsequently to profit or loss:	-	-
Gains/(losses) on cash flow hedges	41	(73)
Gains/(losses) on exchange differences on translating foreign operations	328	115
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)	**369**	**42**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) +(B2)	**1,213**	**(1,152)**

Non controlling interest

The non controlling interest of 1,066 thousand Euros as at 30 June 2013 (2,704 thousand Euros as at 31 December 2012), refers to the following companies consolidated on a line-by-line basis:

(thousand Euros)	30/06/2013	31/12/2012
Italian companies		
Bitmama S.r.l.	158	170
Bridge Reply	13	37
Open Reply S.r.l.	-	110
Portaltech Reply S.r.l.	9	5
Ringmaster Reply S.r.l.	329	818
Storm Reply S.r.l.	22	18
Twice Reply S.r.l.	62	209
Foreign companies		
Reply Deutschland AG	441	265
is4 GmbH & Co. KG	32	30
Riverland Reply GmbH	-	1,042
Total	**1,066**	**2,704**

Share based payment plans

The Reply Group has share based payment plans for its employees.

The stock option plans have the following purposes:

→ To develop the loyalty of employees by strengthening the connection between their interests and those the Shareholders of Reply S.p.A.;

→ To encourage employees to achieve the growth targets;

→ To motivate employees and involve them in participating in the future economic results;

→ To strengthen the relations between the Company and its employees by developing their loyalty and sense of responsibility.

As mentioned in Note 2 referring to share-based payment plans the Company has applied the standard set out by IFRS 2 "Share-based payment" and has been applied to all the stock options granted after November 7, 2002 and that have not yet vested as at January 1, 2005 and are related to the stock options plans of 2004 and 2006. With reference to these plans, no costs were incurred for Reply S.p.A. share-based payments in the first half of 2013.

Stock option plans linked to Reply Group ordinary shares

The Extraordinary Shareholders' Meeting of Reply S.p.A. resolved the increase of the share capital with exclusion of stock option rights in compliance with art. 2441, paragraph 8 and art. 2441 paragraph 5 of the Italian Civil Code.

The Board of Directors' of Reply S.p.A. in charge of the stock option plan, has assigned stock options to employees and Directors of the Group companies.

As at 30 June 2013 the number of stock options was 85,000 and can be summarized as follows:

Plan	Resolution of the General Shareholders' meeting	Board's resolution date	No. Beneficiaries	Exercise price	Vesting period	No. options
2004	11/06/2004	12/05/2006	5	21.339	12/05/2009 – 12/05/2014	75,000
2006	15/06/2006	08/08/2006	1	18.662	08/08/2009 – 08/08/2014	10,000

In the first half of 2013 45,000 options were exercised, 15,000 options terminated and no options expired.

Under an accounting perspective stock option plans represent an "*Equity settled share based payment transaction*" pursuant to paragraph 10 of IFRS 2 that requires the assessment of the *fair value* of the services received with reference to the *fair value* of the instruments representative of equity at the assignment date.

The *fair value* of the services received must be recorded when the option vests with a corresponding increase in equity.

NOTE 25 - Payables to minority shareholders and corporate transactions

Payables to minority shareholders and corporate transactions (Earn-out) at 30 June 2013 amounted to 30,904 thousand Euros (40,190 thousand Euros at 31 December 2012).

(thousand Euros)	30/06/2013	31/12/2012	Change
Avantage Reply Ltd.	11,328	11,898	(570)
Reply Deutschland AG	7,280	7,280	-
4brands GmbH & Co. KG	2,800	2,800	-
Riverland Reply GmbH	-	2,496	(2,496)
Other Germany	81	81	-
Other Italy	650	650	-
Total Payables to minority shareholders	**22,139**	**25,205**	**(3,066)**
Arlanis AG	2,030	2,030	-
Avvio Ltd	3,449	4,222	(773)
Portaltech Ltd	3,286	8,733	(5,447)
Total payables for Earn-outs	**8,765**	**14,985**	**(6,220)**
Total Payables to minority shareholders and Earn-out	**30,904**	**40,190**	**(9,286)**

Payables to minority shareholders of avantage Ltd. amounting to 11,328 thousand Euros is related to the estimated variable compensation to be paid in three years from the acquisition, subordinated to achieving determined economic parameters, for the acquisition of the remaining 49% of the share capital and payment of the second tranche of the initial consideration. In accordance with the provisions outlined by the contract, the 100% share capital was considered to be acquired. The change is due to the adjustment of the liability to the exchange rate at period end.

Payables to minority shareholders of Reply Deutschland AG, for 7,280 refer to Reply's obligation, in accordance with the *Domination Agreement*, to acquire shares upon the request of minority shareholders. The amount represents the *fair value* of the liability at the balance sheet date.
It is to be noted that at present the exercise period for such option is still valid as the term has been suspended in anticipation of the competent court's ruling following the minority shareholders' request of verification of the adequacy of the exercise price of the option.
Starting from the effective legal date of the merger of Reply Deutschland AG in Reply S.p.A, fully described at the paragraph "Events subsequent to June, 30", the Domination Agreement will cease.

Payables to the minority shareholders of 4brands GmbH & Co. KG. (formerly 4 GmbH & Co. KG.) for 2,800 thousand Euros and represents the *fair value* of 49% of is4, a Reply Deutschland AG group company. This amount has been stated according to IAS 32 as Reply Deutschland AG has signed a put option agreement with the minority shareholders to be exercised with a 12 months' notice.

Payables to minority shareholders of Riverland Reply GmbH, for 2,496 thousand Euros, was fully paid in the first half of 2013.

Payables Other Germany is referred to the *Earn-out* component for the acquisition of a Reply Deutschland AG subsidiary amounting to 81 thousand Euros (81 thousand Euros at 31 December 2012).

Payables Other Italy for 650 thousand Euros is referred to liabilities to some minority shareholders in relation to options held and that can be exercised in future years.

Payables for the acquisition of Arlanis AG, for 2,030 thousand Euros, is related to the estimated variable compensation to be paid in three years, subordinated to achieving determined economic parameters, for the acquisition of 100% of the share capital.

Payables for the acquisition of Avvio Ltd. is referred to the estimated variable compensation to be paid in three years, subordinated to achieving determined economic parameters, for the acquisition of 100% of the share capital. The change reflects the payment of 490 thousand Sterling and the adjustment of the liability to the exchange rate at period end for 202 thousand Euros.

Payables for the acquisition of Portaltech Ltd., amounting to 3,287 thousand Euros is referred to the *Earn-out* which reflects the estimated variable compensation to be paid in two years, subordinated to achieving determined economic parameters, for the acquisition of the remaining 100% of the share capital.
In accordance to IAS 34 following the issuing of IFRS 13, it is to be noted that also in the first half of 2013, as a result of improved performance of the company compared to the original plan, the consideration was adjusted for an amount equal to 928 thousand Euros recognized in the income statement (fair value adjustment of 3,319 thousand Euros in 2012). The fair value adjustments are reflected in the cash flows generated by operating activities.
Compared to 31 December 2012 the change in the liability was as follows:

- → payment of 5,948 thousand Euros.
- → adjustment of the liability to the exchange rate at period end for 419 thousand Euros.
- → fair value adjustment in the amount of 928 thousand Euros as illustrated above.

NOTE 26 – Financial liabilities

Detail is as follows:

	30/06/2013			31/12/2012		
(thousand Euros)	Current	Non current	Total	Current	Non current	Total
Bank overdrafts	22,596	-	22,596	35,382	-	35,382
Bank loans	10,859	12,713	23,572	9,325	12,778	22,103
Total due to banks	**33,454**	**12,713**	**46,167**	**44,707**	**12,778**	**57,485**
Other financial borrowings	137	822	959	397	649	1,046
Total financial liabilities	**33,591**	**13,535**	**47,126**	**45,104**	**13,427**	**58,531**

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

	30/06/2013				31/12/2012			
(thousand Euros)	Due in 12 months	From 1 to 5 years	Over 5 years	Total	Due in 12 months	From 1 to 5 years	Over 5 years	Total
Bank overdrafts	22,596	-	-	22,596	35,382	-	-	35,382
M&A loans	10,654	12,161	-	22,815	8,988	12,321	-	21,309
Carispe Bank	31	-	-	31	29	19	-	48
Mortgage loans	147	460	230	837	133	478	288	899
Other financial borrowings	137	822	-	959	394	649	-	1,043
Other	172	(283)	-	(111)	175	(325)	-	(150)
Total	**33,737**	**13,160**	**230**	**47,126**	**45,101**	**13,142**	**288**	**58,531**

The *M&A Loans* refers to the following contracts:

→ On 31 March 2009 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for a line of credit amounting to 50,000,000 Euros. The loan is reimbursed on a half-year basis commencing 30 June 2012 and expires on 31 December 2014.
The total amount utilised was 22,963 thousand Euros. The debt outstanding at 30 June 2013 amounted to 11,482 thousand Euros, of which 7,654 thousand Euros were short-term.

→ On 15 September 2012 Reply S.p.A. signed a line of credit with Unicredit S.p.A. for a total amount of 15,000,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expires on 31 December 2016. A total of 8,000,000 Euros of this line of credit was used at 30 June 2013.

- On 25 September 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 2,500,000 Euros. Instalments are paid on a half-year basis and expire on 25 September 2015. The residual debt as at 30 June 2013 amounted to 2,083 thousand Euros.

- On 24 December 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 1,500,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2013 and expiring 31 December 2015.

Interest rates are also applied according to certain predetermined ratios (*Covenants*) of economic and financial nature calculated on the consolidated financial statements as at 31 December of each year and/or the consolidated interim report.

As contractually defined, such ratios are as follows:

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

At the balance sheet date, Reply fulfilled the Covenants under the various contracts.

The financial loan with Carispe Bank was stipulated in September 2008 by Lem Reply S.r.l. for an initial line of credit amounting to 150 thousand Euros. The loan will be reimbursed on a half-year basis at a floating rate (Euribor 6 months +1.2%) and expires 31 January 2014.

The loan with *Commerzbank* refers to a loan undersigned by Tool Reply GmbH, for the acquisition of the building in which the company has its registered office.
Instalments are paid on a half year basis (at a rate of 4.28%) and expire on 30 September 2019.

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

The item Other refers to the valuation of derivative hedging instruments. The underlying IRS amounted to 17,392 thousand Euros.

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

Net financial position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's *Recommendations for the consistent implementation of the European's regulation on Prospectuses* issued on 10 February 2005, the Net financial position of the Reply Group at 30 June 2013 was as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Cash and cash equivalents	49,724	28,570	21,154
Current financial assets	699	740	(41)
Non current financial assets	2,946	3,130	(184)
Total financial assets	**53,370**	**32,441**	**20,929**
Current financial liabilities	(33,591)	(34,955)	1,364
Non current financial liabilities	(13,535)	(12,706)	(829)
Total financial liabilities	**(47,126)**	**(47,661)**	**535**
Total net financial position	**6,243**	**(15,220)**	**21,464**

For further details with regards to the above table see Notes 18 and 23 as well as Note 26.

NOTE 27 – Employee benefits

(thousand Euros)	30/06/2013	31/12/2012	Change
Employee severance indemnities	13,452	13,986	(535)
Employee pension funds	4,317	4,300	17
Directors severance indemnities	1,277	1,217	60
Other	43	43	-
Total	**19,089**	**19,547**	**(458)**

Employee severance indemnities

The *Employee severance indemnity* represents the obligation to employees under Italian law (amended by Law 296/06) relative to companies with more than 50 employees, that has accrued up to 31 December 2006 and that will be settled when the employee leaves the company. In certain circumstances, where companies have less than 50 employees, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.

The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

→ Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
→ Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
→ Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations. In order to allow for the changes introduced by Law 296/06, the re-proportioning was only carried out for employees of companies with fewer than 50 employees that do not pay Employee severance indemnities into supplementary pension schemes.

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

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

In accordance with IAS 19, *Employment severance indemnities* at 30 June 2013 are summarized in the table below:

(thousand Euros)	
Balance at 31/12/2012	**13,986**
(*Service cost*)	1,073
Actuarial gain/loss	(830)
Interest cost	165
Indemnities paid during the year	(942)
Balance at 30/06/2013	**13,452**

Pension funds

The item Pension funds is related to the liability for defined plans for some Reply Deutschland AG Group companies.

Director's severance indemnities

This item is related to Directors severance indemnities paid during the year. Change amounting to 60 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2013.

NOTE 28 - Deferred tax liabilities

Deferred tax liabilities at 30 June 2013 amounted to 8,478 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility and mainly include the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

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

NOTE 29 - Provisions

Provisions amounted to 11,092 thousand Euros (of which 9,629 thousand Euros non current).

Change in the first half of 2013 is summarized in the table below:

(thousand Euros)	Balance at 31/12/2012	Other	Accruals	Utilized	Balance at 30/06/2013
Fidelity provisions	783	-	106	(206)	683
Other provisions	3,580	69	814	(1,010)	3,452
Provision for research centre	6,957	-	-	-	6,957
Total	**11,320**	**69**	**920**	**(1,216)**	**11,092**

Employee fidelity provisions refer mainly to provisions made for Reply Deutschland AG employees in relation to anniversary bonuses. The liability is determined through actuarial calculations applying a 5.5% rate.

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

The *Provision for Motorola Research centre* originates from the acquisition of the business branch Motorola Electronics S.p.A. in 2009 and reflects the best estimate of the residual costs to incur in relation to the agreements reached with the parties involved in the transaction to implement research and development projects, in accordance with IAS 37. This provision is used on the basis of the progression of the abovementioned research activities.

NOTE 30 – Trade payables

Trade payables at 30 June 2013 amounted to 50,662 thousand Euros with a change of 5,994 thousand Euros compared to 31 December 2012.

Detail is as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Domestic suppliers	45,001	50,981	(5,980)
Foreign suppliers	7,287	8,102	(815)
Advances to suppliers	(1,626)	(2,427)	801
Total	**50,662**	**56,656**	**(5,994)**

NOTE 31 - Other current liabilities

Other current liabilities as at 30 June 2013 amounted to 96,207 thousand Euros and with a decrease of 5,952 thousand Euros compared to 31 December 2012.

Detail is as follows:

(thousand Euros)	30/06/2013	31/12/2012	Change
Current income tax payable	15,670	3,464	12,206
VAT payables	1,817	5,678	(3,861)
Other	3,346	4,709	(1,363)
Total due to tax authorities	**20,833**	**13,851**	**6,982**
INPS	11,029	14,657	(3,628)
Other	967	1,237	(270)
Total due to social securities	**11,997**	**15,895**	**(3,898)**
Employee accruals	32,156	26,209	5,947
Other payables	21,885	35,906	(14,021)
Accrued expenses and deferred charges	9,336	10,299	(963)
Total other payables	**63,378**	**72,414**	**(9,037)**
Other payables and current liabilities	**96,207**	**102,160**	**(5,952)**

Due to tax authorities amounting to 20,833 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Due to social security authorities amounting to 11,997 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 30 June 2013 amounted to 63,378 thousand Euros and included:

- Amounts due to employees that at the balance sheet date had not yet been paid;
- Remuneration of Directors recognised as participation in the profits of the subsidiary companies;
- Advances received from customers exceeding the value of the work in progress amounting to 10,958 thousand Euros.

Accrued Expenses and Deferred Income mainly relate to services whose competence refers to the following period.

NOTE 32 – Segment reporting

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

(thousand Euros)	Italy	%	Germany	%	United Kingdom	%	Intersegment	Total 1st half 13	%
Revenue	**206,067**	**100**	**39,650**	**100**	**31,904**	**100**	**(7,606)**	**270,015**	**100**
Operating costs	(177,447)	(86.1)	(36,800)	(92.8)	(25,993)	(81.5)	7,606	(247,846)	(91.8)
Gross operating margin	**28,620**	**13.9**	**2,851**	**7.2**	**5,911**	**18.5**		**22,169**	**8.2**
Amortisation and depreciation	(2,816)		(579)		(245)			(3,640)	
Other unusual (costs)/income	-		-		(928)			(928)	
Operating result	**25,805**	**12.5**	**2,272**	**5.7**	**4,738**	**14.9**		**32,814**	**12.2**

(thousand Euros)	Italy	%	Germany	%	United Kingdom	%	Intersegment	Total 1st half 12	%
Revenue	**190,252**	**100**	**39,601**	**100**	**21,347**	**100**	**(7,029)**	**244,170**	**100**
Operating costs	(164,486)	(86.5)	(37,069)	(93.6)	(18,926)	(88.7)	7,029	(220,482)	(90.3)
Gross operating margin	**25,765**	**13.5**	**2,531**	**6.4**	**2,421**	**11.3**		**23,688**	**9.7**
Amortisation and depreciation	(2,494)		(530)		(114)			(3,138)	
Other unusual (costs)/income	-		-		-			-	
Operating result	**23,271**	**12.2**	**2,001**	**5.1**	**2,307**	**10.8**		**27,586**	**11.3**

Financial figures	30/06/2013					31/12/2012				
(thousand Euros)	Italy	Germany	United Kingdom	Interseg	Total	Italy	Germany	United Kingdom	Interseg	Total
Current operating assets	232,352	23,253	22,482	(14,067)	264,020	251,953	20,265	19,182	(10,949)	280,451
Current operating liabilities	(131,234)	(13,912)	(17,252)	14,067	(148,332)	(141,546)	(15,355)	(14,021)	10,949	(159,974)
Net working capital (A)	**101,118**	**9,341**	**5,230**		**115,688**	**110,407**	**4,910**	**5,161**		**120,477**
Non current assets	102,236	17,395	15,766		135,396	103,343	17,325	16,021		136,689
Non current financial liabilities	(53,528)	(7,822)	(6,750)		(68,100)	(59,081)	(6,281)	(12,969)		(78,332)
Fixed capital (B)	**48,707**	**9,573**	**9,016**		**67,296**	**44,262**	**11,044**	**3,052**		**58,357**
Net invested capital (A+B)	**149,825**	**18,914**	**14,246**		**182,984**	**154,669**	**15,954**	**8,212**		**178,834**

Breakdown of employees by country is as follows:

	30/06/2013	30/06/2012	Change
Italy	3,152	2,886	266
Germany	539	506	33
United Kingdom	260	185	75
Total	**3,951**	**3,577**	**374**

NOTE 33 - Transactions with related parties

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

Transactions carried out by Reply S.p.A. with related parties are considered ordinary business and are carried out at normal market conditions.

Financial and business transactions among the Parent Company Reply S.p.A. and its subsidiary and associate companies are carried out at normal market conditions.

Reply Group Main economic and financial transactions

(thousand Euros)

Financial transactions	30/06/2013	31/12/2012	Nature of transactions
Trade receivables and other	460	414	Receivables from professional services
Financial receivables	1,675	1,675	Financial receivables for guarantee deposits
Trade payables and other	1,790	2,221	Payables for professional services and office rental
Other payables	2,358	4,215	Payables to Directors, Key Management and Board of Statutory Auditors
Economic transactions	**1st half 2013**	**1st half 2012**	**Nature of transactions**
Revenues from professional services	46	231	Receivables from professional services
Services from Parent company and related parties	4,244	3,008	Services related to office rental and office of the secretary
Personnel	4,293	3,776	Emoluments to Directors and Key Management
Services and other costs	58	53	Emoluments to Statutory Auditors

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

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

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

NOTE 34 - Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

On 14 April 2010 the Board of Directors of Reply S.p.A. and the Management Board and Supervisory Board of Reply Deutschland AG resolved the finalisation of a Domination Agreement between Reply Deutschland AG, dominated company, and Reply S.p.A., dominating company, by which Reply S.p.A. can exercise the operational control of the company through the Management Board that will respond to Reply S.p.A.'s Board of Directors.

The agreement provides that Reply shall assume the following obligations upon registration of the agreement with the commercial register of Reply Deutschland AG that took place in August 2010:

(i) Reply is obliged to compensate Reply Deutschland AG for each annual net loss that would otherwise arise during the term of the agreement, unless such loss is compensated for by withdrawing amounts from other profit reserves which have been allocated thereto during the agreement;

(ii) If and to the extent that the annual dividends actually paid by Reply Deutschland AG, per financial year falls short of the Guaranteed Dividend, Reply will pay to each Minority Shareholder the corresponding difference;

(iii) Upon request of a Minority Shareholder, Reply shall acquire its shares in return for a cash consideration (8.19 Euros), within the term of three months after the date on which the commercial register of Reply Deutschland AG has been announced in accordance with Sec 10 of the German Commercial Code (HGB), and notice of the registration of the Contract has been given to the commercial register for Reply Deutschland AG. It is to be noted that at present, in accordance with German law, the exercise period for such option is still valid as the competent court has not yet ruled in relation to the adequacy of the exercise price of the option.

(iv) Upon request of a Minority Shareholder, Reply shall acquire its shares in return for a cash consideration, within the term of two months after the date on which the agreement has expired and notice has been given to the commercial register in accordance with Sec 10 of the German Commercial Code (HGB) and notice of the cessation of the Contract has been given to the commercial register for Reply Deutschland AG.

The aforesaid obligations could imply the following financial disbursements for Reply:

(i) Annual dividend integration for minority shareholders of Reply Deutschland AG for a maximum amount of 441 thousand Euros for the year;

(ii) Obligation to acquire the Minority Shareholders' shares for a maximum amount of 8.1 million Euros, equivalent to the *fair value* of non controlling interest;

in addition to compensation for any annual net loss of the Minority Shareholders that would be summed to the loss related to Reply's direct holding.

Such obligations, under an accounting stand point, have implied a liability against non controlling interest measured at *fair value*.

It is to be noted that starting from the effective legal date of the merger of Reply Deutschland AG in Reply S.p.A, fully described at the paragraph "Events subsequent to June, 30", the Domination Agreement will cease.

Contingent liabilities

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

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

NOTE 35 - Events subsequent to 30 June 2013

Acquisitions

Reply strengthens its presence in Europe with the acquisition at the beginning of July, of 100% of the shares of Triplesense GmbH, a German company leader in consulting and the development of strategies and solutions for digital communication on mobile and social channels.

Based in Frankfurt, Triplesense's customers include some of the leading German and international groups, including BASF, Deutsche Bahn, Direct Line, eprimo, Fraport AG, RMV, Tele Columbus and Vorwerk.

The turnover of Triplesense, for the year ended 31 December 2012 amounts to 6.3 million Euros.

The value of the purchase of 100% of the capital of Triplesense is 3.4 million Euros, fully paid in cash.

With this acquisition, Reply strengthens its position in Europe in the digital communication area, an area which is increasingly proving to be crucial in the development of marketing strategies and integrated multi-channel communication.

Company reorganisation

The Extraordinary Shareholders' Meeting of Reply S.p.A. on July 22, 2013 resolved on the approval of the proposed merger by incorporation of Reply Deutschland AG into Reply S.p.A.

The transaction is aimed at the rationalisation and simplification of the structure of the Reply Group and will be completed by the end of 2013, consistent with the announcement made in December 2012.

The exchange ratio has been determined based on the economic and statement of financial position of the two companies as of 31 March 2013. In compliance with the applicable Italian and German regulations, shareholders of Reply Deutschland AG holding a stake in said company at the effective legal date of the merger will receive 5 Reply S.p.A. shares in exchange for every 19 shares in the German subsidiary or, alternatively, a cash payment of Euro 10.95 per share if they do not intend to subscribe to the merger.

The merger transaction will take place through the cancellation without exchange of the shares held by Reply S.p.A. in Reply Deutschland AG (equal to 81.18% of the share capital) and using, for the share swap the Reply S.p.A. treasury shares, without any change to the share capital of the acquiring company.

The shares assigned in exchange will be listed on a par with the outstanding Reply S.p.A. ordinary shares at the effective date of the merger and will be made available to Reply Deutschland AG shareholders in accordance with forms for dematerialised shares. The shareholders will not bear any charge for the exchange transactions.

Reply S.p.A. will not proceed, pursuant to the merger, with making any changes to their business purpose. Therefore, the Reply S.p.A. shareholders who do concur in approving the resolution of the Extraordinary Shareholders' Meeting for the merger project will not have the right of withdrawal pursuant to Article 2437, paragraph 1, a) of the Italian Civil Code.

For more details of the merger transaction, please refer to the documentation available under the terms of the law.

Annexed tables

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

(thousand Euros)	1st Half 2013	Of which related parties	%	1st Half 2012	Of which related parties	%
Revenues	**270,015**	**46**	**0.0%**	**244,170**	**231**	**0.1%**
Other revenues	6,033			4,069		
Purchases	(5,237)			(5,054)		
Personnel	(132,599)	(4,293)	3.1%	(121,695)	(3,776)	3.1%
Services and other costs	(100,830)	(4,302)	4.3%	(89,767)	(3,061)	3.4%
Amortization, depreciation and write-downs	(3,640)			(3,138)		
Other unusual operating income/(expenses)	(928)			(1,000)		
Operating income	**32,814**			**27,586**		
Financial income/(expenses)	(860)			(772)		
Result before tax of continuing operations	**31,954**			**26,814**		
Income tax	(14,253)			(12,185)		
Net result of continuing operations	**17,702**			**14,630**		
Non controlling interest	(342)			(609)		
Group net result	**17,360**			**14,021**		

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

(thousand Euros)	30/06/2013	Of which related parties	%	31/12/2012	Of which related parties	%
Tangible assets	10,966			11,562		
Goodwill	105,195			105,195		
Other intangible assets	5,366			5,960		
Equity investments	7			23		
Other financial assets	5,844	1,675	28.7%	5,724	1,675	29.3%
Deferred tax assets	10,965			11,530		
Non current assets	**138,342**			**139,994**		
Work in progress	36,093			15,428		
Trade receivables	204,336	460	0.2%	237,699	414	0.2%
Other receivables and current assets	23,592			27,323		
Other financial assets	699			1,315		
Cash and cash equivalents	49,724			53,992		
Current assets	**314,444**			**335,757**		
TOTAL ASSETS	**452,786**			**475,751**		
Share capital	4,819			4,796		
Other reserves	165,982			142,808		
Group net result	17,360			27,094		
Group shareholders' equity	**188,161**			**174,698**		
Non controlling interest	1,066			2,704		
SHAREHOLDERS' EQUITY	**189,227**			**177,402**		
Payables to minority shareholders	30,904			40,190		
Financial liabilities	13,535			13,427		
Employee benefits	19,089			19,547		
Deferred tax liabilities	8,478			9,945		
Provisions	9,629			10,162		
Non current liabilities	**81,635**			**93,271**		
Financial liabilities	33,591			45,104		
Trade payables	50,662	1,790	3.5%	56,656	2,221	3.9%
Other current liabilities	96,207	2,358	2.5%	102,160	4,215	4.1%
Provisions	1,463			1,159		
Current liabilities	**181,923**			**205,078**		
TOTAL LIABILITIES	**263,559**			**298,349**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**452,786**			**475,751**		

REPLY
Companies included in consolidation at 30 June 2013

Company name	Registered office	Group interest
Parent Company		
Reply S.p.A.	Turin - Corso Francia, 110	-
Subsidiaries consolidated on a line by line basis		
@logistics Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Arlanis Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Arlanis Reply GmbH	Munich - Germany	100.00%
Arlanis Reply AG	Potsdam - Germany	100.00%
Aktive Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Atlas Reply S.r.l.	Turin - Corso Francia, 110	100.00%
avantage Reply Ltd. (*)	London – United Kingdom	51.00%
Avvio Reply Ltd	London – United Kingdom	100.00%
Bitmama S.r.l.	Turin - Corso Francia, 110	51.00%
Blue Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Bridge Reply S.r.l.	Turin - Corso Francia, 110	60.00%
Business Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Cluster Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Consorzio Reply Public Sector	Turin - Corso Francia, 110	100.00%
Discovery Reply S.r.l.	Turin - Corso Francia, 110	100.00%
e*finance consulting Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Ekip Reply S.r.l.	Turin - Corso Francia, 110	100.00%
EOS Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Forge Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Hermes Reply Polska zo.o.	Katowice - Poland	100.00%
Hermes Reply S.r.l.	Turin - Corso Francia, 110	100.00%
IrisCube Reply S.p.A.	Turin - Corso Francia, 110	100.00%
Iriscube Reply SA	Savosa - Switzerland	100.00%
Juice Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Lem Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Open Reply S.r.l.(*)	Turin - Corso Francia, 110	92.5%
Pay Reply S.r.l	Turin - Corso Francia, 110	100.00%
Portaltech Reply Ltd. (*)	London – United Kingdom	100.00%

Power Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Reply Consulting S.r.l.	Turin - Corso Francia, 110	100.00%
Reply Deutschland AG and subsidiaries	Gutersloh, Germany	81.18%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte - Brazil	100.00%
Reply Inc	Michigan - USA	100.00%
Reply Ltd.	London – United Kingdom	100.00%
Reply Services S.r.l.	Turin - Corso Francia, 110	100.00%
Ringmaster S.r.l.	Turin - Corso Francia, 110	50.00%
Riverland Reply GmbH	Munich - Germany	100.00%
Santer Reply S.p.A.	Milan - Via Koch, 1	100.00%
Security Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Square Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Storm Reply S.r.l. (*)	Turin - Corso Francia, 110	80.00%
Syskoplan Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Sytel Reply Roma S.r.l.	Turin - Corso Francia, 110	100.00%
Sytel Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Target Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Technology Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Tender Reply S.r.l. in liquidation	Turin - Corso Francia, 110	100.00%
Tool Reply Gmbh	Gutersloh, Germany	100.00%
Twice Reply S.r.l.	Turin - Corso Francia, 110	98.00%
Whitehall Reply S.r.l.	Turin - Corso Francia, 110	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. The accounting reflects Management's best estimate as at the closing date of this half year report.

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

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

   - the adequacy with respect to the Company's structure and
   - the effective application,

of the administrative and accounting procedures applied in the preparation of the Company's Half-year condensed financial statements at June 30, 2013.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed financial statements as of and for the period ended June 30, 2013 was based on a process defined by Reply in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

3.1 the Half-year condensed financial statements at June 30, 2013:
- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries;

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

Turin, August 1, 2013

/s/ Mario Rizzante
Chairman and Chief executive officer

Mario Rizzante

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

Independent Auditors' Report

Building a better
working world

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

To the Shareholders of
Reply S.p.A.

1. We have reviewed the half year condensed consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated equity, the consolidated statement of cash flows and the related notes of Reply S.p.A. and its subsidiaries (the "Reply Group") as of June 30, 2013. Directors of Reply S.p.A. are responsible for the preparation of the half year condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

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

   With respect to the comparative data related to the consolidated financial statements of the prior year, the half year condensed consolidated financial statements of the corresponding period of the prior year, and the statement of financial position at January 1, 2012, derived from the consolidated financial statements at December 31, 2011, all restated as a result of the retrospective application of the amendments to IAS 19, as described in the related notes, reference should be made to our reports issued on March 22, 2013, August 3, 2012 and March 26, 2012, respectively. We have examined the methods used to restate the comparative financial data and the information presented in the notes in this respect for the purposes of issuing this review report.

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, 2013 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, August 2, 2013

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

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

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