



Living network

Interim management report
at March 31, 2010

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The interim management report has been translated into English from the original version in Italian. In case of doubt the Italian version shall prevail.

_Corporate and controlling bodies

Board of Directors

Chairman and Chief Executive Officer	Mario Rizzante
Chief Executive Officers	Sergio Ingegnatti 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	Reconta Ernst & Young S.p.A. ⁽⁴⁾
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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;

⁴ Engagement conferred by the Shareholders' meeting held April 29, 2010.

_Financial highlights (thousand Euros)

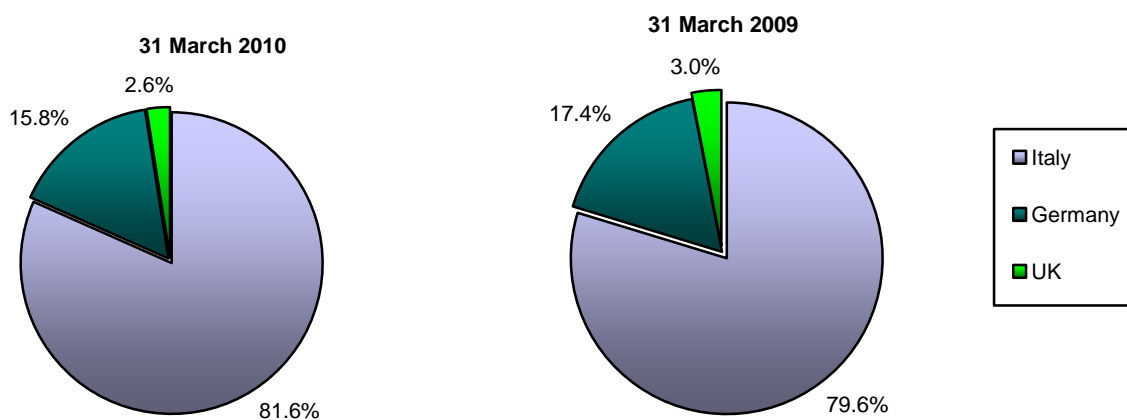
Economic figures	1st Q 2010	%	1st Q 2009	%
Revenues	86,413	100.0	84,298	100.0
Gross operating margin	9,587	11.1	10,731	12.7
Operating income	8,016	9.3	9,275	11.0
Result before taxes	7,619	8.8	8,840	10.5

	1st Q 2010	1st Q 2009
Investments	895	1,208

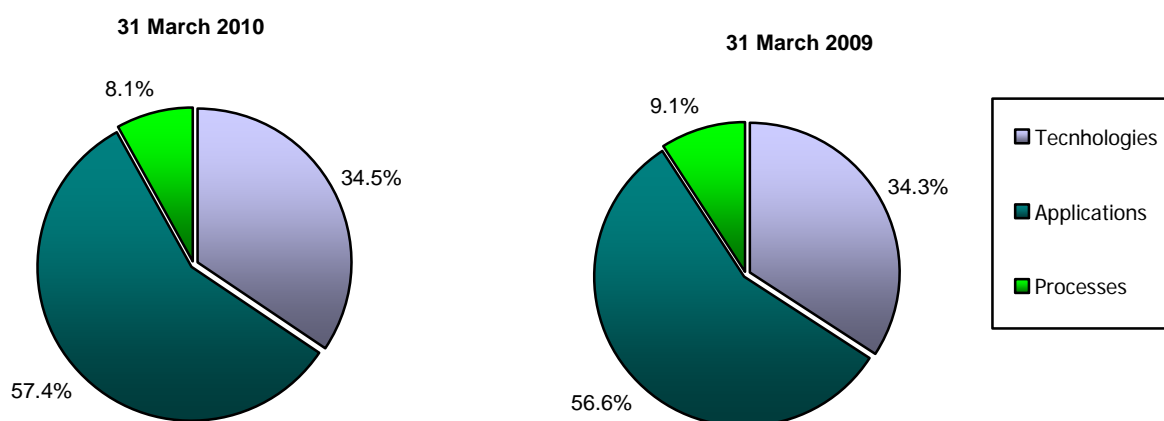
	31 March 2010	31 December 2009
Net financial position	(5,093)	(10,500)

	31 March 2010	31 March 2009
Number of employees	3,044	3,046

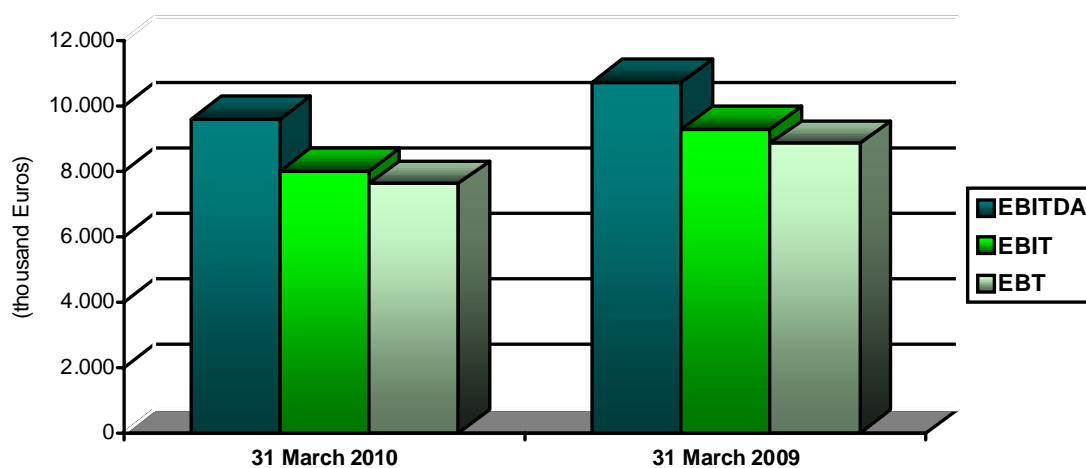
Revenues by geographical area



Revenues by business lines



Trend in profitability margins



Reply Living Network

Reply is specialized in consultancy, projecting and implementing new solutions based on new communication networks and digital media. Today Reply is one of the Italian leaders operating in the Information and Communication Technology segments.

Reply integrates culture, competence and pro-activeness with vertical focus by applying new paradigms and new information and communication technologies to excel in building innovative and effective solutions.

The business model

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

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

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

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

Reply services include:

Consultancy – strategic, communication, process and technology consultancy.

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

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

MARKET FOCUS

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

Telco & Media

In recent years, the Telecommunications market has been characterized by a rapid transformation from connectivity providers to digital content and innovative service providers. The major players in this sector invested great amounts in new value-added services, made possible by the technological evolution of devices (ex. Smartphone, PDA, e-book, STB multichannel), by the use of new generation networks (NGN) and by the development and wide spreading of Social Networks, which has become the new “media” of today’s generation.

In this great scenario of discontinuity, Reply is able to anticipate the new evolution and the market by joining technological knowledge skills with operating process skills and business in the two main segments: BSS/OSS and Value Added Services.

With regards to Business Support Systems (BSS) and Operation Support Systems (OSS), areas characterized by a constant request on operating cost containment without influencing quality and “time-to-market” services of the supply chain “sell2cash”, Reply, thanks to consolidated experience in SOA models, provides its clients with process and service integration activities, exploiting the usability of SW components and structuring managed services applications with IT Governance instruments and ITIL V.3 operating models which are able to guarantee effectiveness and efficiency of the processes.

The high diffusion of last generation devices, supported by players like Apple and Google, along with the exponential increase of Social Networks and User Generated Contents has led to an actual convergence between diffusion channels and Added value services especially for the Web, TV and Mobile.

By means of an integrated consulting, communication and creativity supply, Reply devises contents and enables innovative services harnessing all the potential of new digital channels. A new example is the Digital Store, which is able to offer through channel-independent user experience, digital contents which are always available and accessible through high quality formats, on PC, TV and in mobiles.

With regards to the Media and Broadcaster market, it has witnessed a precise change in investment strategy in favor of multichannel and the Web. As a consequence Media Companies redefined the business models which, today are mainly based on the increase of distribution channels and personalization of Thematic Channels or VOD. In this scenario, where both technological components and “time to market” are essential factors in the new media value chain, Reply, thanks to the experience matured in Telecommunications and Industry works with some of the principal players in this sector in relation to the planning and implementing of SOA platforms to support production processes and content distribution.

Banking, Insurance and Financial companies

Reply cooperates with major Banking Institutions and Insurance Companies in the identification and implementation of solutions combining core process optimization with a substantial improvement in information asset efficiency. In particular, Reply operates in defining “end to end strategies and solutions, integrating, in a flexible method, various components and making. 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 consultancy, process, development, application and technology.

Reply assists clients in areas defined as “mission critical” where a high percentage of innovation is needed. Examples are all areas connected to multichannel networks as CRM innovative solutions and segment orientated marketing, advanced platforms for mobile marketing and on-line trading, development of innovative digital products, new generation of internet banking sites, the transformation of call centers in new generation contact centers at a technological and organizational level and the development of multichannel portals.

With regards to solutions for Wealth management, Reply has defined an articulated range of offers both for distribution network support (promoters, private bankers, affluent managers) and for investment management and risk control of company Asset Management.

For most banks a very critical and rapidly growing issue is credit; Reply’s offer on one hand is concentrated on the new generation monitoring systems and risk control and on the other on integrated solutions for consumer credit and retail loans.

Reply also assists clients in constructing evolutionary strategies based on new technologies (SOA, Cloud Computing, SaaS) with the aim of reducing costs, and at the same time improving flexibility and “time to market”.

Industry and Services

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

- **Customer relationship management** – Reply is specialized in defining CRM solutions as a means of support Marketing, sales and Customer Service.
- **Logistics and distribution** - Reply helps its customers integrate operating partners, designing optimized Supply Chain Execution models in Warehouse Management, Transportation Management, Planning and Inventory components.
- **Production systems** – Meeting market needs quicker and quicker with products that are often customer-defined requires production systems capable of speeding up adaptation to product features that are less and less predictable and more and more variable. For Reply this means re-thinking the systems governing production under a real-time perspective, increasingly aligning them to extended enterprise model paradigms.

Energy & Utilities

Following the regulatory evolution and the progressive tendency towards renewable sources of energy and growing competition, the operators of the Energy and Utilities segment have, in the last years, undertaken strategic initiatives on process and technology innovation, more specifically in the energy and gas distribution areas.

Reply has defined a set of specific offers regarding the main industry's vertical areas to support and assist Retailers and Distribution Companies in relation to change and operational, organizational and technological alignment.

Reply not only has continuously consolidated its capacity in designing models and creating application solutions in the main processes of CRM and Billing in the Utilities market, but also works with the main European Energy providers in implementing solutions in Pricing, Forecasting and Meter Data Management.

The remote meter data management sector, thanks to the experience gained in Italy, has become best practice on a worldwide level and Reply is committed on major European markets in projects adopting Smart Metering and Meter Data Management technologies.

Public Administration

Consultancy ability and technology domain represent an essential factor to achieve strategic objectives set out by the Public Administrations.

In this scenario, Reply one of the main qualified partners, uses its knowhow and experience to accompany Central and Local Public Administration in this phase of transition towards innovation.

Reply's offer, responds to the needs of a "new" Public Administration on different levels:

- **Context/process** –supporting strategic planning and reorganization of front and back office processes;
- **Skilled infrastructures** – in fields which manage registry office, cooperative application, organization and retrieval of information, social networking and security;
- **Technology** – through planning and implementing solutions which are able to guarantee efficiency and operating flexibility.

Summary report of the first quarter 2010 and expected business developments

In the first quarter, the Reply Group recorded a consolidated turnover of 86.4 million Euros, an increase on the figures recorded for 2009.

The consolidated EBITDA for the period was 9.6 million Euros (11.1% of turnover), with an EBIT of 8.0 million Euros (9.3% of turnover).

Earnings before taxes were 7.6 million Euros (8.8% of turnover).

In 2009, Reply reported a consolidated turnover of 84.3 million Euros for the same period, with an EBITDA of 10.7 million Euros, an EBIT of 9.3 million Euros, and pre-tax earnings of 8.8 million Euros.

The Group's net financial position at 31 March 2010 is negative at 5.1 million Euros, a significant improvement in comparison with 31 December 2009, when the negative value was at 10.5 million Euros.

In an economic context which continues to be challenging and uncertain Reply has succeeded in achieving steady growth in its principal areas of activity, thanks to a strong orientation towards innovation and recognition of the quality of its services. Reply has achieved positive results, both in economic and financial terms, in all markets it has a presence.

In these first months of the year, Reply has significantly invested in R&D in Italy for the development of platforms and applications for Cloud Computing, Internet of Things and Machine to Machine, all through the activities of Concept Reply, the former research lab of Motorola.

In Germany, steps have been taken to strengthen Reply's organization and presence, with the conclusion of a Domination Agreement, which must be approved by the Shareholders' Meeting of syskoplan on May 28.

Finally, in UK, continuing the successful Group model, Reply has set up the operations of three specialized companies: Sytel Reply for Telco & Media, Open Reply for Open Source and Mobility, and @logistics Reply for supply chain execution.

The reported growth at the close of 2009, and the 2010 start are solid bases on which Reply intends to develop. Reply's objective is to make the Group an ever-growing point of reference, from both a technological and consulting perspective, for companies that see innovation and new business models as strategic levers for competing in the market."

_Consolidated financial statements and explanatory notes

Reply's performance is summarized in the following reclassified consolidated statement of income of the first quarter of 2010.

_Reply Consolidated statement of income as at 31 March 2010

(thousand Euros)	Note	1 st quarter 2010	%	1 st quarter 2009	%
Revenues	4	86,413	100.0	84,298	100.0
Purchases	5	(2,188)	(2.5)	(2,561)	(3.0)
Personnel	6	(47,575)	(55.1)	(43,136)	(51.2)
Services and other expenses	7	(28,166)	(32.6)	(27,652)	(32.8)
Other unusual operating income/(expenses)	8	1,103	1.3	(218)	(0.3)
Operating costs		(76,826)	(88.9)	(73,567)	(87.3)
Gross operating margin		9,587	11.1	10,731	12.7
Amortisation, depreciation and write-downs	9	(1,571)	(1.8)	(1,456)	(1.7)
Operating income		8,016	9.3	9,275	11.0
Financial income/(expenses)	10	(397)	(0.5)	(435)	(0.5)
RESULT BEFORE TAXES		7,619	8.8	8,840	10.5

Reply Net financial position

The Group's net financial position as at 31 March 2010, analyzed by due date and with comparative figures as at 31 December 2009 is shown in the following statement:

(thousand Euros)	Note	31/03/2010	31/12/2009
Bank and cash on hand		40,944	33,163
Due to banks		(23,665)	(21,037)
Due to other providers of finance		(464)	(600)
Short term financial position	11	16,815	11,526
Other non current financial receivables		871	804
Due to banks		(22,177)	(22,223)
Due to providers of finance		(602)	(607)
M/L term financial position	11	(21,908)	(22,026)
Total net financial position		(5,093)	(10,500)

NOTE 1 – Accounting principles

The Interim Management Statements as at 31 March 2010, in relation to the first quarter of financial year 2010, 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 2009 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 principle changes compared to 31 March 2009 are related to:

- Merger of TestaWeb EDV in Aware Reply living life to the new company Bitmama S.r.l. and in which Reply holds 51% of the share capital;
- Consortium Whitehall Reply, a non-profit organization which manages bids with the Public Administration. The association is composed by Reply S.p.A., Santer Reply S.p.A. and Whitehall Reply S.r.l.
- Tender Reply S.r.l. established in December 2009, in which reply S.p.A holds 80% of the share capital. Tender Reply S.r.l. operates in the transportation sector.
- Bridge Reply S.r.l. established in the month of February 2010 in which reply S.p.A holds 60% of the share capital. The company carries out elaboration services related to administration and personnel management.

NOTE 4 - Revenues

Revenues from sales and services, including change in work in progress, amounted to 86,413 thousand Euros.

The following table shows the percentage breakdown of revenues by geographic area, determined as

Country	1 st quarter 2010	1 st quarter 2009
Italy	81.6%	79.6%
Germany	15.8%	17.4%
UK	2.6%	3.0%
	100.0%	100.0%

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

	1 st quarter 2010	1 st quarter 2009
Technologies	37.4%	34.3%
Applications	54.7%	56.6%
Processes	7.9%	9.1%
	100.0%	100.0%

NOTE 5 - Purchases

Detail is as follows:

(thousand Euros)	1st quarter 2010	1st quarter 2009	Change
Software licenses for resale	1,292	1,629	(337)
Hardware for resale	224	350	(126)
Other	672	582	90
Total	2,188	2,561	(373)

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

NOTE 6 - Personnel expenses

Personnel expenses in the first quarter of 2010 amounted to 47,575 thousand Euros with an increase of 4,439 thousand Euros.

Detail of personnel by category is provided below:

(number)	1st quarter 2010	1st quarter 2009	Change
Directors	239	213	26
Managers	455	447	8
Staff	2,350	2,386	(36)
Total	3,044	3,046	(2)

NOTE 7 - Services and other costs

Services and other costs amounting to 28,166 thousand Euros comprised the following:

(thousand Euros)	1 st quarter 2010	1 st quarter 2009	Change
Commercial and technical consulting	13,291	13,209	82
Travelling and professional training expenses	4,582	4,218	364
Miscellaneous services	6,044	5,273	771
Office charges	1,990	2,044	(54)
Rental and Leasing	1,542	1,699	(157)
Other	717	1,209	(492)
Total	28,166	27,652	514

Office expenses include charges from related parties in connection to service contracts for the use of premises and centralized secretarial services amounting to 1,390 thousand Euros.

NOTE 8 - Other unusual operating income/(expenses)

Other unusual operating expenses amounting to 1,103 thousand Euros are 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 956 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 2010 amounted to 615 thousand Euros and is mainly related to:

- development charges capitalized according to IAS 38;
- software licenses used internally by the Group;
- know how emerging from the allocation of goodwill.

NOTE 10 - Financial income/(expenses)

Detail is as follows:

(thousand Euros)	1 st quarter 2010	1 st quarter 2009	Change
Financial gains	41	166	(125)
Interest expenses	(426)	(631)	205
Exchange rate differences	(12)	30	(42)
Total	(397)	(435)	38

The item *Financial gains* mainly includes interest on bank accounts and is influenced by the interest rate market trends.

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 2010 was negative for 5,093 thousand Euros with an improvement of 5,407 thousand Euros compared to 31 December 2009 owing to the cash flows generated by operating activities.

Due to banks is referred to the partial utilization (37,798 thousand Euros) of the credit facility undersigned for M&A operations.

NOTE 12 – Events subsequent to March 31, 2010

No significant events have occurred subsequent to March 31, 2010.

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 parties that as of the reporting date are the parent company Alike S.r.l., 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.

For the Board of Directors
The Chairman
Mario Rizzante

A handwritten signature in black ink, appearing to read "M. Rizzante", written in a cursive style.

_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, 2010 corresponds to the results documented in the books, accounting and other records of the company.

Turin, 13 May 2010

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

Giuseppe Veneziano

[_Annexed tables](#)

REPLY

Companies included in consolidation as at 31 March 2010

Company	Legal headquarters	Group interest
PARENT COMPANY		
Reply S.p.A.	Torino - Corso Francia, 110	-
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS		
4cust Reply S.r.l.	Torino - Corso Francia, 110	80.00%
@logistics Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Aktive Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Atlas Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Bitmama S.r.l.	Torino - Corso Francia, 110	51.00%
Blue Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Bridge Reply S.r.l.	Torino - Corso Francia, 110	60.00%
Business Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Cluster Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Discovery Reply S.r.l.	Torino - Corso Francia, 110	100.00%
e*finance consulting Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Ekip S.r.l.	Torino - Corso Francia, 110	100.00%
EOS Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Glue Reply Ltd.	London – Old Baily, 16	100.00%
Hermes Reply S.r.l.	Torino - Corso Francia, 110	100.00%
IrisCube Reply S.p.A.	Torino - Corso Francia, 110	100.00%
Iriscube SA	Savosa - Switzerland	100.00%
Open Reply S.r.l.	Torino - Corso Francia, 110	85.00%
Plus Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Power Reply S.r.l.	Torino - Corso Francia, 110	85.00%
Reply Consulting S.r.l.	Torino - Corso Francia, 110	100.00%
Reply Services S.r.l.	Torino - Corso Francia, 110	100.00%
Security Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Square Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Santer Reply S.p.A.	Milano - via Durando, 38	100.00%
Syskoplan Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Syskoplan AG and subsidiaries	Gutersloh, Germany	79.31%
Sytel Reply GmbH	Düsseldorf, Germany	100.00%
Sytel Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Target Reply S.r.l.	Torino - Corso Francia, 110	80.00%
Technology Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Tender Reply S.r.l.	Torino - Corso Francia, 110	80.00%
Twice Reply S.r.l.	Torino - Corso Francia, 110	94.00%
Whitehall Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Consorzio Whitehall Reply	Torino - Corso Francia, 110	100.00%

Corporate Information

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Corporate Data

Share capital: Euro 4,795,885.64 i.v.
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REA of Turin 938289

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