



Living network

Interim management report
at March 31, 2011

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Corporate 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)}

Board of Statutory auditors

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

Independent auditors

Independent auditors	Reconta Ernst & Young S.p.A.
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¹ Directors not invested with operational proxy;

² Independent directors, according to the Corporate Governance code for listed companies;

³ Lead Independent Director.

Financial highlights (thousand Euros)

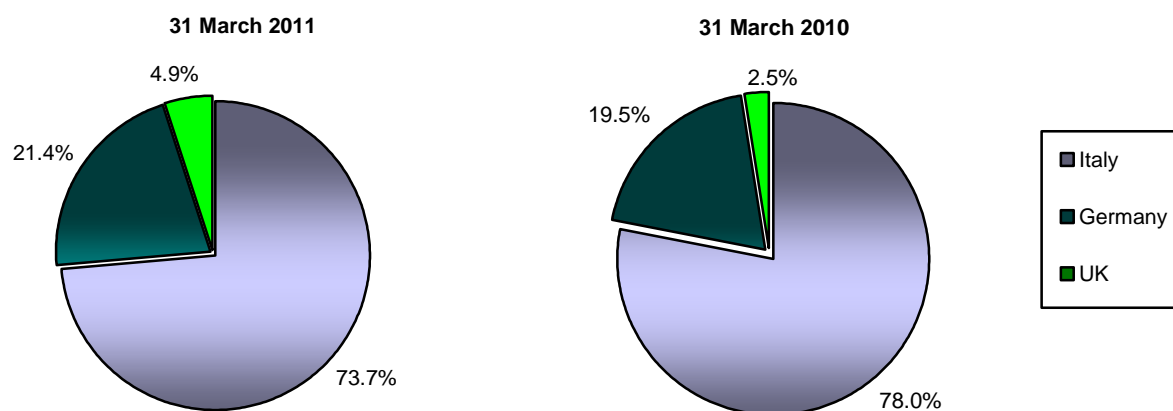
Economic figures	31 March 2011	%	31 March 2010	%
Revenues	106,198	100.0	86,413	100.0
Gross operating margin	12,423	11.7	9,587	11.1
Operating income	10,921	10.3	8,016	9.3
Result before taxes	10,586	10.0	7,619	8.8

	31 March 2011	31 March 2010
Investments	1,855	895

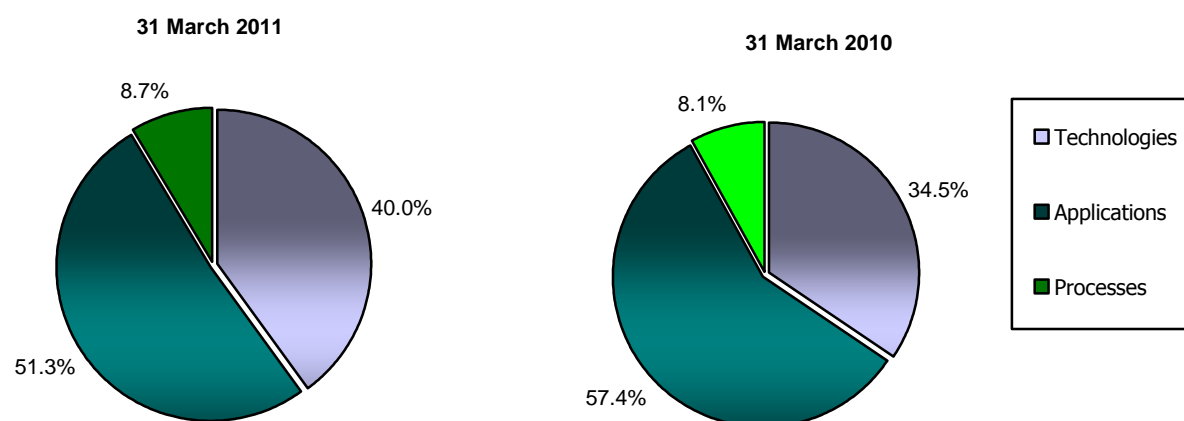
	31 March 2011	31 December 2010
Net financial position	12,904	214

	31 March 2011	31 March 2010
Number of employees	3,247	3,044

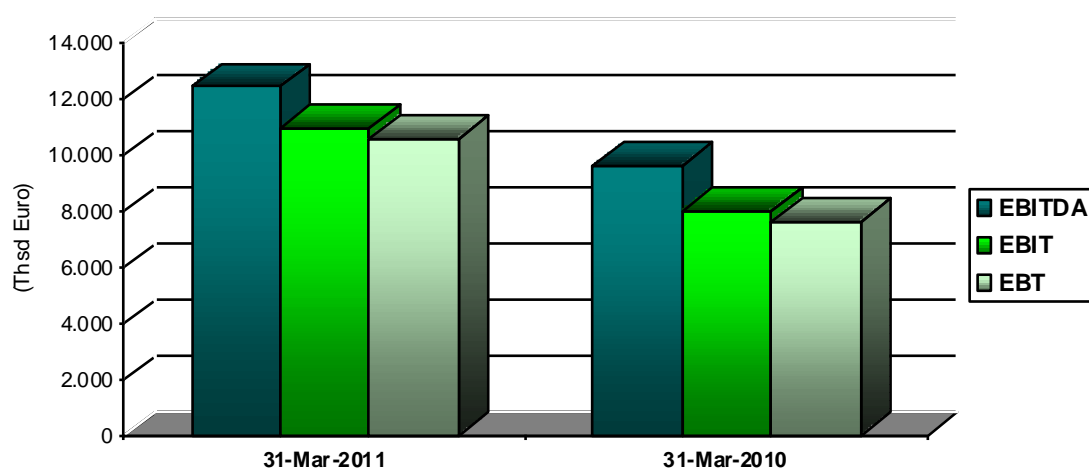
Revenues by geographical area



Revenues by business lines



Trend in profitability margins



Reply Living Network

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

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. In 2009, Reply revenue by market segments was as follows:

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.

Summary report of the first quarter 2011 and expected business developments

Since the beginning of 2011, the Group achieved consolidated sales of 106.2 million Euros, an increase of 22.9% when compared to 2010.

The first quarter of 2011 also registered significant improvements in margins, with consolidated EBITDA of 12.4 million Euros (+29.6%) and quarterly EBIT of 10.9 million Euros (+36.2%). Earnings before tax at 10.6 million Euros represents an increase of 38.9% when compared to the same period in 2010.

The Group's net financial position at 31 March 2010 is positive at 12.9 million Euros, a significant improvement in comparison with 31 December 2010 (0.2 million Euros).

Thanks to a strong orientation towards innovation and the recognized quality of its services, Reply has managed to obtain constant growth in all its principal areas of business, with extremely positive results, both in economic and financial terms, in every market where it is present.

The results achieved in 2011 are a confirmation of Reply's growth strategy, which has always been based on the ability to transform new technology into innovations which are relevant to our clients. In these first three months of the year, Reply has consolidated its leadership in areas such as Social Networking, Digital Media, Cloud Computing, Mobile Applications, mpayments, the Internet of Things and Business Intelligence, while developing its presence in the telco and media, energy, banking and financial services, manufacturing and logistics, retail and public administration markets.

Closing in growth in 2010 and a positive start to 2011 are solid foundations for Reply to become more and more the leading name in technology and consulting for businesses which view innovation and new business models as strategic levers for market competitiveness.

Consolidated financial statements and explanatory notes

Reply's performance is summarized in the following reclassified consolidated statement of income of the first quarter of 2011.

Reply Consolidated statement of income as at 31 March 2011

(thousand Euros)	Note	31 March 2011	%	31 March 2010	%
Revenues	4	106,198	100.0	86,413	100.0
Purchases	5	(1,909)	(1.8)	(2,188)	(2.5)
Personnel	6	(53,773)	(50.6)	(47,575)	(55.1)
Services and other expenses	7	(38,103)	(35.9)	(27,113)	(31.4)
Other unusual operating income/(expenses)	8	10	0.0	50	0.1
Operating costs		(93,775)	(88.3)	(76,826)	(88.9)
Gross operating margin		12,423	11.7	9,587	11.1
Amortization, depreciation and write-downs	9	(1,502)	(1.4)	(1,571)	(1.8)
Operating income		10,921	10.3	8,016	9.3
Financial income/(expenses)	10	(335)	(0.3)	(397)	(0.5)
RESULT BEFORE TAXES		10,586	10.0	7,619	8.8

_Reply Net financial position

The Group's net financial position as at 31 March 2011, analyzed by due date and with comparative figures as at 31 December 2010 is shown in the following statement:

(thousand Euros)	Note	31/03/2011	31/12/2010
Cash and cash equivalents, net		45,360	26,332
Current financial assets		66	647
Due to banks		(16,695)	(16,854)
Due to other providers of finance		(371)	(347)
Short term financial position	11	28,360	9,778
Non current financial assets		958	943
Due to banks		(16,088)	(10,323)
Due to providers of finance		(326)	(184)
M/L term financial position	11	(15,456)	(9,564)
Total net financial position		12,904	214

NOTE 1 – Accounting principles

The Interim Management Statements as at 31 March 2011, in relation to the first quarter of financial year 2011, pursuant to Art. 154-ter, paragraph 5 of Legislative Decree 24 February 1998, no. 58 as amended by Legislative Decree 195 of 6 November 2007.

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

The accounting policies applied in these financial statements are consistent with those adopted in preparing the annual report.

The preparation of the interim report requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities the financial statements reported herein. 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.

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

The values indicated in the accounting statements are expressed in thousands of Euros.

The Interim Management report as at 31 March 2011 was not subject to audit by Reply's Independent auditors, as allowed by existing laws.

NOTE 2 - Group activities

Reply is a Consulting, System Integration and Application Management company and leader in the design and implementation of solutions based on new communication channels and digital media. Reply, consisting of a network of specialized companies, provides applications to optimize corporate processes and develops innovative technology-based solutions to enable communication between customers, business partners and suppliers. Reply's activities are focused on the areas of Telecom & Media, Manufacturing, Finance and Public Administration.

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

NOTE 3 - Consolidation

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

The major changes compared to 31 March 2010 are related to:

- Riverland Solutions GmbH, a German company specialized in consultancy and system integration on Oracle Applications, acquired in the month of August 2010, of which Reply holds 75.016% of the share capital;
- Lem Reply S.r.l. based in Genoa and specialized in the logistic and mobility sector for the realization and improvement of innovative project was acquired at the end of October 2010 and Reply holds 100% of the share capital;
- advantage, an English company specialized in risk, treasury and capital management, and, financial performance management of which Reply, on February 4, 2011, acquired 51% of the shares and 90% of the voting rights.

NOTE 4 - Revenues

Revenues from sales and services, including change in work in progress, amounted to 106,198 thousand Euros (86,413 thousand Euros in the first quarter of 2010). Increase in revenues owing to change in consolidation amounts to 4,931 thousand Euros.

This item includes revenues generated from consulting activities, turn-key projects and assistance and maintenance services and other minor amounts.

The following table shows the percentage breakdown of revenues by geographic area, determined as the country in which the service is intended.

Country	1 st quarter 2011	1 st quarter 2010
Italy	73.7%	78.0%
Germany	21.4%	19.5%
UK	4.9%	2.5%
	100.0%	100.0%

The following table shows the percentage breakdown of revenues by business line:

	1 st quarter 2011	1 st quarter 2010
Technologies	40.0%	37.4%
Applications	51.3%	54.7%
Processes	8.7%	7.9%
	100.0%	100.0%

NOTE 5 - Purchases

Detail is as follows:

(thousand Euros)	1 st quarter 2011	1 st quarter 2010	Change
Software licenses for resale	1,167	1,292	(125)
Hardware for resale	22	224	(202)
Other	720	672	48
Total	1,909	2,188	(279)

The items “Software licenses for resale” and “Hardware licenses for resale” include change in inventory of software and hardware products for resale.

The item *Other* mainly includes costs incurred for fuel expenses amounting to 484 thousand Euros and the purchase of office material for 115 thousand Euros.

NOTE 6 - Personnel expenses

Increase in personnel expenses amounting to 6,198 thousand Euros owes to the overall increase of the Group’s business and to the increase of the number of employees.

Detail of personnel by category is provided below:

(number)	1 st quarter 2011	1 st quarter 2010	Change
Directors	249	239	10
Managers	484	455	29
Staff	2,514	2,350	164
Directors	3,247	3,044	203

Change in consolidation brought an increase of no. 108 employees to the Group.

NOTE 7 - Services and other costs

Services and other costs amounting to 38,103 thousand Euros (27,113 thousand Euros in the first quarter of 2010) comprised the following:

(thousand Euros)	1 st quarter 2011	1 st quarter 2010	Change
Commercial and technical consulting	22,259	13,291	8,968
Travelling and professional training expenses	4,936	4,582	354
Other service charges	6,220	4,991	1,229
Office charges	2,125	1,990	135
Rental and Leasing	1,612	1,542	70
Other	951	717	2334
Total	38,103	27,113	10,990

Change in *Services and other costs* amounted to 10,990 thousand Euros and is mainly due to the increase in the Group's activities.

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

NOTE 8 - Other non recurring operating income/(expenses)

Other non recurring operating income amounting to 10 thousand Euros is related to events falling out of the Group's ordinary course of business.

NOTE 9 - Amortization, depreciation and write-downs

Depreciation of tangible assets, amounting to 775 thousand Euros has been determined on a straight-line basis at economic-technical rates that reflect the useful lives of the asset.

Amortization of intangible assets as at 31 March 2011 amounted to 727 thousand Euros and is mainly related to:

- development charges capitalized according to IAS 38 (366 thousand Euros);
- software licenses used internally by the Group (195 thousand Euros);
- know how emerging from the allocation of goodwill 132 thousand Euros).

NOTE 10 - Financial income/(expenses)

Detail is as follows:

(thousand Euros)	1 st quarter 2011	1 st quarter 2010	Change
Financial gains	68	41	27
Interest expenses	(376)	(426)	50
Exchange rate differences	(27)	(12)	(15)
Total	(335)	(397)	62

The item *Financial gains* mainly includes interest on bank accounts.

Interest expenses mainly include the interest costs related to the use of the credit line for M&A operations.

NOTE 11 – Net financial position

The net financial position as at 31 March 2011 was positive for 12,904 thousand Euros with an improvement of 12,690 thousand Euros compared to 31 December 2010 owing to the cash flows generated by operating activities.

Due to banks, amounting to 32,783 thousand Euros is referred mainly to bank loans for M&A operations.

NOTE 12 – Events subsequent to March 31, 2011

No significant events have occurred subsequent to March 31, 2011.

NOTE 13 – Other information

The following is to be noted:

- Transactions among group companies are carried out at market prices and are eliminated during the consolidation process.
- Transactions carried out by the group companies with related are considered ordinary business and are carried out at normal market conditions.
- Pursuant to art. 150, 1 of the Italian Legislative Decree n. 58 of 24 February 1998, no transactions have been carried out by the members of the Board of Directors that might be in potential conflict of interests with the Company.

/s/ Mario Rizzante
For the Board of Directors
The Chairman

Mario Rizzante

_Declaration pursuant to Article 154-bis, paragraph 2 of legislative decree no. 58 of 24 February 1998, “Single text in matter of regulation of financial intermediation” and subsequent changes

The director responsible for preparing the Company's financial reports, Giuseppe Veneziano, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this interim management report at March 31, 2011 corresponds to the results documented in the books, accounting and other records of the company.

Turin, 12 May 2011

/f/ Giuseppe Veneziano
(Director responsible of
drafting financial statements)

Giuseppe Veneziano

[_Annexed tables](#)

REPLY

Companies included in consolidation as at 31 March 2011

Company name	Legal headquarters	Group interest
PARENT COMPANY		

Reply S.p.A.	Torino - Corso Francia, 110	-
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SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

4cust Reply S.r.l.	Turin - Corso Francia, 110	100.00%
@logistics Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Aktive Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Atlas Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Avantage (UK) Ltd (*)	London - 32 - 38 Dukes Place	51.00%
Bitmama S.r.l.	Turin - Corso Francia, 110	51.00%
Blue Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Bridge Reply S.r.l.	Turin - Corso Francia, 110	60.00%
Business Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Consorzio Reply Public Sector (ex Consorzio Whitehall Reply)	Turin - Corso Francia, 110	100.00%
Cluster Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Discovery Reply S.r.l.	Turin - Corso Francia, 110	100.00%
e*finance consulting Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Ekip Reply S.r.l.	Turin - Corso Francia, 110	100.00%
EOS Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Forge Reply S.r.l.	Turin - Corso Francia, 110	90.00%
Reply Ltd.	London – Old Bailey, 16	100.00%
Hermes Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Hermes Reply Polska zo.o.	Katowice - Poland	100.00%
IrisCube Reply S.p.A.	Turin - Corso Francia, 110	100.00%
IrisCube Reply SA	Savosa - Switzerland	100.00%
Lem Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Open Reply S.r.l.(*)	Turin - Corso Francia, 110	85.00%
Plus Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Power Reply S.r.l.(*)	Turin - Corso Francia, 110	85.00%
Reply Consulting S.r.l.	Turin - Corso Francia, 110	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte - Brazil	100.00%
Reply GmbH	Munich - Germany	100.00%
Reply Services S.r.l.	Turin - Corso Francia, 110	100.00%
Reply Services Ltd.	London – Old Bailey, 16	100.00%
Riverland Solutions GmbH (*)	Munich - Germany	75.02%

Security Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Square Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Santer Reply S.p.A.	Milan - Via Durando, 38	100.00%
Storm Reply S.r.l.	Turin - Corso Francia, 110	80.00%
Syskoplan AG and subsidiaries	Gutersloh, Germany	79.58%
Syskoplan Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Sytel Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Sytel Reply Roma S.r.l.	Turin - Corso Francia, 110	100.00%
Target Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Technology Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Tender Reply S.r.l. (*)	Turin - Corso Francia, 110	80.00%
Twice Reply S.r.l.	Turin - Corso Francia, 110	94.00%
Whitehall Reply S.r.l.	Turin - Corso Francia, 110	100.00%

ASSOCIATE COMPANIES

Company name	Legal headquarter	Group interest
NextNext S.r.l.	Turin - Corso Sommelier, 23	24.00%

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

Corporate Information

Legal headquarters

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Fax +39-011-7495416
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Corporate Data

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REA of Turin 938289

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