



**Interim** management report  
at September 30, 2012

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*This Interim management report has been translated into English from the original Italian version, 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 Officer	Tatiana Rizzante
Executive Directors	Daniele Angelucci Claudio Bombonato Oscar Pepino Filippo Rizzante Fausto Forti <sup>(1) (2) (3)</sup> Marco Mezzalama <sup>(1)(2)</sup> Carlo Alberto Carnevale Maffè <sup>(1) (2)</sup>

### Board of Statutory Auditors

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

### Independent auditors

Reconta Ernst & Young S.p.A.

<sup>1</sup> Directors not invested with operational proxy;

<sup>2</sup> Independent directors, according to the Corporate Governance code for listed companies;

<sup>3</sup> Lead Independent Director.

## Financial highlights (thousand Euros)

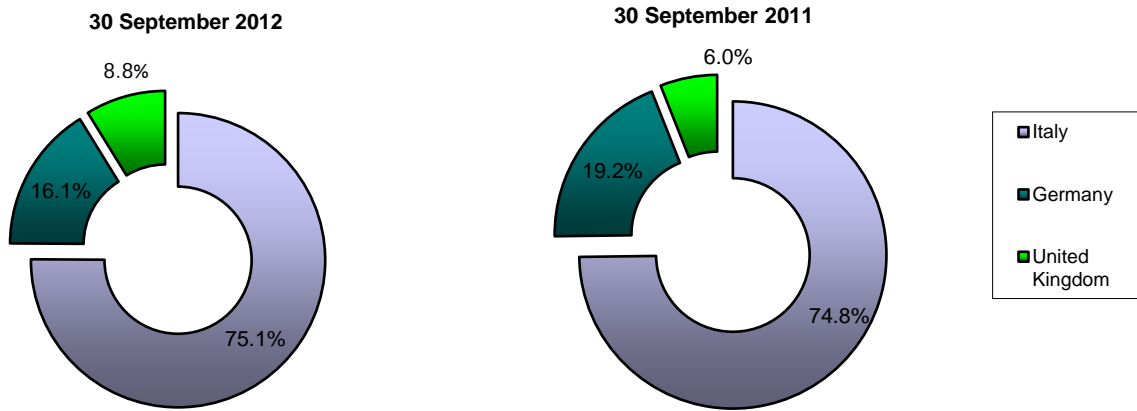
Q3 2012	%	Q3 2011	%	Economic figures	30 September 2012	%	30 September 2011	%
117,193	100.0	103,698	100.0	Revenues	361,363	100.0	322,514	100.0
13,600	11.6	12,479	12.0	Gross operating margin	44,324	12.3	38,978	12.1
11,876	10.1	11,140	10.7	Operating income	39,462	10.9	34,168	10.6
11,674	10.0	10,398	10.0	Result before taxes	38,488	10.7	32,945	10.2

Q3 2012	Q3 2011		30 September 2012	30 September 2011
1,482	2,545	Investimenti	6,197	6,273

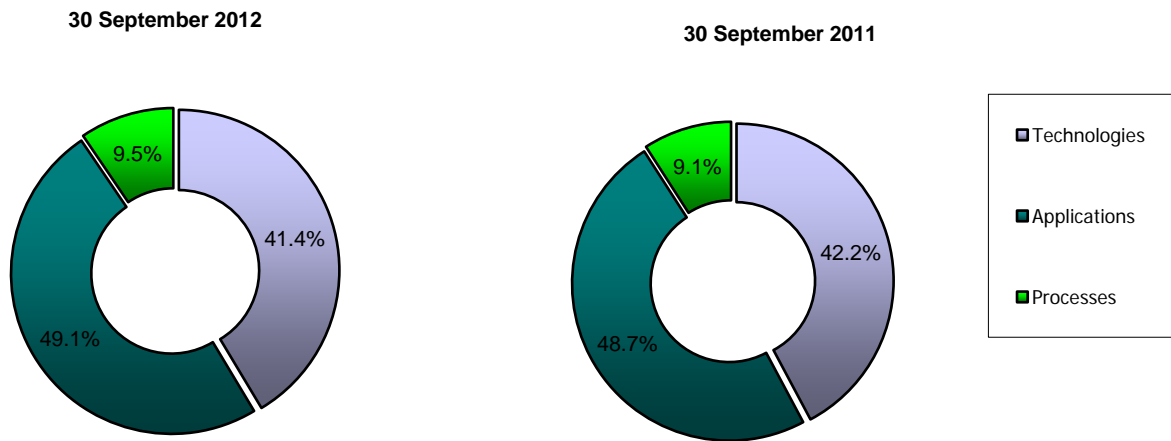
	30 September 2012	30 June 2012	31 December 2011
Net financial position	(982)	(17,683)	(16,714)

	30 September 2012	31 December 2011	30 September 2011
Number of employees	3,670	3,422	3,303

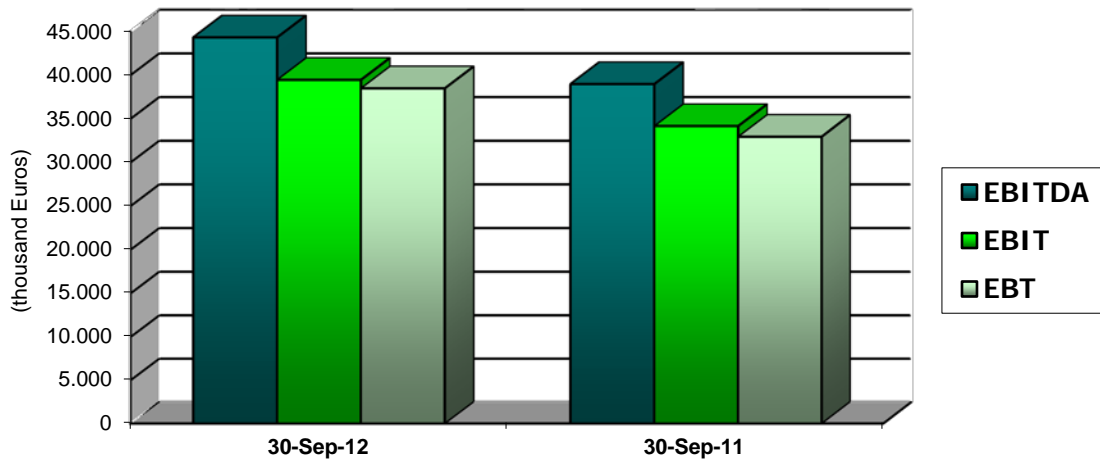
### Revenue by geographic area



### Revenue by business lines



### Margin trends



## The Reply Living Network

Reply provides consulting, systems integration, application management and business process outsourcing services, with an emphasis on the design and implementation of solutions for the new communication channels and digital media.

Through its network of specialist companies (the Reply Living Network), Reply is helping some of Europe's leading industrial groups to define and develop business models enabled by new technology and communication-based paradigms (such as social networking, cloud computing and the Internet of Things). With these techniques, organizations are able to optimize and integrate processes, applications and devices.

### **Organizational** model

Reply operates as a network composed of individual companies, each of which specializes in specific processes, applications and technologies, and represents a centre of excellence in its respective field of expertise.

**Processes** – for Reply, understanding and using technologies means introducing a new enabling factor into processes, as a result of in-depth knowledge of the market and of the specific industrial implementation contexts.

**Applications** – Reply designs and implements application solutions aimed at meeting the core business needs of enterprises.

**Technologies** – Reply optimizes the use of innovative technologies to create solutions that ensure customers benefit from maximum operational efficiency and flexibility.

The range of services offered by Reply includes:

**Consulting** – strategic, communications, process and technology;

**Systems Integration** – taking technology to the highest level, by combining business consulting with high value-added and innovative technology solutions;

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

## Market focus

In each of its selected market segments, Reply combines sector skills with a lengthy experience as a service provider and in delivering a wide range of advanced technologies.

### Telco and Media

Reply is one of the leading technology partners selected by companies in the telecommunications and media market; a sector characterized over the last few years by the rapid transformation of operators from connectivity suppliers to providers of innovative services and digital content.

Reply is supporting these operators as they undergo process and service integration across two key fields: business support systems (BSS) and operation support systems (OSS).

Reply has developed methods and processes to specifically help companies to deal with the 'fixed-mobile' convergence issues (which mainly affect CRM and billing systems), via developments to existing systems, or with the implementation of new integrated systems. Reply has expanded its skills in this area to cover next-generation LTE network and IPv6 requirements.

As a result of its range of integrated consulting, communication and creative services, based on the latest technologies, Reply works with Telco and Media companies to conceive, develop and manage value-added services and applications, designed specifically for latest-generation devices such as smart phones and tablets, to enhance the user experience and facilitate social networking.

### Banking, Insurance and Finance Institutions

Reply is working with leading banking and insurance companies to deliver innovative solutions addressing key company activities. These projects have involved taking a fresh, in-depth, review of business models, company procedures and the underlying technology platforms.

Examples include:

- Multichannel retailing: CRM and segment-oriented marketing solutions; advanced mobile banking and online trading platforms; innovative digital product development; web marketing; the development of a new generation of call centers; and the digitalization of processes.
- Wealth management: support for specialists in the field by providing tailored solutions for asset management factories and distribution networks.
- Credit, compliance and risk management: Reply has experience in Italy and in Europe, in delivering ground-breaking solutions (which can be applied to both processes and systems) for the allocation of retail credit (mortgages and consumer credit); the creation of business models and systems which measure and control the various types of risk; and the design and implementation of the relevant data systems.

## Manufacturing and Retail

Reply works with organizations to transform and improve the management of their IT systems and is involved at all stages from the strategic design, to the conception and redefinition of core processes and the implementation of solutions to ensure that applications are integrated within the extended company.

Reply's services, consulting and the development of products have focused on the following main areas in particular:

- Processes and applications for customer relationship management (CRM);
- Support for supplier relationship management (SRM) and procurement processes;
- Design of manufacturing execution systems (MES);
- Supply chain management (SCM) for the distribution and movement of goods through complex logistics networks.

A depth of experience in working with these core processes is underpinned by solid expertise in budget and management control models. In practice, this involves implementing business performance management (BPM) applications.

For the retail sector, Reply offers tailored products, designed to improve operating efficiency and enhance the customer experience. It does this by fusing ecommerce and multichannel consulting with the design and development of solutions that integrate web, mobile; call centre and in-store platforms.

## Energy and Utilities

In recent years, the energy and utilities sector has faced increased competition and deregulation as a result of new EC legislation which effectively split the distribution and sales processes. These developments have helped to heighten interest from investors who, driven by increased pressure on revenues and profit margins as well as the need to continuously provide higher service and safety levels, are increasingly regarding ICT as a means of giving their companies a competitive edge.

Reply supports gas and electricity sales and distribution companies as they implement the operational, organizational and technology changes needed to comply with the new legislation that is driving the move to renewable sources and to compete in the free market.

Reply provides advanced, real-time billing and energy management solutions, designed specifically for the utilities market and carried out in collaboration with leading energy companies, within projects focusing on pricing, forecasting, smart metering and meter data management.

## Government and Defence

The requirement within Italy to improve the quality of public services and meet public spending targets, means that the Public Administration has to re-engineer front- and back-office processes and tools. This can be achieved by redesigning infrastructures to achieve greater operational efficiency and flexibility.

Reply is able to transfer experience gained by working with more advanced on-line services to benefit central/local government and the health sectors. It achieves this by 'verticalizing' applications and skills to generate specific solutions that will manage the relationship between the public and businesses.

In the United Kingdom, Reply works with a number of government organizations, including the Ministry of Defence (MoD), whose logistics capabilities it has helped to transform through the implementation of reusable IT architectures, the introduction of software-as-a-service (SaaS), and the delivery of a marked improvement in data management.



## Technological innovation

Technological innovation is at the heart of Reply's business. To succeed in its objective of providing clients with the tools necessary to increase flexibility and efficiency, Reply must constantly seek out, select and promote the innovative solutions that will support and add value to organizations.

### Cloud Computing

Cloud computing is currently perceived by the market as a strategic lever to boost competitiveness and improve company standing. In response to this demand, Reply offers a full range of services: consulting; support in selecting the Cloud model best suited to company needs; the deployment and integration of custom platforms and applications; and easy-to-measure maintenance and management services available on a 'pay as you go' basis.

Reply's cloud computing model is built around four core elements:

- Consulting support (from the process itself through to its operational management) to help customers to understand, choose and develop the best technology and application solutions;
- Reply's own proprietary platform to help organizations to rapidly implement new service provision methods: the Enterprise Private Cloud;
- An end-to-end service provider, backed by partnerships with leading global vendors, including Amazon, Google, Microsoft, Oracle and Salesforce, so customers benefit from solutions tailored to their specific needs, in terms of the model type and technology adopted;
- SaaS services and solutions based on Reply's proprietary application platforms (TamTamy, SideUp Reply, Gaia Reply and Discovery Reply).

### Internet of Things

As telco, media and consumer electronics converge, objects which until now have been totally unconnected are increasingly being considered as 'network devices': electrical appliances, controllers for integrated home automation systems, and so on.

Machine-to-machine (M2M) communication is the basic building block of the Internet of Things. Leading analysts expect the M2M market in Europe to grow by 15% per year between 2012 and 2015, with global value expected to top 213 billion Euros by the end of 2013. The gradual linking up, not only of computers and devices, but also a vast array of material objects, will be one of the biggest developments of the next few years, creating a network that will be increasingly pervasive in and integrated with our daily lives.

The Internet of Things will be applied in many different fields, from industrial applications (production processes), logistics and info-mobility, through to energy efficiency, remote assistance and environmental protection.

Reply released HI ReplyTM, a platform of services, devices and middleware on which specific vertical applications can be based: advanced logistics, environmental safety, contactless payment and product traceability, for instance. HI ReplyTM was designed and engineered by Reply's Internet of Things research and development centre, which was established at the beginning of 2009 following Reply's acquisition of the Motorola Research Centre in Turin.

## CRM

The increasing integration with new communication technologies, especially mobile communications, 'social' participation and collaboration trends, and the spread of 'multichannel' are key to the creation of CRM solutions that deliver real value.

Companies must now identify and implement a communication strategy that is 'peer-to-peer', rather than 'one-to-many'; an approach based on what drives their clients as well as on the factors which distinguish the company itself.

As a result, Reply has defined the organizational processes and models which, when applied, will ensure an appropriate and efficient level of integration between the framework of the CRM solutions proposed and the existing company structures.

Reply is also helping an increasing number of clients to define CRM system principles, review processes and create CRM technology structures and solutions, by applying the systems to manage their respective operational and organizational processes on an end-to-end basis.

And Reply has identified new techniques and methods which can be used to engage end users, with a view to improving customer loyalty and strengthening the customer relationship itself. 'Gamification' techniques are used in this process.

Thanks to Reply's lengthy experience in markets where end-to-end assistance is a key component of the CRM framework, it is able to integrate sophisticated reporting management models, based on the main technologies available (such as Oracle, Microsoft, Salesforce, SAP and other best-of-breed solutions).

## Business Intelligence and Big Data

Reporting and business intelligence systems continue to be a priority expenditure item in IT budgets, ranking between first and third place among the investment priorities for CTOs, according to leading analysts in Western Europe.

Reply is a market leader in the design and development of business intelligence, data warehouse and corporate performance management solutions.

Its range of services in this area continues to evolve, as with the acquisition of Big Data technology in the enhancing Reply's customer analytics expertise for the retail and consumer sectors.

And in response to market developments in the insurance sector, Reply has acquired additional expertise in the development of business intelligence systems for risk management and, more specifically, for compliance with the Solvency II Directive.

## Social Media

The increasingly pervasive nature of the social media as a channel of communication, information and interaction between people has given rise to new opportunities for companies to use such media both internally and externally, building on the participation of employees, customers (business-to-consumer) and other stakeholders (business-to-business).

The creation of social networks and professional communities is intended to encourage new forms of collaboration, identify talent and boost innovation, while enabling unstructured knowledge to emerge through tools such as wikis, blogs, forums, bookmarking, multimedia content sharing, idea generations, RSS feeds, and so on.

In addition to specific solutions aimed at maximizing user and stakeholder participation (social engagement) and using tools to monitor and engage conversation and interaction within communities (social listening), Reply bases its range of corporate social networking products on its own TamTamy™ platform, available in 'on-premises' mode or through cloud computing.

Reply has created a special range of 'crowdsourcing' solutions based on Starbytes™. These targeted businesses interested in outsourcing the development of projects, services or products to 'crowds' of people working in virtual communities.

### Mobile

Thanks to a wealth of experience of devices, communication protocols and in delivering a rich user experience, as well as knowledge of the most important processes involved and of the Telco and Media sector, Reply is able to support clients in creating multichannel, interactive set-ups with new collaborative environments that guarantee:

- easy access to services and information, anywhere and anytime;
- wired and wireless device integration;
- an 'always-on' infrastructure to manage and distribute services and content.

The increasing demand for services offering a higher level of user interaction across all mobile platforms, channels and devices (desktop, mobile, Internet, TV) has led Reply to create its own Application Factory, dedicated to the development of mobile applications for businesses and consumers.

The extension of mobile apps to all aspects of our personal and professional lives will be a distinguishing feature of this decade and will continue to generate opportunities in practically all sectors of the business world, thanks to the growing popularity of the Smartphone, mobile devices and the new generation of objects connected by the Internet.

For this reason Reply has designed a mobile gaming product which benefitted from the company's technology skills and experience in digital design. It can be used by the private consumer as well as in the most complex B2B settings.

### mPayments

The mobile payments sector is expected to be one of the fastest-growing markets over the next few years. Leading analysts estimate the global value of mobile transactions worldwide to have risen and by 2014, the value of the mPayments market is expected to reach 360 billion Euros, driven by the continuing success of Smartphone and wireless Internet devices. By 2013, mPayments are expected to account for 15% of all credit card transactions.

Reply has developed its own mobile payments solution based on the proprietary HI Reply™ platform, which can be integrated with bank payment gateways.

Moreover Reply works alongside 3 Italy, Fastweb, Poste Mobile, Tim, Vodafone Italy and Wind as a technology partner in the development of an mPayment platform for payments using residual SIM credit. This was launched simultaneously by all of the mobile service providers.

## Digital Communication

In recent years, it has become increasingly important for a brand, product or service to be represented on all of the various digital platforms; a presence which invites the consumer/user to interact. This 'dialogue' is what renders the concept completely different to the traditional 'display only' model used in all markets and by all brands over the past ten to twenty years.

As a result, creative skills (which have always represented the true added value of an effective advertising campaign) must now be accompanied by high levels of technology skills and design. In other words, 'added value' now relies on all of the elements which bring creativity to life and make it interactive on the new channels: Internet and mobile telephones of course, but also digital point-of-sale (P.O.S.), game platforms and others.

This new scenario calls for a more effective integration between creativity and technology, which increasingly needs to be delivered by a single provider of consulting, design and production services.

In response to this call, Reply, together with Armando Testa, has set up Bitmama; a digital creative agency with expertise in multichannel brand marketing.

In addition to the creation and management of all brand-related aspects, using interactive digital media, Bitmama's expertise also extends to the application of creative concepts and technology within important sectors such as mobile telephones, e-commerce and gaming. These sectors are already being targeted by commercial brands, as can be seen within the main international communication markets.

Another key communication sector in which Reply is operating through Bitmama to support business customers is that of social networking; a mainstream phenomenon that has grown exponentially in recent years. Today, more than ever before, social networks have become the undisputed global arena for consumer-brand relationships.

## Security

Reply developed its range of business security products and services expanding in two directions: the first, consulting on IT risk management, involving the identification of threats and vulnerabilities and the design and implementation of technological, procedural and organizational countermeasures; the second, focusing on the design of new managed security services.

With regard to IT risk management, Reply has developed a series of anti-fraud systems and processes, designed specifically for mobile payments and the main social networks.

For managed security services, Reply has developed products and services through its Security Operation Center (SOC). These focus on: security-as-a-service, anti-fraud services, and smart IT management, with a focus on mobile device management and a cloud security framework work.

## Summary report of the third quarter 2012 and expected business developments

The Group achieved consolidated sales of 361.4 million Euros in the first nine months of the year, with an increase of 12.0% in comparison with the 322.5 million Euros recorded at 30 September 2011, this in spite of the general slump in the Information and Communication Technology sector (from January to June -1.8% in Europe and -3.8% in Italy).

Consolidated EBITDA in September was 44.3 million Euros (39.0 million Euros as at September 2011) and EBIT was 39.5 million Euros (34.2 million Euros as at September 2011).

Earnings before tax of 38.5 million Euros represented an increase of 16.8% when compared to the same period in 2011.

In the third quarter of 2012 the Group registered consolidated sales of 117.2 million Euros, an increase of 13.0% when compared to the same period in 2011; further, it registered EBITDA of 13.6 million Euros, EBIT of 11.9 million Euros and earnings before tax of 11.7 million Euros.

The Group's net financial position at 30 September 2012 was negative at 1.0 million Euros, a significant improvement in comparison with 30 June 2012 and 31 December 2011, when it was negative, respectively, at 17.7 million Euros and at 16.7 million Euros.

Reply achieved extremely positive results, both in economic and financial terms, in the first three quarters of 2012. The third quarter, in particular, featured substantial growth, that allows looking towards the end of the year with confidence.

In recent months Reply has continued to invest in the development of proprietary skills and assets in those segments of the Information and Communication Technology industry that have featured significant growth. Specifically, Reply is currently among the leaders, in terms of both partnerships and consultancy and technology services, in areas such as Social Networking, Digital Media, Cloud Computing, Mobile Applications, mPayments and the most innovative Mobile Commerce, Internet of Things and Big Data.

Reply's competitive position and financial and economic soundness allows moving forward with composure and determination in projects for development in Europe and launching in North America where Reply opened new offices in Chicago and Detroit in October.

## Consolidated financial statements and explanatory notes

Reply's performance is summarized in the following reclassified consolidated statements of income.

### Reply Consolidated statement of income as at 30 September 2012

(thousand Euros)	Note	30 September 2012	%	30 September 2011	%
<b>Revenues</b>	<i>4</i>	<b>361,363</b>	<b>100.0</b>	<b>322,514</b>	<b>100.0</b>
Purchases	<i>5</i>	(7,588)	(2.1)	(6,358)	(2.0)
Personnel	<i>6</i>	(178,447)	(49.4)	(161,449)	(50.1)
Services and other expenses	<i>7</i>	(130,004)	(36.0)	(115,512)	(35.8)
Other non-recurring operating income/(expenses)	<i>8</i>	(1,000)	(0.3)	(217)	(0.1)
<b>Operating costs</b>		<b>(317,039)</b>	<b>(87.7)</b>	<b>(283,536)</b>	<b>(87.9)</b>
<b>Gross operating margin</b>		<b>44,324</b>	<b>12.3</b>	<b>38,978</b>	<b>12.1</b>
Amortization, depreciation and write-downs	<i>9</i>	(4,862)	(1.3)	(4,810)	(1.5)
<b>Operating income</b>		<b>39,462</b>	<b>10.9</b>	<b>34,168</b>	<b>10.6</b>
Financial income/(expenses)	<i>10</i>	(974)	(0.2)	(1,223)	(0.3)
<b>RESULT BEFORE TAXES</b>		<b>38,489</b>	<b>10.7</b>	<b>32,945</b>	<b>10.3</b>

## Reply Consolidated statement of income of the third quarter 2012

(thousand Euros)	Note	Q3 2012	%	Q3 2011	%
<b>Revenues</b>	<b>4</b>	<b>117,193</b>	<b>100.0</b>	<b>103,698</b>	<b>100.0</b>
Purchases	5	(2,534)	(2.2)	(1,991)	(1.9)
Personnel	6	(56,600)	(48.3)	(50,967)	(49.1)
Services and other expenses	7	(44,459)	(37.9)	(38,015)	(36.7)
Other non-recurring operating income/(expenses)	8	-	-	(246)	(0.2)
<b>Operating costs</b>		<b>(103,593)</b>	<b>(88.4)</b>	<b>(91,219)</b>	<b>(88.0)</b>
<b>Gross operating margin</b>		<b>13,600</b>	<b>11.6</b>	<b>12,479</b>	<b>12.0</b>
Amortization, depreciation and write-downs	9	(1,724)	(1.5)	(1,339)	(1.3)
<b>Operating income</b>		<b>11,876</b>	<b>10.1</b>	<b>11,140</b>	<b>10.7</b>
Financial income/(expenses)	10	(202)	(0.2)	(742)	(0.7)
<b>RESULT BEFORE TAXES</b>		<b>11,674</b>	<b>10.0</b>	<b>10,398</b>	<b>10.0</b>

## Reply Net financial position

The Group's net financial position as at 30 September 2012, analyzed by due date and with comparative figures as at 30 June 2012 and 31 December 2011 is shown in the following statement:

(thousand Euros)	Note	30/9/2012	30/6/2012	31/12/2011
Cash and cash equivalents, net		20,283	1,861	6,394
Current financial assets		1,215	490	345
Due to banks		(7,817)	(7,835)	(7,798)
Due to other providers of finance		(145)	(409)	(177)
<b>Short term financial position</b>	<b>11</b>	<b>13,536</b>	<b>(5,893)</b>	<b>(1,236)</b>
Non-current financial assets		402	910	936
Due to banks		(14,433)	(12,229)	(16,141)
Due to providers of finance		(487)	(471)	(273)
<b>M/L term financial position</b>		<b>(14,518)</b>	<b>(11,790)</b>	<b>(15,478)</b>
<b>Total net financial position</b>	<b>11</b>	<b>(982)</b>	<b>(17,683)</b>	<b>(16,714)</b>



## NOTE 1 – Accounting principles

The Interim Management Statements as at 30 September 2012, in relation to the third quarter of financial year 2012, has been prepared 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 30 September 2012 was not subject to audit by Reply’s Independent auditors, as allowed by existing laws.

## NOTE 2 - Group activities

Reply [MTA, STAR: REY] is specialized in the implementation of solutions based on new communication and digital media.

Reply, consisting of a network of specialized companies, assists important European industries belonging to Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration sectors, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply offers consulting, system integration, application management and business process outsourcing [www.reply.eu](http://www.reply.eu).

## NOTE 3 - Consolidation

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

Change in consolidation compared to September 30, 2011 is related to the following companies listed below:

- Portaltech Ltd. acquired in the month of November 2011 by Reply, through the holding Reply Ltd., which acquired 80% of the share capital, a UK company specializing in consultancy and multichannel e-commerce strategies and solutions;
- Arlanis Software AG acquired in the month of August, company in which Reply holds 100% of the share capital, is a specialized consulting and data integration company leader in Continental Europe on Salesforce.com solutions. As a certified Premier Consulting Partner, Arlanis supports customers with consultation, engineering and development in Salesforce.com, Force.com and mobile projects.

Change in consolidation in the third quarter of 2012 affects the Group's revenue and EBT by 2.0% and 5.9% respectively.

A list of Reply Group companies is provided at the Annexed tables herein. To be noted the following newly constituted companies compared to 30 September 2011:

- Ringmaster S.r.l. constituted in the month of November 2011, company in which Reply holds 50% of the share capital;
- Portaltech Reply S.r.l. constituted in the month of November 2011, company in which Reply holds 85% of the share capital;
- Concept Reply GmbH constituted in the month of May 2012, company in which Reply holds 100% of the share capital.

## NOTE 4 - Revenue

Revenues from sales and services, including change in work in progress, amounted to 361,363 thousand Euros (117,193 thousand Euros in the third quarter of 2012) with an increase of 12%.

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.

<b>Country</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
Italy	75.1%	74.8%
Germany	16.1%	19.2%
United Kingdom	8.8%	6.0%
	<b>100.0%</b>	<b>100.0%</b>

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

	<b>30/09/2012</b>	<b>30/09/2011</b>
Technologies	41.4%	42.2%
Applications	49.1%	48.7%
Processes	9.5%	9.1%
	<b>100.0%</b>	<b>100.0%</b>

## NOTE 5 - Purchases

Detail is as follows:

Q3 2012	Q3 2011	(thousand Euros)	30/09/2012	30/09/2011
1,450	623	Software licenses for resale	4,586	2,728
238	615	Hardware for resale	533	1,300
846	753	Other	2,469	2,330
<b>2,534</b>	<b>1,991</b>	<b>Total</b>	<b>7,588</b>	<b>6,358</b>

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 and the purchase of office material.

## NOTE 6 - Personnel

Increase in personnel expenses amounting to 16,988 thousand Euros (5,633 thousand Euros in the third quarter) 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)	30/09/2012	30/09/2011	Variazione
Directors	267	257	10
Managers	547	477	70
Staff	2,856	2,569	287
<b>Total</b>	<b>3,670</b>	<b>3,303</b>	<b>367</b>

Change in consolidation brought an increase of 73 employees.

## NOTE 7 - Services and other costs

Services and other costs amounting to 130,004 thousand Euros (44,459 in the third quarter) comprised the following:

Q3 2012	Q3 2011	(thousand Euros)	30/09/2012	30/09/2011
27,165	20,944	Commercial and technical consulting	79,830	64,282
5,251	4,706	Travelling and professional training expenses	16,184	14,527
4,592	5,824	Other service charges	15,748	19,834
2,354	1,705	Office charges	7,342	6,814
1,648	1,483	Rental and Leasing	4,802	4,634
3,449	3,353	Other	6,098	5,421
<b>44,459</b>	<b>38,015</b>	<b>Total</b>	<b>130,004</b>	<b>115,512</b>

Change in *Services and other costs* amounted to 14,492 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.

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

Other non-recurring operating income, amounting to 1,000 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 2,987 thousand Euros at September 30, 2012 has been determined on a straight-line basis at economic-technical rates that reflect the useful lives of the asset. This item also includes the government grant established by the Regional laws 34/2004 and 4/2006 in relation to the financed research projects amounting to 293 thousand Euros.

Amortization of intangible assets at September 30, 2012 amounted to 2,168 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 was as follows:

Q3 2012	Q3 2011	(thousand Euros)	30/09/2012	30/09/2011
15	159	Financial gains	130	350
(434)	(437)	Interest expenses	(1.277)	(1.267)
217	(464)	Exchange rate differences	173	(306)
<b>(202)</b>	<b>(742)</b>	<b>Total</b>	<b>(974)</b>	<b>(1.223)</b>

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

*Interest expenses* mainly include the interest costs related to bank advances and to the use of the syndicated bank loan for M&A operations.

## NOTE 11 – Net financial position

The net financial position as at September 30, 2012 was negative for 982 thousand Euros with an improvement of 16,701 thousand Euros compared to June 30, 2012 owing to the cash flows generated by operating activities.

Due to banks, amounting to 22,250 thousand Euros is referred mainly to credit lines for M&A operations.

## NOTE 12 – Events subsequent to 30 September 2012

No significant events have occurred subsequent to September 30, 2012.

## 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 in accordance to IAS 24 are Group companies and persons able to exercise control, joint control or have significant influence on the Group and its subsidiaries, 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

/s/ Mario Rizzante  
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, Dott. 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 September 30, 2012 corresponds to the results documented in the books, accounting and other records of the company.

Turin, November 13, 2012

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

**Giuseppe Veneziano**



Annexed tables

## REPLY

### Companies included in consolidation at 30 September 2012

Company name	Headquarters	Group interest
<b>Parent Company</b>		
Reply S.p.A.	Turin - Corso Francia, 110	-
<b>Subsidiaries consolidated on a line-by-line basis</b>		
@logistics Reply S.r.l.	Turin - Corso Francia, 110	100.00%
4cust Reply S.r.l.	Turin - Corso Francia, 110	100.00%
4cust Reply GmbH	Munich - Germania	100.00%
Aktive Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Arlanis Reply AG	Potsdam - Germany	100.00%
Atlas Reply S.r.l.	Turin - Corso Francia, 110	100.00%
avantage Reply Ltd. (*)	London – United Kingdom	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%
Cluster Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Concept Reply GmbH	Munich - Germany	100.00%
Consorzio Reply Public Sector	Turin - Corso Francia, 110	100.00%
Discovery Reply S.r.l.	Turin - Corso Francia, 110	100.00%
e*finance consulting Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Ekip Reply S.r.l.	Turin - Corso Francia, 110	100.00%
EOS Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Forge Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Hermes Reply Polska zo.o.	Katowice - Polonia	100.00%
Hermes Reply S.r.l.	Turin - Corso Francia, 110	100.00%
IrisCube Reply S.p.A.	Turin - Corso Francia, 110	100.00%
Iriscube Reply SA	Savosa - Switzerland	100.00%
Lem Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Open Reply S.r.l.(*)	Turin - Corso Francia, 110	92.50%
Portaltech Reply Ltd. (*)	London – United Kingdom	80.00%
Portaltech Reply S.r.l.	Turin - Corso Francia, 110	85.00%
Power Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Reply Consulting S.r.l.	Turin - Corso Francia, 110	100.00%
Reply Deutschland AG e controllate	Gutersloh, Germania	81.11%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte - Brazil	100.00%
Reply Ltd.	London – United Kingdom	100.00%
Reply Services S.r.l.	Turin - Corso Francia, 110	100.00%

Ringmaster S.r.l.	Turin - Corso Francia, 110	50.00%
Riverland Reply GmbH (*)	Munich - Germany	75.02%
Santer Reply S.p.A.	Milan - Via Durando, 38	100.00%
Security Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Square Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Storm Reply S.r.l. (*)	Turin - Corso Francia, 110	80.00%
Syskoplan Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Sytel Reply Roma S.r.l.	Turin - Corso Francia, 110	100.00%
Sytel Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Target Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Technology Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Tender Reply S.r.l.	Turin - Corso Francia, 110	100.00%
Twice Reply S.r.l.	Turin - Corso Francia, 110	94.00%
Whitehall Reply S.r.l.	Turin - Corso Francia, 110	100.00%

#### Associate companies

NextNext S.r.l.	Turin Strada Comunale di Sassi, 6	24.00%
Reply Inc.	Michigan -USA	100.00%

(\*)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 reporting date.



## Corporate information

### Legal headquarters

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### Corporate information

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