



Living network

_Quarterly report
as at 30 september 2008

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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
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	Tommaso Vallenzasca
Statutory auditors	Ada Alessandra Garzino Demo Paolo Claretta Assandri

Independent auditors

Deloitte & Touche S.p.A.

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)

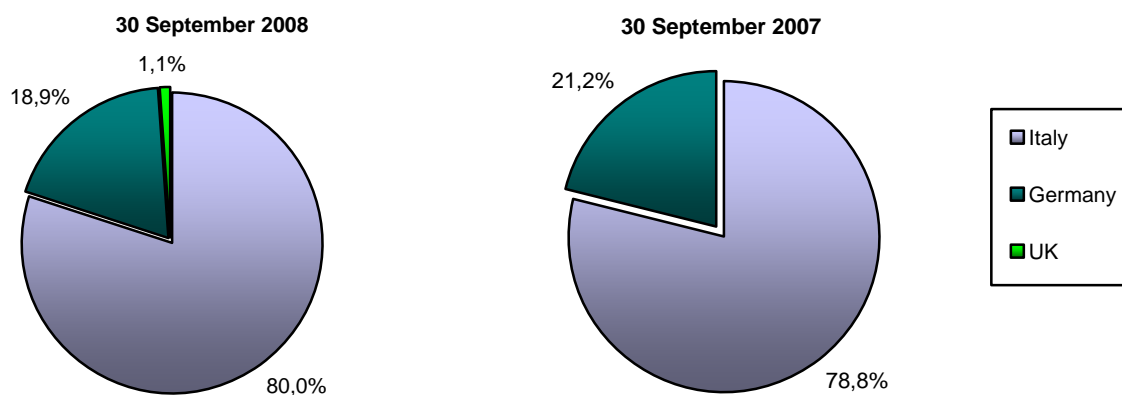
3 rd Q 2008	%	3 rd Q 2007	%		30 September 2008	%	30 September 2007	%
80.184	100,0	65.479	100,0	Revenues	240.438	100,0	201.415	100,0
11.297	14,1	9.762	14,9	Gross operating margin	33.022	13,7	28.773	14,3
10.209	12,7	8.867	13,5	Operating income	29.968	12,5	25.990	12,9
9.821	12,2	8.709	13,3	Result before taxes	29.129	12,1	25.660	12,7

3 rd Q 2008	3 rd Q 2007		30 September 2008	30 September 2007
1.292	831	Investments	4.394	3.173

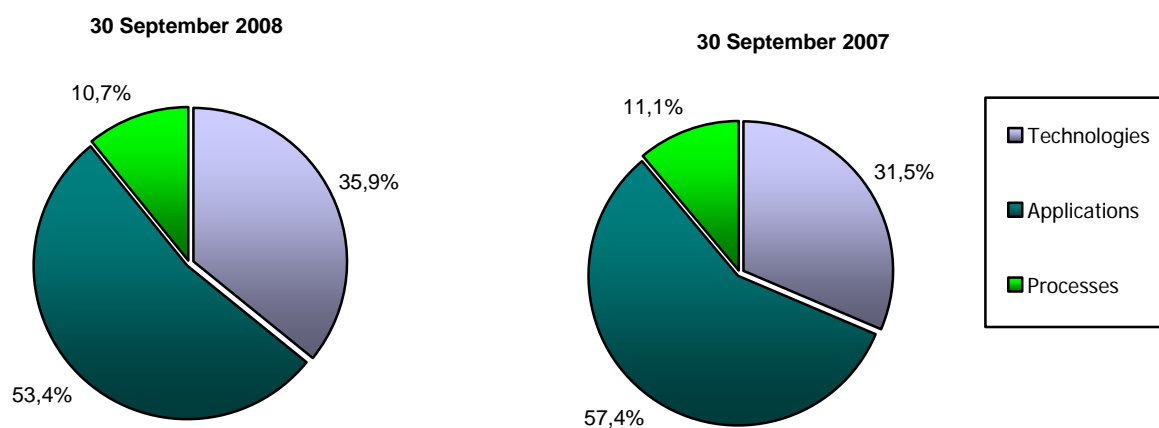
	30 September 2008	30 June 2008	31 December 2007
Net financial position	(16.035)	(1.058)	10.418

	30 September 2008	31 December 2007	30 September 2007
Number of employees	2.639	2.272	2.236

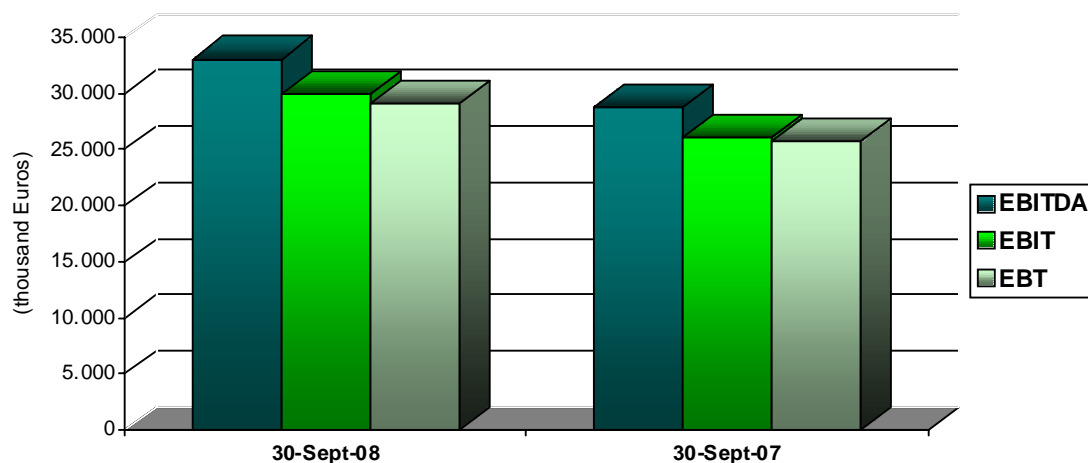
Revenues by geographical area



Revenues by business lines



Trend in profitability margins



Reply Living Network

The Internet has become a real “informatics system” capable of moving and allowing enormous amounts of data, information and ever more complex contents to be utilized, bringing about a new generation of products and services. A revolution that has triggered different competitive levers and has generated new organizational and behavioural models.

We are all now experiencing a “living network”, a new form of ecosystem in which the barriers between digital components and real components overlap, a system in which technology enables innovation (products, processes) and innovation facilitates innovation (relations, models and products).

We are rapidly moving towards a future in which technology will preside in all moments of our lives, a visible or invisible driver of things, objects and customs.

Reply supports its customers in this path of innovation with solutions and services aimed at leveraging the opportunities provided by the Internet and emerging communication technologies.

The business model

Reply operates with a network of companies respectively specialised in Processes, Applications and Technologies that are centres 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 optimises 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

Telco & Media

In recent years, the Telecommunications market has seen the development of operators, from suppliers of connectivity to providers of value added services. Services and content are increasingly focused on users (business, consumer, employee), terminals (Smart phone, PDA, PC, etc.) and on how services and devices are used. Wireless applications based on Internet standards require an ever more so sophisticated approach, in terms of design and developments. The amount of information handled and transferred requires complex infrastructures such as area network storage.

Reply is currently one of the major technological partners in the process of convergence between Telco and Media, with particular focus on the components relating to digital terrestrial applications, content and multi-media asset management and Billing and CRM services.

The current relentless technological evolution stimulates innovation towards a consumer oriented approach through new business models (Virtual Operator – MVNO) and interactive types of services (IPTV) with highly personalized contents.

In so doing, Reply integrates expertise and skills in the major technologies, as well as communication and creativity to design content and enable innovative services that leverage the potential of the new digital channels.

Industry and Services

Successful businesses must be able to make fast decisions and act effectively, aligning strategies, people, processes and technologies quickly and simultaneously within “network structures”: complex aggregations of customers, partners and suppliers.

Information systems provide processes with maximum flexibility and an increasingly strict control. New technologies enhance and extend the process potential: Electronic tagging, web services, mobile solutions and instant messaging have changed the pace at which companies move.

Technological development and the ability to integrate it efficiently into application solutions are the basics that Reply offers its own customers during the implementation, change and management of information systems; from design to the understanding and re-definition of core processes and the creation of solutions that can guarantee the integration of applications in support of the Extended Enterprise.

Banking, Insurance and Financial Service Providers

Reply collaborates with very important Bank and Insurance institutions in identifying and implementing solutions capable of bringing together the optimization of core processes with a substantial improvement of efficiency in terms of asset management.

Reply helps its own customers to anticipate changes, defining strategies based on new technologies (Web Services, SOA, Mobile and Wireless solutions, multi-channel portals, on-line self services, Business Intelligence and Knowledge Management) in order to introduce actual innovation into mission-critical areas such as Trading, Asset Management, support to business relationship and the Human Capital Management.

Important Credit Institutions have recognised Reply’s success and key role in critical projects involving asset and wealth management.

Energy & Utilities

In recent years this market segment has faced the phenomena of competition and of “deregulation”, subject to EU regulations, through a phase dominated by strong pressure on profits and margins and the need to provide higher levels of service and security at all times.

Reply has defined a portfolio of offers for the Energy & Utilities industry spread over three main vertical areas – Retailer, Merchant Energy Provider and Network Operations – that provide strategic and technological consultancy services aimed at optimising processes and selecting and implementing the most suitable technological platforms and architectures.

Public Administration

The globalisation process at European level and federalism at national level are having an increasing influence on the trend of demand in the Public Administration market in which, for some time, there has been a move towards reducing bureaucracy and improving services offered to users (citizens and businesses).

Even more so, Public Administrations tend to use technologies in managing relations with citizens, exploiting and managing more efficiently the entire information asset and in assuring their employees access to the knowledge needed in daily work.

In the Central and Local Public Sector, Reply uses its experience gained in recent years, in the most advanced online services, speed of execution and the high professional level of its own consultants, creating vertical applications and skills in order to maximise performance and effectiveness in the deployment of industry-specific solutions.

Reply’s e-government ventures are aimed at creating solutions that allow companies and local government to compete effectively in the new scenario in which Local and Central Public Sectors operate.

Summary of the third quarter 2008 and expected business developments

In the third quarter 2008 Reply has achieved consolidated turnover for 80,2 million Euros, an increase of 22.5% compared to the corresponding period of 2007.

Profitability margins were also positive, EBITDA stood at 11,3 million euros (+15.7%) and EBIT reached 10,2 million euros (+15.1%) while result before taxes, totaling 9,8 million euros, increased by 12.8% compared to the corresponding period of 2007.

In the first nine months of 2008, the Group's turnover amounted to 240,4 million euros with an increase of 19.4% compared to the corresponding period of 2007. EBITDA stood at 33 million euros (+14.8%) and EBIT at 30 million Euros (+15.3%).

Result before taxes in the first nine months totaled 29,1 million euros with an increase of 13.5% compared to the corresponding period of 2007.

The Group's net financial position at September 30, 2008 amounted to negative 16 million euros (at June 30 2008 it was negative by 1,1 million euros).

The results achieved by Reply as of September show constant growth in the major business areas with positive results in all the markets in which Reply operates.

As far as the European market is concerned, in these first nine months Reply has strengthened its business in Germany and through the acquisition of Glue, a company specialized in Enterprise Architecture and SOA, it has created the foundations in Great Britain.

Reply is currently a reference point for SOA, Social Network, Rich Internet Application and delivery methods based on SaaS and Cloud Computing. Constant growing market segments, characterized by skill shortage, and ever more so fundamental in defining simplification processes and IT optimization put into use by enterprises to overcome the current economic situation.

_Consolidated financial statements and explanatory notes

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

_Reply Consolidated income statement at 30 September 2008

(thousand Euros)	Note	30 September 2008	%	30 September 2007	%
Revenues	4	240.438	100,0	201.415	100,0
Purchases	5	(7.565)	(3,2)	(4.543)	(2,2)
Personnel	6	(119.942)	(49,9)	(101.097)	(50,2)
Services and other expenses	7	(78.729)	(32,7)	(66.605)	(33,1)
Other unusual operating income/expenses	8	(1.180)	(0,5)	(397)	(0,2)
Operating costs		(207.416)	(86,3)	(172.642)	(85,7)
Gross operating margin		33.022	13,7	28.773	14,3
Amortisation, depreciation and write-downs	9	(3.054)	(1,2)	(2.783)	(1,4)
Operating income		29.968	12,5	25.990	12,9
Financial income/(expenses)	10	(827)	(0,4)	(242)	(0,1)
RESULT BEFORE TAXES FROM CONTINUED OPERATIONS		29.141	12,1	25.748	12,8
Result from discontinued operations	11	(12)	(0,0)	(88)	(0,1)
GROUP RESULT BEFORE TAXES		29.129	12,1	25.660	12,7

Reply Consolidated income statement of the third quarter 2008

(thousand Euros)	Note	3 rd Q 2008	%	3 rd Q 2007	%
Revenues	4	80.184	100,0	65.479	100,0
Purchases	5	(1.560)	(2,0)	(1.693)	(2,6)
Personnel	6	(38.985)	(48,6)	(32.643)	(49,9)
Services and other expenses	7	(28.248)	(35,2)	(21.645)	(33,0)
Other unusual operating income/expenses	8	(94)	(0,1)	264	0,4
Operating costs		(68.887)	(85,9)	(55.717)	(85,1)
Gross operating margin		11.297	14,1	9.762	14,9
Amortisation, depreciation and write-downs	9	(1.088)	(1,4)	(895)	(1,4)
Operating income		10.209	12,7	8.867	13,5
Financial income/(expenses)	10	(424)	(0,5)	(117)	(0,1)
RESULT BEFORE TAXES FROM CONTINUED OPERATIONS		9.785	12,2	8.750	13,4
Result from discontinued operations	11	36	0,0	(41)	(0,1)
GROUP RESULT BEFORE TAXES		9.821	12,2	8.709	13,3

Reply Net financial position

The Group's net financial position as at 30 September 2008, analysed by due date and with comparative figures as at 30 June 2008 and 31 December 2007 is shown in the following statement:

(thousand Euros)	Note	30/09/2008	30/06/2008	31/12/2007
Cash and cash equivalents		36.954	42.888	41.166
Due to banks		(10.778)	(8.479)	(3.914)
Due to other providers of finance		(247)	(359)	(151)
Net financial position short term	12	25.929	34.050	37.101
Non current financial assets		715	638	580
Due to banks		(42.251)	(35.540)	(26.920)
Due to other providers of finance		(428)	(206)	(343)
Net financial position long term	12	(41.964)	(35.108)	(26.683)
Total net financial position		(16.035)	(1.058)	10.418

NOTE 1 – Accounting principles and structure

Accounting principles

The quarterly 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 quarterly 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.

Structure of the quarterly report

In relation to Directive 2004/109/CE (the Transparency Directive) concerning periodic financial information, the following should be noted:

- Article 154-ter of Legislative decree dated 24 February 1998 no. 58, paragraph 5 requires issuers to prepare two interim management statements within 45 days of the end of respectively the 1st and 3rd quarter of each financial year;
- As pointed out in Borsa Italiana’s instructions no. 1814 of 28 January 2008, for companies listed in the Star segment, quarterly reports will continue to be required for the first quarter 2008 under the Market Rules (Article 2.2.3);
- As pointed out in Borsa Italiana’s instructions no. 12014 of June 24, 2008, for companies listed in the Star segment, as is the case for Reply S.p.A., are nonetheless free to publish quarterly reports at their own initiative (self-regulation) and thus not be required to publish intermediate management statements.

Reply S.p.A. has decided therefore to publish a quarterly report for the third quarter 2008 in accordance with appendix 3D of Consob Regulation Nr. 11971 of 14 May 1999, and subsequent amendments providing instructions to the endorsement of Legislative decree 24 February 1998 no. 58, related to issuers.

The financial statements consist of the consolidated statement of income as at 30 September 2008 and of the third quarter 2008 and the same statements of the corresponding period of 2007.

Results indicated in the aforesaid consolidated statement of income, as allowed under regulation governing the preparation of quarterly report, do not include income tax for the period.

The Group’s net financial position as of 30 September 2008, analyzed by due date and compared to the corresponding situation as at 30 June 2008 and 31 December 2007 has also been included.

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

The Quarterly report as at 30 September 2008 was not subject to audit by Reply’s Independent auditors.

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 in consolidation compared to 30 September 2007 is related to:

- the consolidation of the company Communication Valley S.p.A., company of which Reply acquired 100% of the share capital in the month of March 2008;
- the consolidation of glue Reply Ltd., a company with headquarters in Marlow, UK, and of which Reply acquired 72.22% of the share capital in the month of July 2008.

NOTE 4 - Revenues

Revenues from sales and services, including change in work in progress, amounted to 240.438 thousand euros (80.184 thousand euros in the third quarter 2008).

The following table shows the percentage breakdown of revenues by geographic area, determined as the area in which the services are executed:

Country	30/09/08	30/09/07
Italy	80.0%	78.8%
Germany	18.9%	21.2%
UK	1.1%	-
	100.0%	100.0%

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

	30/09/08	30/09/07
Technologies	35.9%	31.5%
Applications	53.4%	57.4%
Processes	10.7%	11.1%
	100.0%	100.0%

NOTE 5 - Purchases

Detail is as follows:

3 rd Q 2008	3 rd Q 2007	(thousand euros)	30/09/08	30/09/07
259	894	Software licenses for resale	3.887	2.325
475	195	Hardware for resale	1.447	446
826	604	Other	2.231	1.772
1.560	1.693	Total	7.565	4.543

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

Increase in personnel expenses amounted to 18.845 thousand euros (6.342 thousand euros in the third quarter) and mainly owes to the increase in human resources (of which no. 96 employees are due to the acquisition of Communication Valley S.p.A. and glue: Ltd.).

Detail of personnel by category is provided below:

(number)	30/09/08	30/09/07	Change
Directors	196	171	25
Managers	384	318	66
Staff	2.059	1.747	312
Total	2.639	2.236	403

NOTE 7 - Services and other costs

Services and other costs comprised the following:

3 rd Q 2008	3 rd Q 2007	(thousand euros)	30/09/08	30/09/07
13.285	10.821	Commercial and technical consulting	36.120	32.018
4.445	3.069	Travelling and professional training expenses	13.144	9.997
5.299	4.161	Miscellaneous services	16.125	14.281
2.077	1.297	Office charges	5.948	4.201
1.712	1.596	Rental and Leasing	4.723	4.828
1.430	701	Other	2.669	1.280
28.248	21.645	Total	78.729	66.605

Change of 12.124 thousand euros (6.603 thousand euros in the third quarter) is mainly due to the increase in the Group's revenues.

NOTE 8 - Other unusual operating income/expenses

Other unusual operating income/expenses amounting to negative 1.180 thousand euros (with a negative effect of 94 thousand euros in the third quarter) are related to events falling out of the ordinary course of business.

NOTE 9 - Amortisation, depreciation and write-downs

Depreciation of tangible assets, amounting to 2.135 thousand euros (760 thousand euros in the third quarter) 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 30 September 2008 amounted to 919 thousand euros (328 thousand euros in the third quarter) and is related to:

- development charges capitalised according to IAS 38 (435 thousand euros);
- software licenses used internally by the Group (484 thousand euros).

NOTE 10 - Financial income/expenses

Detail is as follows:

3 rd Q 2008	3 rd Q 2007	(thousand euros)	30/09/08	30/09/07
496	365	Financial gains	1.339	1.062
(926)	(464)	Interest expenses	(2.154)	(1.281)
6	(18)	Other	(12)	(23)
(424)	(117)	Total	(827)	(242)

Interest expenses mainly include the interest charges related to the use of the credit facility granted by a pool of credit institutions for new M&A operations.

NOTE 11 – Result from discontinued operations

As provided by IFRS 5, the amount accounted for at this item represents the discontinued operations of the US companies Syskoplan Consulting and Syskoplan Holding.

Detail is as follows:

(thousand euros)	30/09/08	30/09/07
Income	20	88
Expenses	(32)	(176)
Result from discontinued operations	(12)	(88)
No. of employees	1	1

NOTE 12 – Net financial position

The net financial position as at 30 September 2008 amounted to negative 16.035 thousand euros, with a decrease of 14.977 thousand euros compared to 30 June 2008, attributable to:

- Utilization of the credit line finalized for M&A operations for 8.100 thousand euros;
- Payment of dividends for 3.119 thousand euros;
- Payment of current income taxes for 5.693 thousand euros;
- Cash flows generated by operating activities.

Due to banks is referred to the partial utilization (51.330 thousand euros) of the credit facility undersigned for new M&A operations.

NOTE 13 – Events subsequent to 30 September 2008

On July 15, 2008 Reply S.p.A. undersigned an agreement to acquire the 100% share capital of Glue Ltd.

On said date 72.22% of the company's share capital was acquired through a cash payment of 6,5 million GBP (equal to approximately 8,1 million euros).

The remaining 27.78% of the share capital will be acquired through a share swap agreement for a total value of 2,5 million GBP. This operation will be resolved by the Board of Directors in the month of November 2008 in execution of the proxy conferred by the General Shareholders' meeting of June 14 2005.

NOTE 14 – Other information

- 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 undersigned Giuseppe Veneziano, director in charge of the drawing up of the company's accounting documents, pursuant to article 154-bis, paragraph 2 of legislative decree no. 58/1998 (*“Testo Unico della Finanza”*) declares that the information and that the economic, financial and earnings position reported in this quarterly report corresponds to the document results, general ledger and accounting records.

Turin, 13 November 2008

Giuseppe Veneziano

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

[_Annexed tables](#)

REPLY

Companies included in consolidation as at 30 September 2008

Company name	Registered office	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%
Aware Reply S.r.l. (ex XYZ Reply S.r.l.)	Torino - Corso Francia, 110	100.00%
Axcel Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Blue Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Business Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Cluster Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Communication Valley S.p.A.	Parma – Via Budellungo, 2	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.	Marlow, UK	72.22%
Hermes Reply S.r.l.	Torino - Corso Francia, 110	95.00%
IrisCube Reply S.p.A.	Torino - Corso Francia, 110	100.00%
Open Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Plus Reply S.r.l.	Torino - Corso Francia, 110	70.00%
Power Reply S.r.l.	Torino - Corso Francia, 110	85.00%
Reply Consulting S.r.l.	Torino - Corso Francia, 110	56.00%
Reply Services S.r.l.	Torino - Corso Francia, 110	100.00%
Spike 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 Don Minzoni, 24	100.00%
Syskoplan Reply S.r.l.	Torino - Corso Francia, 110	100.00%
Syskoplan AG	Gutersloh, Germany	56.66%
Sysproject Reply S.r.l.	Torino - Corso Francia, 110	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%
Twice Reply S.r.l.	Torino - Corso Francia, 110	94.00%
YH Reply S.r.l.	Torino - Corso Francia, 110	100.00%

Corporate Information

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Corporate data

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