Reply S.p.A.
Interim financial statements
(ex art. 2501- quater of the Italian civil code)
as at 31 March 2013

Reply S.p.A.
Income statement

(in Euros)	Note	31/03/2013	31/03/2012
Revenues	5	62,255,789	58,581,967
Other revenues	6	1,457,908	1,034,769
Purchases	7	(1,044,388)	(885,270)
Personnel	8	(4,133,546)	(3,751,295)
Services and other costs	9	(57,619,204)	(55,059,301)
Amortization, depreciation and write-downs	10	(151,329)	(136,495)
EBIT		765,231	(215,626)
Financial income/(expenses)	11	73,418	66,104
Income before taxes		838,650	(149,522)
Income tax	12	(461,169)	(147,263)
Profit/(loss) for the period		377,481	(296,785)
Net earnings per share	13	0.04	(0.03)
Diluted net earnings per share	13	0.04	(0.03)

Reply S.p.A.
Statement of comprehensive income

(in Euros)	Note	31/03/2013	31/03/2012
Profit (loss) for the period (A)		377,481	(296,785)
Total other profits (losses) not subsequently reclassified to the income statement:			
Re-measurement of defined benefit plans		-	-
Tax effect relating to Total other profits (losses) not subsequently reclassified to the income statement:		-	-
Total tax effect relating to Total other profits (losses) not subsequently reclassified to the income statement (B1):		-	-
Total other profits (losses) not subsequently reclassified to the income statement:			
Gains (losses) on *cash flow hedging*	24	26,506	-
Actuarial gains/(losses) on employee benefit plans		-	-
Tax effect relating to Total other profits (losses) not subsequently reclassified to the income statement:		-	-
Total other profits (losses) not subsequently reclassified to the income statement, after tax (B2):	24	26,506	-
Total other profits (losses), after tax: (B) = (B1) + (B2):	24	26,506	-
Total Profit (loss) (A)+(B)		403,987	(296,785)

Reply S.p.A.
Statement of financial position

(in Euros)	Note	31/03/2013	31/12/2012
Tangible assets	14	285,356	200,975
Goodwill	15	86,765	86,765
Other intangible assets	16	1,221,816	1,262,493
Equity investments	17	127,381,618	125,267,416
Financial assets	18	13,988,244	14,090,681
Prepaid tax assets	19	1,785,187	1,678,711
Non current assets		**144,748,986**	**142,587,041**
Trade receivables	20	151,105,730	175,828,354
Other receivables and current assets	21	22,251,045	24,057,670
Financial assets	22	31,184,309	51,157,655
Cash	23	26,744,999	27,741,728
Current assets		**231,286,083**	**278,785,406**
TOTAL ASSETS		**376,035,069**	**421,372,447**
Share capital		4,803,686	4,795,886
Other reserves		119,663,879	103,098,978
Profit/(loss) for the period		377,481	16,226,110
SHAREHOLDERS' EQUITY	24	**124,845,045**	**124,120,973**
Payables to Minority Shareholders and corporate transactions	25	23,938,616	24,354,156
Financial liabilities	26	14,100,546	14,496,500
Employee benefits	27	460,614	454,594
Deferred tax liabilities	28	499,508	498,956
Provisions	29	1,145,000	1,500,000
Non current liabilities		**40,144,284**	**41,304,207**
Financial liabilities	29	48,926,190	60,367,491
Trade payables	30	149,949,989	181,900,543
Other payables and current liabilities	31	12,169,561	13,679,233
Current liabilities		**211,045,740**	**255,947,267**
TOTAL LIABILITIES		**251,190,024**	**297,251,474**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**376,035,069**	**421,372,447**

Reply S.p.A.
Statement of changes in equity

(in Euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Reserve for *cash flow hedges*	Reserve for actuarial gains (losses)	Total
Balance as at 1 January 2012	4,795,886	(3,182,950)	49,972,055	61,299,150	-	47,644	112,931,786
Dividends distributed	-	-	-		-	-	-
Change in treasury shares	-	(532,414)	-	-	-	-	(532,414)
Total profit (loss)	-	-	-	(296,785)			(296,785)
Other changes	-	-	9	(1)	-	-	8
As at 31 March 2012	4,795,886	(3,715,364)	49,972,064	61,002,364	-	47,644	112,102,594

(in Euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Reserve for *cash flow hedges*	Reserve for actuarial gains (losses)	Total
Balance as at 1 January 2013	4,795,886	(3,605,255)	49,976,254	73,031,747	(73,224)	(4,435)	124,120,974
Share capital increases	7,800	-	312,285	-	-	-	320,085
Dividends distributed	-	-	-		-	-	-
Change in treasury shares	-		-	-	-	-	-
Total profit (loss)	-	-	-	377,481	26,506	-	403,987
Other changes	-	-	9	(9)	-	-	-
As at 31 March 2013	4,803,686	(3,605,255)	50,288,548	73,409,219	(46,718)	(4,435)	124,845,045

Reply S.p.A.
Statement of cash flows

(in Euros)	31/03/2013	31/03/2012
Profit/(loss) for the period	377,481	(296,785)
Income tax	461,169	147,263
Depreciation and amortization	151,329	136,495
Change in trade receivables	24,722,624	10,992,084
Change in trade payables	(31,950,554)	(8,615,150)
Change in other assets and liabilities	(3,344,391)	(1,991,641)
Interest paid	316,009	411,805
Interest collected	(6,280)	(14,170)
Net Cash flows from operating activities (A)	**(9,272,613)**	**769,902**
Payments for tangible and intangible assets	(195,033)	(168,707)
Payments for financial assets	102,437	(1,871,417)
Payments for the acquisition of subsidiaries net of cash acquired	(114,202)	-
Net cash flows from investment activities (B)	**(206,798)**	**(2,040,124)**
Income from issuance of shares	320,085	-
Income (payments) on treasury shares	-	(532,414)
Payment of loan instalments	(1,041,667)	-
Other changes	20,714	-
Net Cash flows from financing activities (C)	**(700,868)**	**(532,414)**
Net cash flows (D) = (A+B+C)	**(10,180,280)**	**(1,802,637)**
Cash and cash equivalents at beginning of year	30,195,025	15,791,739
Cash and cash equivalents at year end	20,014,745	13,989,103
Total change in cash and cash equivalents (D)	**(10,180,280)**	**(1,802,637)**

Detail of net cash and other liquidity
(in Euros)

Cash and other liquidity at the beginning of the year:	**30,195,025**	**15,791,739**
Cash and cash equivalents	27,741,728	16,316,401
Other liquidity	833,521	-
Current account for payments from subsidiaries	50,324,134	45,632,329
Current account for payments to subsidiaries	(14,552,863)	(12,108,006)
Bank overdrafts	(34,151,495)	(34,048,984)
Net cash and other liquidity at year end:	**20,014,745**	**13,989,103**
Cash and cash equivalents	26,744,999	10,601,841
Other liquidity	105,576	-
Current account for payments from subsidiaries	31,078,733	43,770,001
Current account for payments to subsidiaries	(29,716,870)	(21,482,479)
Bank overdrafts	(8,197,693)	(18,900,260)

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

Notes to the interim financial statements

General information	NOTE 1	- Introduction and General information
	NOTE 2	- Accounting principles and basis of consolidation
	NOTE 3	- Risk management
	NOTE 4	- Other information
Income statement	NOTE 5	- Revenue
	NOTE 6	- Other revenue
	NOTE 7	- Purchases
	NOTE 8	- Personnel
	NOTE 9	- Services and other costs
	NOTE 10	- Amortization, depreciation and write-downs
	NOTE 11	- Financial income (expenses)
	NOTE 12	- Income taxes
	NOTE 13	- Earnings per share
Statement of financial position - Assets	NOTE 14	- Tangible assets
	NOTE 15	- Goodwill
	NOTE 16	- Other intangible assets
	NOTE 17	- Equity investments
	NOTE 18	- Non current financial assets
	NOTE 19	- Deferred tax assets
	NOTE 20	- Trade receivables
	NOTE 21	- Other receivables and current assets
	NOTE 22	- Current financial assets
	NOTE 23	- Cash and cash equivalents
Statement of financial position – Liabilities and shareholders’ equity	NOTE 24	- Shareholders’ equity
	NOTE 25	- Payables to Minority Shareholders and corporate transactions
	NOTE 26	- Financial liabilities
	NOTE 27	- Employee benefits
	NOTE 28	- Deferred tax liabilities
	NOTE 29	- Provisions
	NOTE 30	- Trade payables
	NOTE 31	- Other current liabilities
Other information	NOTE 32	- Transactions with related parties
	NOTE 33	- Guarantees, commitments and contingent liabilities
	NOTE 34	- Emoluments to Directors, Statutory Auditors and Key Management
Other information	NOTE 35	- Events subsequent to 31 March 2013

NOTE 1 – Introduction and General information

Introduction

The interim financial statements of Reply S.p.A. as at 31 March 2013 were prepared in accordance with art 2501-quater of the Italian civil code and relate to the Joint Merger Project regarding the cross-border merger by incorporation of Reply Deutschland into Reply S.p.A..

Following the merger, Reply Deutschland will have transferred all its assets, liabilities commitments and charges – both recognised and not recognised – to Reply S.p.A.. Following the merger, Reply Deutschland will cease to exist. In this context, the shareholders of Reply Deutschland will receive treasury shares of Reply S.p.A..

General information

Reply [MTA, STAR: REY] specialises in the implementation of solutions based on new communication channels and digital media. Reply, consisting of a network of specialist companies, supports important European industries belonging to the Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration segments, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply's services include: Consulting, System Integration, Application Management and Business Process Outsourcing. www.reply.eu.

The company mainly carries out the operational coordination and technical management of the group and also the administration, financial assistance and some purchase and marketing activities.

Reply also manages business relations for some of its main clients.

NOTE 2 - Accounting principles and basis of consolidation

Compliance with International accounting principles

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board 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"). Following the entry into force of European Regulation No. 1606 of July 2002, starting from 1 January 2006, the Reply Group adopted International Financial Reporting Standards (IFRS).

In the preparation of these interim financial statements, in accordance with IAS 34 – Interim Financial Reporting, the same accounting standards were applied as for the annual financial statements as at 31 December 2012, excluding those described in the paragraph, Accounting principles, amendments and interpretations adopted from 1 January 2013, below.

The values indicated in the interim financial statements are in Euros.

The preparation of the interim financial statements requires that management makes estimates and assumptions that have an effect on the values of revenue, costs, assets and liabilities and on information relating to potential assets and liabilities at the reporting date. If in the future these estimates and assumptions, which are based on the management's best evaluation, differ from the effective situation, they will be amended appropriately in the year in which such circumstances vary. For a more comprehensive description of the more significant valuation processes for the company, please refer to the chapter, Use of estimates in the financial statements as at 31 December 2012.

In addition, some of these evaluation processes, in particular the more complex such as the calculation of any losses of value of capitalised assets, are generally completed only for the preparation of the annual financial statements, when all of the necessary information is available, unless there are indicators of impairment which require immediate valuation of loss of value. Note moreover, that as at the reporting date of this Quarterly report, no indications of impairment have emerged such as to require the immediate valuation of any loss of value. Similarly, the actuarial valuations necessary for calculating Employee benefits are normally made for the preparation of the annual financial statements.

Income taxes are recognised based on the best estimate of the average anticipated rate for the whole period.

General principles

The interim financial statements have been prepared based on the principle of historical cost, amended as required for the valuation of certain financial instruments, for which, in accordance with IAS 39, the fair value measurement criterion was adopted.

The interim financial statements were prepared on the basis of business continuity. In this respect, despite operating in a difficult economic and financial environment, the company's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist relative to its ability to continue as a going concern.

These interim financial statements are expressed in thousands of Euros and are compared to the interim financial statements of the previous year prepared in accordance with the same principles.

Further information regarding the format of the financial statements adopted with respect to IAS 1, the more significant accounting principles and the associated measurement criteria in preparing the interim financial statements are provided in the following.

Financial statements

The interim financial statements comprise the income statement, statement of comprehensive income, statement of financial position, changes in shareholders' equity and cash flow statement, including the notes.

The income statement format adopted by the company classifies costs according to their nature, which is deemed to properly represent the company's business in its segment of operations.

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.
The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.

Accounting principles, amendments and interpretations adopted from 1 January 2013

On 12 May 2011, the IASB issued IFRS 13 – Fair Value Measurement, clarifying the determination of fair value for the purpose of the financial statements and applicable to all IFRS standards permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The company applied the principle prospectively from 1 January 2013. The adoption of this principle had no effect on the valuation of the items in this Quarterly report.

On 16 June 2011, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements, requiring companies to group all items presented among Other comprehensive income depending on whether or not they can subsequently be reclassified in the Income Statement. The amendment must be applied to periods beginning on or after 1 July 2012; the company adopted this amendment with effect from 1 January 2013. The adoption of this amendment has not had any effect on the valuation of the entries and has had limited effects on the information provided in this Quarterly report.

On 16 June 2011 the IASB issued an amendment to IAS 19 – Employee benefits which the company applied retrospectively from 1 January 2013. The main changes applied to defined benefit plans concern the removal of the option to defer the recognition of actuarial gains or losses using the corridor method, requiring the presentation of the fund’s deficit or surplus in the financial position, and recognition of the cost components linked to the employee’s service and the net financial charges in the income statement, and recognition of the actuarial gains and losses which derive from re-measuring assets and liabilities among "Other comprehensive income". In addition, the return on assets included among net financial losses must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The adoption of this principle had no effect on the valuation of the items in this Quarterly report.

NOTE 3 - Risk management

Reply S.p.A. operates in the international sphere, for this reason its assets are exposed to various types of financial risk: market risk, (broken down into exchange risk, interest rate risk on financial flows and *fair value*, price risk), credit risk and liquidity risk.

To minimize risks Reply S.p.A. utilizes derivative financial instruments. It manages the hedging of principle operations centrally. Reply S.p.A. does not hold derivative financial instruments for pure trading purposes.

Credit risk

For business purposes, specific policies are adopted to assure its clients' solvency.
With regard to financial counterparty risk, the company does not present significant risk in credit-worthiness or solvency. For newly acquired clients, the Company carefully verifies their capacity for honouring financial commitments. Transactions of a financial nature are entered into only with primary financial institutions.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of the Group companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of *committed* credit lines).

The current difficulties in the markets and in the financial markets require special attention to the management of liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and on maintaining an adequate level of available liquidity as an important factor in facing up to the latter quarters of 2013, which promise to be difficult times. The Company therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Exchange rate and interest rate risk

As the company operates mainly in the Euro area the exposure to currency risks is limited.

The exposure to interest rate risk arises from the need to finance operations and the need to use liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Company's earnings, thereby indirectly affecting the costs and returns of financing and investing transactions.

The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Company's earnings, thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Company is exposed derives from bank loans; to mitigate such risk, Reply S.p.A. has resorted to the use of derivative instruments designated as Cash flow hedges. The use of such instruments is disciplined by written procedures in line with the Company's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

NOTE 4 – Other information

Exceptions allowed under paragraph 4 of Article 2423 of the Italian Civil Code

Note that in preparing the interim situation herein the company resorted to none of the exceptions pursuant to Art. 2423 of the Italian Civil Code.

Fiscal consolidation

The Company has decided to enter into the National Fiscal Consolidation pursuant to articles 117/129 of the TUIR (Consolidated Law on Income Tax).

Reply S.p.A., Parent Company, acts as the holding company and calculates just one taxable income for the Group companies that adhere to the Fiscal Consolidation, and will benefit from the possibility of compensating taxable income having fiscal losses in a single declaration.

Each company adhering to the Fiscal Consolidation transfers to Reply S.p.A. its entire taxable income, recognizing a liability with respect to the Company corresponding to the IRES payable; companies that transfer fiscal losses can recognise a receivable vis-à-vis Reply, corresponding to IRES on the part of the loss off-set at a Group level and remunerated according to the terms established in the consolidation agreement entered into among the Group companies.

NOTE 5 - Revenue

Revenue amounted in total to 62,255,789 Euros and is broken down as follows:

(in Euros)	31/03/2013	31/03/2012	Change
Revenues from services provided to third parties	53,559,690	51,017,934	2,541,756
Royalties on "Reply" trademark	2,975,791	2,700,000	275,791
Intercompany services	3,808,125	3,448,100	360,025
Other intercompany charges	1,912,184	1,415,933	496,251
Total	**62,255,789**	**58,581,967**	**3,673,823**

Reply manages business relationships on behalf of some of its major clients. Such activities were recorded in the item *Revenue from services to third parties* which increased during the period by a total of 2,541,756 Euros.

Revenues from *Royalties on the "Reply" trademark* refer to charges to subsidiaries, corresponding to 3% of the subsidiaries' turnover with respect to third parties.

Revenue from *Various intercompany services* and *Other intercompany charges* refer to activities that Reply S.p.A. carries out for its subsidiaries, and more specifically:

- → Operational coordination, technical and quality management;
- → Administration, personnel and marketing activities;
- → Subsidiary management services.

NOTE 6 - Other revenue

The item *Other revenue* equal to 1,457,908 Euros (1,034,769 Euros as at 31 March 2012) mainly refer to expenses incurred by Reply S.p.A. and recharged to the Group companies, and include expenses for social events, telephone and training courses.

NOTE 7 - Purchases

The costs of purchases are as follows:

(in Euros)	31/03/2013	31/03/2012	Change
Software licenses for resale	569,447	485,874	83,573
Hardware for resale	340,273	316,035	24,238
Other	134,669	83,361	51,308
Total	**1,044,388**	**885,270**	**159,118**

The charges in the income statement for *Software licences* refer to reselling to third parties carried out for group companies.

The item *Other* includes the purchase of consumable materials, stationary, printed materials and fuel.

NOTE 8 - Personnel

Personal costs amount to 4,133,546 Euros, an increase of 382,250 Euros and can be broken down as follows:

(number)	31/03/2013	31/03/2012	Change
Payroll employees	2,967,704	2,700,764	266,940
Directors	1,148,842	1,030,852	117,990
Project collaborators	17,000	19,680	(2,680)
Total	**4,133,546**	**3,751,295**	**382,250**

Detail of personnel by category as at 31 March 2013 is provided below:

(number)	31/03/2013	31/03/2012	Change
Key management	43	45	(2)
Managers	9	9	0
Staff	37	46	(9)
Total	**89**	**100**	**(11)**

NOTE 9 – Services and other costs

Services and other costs comprised the following:

(in Euros)	31/03/2013	31/03/2012	Change
Commercial and technical consulting	3,253,454	731,927	2,521,527
Travelling and professional training expenses	267,319	295,986	(28,667)
Professional services from group companies	51,227,718	51,423,591	(195,873)
Marketing expenses	123,588	104,263	19,325
Administrative and legal services	297,333	310,589	(13,256)
Board of Statutory Auditors and independent auditors	33,299	44,149	(10,850)
Leasing and rentals	228,322	197,695	30,627
Office expenses	674,545	658,311	16,235
Services to be recharged to group companies	676,349	275,129	401,220
Other	837,276	1,017,661	(180,385)
Total	**57,619,204**	**55,059,301**	**2,559,902**

The item *Services and other costs,* which in the first quarter of 2013 experienced a variation of 2,559,902 Euros, primarily relates to revenue for services provided to third parties.
Reply S.p.A. carries out commercial *fronting* activities for some of its major clients, whereas *delivery* is carried out by the operational companies.

Office expenses include services rendered by related parties in connection with service contracts for the use of premises, legal domicile and secretarial services, as well as utility costs.

NOTE 10 – Amortization, depreciation and write-downs

Depreciation of tangible assets was calculated on the basis of the technical-economic rates determined in relation to the residual useful lives of the assets and in the first quarter of 2013 included an overall cost of 34,203 Euros. Details of depreciation are provided in the notes to tangible assets.

Amortisation of intangible assets for the first quarter of the year 2013 led to an overall charge of 117,127 Euros. Details of depreciation are provided in the notes to tangible assets.

NOTE 11 – Financial income (expenses)

This item can be broken down as follows:

(in Euros)	31/03/2013	31/03/2012	Change
Net interest income from subsidiaries	387,992	463,777	(75,785)
Interest income on bank accounts	6,280	14,170	(7,890)
Banking interest payable	(316,009)	(411,805)	95,796
Other	(4,845)	(38)	(4,806)
Total	**73,418**	**66,104**	**7,314**

Net interest income from subsidiaries refers to the current account for the Group companies belonging to the centralised treasury.

Borrowing costs primarily include the interest payable on the loans in place with Intesa Sanpaolo and Unicredit.

The item *Other* includes 416 thousand Euros as the exchange rate loss and 421 thousand Euros as the exchange rate gain resulting from the translation of capital items recognised in non-euro currencies.

NOTE 12 – Income taxes

Income taxes for the first quarter of 2013 amount in total to 461,169 Euros and are recognised based on the best estimate of the average rate anticipated for the entire period.

NOTE 13 – Earnings per share

Basic earnings per share

Basic earnings per share as at 31 March 2013 is calculated with reference to the net profit of 377,481 Euros (a loss of 296,785 Euros as at 31 March 2012) divided by the average weighted number of shares as at 31 March, or 9,002,044 (8,987,175 as at 31 March 2012).

(in Euros)	31/03/2013	31/03/2012
Net profit for the year	377,481	(296,785)
Average number of shares	9,002,044	8,987,175
Basic earnings per share	0.04	(0.03)

Diluted earnings per share

Diluted earnings per share as at 31 March 2013 was calculated based on a net profit of 377,481 Euros divided by the average weighted number of shares as at 31 March 2013, and also in consideration of the effect of future dilutions which hypothetically could arise from the exercise of financial instruments potentially convertible into shares (*stock options*).

(in Euros)	31/03/2013	31/03/2012
Net profit for the year	377,481	(296,785)
Average number of shares	9,002,044	8,987,175
Diluting effect	130,000	145,000
Weighted number of diluted shares	9,132,044	9,132,175
Diluted earnings per share	0.04	(0.03)

NOTE 14 – Tangible assets

Tangible assets as at 31 March 2013 amount to 285,356 Euros and can be broken down as follows:

(in Euros)	31/03/2013	31/03/2012	Change
Plants and machinery	39,265	40,487	(1,223)
Hardware	66,890	56,507	10,383
Other	179,201	103,981	75,220
Total	**285,356**	**200,975**	**84,381**

The item *Other* mainly includes office equipment, furniture and charges for improvements on leased assets.

The change in tangible assets during the first quarter of 2013 can be summarised as follows:

(in Euros)	Plants and machinery	Hardware	Other assets	Total
Historical cost	1,202,955	1,317,090	1,677,973	4,198,018
Provisions for depreciation	(1,162,467)	(1,260,583)	(1,573,992)	(3,997,042)
31/12/2012	40,487	56,507	103,981	200,975
Historical cost				
Purchases	5,268	21,088	93,499	119,855
Disposals	(705)	(2,353)	-	(3,058)
Other changes				-
Provisions for depreciation				
Depreciation	(5,927)	(9,997)	(18,279)	(34,203)
Disposals	141	1,645	-	1,786
Other				-
Historical cost	1,207,518	1,335,825	1,771,472	4,314,816
Provisions for depreciation	(1,168,253)	(1,268,935)	(1,592,271)	(4,029,460)
31/03/2013	39,265	66,890	179,201	285,356

During the quarter the Company made investments amounting to 119,855 Euros, which mainly refer to improvements on the assets of third parties and hardware.

NOTE 15 - Goodwill

The value of the goodwill as at 31 March 2013 amounted to 86,765 Euros and refers to the value of the business (consulting in *Information Technology* and administrative support) acquired in July 2000.

This value is deemed adequately supported in terms of expected financial results and related cash flows.

NOTE 16 – Other intangible assets

As at 31 March 2013 net intangible assets amounted to 1,221,816 Euros (1,262,493 Euros as at 31 December 2012) and can be broken down as follows:

(in Euros)	Original cost	Cumulative depreciation and amortization	Net book value as at 31/03/2013
Software	4,197,844	(3,512,092)	685,752
Trademarks	536,064	-	536,064
Total	4,733,908	(3,512,092)	1,221,816

Change in intangible assets during the first quarter was as follows:

(in Euros)	Net book value as at 31/12/2012	Increase	Depreciation and amortization	Net book value as at 31/03/2013
Software	726,429	76,450	(117,127)	685,752
Trademarks	536,064	-	-	536,064
Other intangible assets	-	-	-	-
Total	1,262,493	76,450	(117,127)	1,221,816

Software refers mainly to licenses purchased and used internally by the company. The increase in the quarter refers to software developed by certain subsidiaries of the company for internal use.

Trademarks mainly indicates the value of the "Reply" brand conferred on Reply S.p.A. on 9 June 2000, in relation to the share capital increase of the company, deliberated and underwritten by the parent. This amount is not subject to systematic amortisation, but is considered adequately supported based on the expected financial results and the associated cash flows.

NOTE 17 – Equity investments

The value of equity investments as at 31 March 2013 amounted to 127,381,618 Euros, with a net increase of 2,114,202 Euros compared to 31 December 2012.

The increases for the period relate to the acquisition of the additional 24.89% of the share capital of the German company Riverland Reply GmbH (2,000,000 Euros) and the purchase of an additional 4% of the share capital of the subsidiary Twice Reply S.r.l. (114,202 Euros).

NOTE 18 - Non current financial assets

Detail is as follows:

(in Euros)	31/03/2012	31/12/2012	Change
Guarantee deposits	354,147	357,147	(3,000)
Loans to subsidiary companies	13,634,097	13,733,534	(99,437)
Total	**13,988,244**	**14,090,681**	**(102,437)**

Guarantee deposits are mainly related to deposits on lease contracts.

Financial receivables from subsidiaries relates to loans granted to certain subsidiary companies.

NOTE 19 – Deferred tax assets

This item amounts to 1,785,187 Euros as at 31 March 2013 (1,678,711 Euros as at 31 December 2012), and refers to the tax charge corresponding to the temporary differences arising between the statutory income and the taxable income relating to deferred deductibility items.

The decision to recognise deferred tax assets is taken by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of expected future results.

There are no deferred tax assets on losses carried forward.

NOTE 20 – Trade receivables

Trade receivables as at 31 March 2013 amount to 151,105,730 Euros and are all payable by the end of the period.

Detail is as follows:

(in Euros)	31/03/2013	31/12/2012	Change
Third party clients	109,259,017	131,758,159	(22,499,142)
Credit notes to be issued to third parties	(103,943)	(103,943)	-
Provisions for doubtful accounts	(511,349)	(511,349)	-
Third party trade receivables	**108,643,725**	**131,142,867**	**(22,499,142)**
Receivables from subsidiaries	42,153,670	44,416,899	(2,263,229)
Receivables from Parent Company	308,335	268,588	39,747
Trade receivables from subsidiaries and parent company	**42,462,005**	**44,685,487**	**(2,223,482)**
Total trade receivables	**151,105,730**	**175,828,354**	**(24,722,624)**

Reply manages business relationships on behalf of some of its major clients. This activity is reflected in the item *Third party receivables* which decreased in the first quarter by a total of 22,499,142 Euros.

Trade receivables from subsidiaries refer primarily to services which the Parent company Reply S.p.A. carries out on behalf of subsidiary companies under normal market conditions and advances on jobs in relation to *fronting* activities.

Lastly note that *Trade receivables* will be payable within the following period and do not form overdue balances of a significant amount.

During the quarter it was not necessary to adjust the provision for doubtful accounts.

Assignment of receivables

The Group assigns part of its trade receivables through factoring operations.

The assignments of receivables can be with or without recourse; some assignments without recourse can include deferred payment clauses (for example, payment by the factor of a minor part of the purchase price is subordinated on the collection of the total amount of the receivables), require a deductible from the assignor, or require maintaining significant exposure to the cash flow trend deriving from the assigned receivables. This type of operation does not comply with the requirements of IAS 39 for the elimination of the assets from the Financial Statements, since the risks and benefits related to their collection have not been substantially transferred.

Consequently, all receivables assigned through factoring operations that do not satisfy the requirements for elimination provided by IAS 39 continue to be recognised in the Group’s Financial Statements, even though they have been legally assigned and a financial liability for the same amount is recognized in the consolidated Financial Statements as Liabilities for advance payments on assignments of receivables. Gains and losses related to the assignment of these assets are only recognised when the assets are derecognised from the Group’s financial-economic position.

As at 31 March 2013 the receivables transferred via Factoring operations with recourse amounted to 6,985 thousand Euros.
The book value of the assets assigned without recourse as at 31 March 2013 amounted to 602 thousand Euros, with an increase of available liquidity of 497 thousand Euros.

The carrying amount of *Trade receivables* is in line with its *fair value*.

NOTE 21 - Other receivables and current assets

Detail is as follows:

(in Euros)	31/03/2013	31/12/2012	Change
Tax receivables	4,440,070	4,429,498	10,572
Other receivables from subsidiary companies	12,716,000	12,716,000	-
Other receivables	1,398,466	2,998,059	(1,599,592)
Accrued income and prepaid expenses	3,696,509	3,914,113	(217,604)
Total	**22,251,045**	**24,057,670**	**(1,806,624)**

The item *Tax receivables* mainly includes VAT receivables (4,345,123 Euros) which represents the net balance of payable and receivable VAT, and the withholdings sustained.

Other receivables from subsidiary companies refer to IRES receivables which are calculated on taxable income, and transferred by the Italian subsidiaries under national fiscal consolidation.

Accrued income and prepaid expenses refer to amounts accrued on the performance of services, lease contracts, insurance contracts and various utilities and other costs, which are accounted according to the accruals principle.

The book value of the *Other receivables and current assets* is deemed to be in line with its *fair value.*

NOTE 22 - Current financial assets

Amount in total to 31,184,309 Euros (51,157,655 Euros as at 31 December 2012) and relate to:

- → The balance of current accounts of subsidiaries included in the centralised pooling system of the Parent Company Reply S.p.A for 31,078,733 Euros; the interest yield on these accounts is in line with current market conditions;
- → Receivables from factoring companies in the amount of 105,576 Euros, referring to the amount of the transfer of invoices without recourse net of prepayments received.

NOTE 23 – Cash and cash equivalents

The balance of 26,744,999 Euros, down 996,729 Euros compared to 31 December 2012, represents the ready money and cash equivalents at the closing date of the period.

NOTE 24 – Shareholders' equity

Share capital

As at 31 March 2013 the share capital of Reply S.p.A., fully subscribed and paid, amounted to 4,803,686 and comprises 9,237,857 ordinary shares of a nominal value of 0.52 Euros each.
The increase during the period refers to the exercise of stock options, in the amount of 15,000 options for a total value of 320,085 Euros, of which 7,800 Euros by increase of share capital and 312,285 Euros as share premiums.

Treasury shares

The value of Treasury shares, amounting to 3,605,255 Euros, related to the shares of Reply S.p.A., which as at 31 March 2013 amounted to 235,813. During the first quarter there were no changes.

Capital reserves

As at 31 March 2013, the capital reserve amounted to 50,288,548 Euros, primarily made up of:

- → Share premium reserve of 20,935,277 Euros, the change for the period, equal to 312,285 Euros is due to the share capital increase referred to above;
- → Reserve for treasury shares on hand amounting to 3,605,255 Euros, refers to shares held by Reply, which at 31 March 2013 amounted to 235,813;
- → Reserve for purchase of treasury shares, amounting to 26,394,745 Euros, was constituted through withdrawal from the Reserve for treasury shares on hand, following the resolution made by the General Shareholders' meeting of Reply S.p.A. on 27 April 2012 which authorised, pursuant to art. 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 73,409,219 Euros, primarily made up of:

- → Legal reserve amounting to 959,177 Euros (959,177 Euros at 31 December 2012);
- → Extraordinary reserve amounting to 52,844,085 Euros (52,844,085 Euros at 31 December 2012);
- → Retained earnings for a total of 19,124,475 Euros (retained earnings of 2,898,365 Euros as at 31 December 2012);
- → Net result totalling 377,481 Euros (16,226,110 Euros at 31 December 2012).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(in Euros)	31/03/2013	31/12/2012
Gains (losses) on *cash flow hedges* arising during the period	26,506	(73,224)
Reclassification adjustment for Gains (losses) on *cash flow hedges* reclassified to the income statement	-	(52,079)
Gains (Losses) on cash flow hedges	**26,506**	**(125,303)**
Other comprehensive income generated during the period	-	-
Other comprehensive income generated during the period reclassified to the income statement	-	-
Share of Other comprehensive income	**-**	**-**
Income tax relating to components of Other comprehensive income	-	-
Total Other comprehensive income, net of tax	**26,506**	**(125,303)**

Share based payment plans

The company has share based payment plans for its employees and Directors of the Group companies.

The *stock option* plans have the following aims:

- To develop the loyalty of employees by strengthening the connection between their interests and those of the Shareholders of Reply S.p.A.;
- To encourage employees' maximum commitment in achieving the growth targets;
- To motivate and involve employees in participating in the Group's future economic results;
- To strengthen the relations between the Company and its employees by developing their loyalty and sense of responsibility.

As mentioned in Note 2 referring to share-based payment plans the Company has applied the standard set out by IFRS 2 – Share-based payments and this has been applied to all the stock options granted after 7 November 2002 and that have not yet vested as at 1 January 2005 and are related to the *stock option* plans of 2004 and 2006. No costs were incurred through these plans in the first quarter of 2013.

The Extraordinary Shareholders' meeting of Reply S.p.A. resolved the increase of the share capital with exclusion of stock option rights in compliance with art. 2441, paragraph 8 and art. 2441 paragraph 5 of the Italian Civil Code.

The Board of Directors of Reply S.p.A. in charge of the stock option plan, has assigned stock options to employees and Directors of the Group companies.

As at 31 March 2013 there were 130,000 stock options whose main features can be summarised as follows:

Plan	Resolution of the AGM	Board's resolution date	No. beneficiaries	Exercise price	Vesting period	No. options
2004	11/06/2004	12/05/2006	8	21.339	12/05/2009 – 12/05/2014	120,000
2006	15/06/2006	08/08/2006	1	18.662	08/08/2009 – 08/08/2014	10,000

During the quarter, 15,000 options were exercised in reference to existing plans.

Under an accounting perspective stock option plans represent an "*Equity settled share based payment transaction*" pursuant to paragraph 10 of IFRS 2 that requires the assessment of the *fair value* of the services received with reference to the *fair value* of the instruments representative of equity at the assignment date.

The *fair value* of the services received must be recorded when the option vests with a corresponding increase in equity.

NOTE 25 – Payables to Minority Shareholders and corporate transactions

Payables to Minority Shareholders and for corporate operations (earn-out) at 31 March 2013 amounted to 23,938,616 Euros (24,354,156 Euros as at 31 December 2012) and can be broken down as follows:

(in Euros)	31/03/2013	31/12/2012	Change
Avantage Ltd.	11,482,658	11,897,773	(415,115)
Reply Deutschland AG	7,279,662	7,280,088	(426)
Riverland Reply GmbH	2,496,296	2,496,296	-
Arlanis AG	2,030,000	2,030,000	-
Other	650,000	650,000	-
Total	23,938,616	24,354,156	(415,540)

Payables to Minority Shareholders of Avantage Ltd amounting to 11,482,658 Euros is related to the estimated variable compensation to be paid in three years, subordinated to achieving determined economic parameters, for the acquisition of the remaining 49% of the share capital and payment of the second tranche of the initial consideration. In accordance with the provisions outlined by the contract, the 100% share capital was considered to be acquired. The change when compared to the previous period relates to the adjustment to the year-end rate.

The payment to the Minority Shareholders of Reply Deutschland AG, amounting to 7,279,662 Euros refers to Reply's obligation to acquire shares upon the request of Minority Shareholders. The amount represents the *fair value* of the liability at the balance sheet date.

It is to be noted that at present the exercise period for such option is still valid as the term has been suspended in anticipation of the competent court's ruling following the Minority Shareholders' request of verification of the adequacy of the exercise price of the option.
The decrease of such liability at 31 March 2013 is related to the acquisition by Reply S.p.A. of 52 shares from Minority Shareholders.

Payables to the prior shareholders of Riverland Reply GmbH, for 2,496,296 Euros which refers to the estimated variable compensation to be paid in three years, subordinated to achieving determined economic parameters, for the acquisition of 75.016% of the company's share capital.

Payables to Others, amounting to 650,000 Euros mainly refers to the amount payable to holders of options which may be exercised in the coming periods.

Payables for Earn-out to Arlanis AG, for 2,030,000 Euros refers to the estimated variable compensation to be paid in three years, subordinated to achieving determined economic parameters, for the acquisition of 100% of the company's share capital.

NOTE 26 – Financial liabilities

Detail is as follows:

(in Euros)	31/03/2013			31/12/2012		
	Current	Non current	Total	Current	Non current	Total
Prepayments on loans and banking overdrafts	8,197,693	-	8,197,693	34,151,495	-	34,151,495
Bank loans	8,987,811	11,904,477	20,892,289	8,987,811	12,321,144	21,308,955
Other financial borrowings	-	-	-	-	-	-
Loan from subsidiaries	1,875,000	2,500,000	4,375,000	2,500,000	2,500,000	5,000,000
Transaction accounts	29,716,870	-	29,716,870	14,552,863	-	14,552,863
Other	148,816	(303,931)	(155,115)	175,322	(324,644)	(149,322)
Total financial liabilities	**48,926,190**	**14,100,546**	**63,026,736**	**60,367,491**	**14,496,500**	**74,863,991**

The following illustrates the distribution of financial liabilities by due date:

(in Euros)	31/03/2013			31/12/2012		
	Due in 12 months	From 1 to 5 years	Total	Due in 12 months	From 1 to 5 years	Total
Prepayments on loans and banking overdrafts	8,197,693	-	8,197,693	34,151,495	-	34,151,495
M&A loans	8,987,811	11,904,477	20,892,288	8,987,811	12,321,144	21,308,955
Loan from subsidiaries	1,875,000	2,500,000	4,375,000	2,500,000	2,500,000	5,000,000
Transaction accounts	29,716,870	-	29,716,870	14,552,863	-	14,552,863
Other	148,816	(303,931)	(155,115)	175,322	(324,644)	(149,322)
Total	**48,926,190**	**14,100,546**	**63,026,736**	**60,367,491**	**14,496,500**	**74,863,991**

The *M&A Loans* refers to the following contracts:

- → On 31 March 2009 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for a line of credit amounting to 50,000,000 Euros. The loan is reimbursed on a half-year basis commencing 30 June 2012 and expires on 31 December 2014.
  The total amount utilised was 22,963 thousand Euros. The debt outstanding at 31 March 2013 amounted to 15,309 thousand Euros, of which 7,654 thousand Euros were short-term.

- → On 15 September 2012 Reply S.p.A. signed a line of credit with Unicredit S.p.A. for a total amount of 15,000,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expires on 31 December 2016. A total of 2,000,000 Euros of this line of credit was used at 31 March 2013.

- → On 25 September 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 2,500,000 Euros. Instalments are paid on a half-year basis and expire on 25 September 2015. The residual debt as at 31 March 2013 amounted to 2,083 thousand Euros.

- → On 24 December 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 1,500,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2013 and expiring 31 December 2015.

Interest rates are also applied according to certain predetermined ratios (*Covenants*) of economic and financial nature calculated on the consolidated financial statements as at 31 December of each year and/or the consolidated interim report.

As contractually defined, such ratios are as follows:

- Net financial indebtedness/Equity
- Net financial indebtedness/EBITDA

The Loan from subsidiaries is related to a loan from Reply Deutschland AG under conditions and interest rate in line with those of the market.

The item Other refers to 47 thousand Euros, the valuation of derivative hedging instruments. The underlying IRS amounted to 17,392 thousand Euros.

The carrying amount of *Financial liabilities* is deemed to be in line with its *fair value.*

NOTE 27 – Employee benefits

The *Employee severance indemnity* represents the obligation to employees under Italian law (amended by Law no 296/06) accrued by employees up to 31 December 2006, which will be paid when the employee leaves the company. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations. As at 31 March 2013 these employee benefits amounted to 460,614 Euros.

NOTE 28 – Deferred tax liabilities

Deferred taxes as at 31 March 2013 amounted to a total of 499,508 Euros and are referred mainly to the fiscal affects arising from temporary differences between the statutory income and taxable income.

NOTE 29 – Provisions

The value of *Provisions* as at 31 March 2013 was 1,145,000 Euros, of which 355,000 Euros was utilised during the quarter.

NOTE 30 – Trade payables

Trade payables as at 31 March 2013 amounted to 149,949,989 Euros and sustained a decrease of 31,950,554 Euros. Detail is as follows:

(in Euros)	31/03/2013	31/12/2012	Change
Due to suppliers	7,614,122	6,378,866	1,235,256
Due to subsidiary companies	114,626,789	148,145,758	(33,518,970)
Advance payments from customers	27,709,078	27,375,918	333,160
Total	**149,949,989**	**181,900,543**	**(31,950,554)**

Due to suppliers mainly refers to services from domestic suppliers.

Due to subsidiary companies recorded a change during the first quarter of 33,518,970 Euros, which relates to revenue from services from third parties. Reply S.p.A. carries out commercial *fronting* activities for some of its major clients, whereas *delivery* is carried out by the operating companies.

Advanced payments include advances received from customers for contracts subcontracted to subsidiary companies, which at the reporting date were not yet completed.

The carrying amount of *Trade payables* is deemed to be in line with its *fair value.*

NOTE 31 – Other current liabilities

Detail is as follows:

(in Euros)	31/03/2013	31/12/2012	Change
Current income tax payable	702,211	135,118	567,093
Corporation tax and other	742,522	580,800	161,722
Total due to tax authorities	**1,444,733**	**715,917**	**728,815**
INPS	497,929	751,836	(253,908)
Other	161,805	191,206	(29,402)
Total due to social securities	**659,733**	**943,043**	**(283,310)**
Employee accruals	1,373,464	1,055,902	317,562
Due to subsidiary companies	1,103,925	3,824,325	(2,720,400)
Other payables	4,035,288	3,360,467	674,821
Accrued expenses and deferred charges	3,552,418	3,779,578	(227,160)
Total other payables	**10,065,096**	**12,020,273**	**(1,955,177)**
Other payables and current liabilities	**12,169,561**	**13,679,233**	**(1,509,672)**

Due to tax authorities mainly refers to payables due for tax on employees salaries and freelancers' fees.

Due to social security authorities is related to both Company and employee contributions.

Employee accruals mainly include payables to employees for payments due but not yet paid at the end of the interim period.

Due to subsidiary companies represents the liability on tax losses recorded by subsidiaries under national tax consolidation for 2012 and for the tax credits that subsidiaries transferred to Reply S.p.A. as part of the tax consolidation.

The carrying amount of the item *Other current liabilities* is deemed to be in line with its *fair value*.

NOTE 32 – Transactions with related parties

In accordance with IAS 24, related parties are companies and persons that are able to exercise control, joint control or have significant influence.
Transactions carried out by the group companies with related parties that as of the reporting date are considered ordinary business and are carried out at normal market conditions.

The main economic and financial transactions with related parties is summarised below.

(thousand Euros)	With subsidiary and associate companies	With related parties	With subsidiary and associate companies	With related parties	Nature of transactions
Financial transactions	**31/03/2013**		**31/12/2012**		
Financial receivables	13,634	-	13,734	-	Financial loans
Miscellaneous financial charges for deposits	-	256	-	256	Guarantee deposits
Transaction accounts	1,362	-	35,771	-	Transaction accounts held by the Parent Company and introduced with the Group cash pooling system
Trade receivables and other	55,339	308	57,133	269	Royalties, administration services, marketing and quality management, management services and office rental, tax credits under fiscal consolidation
Financial liabilities	4,375	-	5,000	-	Financial borrowings
Trade payables and other	115,731	170	151,970	105	Services carried out in relation to contracts signed by the Parent Company with third parties and subsequently commissioned from subsidiary companies
Other payables	-	5,615	-	2,610	Compensation paid to Directors, Key Management and Statutory Auditors
Economic transactions	**31/03/2013**		**31/03/2012**		
Revenues from royalties	2,976	-	2,700	-	Licensing of the “Reply” trademark consisting of a 3% fee on third party revenues
Revenues from services	5,216	4	4,273	40	Administration services, marketing and quality management and office rental
Revenues from management services	1,282	-	1,241	-	Strategic management services of subsidiaries
Costs for professional services	52,224	-	52,298	-	Services carried out in relation to contracts signed by the Parent Company with third parties and subsequently commissioned from subsidiary companies
Services from Parent company and related parties	52	271	50	318	Services related to office rental and administration office
Personnel	-	1,163	-	1,113	Emoluments to Directors and Key Management
Interest income on current account	388	-	464	-	Interest on financial loans: 3 month Euribor with a spread of 3 percentage points

In accordance with IAS 24, emoluments to Directors, Statutory Auditors and Key Management are also included in transactions with related parties.

Pursuant to art. 150, paragraph 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.

NOTE 33 – Guarantees, commitments and contingent liabilities

Guarantees

Guarantees and commitments where existing, have been disclosed at the item to which they refer.

Commitments

On 14 April 2010 the Board of Directors of Reply S.p.A. and the Management Board and Supervisory Board of Reply Deutschland AG resolved to conclude a Domination Agreement between Reply Deutschland AG, the dominated company, and Reply S.p.A., under which Reply S.p.A. can exercise operating control over the company via the Management Board which will answer to the Board of Directors of Reply S.p.A..

The agreement provides that Reply shall assume the following obligations upon registration of the agreement with the competent companies registry of Reply Deutschland AG that took place in August 2010:

(i) Compensation of Reply Deutschland AG for each annual net loss arising during the term of the agreement, unless such loss is compensated for by withdrawing amounts from other profit reserves which have been allocated thereto during the agreement;

(ii) If and to the extent that the annual dividends actually paid by Reply Deutschland AG, per financial year falls short of the Guaranteed Dividend, Reply will pay to each Minority Shareholder the corresponding difference;

(iii) Upon request of a Minority Shareholder, Reply shall acquire its shares in return for a cash consideration (8.19 Euros), within the term of three months after the date on which the commercial register of Reply Deutschland AG has been announced in accordance with Sec 10 of the German Commercial Code, and notice of the registration of the Contract has been given to the competent companies registry for Reply Deutschland AG. It is to be noted that at present, in accordance with German law, the exercise period for such option is still valid as the competent court has not yet ruled in relation to the adequacy of the exercise price of the option;

(iv) Upon request of a Minority Shareholder, Reply shall acquire its shares in return for a cash consideration, within the term of two months after the date on which the agreement has expired and notice has been given to the commercial register in accordance with Sec 10 of the German Commercial Code (HGB), and notice of the cessation of the Contract has been given to the commercial register for Reply Deutschland AG.

The aforesaid obligations could imply the following financial disbursements for Reply:

(i) Annual dividend integration paid to the Minority Shareholders of Reply Deutschland AG for a maximum amount of 441 thousand Euros;

(ii) Obligation to acquire the Minority Shareholders' shares for a maximum amount of 8.1 million Euros, equivalent to the fair value of non controlling interest;

in addition to compensation for any annual net loss of the Minority Shareholders that would be summed to the loss related to Reply's direct holding.

Such obligations, under an accounting stand point, have implied a liability against non controlling interest measured at fair value.

From effect of the legal date of effect of the merger between Reply Deutschland AG to form part of Reply S.p.A., the Domination Agreement ceases to exist.

Contingent liabilities

As an international company, Reply is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Company financial position and results.

Instead, when it is probable that an overflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Company recognises specific provision for this purpose.

NOTE 34 – Emoluments to Directors, Statutory Auditors and Key Management

The fees of the Directors and Statutory Auditors of Reply S.p.A. for carrying out their respective functions, including those in other consolidated companies, are fully explained in the relevant table of the Report on Remuneration in the 2012 Financial Statements.

Stock Options granted to Members of the Board of Directors and Key Management

During the first quarter 15,000 stock options were assigned to and/or exercised by Members of the Board of Directors and Key Management.

NOTE 35 – Events subsequent to 31 March 2013

No significant events have occurred subsequent to the first quarter of 2013.

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The director responsible for preparing the Company's financial reports, Dott. Giuseppe Veneziano, declares, pursuant to paragraph 2 of Article 154-bis of Legislative Decree 58/98,, that the accounting information contained in this interim management report at March 31, 2013 corresponds to the results documented in the books, accounting and other records of the company.

Turin, 24 May, 2013

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

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Auditors' review report on the Interim Financial Statements as of March 31, 2013 pursuant to Article 2501-*quater* of the Italian Civil Code
(Translation from the original Italian text)

To the Shareholders of
Reply S.p.A.

1. We have reviewed the Interim Financial Statements as of March 31, 2013 pursuant to Article 2501-quater of the Italian Civil Code, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes, of Reply S.p.A. (the "Interim Financial Statements"). Directors of Reply S.p.A. are responsible for the preparation of the Financial Statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. Our review consisted mainly of obtaining information on the accounts included in the Financial Statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these Interim Financial Statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Financial Statements as we expressed on the annual financial statements.

   With respect to the statement of financial position of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 22, 2013. Considering the specific purposes of our engagement on the Interim Financial Statements as of March 31, 2013 pursuant to Article 2501-quater of the Italian Civil Code, the comparative figures of the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the corresponding period of the prior year have not been audited or reviewed by us.

3. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Reply S.p.A. as of March 31, 2013, pursuant to Article 2501-quater of the Italian Civil Code, are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, May 24, 2013

Reconta Ernst & Young S.p.A.
Signed by: Luigi Conti, Partner

This report has been translated into the English language solely for the convenience of international readers

Corporate **information** and information for shareholders

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