Reply

Living network

Half-year financial report 2011

CONTENTS

Thir 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	Oscar Pepino Claudio Bombonato Fausto Forti[(1) (2) (3)] Marco Mezzalama[(1)(2)] Carlo Alberto Carnevale Maffè[(1) (2)]

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

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

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

FINANCIAL HIGHLIGHTS

FY 2010	%	Economic figures (thsd Euros)	1st half 2011	%	1st half 2010	%
384,202	100.0	Revenues	218,816	100.0	181,774	100.0
49,215	12.8	Gross operating income	26,499	12.1	21,982	12.1
41,570	10.8	Operating income	23,028	10.5	18,912	10.4
40,094	10.4	Income before taxes	22,547	10.3	18,170	10.0
20,367	5.3	Group net income	11,461	5.2	9,339	5.1

31/12/2010	Financial figures (thsd Euros)	30/06/2011	30/06/2010
137,493	Group shareholders' equity	145,155	130,899
1,331	Non-controlling interest	1,499	6,483
362,333	Total assets	365,241	310,096
92,416	Net working capital	80,886	92,687
138,610	Net invested capital	134,497	145,985
25,301	Cash Flow (*)	25,588	8,926
214	Net financial position	12,157	(8,603)

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

31/12/2010	Data per single share (in Euros)	30/06/2011	30/06/2010
9,222,857	Number of shares	9,222,857	9,222,857
4.51	Operating income per share	2.50	2.05
2.21	Net result per share	1.24	1.03
2.74	Cash Flow per share	1.04	0.97
14.91	Shareholders' equity per share	15.74	14.19

31/12/2010	Other information	30/06/2011	30/06/2010
3,149	Number of employees	3,289	3,034

REPLY LIVING NETWORK

_Reply Living Network

Reply [REY IM] offers Consulting, System Integration, Business Process Outsourcing and Application Management. Specializing in the design and development of solutions based on new communication channels and digital media, Reply combines vertical market expertise with innovative technologies such as Social Networking, Cloud Computing and the Internet of Things for the optimization and integration of processes, applications and devices.

The Business Model

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 optimized to implement solutions to ensure customers benefit from maximum operational efficiency and flexibility.
Within the three areas Reply offers:

Consulting – 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 the past years, 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 optimization with a substantial improvement in information asset efficiency. More specifically, Reply operates in defining end to end strategies and solutions by integrating the various components and 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, organizational 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 organizations 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™, and 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 analyze 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 MANAGEMENT REPORT 2011

REPLY GROUP HALF-YEAR FINANCIAL REPORT

Introduction

The Half-Year report for the period ended June 30, 2011 has been prepared in accordance with Legislative Decree 58/1998, as amended, and the "Regolamento Emittenti" issued by Consob.
This Report also conforms with the requirements of the International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") adopted by the European Union and has been prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2010, except as otherwise stated under "Accounting principles, amendments and interpretations adopted from January 1, 2011 in the Notes to the Half-year Condensed Financial Statement.

Trend of the first half

In the second quarter of 2011 the trend of the Group has been positive and reports consolidated revenue worth 112.6 million Euros, with an increase of 18.1% compared to the same period in 2010.

During the second quarter of 2011 EBITDA amounted to 14.1 million Euros (+13.6% compared to 2Q of 2010) and EBIT amounted to 12.1 million Euros (+11.1%) and income before taxes amounted to 12.0 million Euros (+13.4%).

Since the beginning of 2011 the Group's consolidated revenue totaled 218.8 million Euros with an increase of 20.4% compared to 2010.

Furthermore during the first half of 2011, operating margin has grown significantly: consolidated EBITDA amounted to 26.5 million Euros (+20.5%) and EBIT totaled 23.0 million Euros (+21.8%). Income before taxes amounted to 22.5 million Euros with an increase of 24.1% compared to 2010.

As at June 30, 2011 the Group's net financial position was positive by 12.2 million Euros, compared to the positive value of 12.9 million Euros as at March 31, 2011 and 0.2 million Euros as at December 31, 2010.

The results achieved in the first half of 2011 owe to the market's confidence in the company, the continuous investment in innovation and the excellent operating performance of the Group that has achieved extremely positive results, both in economic and financial terms, in all the markets in which it currently operates.

Reclassified consolidated statement of income of the second quarter

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

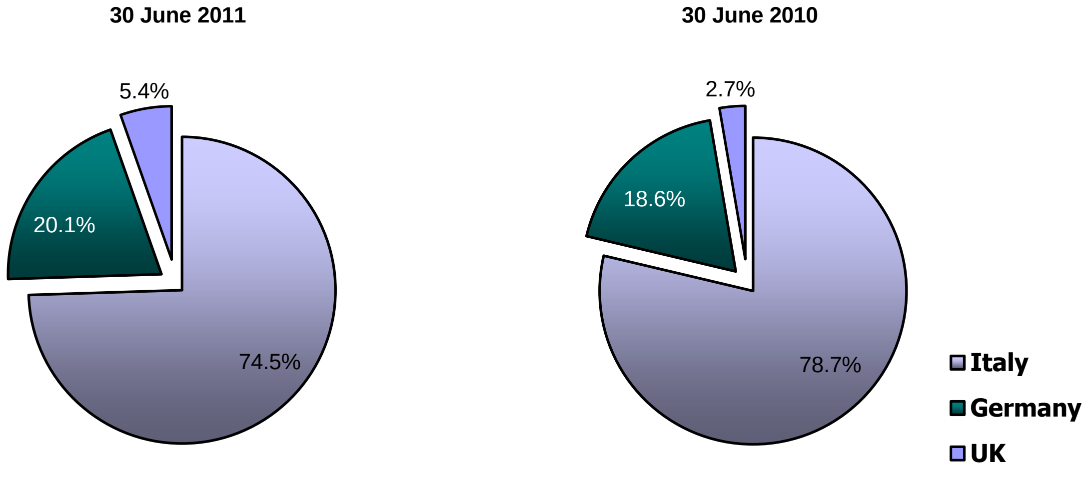
(thousand Euros)	2nd Q 2011	%	2nd Q 2010	%
Revenues	**112,618**	**100.0**	**95,361**	**100.0**
Purchases	(2,458)	(2.2)	(1,835)	(1.9)
Personnel	(56,709)	(50.4)	(51,090)	(53.6)
Services and other costs, net	(39,394)	(35.0)	(30,038)	(31.5)
Other non recurring income/(expenses)	19	0.0	(3)	(0.0)
Operating Costs	**(98,542)**	**(87.5)**	**(82,966)**	**(87.0)**
Gross operating income (EBITDA)	**14,076**	**12.5**	**12,395**	**13.0**
Amortization, depreciation and write-downs	(1,969)	(1.7)	(1,499)	(1.6)
Operating income (EBIT)	**12,107**	**10.8**	**10,896**	**11.4**
Financial income/(expenses)	(146)	(0.1)	(345)	(0.4)
Result before tax	**11,961**	**10.6**	**10,551**	**11.1**

Reclassified consolidated statement of income at June 30, 2011

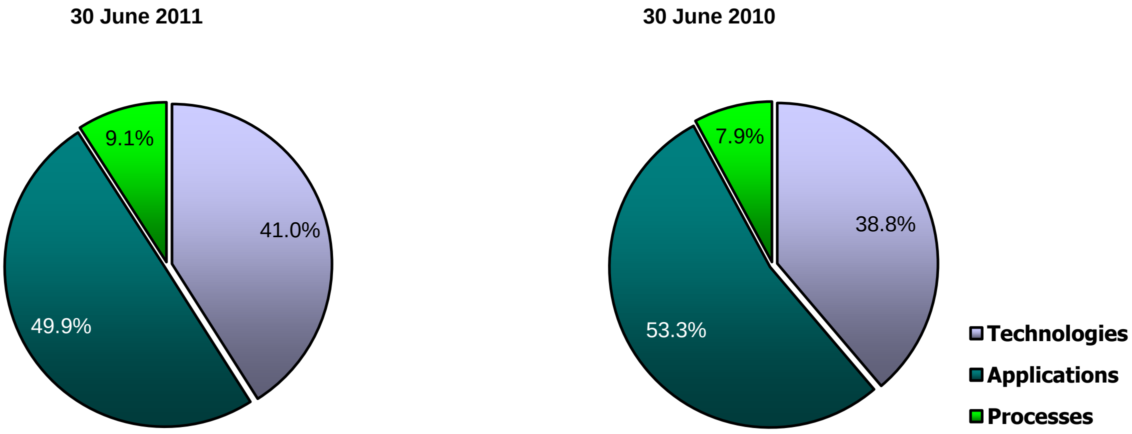
Reply’s performance is shown in the following reclassified consolidated statement of income and is compared to corresponding figures of the previous year:

(thousand Euros)	1st half 2011	%	1st half 2010	%
Revenues	**218,816**	**100.0**	**181,774**	**100.0**
Purchases	(4,367)	(2.0)	(4,023)	(2.2)
Personnel	(110,482)	(50.5)	(98,665)	(54.3)
Services and other costs, net	(77,497)	(35.4)	(57,151)	(31.4)
Other non recurring income/(expenses)	29	0.0	47	0.0
Operating Costs	**(192,317)**	**(87.9)**	**(159,792)**	**(87.9)**
Gross operating income (EBITDA)	**26,499**	**12.1**	**21,982**	**12.1**
Amortization, depreciation and write-downs	(3,471)	(1.6)	(3,070)	(1.7)
Operating income (EBIT)	**23,028**	**10.5**	**18,912**	**10.4**
Financial income/(expenses)	(481)	(0.2)	(742)	(0.4)
Result before tax	**22,547**	**10.3**	**18,170**	**10.0**

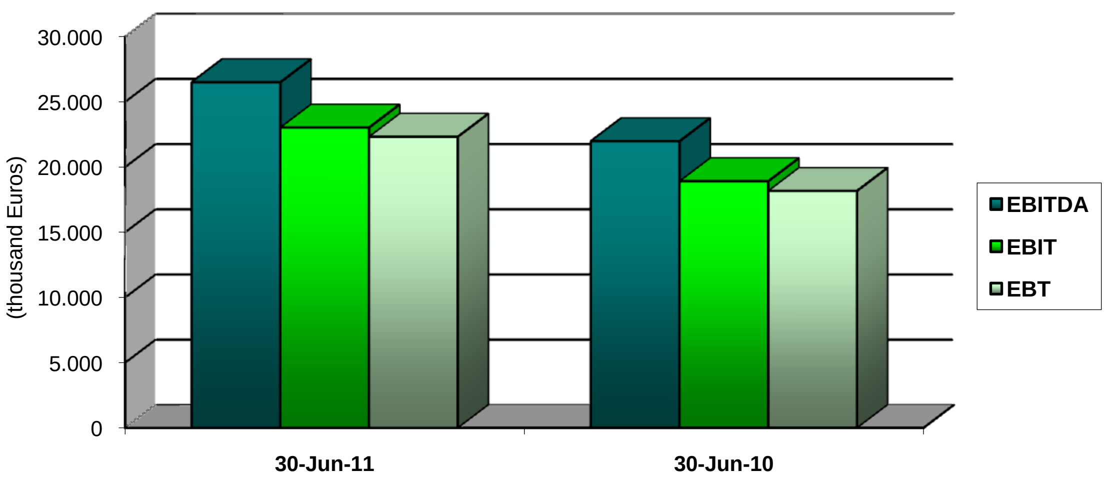
Revenues by geographical area



Revenues by business lines



Trend in profitability margins



Analysis of the financial structure

The table below details the Group's financial structure as at June 30, 2011 compared to December 31, 2010:

(thousand Euros)	30/06/2011	%	31/12/2010	%	Change
Current operating assets	193,730		210,891		(17,161)
Current operating liabilities	(112,844)		(118,475)		5,631
Net working capital (A)	**80,886**		**92,416**		**(11,530)**
Non current assets	117,148		99,727		17,421
Non current financial liabilities	(63,537)		(53,533)		(10,004)
Net fixed capital (B)	**53,611**		**46,194**		**7,417**
Net invested capital (A+B)	**134,497**	**100.0**	**138,610**	**100.0**	**(4,113)**
Shareholders' equity (C)	146,654	109.0	138,824	100.2	7,830
NET FINANCIAL POSITION (A+B-C)	**(12,157)**	**(9.0)**	**(214)**	**(0.2)**	**(11,943)**

Net invested capital as at June 30, 2011, amounted to 134,497 thousand Euros and was financed by Shareholders' equity for 146,654 thousand Euros, with a remaining net financial position of 12,157 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	30/06/2011	31/12/2010	Change
Inventories	19,091	6,100	12,991
Trade receivables	159,736	189,145	(29,409)
Other operating assets	14,903	15,646	(743)
Current operating assets (A)	**193,730**	**210,891**	**(17,161)**
Trade payables	37,239	36,313	926
Other current liabilities	75,605	82,162	(6,557)
Current operating liabilities (B)	**112,844**	**118,475**	**(5,631)**
Net working capital (A-B)	**80,886**	**92,416**	**(11,530)**
% return on revenues	*18.5%*	*24.1%*	

Net financial position and cash flows statement

(thousand Euros)	30/06/2011	31/12/2010	Change
Cash and cash equivalents	35,956	26,332	9,624
Current financial assets	15	647	(632)
Due to banks	(10,933)	(16,854)	5,921
Other providers of finance	(299)	(347)	48
Short term financial position	**24,739**	**9,778**	**14,961**
Non financial assets	1,206	943	263
Due to banks	(13,465)	(10,323)	(3,142)
Other providers of finance	(323)	(184)	(139)
M/L term financial position	**(12,582)**	**(9,564)**	**(3,018)**
Total net financial position	**12,157**	**214**	**11,943**

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

(thousand Euros)	30/06/2011
Cash flows from operating activities (A)	25,588
Cash flows from investment activities (B)	(8,778)
Cash flows from financial activities (C)	(7,186)
Change in cash and cash equivalents (D) = (A+B+C)	**9,624**
Cash and cash equivalents at beginning of period (*)	26,332
Cash and cash equivalents at year end (*)	35,956
Total change in cash and cash equivalents (D)	**9,624**

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

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

SIGNIFICANT EVENTS IN THE FIRST HALF

Avantage acquisition

On February 4, 2011 Reply S.p.A. finalized the acquisition of 51% of the shares and 90% of the voting rights of avantage, an English company specialized in risk, treasury and capital management, and, financial performance management.

avantage, with offices in London, Amsterdam, Edinburgh, and Luxembourg, counts among its clients some of the world's most significant financial groups and closed the last financial year (figures as of September 30th, 2010) with a turnover of £10.7 million and an EBT of £2.4 million, 24% of revenue.

The total value of the purchase price for 51% of the shares represented an investment of £7.0 million, with an initial payment of 4.8 million paid in cash on signing the Sale & Purchase Agreement and a further £2.2 million paid in three years' time.

Reply also has the option to exercise the right to purchase the remaining 49% of the capital at the end of 2013 and at the same time the minority shareholders have the option to sell.

avantage will significantly add to Reply's product and service offering in the risk management and regulatory compliance segment; areas in which, thanks to synergies with other Group companies, Reply now boasts one of the leading practices specializing in risk, treasury and capital management, and, financial performance management in Europe.

OTHER INFORMATION

Research and development activities

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

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

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

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

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

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

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

Transactions with related parties and group companies

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

Information on transactions with related parties as per Consob communication of July 28, 2006 is disclosed at Note 33 in the Half year Financial Report at June 30, 2011.

Human resources

At June 30, 2011 the number of employees of the Group was 3,289 with an increase of 140 compared to December 31, 2010 and an increase of 255 resources compared to June 30, 2010.

OUTLOOK ON OPERATIONS

The positive results in the first half are in line with the target set for 2011 and have set a solid basis on which Reply intends on developing in the second half of the year.

Turin, August 4, 2011

/s/ Mario Rizzante

For the Board of Directors
The Chairman
Mario Rizzante

HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2011

REPLY
CONSOLIDATED INCOME STATEMENT (*)
(thousand Euros)

	Note	1st half 2011	1st half 2010	2010
Revenues	5	218,816	181,774	384,202
Other revenues		2,398	2,796	6,646
Purchases	6	(4,367)	(4,023)	(8,652)
Personnel	7	(110,482)	(98,665)	(194,122)
Services and other costs	8	(79,895)	(59,947)	(131,090)
Amortization, depreciation and write-downs	9	(3,471)	(3,070)	(7,645)
Other non recurring income/(expenses)	10	29	47	(7,769)
Operating income		**23,028**	**18,912**	**41,570**
Financial income/(expenses)	11	(481)	(742)	(1,476)
Result before tax of continuing operations		**22,547**	**18,170**	**40,094**
Income tax	12	(10,666)	(8,322)	(19,482)
Net result of continuing operations		**11,881**	**9,848**	**20,612**
Non controlling interest		(420)	(509)	(245)
Group net result		**11,461**	**9,339**	**20,367**
Net result per share	13	1.26	1.03	2.25
Diluted net result per share	13	1.24	1.01	2.20

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

REPLY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousand Euros)

	Note	1st half 2011	1st half 2010
Profit of the period (A)		**11,881**	**9,848**
Gain/(Losses) on cash flow hedges	24	191	80
Gain/(Losses) on exchange differences on translating foreign operations	24	(252)	(78)
Actuarial gains/(losses) from employee benefit plans	24	(48)	339
Total other comprehensive net of tax (B)		**(109)**	**341**
Total comprehensive income (A)+(B)		**11,772**	**10,189**
Total comprehensive income attributable to:			
Owners of the parent		11,352	9,681
Non-controlling interests		420	508

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

	Note	30/06/2011	31/12/2010	30/06/2010
Tangible assets	14	8,533	8,437	9,422
Goodwill	15	89,032	72,794	66,047
Other intangible assets	16	6,460	6,244	5,764
Equity investments	17	24	92	2
Financial assets	18	4,582	4,814	3,909
Deferred tax assets	19	9,723	8,855	8,347
Non Current assets		**118,354**	**101,236**	**93,491**
Inventories	20	19,091	6,100	21,431
Trade receivables	21	159,736	189,145	148,717
Other receivables and current assets	22	14,903	15,646	13,602
Financial assets	18	15	81	-
Cash and cash equivalents	23	53,142	50,125	32,855
Current assets		**246,887**	**261,097**	**216,605**
TOTAL ASSETS		**365,241**	**362,333**	**310,096**
Share capital		4,796	4,796	4,796
Other reserves		128,898	112,330	116,764
Group net result		11,461	20,367	9,339
Group shareholders' equity	24	**145,155**	**137,493**	**130,899**
Non controlling interest	24	1,499	1,331	6,483
SHAREHOLDERS' EQUITY		**146,654**	**138,824**	**137,382**
Payables to minority shareholders	25	25,300	15,798	2,889
Financial liabilities	26	13,788	10,507	14,578
Employee benefits	27	14,791	15,318	15,423
Deferred tax liabilities	28	10,889	7,663	8,761
Provisions	29	12,557	14,754	12,312
Non current liabilities		**77,325**	**64,040**	**53,963**
Financial liabilities	26	28,418	40,994	27,684
Trade payables	30	37,239	36,313	31,476
Other current liabilities	31	71,061	75,577	55,202
Provisions	29	4,544	6,585	4,389
Current liabilities		**141,262**	**159,469**	**118,751**
TOTAL LIABILITIES		**218,587**	**223,509**	**172,714**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**365,241**	**362,333**	**310,096**

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

REPLY
CONSOLIDATED STATEMENT OF CASH FLOWS
(thousand Euros)

	1st half 2011	1st half 2010
Net result for the period	11,461	9,848
Income tax	10,666	8,322
Depreciation and amortization	3,471	3,070
Change in trade receivables	32,361	5,008
Change in inventories	(12,991)	(6,347)
Change in trade payables	(320)	(4,709)
Change in other assets and liabilities	(14,562)	(5,704)
Other non monetary changes	217	386
Income tax paid	(4,715)	(948)
Net Cash flows from operating activities	**25,588**	**8,926**
Payments for tangible and intangible assets	(3,359)	(1,788)
Payments for financial assets	396	(224)
Out payments for the acquisition of subsidiaries	(5,815)	(1,885)
Net cash flows from investment activities	**(8,778)**	**(3,897)**
Dividends paid	(4,490)	(3,354)
Sale/(acquisition) of treasury shares	(17)	125
In payments from financial loans	5,700	-
Payment of installments	(8,305)	(8,222)
Change in financial leases	(74)	(274)
Net Cash flows from financing activities	**(7,186)**	**(11,725)**
Net cash flows	**9,624**	**(6,696)**
Cash and cash equivalents at beginning of period	26,332	29,263
Cash and cash equivalents at the end of period	35,956	22,567
Total change in cash and cash equivalents	**9,624**	**(6,696)**

Detail of net cash and cash equivalents

(thousand Euros)	30/06/2011	30/06/2010
Cash and cash equivalents at the beginning of period	**26,332**	**29,263**
Cash and cash equivalents	50,125	33,163
Bank overdrafts	(23,793)	(3,900)
Cash and cash equivalents at the end of period	**35,956**	**22,567**
Cash and cash equivalents	53,142	32,855
Bank overdrafts	(17,186)	(10,288)

REPLY
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Reserve for cash flow hedges	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interest	Total
Balance at January 1, 2010	**4,796**	**(1,472)**	**49,483**	**71,270**	**(570)**	**(5)**	**321**	**6,462**	**130,285**
Capital increase	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	(3,170)	-	-	-	(184)	(3,354)
Change in treasury shares	-	126	-	-	-	-	-	-	126
Total comprehensive income for the period	-	-	-	9,339	102	(78)	(318)	508	10,189
Other changes	-	-	292	147	-	-	-	(303)	136
Balance at June 30, 2010	**4,796**	**(1,346)**	**49,775**	**77,586**	**(468)**	**(83)**	**639**	**6,583**	**137,382**

(thousand Euros)	Share capital	Treasury shares	Capital reserve	Earning reserve	Reserve for cash flow hedges	Cumulative translation adjustment reserve	Reserve for actuarial gains/(losses)	Non-controlling interest	Total
Balance at January 1, 2011	**4,796**	**(2,523)**	**49,538**	**84,682**	**(237)**	**149**	**1,088**	**1,331**	**138,824**
Capital increase									-
Dividends distributed	-	-	-	(4,070)	-	-	-	(420)	(4,490)
Change in treasury shares	-		-	-	-	-	-	-	0
Total comprehensive income for the period	-	-	-	11,461	191	(252)	(48)	420	11,772
Other changes	-	575	(491)	296			-	168	548
Balance at June 30, 2011	**4,796**	**(1,948)**	**49,047**	**92,369**	**(46)**	**(103)**	**1,040**	**1,499**	**146,654**

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NOTE 1 – General information

Reply [REY IM] offers Consulting, System Integration, Business Process Outsourcing and Application Management. Specializing in the design and development of solutions based on new communication channels and digital media, Reply combines vertical market expertise with innovative technologies such as Social Networking, Cloud Computing and the Internet of Things for the optimization and integration of processes, applications and devices.

Based on a network of companies specialized by service offering, Reply combines the planning and organizational capacity of a large corporation with the flexibility and dynamism typical of specialist companies. Reply is present in Germany, England and Italy and operates within the leading industrial sectors (Telco and Media, Banking and Insurance, Industry and Services, Energy and Utilities, Public Administration and Health) with a range of services covering three main areas: Processes, Applications and Technologies.

The Group is headed by the Parent Company Reply S.p.A., company listed on the STAR segment of *Borsa Italiana* [REY.MI]. Its headquarter is based in Turin, Italy.

NOTE 2 - Accounting principles and basis of consolidation

Introduction

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

In particular, this Half-year financial report has been prepared in accordance with IAS 34 - *Interim Financial Reporting* applying the same accounting principles and policies used in the preparation of the Consolidated financial statements at December 31, 2010 other than those discussed in the following paragraph "Accounting principles, amendments and interpretations adopted from January 1, 2011.

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, 2010 for a detailed description of the more significant valuation procedures used by the Group.

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

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

Format of the financial statements

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

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

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

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

Accounting principles, amendments and interpretations adopted from January 1, 2011

On November 4, 2009, the IASB issued a revised version of IAS 24 - *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods beginning on or after 1 January 2011. The adoption of such amendment has not had any effect on the evaluation of the financial statements. Further information is disclosed in Note 33 of the present Half year report. .

On May 6, 2010 the IASB issued a set of amendments to IFRSs ("Improvements to IFRSs") and included the improvement to IAS 34 – Interim financial reporting. With the adoption of this improvement further information has been integrated in the explanatory notes of the present Half year report.

Accounting principles, amendments and interpretations effective from January 1, 2011 but not applicable to the Group

The following amendments, improvements and interpretations have also been issued and are effective from 1 January 2011; these relate to matters that were not applicable to the Group at the date of these half-year condensed financial statements but which may affect the accounting for future transactions or arrangements:

- Amendment to IAS 32 – *Financial Instruments: presentation, classification of rights issues;*
- Amendment IFRIC 14 - *Prepayments of a Minimum Funding Requirement;*
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments;*
- Improvements to IAS/IFRS (2010).

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

On 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial Instruments* that was amended on 28 October 2010. The new standard, having an effective date for mandatory adoption of 1 January 2013, represents the completion of the first part of a project to replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities and for the derecognition of financial assets. The new standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. The most significant effect of the standard regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. Under the new standard these changes are recognized in Other comprehensive income and are not subsequently reclassified to the Income statement.

On 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011.The amendments will allow users of financial statements to improve their understanding of transfers of financial assets, including an understanding of the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of a transfer transaction is undertaken at the end of a reporting period.

On 20 December 2010, the IASB issued amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards. The first amendment replaces references to a fixed date of “1 January 2004” with the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. These amendments are effective from 1 July 2011.

On 20 December 2010, the IASB issued amendments to IAS 12 – Income Taxes that require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. As a result of the amendments, SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets no longer applies. These amendments are effective from 1 January 2012.

On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements to replace SIC-12 – Consolidation- Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements, which has now been renamed Separate Financial Statements and provides the accounting and disclosure requirements for investments when an entity prepares separate financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective retrospectively on or after 1 January 2013.

On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements superseding IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities-Non-monetary Contributions by Venturers. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form and requires a single method to account for interests in jointly controlled entities, the equity method. The standard is effective retrospectively from 1 January 2013. Following the issue of the IFRS 11, IAS 28 – Investments in Associates has been amended to include accounting for investments in jointly controlled entities in its scope of application and been renamed IAS 28 – Investments in Associates and Joint Ventures.

On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities which contains specific disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2013; earlier application is permitted.

On 12 May 2011, the IASB issued IFRS 13 – Fair Value Measurement, clarifying the determination of the fair value for the purpose of the financial statements and applying to all principles permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective prospectively from 1 January 2013.

On 16 June 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring companies to group together items within Other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendment is applicable from periods beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 – Employee Benefits. The amendments make improvements to the previous version by eliminating the option to defer the recognition of gains and losses, known as the "corridor method", and by requiring the fund's deficit or surplus to be presented in the statement of financial position, the components of cost relating to service and net interest to be recognized in profit or loss and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognized in other comprehensive income. In addition, the return on assets included in net interest must now be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The amendments also introduce the requirement for additional disclosures to be provided in the notes. The amended version of IAS 19 is applicable on a retrospective basis from 1 January 2013.

The European Union had not yet completed its endorsement process for these standards and amendments at the date of these Half-year condensed financial statements.

NOTE 3 –Risk management

Credit risk

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

Liquidity risk

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

Currency risk and interest rate risk

As the Group operates mainly in a "Euro area" the exposure to currency risks is limited.
The Group's exposure to interest rate risk is mainly associated to financial loans bearing free float interest rates. The Group manages this risk with the use of interest rate swaps which allows floating interest rates to be transformed to fixed interest rates.
Information related to the fair value of the derivative financial instrument is disclosed in Note 26.

NOTE 4 - Consolidation

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

Change in consolidation compared to June 30, 2010 is related to the following companies listed below:

- Riverland Solutions GmbH a German company, in which Reply acquired 75.016% of the share capital in the month of August 2010;
- Lem Reply S.r.l. was acquired at the end of October 2010 and Reply holds 100% of the share capital;
- Avantage (UK) Ltd., acquired in February 2011 in which Reply holds 51% of the share capital and 90% of the voting rights;
- Storm Reply S.r.l. constituted in the month of January 2011, in which Reply holds 80% of the share capital.
- Forge Reply S.r.l. constituted in the month of March 2011 in which Reply holds 90% of the share capital.

Change in consolidation in the first half of 2011 affects the Group's revenue and EBT by 5.6% and 8.8% respectively.

A list of Reply Group companies as at June 30, 2011 is provided at the Annexed tables herein.

NOTE 5 - Revenues

Revenues from sales and services, including change in work in progress, amounted to 218,816 thousand Euros (181,774 thousand Euros at June 30, 2010).

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

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

Country	1st half 2011	1st half 2010
Italy	74.5%	78.7%
Germany	20.1%	18.6%
UK	5.4%	2.7%
	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 2011	1st half 2010	Change
Software licenses for resale	2,105	2,334	(229)
Hardware for resale	685	471	214
Other	1,577	1,218	359
Total	**4,367**	**4,023**	**344**

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

The item *Other* mainly includes the acquisition of fuel amounting to 1,052 thousand Euros and office material amounting to 384 thousand Euros.

NOTE 7 - Personnel

Detail is as follows:

(thousand Euros)	1st half 2011	1st half 2010	Change
Payroll employees	98,497	90,645	7,852
Executive Directors	9,908	6,382	3,526
Project collaborators	2,077	1,638	439
Total	**110,482**	**98,665**	**11,817**

The increase in personnel expenses amounting to 11,817 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)	30/06/2011	30/06/2010	Change
Directors	252	237	15
Managers	488	467	21
Staff	2,549	2,330	219
Total	**3,289**	**3,034**	**255**

At June 30, 2011 the number of employees of the Group was 3,289, compared to 3,034 at June 30, 2010.

Change in consolidation brought an increase of 115 employees.

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

NOTE 8 – Services and other costs

Service expenses comprised the following:

(thousand Euros)	1st half 2011	1st half 2010	Change
Commercial and technical consulting	43,338	29,171	14,167
Travelling and professional training expenses	9,821	9,192	629
Other service costs	16,408	12,802	3,606
Office expenses	5,109	4,158	951
Lease and rentals	3,151	3,058	93
Other	2,068	1,566	502
Total	**79,895**	**59,947**	**19,948**

Change in *Services and other costs* amounted to 19,948 thousand Euros and owes to an overall increase in the Group's activities.

The item *Other service costs* mainly includes marketing services, legal and management services, telephone and canteen.

Office expenses include charges from related parties in connection to service contracts for the use of premises and centralized secretarial services amounting to 2.7 million Euros.

Change in consolidation accounted for 6,030 thousand Euros.

NOTE 9 – Amortization, depreciation and write downs

Depreciation of tangible assets, amounting to 1,757 thousand Euros at June 30, 2011 has been determined on a straight-line basis at economic-technical rates that reflect the useful lives of the asset. Details of depreciation are provided at the notes to tangible assets. This item also includes the government grant established by the Regional laws 34/2004 and 4/2006 in relation to the financed research project "Internet of things" amounting to 398 thousand Euros.

Amortization of intangible assets in the first half of 2011 amounted to 1,750 thousand Euros. The details are provided at the notes to intangible assets herein.

Goodwill related to the CGU EOS was totally impaired for 360 thousand Euros as the assumptions underlying the initial recognition were lacking. Refer to Note 15 for further information.

NOTE 10 – Other non recurring income/(expenses)

Other non recurring income/(expenses) amounting to 29 thousand Euros is related to events falling out of the ordinary course of business.

NOTE 11 – Financial income/(expenses)

Detail is as follows:

(thousand Euros)	1st half 2011	1st half 2010	Change
Financial gains	191	89	102
Interest expenses	(830)	(840)	10
Other	158	9	149
Total	**(481)**	**(742)**	**261**

The item *Financial gains* mainly includes interest on bank accounts for 191 thousand Euros.

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

The item *Other* includes a gain on Exchange differences from the translation of balance sheet items not stated in Euros amounting to 229 thousand Euros.

NOTE 12 – Income taxes

At June 30, 2011 income taxes amounted to 10,666 thousand Euros and were recognized in accordance to the expected annual average income tax rate (47.3%).

NOTE 13 – Earnings per share

Basic earnings per share

Basic earnings per share at June 30, 2011 was calculated with reference to the profit attributable to the owners of the parent and amounted to 11,461 thousand Euros (9,339 thousand Euros at June 30, 2010) divided by the weighted average of shares outstanding at June 30, 2011 which were 9,068,354 (9,091,693 at June 30, 2010).

(in Euros)	1st half 2011	1st half 2010
Profit attributable to owners of the parent	11,461,000	9,339,000
Weighted average number of shares	9,068,354	9,091,693
Basic earnings per share	1.26	1.03

Diluted earnings per share

Diluted earnings per share at June 30, 2011 was calculated with reference to the profit attributable to the owners of the parent and amounted to 11,461 thousand Euros divided by the weighted average of shares outstanding at June 30, 2011, 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 2011	1st half 2010
Profit attributable to owners of the parent	11,461,000	9,339,000
Weighted average number of shares	9,068,354	9,091,693
Diluting effect	168,400	168,400
Weighted number of diluted shares	9,236,754	9,260,093
Diluted earnings per share	1.24	1.01

NOTE 14 - Tangible assets

Tangible assets as at June 30, 2011 amounted to 8,533 thousand Euros and are detailed as follows:

(thousand Euros)	30/06/2011	31/12/2010	Change
Buildings	2,545	2,616	(71)
Plant and machinery	1,360	1,347	13
Hardware	2,726	2,346	380
Other	1,902	2,128	(226)
Total	**8,533**	**8,437**	**96**

Change in tangible assets in the first half of 2011 is summarized in the table below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical cost	4,023	5,660	16,739	5,882	32,304
Accumulated depreciation	(1,407)	(4,313)	(14,393)	(3,754)	(23,867)
Balance at 31/12/2010	**2,616**	**1,347**	**2,346**	**2,128**	**8,437**
Historical cost					
Additions	-	419	1,251	108	1,778
Disposals	-	(36)	(78)	(35)	(149)
Other changes	-	-	92	37	129
Accumulated depreciation					
Depreciation	(71)	(400)	(911)	(357)	(1,739)
Utilization	-	30	78	29	137
Other changes	-	-	(52)	(8)	(60)
Historical cost	4,023	6,043	18,004	5,992	34,062
Accumulated depreciation	(1,478)	(4,683)	(15,278)	(4,090)	(25,529)
Balance at 30/06/2011	**2,545**	**1,360**	**2,726**	**1,902**	**8,533**

During the first half 2011 the Group carried out investments amounting to 1,778 thousand Euros mainly in relation to computers and network equipment.

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

Increase in *Plant and machinery* amounting to 134 thousand Euros refers to investments made by Syskoplan group companies and investments carried out by Italian companies for 254 thousand Euros.

The item *Plant and machinery* includes the lease of security service equipment for a net book value of 153 thousand Euros.

Change in Hardware owes to investments carried out by the Group mainly for computers and network equipment. This item also includes financial leases amounting to 324 thousand Euros (338 thousand Euros at December 31, 2010).

The item *Other* at June 30, 2011 includes improvements to third party assets (1,373 thousand Euros) and office furniture (412 thousand Euros). Increase in the first half of 2011 amounting to 108 thousand Euros is partially related to improvements to third party assets (27 thousand Euros) and to the purchase of new office furniture (38 thousand Euros).

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.

A schedule with full detail of goodwill as at December 31, 2010 can be found in the 2010 Annual Report.

Change in the first half is as follows:

(thousand Euros)	
Balance at December 31, 2010	**72,794**
Increase	16,605
Decrease	(367)
Balance at June 30, 2011	**89,032**

Increase in the first semester of 2011 refers to:

- Avantage (UK) Ltd.
  On February 4, 2011 Reply S.p.A. finalized the acquisition of 51% of the shares and 90% of the voting rights of avantage, an English company specialized in risk, treasury and capital management, and, financial performance management.
  The total value of the purchase price for 51% of the shares and 90% of the voting rights represented an investment of £7.0 million, with an initial payment of 4.8 million paid in cash on signing the Sale & Purchase Agreement and a further £2.2 million paid in three years' time.
  Reply also has the option to exercise the right to purchase the remaining 49% of the capital at the end of 2013 and at the same time the minority shareholders have the option to sell estimated at £7.5 million.
  In relation to the characteristics of the contract and agreements and in accordance to IFRS 3 and IAS 32, goodwill was recognized on 100% of the shares with contra-entry "Payable to minority shareholders".

The following table summarizes the calculation of goodwill, determined on a temporary basis, and the value of the net assets acquired at the acquisition date.

(thousand Euros)	**Fair value (*)**
Tangible and intangible goods	38
Financial assets	4
Trade receivables and other	1,751
Cash and cash equivalents	1,183
Trade payables and other	(2,969)
Net assets acquired	**6**
Compensation	16,611
Goodwill	**16,605**

(*) book value is equal to fair value.

Goodwill related to the CGU EOS was totally impaired for 360 thousand Euros as the assumptions underlying the initial recognition were lacking, mostly due to the termination of contracts with some clients.

With the exception of the above, during the first half of 2011 no impairment indicators have arisen which may have changed the value of goodwill.

NOTE 16 - Other intangible assets

Intangible assets as at June 30, 2011 amounted to 6,460 thousand Euros (6,244 thousand Euros at December 31, 2010) and detail is as follows:

(thousand Euros)	**Historical cost**	**Accumulated amortization**	**Net book value at 30/06/2011**
Development costs	11,510	(7,648)	3,862
Software	12,464	(11,500)	964
Trademarks	535	-	535
Other intangible assets	2,950	(1,851)	1,099
Total	**27,459**	**(20,999)**	**6,460**

Change in intangible assets during the first half 2011 is summarized in the table below:

(thousand Euros)	**Net book value at 31/12/2010**	**Increases**	**Other changes**	**Accumulated amortization**	**Net book value at 30/06/2011**
Development costs	3,430	1,300	-	(868)	3,862
Software	919	647	(14)	(588)	964
Trademarks	532	3	-	-	535
Other intangible assets	1,363	-	-	(264)	1,099
Total	**6,244**	**1,950**	**(14)**	**(1,720)**	**6,460**

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

The item *Software* is related mainly to software licenses purchased and used internally by the Group companies. This item also includes work in progress of internally developed software for 55 thousand Euros.

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

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

NOTE 17 - Equity investments

This item refers to investments in the company NextNext S.r.l. of which Bitmama S.r.l. holds 24% of the share capital and investments in the company Tach Controller of which Lem Reply S.r.l. holds 35% of the share capital.

NOTE 18 - Financial assets

Financial assets amounted to 4,597 thousand Euros of which 4,582 thousand Euros refer to non-current assets.

Detail is as follows:

(thousand Euros)	30/06/2011	31/12/2010	Change
Receivables from insurance companies	2,815	2,733	82
Guarantee deposits	550	561	(11)
Loans to non consolidated companies	-	500	(500)
Long term securities	1,206	943	263
Other financial assets	11	77	(66)
Short term securities	15	81	(66)
Total	**4,597**	**4,895**	**(298)**

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

The item *Long term securities* is related mainly to long term investments to hedge pension obligations of the syskoplan group and are evaluated at fair value. In accordance to 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). In the first half of 2011 there have not been any transfers within the hierarchy levels.

NOTE 19 – Deferred tax assets

This item amounted to 9,723 thousand Euros at June 30, 2011 (8,855 thousand Euros at December 31, 2010), and includes the fiscal charge corresponding to the temporary differences between statutory income and taxable income in relation to deferred taxable items.

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

The decision to recognize deferred tax assets is taken by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of expected future results.

There are no deferred tax assets on losses carried forward.

NOTE 20 - Inventories

The item inventories amounted to 19,091 thousand Euros and is detailed below:

((thousand Euros)	30/06/2011	31/12/2010	Change
Contract work in progress	44,880	35,979	8,901
Finished products and goods for resale	-	52	(52)
Advance payments from customers	(25,789)	(29,931)	4,142
Total	**19,091**	**6,100**	**12,991**

Increase compared to December 31, 2010 is due to an increase in contract work in progress and is in line with the corresponding amount at June 30, 2010.

NOTE 21 - Trade receivables

Trade receivables at June 30, 2011 amounted to 159,736 thousand Euros with a decrease of 29,409 thousand Euros compared to December 31, 2010 owing to an improvement in days sales outstanding.

Trade receivables are shown net of allowances for doubtful accounts amounting to 2,340 thousand Euros at June 30, 2011 (2,107 thousand Euros at December 31, 2010).

(thousand Euros)	30/06/2011	31/12/2010	Change
Domestic receivables	136,577	164,164	(27,587)
Foreign trade receivables	25,594	27,485	(1,891)
Credit notes to be issued	(95)	(397)	302
Total	**162,076**	**191,252**	**(29,176)**
Allowance for doubtful accounts	(2,340)	(2,107)	(233)
Total trade receivables	**159,736**	**189,145**	**(29,409)**

During the first half 2011 the *Allowance for doubtful accounts* developed as follows:

(thousand Euros)	31/12/2010	Accrual	Utilized	30/06/2011
Allowance for doubtful accounts	2,107	233	-	2,340

Trade receivables are all collectible within one year.

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

Aging at June 30, 2011
(thousand Euros)

	Trade receivables	current	1-90 days	91-180 days	181-360 days	over 360 days	Total overdue
Trade receivables	162,076	136,895	18,211	3,396	1,773	1,802	25,181
Allowance for doubtful accounts	(2,340)	-	(212)	(153)	(384)	(1,590)	(2,340)
Total trade receivables	**159,736**	**136,895**	**17,999**	**3,243**	**1,389**	**211**	**22,842**

Aging at December 31, 2010
(thousand Euros)

	Trade receivables	current	1-90 days	91-180 days	181-360 days	over 360 days	Total overdue
Trade receivables	191,252	170,507	15,571	2,632	874	1,668	20,745
Allowance for doubtful accounts	(2,107)	-	(179)	(216)	(249)	(1,463)	(2,107)
Total trade receivables	**189,145**	**170,507**	**15,392**	**2,416**	**625**	**205**	**18,638**

NOTE 22 - Other receivables and current assets

Detail is as follows:

(thousand Euros)	30/06/2011	31/12/2010	Change
Tax receivables	4,213	6,455	(2,242)
Advances to employees	106	102	4
Other receivables	7,991	6,226	1,765
Accrued income and prepaid expenses	2,593	2,863	(270)
Total	**14,903**	**15,646**	**(743)**

The item tax receivables mainly included:

- Vat tax receivables (3,429 thousand Euros);
- Advance payment on income tax for some Italian companies (241 thousand Euros);
- Receivables for withholding tax (145 thousand Euros).

Other receivables include a capital contribution amounting to 6,838 thousand Euros (5,012 thousand Euros at December 31, 2010) in accordance to the Regional laws 34/2004 and 4/2006 with reference to the research projects.

NOTE 23 – Cash and cash equivalents

This item amounted to 53,142 thousand Euros, with an increase of 3,017 thousand Euros compared to December 31, 2010, and reflects the amount of cash at banks and on hand at the balance sheet date.
Change in cash and cash equivalents is fully detailed in the consolidated statement of cash flows.

NOTE 24 – Shareholders' equity

Share capital

At June 30, 2011 the fully subscribed paid-in share capital of the Parent Company Reply S.p.A. amounted to 4,795,885.64 Euros and is made up of 9,222,857 ordinary shares, par value 0.52 Euros per share.

Treasury shares

Treasury shares on hand amounting to 1,948 thousand Euros is related to shares held by the Parent company that as at June 30, 2011 and were equal in number to 137,553. During the first half 2011 Reply S.p.A. acquired no. 903 ordinary shares while 41,876 ordinary shares were transferred.

Treasury shares were transferred for the acquisition of some minority shares in subsidiaries.

The accounting effects related to treasury shares were entirely accounted in equity.

Capital reserve

At June 30, 2011 Capital reserve amounted to 49,047 thousand Euros and is summarized as follows:

- *Share premium reserve* amounted to 20,165 thousand Euros.
- *Reserve for treasury shares on* hand amounting to 1,948 thousand Euros is related to shares held by the Parent company.
- *Reserve for purchase of treasury shares*, amounting to 28,052 thousand Euros, was constituted through withdrawal from the *Reserve for treasury shares on hand*, following the resolution made by the General Shareholders Meeting of Reply S.p.A. on April 29, 2010 which authorized, pursuant to art. 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earnings reserves

Earning reserves amounted to 92,369 thousand Euros and comprised the following:

- Legal reserve of Reply S.p.A. amounted to 959 thousand Euros;
- Retained earnings totaled 79,949 thousand Euros (63,356 thousand Euros at December 31, 2010);
- The profit attributable to owners of the parent amounting to 11,461 thousand Euros (20,367 thousand Euros at December 31, 2010).

Other comprehensive income

Other comprehensive income can be analyzed as follows:

(thousand Euros)	30/06/2011	31/12/2010
Gains/(losses) on cash flow hedges arising during the period	191	308
Reclassification adjustment for gains/(losses) on cash flow hedges included in income statement	-	-
Gains/(Losses) on cash flow hedges	**191**	**308**
Exchange gains/(losses) on translating foreign operations arising during the year	(252)	154
Exchange gains/(losses) on translating foreign operations reclassified to profit or loss	-	-
Exchange gains/(losses) on translating foreign operations	**(252)**	**154**
Other comprehensive income generated during the period	(48)	789
Other comprehensive income generated during the period reclassified to profit or loss	-	-
Share of other comprehensive income	**(48)**	**789**
Income tax relating to components of Other comprehensive income	**-**	**-**
Total Other comprehensive income, net of tax	**(109)**	**1,251**

Non-controlling interest

The non-controlling interest of 1,499 thousand Euros at June 30, 2011 (1,331 thousand Euros at December 31, 2010), refers mainly to the following companies consolidated on a line-by-line basis:

(thousand Euros)	30/06/2011	31/12/2010
Italian companies		
Bitmama S.r.l.	258	201
Bridge Reply	36	34
Open Reply S.r.l.	98	37
Tender Reply	(23)	(16)
Twice Reply S.r.l.	138	122
Foreign companies		
Syskoplan AG	394	443
is4 GmbH & Co. KG	16	25
Riverland Solutions GmbH	582	485
Total	**1,499**	**1,331**

NOTE 25 – Payables to minority shareholders

Payables to minority shareholders at June 30, 2011 amounted to 25,300 thousand Euros (15,798 thousand Euros at December 31, 2010).

(thousand Euros)	30/06/2011	31/12/2010	Change
Syskoplan AG	7,595	7,957	(362)
Riverland Reply GmbH	3,770	3,770	-
Is4 GmbH & Co. KG	2,664	2,664	-
Other Germany	142	239	(97)
Other Italy	-	1,168	(1,168)
Avantage (UK) Ltd.	11,129	-	11,129
Total	**25,300**	**15,798**	**9,502**

Payables to minority shareholders of syskoplan AG for 7,595 thousand Euros refers to Reply's obligation, in accordance to 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.
The decrease of such liability in the first half is related to:

- the exercise of the option by some minority shareholders;
- the acquisition on the market of 40,000 shares for a value of 380 thousand Euros of which 328 thousand Euros against the liability to minority shareholders.

Payables to minority shareholders of Riverland Solutions GmbH for 3,770 thousand Euros refers to the estimated variable compensation to be paid in three years, subordinated to achieving determined economic parameters, for the acquisition of 75.016% of the share capital.

Payables to the minority shareholders of is4 GmbH & Co. KG for 2,664 thousand Euros (no change has occurred compared to 2010) and represents the fair value of 49% of is4, a syskoplan group company. This amount has been stated according to IAS 32 as syskoplan has signed a put option agreement with the minority shareholders to be exercised with a 12 months' notice.

Payables Other Germany is referred to the Earn-out component for the acquisition of a syskoplan subsidiary amounting to 142 thousand Euros (239 thousand Euros at December 31, 2010) and reflects the best estimate of the financial commitment.

Payables Other Italy was referred to liabilities to some minority shareholders in relation to options held (1,168 thousand Euros) and that were exercised in the first months of 2011.

Payables to minority shareholders of avantage (UK) Ltd amounting to 11,129 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 the remaining 49% of the share capital and payment of the second tranches of the initial consideration. In accordance to the provisions outlined by the contract, the 100% share capital was considered to be acquired.

NOTE 26 - Financial liabilities

Detail is as follows:

(thousand Euros)	30/06/2011 Current	Non current	Total	31/12/2010 Current	Non current	Total
Advances on receivables	17,186	-	17,186	23,793	-	23,793
Financial bank borrowings	10,887	13,576	24,463	16,600	10,467	27,067
Total due to banks	**28,073**	**13,576**	**41,649**	**40,393**	**10,467**	**50,860**
Other financial borrowings	299	323	622	347	184	531
Fair Value IRS and other	46	(111)	(65)	254	(144)	110
Total financial liabilities	**28,418**	**13,788**	**42,206**	**40,994**	**10,507**	**51,501**

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

(thousand Euros)	30/06/2011				31/12/2010			
	Due within a year	Between 1 and 5 years	Over 5 years	Total	Due within a year	Between 1 and 5 years	Over 5 years	Total
Advances on receivables	17,186	-	-	**17,186**	23,793	-	-	**23,793**
Syndicated loan	8,222	-	-	**8,222**	16,443	-	-	**16,443**
Stand-by credit line	2,518	12,593	-	**15,111**	-	9,411	-	**9,411**
Carispe Bank	32	62	-	**94**	30	78	-	**108**
Credito Bergamasco	-	-	-	**-**	12	-	-	**12**
Commerzbank	115	523	397	**1,035**	115	581	397	**1,093**
Other financial borrowings	299	324	-	**623**	347	184	-	**531**
Fair Value IRS and other	46	(111)	-	**(65)**	254	(144)	-	**110**
Total	**28,418**	**13,391**	**397**	**42,206**	**40,994**	**10,110**	**397**	**51,501**

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

The total amount utilized was 61,330 thousand Euros and was divided as follows:

- Tranche A, was used as an overdraft for a total of 12,000,000 Euros with the purpose of entirely reimbursing the previous loan. Installments were paid on a half year basis (Euribor 6 months + 0.75%).
- Tranche B, was utilized for 49,330 thousand Euros with the purpose of satisfying Reply's financial needs in maintaining the growth strategy finalized at the acquisition of companies, strategic investments or shares. The residual amount totals 8,222 thousand Euros and the installments are paid on a half-year basis (Euribor 6 months + 0.75%) and expires December 31, 2011.

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

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

As contractually defined, such ratios are as follows:

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

At the date of these half year condensed financial statements the Covenants established by the loan have been fully achieved by the company.

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

The credit line has been drawn by 15,111 thousand Euros. This loan is subordinated to the parameters mentioned herein and at June 30, 2011 have been respected.

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 January 31, 2014.

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

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

Fair value IRS and other is mainly related to the fair value of the cash flow hedge, the amount being hedged amounts to 17,536 thousand Euros.
To determine the market value of the financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes) who base their estimates on direct (interest rates) or indirect observation of the market: consequently the fair value used by the Group in accordance to the IFRS 7 for derivative hedge contracts is classified as a hierarchy of Level 2 (prices not available on active markets for the assets or liabilities being measured but can be directly or indirectly observed). In the first half of 2011 there have not been any transfers within the hierarchy levels.

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

Net financial position

In compliance with Consob regulation issued on July 28, 2006 and in accordance with CESR's *Recommendations for the consistent implementation of the European's regulation on Prospectuses* issued on February 10, 2005, the Net financial position at June 30, 2011.

(thousand Euros)	30/06/2011	31/12/2010	Change
Cash and cash equivalents	53,142	50,125	3,017
Current financial assets	15	647	(632)
Non-current financial assets	1,206	943	263
Total financial assets	**54,363**	**51,715**	**2,648**
Current financial liabilities	(28,418)	(40,994)	12,576
Non current financial liabilities	(13,788)	(10,507)	(3,281)
Total financial liabilities	**(42,206)**	**(51,501)**	**9,295**
Total net financial position	**12,157**	**214**	**11,943**

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)	30/06/2011	31/12/2010	Change
Employee severance indemnities	11,162	11,794	(632)
Employee pension funds	2,540	2,487	53
Directors severance indemnities	1,046	994	52
Other	43	43	-
Total	**14,791**	**15,318**	**(527)**

Employee severance indemnities

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

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

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

In accordance to IAS 19 Employment severance indemnities in the first half 2011 is summarized in the table below:

(thousand Euros)	
Balance at 31/12/2010	**11,794**
Service cost	736
Actuarial gain/loss	48
Interest cost	255
Indemnities paid during the year	(1,671)
Balance at 30/06/2011	**11,162**

Pension funds

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

Director's severance indemnities

This amount is related to Directors severance indemnities paid during the year. Change amounting to 52 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 2011.

NOTE 28 – Deferred tax liabilities

Deferred tax liabilities at June 30, 2011 amounted to 10,889 thousand Euros (7,663 at December 31, 2010) and are referred mainly to the fiscal effects arising from temporary differences deriving between statutory income and taxable income related to deferred tax items.

Deferred tax liabilities mainly include the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

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

NOTE 29 – Provisions

Provisions amounted to 17,101 thousand Euros (of which 12,557 thousand Euros non current).

Change in the first half 2011 is summarized in the table below.

(thousand Euros)	Balance at 31/12/2010	Accruals	Utilization	Write-off	Balance at 30/06/2011
Fidelity provisions	4,575	2,493	(3,310)	(55)	3,703
Other provisions	3,295	1,452	(2,449)	(30)	2,268
Provision for Motorola research center	13,469	-	(2,339)	-	11,130
Total	**21,339**	**3,945**	**(8,098)**	**(85)**	**17,101**

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

The 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 center* 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 to IAS 37. This provision will be used on the basis of the progression of the abovementioned research activities.

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

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

NOTE 30 - Trade payables

Trade payables as at June 30, 2011 amounted to 37,239 thousand Euros with a change of 926 thousand Euros compared to December 31, 2010.

Detail is as follows:

(thousand Euros)	30/06/2011	31/12/2010	Change
Domestic suppliers	36,860	34,800	2,060
Foreign suppliers	3,776	4,089	(313)
Advances to suppliers	(3,397)	(2,576)	(821)
Total	**37,239**	**36,313**	**926**

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

NOTE 31 - Other current liabilities

Other current liabilities as at June 30, 2011 amounted to 71,061 thousand Euros and with a decrease of 4,516 thousand Euros compared to December 31, 2010.

Details are provided below:

(thousand Euros)	30/06/2011	31/12/2010	Change
Income tax payable	16,095	12,195	3,900
VAT payable	1,311	2,633	(1,322)
Withholding tax and other	2,456	3,963	(1,507)
Total due to tax authorities	**19,862**	**18,791**	**1,071**
Social security payables	7,990	11,441	(3,451)
Other	798	1,063	(265)
Total due to social security authorities	**8,788**	**12,504**	**(3,716)**
Employee accruals	25,085	19,427	5,658
Other payables	13,808	18,861	(5,053)
Accrued expenses and deferred income	3,318	5,994	(2,676)
Total other payables	**42,211**	**44,282**	**(2,071)**
Total other payables and current liabilities	**71,061**	**75,577**	**(4,516)**

Due to tax authorities amounting to 19,862 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Other payables to social security authorities amounted to 8,788 thousand Euros and refer to amounts payable for employee and employer contributions.

Other payables at June 30, 2011 amounted to 42,211 thousand Euros and included:

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

NOTE 32 – Segment reporting

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

Economic figures

(thousand Euros)	Italy	%	Germany	%	UK	%	Intersegment	Total 1st half 2011	%
Revenues	**165,439**	**100.0**	**44,758**	**100.0**	**12,052**	**100.0**	**(3,433)**	**218,816**	**100.0**
Operating costs	(144,686)	(87.5)	(39,154)	(87.5)	(11,910)	(98.8)	3,433	(192,317)	(87.9)
Gross operating income	**20,753**	**12.5**	**5,604**	**12.5**	**142**	**1.2**	**-**	**26,499**	**12.1**
Amortization, depreciation and write-downs	(2,830)	(1.7)	(613)	(1.4)	(28)	(0.2)	-	(3,471)	(1.6)
Operating income	**17,923**	**10.8**	**4,991**	**11.2**	**114**	**0.9**	**-**	**23,028**	**10.5**

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

Financial figures

(thousand Euros)	30/06/2011					31/12/2010				
	Italy	Germany	UK	Interseg.	Total	Italy	Germany	UK	Interseg.	Total
Current operating assets	172,528	16,001	8,531	(3,331)	193,730	190,664	17,833	4,112	(1,718)	210,891
Current operating liabilities	(92,734)	(17,338)	(6,103)	3,331	(112,844)	(100,405)	(17,687)	(3,592)	3,209	(118,475)
Net working capital (A)	**79,793**	**(1,337)**	**2,429**	**-**	**80,886**	**90,259**	**145**	**521**	**1,491**	**92,416**
Non current assets	100,801	16,141	206	-	117,148	84,999	16,099	120	(1,491)	99,727
Non current liabilities	(56,923)	(6,235)	(379)	-	(63,537)	(47,395)	(6,138)	-	-	(53,533)
Net fixed assets (B)	**43,879**	**9,906**	**(173)**	**-**	**53,611**	**37,604**	**9,961**	**120**	**(1,491)**	**46,194**
Net invested capital (A+B)	**123,672**	**8,569**	**2,255**	**-**	**134,497**	**127,863**	**10,106**	**641**	**-**	**138,610**

Breakdown of employees per country is as follows:

Country	1st half 2011	1st half 2010	Change
Italy	2,637	2,519	118
Germany	534	460	74
UK	118	55	63
Total	**3,289**	**3,034**	**255**

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 the group companies with related parties are considered ordinary business and are carried out at normal market conditions.

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

Reply Group Main economic and financial transactions

(thousand Euros)

FINANCIAL TRANSACTIONS	30/06/2011	31/12/2010	NATURE OF TRANSACTION
Trade receivables and other	96	620	Receivables from professional services
Trade payables and other	513	1,771	Payables for professional services and office rental
Other payables	1,851	3,893	Payables to Directors, Key Management and Board of Statutory Auditors

ECONOMIC TRANSACTIONS	1st half 2011	1st half 2010	NATURE OF TRANSACTION
Revenues from professional services	38	105	Receivables from professional services
Services from Parent company and related parties	2,363	2,871	Services related to office rental and office of the secretary
Personnel	3,324	3,331	Emoluments to Directors and Key Management
Services and other costs	51	49	Emoluments to Statutory Auditors

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

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

NOTE 34 – Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

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

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

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

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

(iii) upon request of a Minority Shareholder, Reply shall acquire his shares in return for a cash consideration (8.19 Euros), within the term of three months after the date on which the commercial register of syskoplan has been announced in accordance with Sec 10 of the German Commercial Code (HGB);
It is to be noted that at present, in accordance to 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 his shares in return for a cash consideration, within the term of two months after the date on which the agreement has expired and notice has been given to the commercial register in accordance with Sec 10 of the German Commercial Code (HGB).

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

(i) annual dividend integration for a maximum amount of 441 thousand Euros;

(ii) obligation to acquire the Minority Shareholders’ shares for a maximum amount of 8.1 million Euros;

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

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

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 recognizes specific provision for this purpose.

NOTE 35 – Events subsequent to June 30, 2011

No significant events have occurred subsequent to June 30, 2011.

ANNEXED TABLES

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

(thousand Euros)	1st half 2011	Of which related parties	%	1st half 2010	Of which related parties	%
Revenues	218,816	38	0.0%	181,774	105	0.1%
Other revenues	2,398	-	0.0%	2,796	-	0.0%
Purchases	(4,367)	-	0.0%	(4,023)	-	0.0%
Personnel expenses	(110,482)	(3,324)	3.0%	(98,665)	(3,331)	3.4%
Services and other costs	(79,895)	(2,414)	3.0%	(59,947)	(2,920)	4.9%
Amortization and write-offs	(3,471)	-	0.0%	(3,070)	-	0.0%
Other non recurring income/(expenses)	29	-	0.0%	47	-	0.0%
Operating income	**23,028**			**18,912**		
Financial income/(expenses)	(481)	-	0.0%	(742)	-	0.0%
Result before tax of continuing operations	**22,547**			**18,170**		
Income taxes	(10,666)	-	0.0%	(8,322)	-	0.0%
Net result of continuing operations	**11,881**			**9,848**		
Profit/(loss) for the period attributable to non- controlling interest	(420)	-	0.0%	(509)	-	0.0%
Profit/(loss) for the period attributable to owners of the parent	**11,461**			**9,339**		

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

(thousand Euros)	30/06/2011	Of which related parties	%	31/12/2010	Of which related parties	%
Tangible fixed assets	8,533	-	0.0%	8,437	-	0.0%
Goodwill	89,032	-	0.0%	72,794	-	0.0%
Other intangible assets	6,460	-	0.0%	6,244	-	0.0%
Equity investments	24	-	0.0%	92	-	0.0%
Other financial assets	4,582	-	0.0%	4,814	-	0.0%
Deferred tax assets	9,723	-	0.0%	8,855	-	0.0%
Non current assets	**118,354**			**101,236**		
Inventories	19,091	-	0.0%	6,100		0.0%
Trade receivables	159,736	96	0.1%	189,145	620	0.3%
Other receivables and current assets	14,903	-	0.0%	15,646	-	0.0%
Financial assets	15	-	0.0%	81	-	0.0%
Cash and cash equivalents	53,142	-	0.0%	50,125	-	0.0%
Current assets	**246,887**			**261,097**		
TOTAL ASSETS	**365,241**			**362,333**		
Share capital	4,796	-	0.0%	4,796	-	0.0%
Other reserves	128,898	-	0.0%	112,330	-	0.0%
Net result	11,461	-	0.0%	20,367	-	0.0%
Group Shareholders' equity	**145,155**			**137,493**		
Non-controlling interest	1,499	-	0.0%	1,331	-	0.0%
TOTAL SHAREHOLDERS' EQUITY	**146,654**			**138,824**		
Payables to minority shareholders	25,300	-	0.0%	15,798	-	0.0%
Financial liabilities	13,788	-	0.0%	10,507	-	0.0%
Employee benefits	14,791	-	0.0%	15,318	-	0.0%
Deferred tax liabilities	10,889	-	0.0%	7,663	-	0.0%
Other provisions	12,557	-		14,754	-	
Non current liabilities	**77,325**			**64,040**		
Financial liabilities	28,418	-	0.0%	40,994	-	0.0%
Trade payables	37,239	513	1.4%	36,313	1,771	4.9%
Other payables and current liabilities	71,061	1,851	2.6%	75,577	3,893	5.2%
Other provisions	4,544	-	0.0%	6,585	-	0.0%
Current liabilities	**141,262**			**159,469**		
Total liabilities	**218,587**			**223,509**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**365,241**			**362,333**		

REPLY
COMPANIES INCLUDED IN CONSOLIDATION AT JUNE 30, 2011

Company name	Registered office		Share capital	Group interest
PARENT COMPANY				
Reply S.p.A.	Turin - Corso Francia, 110	€	4,795,886	-

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office		Share capital	Group interest
4cust Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
@logistics Reply S.r.l.	Turin - Corso Francia, 110	€	78,000	100.00%
Aktive Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Atlas Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Avantage (UK) Ltd (*)	London – UK	GBP	5,000	51.00%
Bitmama S.r.l.	Turin - Corso Francia, 110	€	29,407	51.00%
Blue Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Bridge Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	60.00%
Business Reply S.r.l.	Turin - Corso Francia, 110	€	78,000	100.00%
Cluster Reply S.r.l.	Turin - Corso Francia, 110	€	139,116	100.00%
Discovery Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
e*finance consulting Reply S.r.l.	Turin - Corso Francia, 110	€	34,000	100.00%
Ekip Reply S.r.l.	Turin - Corso Francia, 110	€	10,400	100.00%
EOS Reply S.r.l.	Turin - Corso Francia, 110	€	14,000	100.00%
Forge Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	90.00%
Hermes Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Hermes Reply Polska zo.o.	Katowice - Poland	Zlt	40,000	100.00%
IrisCube Reply S.p.A.	Turin - Corso Francia, 110	€	651,735	100.00%
Iriscube Reply SA	Savosa - Switzerland	CHF	100,000	100.00%
Lem Reply S.r.l.	Turin - Corso Francia, 110	€	47,370	100.00%
Live Reply GmbH	Düsseldorf - Germany	€	25,000	100.00%
Open Reply S.r.l.(*)	Turin - Corso Francia, 110	€	10,000	85.00%
Plus Reply S.r.l. (in liquidation)	Turin - Corso Francia, 110	€	10,000	100.00%
Power Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Reply Consulting S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte - Brazil	R$	50,000	100.00%
Reply Ltd.	London – UK	GBP	54,175	100.00%
Reply GmbH	Munich - Germany	€	25,000	100.00%

SUBSIDARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company name	Registered office		Share capital	Group interest
Reply Public Sector	Turin - Corso Francia, 110	€	47,000	100.00%
Reply Services S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Reply Services Ltd.	London – UK	GBP	1	100.00%
Riverland Solutions GmbH (*)	Munich - Germany	€	25,000	75.02%
Security Reply S.r.l.	Turin - Corso Francia, 110	€	50,000	100.00%
Square Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Santer Reply S.p.A.	Milano - Via Durando, 38	€	2,209,500	100.00%
Syskoplan AG and subsidiaries	Gutersloh - Germany	€	4,750,561	80.38%
Syskoplan Reply S.r.l.	Turin - Corso Francia, 110	€	32,942	100.00%
Sytel Reply S.r.l.	Turin - Corso Francia, 110	€	115,046	100.00%
Sytel Reply Roma S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Storm Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	80.00%
Target Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	100.00%
Technology Reply S.r.l.	Turin - Corso Francia, 110	€	79,743	100.00%
Tender Reply S.r.l. (*)	Turin - Corso Francia, 110	€	10,000	80.00%
Twice Reply S.r.l.	Turin - Corso Francia, 110	€	10,000	94.00%
Whitehall Reply S.r.l.	Turin - Corso Francia, 110	€	21,224	100.00%

SUBSIDIARIES VALUED AT COST

Company name	Registered office		Share capital	Group interest
NextNext S.r.l.	Turin - Corso Sommellier, 23	€	10,000	24.00%
Tach Controller S.r.l.	Rome – Viale delle Milizie, 138	€	65,000	35.00%

(*) For these companies an option exists for the acquisition of the minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting of such options reflects management's best estimate at the closing date.

Attestation of the Half-year condensed financial statements pursuant to Article 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, 2011.

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, 2011 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, 2011:

- 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 4, 2011

/s/ Mario Rizzante
Chief Executive Officer

Mario Rizzante

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

INDEPENDENT AUDITOR’S REPORT

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

To the Shareholders of
Reply S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in consolidated equity and the related explanatory notes, of Reply S.p.A. and its subsidiaries (the "Reply Group") as of June 30, 2011. Management of Reply S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

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

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 28, 2011 and on August 6, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Reply Group as of June 30, 2011 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 5, 2011

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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