



Reply Deutschland AG
Financial Statements 2012

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Management Report of Reply Deutschland AG for Financial Year 2012

Business and underlying circumstances

Welcome to Reply Deutschland

Reply Deutschland AG is part of the consistent, strong and agile consulting and IT brand Reply in Europe. Reply Deutschland AG governs all German Reply activities. The dedicated companies under the brand umbrella focus on the following topics:

- The consumer goods and datacenter activities are associated with the label **4brands Reply**.
- **Cluster Reply** is responsible for the Microsoft activities in the Reply Group.
- The **Macros Reply** brand stands for document management and workflow processes, particularly in financial services.
- **Power Reply** is rendering consulting and IT-services for utilities companies in energy, waste removal and water since the beginning of last year.
- **Syskoplan Reply** remains the strong brand for the entire SAP activities of the Group.
- **Xpress Reply** is the center of excellence for business processes and IT solutions in commerce.
- **Xuccess Reply** provides consulting services specializing in bank controlling and regulatory law.

Together with our parent company Reply S.p.A. we have a comprehensive and attractive portfolio. The range of offerings such as cloud computing, Web 2.0 or social networks complements the services in Germany very well. We have pooled our strengths within the brand strategy: Customers benefit from the innovation skills, agility and competitive advantage of smaller units and from the capability and scalability of a major, powerful IT service provider. We thus support our customers in standing out on the market and ensuring sustainable competitive advantages.

Company profile

Reply Deutschland is a leading IT service provider, offering consulting, integration and outsourcing services for efficient company controlling. The company uses adaptive and agile IT platforms for its innovative, flexible and reliable solutions in premium quality and extends these platforms with customer-specific components. This makes Reply Deutschland customers stand out in the market and creates lasting competitive advantages. Reply Deutschland customers also benefit from well-founded industry knowledge and collaboration on a partnership basis.

Reply Deutschland is organized as a network of highly specialized companies. Inclusion in the network of IT service providers acting throughout Europe also allows Reply Deutschland access to the know-how of more than 3,400 IT experts. The approximately 158 employees of Reply Deutschland AG achieved revenues of EUR 28.7 million in the 2012 financial year.

Corporate Governance Statement

Based on the Accounting Law Modernization Act (BilMoG) effective as of May 29, 2009, the recipients of the accounting according to § 289a HGB are to be informed of the corporate governance and the company management practices in a so-called "Corporate Governance Statement". In December 2012, the updated statement was approved by the bodies. Reply Deutschland AG exercises the possibility of making this statement accessible to the public on its website. Any interested parties can view the corporate governance statement under www.reply.de, Investors, Corporate Governance, Statement on Corporate Governance.

General Economic and Sector Trend

Exactly four years ago the world economy slipped in the greatest crisis of the post-war period. Within the years 2010 and 2011 a significant correction of this drop was successful with growth rates of the gross

domestic product of 3 per cent or more. The growth intensity has dropped off considerably in the financial year 2012, though. Current forecasts expect a GDP growth of only another 1 per cent and one the last quarter economic performance shrunk on inflation-adjusted figures. This met the German industry sector in special extent whose cushion of existing orders has faded and whose production sunk in view of the common investment restraint. In contract the services sector still performed quite well.

The inner strength of the German economy has been confirmed also in 2012. This can be observed in the far-reaching uncoupling of Germany from the negative trend in Europe, the further growth of the German exports and the far robust labor market. However, the negative development in the other greater national economies of the European Union did not remain completely without influence on the national GDP development. Expected European growth impulses failed to appear; Europe has been in a recession officially since the last summer instead. Experts foresee a shrinking of the European economic performance for 2012, considerably driven by the development in the southern regions.

Due to the relatively positive economic development in Germany the demand for qualified employees remains on a high level at the labor market. The personnel recruitment remains unchanged the success critical challenge against the background of the fall in the employable population to be expected.

The ICT association BITKOM has just raised its forecast considerably for the German IT market 2012. The sales volume with products and services of the information technology shall improve its performance by 2.3 per cent in 2012. In spring 2012 an increase by 1.6 per cent had been expected. The IT services business like outsourcing and maintenance grew a little weaker with 2.1 per cent. The market researchers of Gartner assessed as well the growth in the area of IT services. Adjusted by currency effects they come to quite similar numbers with an estimated growth rate of +3 per cent.

The sentiment in the IT industry, that is the assessment of the future business development, has worsened considerably, but is still significantly better than the situation measured by the Ifo test for the national economy, though. The industry association index BITKOM was at 41 points in the fourth quarter of 2012, significantly below the 60 points at the end of 2011. Software companies and IT service providers in particular are looking for new staff. This also intensifies the lack of highly qualified specialists which now poses the greatest impediment to growth for every second company in the industry.

The current assessment of further business trends is also reflected in the annual worldwide survey of 4,000 IT managers conducted by Gartner Research. The exact results of the CIO Agenda 2013 are summarized in the table below:

Business expectations	CIO business priorities		
	Ranking	2013	2012
Increasing enterprise growth	1	↔	1
Improving operations	2	↑	5
Reducing enterprise costs	3	↔	3
Attracting and retaining new customers	4	↓	2
Improving IT applications and infrastructure	5	↑	new
Creating new products or services (innovation)	6	↓	4
Improving enterprise efficiency	7	↓	6
Attracting and retaining new employees	8	↔	8
Analytics and Big Data	9	↑	new
Improving business processes	10	↑	13
Expanding into new markets or geographies	11	↓	10

Source: *Hunting and Harvesting in a Digital World: The 2013 CIO Agenda*, Gartner Research, January 2013

The year 2012 was characterized by economic, strategic and technological changes and developments. Companies are currently showing an ever more notable tendency towards client centricity and using technological innovations for the improvement of existing and the development of new business models.

The strategic importance of IT for reaching business goals in a complex future continues to increase. The change in this environment is indicated by a clear change of the general conditions: recession instead of growth, volatility instead of stability, dynamic changes

instead of stable framework conditions and the increasing importance of the customer-related IT systems in comparison with the back-office systems. It is necessary to find the balance between the current IT operation and the great possibilities of the new technologies. For years the interest in the so-called "lighter-weight technologies" or agile technologies which help the CIO to save costs and to release resources has dominated to satisfy the increasing need in the enterprise for innovations and solutions which supports the growth. The following evaluation of the technology priorities of worldwide persons in charge of IT shows this quite clearly.

Technologies

Ranking	2013	2012	2011	2010	2009
Analytics and Big Data	1	1	5	5	1
Mobile technologies	2	2	3	6	12
Cloud Computing (SaaS, IaaS, PaaS)	3	3	1	2	16
Collaboration technologies (workflow)	4	4	8	11	5
Legacy modernization	5	6	7	15	4
IT management	6	7	4	10	-
Customer relationship management	7	8	18	-	-
Virtualization	8	5	2	1	3
Security	9	10	12	9	8
ERP applications	10	9	13	14	2

Source: *Hunting and Harvesting in a Digital World: The 2013 CIO Agenda*, Gartner Research, January 2013

Young new digital technologies, using available information and connecting it in a new way, like mobile solutions, analytical methods, big data, social media, the Internet of Things and Cloud technologies, become mainstream and require an adjustment of the IT budgets, investment portfolio and available competences. Systems working at the interfaces to clients and partners become ever more important compared with the technologies responsible for process optimization purposes. Cloud represents a new type of the provisioning of IT solutions. Social media promote new and more extreme forms of cooperation. Mobile solutions permit the access to service communities and data from everywhere; they provide new insights into the consumer behavior simultaneously. Information finally will change our analysis techniques and the data management in large quantities and different structures. A good example of the interac-

tion of these technologies is the digitalization of the sale, purchase, reading, writing and publishing of books as started with Amazon in 2011. The combination of Cloud computing, a mobile device, the Kindle, the Amazon.com community and digital books created a completely new business process in the publishing sector. The emergence of mobile payments systems also shows where the journey will go.

Corporate Management

The company is managed on the basis of the key figures revenue, EBITDA margin (net income for the year before income tax, interest and depreciation based on revenue) and EBT margin. The performance of individual business units is judged using the key figures revenues (achievement of sales targets) and EBT margin. For the analysis of Reply Deutschland AG, it should be noted that the company performs

holding functions in the German network, for which the Group companies (subsidiaries and affiliated companies) transfer up to 6 per cent of their revenues to Reply Deutschland AG. Fluctuations in the business activities of subsidiaries and sister companies trigger corresponding reactions in Reply Deutschland AG's earnings position.

Revenue Trend

Reply Deutschland AG's revenues in the 2012 financial year decreased from EUR 30.1 million to EUR 28.7 million, a decline of 5 per cent. In comparison to the overall German market for IT services, which has increased by 2.3 per cent according to BITKOM, Reply Deutschland AG is below average rate. The negative development in revenue and the decrease in earnings don't correspond to our forecast. These developments are mainly due to a delayed recovery of the economic situation of Reply Deutschland AG which started in the second half-year 2012.

The total result (revenues and changes in inventories) decreased by 5 per cent to EUR 29.9 million. Revenue productivity improved further in the 2012 financial year because of revenue "passed on" for one big project. In Reply Deutschland AG revenues generated per FTE employee came to EUR 192 thousand, vis-à-vis EUR 162 thousand in the year before. This represents an increase of 19 per cent. The development in hourly rates was stable.

Personnel Trend

The number of employees of Reply Deutschland AG as per December 31, 2012 decreased to 158 – measured in terms of headcount; 179 employees were employed the year before. Converted into average full-time equivalents (including Executive Board members), the number of employees declined from 186 to 149. Apart from normal fluctuation, this development was due to the shift of employees in Xpress Reply GmbH & Co. KG and Power Reply GmbH & Co. KG.

Non-financial performance indicators

The management and employees of Reply Deutschland AG are confident that sustainable environmental actions, diversity and participation opportunities in the company and in society as well as excellent working conditions are the preconditions for successful economic activity. Our Corporate Social Responsibility report became a constant institution and will as well be produced for the financial year 2012. We have aimed at setting out and reporting on our vision to our readers and how we at Reply Deutschland AG are positioned with regard to the environment, diversity and participation opportunities as well as working conditions. We would also like to give an outlook on the action we will be taking to improve in the future.

As part of satisfaction surveys, our customers are polled at least once a year after the completion of projects on their satisfaction with the work performed by the employees of Reply Deutschland and its associated companies. This customer satisfaction is determined in the areas of expertise, customer relations and project results using a questionnaire and is summarized as an overall result. In the 2012 financial year the already excellent results improved on average by 4 percentage points. The number of customers who replied to the question of whether they would recommend Reply Deutschland with the highest or second highest value (9 or 10 on a scale of 10) remained constant compared to 2011. The ratio of the third highest category (8 out of 10 points) increased by 4 percentage points.

Conditions according to corporation law

Composition of share capital

Reply Deutschland AG's share capital is divided into 4,750,561 individual bearer shares, each with a notional share of the share capital of Euro 1.00. Each share grants equal rights and one vote at the Annual General Meeting. The rights and duties are determined by the German Stock Corporation Act.

Restrictions

There are no restrictions regarding voting rights or transfers of shares.

Special rights

No shares with special rights granting power of control have been issued.

Authorization of the Executive Board to issue shares

At the Annual General Meeting held on May 28, 2010, the existing but not yet exercised authorization of the Executive Board to increase capital (approved capital) was extended until May 27, 2015 and amended as follows. The Executive Board, with the approval of the Supervisory Board, is authorized to increase the share capital by up to Euro 2,367,029 (approved capital). This authorization was not exercised in the 2012 financial year meaning that a total of Euro 2,367,029 in approved capital remained as of December 31, 2012 unchanged from the previous year.

A conditional capital does not exist.

Direct or indirect shareholdings exceeding 10% of the voting rights

The Italian IT company Reply S.p.A., Turin, Italy, informed the Executive Board of Reply Deutschland AG on October 9, 2009 that it had exceeded the threshold of 75% of the voting rights in Reply Deutschland AG on October 7, 2009. As of October 7, 2009, Reply S.p.A. held 76.09% of the Reply Deutschland shares either directly or indirectly, corresponding to 3,598,330 shares. Aliko s.r.l., Turin, Italy, informed the company that the voting rights assigned to Reply S.p.A. are attributable to Aliko s.r.l. The Supervisory Board Chairman, Dott. Mario Rizzante also informed the company that the voting rights held by Aliko s.r.l. are attributable to him. As of December 31, 2012, the shareholding of Reply S.p.A. amounted to 81.18% of the voting rights, corresponding to a total of 3,856,690 votes.

Control of voting rights

There are no voting right controls for employees holding part of the share capital.

Appointing and discharging members of the Executive Board, changes to the Articles of Incorporation

The number of members on the Executive Board of Reply Deutschland AG is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Executive Board as Chairman. Executive Board members are appointed and discharged in line with §§ 84 and 85 AktG.

Any change to the Articles of Incorporation must be approved by resolution passed at the Annual General Meeting (§ 133 AktG). Changes to the Articles of Incorporation are passed with a simple majority of the votes cast and, if a capital majority is required, with a simple majority of the share capital represented as long as no other statutory regulations require a greater majority. The Supervisory Board has been granted the authority to make changes that only affect the wording (§ 179 AktG).

Authorization of the Executive Board to buy back shares

The Annual General Meeting on May 28, 2010 authorized the Executive Board to acquire treasury shares of up to 10% of the share capital existing as of that date of Euro 4,742,539 in accordance with § 71 Section 1 No. 8 AktG. This authorization is valid until November 27, 2015. Together with other treasury shares owned by the company or attributable to the company according to § 71a ff. AktG, shares acquired on the basis of this authorization may not at any time exceed 10% of the current share capital of the company (§ 71 AktG). The authorization may not be used by the company for the purpose of trading treasury shares. As of December 31, 2012, Reply Deutschland AG did not hold any treasury shares.

Key agreements subject to conditions

Reply Deutschland AG does not have any material agreements that are subject to a change of control following a takeover bid.

Domination agreement

On April 14, 2010 syskoplan AG and Reply S.p.A. announced the intended conclusion of a domination

agreement that was approved by the General Meeting on May 28, 2010. The shareholders of Reply Deutschland AG, who have not accepted the cash compensation offer, remain minority shareholders and are entitled to the payment of a recurrent amount as fixed appropriate compensation. The appropriate compensation according to § 304 AktG is Euro 0.53 gross per non-par value share (gross profit share per share) less corporation tax to be paid by syskoplan. The applicable German corporate tax rate at the time of the conclusion of the agreement, including solidarity tax is 15.825 %; this currently equals a corporate income tax deductible of Euro 0.08 resulting from profits charged with German corporation tax and solidarity tax that is contained in the gross amount.

At unchanged corporation tax rate of 15.0 % and solidarity tax, the complete compensation payment per non-par value share is currently Euro 0.45 for each complete financial year.

Compensation agreements

There are no compensation agreements of Reply Deutschland AG concluded with Executive Board members or staff regarding compensation in the event of a takeover bid.

Shares and options held by Board members

Until his resignation from the executive board on March 15, 2012, Dr. Jochen Meier held 1 Reply Deutschland share (previous year: 1 share). The remaining members of the Executive Board did not hold any shares in Reply Deutschland AG. Neither did the members of the Executive Board hold any share options at the end of 2012.

Reply S.p.A., as of December 31, 2012, held 3,856,690 Reply Deutschland AG shares (previous year: 3,839,909). These shares were attributed to the Chairman of the Supervisory Board Dott. Mario Rizzante according to § 22 WpHG. Dr. Niels Eskelson held 500 shares at the end of 2012. The remaining members of the Supervisory Board did not hold any shares. No options were issued to the members of the Supervisory Board.

Asset, Financial and Earnings Position

Asset Position

In the 2012 financial year, Reply Deutschland AG's balance sheet total rose to EUR 50.4 million over the previous year by 4% (from EUR 48.7 million in 2011) because of the increase of inventories. Fixed assets rose slightly by 2% from EUR 25.3 million to EUR 25.7 million due to several reasons.

The investments were subjected to an impairment test as per December 31, 2012. The value analyses did not lead to any depreciation requirement.

Current assets plus accruals increased compared to the previous year by 5% to EUR 24.6 million and were 49% of the balance sheet total at the end of 2012 (previous year: 48%). Main reason was the increase of inventories by 126% to EUR 3.9 million. Reason for this increase is the increase of work in progress of fixed price projects which was economically managed by subsidiaries and sister companies of Reply Deutschland AG. Trade accounts receivable decreased significantly by 15% to EUR 4.8 million. In comparison to the previous year, the turnover rate of trade accounts receivable decreased to 5.5; the value was 6.5 in 2011. Receivables due from affiliated companies increased by 8% to EUR 10.6 million (previous year: EUR 9.8 million). The liquid assets of Reply Deutschland AG decreased to EUR 4.8 million from EUR 5.2 million in the previous year.

The share of equity (before dividend payments) in the balance sheet total reduced slightly at the end of the year under review 2012 to 74% (previous year: 78%). In absolute terms it increased by EUR 0.6 million to EUR 37.4 million at the end of 2012. This development is due to the weakly business situation at Reply Deutschland AG and its subsidiaries which led to a net profit of 1.6 million (previous year: EUR 5.3 million).

In comparison to the previous year, provisions increased slightly by EUR 0.1 million to EUR 2.8 million. Liabilities increased in the 2012 financial year

at the previous year's level with EUR 9.5 million (previous year: EUR 7.4 million). Main reason for the increase is increased liabilities because of "passed on" projects managed by related companies.

Financial Position

In 2012, the cash flow from operating activities increased by 56% to EUR 2.3 million. The outflow of funds from investment activities decreased considerably by EUR 5.3 million to EUR 0.7 million, mainly driven by the loan payment of EUR 5.0 million to Reply S.p.A. in the previous year. The outflow of funds from financing activities was nearly stable because of the same guaranteed dividend in 2012 by EUR 2.1 million, liquid assets decreased by EUR 0.5 million to EUR 4.8 million. The relation to the balance sheet total is reduced compared to the previous year to 9% (previous year: 11%). Reply Deutschland AG still does not have any liabilities to banks; financing requirements are only met with funds from self-financing, i.e. from the cash flow.

Earnings Position

The dissatisfying development which was based on economic situation – especially in the first two quarters of 2012 – had also negative impact to the earnings position. In 2012, operating income (earnings before taxes, interest income and income from expenditures in connection with affiliated companies) totaled EUR -0.9 million after EUR 1.8 million in the previous year. The operating income decreased more than total sales (EUR -1.5 million) by EUR 2.7 million. This was based on several factors. On the one hand, the expenditures on performances received increased by EUR 4.0 million. While on the other hand, personnel expenses decreased by EUR 3.1 million and the other operating income decreased by EUR 0.3 million.

The other operating revenues include revenues from the services Reply Deutschland AG provides as holding services for the companies in the network. These are remunerated mainly based on sales; the sales increases at all Group companies as well as the inclusion of the affiliated companies for the first time thus

resulted in higher management fees paid to Reply Deutschland AG.

The increase in the costs of materials largely results from the use of subsidiaries' employees for the company's own customer projects. Invoicing is then via Reply Deutschland AG while performances are in part furnished by subsidiaries. This may lead to performances that are "passed on" without margin.

The personnel expenses were reduced due to the decrease in the number of employees. It should be noted that some employees moved to Cluster Reply GmbH & Co. KG in the previous year.

The operative units are primarily managed on the basis of EBITDA margin (net income for the year before income tax, interest, revenues from investments and depreciation based on sales revenue). The increasing significance of incomes from investments means that the EBT margin (income before tax related to sales revenue) is more informative for the evaluation of the performance of Reply Deutschland AG. EBITDA margin had a decline in 2012 from 22.0% to 5.6% mainly because of the weak first two quarters.

In 2012 Reply Deutschland AG's financial result decreased by EUR 1.2 million to EUR 3.6 million. This is in particular due to investment revenue decreased by EUR 1.3 million. The operating income from equity investments, i.e. the income from profit transfer agreements and equity investments less expenses for the transfer of losses decreased from EUR 4.6 million to EUR 3.3 million.

The net income for the financial year 2012 declined by 70%, from EUR 5.3 million to EUR 1.6 million. Overall the situation of Reply Deutschland AG is well-ordered.

Overall the situation of Reply Deutschland AG is well ordered.

On 14 December 2012 the Executive Board and Supervisory Board of Reply Deutschland AG have approved to the reorganization of Reply Deutschland AG. In the frame of the reorganization Reply Deutschland AG will be merged onto its majority shareholder, Reply S.p.A, a stock corporation listed in the Star segment of the Italian Stock Exchange in Milan. By way of preparation, the subsidiary Tool Reply GmbH will be sold to Reply Services S.R.L., Turin, Italy whereas all other assets of Reply Deutschland AG including its participations will be transferred into a wholly owned subsidiary of Reply Deutschland AG. Subsequently, Reply Deutschland AG will be merged onto Reply S.p.A.

The extraordinary Annual general meeting of Reply Deutschland AG on February 14, 2013 approved to the share purchase and transfer agreement regarding the shares in Tool Reply GmbH to Reply Services S.R.L., Italy and the contribution agreement regarding the remaining assets of the company to Reply GmbH & Co. KG with requisite majority.

Opportunities and Risk Report

Risk management system and accounting related internal audit system

A systematic risk management system at Reply Deutschland AG helps to identify and minimize risks as well as recognize opportunities at the same time. The operating units and central divisions of Reply Deutschland AG and its subsidiaries are integral components of this system. As part of the corporate strategy, the risk policy is geared towards continually and systematically increasing the company's value. It acts to safeguard the company's continued existence as a going concern. In doing so, it also protects the companies name and reputation as well as its "Reply" brand.

An analysis of the risks and the opportunities associated with them is always a prerequisite for a systematic risk strategy. In the key competencies, it deliberately takes and accepts risks which are reasonable, clearly definable, and controllable, provided they are also expected to entail a corresponding increase in value. The aggregate total risk may not exceed the existing overall risk coverage capability.

In fulfilling its overall responsibility, the Executive Board of Reply Deutschland AG has established a framework for efficient risk management by issuing guidelines applicable throughout the Group. Responsibility for the early detection, communication, and management of risks resides with the partner companies as the heads of operating units as well as with the managers of holding company departments. In particular, the holding company is responsible for assessing cross-divisional issues and possible cumulative effects arising from various risks. A Group-wide risk inventory is conducted annually. Throughout the year, Reply Deutschland monitors its business objectives and risks using the control systems, procedures, and reporting standards which it has implemented.

Part of the audit systems implemented is the internal audit system for accounting. Its purpose is to fully map all business transactions in both the separate and the consolidated annual financial statements. The checks and controls established throughout the company in all process segments are examined for effectiveness on a regular basis and developed further. These controls comprise automated checks within the SAP system as well as manual checks of the business processes carried out by employees. This includes the monthly review meetings, at which the sales pipeline for booking "other customers" i.e. customers to be acquired is evaluated on an ongoing basis. Also included are the regular reviews of complex projects as well as projects subject to particular risks. The subject matter of these reviews additionally includes the respective project situations, a comparison of hours worked with those budgeted, and the

valuation of work in progress. The monthly and quarterly reports as well as the annual financial statements are also subject to detailed reviews. The uniformity of accounting and valuation methods is ensured via the central accounting system for all Group companies at Reply Deutschland AG. The correctness of the annual financial statement is assured during preparation by strict adherence to the double-check principle.

Regular briefings provide reports on the status of and any changes in major risks. Risk management instruments are continuously developed further and are an integral part of the operating business.

The risk management system of the Reply Deutschland AG records and analyzes the main risks to Reply Deutschland AG and the units in its network on a decentralized basis at regular intervals. A total of 43 risk categories are monitored and these are allocated to the classes “strategic and environmental risks”, “value chain risks”, “project process risks” and “legal and regulatory risks”.

The risks are classified by probability of occurrence and level of damage. Additionally, risk management measures already implemented are reviewed and any measures still to be implemented are defined and announced. In order to enable the Reply Deutschland AG to react as soon as possible to unfavorable developments, early warning indicators are observed for the respective risk categories as far as possible.

Gross risks are identified without taking into account the risk management measures introduced. Net risks are also identified by including in the valuation the effects from adjustment or risk-shifting measures. In addition, a special procedure for evaluating the risk from customer relationships has been established for the purpose of identifying risks in the business relationship with the various customers early on. This is used particularly in the case of fixed-price projects of EUR 100 thousand or more.

Presentation of the Risk Position

The recent investigation of the risk situation as at third quarter 2012 revealed several risks currently essential for Reply Deutschland. The risks relate to

- A special business concentration at single clients,
- The adjustment of the offering portfolio as to new technologies,
- Intensified activities of competitors,
- Available project capacity,
- Employee fluctuation (loss of experienced employees)
- Gaining new, qualified employees and – thus as a consequence thereof –
- Securing specialist expertise within the company.

The denominated risks are typical risks to which an IT provider is exposed. Every executive within the business units and central departments of the holding receives an individualized catalog of risks relevant to their area of responsibility – these risks are then evaluated on an individual basis. The results are evaluated centrally and compiled into a risk analysis. The most recent analysis, from the third quarter of 2012, classified all current risks as ranging from “negligible” to “minor” (on a scale of negligible – minor – major – extreme). Some risk classes showed a decrease compared to 2011, due to initiated company measures. New aspects as to client concentration or the adaption of the offering portfolio are under examination, as well as the ongoing talent shortage on the employment market. Markedly decreased have the risks associated with the debt crisis of some European countries.

All in all, as per December 31, 2012 there are no risks threatening the existence of Reply Deutschland AG bearing in mind the existing risk coverage possibilities and the risk management systems introduced.

This statement also applies to accumulation of various existing corporate risks.

Reply Deutschland AG is exposed in its activities to typical business risks. These include in particular decline in demand and fluctuation in hourly rates for consulting. These risks are countered by measures in sales and capacity management also with regard to the management of the use of freelancers. Potential exceeding of the budgets of fixed-price projects is detected at an early stage by continuous project controlling. Technological development is closely monitored by the managers of the operating areas. They are supported by the central holding areas cooperating with various market research enterprises.

The skills and commitment of employees are decisive factors for success for the development of the company. To secure and strengthen these factors, Reply Deutschland AG continues to position itself as an attractive employer. It also aims to retain its staff long term. The company's staff development activities include attractive incentive systems, the early identification and support of candidates with potential, and the creation of good career prospects.

There are no pending or known court proceedings which would substantially impair Reply Deutschland AG's financial position. As a result, Reply Deutschland AG does not expect its business developments to suffer any major setbacks in this regard.

If the overall economic situation is negatively impacted in 2013 as a result of new economic issues arising from the debt crisis of financially-struggling Eurozone countries, this will have a trickle-down effect on the IT services industry. Reply Deutschland AG takes these risks into account by operating a demand-oriented staff deployment system.

Report on Risks Associated with Financial Instruments

In the area of financial planning, the usual methods of planning and control are used to guarantee liquidity at all times. Reply Deutschland AG transacts its cash investments with various banks, which are all part of a deposit insurance fund.

The loan given to the parent company Reply S.p.A. in the amount of Euro 5 million is subject to a low default risk. The loan granting was carried out in accordance with an order due to the domination agreement with Reply S.p.A. Thus no credit assessment of Reply S.p.A. was conducted. No obvious reasons, particularly no publicly known information, are on hand, though, which limit the credit standing of Reply S.p.A. in any way. Reply S.p.A. has committed itself to immediately inform Reply Deutschland AG about possible liquidity difficulties with respect to the loan. Provided that such a situation enters and is not cured at short notice, Reply Deutschland AG has an extraordinary right of termination.

As some of the liquid assets are invested on a floating-rate basis, there is a risk of interest rate fluctuations. Foreign exchange risks play a minor role for Reply Deutschland AG. In individual cases, expected customer payments in a foreign currency are hedged through the conclusion of forward exchange transactions.

As regards debtors, developments in the backlog of receivables are monitored continuously. Default risks are adequately covered by the existing value adjustments. Within receivables, there is a risk concentration as regards a number of major customers and industries. The extent of business with major customers and specific industries is monitored on an ongoing basis. However, given the high payment speed and the current credit standings of these major customers, Reply Deutschland AG does not foresee any risks. Special attention continues to be paid to the monitoring of value change risks arising from company values and goodwill. This is especially necessary as Reply Deutschland AG's stated strategy is to diversify its business portfolio by purchasing additional external companies. Such a strategy comes with the inherent risk that business performance may not match up to initial expectations. This risk is addressed within the framework of project controlling and monthly review meetings. Additionally, internal company valuations are conducted yearly for the main equity investments.

If necessary, external experts are consulted. With regard to the business units showing a goodwill the Reply Deutschland Group assumes that the participations develop according to the current planning.

The continued existence of Reply Deutschland AG as a going concern is not endangered by any factors relating to substance or liquidity. This assessment is supported by the analysis of business trends and liquidity presented here. The existing liquidity portfolio and equity base are a more than adequate foundation for the implementation of our strategic goals.

There are no identifiable risks which pose a threat to the continued existence.

Opportunities and outlook

The following outlook is an outlook for the Reply GmbH & Co. KG, which has the economic identity with the Reply Deutschland AG since March, 1, 2013.

The current economic forecasts assume that the economic activity only slowly regains footing in the Euro zone. The sentiment indicators detach only gradually of their lowest levels. The synthesis of the different forecasts shows an economic performance stagnating at best. Of the development of the European national economies Germany could disconnect only temporarily. For the financial year 2013, although business analysts still expect a growth. With an increase of the real gross domestic product from 0.6% to 0.8% it will appear lower than in the preceding year, however. Private consumption might show itself as a substantial support to the economic situation. Many enterprises still restrain more significant business capital spending. The export activity will drop off slightly in comparison with 2012 while the imports are expected with a growth rate of more than 4%.

Business strategies require a composite focus on an operative efficiency and the use of the chances from the new digital technologies, like Cloud computing, big data or mobile applications against the background of the continuous economic uncertainty and the austerity policies of the public households. The sentiment in the German information technology industry is still positive. In the latest Bitkom survey 76% of the questioned enterprises expect increasing sales in the next financial year. The business is going on particularly well to Bitkom observations with the suppliers of software and IT services. For the next year Germany is expected to show a growth rate of the IT market of 2.9%, to which the software suppliers contribute above average.

Reply Deutschland AG has found its way back to old strength in the course of the year 2012. This momentum shall be used for the financial year 2013. Here it has to be taken into account that the parent company of Reply Deutschland group will change during the hive down of all business activities of Reply Deutschland AG to the subsidiary Reply GmbH & Co. KG and the intended subsequent merger of Reply Deutschland AG on Reply S.p.A. All statements on future developments therefore refer to the "formally" new group which will be the same like before from a business perspective. Under the prerequisites of a positive domestic economic development and Europe further stabilizing itself Reply Deutschland AG or Reply GmbH & Co. KG intends to increase the sales volume in the middle single-digit per cent area in the coming financial year. The profitability shall as well be improved to slightly increase it above the EBITDA margin obtained in 2012. Following this forecast development earnings before taxes will absolutely and relatively improve as well. As in the past, Reply Deutschland will be endowed with a liquidity level adequate to the business development also in financial year 2013.

For 2014 Reply KG sees the IT market remaining at the level of 2013 with regard to growth rates. Reply KG anticipates for 2014 that its own business activities will develop in line with market growth rates. Earnings before tax should also continue to improve further. Both assessments consider that the announced reorganization of Reply Deutschland AG will not influence the operative business significantly.

The diversification of Reply business portfolio is also to be expanded through additional acquisitions. Here, the primary focus will remain on maintaining Reply strengths of profitability and liquidity.

Reply Deutschland provides its customers with reliable and innovative solutions in the field of information technology. In addition to its previous concentration on IT services for efficient corporate management and utmost quality in customer projects, additional priorities are to be set in the area of innovation and the provision of agile solutions (e.g. in the areas of “software as a service” and cloud computing). The way to being a European company focuses on the development of the complete range of highly specialized companies of the network of the Reply Group in Germany.

Remuneration Report

In accordance with the Act on the Appropriateness of Executive Board Compensation (VorstAG) which came into force on August 5, 2009 the Supervisory Board is responsible for concluding contracts with the Executive Board members and therefore setting their remuneration. The Supervisory Board's remuneration is based on the articles of incorporation and is set by the Annual General Meeting.

Executive Board Remuneration

The Executive Board's remuneration is geared to responsibilities and performance. It comprises in principle three components:

- a fixed remuneration,
- a performance-based bonus (short-term and long-term) and
- a benefits package.

In addition to accident insurance, the members of the Executive Board received benefits in kind such as the use of company cars.

Remuneration system

Dr. Jochen Meier stepped down from his position on the Board to take up tasks at a European level within Reply Group. The contract of Mr. Josef Mago was concluded with duration until December 31, 2012. In December 2010, the Executive Board contract of Dott. Flavia Rebuffat was concluded effective from January 01, 2011 until December 31, 2012.

We refer to the fact that Mr. Mago and Ms. Rebuffat have spent 85% of their working time in their roles in the Executive Board of Reply Deutschland AG. The information in this report relates to this time. Mr. Mago dedicated 15% of his working time to tasks as Executive Partner at Reply S.p.A. Group, the principal shareholder of Reply Deutschland AG. Ms. Rebuffat dedicated the remaining 15% of her working time to other tasks in the Reply S.p.A. Group. The provisions of § 88 AktG are observed. The Code of Practice for the Executive Board contains regulations on possible conflicts of interest, the observance of which is strictly monitored by the Supervisory Board. Dr. Meier dedicated 100% of his working time to the Reply Deutschland Group.

In addition to her Executive Board contract with Reply Deutschland AG, Ms. Rebuffat also has a contract with Reply S.p.A. Reply Deutschland AG and Reply S.p.A. have agreed that she dedicates 85% of her agreed working time to her role in the Executive Board of Reply Deutschland AG as part of the contract between Reply S.p.A and Ms. Rebuffat. This work is to be remunerated to Ms. Rebuffat directly by Reply S.p.A. This remuneration is to be refunded to Reply S.p.A. in the form of monthly partial amounts.

These contracts are based on the Executive Board remuneration system described below.

→ Fixed remuneration

The fixed sum is a basic remuneration not related to performance and is paid monthly as a salary on a pro rata basis. The amount for Mr. Mago and Dr. Meier is EUR 350,000 respectively per year. Dott. Rebuffat receives a fixed sum of EUR 110,000 per year. The remuneration of Ms. Rebuffat for her work at Reply Deutschland AG arising from her contract with Reply S.p.A. is a further EUR 110,500 Euro.

→ Performance-based short-term bonuses

The variable remuneration, at a maximum amount of EUR 100,000 per year for Ms. Rebuffat and EUR 150,000 per year for Dr. Meier as well as EUR 200,000 per year for Mr. Mago as the Chairman, is paid as an annual bonus.

Commencing with the 2011 financial year, the amount of the variable remuneration depends on the EBT margin, i.e. the ratio of earnings before tax – including the Executive Board bonuses to be paid – to the sales of the Reply Deutschland AG Group in the respective financial year. If this figure is 10% or less for a financial year, then the bonus is zero. If a figure of more than 13% is reached, the bonus payment is capped at the maximum amounts mentioned above. Any values in between lead to pro rata payments of the maximum bonus.

Performance-dependent remuneration with long-term incentive effect

The objective of establishing new requirements for determining Executive Board remuneration is to align the remuneration of the Executive Board to a sustainable and long-term corporate management.

A remuneration structure pursuant to the statutory requirements was agreed with the members of the Executive Board to the effect that the remuneration components with long-term incentive effect are paid

by Reply S.p.A. as the main shareholder of Reply Deutschland AG. The amount of this remuneration with long-term incentive effect depends on the sales and EBT margin achieved by Reply S.p.A. Group in Germany at the end of the 2012 financial year.

Mr. Mago, Dr. Meier and Ms. Rebuffat respectively receive a long-term bonus from Reply S.p.A. For Mr. Mago and Dr. Meier this bonus amounts up to EUR 1 million relating to the period 2010 to 2012 and for Ms. Rebuffat this bonus amounts to EUR 666,666 relating to the period 2011 to 2012. The prerequisite for the payment of the long-term bonus is initially the German Reply S.p.A. affiliates achieving total sales in the 2012 financial year of EUR 120 million. A further requirement is that a proportion of EBT to sales in 2012 of at least 10% is reached. Moreover, the amount of the bonus is determined according to detailed calculation based on the ratio of EBT to sales in the 2012 financial year at the German Reply S.p.A. affiliates. The maximum is reached at a ratio of 20% (EBT to sales). Reply S.p.A. is also entitled to pay this bonus to Mr. Mago in shares in Reply S.p.A. Ms. Rebuffat receives an additional long-term bonus from Reply S.p.A. for her activities for Reply S.p.A. relating to the periods 2011 to 2012, which is also based on the above mentioned criteria.

→ Post-contractual compensation

In the event of notice being given by the company for cause which was not given by the respective member of the Executive Board, the members of the Executive Board receive post-contractual compensation in the amount of the remuneration owed according to contract until the end of the original contract duration. In the case of Mr. Mago and Ms. Rebuffat it is limited to the amount of the fixed remuneration for a period of two years. Moreover, Mr. Mago does not receive any post-contractual compensation unless certain minimum criteria regarding EBT and sales are reached.

→ Benefits package

In addition to accident insurance, the members of the Executive Board receive benefits in kind such as the use of company cars. As a component of remuneration, these fringe benefits are subject to taxation for the respective Executive Board member. In principle, all Executive Board members are equally entitled to these benefits. The amount varies depending on personal situation.

The company also insures the members of the Executive Board against pecuniary damage liability claims asserted against them in connection with their performing their mandates (up to a maximum amount of

EUR 10 million). The costs of any legal defense associated with such claims are included in the insurance. This D&O insurance contains a deductible of 10% per case of damage up to an amount of 1.5 times the fixed annual remuneration of the member of the Executive Board.

Remuneration in the financial year 2012

For the 2012 financial year, the remuneration of the members of the Executive Board amounted to EUR 0.67 million; after EUR 0.97 million the previous year. The amounts attributable to the individual members of the Executive Board are listed in the following Table. The amounts for Dott. Rebuffat include the pro rata salary elements of Reply S.p.A. as described above.

In Euro thsd.	Fixed sum	Bonus	Benefits in kind	Total
Josef Mago	350	0	15	365
Dr. Jochen Meier (until 3/15/2012)	73	0	10	83
Dott. Flavia Rebuffat	221	0	0	221
Total	644	0	25	669

For comparison, the figures for the 2011 financial year were as follows:

In Euro thsd.	Fixed sum	Bonus	Benefits in kind	Total
Josef Mago	350	0	15	365
Dr. Jochen Meier	350	0	35	385
Dott. Flavia Rebuffat	221	0	1	222
Total	921	0	51	972

Pensions are paid to Executive Board members who have reached the statutory pension limit. Dr. Jochen Meier has a non-forfeitable pension. His claim as at March 15, 2012 is EUR 38.3 thousand. Dott. Flavia Rebuffat and Mr. Josef Mago do not have pension entitlement.

The scale for adjustment of the pension entitlement is one half of the percentage change of the fixed salary of the respective Executive Board member over the 3 years used for assessment. In the case of current pensions, the adjustment of the entitlement is to be performed according to price increases at least. If,

however, the increase in the net wages of the employees of Reply Deutschland is below the rate of price increases in the same period, then an appropriately lower adjustment is also possible. Under the surviving dependents' benefits plan, a widow receives 60% of the pension amount.

For these future pension entitlements for Executive Board members, the company has formed provisions. The appropriations to the pension provisions for the active members of the Executive Board are stated in the Table below based on IFRS. They include the so-called service cost and interest cost.

Executive Board Pension Entitlements 2012

In Euro thsd.	Pension entitlement p.a. (Annual entitlement at the start of pension)	Pension entitlements earned as of 12/31	Addition to pension provisions (IFRS)
Josef Mago	0	0	0
Dr. Jochen Meier (until 3/15/2012)	38	38	19
Dott. Flavia Rebuffat	0	0	0
Total	38	38	19

For comparison, the figures for the 2011 financial year were as follows:

In Euro thsd.	Pension entitlement p.a. (Annual entitlement at the start of pension)	Pension entitlements earned as of 12/31	Addition to pension provisions (IFRS)
Josef Mago	0	0	0
Dr. Jochen Meier	50	38	42
Dott. Flavia Rebuffat	0	0	0
Total	50	38	42

The cash value of the pension obligation (according to IFRS) for Dr. Meier was EUR 638 thousand as of December 31, 2011 (previous year: EUR 549 thousand).

The pension provision value (according to HGB) for Dr. Meier was EUR 445 thousand as of December 31, 2012 (previous year: EUR 381 thousand).

No loans or advances were granted to Executive Board members in the year under review.

The appointment of Mrs. Flavia Rebuffat und Mr. Josef Mago as members of the Executive Board has been prolonged until 31 December 2015.

Supervisory Board remuneration

In line with § 9 of the Articles of Incorporation, in addition to the reimbursement of the expenses incurred in connection with attending Supervisory Board meetings, members of the Supervisory Board receive a fixed remuneration of EUR 10,000 per full financial year. The Chairman receives twice this amount and his deputy receives one and a half times this amount.

The company also insures the Supervisory Board members against civil and criminal claims in connection with their performing their mandates (up to a maximum amount of EUR 10 million) and bears the costs of any legal defense associated with such claims as well as any taxes attributable to the assumption of these costs. The members of the Supervisory Board have not received any share options within the existing option plan.

No loans or advances were granted to Supervisory Board members in the year under review.

In Euro thsd.	2012	2011
Dott. Mario Rizzante, Chairman	20	20
Dr. Niels Eskelson, Deputy Chairman	15	15
Dott. Daniele Angelucci (from June 29, 2011)	10	5
Dr. Stefan Duhnkrack	10	10
Dott. Riccardo Lodigiani (until June 29, 2011)	0	5
Dr. Markus Miele	10	10
Dott. Tatiana Rizzante	10	10
Total	75	75

Special Events after the Balance Sheet Date

On 14 December 2012 the Executive Board and Supervisory Board of Reply Deutschland AG have approved to the reorganization of Reply Deutschland AG. In the frame of the reorganization Reply Deutschland AG will be merged onto its majority shareholder, Reply S.p.A, a stock corporation listed in the Star segment of the Italian Stock Exchange in Milan. By way of preparation, the subsidiary Tool Reply GmbH will be sold to Reply Services S.R.L., Turin, Italy whereas all other assets of Reply Deutschland AG including its participations will be transferred into a wholly owned subsidiary of Reply Deutschland AG. Subsequently, Reply Deutschland AG will be merged onto Reply S.p.A.

The Executive Board will introduce all necessary measures, in order to implement this reorganization within 2013. The extraordinary Annual general meeting of Reply Deutschland AG on February 14, 2013 approved to the share purchase and transfer agreement regarding the shares in Tool Reply GmbH to Reply Services S.R.L., Italy and the contribution agreement regarding the remaining assets of the company to Reply GmbH & Co. KG with requisite majority.

Apart from this, no substantive events occurred after December 31, 2012 that affected the asset, financial, and earnings position.

Gütersloh, March 5, 2013

Reply Deutschland AG

The Executive Board

Reply

Financial Statements of Reply Deutschland AG

Income Statement for Period of January 1, to December 31, 2012 of Reply Deutschland AG

All figures in Euro thsd.	2012	Previous year
1. Revenue	28,660	30,100
2. Increase in work in progress	1,229	1,278
Gross operational income	29,888	31,378
3. Other operating income of which income from currency translation 5 (previous year 34)	5,366	5,694
Gross income	35,254	37,072
4. Costs of material		
Cost of bought-in services	11,717	7,728
5. Personnel expenses		
a) Wages and salaries	10,967	13,663
b) Social security expenses and costs of provisions for retirement and welfare of which for retirement 18 (previous year 43)	1,635	1,991
	12,602	15,654
6. Depreciation		
a) on intangible assets and property, plant, and equipment	250	247
7. Other operating expenses of which expenses from currency translation 3 (previous year 31)	11,558	11,646
	36,127	35,275
Operating income	-873	1,797
8. Income from profit transfer agreements	2,541	1,844
9. Income from equity investments of which from affiliated companies 740 (previous year 2,748)	740	2,748
10. Loss from profit transfer agreements	0	0
11. Income from financial assets of which from affiliated companies 137 (previous year 8)	137	8
12. Other interest and similar profits of which from affiliated companies 201 (previous year 154)	243	284
13. Depreciation on financial assets	0	0
14. Interest and similar expenses of which discounting expenses 79 (previous year 72)	80	74
15. Profit from ordinary activities	2,708	6,607
16. Extraordinary expenses of which expenses from appl. art. 66 + 67 sec. 1–5 EGHGB 32 (previous year 32)	32	32
17. Income tax of which deferred tax expenses 107 (previous year 377)	1,084	1,298
18. Net profit	1,592	5,278
19. Profit / loss carried forward	0	0
20. Withdrawal from capital reserve	0	0
21. Withdrawal from retained earnings	545	0
22. Allocation to retained earnings	0	0
23. Unappropriated profit	2,138	5,278

Balance Sheet as at December 31, 2012 of Reply Deutschland AG

All figures in Euro thsd.

Assets	12/31/2012	Previous year
A. Fixed Assets		
I. Intangible assets		
Software	55	30
II. Tangible assets		
Other plant, office furniture and equipment	859	442
III. Financial assets		
1. Shares in affiliated companies	19,763	19,754
2. Loans to affiliated companies	5,000	5,000
3. Other lendings	41	53
	24,804	24,806
	25,718	25,279
B. Current Assets		
I. Inventories		
1. Work in progress	2,755	1,526
2. Advance payments	1,152	207
	3,908	1,733
II. Accounts receivable and other assets		
1. Trade accounts receivables	4,784	5,631
2. Receivables from affiliated companies	10,595	9,765
3. Other assets	401	766
	15,780	16,162
III. Cash in hand, cash at bank	4,757	5,247
	24,444	23,142
C. Deferred items	182	210
D. Deferred tax assets	36	40
E. Asset-side difference from asset allocation	7	11
	50,388	48,682

Liabilities	12/31/2012	Previous year
A. Equity		
I. Subscribed capital		
1. Share capital	4,751	4,751
(Contingent capital 0, previous year 0)		
	4,751	4,751
II. Capital reserve		
1. Premium from the issue of shares	21,483	21,483
2. Other capital reserves	329	329
	21,812	21,812
III. Surplus reserve		
1. Other retained earnings	8,722	6,127
	8,722	6,127
IV. Unappropriated profit	2,138	5,278
	37,423	37,968
B. Provisions		
1. Provisions for pension obligations	532	515
2. Tax provisions	337	184
3. Other provisions	1,889	1,970
	2,758	2,669
C. Liabilities		
1. Prepayments received on ordering	3,542	3,648
2. Trade accounts payable	615	588
3. Payables to affiliated companies	4,295	1,860
4. Other liabilities	1,034	1,319
(of which from taxes 571, previous year 782)		
	9,486	7,415
D. Deferred items	18	28
E. Deferred tax liabilities	703	602
	50,388	48,682

Statement of Fixed Assets Movements 2012

All figures in Euro thsd.	Acquisition or production cost			
	01.01.2012	Additions	Disposals	31.12.2012
I. Intangible assets				
Software	943	56	1	998
II. Tangible assets				
Other plant, office furniture and equipment	2,118	646	423	2,341
III. Financial assets				
1. Shares in affiliated companies	19,813	9	0	19,822
2. Loans to affiliated companies	5,000	0	0	5,000
3. Other lendings	53	0	12	41
	24,866	9	12	24,863
	27,927	711	436	28,202

All figures in Euro thsd.	Cumulative value adjustments				
	01.01.2012	Depreciation of current year	Appreciations of financial year	Disposals	31.12.2012
I. Intangible assets					
Software	913	32	0	1	943
II. Tangible assets					
Other plant, office furniture and equipment	1,676	218	0	413	1,482
III. Financial assets					
1. Shares in affiliated companies	59	0	0	0	59
2. Loans to affiliated companies	0	0	0	0	0
3. Other lendings	0	0	0	0	0
	59	0	0	0	59
	2,648	250	0	414	2,484

All figures in Euro thsd.	Book values	
	31.12.2012	Previous year
I. Intangible assets		
Software	55	30
II. Tangible assets		
Other plant, office furniture and equipment	859	442
III. Financial assets		
1. Shares in affiliated companies	19,763	19,754
2. Loans to affiliated companies	5,000	5,000
3. Other lendings	41	53
	24,804	24,807
	25,718	25,279

Notes to Financial Year 2012 of Reply Deutschland AG

1 General Notes to the Annual Financial Statements

The annual financial statements of Reply Deutschland AG were drawn up according to §§ 242 ff and 264 ff German Commercial Code (HGB) as well as according to the relevant regulations of the German Companies Law (Aktiengesetz). The regulations for large public limited companies apply.

The income statement is structured according to the aggregate cost method.

2 Statements to the Accounting and Valuation Methods

The annual financial statements were fundamentally drawn up unchanged according to the accounting and valuation methods below.

Intangible assets of the fixed assets are stated at acquisition costs less straight-line depreciation amounts (by using a presumed period of use of three years).

Tangible assets are carried at acquisition costs less straight-line depreciation amounts (based on a presumed period of use between three and sixteen years). Low-value capital goods (acquisition in the financial years 2008 – 2010, acquisition costs between EUR 150 and EUR 1,000) are summarized in a compound item subject to the straight-line depreciation method over a period of use of five years. Low-value capital goods with acquisition costs of up to EUR 410 acquired in the financial year 2011 were depreciated completely in the year of entry.

Shares in affiliated companies are carried at the acquisition cost or lower of fair value. The loans to affiliated companies and other loans are recognized in principle at nominal value. Extraordinary write-downs on the lower fair value are made if such value is permanently lower than the acquisition costs. Write-ups are made if the reasons for an extraordinary write-down in previous years ceased to exist.

Work in progress is carried at manufacturing costs. Apart from all other individual costs which need to be capitalized, such manufacturing costs include overhead expenses in form of an adequate surcharge on individual costs.

Trade receivables are assessed at their nominal values. With respect to receivables the receipt of which is doubtful valuation allowances in an appropriate amount were made. The general default and credit risk is sufficiently taken into account by means of a general bad debt provision in the amount of 1.5 % of net claims not adjusted by valuation allowances.

Claims against affiliated companies are always reported at their nominal values. For claims the receipt of which is doubtful valuation allowances were made.

All other asset items are carried at their nominal values.

The calculation of pension provisions (necessary settlement amount) was performed according to the projected unit credit method in line with the statutory regulations (§ 253 Section 2 of the German Commercial Code (HGB)). In accordance with the simplification regulation of (§ 253 Section 2 Item 2 German Commercial Code (HGB), a blanket residual term (medium duration) of the liability of 15 years was assumed. As per December 31, 2012, the actuarial interest rate was 5.05 %. The previous year, the interest rate was 5.14%. In addition, salary and pension trends with 1.5 % or 2.0 % respectively as well as the mortality table RT 2005 G of Dr. Klaus Heubeck were taken as a basis when determining the decisive settlement amount. By making use of the right to choose according to Section 67 paragraph 1 item 1 of the Introductory Law to the Commercial Code (EGHGB), the allocation amount resulting from the German Accounting Law Modernization Act due to the change of the accounting for provisions according to Articles 249 paragraph 1 item 1, 253 paragraph 1 item 2, paragraph 2 of the German Commercial Code is taken into account as per Jan. 1, 2010 in the financial year 2012 - as in the previous year- to 1/15 and correspondingly stated as “extraordinary expense”. The difference amount arising from the BilMoG changeover not taken into account as expenditure in the financial years 2010 until 2012, as permitted, amounts to EUR 381 thousand (previous year: EUR 413 thousand).

Depending upon their period of service, the employees of Reply Deutschland AG receive service anniversary awards. The total liability in this respect was determined following actuarial principles by taking an interest rate of 4.74 % as a basis. The interest rate of the previous year was 5.14 %.

Claims for reinsurance coverage from life insurance policies for pension obligations represent plan assets subject to offsetting because they are exclusively used for the fulfillment of pension obligations and are protected from any access by all other creditors. In accordance with the amended statutory provisions (“BilMoG”; Section 246 paragraph 2 sentence 2 of the German Commercial Code), they were, with the respective fair value (EUR 1.009 thousand), set-off against the corresponding settlement amount (EUR 1,541 thousand). The liability surplus is reported as pension provision. The fair value corresponds to the purchase costs. Correspondingly, expenditures in the amount of EUR 96 thousand were offset with other income in the amount of EUR 18 thousand and reported as interest expenditures.

Bonus funds pledged to employees for securing their claims from partial retirement also represent plan assets subject to offsetting because they are exclusively used to the fulfillment of partial retirement obligation and are protected against any access by all other creditors. Such items, too, were set-off against the corresponding settlement amount (EUR 93 thousand) on the basis of their fair value (EUR 99 thousand). The purchase costs are EUR 98 thousand. In line with the amended statutory provisions, the assets surplus (EUR 7 thousand) is recorded as “excess of plan assets” over pension liabilities (Section 246 paragraph 2 of the German Commercial Code). Correspondingly, income in the amount of EUR 100 thousand was offset with expenditures.

Other provisions are made by taking all uncertain liabilities concerning the expired financial year and known by the time of balance sheet preparation into account. Such provisions were made in view of necessary settlement amount arising according to reasonable and prudent business judgment. Provisions with a residual term of more than one year were discounted.

Liabilities are carried at their settlement value.

In order to determine deferred taxes resulting from temporary or quasi-temporary differences between values reported according to commercial law for asset items, debts and accruals and deferrals and their tax valuations or from tax loss carry forwards, the amounts of the resulting tax burdens or tax reliefs are assessed at the company-related tax rates at the time of the reduction of the differences without discounting them. Deferred tax assets and deferred tax liabilities are offset separately by taxation types.

Receivables and liabilities respectively in foreign currencies with a residual term of one year or less are assessed at the mean exchange rate for spot transactions.

3 Notes to the Balance Sheet

The development of the **assets** is described in the Appendix to the Notes.

In the financial year 2011, as part of the reorganization within the corporate group and the focusing of company units, the corporate group units acting in the Microsoft context were already consolidated within a legal entity (Cluster Reply GmbH & Co. KG). Therefore a contract was concluded by Reply Deutschland AG with the acquiring Cluster Reply GmbH & Co. KG on July 20, 2011 in which the **inclusion of Microsoft IT consulting in Cluster Reply GmbH & Co. KG** was regulated with effect from August 1, 2011. The inclusion of the assets and liabilities arising from Microsoft IT consulting stated within the contract is effected by way of single succession based on § 24 Reorganization Tax Act (tax-neutral).

Furthermore, for the above mentioned reasons, also in 2011 the Microsoft IT consulting section of Xuccess Reply GmbH was transferred by way of the demerger (§ 123 Section. 2 No. 1 Reorganization Act) as well as the companies discovery sysko GmbH and cluster sysko GmbH by way of the merger (§ 2 Section 1 Reorganization Act) to Cluster Reply GmbH & Co. KG with effect from January 1, 2011. Apart from that, macrosSolution GmbH was transferred to macros Reply GmbH by way of merger (§ 2 Section 1 Reorganization Act) with effect from January 1, 2011.

In addition, against the background of the concentration of the department acting in the utilities sector within a legal entity with contract of Reply Deutschland AG with the acquiring company Power Reply GmbH & Co. KG of December 22, 2011, the inclusion of the corresponding parts of the company was regulated as per January 1, 2012. The inclusion of the assets and liabilities of these parts of the company stated within the contract is effected by way of singular succession based on § 6 Section 5 ESTG (tax-neutral).

Furthermore, with the aim of consolidating the company departments acting in trade within a legal entity with contract of Reply Deutschland AG with the acquiring Xpress Reply GmbH & Co. KG of December 22, 2011, the inclusion of the corresponding company departments was regulated as per January 1, 2012. The inclusion of the assets and liabilities of these parts of the company stated within the contract is also effected by way of singular succession based on § 6 Section 5 ESTG (tax-neutral).

The investment book values of the companies concerned shown within the financial assets of Reply Deutschland AG were thus adjusted correspondingly in 2011 and 2012 as far as necessary - without impacting the sum of the investment book values.

Share ownership

Reply Deutschland AG held shares directly or indirectly in the following companies as per balance sheet date:

	Share in %	Currency	Equity	Net profit for the year
Tool Reply GmbH, Gütersloh	100	Euro thsd.	472	106
Xpress GmbH & Co. KG, Gütersloh**	100	Euro thsd.	528***	-2***
Xpress Verwaltungs-GmbH, Gütersloh	100	Euro thsd.	49	4
4brands GmbH & Co. KG, Minden**	51	Euro thsd.	3,516***	516***
4brands Verwaltungs-GmbH, Minden	51	Euro thsd.	78	7
macros Reply GmbH, Munich*	100	Euro thsd.	1,030***	699***
DOCS.ON GmbH, Stuttgart****	0	Euro thsd.	0****	0****
Cluster Reply GmbH & Co. KG, Munich**	100	Euro thsd.	911***	474***
Cluster Reply Verwaltungs-GmbH, Munich	100	Euro thsd.	22	5
Xuccess Reply GmbH, Munich*	100	Euro thsd.	1,941***	1,841***
Twice Reply GmbH, Düsseldorf	100	Euro thsd.	-51	380***
Syskoplan Reply GmbH, Küsnacht CH	100	Euro thsd.	64	15***
Power Reply GmbH & Co. KG, Munich**	100	Euro thsd.	-538	-548***
Power Reply Verwaltungs-GmbH, Munich	100	Euro thsd.	24	1

* In the case of the companies with which there are profit and loss transfer agreements, the release from disclosure according to § 264 section 3 HGB is exerted.

** In the case of business partnerships, the release from disclosure according to § 264b HGB is exerted.

*** Before profit and loss transfer / loss assumption / appropriation of net profit.

**** On November 14, 2009, the meeting of shareholders had resolved the liquidation as to December 31, 2009. The liquidation was concluded in the year under review.

Loans to associated companies include a loan to the main shareholder Reply S.p.A. in the amount of EUR 5,000 thousand (previous year: EUR 5,000 thousand).

Receivables and other assets are receivables vis-à-vis affiliated companies of EUR 803 (previous year: EUR 1,655 thousand) as well as other assets in the amount of EUR 0 thousand (previous year: EUR 41 thousand) with a residual term of more than one year.

Receivables owed by affiliated companies in the amount of EUR 10,595 thousand (previous year: EUR 9,765 thousand) concern trade receivables in the amount of EUR 870 thousand (previous year: EUR 1,193 thousand) and other receivables in the amount of EUR 9,725 thousand (previous year: EUR 8,572 thousand). The other receivables owed by affiliated companies include loan receivables of EUR 1,755 thousand (previous year: EUR

1,175 thousand). The remaining receivables concern in the main receivables from existing profit transfer agreements and investment income for the year 2012.

Deferred tax assets (trade tax) are stated at EUR 36 thousand (previous year: EUR 40 thousand). The tax rate taken as a basis is 14.0 %. The deferred tax assets (trade tax) result from differences between commercial law and tax law assessments when reporting pension liabilities (EUR 235 thousand), anniversary provisions, provisions for partial retirement and others (EUR 22 thousand) of a total of EUR 257 thousand (previous year: EUR 284 thousand). In this connection, temporary differences with the group entities were taken into account.

The **share capital** of Reply Deutschland AG as per Dec. 31, 2012 amounts to EUR 4,750,561 (previous year: EUR 4,750,561) and consists of 4,750,561 (previous year: 4,750,561) no-par-value bearer shares with a notional portion in the share capital of EUR 1 each.

According to **Section 21 of the Securities Trading Act (WpHG)**, the receipt of the following notices was to be published:

On January 23, 2006, Reply S.p.A., Turin, Italy, informed us that it exceeded the thresholds of 5, 10, 25 and 50 % of the voting rights in Reply Deutschland AG. Iceberg S.A., Luxembourg, Luxembourg, informed us on January 23, 2006 that it exceeded the thresholds of 5, 10, 25 and 50 % of the voting rights in syskoplan AG because the voting rights held by Reply S.p.A. are to be allocated to it. Alika s.r.l., Turin, Italy, informed us on January 23, 2006 that it exceeded the thresholds 5, 10, 25 and 50 % of the voting rights in Reply Deutschland AG because the voting rights held by Iceberg S.A. are to be allocated to it. Again on January 23, 2006, Mr. Dott. Mario Rizzante, Turin, Italy, informed us that he exceeded the thresholds of 5, 10, 25 and 50 % of the voting rights in Reply Deutschland AG because the voting rights held by Alika s.r.l. are to be allocated to him.

In addition, Reply S.p.A., Turin, Italy, informed us on October 9, 2009 that it exceeded the thresholds of 75 % of the voting rights in syskoplan AG. Alika s.r.l., Turin, Italy, informed us on October 9, 2009 that it exceeded the thresholds of 75 % of the voting rights in Reply Deutschland AG because the voting rights held by Reply S.p.A. are to be allocated to it. Again on October 9, 2009, Mr. Dott. Mario Rizzante, Turin, Italy, informed us that he exceeded the thresholds of 75 % of the voting rights in syskoplan AG because the voting rights held by Alika s.r.l. and Reply S.p.A. are to be allocated to him.

Dr. Manfred Wassel and Dr. Jochen Meier informed us in January of 2006 that they fell below the thresholds of 5 % of the voting rights on January 19, 2006 and they themselves remain interested in the Company with two or one voting right respectively only.

On August 3, 2010, Reply Deutschland AG announced that the **domination agreement** executed on June 25, 2010 according to Section 291 paragraph 1 of the German Companies Act (AktG) between Reply S.p.A. as domination company and Reply Deutschland AG as controlled company (hereinafter also called "domination agreement") has become effective upon its entry in the trade register of the court of first instance of Gütersloh on August 2, 2010. The general meeting of shareholders of Reply Deutschland AG had given its approval to the domination agreement on May 28, 2010.

On September 20, 2000, the general meeting of shareholders passed a resolution for **contingent capital increase** by up to a nominal amount of EUR 300,000 by issuing up to 300,000 new no-par-value bearer shares for the redemption of subscription rights within the framework of a stock option plan. The number of issued but not yet exercised subscription rights as per Dec. 31, 2012 amounts to 0. Thus, the contingent capital as to Dec. 31, 2012 amounts to EUR 0 (previous year: EUR 0).

During the general meeting of shareholders held on May 28, 2010, the Executive Board was authorized to increase the share capital by up to EUR 2,367,029 (**authorized capital**) by May 27, 2015 with the consent of the Supervisory Board. As per Dec. 31, 2012, the authorized capital still amounts to EUR 2,367,029.

At the balance sheet date of December 31, 2012 the company is not in ownership of any **treasury stock**. In the amount of EUR 475 thousand, the capital reserve represents the statutory reserve in terms of Section 150 II of the German Companies Act (AktG) as 10% of the share capital.

On June 13, 2012, the general meeting of shareholders resolved to distribute a dividend of EUR 0.45 per no-par-value bearer share (a total of EUR 2,137.7 thousand) to the shareholders out of the balance sheet profit of EUR 5,278 thousand and to allocate an amount of EUR 3,141 thousand to the **other surplus reserves**.

The Executive Board will propose to the General Meeting to distribute a dividend EUR 0.45 per no-par-value bearer share (a total of EUR 2,137.7 thousand) to the shareholders for the financial year 2012. Thus, EUR 545 thousand has already been taken from the retained income in this financial statement and taken into account in the profit retained.

EUR 1,109 thousand (previous year: EUR 1,133 thousand) of the **other provisions** in the amount of EUR 1,889 thousand (previous year: EUR 1,970) are assigned to staff costs (in the main emoluments for executives of EUR 767 thousand and anniversaries of EUR 111 thousand) inclusive of incidental expenses.

All **liabilities** amounting to a total of EUR 9,486 thousand (previous year: EUR 7,415 thousand) have a term of up to one year. Liabilities secured by rights of lien or similar rights do not exist.

Liabilities towards affiliated companies consist of trade accounts payable in the amount of EUR 3,973 thousand (previous year: EUR 1,528 thousand) and other liabilities in the amount of EUR 322 thousand (previous year: EUR 332).

In connection with the **deferred tax liabilities** (corporate tax) in the amount of EUR 703 thousand, a tax rate of 15.825% was taken as a basis. The deferred tax liabilities of EUR 744 thousand (corporate tax) result from differences between commercial law assessments and tax law assessments and the entailed consequences with respect to the subsidiaries maintained as partnerships in the amount of EUR 4,701 thousand. These effects were offset against the deferred tax assets arising from corporate tax of EUR 41 thousand.

4 Notes to the Profit and Loss Account

EUR 28,660 thousand of **sales figures** were achieved; EUR 25,561 thousand in the domestic country and EUR 3,099 thousand in foreign countries. Furthermore, sales figures are allocated to their respective fields of activities as follows:

	Euro thsd.
System Integration	23,719
Managed Services	992
Sonstiges	3,949

The **other operating income** includes income from the dissolution of provisions in the amount of EUR 35 thousand (relating to other periods).

In the **other operating expenses** write-downs affected in previous years of EUR 832 thousand are taken into account as expenditure due to a debt waiver (EUR 1,242) vis-à-vis the subsidiary Twice Reply GmbH.

The **extraordinary expenses** incurred due to the application of Section 66 and Section 67 paragraph 1 to 5 of the Introductory Law to the Commercial Code (EGHGB) (transitional provisions with respect to the BilMoG) in financial year 2012 amount to EUR 32 thousand.

Taxes from income and profit in the amount of EUR 1,084 thousand include expenditure related to other periods of EUR 22 thousand. Taxes from income and profit are attributed solely to the result of the ordinary business activities. Furthermore, the item taxes from income and profit includes deferred tax expenses of EUR 107 thousand (corporate tax expenditure EUR 103 thousand and trade tax expenditure EUR 4 thousand).

5 Other Notes

Staff

In 2012, the average number of staff members excluding board members and trainees amounted to 158 employed persons. Said number is allocated to the fields of activity as follows:

	Number
System integration	108
Managed services	5
Other/administration	45

Other Financial Liabilities

The following financial liabilities result from various leasing contracts (especially motor vehicles), rental agreements etc.:

Remaining term	Euro thsd.
Within one year	1,577
Within 2 to 5 years	2,493

These include the following other financial liabilities towards affiliated companies:

Remaining term	Euro thsd.
Within one year	405
Within 2 to 5 years	51

Contingent Liabilities

A guarantee in the amount of CHF 120 thousand exists as security for Swiss Value Added Tax. Risks from a drawing of guarantees are not evident as to balance sheet day.

Reply Deutschland AG had issued letters of comfort to the favor of affiliated companies by means of which the Company undertook to make available upon first request the financial means for the fulfillment of their obligations up to a maximum amount of a total of EUR 1,500 thousand. Said obligations were, in terms of time, limited. No claims were asserted against Reply Deutschland AG. The letters of comfort were not extended due to the positive profit situation of a subsidiary or rescinded due to a debt waiver with the result that as per balance date no letters of comfort exist vis-à-vis affiliated companies. A qualified subordination declaration was made to a subsidiary to avoid imminent insolvency. This declaration comprised as per December 31, 2012, loan receivables in the amount of EUR 705 thousand. However the Company proceeds on the assumption of a future elimination of the balance sheet insolvency (also taking into account the loan receivables stated).

Financial Derivatives

As to balance sheet day, there were no derivative finance dealings.

Off-Balance Sheet Transactions

Other off-balance sheet business transactions having a significant influence on the property and the financial and income situation of Reply Deutschland AG do not exist.

Restrictions of Distributions

According to Section 268 paragraph 8 of the German Commercial Code, a restriction on distributing profits results from capitalizations as follows:

from capitalization	Euro thsd.
Original intangible assets	0
deferred taxes	0
from assets at fair value	1

Members of the Board of Directors

In 2012, the following persons were members of the Executive Board of the Company:

- Josef Mago (Chairman), Corporate Development, Capital Market, M&A and HR for Partners
 - Dr. Jochen Meier (until March 15, 2012), Finances and Staff
 - Dott. Flavia Rebuffat, Operations, from March 16, 2012 also finances and Staff.
- In the financial year 2012, the members of the Executive Board were represented in the following supervisory boards and other comparable domestic and foreign supervising bodies:

- Josef Mago from March 16, 2012, Advisory Board 4brands GmbH & Co. KG, Minden (Chairman)
- Dr. Jochen Meier until March 15, 2012, Advisory Board 4brands GmbH & Co. KG, Minden (Chairman)
- Dott. Flavia Rebuffat from September 12, 2012, Supervisory Board, Arlanis Reply AG, Potsdam (Chairman)

Members of the Supervisory Board

In the year under review, the following persons were members of the Supervisory Board of Reply Deutschland AG:

- Dott. Mario Rizzante President of Reply S.p.A., Turin, Italy, Chairman
- Dr. Niels Eskelson Management Consultant, Paderborn, Vice-Chairman
- Dr. Stefan Duhnkrack Partner of Heuking Kühn Lüer Wojtek, Hamburg
- Dott. Daniele Angelucci CFO Reply S.p.A., Turin, Italy
- Dr. Markus Miele Managing shareholder of Miele & Cie. KG, Gütersloh
- Dott. Tatiana Rizzante CEO Reply S.p.A., Turin, Italy.

Mandates of the Members of the Supervisory Board

In the year under review, the members of the supervisory board held the following mandates in supervisory boards and comparable domestic and foreign supervising bodies:

- Dott. Mario Rizzante no further mandates
- Dr. Niels Eskelson no further mandates
- Dr. Stefan Duhnkrack NetBid Industrie-Auktionen AG, Hamburg, Member of the Supervisory Board
DELACAMP AG, Hamburg, Member of the Supervisory Board
- Dott. Daniele Angelucci no further mandates
- Dr. Markus Miele ERGO Versicherungsgruppe AG, Düsseldorf, Member of the Supervisory Board
SURTECO SE, Buttenwiesen-Pfaffenhofen, Member of the Supervisory Board
- Dott. Tatiana Rizzante Ansaldo Sts S.p.A., Milan, Member of the Board of Directors

Remuneration of Executive Board and Supervisory Board

The remuneration of the management members holding key positions with the Reply Deutschland AG group subject to reporting according to Section 285 sentence 1 no. 9a of the German Commercial Code includes the remunerations for the active Executive Board and the Supervisory Board.

In the financial year 2012, the remunerations for board members were as follows:

All figures in Euro thsd.	31.12.2012	31.12.2011
Regular salaries	669	972

As to Dec. 31, 2012, no stock options and other share-based remunerations, advances or loans were granted to board members.

The members of the supervisory board received the following remunerations:

All figures in Euro thsd.	31.12.2012	31.12.2011
Regular salaries	75	75

As per December 31, 2012, no subscription rights and other share-based remunerations, advances or loans were granted to members of the Supervisory Board.

With respect to individualization and other details about the remunerations of the management (information according to Section 285 sentence 1 no. 9a sentence 5 to 8 of the German Commercial Code) reference is made to the elaborations made in the management report of the Company.

Provisions for Pensions and Vested Rights of Former Members of the Board of Directors

As to December 31, 2012, pension provisions for 2 (previous year: 1) former members of the Executive Board amount to EUR 1,384 thousand (previous year: EUR 919 thousand). Apart from that, an amount of EUR 348 thousand (previous year: EUR 270 thousand) resulting from the adjustments due to the BilMoG has not been created as permitted as to December 31, 2012.

Business with related parties

The total sales figures include sales of EUR 2,713 thousand resulting from projects of Reply Deutschland AG with end customers that were achieved solely by an affiliated company and therefore are shown in the same amount (i.e. without margin) as expenditure for performances received. A management fee in the amount of 6% is charged for this and shown under other operating revenue.

Declaration of Conformity

In December of 2012, the Executive Board and the Supervisory Board issued the declaration of conformity according to Section 161 of the German Companies Act (AktG) of the "Regierungskommission Deutscher Corporate Governance Kodex" in its version of May 15, 2012 and made it permanently available for the shareholders on the Company's website (www.reply.de).

Consolidated Financial Statements

As a publicly listed company according to Section 315 a of the German Commercial Code, Reply Deutschland AG is obliged to draw up a consolidated financial statement in line with internationally recognized accounting principles. The consolidated financial statement is filed with the operator of the Electronic Official Gazette and is permanently accessible in the electronic company register (register number HRB 3943, entered in the trade register of the court of first instance of Gütersloh).

Reply Deutschland AG, for its part, is again included in the consolidated financial statement of the majority shareholder Reply S.p.A., Turin, Italy. The consolidated financial statement of Reply S.p.A. is published and deposited in the Registro delle Imprese di Torino under number 97579210010, Partita 08013390011.

The consolidated financial statement for the major circle of companies is drawn up by Alika s.r.l., Turin, Italy. The consolidated financial statement of Alika s.r.l. is deposited in the Registro delle Imprese di Torino under number 07011510018.

Auditors' Fees (Section 285 No. 17 of the German Commercial Code (HGB))

The Company makes use of the facilitation in terms of Section 285 No. 17 last part of the sentence. Accordingly, the fees charged by the auditors for the financial year are not indicated because they are taken into account in the statements made in the consolidated financial statement of Reply Deutschland AG.

Gütersloh, March 5, 2013

Reply Deutschland AG

The Executive Board

Audit Opinion

We issued the following opinion on the financial statements and management report:

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Reply Deutschland AG, Gütersloh, for the fiscal year from 1 January 2012 to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation and bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.”

Dortmund, 6 March 2013

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Schlüter

Burchardt

Wirtschaftsprüfer

Wirtschaftsprüfer

[German Public Auditor] [German Public Auditor]

Declaration as per § 264 Section 2 Sentence 3 and § 289 Section 1 Sentence 5 of the German Commercial Code (HGB)

We confirm that – to the best of our knowledge – the financial statements present an accurate picture of the company's asset, financial and earnings position in line with the applicable principles of financial reporting. Furthermore, we confirm that the management report accurately presents the course of business – including the operating result – and the company's situation, and that it describes the material opportunities and risks entailed in the company's likely development.

Gütersloh, March 5, 2013

Reply Deutschland AG

The Executive Board

www.reply.de

