REPLY

ANNUAL FINANCIAL REPORT 2014

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BOARD OF DIRECTORS AND CONTROLLING BODIES

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer

Tatiana Rizzante

Executive Directors

Daniele Angelucci

Claudio Bombonato

Oscar Pepino

Filippo Rizzante

Fausto Forti [1] [2] [3]

Carlo Alberto Carnevale Maffè [1] [2]

Marco Mezzalama [1] [2]

Board of Statutory Auditors

President

Cristiano Antonelli

Statutory Auditors

Paolo Claretta Assandri

Ada Alessandra Garzino Demo

Auditing firm

Reconta Ernst & Young S.p.A.

(1) Directors not invested with operational proxies.
(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance
(3) Lead Independent Director

This report has been translated into English from the original Italian version. In case of doubt the Italian version shall prevail.

THE GROUP'S FINANCIAL HIGHLIGHTS

ECONOMIC FIGURES (THSD EUROS)	2014	%	2013	%	2012	%
Revenue	632,184	100.0	560,151	100	494,831	100
Gross operating income	85,119	13.5	72,600	13.0	62,424	12.6
Operating income	80,663	12.8	64,171	11.5	52,249	10.6
Income before taxes	79,267	12.5	61,732	11.0	50,265	10.2
Group net income	47,909	7.6	34,450	6.2	27,094	5.5

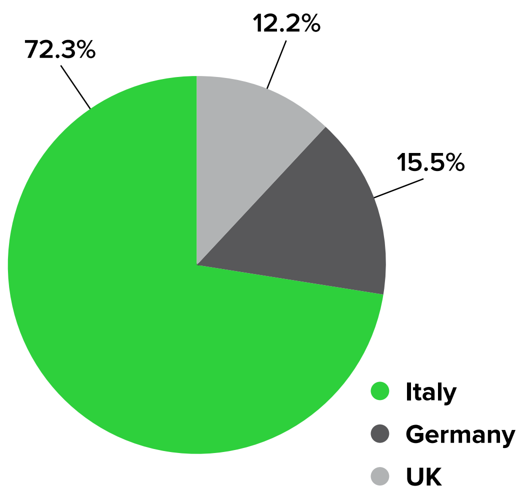
FINANCIAL FIGURES (THSD EUROS)	2014	2013	2012
Group shareholders' equity	251,908	211,808	175,757
Non controlling interest	936	799	2,704
Total assets	616,712	549,531	475,298
Net working capital	134,341	124,374	120,476
Net invested capital	236,531	207,596	178,834
Cash flow	49,578	44,132	31,986
Net financial position	16,313	5,011	(373)

DATA PER SHARE	2014	2013	2012
Number of shares	9,352,857	9,307,857	9,222,857
Operating income per share	8.62	6.89	5.67
Net result per shares	5.12	3.70	2.94
Cash flow per share	5.30	4.74	3.47
Shareholders' equity per share	26.93	22.76	19.06

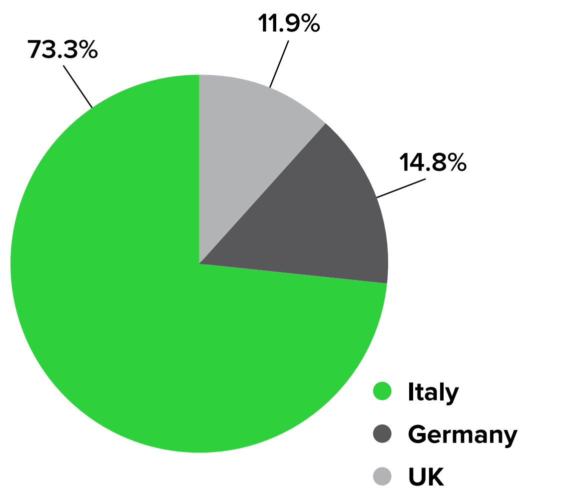
OTHER INFORMATION	2014	2013	2012
Number of employees	4,689	4,253	3,725

REVENUE BY GEOGRAPHICAL AREA

2014

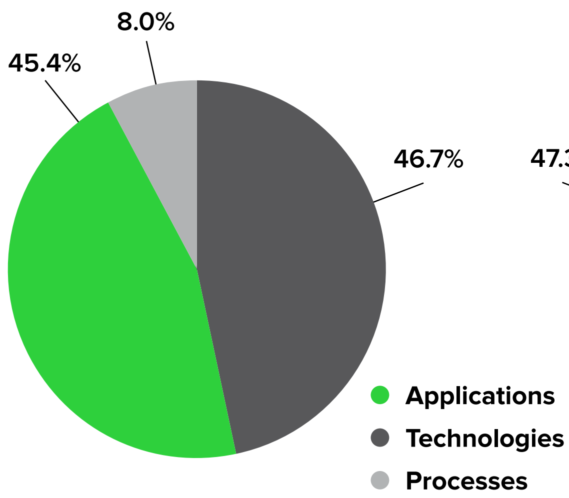


2013

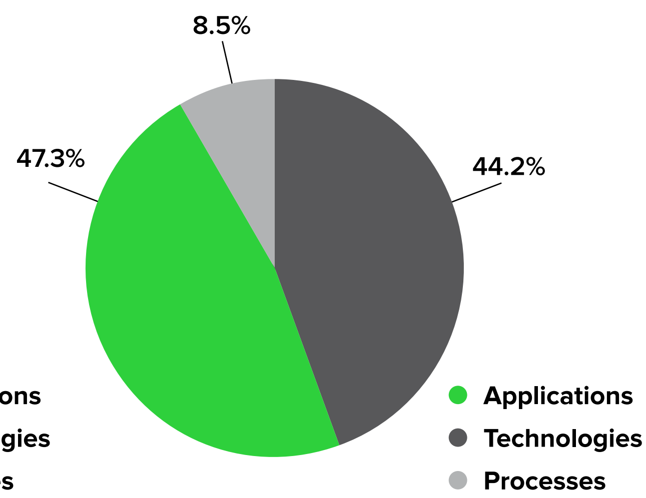


REVENUE BY BUSINESS LINES

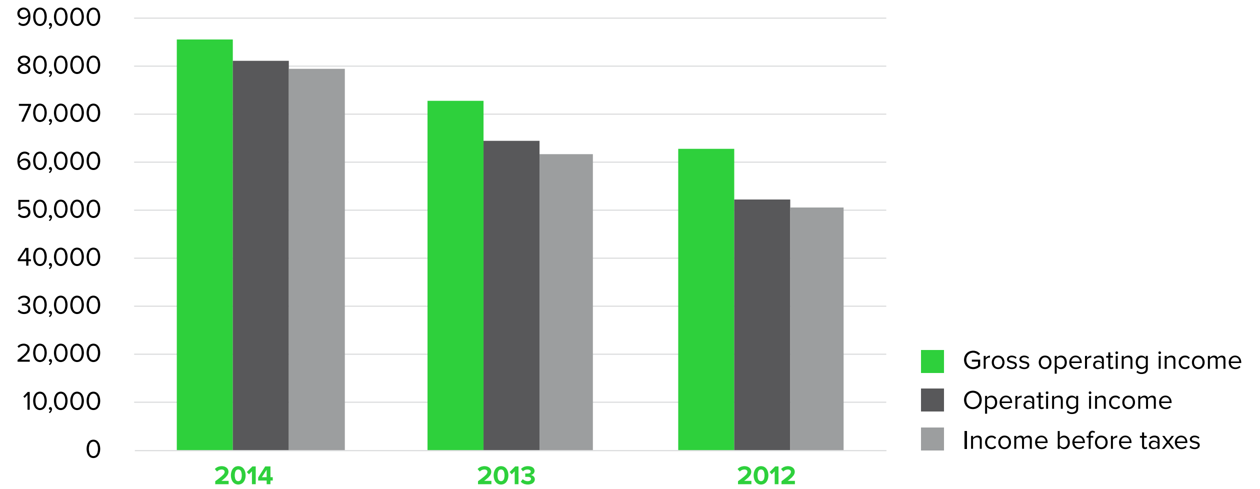
2014



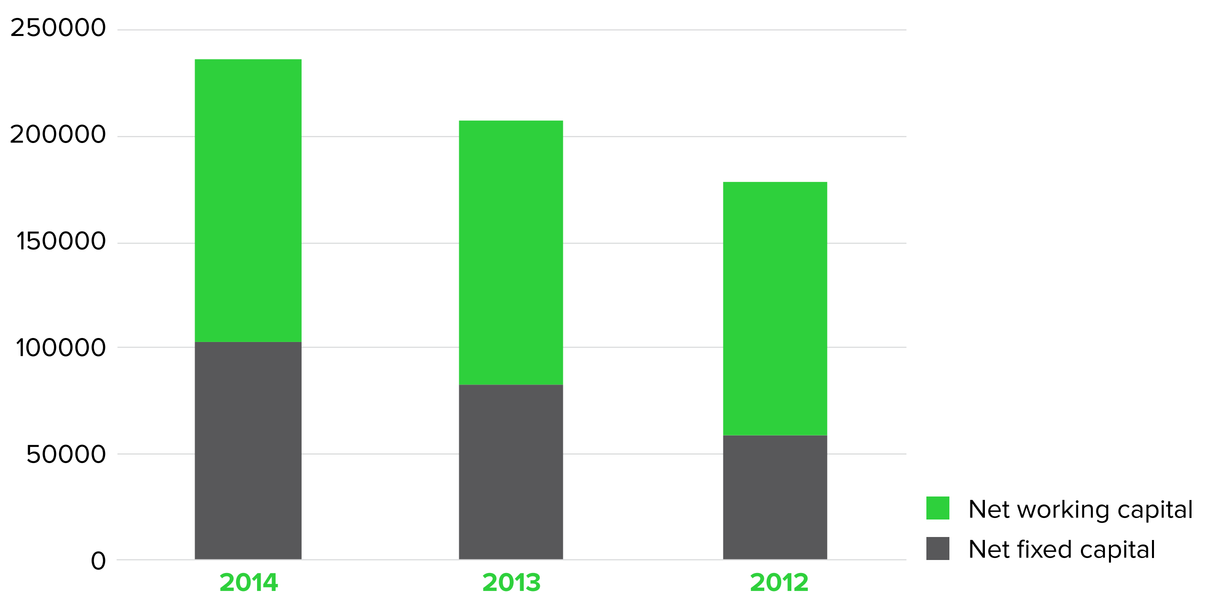
2013



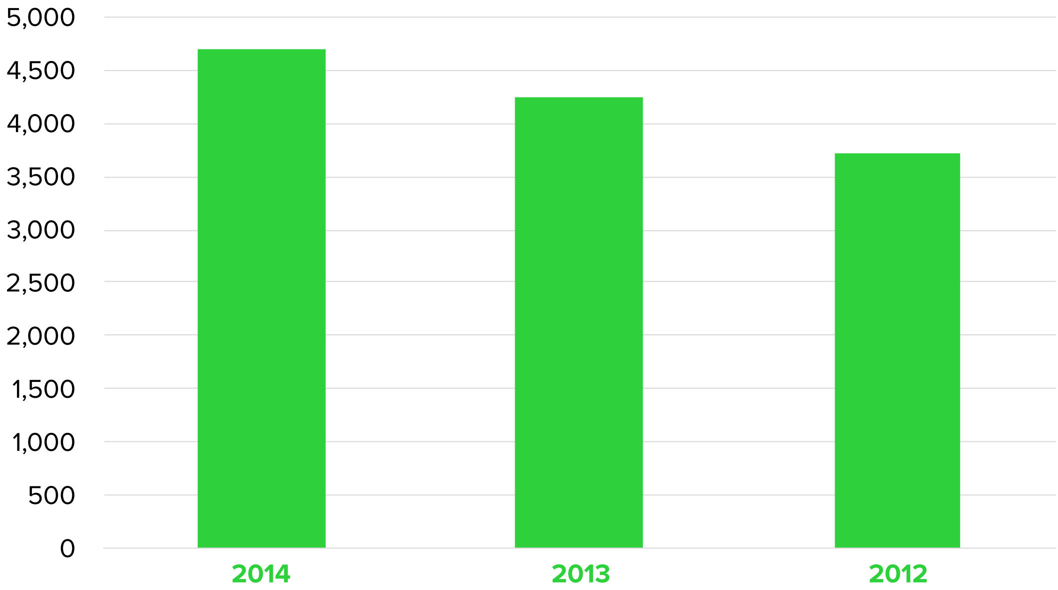
TREND IN THE PRINCIPLE ECONOMIC INDICATORS
(THOUSAND EUROS)



NET INVESTED CAPITAL
(THOUSAND EUROS)



HUMAN RESOURCES
(NUMBER)



LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

2014 has been a very positive year for Reply. Our sales have exceeded 632 million Euros, with net profit growing by more than 39% over the figures obtained at the end of 2013. In a market that, within Europe, is growing by only a few percentage points, we have consolidated a pattern of growth that is significantly higher than the average.

We have been able to achieve these results thanks to our ongoing commitment to seeking the best people to join our group and our policy of consistently investing in the development of our offering. Our broad range of skills in the main processes associated with a variety of industrial and media sectors makes us especially suited to the task of transforming technology into relevant innovations for our clients, as we support them in the constant search for competitiveness that today's markets demand of businesses.

Today, Reply is an acknowledged pioneer on the new frontiers of technology and business in areas such as big data, cloud computing, mobile technology and social media. The new challenge that we now inevitably have to face is the transformation currently arising from the combination of digital services and the Internet of Things. The disruptive effects of these changes will revolutionise forever our ways of living, working and even thinking.

This represents a tremendous opportunity for Reply. We therefore intend to play an increasingly important role in this seismic change, a change that is decisively affecting every sector of industry and services.

It was for this reason that we invested in 2014 in the updating and strengthening of our expertise in both technology and consulting. As a result we now have a skill set that is perhaps unique in today's market, ranging from consulting on communications and strategy to the design of technology architectures, alongside integrated hardware and software engineering.

In 2014 we also significantly increased our knowledge with regard to the Internet of Things, both through our work on the development of proprietary platforms and solutions and through investments outside the traditional scope of our group. In particular, in order to capture the most interesting *opportunities, Reply has set up an advanced incubator designed to finance, enhance and support the growth and establishment of ideas and start-ups in the IoT field in both Europe and the US.*

Big challenges lie ahead of us in 2015. The leadership we have acquired in all of the areas now classed as “innovation”, combined with the industrial and financial strength we have built up, provides Reply with countless further opportunities for growth in a market that is increasingly selective and competitive. All our skills and expertise will be needed if we are to seize these opportunities and transform them into new sources of value for Reply, for our people, and for our shareholders.

Chairman of the Board
Mario Rizzante

REPLY LIVING NETWORK

Reply is a company that specialises in consulting, systems integration and digital services with a focus on the conception, design and implementation of solutions based on the new communication channels and digital media.

Composed of a network of companies, Reply partners with key industrial groups in defining and developing business models made possible by the new technological and communication paradigms such as big data, cloud computing, digital communication, the Internet of Things and mobile and social networking. In so doing, it aims to optimise and integrate processes, applications and devices.

REPLY IS CHARACTERISED BY:

- a **culture** focused on technological innovation;
- a flexible **structure** able to anticipate market developments and interpret new technological drivers;
- a delivery **method** of proven success and scalability;
- a network of companies with specialist areas of competence;
- **teams** composed of specialists, drawn from the best universities;
- a highly experienced **management** team;
- continuous **investment** in research and development;
- long-term **relationships** with its clients.

THE ORGANISATIONAL MODEL

With over 6.000 employees (as of 31 December 2014), Reply operates through a network of companies that specialise in processes, applications and technologies and that represent centres of excellence in their respective fields of expertise.

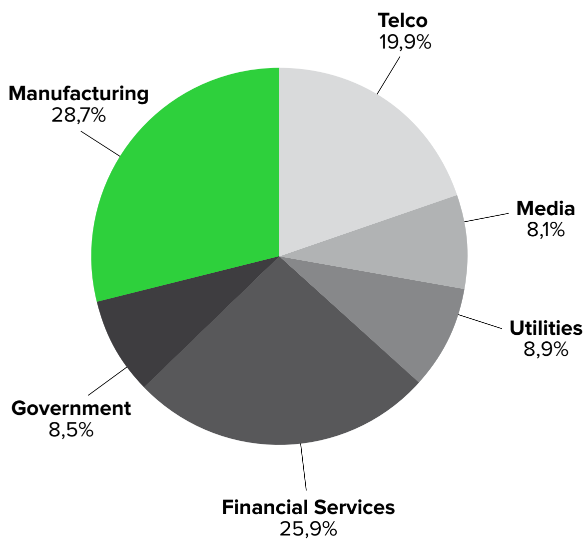
- **Processes –** For Reply, the understanding and use of technology involves the introduction of a new enabling factor for business processes, based on an in-depth knowledge of both the market and the specific industrial contexts of implementation.
- **Applications –** Reply designs and develops application solutions aimed at meeting core business needs.
- **Technologies –** Reply optimises the use of innovative technologies, creating solutions that are capable of guaranteeing maximum operational efficiency and flexibility for its clients.

REPLY'S SERVICES INCLUDE:

- **Consulting –** on strategy, communications, processes and technologies;
- **System integration –** to use the full potential of technology by combining business consulting services with innovative technical solutions and high levels of added value;
- **Application management –** the management, monitoring and continuous development of software assets.

MARKET FOCUS

In every market segment in which it operates, Reply combines specific sector expertise with wide experience in the provision of services and a wealth of advanced technological capabilities. In 2014, the breakdown of the group's sales in its various vertical sectors was as follows:



TELECOMS AND MEDIA

Reply now ranks as a leading technological partner for the telecoms and media market, a sector characterised by the continuous transformation of the operators involved, which are increasingly positioning themselves as providers of innovative services and content. Reply has a particular focus on redefining omni-channel engagement models for its clients both at the touchpoint (physical and digital) level and through the development of innovative customer experience solutions that increasingly often are integrated with social models.

In a world that is evolving towards a proliferation of digital contacts, one in which physical reality and virtual reality are converging, the ways in which operators engage with their end users is changing, thereby affecting the underlying models, processes, systems and technologies involved. The digitisation of services and the virtualisation of relationships is creating new challenges with regard to products and services, business models, operating models and the relationship with the end user, leading to new competitive scenarios. Reply partners with its clients in the main processes of transformation, making available its expertise in both brand experience and design of IT architectures and software-as-a-service models.

Reply also works with its clients on defining services and applications specifically designed for the latest-generation devices, drawing on its range of integrated consulting, communication and creative services. In particular, Reply is committed to the development of "over-the-top" services, the implementation of mobile commerce solutions, the design of IOT/M2M-enabled services, and the development of solutions for the new digital platforms with a special focus on the home and automotive sectors.

Reply is active in the integration of processes and services related to business support systems (BSS) and operations support systems (OSS). In those fields, Reply's activities focus on predictive systems for real-time network capacity and quality, including network capacity and dynamic network discovery systems, as well as on its specific areas of expertise in cloud-based telco solutions and in the new open networks based on SDN paradigms. These aim to create virtual networks and new virtual network data centres.

BANKS, INSURANCE COMPANIES AND FINANCIAL OPERATORS

Reply is increasingly active in the digital transformation of Europe's financial institutions. In this area Reply is focused on working with some of the leading players in the sector to define comprehensive multi-channel customer journey and customer engagement strategies. These range from digital branding to the implementation of strategy apps and from the development of a new generation of multi-channel portals and touchpoints to the complete redefinition of the underlying technological architectures.

With regard to the distribution of wealth management products, Reply has developed a wide range of specific skills and solutions, focused, for example, on emerging consulting models and remote advice solutions. In the area of governance risk control (GRC), Reply is represented by a dedicated consulting division, integrated within a European network and strongly specialised in issues of risk evaluation and risk control. In this field, Reply is working with some leading institutions on activities connected with the implementation of European Banking Union standards.

In the emerging area of big data, Reply is investing heavily and collaborating with some of the most important financial institutions on two project lines. The first involves the concrete integration of the new big data technologies and architectures with existing systems, while the second relates to the development of skills and analytical models for the insurance and banking sectors, aimed at extracting tangible business value from available databases.

Another area in which Reply has a strong presence and specialisation is that of mobile payments and the associated m-commerce services. Here, Reply offers both consulting services and a proprietary verticalised platform for a variety of industrial sectors (banks, insurance companies, payment operators, telcos, retailers, media and Internet companies).
In particular, the platform supports a wide range of personalised contextual mobile payment services, including mobile PoS solutions capable of accepting Chip&Pin, Chip&Signature, magstripe, contactless and mobile couponing payments.

Finally, on the most advancd frontiers of innovation, Reply is involved in a number of experimental projects. These include the newest biometric and digital identity recognition technologies, IoT as applied to specific insurance sectors (car, home and health), crypto-currencies, the testing and assessment of "fintech" peer-to-peer landing models, crowd-funding, and the definition of specific e-marketplaces for financial institutions.

MANUFACTURING AND RETAIL

Reply supports companies with the transformation and management of their information systems. Services provided range from strategic design and the understanding and redefinition of core business processes to the creation of solutions for application integration in support of the extended enterprise.

Reply's areas of focus and skill development include supplier and purchasing management (SRM) support; the design of control systems for production chains (MES systems); and the distribution and movement of products via complex logistical networks (SCM systems). Particular attention is being given to the development of skills and applications related to the new Industry and Logistics 4.0 paradigms.

Reply has also defined a specific service offering for the retail sector that combines e-commerce and multi-channel consulting with the design and development of solutions that integrate web, mobile, call centre and in-store services and in which digital devices, innovation and physical places are brought together to create an engaging and consistent customer experience.

ENERGY AND UTILITIES

The energy and utilities sector is currently undergoing a profound transformation with regard to the models used for generating, distributing and selling energy. The increasingly widespread presence of renewable energy generation facilities, the regulatory implications and the market opportunities, together with a desire on the part of customers to utilise new instrumentation for the control, analysis and management of consumption, are leading to substantial changes in the operational, organisational and technological models used.
The requirements in terms of both real-time activity monitoring and the evolutionary and predictive analysis of the phenomena involved, combined with the need for constant communication with customers, are resulting in the introduction of digital devices throughout the chain, from power plants down to households.

Reply combines a deep understanding of the market and its specific processes with a distinctive capability in the design, implementation and management of application and technological solutions in support of core business. Its ability to support the transformation of management models used by operators in the sector and the verticalisation of skills and specific solutions (IoT, big data, cloud, mobile, etc.) allow Reply to assist companies that generate, sell and distribute energy in defining and developing new operational models. Aspects covered include smart metering, smart grid management, real-time pricing and demand response.

In the renewable energy and energy efficiency sector, in which there is a highly diverse range of services and solutions on offer, Reply provides a comprehensive range of services capable of fulfilling construction, maintenance, monitoring and optimisation requirements.

GOVERNMENT AND DEFENCE

In the health and public administration sectors, there has been an increasingly strong focus over recent years on cutting costs while still maintaining quality and improving service opportunities for consumers. There are two contributing factors involved here. Firstly, by defining “standard costs”, legislation has identified an element of balance between the various territorial differences associated with the cost of the service. Secondly, in the operational context there is an increasing use of online technologies, of big data and of cloud computing, which are all contributing to a reduction in overall costs. In this scenario, Reply benefits from the experience it has built up in the most advanced online services, creating vertical applications and expertise that enable it to implement specific solutions for managing relationships with the public and with businesses.

An additional field of specialisation for Reply is telemedicine: in other words, the possibility – through the use of information and telecommunication technologies – for healthcare professionals to supply care and assistance services remotely. In this area, Reply has created a set of applications and systems aimed at developing an integrated communication network between patients and local operators at various levels, including hospitals, nursing homes, health centres, community centres and so forth.
In the UK, Reply is also working with various governmental agencies, including the Ministry of Defence (MoD), for which it has helped to define and implement a new approach to the use of IT architecture in support of decision-making processes. The aim is to integrate flows of heterogeneous information, thereby improving data management while also ensuring complete visibility of available resources.

TECHNOLOGICAL INNOVATION

Technological innovation has formed the basis for the development of Reply, a company that has always pursued the objective of providing its clients with the tools necessary to increase flexibility and efficiency. Reply is involved in a continuous process of research, selection and marketing of innovative solutions for sustaining the creation of value within organisations.

BIG DATA AND ANALYTICS

During 2014, every sector of industry saw a clear growth in the awareness of the different possibilities available from the exploitation of “big data”, by means of analytical models capable of exploiting the potential of the new NoSql technologies. This increased awareness does not appear to be a logical consequence of the transformation of the datasets associated with the now outdated “3Vs” (velocity, variety and volume) paradigm, which originally characterised the field of big data. Rather, it is the result of the strong pressure on development times and on the TCO of data analysis solutions, which is requiring different choices to be made compared to traditional business intelligence models.

Thanks to its combination of skills in technology, data analysis and modelling, and process re-engineering, Reply has helped its clients to tackle big data issues both by promoting both the activation of real and concrete cultural change and by introducing a new approach to the management of data, whether within the company or derived from external agents.

Reply’s activities have concentrated in particular on two parallel issues, in terms of strengthening the group’s business analytics development capabilities, and in boosting its technological services offering. The financial services sector has been especially relevant in this context. In that market, specific solutions have been implemented for tackling fraud and for developing predictive analytical techniques and social network analysis.

CLOUD COMPUTING

In recent years cloud computing has established itself as one of the most important areas of transformation that companies have had to face. In fact the provision of virtual environments and services by major global vendors has modified, or even revolutionised, the concept of IT as it was traditionally interpreted. From being seen as a simple commodity, IT has become one of the fundamental elements underlying the true digital transformation of an organisation.

In parallel, the increasing maturity of the cloud, whichever model is used (IaaS, PaaS or SaaS), is leading service providers and system integrators to define specific service offerings for highly strategic issues. These include the coexistence of the cloud with traditional on-premises applications and questions of data management security.

In order to fulfil the requirements for strategic and technological transformation and change management that are involved in the implementation of the most suitable cloud model for specific situations, Reply has defined a service offering structured along the following lines:

- consulting support (from the business process to operational management) capable of helping clients to understand, select and develop the most appropriate technological and application solutions;
- an end-to-end provider service that, through its close partnership with leading global vendors including Amazon, Google, Microsoft, Oracle and Salesforce, allows the client to benefit from the most suitable solutions for its needs, both in terms of the model used and the technology adopted.
- SaaS services and solutions based on Reply's proprietary software solutions.

CUSTOMER EXPERIENCE

The increasing degree of integration with new communication technologies especially in terms of mobile services, the social aspect of participation and collaboration, and the spread of multi-channel services have all taken on vital importance for the implementation of CRM solutions that create actual value, by redefining traditional models in favour of a customer-centric approach.

It is therefore becoming essential for businesses to identify and implement a relationship strategy that is no longer one-to-many but peer-to-peer, based both on its clients' value drivers and on company-specific factors. In this context, Reply has built up a strategic CRM framework based on a holistic approach that, by mapping and analysing the customer journey in terms of a complete and detailed vision of customer experience, provides businesses with the tools and solutions needed for the targeted involvement of prospects and clients.

As well as supporting the transformation of a company's CRM model, the framework created by Reply can be integrated into pre-existing processes and structures thanks to the group's consolidated experience in the end-to-end governance of functional and organisational processes. More and more companies have been supported in defining the principles involved and revising their business processes, in terms of both architecture design and the implementation of the technological solution.

Using skills developed in the fields of digital communications, social media, gamification, the Internet of Things and mobile services, Reply has identified new techniques and methodologies for defining an omni-channel CRM strategy that allows companies to create different touchpoints capable of engaging people at any time and in any place. These are combined with constant monitoring (customer analytics) of end user satisfaction levels, thanks to the potential offered by the analysis of big data.

In support of its CRM framework, Reply is continuing to enhance its areas of competence, thanks to its partnerships with major vendors such as Oracle, Microsoft, Salesforce.com, SAP and other leading players in the sector and on the basis of the experience it has built up in many industrial sectors (automotive, telco and media, energy and utilities, finance, manufacturing, pharma and retail).

DIGITAL SERVICES

The communications sector has seen a clear growth over recent years in the importance attributed to the presence of a single brand, product or service across various digital platforms, for both its end users and its employees. This multi-channel and multi-recipient presence is increasingly dialectical and interactive, far removed from the traditional promotional model.

In this scenario, one in which the boundaries between media are becoming increasingly blurred and in which communication also involves company assets that were traditionally excluded from brand engagement activities, increasingly diverse and specialist types of knowledge are required for tackling these new challenges. In addition to creative skills, which have always constituted the real added value in an effective advertising project, there is a need for specific technological competences and project management skills if communication is to become lively and interactive across all channels, including the Internet, mobile telephones, digital PoS, and game platforms.

To extend this scenario further, there is a need to ensure coherent communication between the various media involved, through the unified provision of consulting, conceptual and production services that also include a multimedia asset management strategy. In addition to the creation and management of every aspect of the interactive digital brand image, Reply's areas of expertise include creativity and technology as applied to important sectors such as mobile telephony, e-commerce and gaming. These also constitute areas that commercial brands need to master both now and especially in the future, as can already be seen in the major global communication markets.

Another important field in which Reply supports its corporate clients involves communication via social media networks. This is now a mainstream activity that has expanded significantly over the last few years and is now more than ever the acknowledged global arena for brand-user relationships. As a result, Reply has added to its portfolio a range of services for assisting companies with the strategic activities needed for positioning a brand correctly across all channels – including social media. These services range from monitoring and assessment to the design of the architecture for measuring relationship KPIs, and from promotional activities such as couponing, social gaming and content marketing to CRM activities and "social caring" activities.

Social media networks are becoming increasingly connected to the digital marketing activities that Reply includes in a universal relationship model, based on skills in the analysis and implementation of paid, owned and earned media. This model enables and enhances an integrated positioning strategy for companies across the various channels on which they relate to their ecosystem. These channels include social media networks, search engines, comparison websites, shopping malls and social shopping networks, affiliation networks, email, applications and lead generation channels.

E-COMMERCE

In recent years e-commerce has taken on an increasingly central role in the relationship between businesses and consumers. By the end of 2014, in fact, sales worldwide from e-commerce equalled those from bricks-and-mortar outlets. More and more frequently, companies are extending their business models by defining new multi-channel strategies capable of providing consumers with different touchpoints, both digital and physical, to use when purchasing products.

The increasing demands of consumers and the trend towards customer mobility now require companies to provide a fully integrated and personalised experience. This also needs to be as unified as possible across the various channels involved, meaning that it is vital to integrate the digital with the physical experience and vice versa. Consumer behaviour has led to a real change in the traditional buying process. Nowadays, for example, customers interact on social media to obtain product reviews, then compare the prices of products of the same range, before actually purchasing the product using the online e-commerce platform and collecting it from the nearest store. Once there, customers can receive promotional offers for subsequent purchases directly on their smartphones.

In the light of this massive shift away from traditional shopping scenarios, Reply has defined an omni-channel strategy centred on client needs that enables companies to provide end consumers with a fully integrated and unified experience across online, mobile and physical channels. The solutions identified by Reply include, for both B2B and B2C businesses, the end-to-end management of the entire company sales cycle. This involves product and catalogue management, promotions and price optimisation, warehouse and logistics management, call centre operations, and customer engagement both in bricks-and-mortar stores, using proximity commerce techniques, and in online channels, exploiting the potential of social media.

ENTERPRISE ARCHITECTURE

We are now experiencing a revolution in terms of the increasingly active role played by consumers in influencing the corporate agenda. Almost all organisations have inherited IT structures that have to be managed and shaped to adapt to changing business needs. Inevitably, this restructuring process is leading to a paradox with regard to the demands made on IT.

In order to cope with a future characterised by a convergence between the physical and digital space, a future in which the boundary between business and IT becomes increasingly blurred, IT must be capable of operating at “two speeds”. In other words, businesses need to take swift action to exploit the new innovations available to them, while at the same time taking care to avoid harm to existing systems.

This new approach to IT requires agile delivery models, in which small, highly qualified, multi-disciplinary teams implement a process of end-to-end change in very short time-scales, working directly with the managers of the various business areas involved. Reply, in particular, supports its clients in the field of enterprise architecture, helping them to extend their internal capabilities by using a wide portfolio of frameworks, methods and architectural models and by making available highly specialised teams.

THE INTERNET OF THINGS

The drive for convergence between the telecoms, media and consumer electronics sectors is making it necessary to treat items that currently lack any form of connectivity as "networked devices" (such as household appliances and home automation control systems). The Internet of Things (IoT) is a market that, according to the estimates of leading analysts, will grow in Europe by over 46% per year during the 2015-2020 period. At a global level, they predict that sales from products and services will be worth more than 7,100 billion Euros, with more than 50 billion machines connected in networks by 2020.

One of the main developments in the coming years will involve the gradual interconnection not only of computers and devices but also of many different material objects. This will give rise to networks that are increasingly pervasive and integrated with people's daily lives. The fields of application are numerous and include industrial applications (production processes), logistics, infomobility, energy efficiency, remote assistance and environmental protection.

Reply has designed and developed HI Reply™, a platform of services, devices and middleware on which specific vertical applications can be built, including advanced logistics, environmental safety, contactless payment and product traceability systems. HI Reply™ has been designed and created within Reply's centre for research and development on theInternet of Things.

As well as significantly extending the fields of application for its platform with specific developments for major industries in 2014, Reply has also set up an advanced incubator to finance, accelerate and support the growth and establishment of ideas and start-ups in the IoT field in Europe and the US.

MOBILE

Thanks to the skills that it has built up in terms of devices, user experience, communication protocols and knowledge of the main telecoms and media processes, Reply supports its clients in defining scenarios and multi-device interaction models. It thereby helps to create new collaborative environments that guarantee:

- straightforward and independent access to services and information;
- integration of wireless and wired devices;
- an infrastructure providing an "always on" facilitiy for managing and distributing services and content.

In response to the ever-increasing demand for the provision of services involving high levels of interaction with the user across all mobile platforms, channels and devices, Reply has created its own application factory focused on the development of mobile apps for both the business and consumer fields.

The extension of mobile apps to every aspect of our personal and professional life will indeed be a key issue over the current decade and will create opportunities for transformation in every sector of industry.

Reply has therefore defined a specific service offering in respect of gaming, targeting not only the consumer sector but also the most complex business-to-business scenarios. In particular, the application of certain specific frameworks derived from the world of gaming to business-oriented contexts (gamification) is creating interesting benefits in terms of both customer engagement and employee engagement.

In addition, by combining extensive experience in 3D from the world of gaming with its mobile expertise and with new technologies in the world of wearable devices, Reply has developed services specifically focused on the development of solutions for increasing customer engagement. These include the development of augmented reality applications (aimed at enabling a virtual product to be viewed in a real-life environment), as well as immersive reality applications specifically designed to provide users with an engaging experience by transporting them into a virtual and navigable environment.

MOBILE PAYMENTS

The widespread use of mobile devices by consumers and the development of new payment tools, enabled by the mobile elements of technology, make the mobile payment sector one of the fastest-growing fields. Reply has defined a dedicated product offering – based around consulting services and technological platforms – to support banks, financial institutions, telecoms providers, utilities and retailers in the creation and supply of innovative remote and proximity mobile payment services.

HI Credits™, the Reply platform, is a technological asset that, by using the technologies available within smartphones, facilitates contextualised and personalised payment services. Over the course of 2014, modules have been developed for the management of proximity payment transactions that meet the new HCE (Host Card Emulation) standards, and a solution has been created for the peer-to-peer (P2P) transfer of funds between private individuals. Hi Credits™ is able to supply, via a single platform, wallet-based remote payment services, wallet-based and mobile PoS-facilitated proximity payments, as well as transfers between private individuals using P2P apps.

RISK MANAGEMENT, PRIVACY AND SECURITY

Reply is now one of the leading players in this sector, with a comprehensive portfolio of services for risk management, privacy and information security management. In particular, Reply has developed an integrated approach for measuring and managing risk that is capable of assessing, concurrently, both the risk involved and the potential loss of value and sales associated with that risk. Using this method, Reply enables its clients to implement a set of tools and activities aimed at cutting the operating costs associated with risk management, thereby ensuring that capital and resources can be allocated in the best possible ways.

Over recent years, IT-related risks have increased dramatically, in terms of both their impact and their frequency, leading to serious security violations and causing hundreds of millions of client data records to be comprised worldwide. The parameters that should be considered and monitored are often interconnected and therefore difficult to catalogue in an orderly manner or tackle individually. In order to deal with this increasingly complex situation, Reply has defined an integrated, coherent and comprehensive range of services to support its clients in defining the best possible strategies for security governance and security technology. In particular, Reply is active during all the phases involved in implementing an integrated information security plan. These range from the strategic planning stage to the definition of the enterprise architecture required for security and the implementation of specific cyber-security countermeasures. In addition, thanks to its own cyber-security command centre, Reply supports major organisations with advanced computer security incident response services.

SOCIAL MEDIA

Public social media are remarkable for the way in which they have been adopted for everyday use by all age brackets, with people becoming more aware and more frequent users of the networks involved. Thanks to the value they provide, social media have therefore transformed the Internet, turning it from simply a source of information to a vast space for dialogue and conversation. This has created new opportunities for interaction between people and between brands and the consumers of those brands..

Along with specific social engagement and social listening solutions, Reply bases its own social enterprise networking services (business community, social Intranet and consumer community) on its proprietary TamTamy™ platform. This is available both in on-premises mode and "as a service" via a cloud computing architecture.

In addition, Reply has also defined a specific approach, based on its Starbytes™ platform, for bringing the organisational model derived from crowdsourcing into companies that wish to have a project, service or product developed by a distributed network of people organised within a virtual community (or "crowd").

VIDEO AND GAMING GENERATION

The disruptive impact of mobile devices and apps that has been seen over recent years has brought with it new kinds of social behaviour and habits. One especially obvious phenomenon involves the use of video games. Smartphones and tablets have dramatically enlarged gaming communities, which used to be limited to owners of consoles or to the community of players on PCs. As a result, gaming has been transformed into a mass-market phenomenon (with more than 50% of mobile consumers using their device for games and one-quarter of them playing on their device on a daily basis).

Video gaming, as well as being a mass phenomenon, has now also become a language of communication. Brands, which require a continuous relationship with their customers, are therefore increasingly prioritising not only video games but also all of the technologies that are focused on fun, surprise and customer engagement. Providing their users with an entertaining experience that leaves them with a positive memory of the brand is a key priority for every communication or engagement campaign, whether designed for a smartphone screen or packaged for a physical point of sale.

Reply has developed a service offering capable of fulfilling the needs of the brand in a comprehensive way, from the use of virtual reality and augmented reality to the creation of games that educate ("edutainment") and games that promote a product or a message ("advergames"). Reply is constantly investing in this area, so that by using the technologies involved it can offer increasingly innovative and involving game experiences. Creating games is a highly professional and specialist activity. Reply's credibility in this sector is guaranteed by the quality of the B2C products it has developed over recent years and by the success they have enjoyed in the global market. The games produced by Reply involve all of the group's technological and distribution platforms, while the portfolio includes titles of varying complexity aimed at a variety of target audiences.

REPLY SERVICES & PLATFORMS

REPLY SERVICES

Nowadays, networks consist of distributed "information systems" that provide real-time access to an ever-increasing quantity of complex data, information and content. This use of the Internet is creating new competitive models, based on approaches to service that depend on three fundamental components: the software platforms involved, an understanding of and expertise in the relevant processes, and service management.
Reply supports its clients in this quest for innovation with services and platforms that are designed to fully exploit the new potentials offered by networks and by communication technologies.

BUSINESS PROCESS OUTSOURCING

Reply provides specialist services in three fields of expertise:

- **Finance and administration –** management of transactional accounting processes, drafting of financial and consolidated statements, management of tax requirements, digitisation of accounting documents, and backup data storage
- **Human resources –** training, ECM, career profiles, corporate knowledge, dashboards for management analysis.
- **Pharmaceutical –** management and control of pharmaceutical expenditure.

CFO SERVICES

The role of the CFO is changing dramatically because of the increasing need to use complex reporting and simulation tools that can provide timely and adequate information on the success of a business and its ability to create value. Within its business performance management portfolio, Reply has identified specific services that are capable of supporting CFOs as their role changes in ways that increasingly bring them into contact with issues that were once the concern of CEOs. The services include:

- Definition of the business control model;
- Strategic planning and budgeting;
- Creation of the consolidated statement;
- IPO support.

APPLICATION MANAGEMENT

Reply has defined an application management model characterised by:

- a modular approach that allows the client to purchase either individual service components (for example, only application maintenance or only operational support) or structured groups of services;
- a flexible supply model aimed at integrating the Reply service in the best possible way with the client's business processes while taking account of the specific needs involved.

REPLY PLATFORMS

CLICK REPLY™

Click Reply™ – the Reply platform for supply chain execution – is intended for the optimised management of inventory and warehouse management processes, with the particular aim of maximising the efficiency of complex logistical networks. Click Reply™ is a leader in the automotive (parts and service), fashion retail, grocery and contract logistics (3PL) markets and is used by over 400 companies and more than 20,000 users worldwide. The platform architecture, which is provided entirely as a service, is based on open standards and integrates the most up-to-date technologies used in the supply chain such as voice, mobile, RFID and augmented reality.

DEFINIO REPLY™

Definio Reply – the Reply platform for risk management and wealth management – is aimed at financial operators that need to analyse and monitor financial activities managed both directly and via third parties. Usable on an SaaS basis or with on-premises installation, Definio Reply™ allows for the proactive management of risks associated with a financial assets portfolio by monitoring the entire management process, from the level of strategy to the measurement and benchmarking of performance.

DISCOVERY REPLY™

Discovery Reply – the Reply platform for digital asset management – makes management of the entire life cycle of digital assets more efficient thanks to innovative methods for organising workflows, a high level of interoperability with other business systems, and advanced multi-channel content distribution services. Discovery Reply™ supports integrated models for the production, use and storage of content by means of an open and flexible platform and a simple and intuitive interface for the procurement, processing, cataloguing, accessing, searching and distribution of digital assets across a variety of delivery channels, both traditional (analogue and digital TV) and IP-based (web TV, over-the-top TV, mobile TV, connected TV, digital signage).

HI REPLY™

HI Reply™, the Reply solution for the Internet of Things, is a platform of services, devices and middleware on which specific vertical applications can be built. These include infomobility, advanced logistics, environmental safety, contactless payment and product traceability systems. HI Reply™ enables machines connected within a network to communicate with one another in a straightforward and standardised way. The platform is comprised of a combination of hardware, firmware and software components distributed on the machines themselves, which vary from simple sensors and actuators to more sophisticated systems such as smartphones and minicomputers. The machines equipped with the platform become "smart", acquiring the ability to interact with one another by means of standard Internet technologies and gaining a set of basic functions necessary for them to function "seamlessly" (auto-configuration, location, discovery and the nature of services displayed).

SIDEUP REPLY™

SideUp Reply is the Reply platform as a service for warehouse management and for supply chain integration and collaboration. The solution, which is wholly cloud-based, integrates with ERP and supply chain planning systems and with e-commerce systems. SideUp Reply™ is intended for companies that need to achieve rapid improvements in the efficiency and visibility of their supply chain. SideUp Reply™ can be used directly over the Internet via a pay-per-use model.

STARBYTES™

Starbytes™ – the crowdsourcing platform developed by Reply on the basis of a cloud-based architecture – is designed for companies that plan to adopt an open enterprise model in which, by means of a direct channel and without mediation between supply and demand, they can develop projects, services or products by accessing the capabilities and expertise of a digital community. Within traditional engagement mechanisms Starbytes™ introduces new dynamics that stimulate interactivity, thanks to models derived from the world of video games (gamification), and enables organisations to comprehensively manage the frameworks that govern contracts for collaboration with freelancers. Starbytes™ represents a new model in the world of work, one in which supply and demand come together in a flexible environment by means of competitions and tenders and in which, thanks to an advanced and transparent feedback system, the highest-quality professional skills emerge in a meritocratic way. Launched in 2012 on the Italian market, Starbytes™ had more than 50,000 ICT and creative professionals as registered users by the end of 2014.

TAMTAMY™

TamTamy™ – the enterprise social networking platform developed by Reply, available either in an on-premises format or as a cloud computing-based service – represents a response to the new scenarios of communication, participation, discussion, training and partnership that are now emerging. The platform is intended both for internal company use (as an employee network and social Intranet) and external use (as a consumer and business community in which clients and stakeholders can be involved). TamTamy™ supplements the functions offered by enterprise-class social networking platforms with connectors for integration with third-party systems, a flexible content management system (including multimedia), and dashboards for reporting on platform use.

PARTNERSHIPS – RESEARCH AND DEVELOPMENT

Reply considers research and continuous innovation to be fundamental assets for the support of its clients as they adopt new technologies.
In order to offer the most appropriate solutions for different business requirements, Reply has established important partnerships with major global vendors. In particular, Reply has achieved top levels of certification in respect of the leading technologies in the enterprise field, including:

MICROSOFT

As a Microsoft Certified Partner, Reply pursues a continuous policy of innovation in respect of Microsoft solutions, as demonstrated by the many certifications obtained. These include Windows 8, Windows Server 2012, Office and SharePoint 2013, SQL Server 2014, Microsoft .NET Framework, Dynamics CRM/AX/NAV, Exchange 2013, Lync 2013 and System Center 2012. With regard to Microsoft business solutions, Reply maintains its position as a leader in the field of Microsoft Dynamics CRM/ERP solutions, confirming its position as one the top partners in the Dynamics CRM arena. In addition, Reply has integration and competence centres for the Microsoft Cloud OS, Hybrid Cloud, the Microsoft Data Platform, Microsoft Power BI and for application integration.

ORACLE

As an Oracle Platinum Partner, Reply has always followed the development of the Oracle offering in terms of both technology and product, and now has one of the main European competence centres, capable of combining complete coverage of the entire stack with expertise in the application suites and the main vertical solutions for industry. Thanks to the technical skills of its teams and the success of projects undertaken for major European clients, Reply has 33 different Oracle specialisations to its credit. Reply has also maintained its leading position among the top Oracle Partners to win the Oracle "Cloud Partner of the year" award in 2014. Reply was one of first partners to successfully market entirely cloud-based customer experience and ERP application solutions, actively participating in beta test programmes for the Oracle Cloud Technology Platform (database, middleware). In the field of big data, Reply has developed a platform for the banking sector that integrates strategic CRM with models of social networking, couponing and loyalty, based on Oracle's Fast Data technology. Finally, in the e-commerce field, Reply has developed a variety of projects based on the Oracle ATG Web Commerce suite for the purpose of defining a customer-centric, personalised and unified strategy across different channels.

SAP

Thanks to its wide international experience in the implementation of software solutions based on the SAP product suite, Reply is able to support companies with the optimisation of their activities and processes, taking an integrated approach to the design and development of business information systems. With particular regard to business components and the changes required by the market, Reply's skills include both traditional enterprise processes and the functions associated with the extended company. It has a distinctive focus on the components involved in multi-channel CRM systems, SAP HANA-based analytics, and IoT solutions specifically designed for maintenance and preventive management. An important factor is Reply's technological and project management expertise, which extends from the SAP Cloud architecture to the SAP Fiori suite. In 2014 two projects implemented by Reply received the "SAP Quality Award HANA Innovation", demonstrating SAP's recognition of the quality and performance associated with Reply's implementation of the SAP HANA in-memory solution. Reply also has the status of "Platinum Partner hybris" and has been nominated for the title of "Global Partner of the Year" several times, thanks to important multi-channel e-commerce projects that it has implemented for major international clients.

AMAZON

Reply is now one of the main partners for Amazon Web Services (AWS), the division of Amazon that supplies IaaS-type infrastructures. In particular, Reply has completed a number of projects involving comprehensive end-to-end support for the infrastructures and components provided by AWS and delivered in both B2B and B2C contexts. Services include consulting on the choice of the most suitable cloud model for the needs of the particular company involved; the development and integration of custom applications and platforms; and maintenance and management services based on "pay-as-you-go" models. In late 2014, Amazon confirmed Reply for the second consecutive year as a Premier Consulting Partner, the highest level of certification, awarded to only a small group of 28 AWS partners worldwide.

GOOGLE

As one of the most important partners for Google in Italy, Reply supports businesses with the introduction of Google Enterprise solutions. Furthermore, thanks to the skills it has built up in the application, architecture and infrastructure fields, Reply also supports its clients in the use within business contexts of the new paradigms provided by Google's service portfolio. Services of proven value such as Gmail, Google Apps and Google Maps, Google Search Appliance and the Cloud Platform services (together with the related public cloud platforms) enable businesses to adopt extended social networking and social collaboration models that are delivered entirely by means of architecture as a service.

SALESFORCE

Reply now includes one of the major business units in Europe specialised in Salesforce.com, with more than 90 projects and applications published on Appexchange. Its clients in this area include some of the leading industrial and media groups. With particular regard to Salesforce.com technology, Reply combines cloud-oriented skills with specific expertise in processes, markets and integration and a special focus on the social, data migration and integration fields.

DEVELOPMENT AND EVOLUTION OF PROPRIETARY PLATFORMS

Reply is continually dedicating resources to R&D activities focused on two main areas: the development and evolution of its proprietary platforms and the definition of a continuous process of scouting, selection and learning of new technologies. This processs is intended to bring to the market innovative solutions that are capable of sustaining the creation of value within companies.

CLICK REPLY™

The 2014 Click Reply™ road map has seen product development oriented towards the consolidation, by means of new releases, of modules for the optimisation of logistical and operational processes. In particular, these include the Warehouse Management module, the Yard Management module – for managing yards with regard to inbound and outbound flows of goods – and the Labor Management module, which involves the analysis of the time taken to perform warehouse activities and the provision of real-time feedback to the operator. In parallel, the development of Click Reply™ has continued with the aim of introducing the latest technologies in the mobile, 3D visualisation and augmented reality fields.

DISCOVERY REPLY™

During 2014 the platform was extended, thereby enabling the integration of additional digital channels such as digital signage and the Web. In the context of digital in-store communication systems within the retail sector, the platform allows authorised users with a profile to add, modify and approve content and schedules for distribution via a digital display network. This thereby enables users – thanks to the technological evolutions developed over the year – to export player videos and multimedia galleries in an automated process.

DEFINIO REPLY™

In 2014 Definio added two new modules for monitoring the entire database, in terms of both information and analytics, and for carrying out factor-based assessments of risk calculation using stress tests for the portfolios being managed. Definio is now able to dialogue with the main data providers (Bloomberg, Morningstar, Lipper, Analysis), automatically generating information for the market regarding funds managed.

HI REPLY™

In 2014, Reply's vertical contextual marketing solutions based on Hi Reply were integrated with the services of companies operating in a variety of sectors such as automotive, sport and entertainment, food brands, large-scale distribution and retail. During the year a new version of the HI Reply™ platform was released together with the vertical solution for remote medical assistance. Important developments have also been undertaken with regard to devices for the measurement and optimisation of electricity production from renewable sources. In 2015, investment in and development of the platform will focus on the enhancement of the vertical solutions that have already been commercialised and on issues connected with industrial automation, particularly in the field of integration between smart objects and human resources.

SIDEUP REPLY™

In 2014 the "as a service" component of Reply's supply chain solution was expanded. The Replenishment module, used for the combined management of working capital and inventory, was extended to provide suppliers with visibility over warehouse stock levels and to allow purchase orders to be proposed in line with the production cycles involved. In addition, a new specific module for point of sale logistics was also released. With the aid of RFID tags, this allows users to have an overview of stock levels and allows for the real-time control of the entire point of sale directly from mobile devices. Further developments include the enhancement of courier deliveries, including geolocation services and the dynamic management of pick-ups and deliveries within a single trip.

STARBYTES™

The development plan for Starbytes for the 2014-2015 period provides for the launch of initiatives designed to showcase the talents of the "crowd". The development activities are also focused on adding new management methods within the core of the platform for microtasking activities, thereby increasing the range of services available to clients. There are also plans for the internationalisation of the Starbytes platforms for the purpose of exploring new markets and new business models.

TAMTAMY™

Over the course of 2014 Reply continued to develop the TamTamy™ platform in order to make it even more accessible via mobile devices and introduce new functionalities specifically in support of social learning projects and knowledge sharing. Additional investments are planned for 2015. The objective is to strengthen Reply's market presence by providing a preconfigured service that comprehensively fulfils the requirements for internal communication, sharing, collaboration and individual productivity that exist in all types of company structures.

THE VALUE OF PEOPLE

Reply's strength derives from the excellence of its people – professionals from the best universities and technical institutes in the sector. The men and women within the group bring the Reply "brand" to life for clients and partners and embody the company's image.

Reply invests continuously in human resources by establishing special relationships and partnerships with a number of universities with the aim of attracting highly skilled individuals to join its team.

Recruitment is focused mainly on young graduates. In particular, disciplines of interest comprise information technology, computer engineering, electronic engineering, telecommunications engineering, engineering management, and business and economics. The relationship between Reply and universities is also developed by means of regular collaboration in the form of industrial placements, dissertations and participation in lectures and seminars.

The values that characterise Reply's employees are enthusiasm, excellence, a methodical approach, team spirit, initiative, and an ability to understand the business context and to clearly communicate the solutions proposed. The continuous desire to imagine, experiment and study new solutions allows innovation to occur more rapidly and efficiently.

Those choosing to join the "world of Reply" will discover opportunities to fully express their potential within an organisational model that is built around culture, ethics, trust, honesty and transparency.

These are indispensable values for continuous improvement and for an ever-increasing attention to quality in one's work.

All of the group's managers are focused in their daily work on upholding the principles on which Reply has always depended and that have sustained it during its growth.

THE REPLY TEAM

- Sharing of the client's objectives
- Professionalism and speed of implementation
- Culture and flexibility

Excellence: the underlying culture, study, attention to quality, seriousness, the creation of value from results.
Teamwork: collaboration, the transfer of ideas and knowledge, the sharing of objectives and results, respect for personal characteristics.
Client: the sharing of objectives, client satisfaction, conscientiousness, professionalism, a sense of responsibility, integrity.
Innovation: imagination, experimentation, courage, study, the search for improvement.
Speed: methodology, experience in project management, collaboration, a commitment to the achievement of results and of the client's objectives.

ANNUAL FINANCIAL REPORT 2014


Reply

REPORT ON OPERATIONS

MAIN RISKS AND UNCERTAINTIES TO WHICH REPLY S.P.A AND THE GROUP ARE EXPOSED

The Reply Group adopts specific procedures in managing risk factors that can have an influence on company results. Such procedures are a result of an enterprise management that has always aimed at maximizing value for its stakeholders putting into place all necessary measures to prevent risks related to the Group activities.

Reply S.p.A., as Parent Company, is exposed to the same risks and uncertainties as those to which the Group is exposed, and which are listed below.

The risk factors described in the paragraphs below must be jointly read with the other information disclosed in the Annual Report.

EXTERNAL RISKS

RISKS ASSOCIATED WITH GENERAL ECONOMIC CONDITIONS

The informatics consultancy market is strictly related to the economic trend of industrialized countries where the demand for highly innovative products is greater. An unfavourable economic trend at a national and/or international level or high inflation could alter or reduce the growth of demand and consequently could have negative effects on the Group's activities and on the Group's economic, financial and earnings position.

RISKS ASSOCIATED WITH EVOLUTION IN ICT SERVICES

The ICT service segment in which the Group operates is characterized by rapid and significant technological changes and by constant evolution of the composition of the professionalism and skills to be combined in the realization of such services, with the need to continuously develop and update new products and services. Therefore, future development of Group activities will also depend on the capability of anticipating the technological evolutions and contents of the Group's services even through significant investments in research and development activities.

RISKS ASSOCIATED WITH COMPETITION

The ICT market is highly competitive. Competitors could expand their market share squeezing out and consequently reduce the Group's market share. Moreover the intensification of the level of competition is also linked with possible entry of new entities endowed with human resources and financial and technological capacities in the Group's reference sectors, offering largely competitive prices which could condition the Group's activities and the possibility of consolidating or amplifying its own competitive position in the reference sectors, with consequent repercussions on business and on the Group's economic, earnings and financial situation.

RISKS ASSOCIATED WITH INCREASING CLIENT NEEDS

The Group's solutions are subject to rapid technological changes that, together with the increasing needs of customers and their need to improve informatics, which results in a request of increasingly complex development activities, sometimes requires excessive efforts that are not proportional to the economic aspects. This in some cases could result in negative effects on the Group's activities and on the Group's economic, financial and earnings position.

RISKS ASSOCIATED WITH SEGMENT REGULATIONS

The activities carried out by the Group are not subject to any particular segment regulation.

INTERNAL RISKS

RISKS ASSOCIATED WITH KEY MANAGEMENT

The Group's success is largely dependent on some key figures that have made a decisive contribution to its development, such as the Chairman and the Executive Directors of the Parent Company Reply S.p.A.
Reply also has a leadership team (Senior Partner, Partner) with many years of experience in the sector with a decisive role in the management of the Group's business.
The loss of any of these key figures without an adequate replacement or the inability to attract and retain new, qualified personnel could therefore have an adverse effect upon the Group's business prospects, earnings and financial position.
Management deems that in any case the Company has a sufficient operational and managerial structure capable of guaranteeing continuity in the running of the business.

RISKS ASSOCIATED WITH RELATIONSHIP WITH CLIENT

The Group offers consulting services mainly to medium and large size companies operating in different market segments (Telco, Manufacturing, Finance, etc.).
A significant part of the Group's revenues, although in a decreasing fashion in the past years, is concentrated on a relatively limited number of clients. If such clients were lost this could have an adverse effect on the Group's activities and on the Group's economic, financial and earnings position.

RISKS ASSOCIATED WITH INTERNATIONALIZATION

The Group, with an internationalization strategy, could be exposed to typical risks deriving from the execution of its activities on an international level, such as changes in the political, macro-economic, fiscal and/or normative field, along with fluctuations in exchange rates.
These could negatively influence the Group's growth expectations abroad.

RISKS ASSOCIATED WITH CONTRACTUAL OBLIGATIONS

The Group develops solutions with a high technological content of significant value; the underlying related contracts can provide for the application of penalties in relation to timeliness and the qualitative standards agreed upon.
The application of such penalties could have adverse effects on the Group's economic, financial and earnings position.
The Group has undersigned adequate precautionary insurance contracts against any risk that could arise under professional responsibility for an annual maximum amount deemed to be adequate in respect of the actual risk.
Should the insurance coverage not be adequate and the Group is called to compensate damages greater than the amount covered, the Group's economic, financial and earnings position could be deeply jeopardized.

FINANCIAL RISKS

CREDIT RISK

For business purposes, specific policies are adopted to assure its clients' solvency.
With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

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's companies are monitored or centrally managed under the control of the Group Treasury, with the objective of guaranteeing effective and efficient management of capital resources (maintaining an adequate level of liquid assets and funds obtainable via an appropriate *committed* credit line amount).

The difficult economic context of the markets and financial markets requires specific attention as regards the management of liquidity risk and in such a way that particular attention is given to shares tending to generate financial resources with operational management and to maintaining an adequate level of liquid assets. The Group 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

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 Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, the Group has used derivative financial instruments designated as "cash flow hedges".

The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

REVIEW OF THE GROUP'S ECONOMIC AND FINANCIAL POSITION

FOREWORD

The financial statements commented on and illustrated in the following pages have been prepared on the basis of the Consolidated financial statements as at 31 December 2014 to which reference should be made, prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, as well as with the provisions implementing Article 9 of Legislative Decree No. 38/2005.

TREND OF THE PERIOD

The Reply Group ended 2014 financial year with consolidated sales of 632.2 million Euros, an increase of 12.9% compared to the 560.2 million Euros reported in 2013.
EBITDA was 85.1 million Euros (72.6 million Euros in 2013) while EBIT achieved was 80.7 million Euros (64.2 million Euros in 2013).
Consolidated net profit reached 47.9 million Euros (34.5 million Euros in 2013).
Following the results achieved in 2014, the Reply Board of Directors decided to propose the distribution of a gross dividend of 0.85 Euros per share at the next Annual General Meeting. This will be paid from 6 May 2015, with the ex-dividend date set at 4 May 2015 (record date at 5 May 2015).
The Group's net financial position at 31 December 2014 was positive by 16.3 million Euros, a significant improvement over the 5.0 million Euros recorded at 31 December 2013.
The year 2014 has seen the Group achieve excellent results not only in economic and financial terms, but also as perceived by the market. Reply is, in effect, one of the leaders in Europe in the area of digital transformation, with a unique skill set, ranging from consulting and strategic communication to the design of technology architectures, and the design of integrated hardware-software.
The distinctive positioning in the main areas, now the basis of the future development of companies – such as Cloud Computing, Digital Services, Mobile, Big Data and the Internet of Things - combined with the ability to provide the customer with the best skills on the basic components of innovation and the main application domains of CRM, SCM, Risk Management and Digital Payments, lead to Reply's increasing involvement in the creation of solutions for the most important business areas.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Reply's performance is shown in the following reclassified consolidated statement of income and is compared to corresponding figures of the previous year:

(THOUSAND EUROS)	2014	%	2013	%
Revenues	**632,184**	**100**	**560,151**	**100**
Purchases	(12,227)	(1.9)	(10,644)	(1.9)
Personnel	(308,452)	(48.8)	(269,893)	(48.2)
Services and other costs	(222,135)	(35.1)	(200,419)	(35.8)
Other operating (costs)/income	(4,252)	(0.7)	(6,595)	(1.2)
Operating costs	**(547,065)**	**(86.5)**	**(487,551)**	**(87.0)**
Gross operating income (EBITDA)	**85,119**	**13.5**	**72,600**	**13.0**
Amortization, depreciation and write-downs	(8,021)	(1.3)	(7,949)	(1.4)
Other unusual (costs)/income	3,565	0.6	(480)	(0.1)
Operating income (EBIT)	**80,663**	**12.8**	**64,171**	**11.5**
Financial income/(expenses)	(1,396)	(0.2)	(2,439)	(0.4)
Income before taxes	**79,267**	**12.5**	**61,733**	**11.0**
Income taxes	(30,646)	(4.8)	(26,653)	(4.8)
Net income	**48,621**	**7.7**	**35,080**	**6.3**
Non controlling interests	(712)	(0.1)	(630)	(0.1)
Group net income	**47,909**	**7.6**	**34,450**	**6.2**

Group key events of 2014 are summarized below:

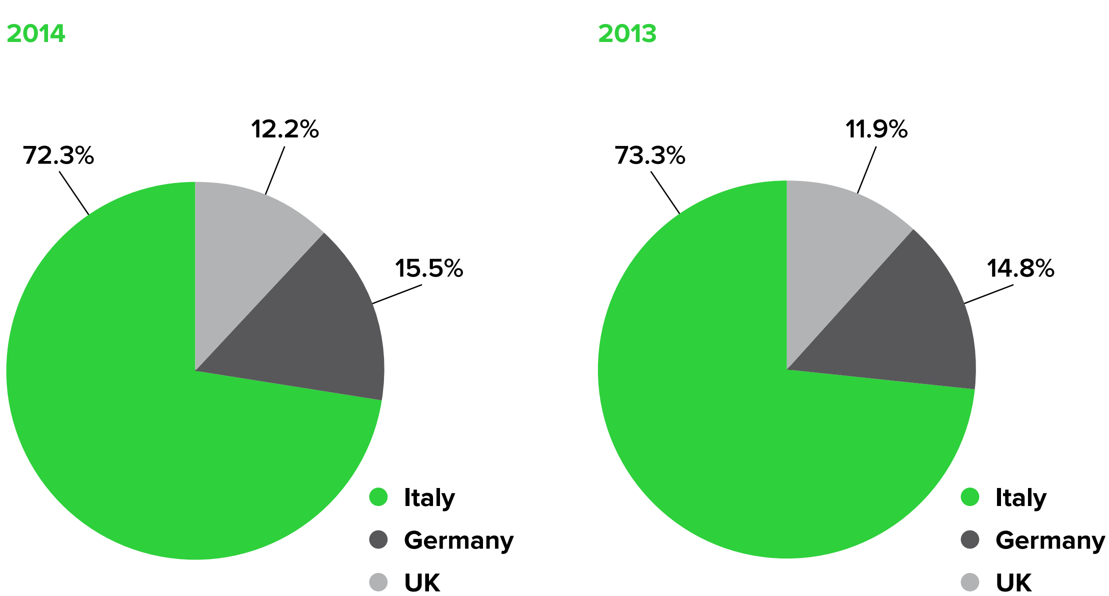
October 2014: Reply continues to invest in the Internet of Things (IoT) and in Wearable Technologies with Breed Reply (www.breedreply.com), its advanced incubator for funding, accelerating and supporting the growth and establishment of ideas and start-ups around the IoT across Europe and the USA.

July 2014: Reply S.p.A. extends its presence in North America signing a term sheet, bound to exclusivity and confidentiality obligations, to take a 20% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer.

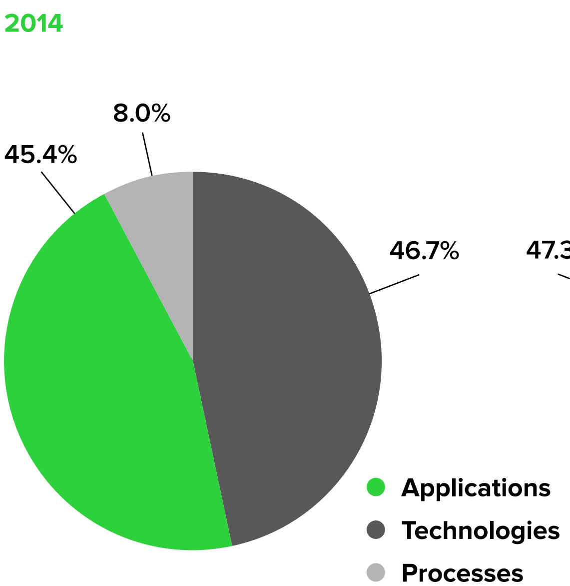
July 2014: Cluster Reply has been nominated Microsoft Dynamics' strategic partner by Microsoft. This places Cluster Reply in the Microsoft Dynamics Inner Circle, a restricted group of highly-specialised international partners for Microsoft Dynamics technology.

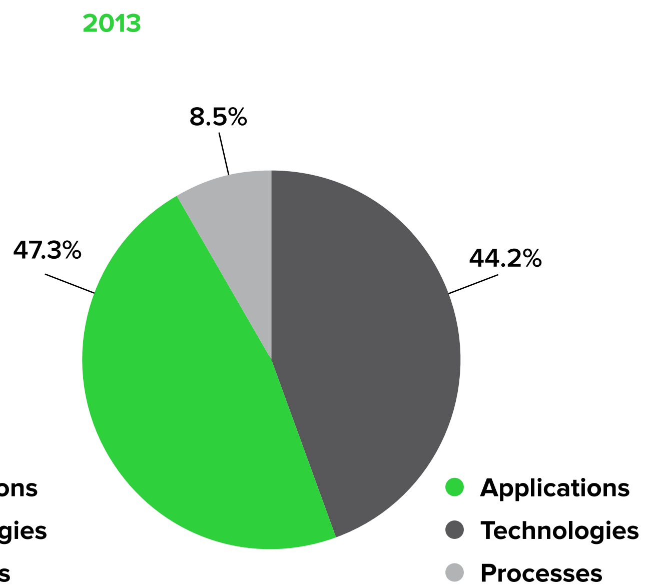
July 2014: Power Reply, the Reply group company that specialises in consulting services and development of energy and utilities companies, and a Platinum level member of Oracle PartnerNetwork (OPN), announced that it is among the first Partners worldwide to achieve the OPN Specialized status for Oracle Utilities Meter Data Management.
April 2014: Storm Reply has been designated a Premier Consulting Partner by Amazon Web Services (AWS), making it part of an elite list of AWS' top 22 Consulting Partners worldwide. Storm Reply was recognized with this prestigious award thanks to the quality of the services it provides to customers on AWS and makes the company a point of reference in the whole cloud computing value chain.
February 2014: RSA, the Security Division of EMC, appoints Communication Valley Reply as the first Europe-based RSA Managed Security Program services provider. This endorsement further strengthens the two companies' long alliance, having worked together closely on key security projects for Europe's leading industrial groups. Communication Valley Reply and RSA have pooled their expertise to collaborate in the area of research and development, focused on managed security services projects.

REVENUES BY GEOGRAPHICAL AREA

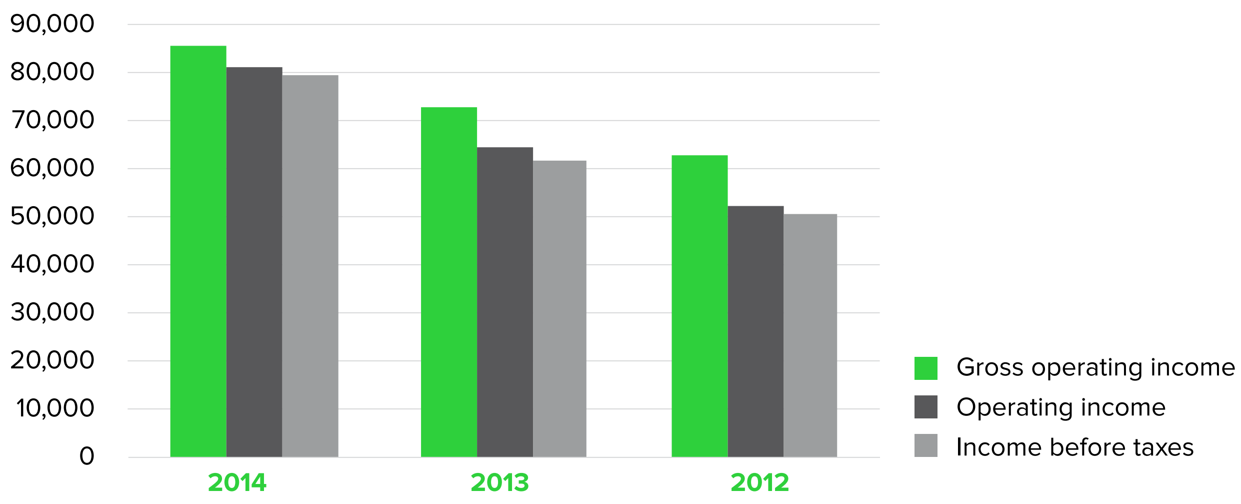


REVENUE BY BUSINESS LINES





TREND IN KEY ECONOMIC INDICATORS
(THOUSAND EUROS)



ANALYSIS OF THE FINANCIAL STRUCTURE

The Group's financial structure is set forth below as at 31 December 2014, compared to 31 December 2013:

(THOUSAND EUROS)	31/12/2014	%	31/12/2013	%	CHANGE
Current operating assets	353,927		318,530		35,397
Current operating liabilities	(219,586)		(194,156)		(25,430)
Working capital, net (A)	**134,341**		**124,374**		**9,968**
Non current assets	170,351		162,569		7,782
Non current liabilities	(68,161)		(79,347)		11,186
Fixed capital (B)	**102,190**		**83,222**		**18,968**
Invested capital, net (A+B)	**236,531**	**100.0**	**207,596**	**100.0**	**28,935**
Shareholders' equity (C)	252,843	106.9	212,607	102.4	40,237
NET FINANCIAL POSITION (A+B-C)	**(16,313)**	**(6.9)**	**(5,011)**	**(2.4)**	**(11,301)**

Net invested capital on 31 December 2014, amounting to 236,531 thousand Euros, was financed for 252,843 thousand Euros by net capital and reserves and by available overall funds of 16,313 thousand Euros.

The following table provides a breakdown of net working capital:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Work in progress	40,801	21,910	18,891
Trade receivables	285,465	271,167	14,298
Other current assets	27,661	25,454	2,207
Current operating assets (A)	**353,927**	**318,530**	**35,397**
Trade payables	83,360	68,124	15,237
Other current liabilities	136,225	126,032	10,193
Current operating liabilities (B)	**219,586**	**194,155**	**25,430**
Working capital, net (A-B)	**134,341**	**124,374**	**9,968**
% return on investments	*21.3 %*	*22.2 %*	

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Cash and cash equivalents, net	50,745	38,861	11,884
Current financial assets	2,245	1,010	1,235
Due to banks	(6,348)	(14,100)	7,752
Due to other providers of finance	(671)	(319)	(352)
Short-term financial position	**45,972**	**25,453**	**20,519**
Non current financial assets	1,371	1,278	93
Due to banks	(29,994)	(20,755)	(9,239)
Due to other providers of finance	(1,036)	(964)	(71)
M/L term financial position	**(29,659)**	**(20,442)**	**(9,218)**
Total net financial position	**16,313**	**5,011**	**11,301**

Change in the item cash and cash equivalents is summarized in the table below:

(THOUSAND EUROS)	2014
Cash flows from operating activities (A)	49,578
Cash flows from investment activities (B)	(31,933)
Cash flows from financial activities (C)	5,761
Change in cash and cash equivalents (D) = (A+B+C)	**11,884**
Cash and cash equivalents at beginning of period (*)	38,861
Cash and cash equivalents at year end (*)	50,745
Total change in cash and cash equivalents (D)	**11,884**

(*) Liquid assets and cash equivalents net are net of current account overdrafts

The complete consolidated cash flow statement and the details of cash and other cash equivalents net are set forth below in the financial statements.

SIGNIFICANT OPERATIONS IN 2014

SENSORIA

In the month of July 2014 Reply S.p.A extended its presence in North America signing a term sheet, bound to exclusivity and confidentiality obligations, to take 19.99% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer. The investment, which amounts to USD 5 million, is part of Reply's development strategy connected to the Internet of Things.

Sensoria – Headquartered in Redmond, Washington – is a leading developer of wearable platforms and devices. The company was founded on the vision that clothing would become the fulcrum between Internet of Things and People as a seamless, naturally wearable body-sensing computer.

Sensoria's objective is to work with industry partners to enable the Internet of Everyone. After releasing the Sensoria Developer Kit, designed for developers of wearable solutions, Sensoria, will continue to work with leaders in each industry to create connected, biometric driven consumer experiences.

Internet of Things is at the basis of the next wave of technology innovation and Rely intends to play a key role in this epochal transition and the investment in Sensoria is part of this.

BREED REPLY

Reply launched in October 2014 Breed Reply a new Reply advanced incubator for funding, accelerating and supporting the growth and establishment of ideas and start-ups around IoT across Europe and the USA.
Breed Reply, based in London and with offices in Italy and Germany, offers three fundamental services: funding at "seed" and "early stage" level; considerable support with significant know how transfer of business, managerial and technological expertise; and thanks to Reply's ecosystem, medium-term involvement to establish start-ups in their market.
Breed Reply will offer the start-ups the opportunity to present their ideas and projects through IoT.
Best in Breed, an initiative that aims to identify the most innovative ideas in IoT space.

Breed Reply has already selected start-ups for their highly innovative solutions and their outstanding management teams, capable of combining excellent ideas and market potential:

- **Xmetrics** (*www.swim-xmetrics.com*), a company that offers innovative devices for swimmers Xmetrics uses sensors, electronic components and software via mobile devices, to enhance the training sessions of professional and amateur swimmers, analysing their main biometric parameters and their real time performance.
- **Cocoon** (https://cocoon.life) is a UK based start-up that has created a smart home security system that senses unusual activity throughout the house in real time, without the need for any additional sensors or professional installation. It avoids false alarms by learning what's normal for home, only sending alerts and high quality video straight to your smartphone via the mobile app. Cocoon received a London Design Award and has been listed in Forbes as one of the top new businesses to keep an eye on in 2015.
- **Greeniant** (www.greeniant.net) is a Dutch start-up whose solution analyses energy consumption by using the data from smart meters. Greeniant provides energy providers and end users, a device which is able to analyse consumption and use of electrical appliances resulting in a reduction of energy, cost savings and CO2 emission.

REPLY ON THE STOCK MARKET

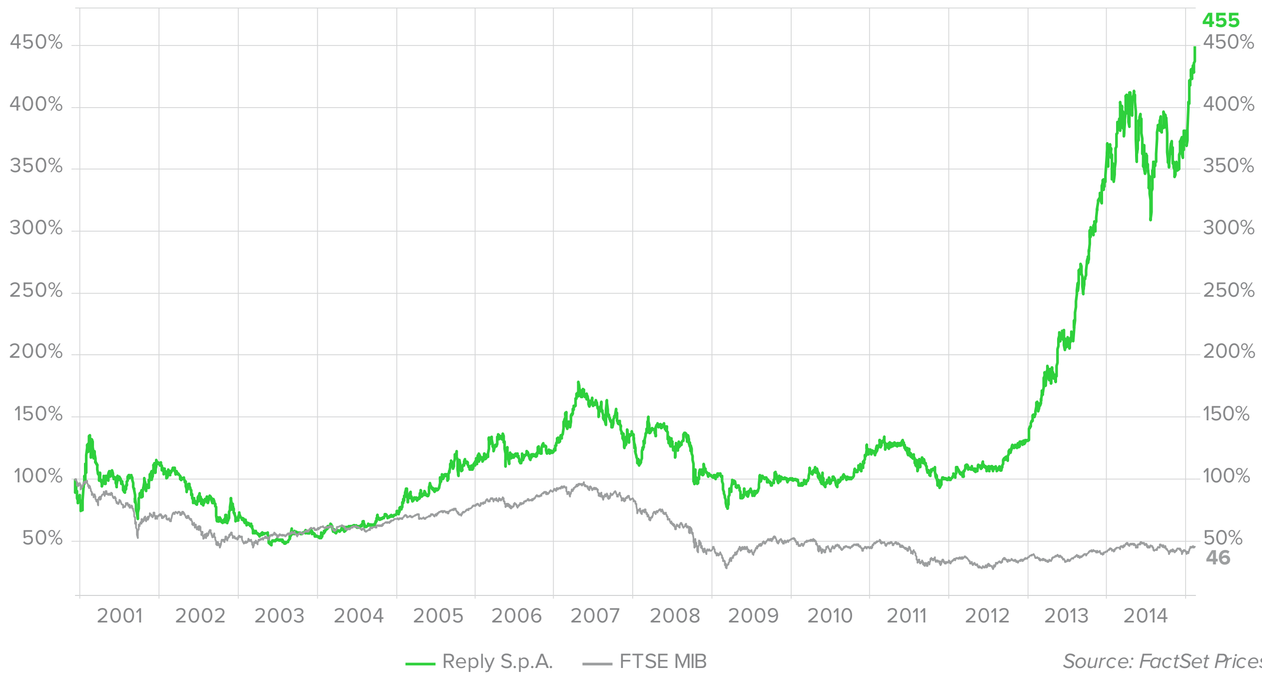
Continuous profitable growth and consequent investments in future business opportunities have been the main value drivers for the Reply share in financial year 2014. Despite significant geopolitical risks and economic concerns the share price increased 7% until the end of the year; on February 13, 2015 when this report was closed, the share was up 30%. Once again the share developed better than the main European indexes and outperformed most of the peer companies in the IT and agency spaces. In terms of valuation Reply is now traded at the average multiples of the peer group, top- and bottom-line. The long-lasting valuation gap has been closed. We invite our shareholders to stay invested since Reply continues to belong to the strong-growing and highly profitable companies in our industry.

REPLY SHARE PERFORMANCE

Until mid May the Italian stock market and the Reply share price rose continuously. On April 22, 2014 the Reply share stood at Euro 67,90, its highest value in 2014. Despite good Q1 results published mid May the Reply share entered a downside corridor which led to the year-low value of Euro 47,70 on July 25, 2014. The general downward trend of the markets was enforced by an investment fund that had to close positions due to bigger money outflows. Given its strong past performance, the Reply share was among those affected by this development. During summer the Reply share was able to close the gap with the development of the main indices and for the rest of the year more or less developed in parallel with the capital markets. At the end of 2014 the Reply share improved 7%, quite close to the increase of the STAR index (+9%) and well ahead of the development of the Italian MIB index who closed 2014 on the level of the beginning of the year.

Source: FactSet Prices

Since the Reply IPO on December 6, 2000 the Italian main index MIB lost more than half of its starting value. The Reply share price has nearly quadruplicated since the IPO.



Source: FactSet Prices

CAPITAL MARKET POSITION

Reply continued to elaborate its position in the capital markets. With a market capitalization of Euro 680 million Reply can get on the radar of additional investor groups, more focused on larger companies. In the Italian MidCap Index, where Reply is a constituent since March 2013, Reply improved its rank to number 44 (end of 2013: number 46).

The liquidity situation of the Reply share was mixed in 2014. Altogether the trading volume of the Reply share amounted to Euro 213 million, another strong increase by 57% year on year. However this development was mainly due to the increase of the share price. The number of traded Reply shares at the Italian Stock Exchange reduced by 3% to 3.6 million. The average traded shares per day amounted to 13.8 thousand following 14.7 thousand in the year before. Circa two-thirds of these shares were traded in the first half of 2014, only one-third in the second half. So a significant liquidity reduction took place in the second half of the year.

DIVIDEND

Although most of the liquid means produced shall stay in the group to finance future growth, Reply is sharing its positive course of business with its shareholders also by means of dividend distributions. In 2014 Reply achieved earnings per share of Euro 5.10 an increase of 37.8% compared to 2013. For the financial year 2014 the corporate bodies of Reply propose to the shareholders' meeting to approve the payment of a dividend of EUR 0.85 (dividend 2013: Euro 0.70). Referred to the share price of Reply at the end of 2014 this means a dividend yield of 1.4% (1.2% in 2013).

The following table gives an overview on the main parameters of the Reply share and their substantial developments during the last 5 years.

		2014	2013	2012	2011	2010
Share price						
Year-end	Euro	60.90	56.90	20.99	16.02	19.21
High for the year	Euro	67.90	56.90	21.00	21.49	20.44
Low for the year	Euro	47.70	20.92	15.89	14.86	14.94
Trading						
Number of shares traded (year)	# thousand	3,586.0	3,705.0	1,497.3	1,403.1	1,693.6
Number of shares traded (day)	# thousand	13.8	14.7	5.9	5.5	6.6
Trading volume (year)	Euro million	212.7	123.9	27.323	26.615	28.529
Trading volume (day)	Euro million	0.844	0.492	0.108	0.104	0.111
Number of shares	# thousand	9,352.9	9,307.9	9,222.9	9,222.9	9,222.9
Share capital	Euro million	4.863	4.840	4.796	4.796	4.796
Free Float	%	43.1	42.1	41.8	42.3	42.3
Market capitalization	Euro million	569.6	529.6	193.6	147.8	177.2
Earnings per share	Euro	5.10	3.38	2.94	2.62	2.21
Dividend [1)]	Euro	0.85	0.70	0.57	0.50	0.45
Dividend payment	Euro million	7.950	6.515	5.257	4.611	4.150
Dividend yield [2)]	%	1.4%	1.2%	2.7%	3.1%	2.3%

[1)] Amount proposed for shareholder approval for 2014
[2)] Related to year-end closing price

THE SHAREHOLDER BASE

Based on the last information on the Reply shareholders' register 60.5% of the Reply shares are owned by the founders and the management of Reply whereas institutional shareholders increased their holdings to 32.7%. Accordingly the shares in the hands of retail shareholders dropped to 6.8%.

Also the regional distribution of the Reply shareholders changed slightly. The very strong performance of Reply in the last 2 years forced some investors to adjust their positions because of internal portfolio limits. In September 2014 68.4% of the shares were allotted to Italian shareholders (2013: 71.4%), 8% were held by shareholders from Germany (2013: 10%) whereas 7.7% were related to British (2013: 1.4%) and US shareholders (2013: 4.8%) each.

In December 2014 Reply was informed that the US-based Investor GMT Capital built a position of 5.1% of the Reply shares. This news explained the strong growth of US investors in the shareholder register of Reply.

ANALYSTS

Unchanged 4 analysts from Italy and Germany are covering the Reply share. All of them gave an "overweight" rating.

"DIALOGUE" WITH THE CAPITAL MARKET

In 2014 Reply continued its manifold activities with the capital markets to keep shareholders informed. During the last year Reply more than doubled its participation in conferences, one-on-one meetings and roadshows all over Europe. Especially visits of and calls with US Investors and the France and UK activities increased significantly. Helsinki and Edinburgh were 2 new locations where Reply conducted roadshows. Also the number of brokers, Reply is working with, expanded significantly. In 2013 Reply was active with 3 brokers; this number increased to 11 in 2014. The beginning of 2015 shows the investor attention for Reply remains at high levels. We still meet many new investors during our capital market tours. Lyon, Barcelona and Stockholm have already been identified as venues for roadshows.

THE PARENT COMPANY REPLY S.P.A.

INTRODUCTION

The tables presented and disclosed below were prepared on the basis of the financial statements as at 31 December 2014 to which reference should be made, prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree No. 38/2005.

RECLASSIFIED INCOME STATEMENT

The Parent Company Reply S.p.A. mainly carries out the operational co-ordination and the technical and quality management services for the Group companies as well as the administration, finance and marketing activities. As at 31 December 2014 the Parent Company had 96 employees (89 employees in 2013). Reply S.p.A. also carries out commercial fronting activities for some major customers, whereas delivery is carried out by the operational companies. The economic results achieved by the Company are therefore not representative of the Group's overall economic trend and the performances of the markets in which it operates. Such activity is instead reflected in the item Revenue from fronting operations of the Income Statement set forth below. The Parent Company's income statement is summarized as follows:

(THOUSAND EUROS)	2014	2013	CHANGE
Revenues from operating activities	45,694	39,794	5,900
Income from fronting activities	252,614	243,723	8,891
Purchases, services and other expenses	(281,823)	(273,670)	(8,153)
Personnel and related expenses	(17,703)	(16,081)	(1,622)
Other unusual operating (expenses)/income	(2,989)	250	(3,239)
Amortization, depreciation and write-downs	(672)	(698)	26
Operating income	**(4,878)**	**(6,682)**	**1,804**
Financial income/(expenses)	2,526	443	2,084
Gain on equity investments	34,951	28,815	6,137
Loss on equity investments	(7,460)	(8,393)	933
Income before taxes	**25,140**	**14,183**	**10,958**
Income taxes	(1,209)	624	(1,833)
NET INCOME	**23,932**	**14,807**	**9,125**

Revenues from operating activities mainly refer to charges for:

- royalties on the Reply trademark for 14,752 thousand Euros (13,276 thousand Euros in the financial year 2013);
- activities developed on a central level for controlled companies for 22,571 thousand Euros (19,585 thousand Euros in the financial year 2013);
- Management services for 7,605 thousand Euros (6,790 thousand Euros in the financial year 2013).

Operating income 2014 marked a negative result of 4,878 thousand Euros after having deducted amortization expenses of 672 thousand Euros (of which 4,063 thousand Euros referred to intangible assets and 269 thousand Euros to tangible assets).
Financial income/(expenses) amounted to 2,526 thousand Euros, and included interest income for 2,766 thousand Euros and interest expenses for 1,760 thousand Euros mainly relating to financing for the M&A operations. Such result also includes net positive exchange rate differences amounting to 1,513 thousand Euros.
Income from equity investments which amounted to 34,951 thousand Euros refers to dividends received from subsidiary companies in 2014.
Losses on equity investments refer to write-downs and losses reported in the year by some subsidiary companies that were considered to be unrecoverable.
Net income for the year ended 2014, amounted to 23,932 thousand Euros after income taxes of 1,209 thousand Euros.

FINANCIAL STRUCTURE

Reply S.p.A.'s financial structure as at 31 December 2014, compared to that as at 31 December 2013, is provided below:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Tangible assets	1,095	447	648
Intangible assets	954	1,140	(187)
Equity investments	130,081	130,197	(116)
Other fixed assets	1,522	1,670	(148)
Non financial liabilities - L/T	(8,956)	(17,011)	8,055
Fixed capital	**124,696**	**116,443**	**8,253**
Net working capital	**4,572**	**9,061**	**(4,490)**
INVESTED CAPITAL	**129,268**	**125,504**	**3,764**
Shareholders' equity	163,936	145,504	18,432
Net financial position	(34,668)	(19,999)	(14,669)
TOTAL SOURCES	**129,268**	**125,504**	**3,764**

The net invested capital on 31 December 2014, amounting to 129,268 thousand Euros, was financed for 163,936 thousand Euros from Shareholders' equity and available overall funds of 34,668 thousand Euros.

Changes in balance sheet items are fully analyzed and detailed in the explanatory notes to the financial statements.

NET FINANCIAL POSITION

The Parent Company's net financial position as at 31 December 2014, compared to 31 December 2013, is detailed as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Cash and cash equivalents, net	4,193	(3,615)	7,808
Financial loans to subsidiaries	49,849	42,874	6,975
Receivables from factor	960	669	290
Due to banks	(6,285)	(13,956)	7,671
Due to subsidiaries	(26,868)	(22,062)	(4,806)
Net financial position short term	**21,849**	**3,911**	**17,938**
Long term financial assets	42,487	36,251	6,236
Due to banks	(29,668)	(20,163)	(9,505)
Net financial position long term	**12,819**	**16,089**	**(3,270)**
Total net financial position	**34,668**	**19,999**	**14,669**

Change in the net financial position is analyzed and illustrated in the explanatory notes to the financial position.

RECONCILIATION OF EQUITY AND PROFIT FOR THE YEAR OF THE PARENT COMPANY

In accordance with Consob Communication no. DEM/6064293 dated 28 July 2006, Shareholders' equity and the Parent Company's result are reconciled below with the related consolidated amounts.

	31/12/2014		31/12/2013	
(THOUSAND EUROS)	**SHAREHOLDER'S EQUITY**	**NET RESULT**	**SHAREHOLDER'S EQUITY**	**NET RESULT**
Reply S.p.A.'s separate financial statements	**163,936**	**23,932**	**145,504**	**14,807**
Results of the subsidiary companies	143,235	53,955	133,592	52,793
Carrying value of investments in consolidated companies	(63,860)	-	(63,035)	-
Elimination of dividends from subsidiary companies	-	(37,698)	-	(28,854)
Adjustments to accounting principles and elimination of unrealized intercompany gains and losses, net of related tax effect	9,531	8,432	(3,453)	(3,668)
Non controlling interests	(936)	(712)	(797)	(630)
Net Group consolidated financial statement	**251,908**	**47,910**	**211,809**	**34,450**

CORPORATE GOVERNANCE

The Corporate Governance system adopted by Reply adheres to the Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana S.p.A. in March 2006, which was updated in July 2014, with the additions and amendments related to the specific characteristics of the Group.

In compliance with regulatory obligations the annually drafted “Report on Corporate Governance and Ownership Structures” contains a general description of the corporate governance system adopted by the Group, reporting information on ownership structures and compliance with the Code of Conduct, including the main governance practices applied and the characteristics of the risk management and internal control system also with respect to the financial reporting process.
The aforementioned Report is available on the Corporate Governance section of the website www.reply.eu. - Investors – Corporate Governance.
The Corporate Governance Code is available on the website of Borsa Italiana S.p.A. www.borsaitaliana.it.

The Board of Directors, on an annual basis and at the proposal of the Remuneration Committee, establishes a Remuneration Policy which incorporates the recommendations of the Corporate Governance Code and regulations issued by Consob. In accordance with law, the Remuneration Policy forms the first part of the Report on Remuneration and will be submitted to the review of the Shareholders’ Meeting called to approve the 2014 financial statements.

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

Reply offers high technology services and solutions in a market where innovation is of primary importance.
Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.

Reply dedicates resources to Research and Development activities and concentrates on the following sectors:

- Development and evolution of its own platforms:
- Click Reply™
- Definio Reply™
- Discovery Reply™
- Hi Reply™
- Sideup Reply™
- Starbytes™
- TamTamy™

Reply has important partnerships with major global vendors so as to offer the most suitable solutions to different company needs. Specifically, Reply boasts the highest level of certification amongst the technology leaders in the Enterprise sector, among which:

- Microsoft
- Oracle
- SAP
- Amazon
- Google
- Hybris
- Salesforce

Research and development activities are fully described in the Corporate information of "Reply Living Network".

HUMAN RESOURCES

Human resources constitute a primary asset for Reply which bases its strategy on the quality of products and services and places continuous attention on the growth of personnel and in-depth examination of professional necessities with consequent definitions of needs and training courses.

The Reply Group is comprised of professionals originating from the best universities and polytechnics. The Group intends to continue investing in human resources by bonding special relations and collaboration with major universities with the scope of attracting highly qualified personnel.

The people who work at Reply are characterized by enthusiasm, expertise, methodology, team spirit, initiative, the capability of understanding the context they work in and of clearly communicating the solutions proposed. The capability of imagining, experimenting and studying new solutions enables more rapid and efficient innovation.

The group intends to maintain these distinctive features by increasing investments in training and collaboration with universities.

At the end of 2014 the Group had 4,689 employees compared to 4,253 in 2013. During the year 1,065 were employed and 629 left the Group.

SECURITY PLANNING DOCUMENT

As part of the requirements of Legislative Decree 196/03, the Italian “Data Protection Act”, several activities to evaluate the system of data protection for information held by Group companies subject to this law, including specific audits, were performed. These activities confirmed that legislative requirements relating to the protection of personal data processed by Group companies had been substantially complied with, including preparation of the Security Planning Document.

TRANSACTIONS WITH RELATED PARTIES AND GROUP COMPANIES

During the period, there were no transactions with related parties, including intergroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.
The company in the notes to the financial statements and consolidated financial statements provides the information required pursuant to Art. 154-ter of the TUF [Consolidated Financial Act] as indicated by Consob Reg. no. 17221 of 12 March 2010, indicating that there were no significant transactions concluded during the period.

Information on transactions with related parties as per Consob communication of 28 July 2006 is disclosed at the Note to the Consolidated financial statements and Notes to the financial statements.

TREASURY SHARES

At the balance sheet date, the Parent Company holds 597 treasury shares amounting to 9,127 Euros, nominal value equal to 310 Euros; at the balance sheet item net equity, the company has posted an unavailable reserve for the same amount.

At the balance sheet date the Company does not hold shares of other holding companies.

FINANCIAL INSTRUMENTS

In relation to the use of financial instruments, the company has adopted a policy for risk management through the use of financial derivatives, with the scope of reducing the exposure to interest rate risks on financial loans.
Such financial instruments are considered as hedging instruments as they can be traced to the object being hedged (in terms of amount and expiry date).

In the notes to the financial statements more detail is provided to the above operations.

EVENTS SUBSEQUENT TO 31 DECEMBER 2014

In the month of March 2015 Reply GmbH & Co. KG acquired the 100% share capital of Leadvise Region Mitte GmbH, incorporated under the German law, for 3,5 thousand euros. The company offers services in Management Consulting mainly in the areas of Innovation Management, Risk Management and Digital Optimization.

OUTLOOK ON OPERATIONS

Reply was founded when Internet was just at its beginning and in no time at all, Reply has become an important exponent in which it is able to dominate the evolution of technologies, applications and processes, thanks to it audacity in anticipating the changing drivers.

Today the Group competes with the global leaders, and is a strong competitor regarding new technology and business areas such as Big Data, Cloud computing, Digital services and Social Media.

Reply has consolidated experience in the main core issues of the various industrial sectors which allows Reply to rapidly transform technology in innovation for its clients and support them in the search of new competitiveness that the markets impose on companies.

Today Reply is facing a new challenge which is the transforming of the combination among Digital Services, Big Data and Internet of Things. This new challenge is revolutionizing our way of living, working and thinking.

This is a great opportunity for Reply which intends to play a key role in this epochal transition which may influence all industrial sectors and services.

The financial and economic soundness of the group enable Reply to face this new scenario and to emerge and conquer new areas in the upcoming years.

MOTION FOR THE APPROVAL OF THE FINANCIAL STATEMENT AND ALLOCATION OF THE RESULT FOR THE FINANCIAL YEAR

The financial statements at year end 2014 of Reply S.p.A. prepared in accordance with International Financial Reporting Standards (IFRS), recorded a net income amounting to 23,931,709 Euros and net shareholders' equity on 31 December 2014 amounted to 163,935,517 Euros thus formed:

(EUROS)	31/12/2014
Share Capital	4,863,486
Share premium reserve	23,302,692
Legal reserve	972,697
Reserve for treasury shares on hand	9,127
Other reserves	110,855,806
Total share capital and reserves	**140,003,808**
Net income	23,931,709
Total	**163,935,517**

The Board of Directors in submitting to the Shareholders the approval of the financial statements (Separate Statements) as at 31 December 2014 showing a net result of 23,931,709 Euros, proposes that the shareholders resolve:

- to approve the financial statement (Separate Statements) of Reply S.p.A. which records net profit for the financial year of 23,931,709 Euros;
- to approve the motion to allocate the net result of 23,931,709 as follows:
  - › a unit dividend to shareholders amounting to 0.85 Euros for each ordinary share with a right, therefore excluding treasury shares, with payment date fixed on 6 May 2015, coupon cutoff date 4 May 2015 and record date, determined in accordance with Article 83-terdecies of Legislative Decree no. 58/1998 set on 5 May 2015;
  - › approving the proposal of attribution to Directors entrusted with operative positions as regards a shareholding in the profits of the Parent Company in accordance with Article 22 of the articles of association, to be established for an overall amount of 2,600,000.00

Euros, corresponding to around 3.0% of the consolidated gross operative margin 2014, (before allocation of the shareholding in profits for Directors invested with operative positions) calculated at 87,719 Euros, which will be paid taking into account the related reserve funds in the financial statement in compliance with that foreseen in the main IAS/FRS international accounts, ratifying as the related allocation in the statement requires.

Turin, 13 March 2015
For the Board of Directors
The Chairman
Mario Rizzante

CONSOLIDATED FINANCIAL STATEMENT AS AT 31 DECEMBER 2014

CONSOLIDATED INCOME STATEMENT (*)

(THOUSAND EUROS)	NOTE	2014	2013
Revenues	**5**	**632,184**	**560,151**
Other income		17,085	14,307
Purchases	6	(12,227)	(10,644)
Personnel	7	(308,452)	(269,893)
Services and other costs	8	(239,220)	(214,726)
Amortization, depreciation and write-downs	9	(8,021)	(7,949)
Other unusual (cost)/income	10	(686)	(7,075)
Operating income		**80,663**	**64,171**
Financial income/(expenses)	11	(1,396)	(2,439)
Income before taxes		**79,267**	**61,733**
Income taxes	12	(30,646)	(26,653)
Net income		**48,621**	**35,080**
Non-controlling interest		(712)	(630)
Group net result		**47,909**	**34,450**
Earnings per share	*13*	*5.12*	*3.81*
Diluted earnings per share	*13*	*5.12*	*3.79*

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 34.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSAND EUROS)	NOTE	2014	2013
Profit of the period (A)		**48,621**	**35,093**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) from employee benefit plans	24	(2,349)	836
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**(2,349)**	**836**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	24	120	(51)
Gains/(losses) on exchange differences on translating foreign operations	24	339	405
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**459**	**354**
Total other comprehensive income, net of tax (B) = (B1) + (B2):		**(1,890)**	**1,190**
Total comprehensive income (A)+(B)		**46,731**	**36,283**
Total comprehensive income attributable to:			
Owners of the parent		46,019	35,639
Non-controlling interests		712	644

STATEMENT OF CONSOLIDATED FINANCIAL POSITION (*)

(THOUSAND EUROS)	NOTE	31/12/2014	31/12/2013
Tangible assets	14	14,976	13,553
Goodwill	15	126,763	125,637
Other intangible assets	16	6,549	6,363
Equity investments	17	3,911	23
Financial assets	18	4,471	4,275
Deferred tax assets	19	15,052	13,997
Non current assets		**171,722**	**163,847**
Work in progress	20	40,801	21,910
Trade receivables	21	285,465	271,167
Other current assets	22	27,661	25,454
Financial assets	18	2,245	1,010
Cash and cash equivalents	23	88,819	66,145
Current assets		**444,990**	**385,684**
TOTAL ASSETS		**616,712**	**549,531**
Share capital		4,864	4,840
Other reserves		199,135	172,519
Group net income		47,909	34,450
Group shareholders' equity	**24**	**251,908**	**211,809**
Non controlling interest		936	799
SHAREHOLDERS' EQUITY	**24**	**252,843**	**212,608**
Payables to minority shareholders and corporate transactions	25	13,306	35,364
Financial liabilities	26	31,030	21,719
Employee benefits	27	24,454	20,089
Deferred tax liabilities	28	15,630	12,458
Provisions	29	14,772	11,436
Non current liabilities		**99,191**	**101,067**
Financial liabilities	26	45,092	41,702
Trade payables	30	83,360	68,124
Other current liabilities	31	135,202	125,048
Provisions	29	1,024	984
Current liabilities		**264,678**	**235,858**
TOTAL LIABILITIES		**363,869**	**336,925**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**616,712**	**549,531**

(*)Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Statement of Financial Position are reported in the annexed Tables and further described in Note 34.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2013	**4,796**	**(3,605)**	**48,776**	**126,305**	**(73)**	**24**	**(1,524)**	**2,704**	**177,403**
Share capital increase	44	-	1,743	-	-	-	-	-	1,787
Dividends distributed	-	-	-	(5,131)	-	-	-	(844)	**(5,975)**
Change in treasury shares	-	3,596	-	-	-	-	-	-	**3,596**
Total profit (loss)	-	-	-	34,449	(51)	405	836	644	**36,283**
Other changes	-		1,380	226	-	-	(272)	(1,705)	**(372)**
Balance at 31 December 2013	**4,840**	**(9)**	**51,899**	**155,849**	**(124)**	**313**	**(960)**	**799**	**212,608**

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2014	**4,840**	**(9)**	**51,899**	**155,849**	**(124)**	**313**	**(960)**	**799**	**212,607**
Share capital increase	23	-	937	-	-	-	-	-	**960**
Dividends distributed	-	-	-	(6,546)	-	-	-	(694)	**(7,240)**
Total profit (loss)	-	-	-	47,909	120	339	(2,349)	712	**46,731**
Other changes	-	-	-	(333)	-	-	-	119	**(214)**
Balance at 31 December 2014	**4,864**	**(9)**	**52,836**	**196,878**	**(4)**	**652**	**(3,309)**	**936**	**252,843**

STATEMENT OF CONSOLIDATED CASH FLOWS

(THOUSAND EUROS)	2014	2013
Group net income	47,909	34,450
Income taxes	30,646	26,652
Amortization and depreciation	8,021	7,949
Other non-monetary expenses/(income)	(6,201)	7,075
Change in inventories	(18,891)	(6,482)
Change in trade receivables	(14,298)	(27,511)
Change in trade payables	15,237	9,191
Change in other assets and liabilities	15,306	16,163
Income tax paid	(26,653)	(22,006)
Interest paid	(1,843)	(1,501)
Interest collected	346	151
Net cash flows from operating activities (A)	**49,578**	**44,132**
Payments for tangible and intangible assets	(9,630)	(9,979)
Payments for financial assets	(5,318)	1,934
Payments for the acquisition of subsidiaries net of cash acquired	(16,984)	(20,846)
Net cash flows from investment activities (B)	**(31,933)**	**(28,892)**
Shares issued	960	1,787
Dividends paid	(7,240)	(5,975)
In payments from loans	15,348	21,720
Repayment of loans	(13,437)	(12,715)
Other changes	(1,393)	191
Net cash flows from financing activities (C)	**(5,762)**	**5,008**
Net cash flows (D) = (A+B+C)	**11,884**	**20,249**
Cash and cash equivalents at the beginning of period	38,861	18,613
Cash and cash equivalents at period end	50,746	38,861
Total change in cash and cash equivalents (D)	**11,884**	**20,249**

DETAIL OF CASH AND CASH EQUIVALENTS

(THOUSAND EUROS)	2014	2013
Cash and cash equivalents at beginning of period:	**38,861**	**18,613**
Cash and cash equivalents	66,145	53,992
Bank overdrafts	(27,284)	(35,379)
Cash and cash equivalents at period end:	**50,746**	**38,861**
Cash and cash equivalents	88,819	66,145
Bank overdrafts	(38,073)	(27,284)

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NOTE 1 - 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 offers consultancy, system integration and application management and business process outsourcing (www.reply.eu).

NOTE 2 – ACCOUNTING PRINCIPLES AND BASIS OF CONSOLIDATION

COMPLIANCE WITH INTERNATIONAL ACCOUNTING PRINCIPLES

The consolidated 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 coming into force of European Regulation No. 1606 of July 2002, starting from 1 January, 2005, the Reply Group adopted International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared in accordance with Consob regulations regarding the format of financial statements, in application of Art. 9 of Legislative Decree 38/2005 and other CONSOB regulations and instructions concerning financial statements.

GENERAL PRINCIPLES

The consolidated financial statement is prepared on the basis of the historic cost principle, modified as requested for the appraisal of some financial instruments for which the *fair value* criterion is adopted in accordance with IAS 39.

The consolidated financial statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist with regards its ability to continue as a going concern.

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

Further indication related to the format of the financial statements respect to IAS 1 is disclosed here within as well as information related to significant accounting principles and evaluation criteria used in the preparation of the following consolidated report.

FINANCIAL STATEMENTS

The consolidated financial statements include, statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory notes.

The income statement format adopted by the Group classifies costs according to their nature, which is deemed to properly represent the Group's business.

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.
It should be noted that in order to comply with the indications contained in Consob Resolution no. 15519 of 27 July 2006 "as to the format of the financial statements", additional statements: income statement and statement of financial position have been added showing the amounts of related party transactions.

BASIS OF CONSOLIDATION

SUBSIDIARIES

The financial statements of subsidiaries are included in the consolidated financial statements as at 31 December of each year. Control exists when the Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring the

accounting principles used into line with those used by other members of the Group.
All significant intercompany transactions and balances between group companies are eliminated on consolidation.
Non controlling interest is stated separately with respect to the Group's net equity. Such Non controlling interest is determined according to the percentage of the shares held of the fair values of the identifiable assets and liabilities of the company at the date of acquisition and post-acquisition adjustments. According to IAS 27, overall loss (including the profit/(loss) for the year) is attributed to the owners of the Parent and minority interest also when net equity attributable to minority interests has a negative balance.
Difference arising from translation of equity at historical exchange rates and year end exchange rates are recorded at an appropriate reserve of the consolidated shareholders' equity.

BUSINESS COMBINATIONS

Acquisition of subsidiary companies is recognized according to the purchase method of accounting. The acquisition cost is determined by the sum of the fair value, at the trading date, of all the assets transferred, liabilities settled and the financial instruments issued by the group in exchange of control of the acquired company. In addition, any cost directly attributable to the acquisition.
The identifiable assets, liabilities and contingent liabilities of the company acquired that respect the conditions to be recognized according with IFRS 3 are stated at their fair value at the date of acquisition with the exception of those non current assets (or groups in discontinued operations) that are held for sale in accordance with IFRS 5, which are recognized and measured at fair value less selling costs. The positive difference between the acquisition costs and Group interest of the reported assets and liabilities is recorded as goodwill and classified as an intangible asset having an indefinite life.
Minority interest in the company acquired is initially measured to the extent of their shares in the fair value of the assets, liabilities and contingent liabilities recognized.
The accounting of the put and call options on the minority shareholdings of the subsidiary company are recorded according to IAS 32, taking into account therefore, depending on the case, the existence and the determinability of the consideration to the minority shareholders if the option was exercised.

INVESTMENTS IN ASSOCIATE COMPANIES

An associate is a company over which the Group is in a position to exercise significant influence, but not control, through the participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, with the exception of investments held for future disposal.
Where a group company transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred.

TRANSACTIONS ELIMINATED ON CONSOLIDATION
All significant intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the company's interest in those entities.

FOREIGN CURRENCY TRANSACTIONS
Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

CONSOLIDATION OF FOREIGN ENTITIES
All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recorded in the relevant functional currency of the foreign entity and are translated using the period end exchange rate. In the context of IFRS First-time Adoption, the cumulative translation difference arising from the consolidation of foreign operations was set at nil, as permitted by IFRS 1; gains or losses on subsequent disposal of any foreign operation only include accumulated translation differences arising after 1 January 2004.

The following table summarizes the exchange rates used in translating the 2014 and 2013 financial statements of the foreign companies included in consolidation:

	AVERAGE 2014	ON 31 DECEMBER 2014	AVERAGE 2013	ON 31 DECEMBER 2013
GBP	0.806429	0.7789	0.84928	0.8337
CHF	1.214631	1.2024	1.23091	1.2276
Real	3.122768	3.2207	2.87401	3.2576
US Dollar	1.328842	1.2141	1.32826	1.3791
Polish Zloty	4.184467	4.2732	4.18474	4.074

TANGIBLE ASSETS

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses. Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.
Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	3%
Equipment	30%
Plants	40%
Hardware	40%
Furniture and fittings	24%

The recoverable value of such assets is determined through the principles set out in IAS 36 and outlined in the paragraph (“Impairment”) herein.
Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.

Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.
Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at

the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are amortized over their estimated useful life or over the duration of the lease contract if lower.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

GOODWILL

Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognized using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Group's interest at the time of acquisition, after having recognized all assets, liabilities and identifiable contingent liabilities attributable to both the Group and third parties at their fair value.
Goodwill is not amortized but is (tested for impairment) annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Impairment losses are recognized immediately as expenses that cannot be recovered in the future.
On disposal of a subsidiary or associate, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

OTHER INTANGIBLE ASSETS

Intangible fixed assets are those lacking an identifiable physical aspect, are controlled by the company and are capable of generating future economic benefits.
Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.
Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.
Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably.
In case of intangible fixed assets purchased for which availability for use and relevant payments are deferred beyond normal terms, the purchase value and the relevant liabilities are discounted by recording the implicit financial charges in their original price.
Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.
An internally-generated intangible asset arising from the Group's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:
an asset is created that can be identified (such as software and new processes);
it is probable that the asset created will generate future economic benefits;
the development cost of the asset can be measured reliably.
These assets are amortized when launched or when available for use. Until then, and on condition that the above terms are respected, such assets are recognized as construction in progress. Amortization is determined on a straight line basis over the relevant useful lives.
When an internally-generated intangible asset cannot be recorded at balance sheet, development costs are recognized in the statement of income in the period in which they are incurred.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives.
Intangible assets with indefinite useful lives are not amortized in accordance with IAS 36 criteria, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired. Any impairment losses are not subject to subsequent reversals.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
The recoverable amount of an asset is the higher of fair value, less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash

flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, the so-called Cash generating unit).
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where the value of the Cash generating unit, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the Cash generating unit.
Where an impairment loss subsequently reverses, the carrying amount of the asset, (or cash-generating unit), with the exception of goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVESTMENTS IN OTHER COMPANIES

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or Losses arising from change in fair value are recognized in Other comprehensive income/(losses) until the assets are sold or are impaired, at that time, the cumulative Other comprehensive income/(losses) are recognized in the Income Statement. Investments in other companies for which fair value is not available are stated at cost less any impairment losses.
Dividends received are included in Other income/(expenses) from investments.

In the event of write-down for impairment, the cost is recognized in the income statement; the original value is restored in subsequent years if the assumptions for the write-down no longer exist.

The risk resulting from possible losses beyond equity is entered in a specific provision for risks to the extent to which the Parent Company is committed to fulfil its legal or implicit obligations towards the associated company or to cover its losses.

CURRENT AND NON CURRENT FINANCIAL ASSETS

Financial assets are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are recognized and written-off the balance sheet on a trade-date basis and are initially measured at cost, including transaction costs.
At subsequent reporting dates, financial assets that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured and amortized at cost according to the prevailing market interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.
Investments other than held-to maturity securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where financial assets are held for trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period; for available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired; at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.
This item is stated in the current financial assets.

TRANSFER OF FINANCIAL ASSETS

The Group removes financial assets from its balance sheet when, and only when, the contractual rights to the cash flows from the assets expire or the Group transfers the financial asset. In the case of transfer of the financial asset

- if the entity substantially transfers all the risks and rewards of ownership of the financial asset, the Group removes the asset from the balance sheet and recognizes separately as assets or liabilities any rights and obligations created or retained with the transfer;
- if the Group substantially retains all the risks and rewards of ownership of financial assets, it continues to recognize the financial asset;
- if the Group neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset, it determines whether or not it has retained control of the financial asset. In this case;
  - if the Group has not retained control, it removes the asset from its balance sheet and separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer;

- if the Group has retained control, it continues to recognize the financial asset to the extent of its residual involvement in the financial asset.

At the time of removal of financial assets from the balance sheet, the difference between the carrying value of assets and the fees received or receivable for the transfer of the assets is recognized in the income statement.

WORK IN PROGRESS

Work in progress mainly comprise construction contracts; when the result of a specific order can be reliably estimated, proceeds and costs referable to the related order are indicated as proceeds and costs respectively in relation to the state of progress of activities on the date of closure of the financial statement, based on the relationship between costs sustained for activities taking place up to the date of the financial statement and total costs estimated from the order, except for that which is not considered as representative of the state of progress of the order.
Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Any advance payments are subtracted from the value of work in progress within the limits of the contract revenues accrued; the exceeding amounts are accounted as liabilities.
Product inventories are stated at the lower of cost and net realizable value. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

TRADE PAYABLES AND RECEIVABLES AND OTHER CURRENT ASSETS AND LIABILITIES

Trade payables and receivables and other current assets and liabilities are measured at nominal value and eventually written down to reflect their recoverable amount.
Write-downs are determined to the extent of the difference of the carrying value of the receivables and the present value of the estimated future cash flows.
Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

CASH

The item cash and cash equivalents includes cash, banks and reimbursable deposits on demand and other short term financial investments readily convertible in cash and are not subject to significant risks in terms of change in value.

TREASURY SHARES

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and proceeds of any subsequent sale are presented as movements in equity.

FINANCIAL LIABILITIES AND EQUITY INVESTMENTS

Financial liabilities and equity instruments issued by the Group are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Group's assets after having deducted its liabilities.
The accounting standards adopted for specific financial liabilities or equity instruments are outlined below:

- Bank borrowings
- Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently stated at its amortized cost, using the prevailing market interest rate method.
- Equity instruments
- Equity instruments issued by the Group are stated at the proceeds received, net of direct issuance costs.
- Non current financial liabilities.
- Liabilities are stated according to the amortization cost.

DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER HEDGING TRANSACTIONS

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.

All derivative financial instruments are measured in accordance with IAS 39 at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to the Group's contractual commitments and forecast transactions are recognized directly in Shareholders' equity, while any ineffective portion is recognized immediately in the Income Statement.

If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.

For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.

Changes in the fair value of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction is no longer expected to occur; the net cumulative gain or loss recognized in equity is transferred to the net profit or loss for the period.

Implicit derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not strictly related to the underlying contractual obligation and the latter are not stated at fair value with recognition of gains and losses in the Income Statement.

EMPLOYEE BENEFITS

The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Consolidated financial statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

For Italian companies with less than 50 employees, severance pay ("TFR") remains a "post-employment benefit", of the "defined benefit plan" type, whose already matured amount must be planned to estimate the amount to settle at the time of annulment of working relations and subsequently updated, using the "Projected unit credit method". Such actuarial methodology is based on an assumption of demographic and financial nature in order to carry out a reasonable estimate of the amount of benefits that each employee had already matured based on his employment performances.

Through actuarial valuation, current service costs are recognized as "personnel expenses" in the Income Statement and represent the amount of rights matured by employees at the reporting date, and the interest cost is recognized as "Financial gains or losses" and represents the figurative expenditure the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities ("TFR").

Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders' equity without being ever included in the consolidated income statement.

PENSION PLANS

According to local conditions and practices, some employees of the Group benefit from pension plans of defined benefits and/or a defined contribution.

In the presence of defined contribution plans, the annual cost is recorded at the income statement when the service cost is executed.

The Group's obligation to fund defined benefit pension plans and the annual cost recognized in the Income Statement is determined on an actuarial basis using the "ongoing single premiums" method. The portion of net cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year is amortized over the average remaining service lives of the employees.

The post-employment benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses, arising from the application of the corridor method and past service costs to be recognized in future years, reduced by the fair value of plan assets.

SHARE-BASED PAYMENT PLANS

The Group has applied the standard set out by IFRS 2 "Share-based payment". Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders' equity, on a straight-line basis over the "vesting period". The fair value of the option, measured at the granting date, is measured through actuarial calculations, taking into account the terms and conditions of the options granted. Following the exercise of the options assigned in previous years, the Group has no more stock option plans.
For cash-settled share-based payment transactions, the Group measures the goods and services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with the changes in value recognized in profit or loss for the period.

PROVISIONS AND RESERVES FOR RISKS

Provisions for risks and liabilities are costs and liabilities having an established nature and the existence of which is certain or probable that at the reporting date the amount cannot be determined or the occurrence of which is uncertain. Such provisions are recognized when a commitment actually exists arising from past events of legal or contractual nature or arising from statements or company conduct that determine valid expectations from the persons involved (implicit obligations).

Provisions are recognized when the Group has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

REVENUE RECOGNITION

Revenue is recognized if it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

Revenue from sales and services is recognized when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service.

Revenues from sales of products are recognized when the risks and rewards of ownership of goods are transferred to the customer. Revenues are recorded net of discounts, allowances, settlement discounts and rebates and charged against profit for the period in which the corresponding sales are recognized.

GOVERNMENT GRANTS

Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate.

TAXATION

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or expense that

are taxable or deductible in other years and it further excludes items that are never taxable or deductible.
Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests arising in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

DIVIDENDS

Dividends are entered in the accounting period in which distribution is approved.

EARNINGS PER SHARE

Basic earnings per share is calculated with reference to the profit for the period of the Group and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.
Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

USE OF ESTIMATIONS

The preparation of the financial statements and relative notes under IFRS requires that management makes estimates and assumptions that have effect on the measurement of assets and liabilities and on disclosures related to contingent assets and liabilities at the reporting date. The actual results could differ from such estimates. Estimates are used to accrue provisions for risks on receivables, to measure development costs, to measure contract work in progress, employee benefits, income taxes and other provisions. The estimations and assumptions are reviewed periodically and the effects of any changes are recognized immediately in income.

In this context it is made known that the situation caused by the current economic and financial crisis has included the need to carry out undertakings regarding future progress characterized by significant uncertainty, for which the materialization cannot be excluded in the next financial year of results different from that estimated and that therefore could require rectification, up to the present day, neither assessable or foreseeable in the accounting value of the related items. The items of the financial statements mainly effected by such uncertainty are the impairment funds, risk funds, goodwill and deferred taxes.

CHANGES IN ACCOUNTING PRINCIPLES

The accounting principles newly adopted by the Group and their outcomes are described in the subsequent paragraph “Accounting principles, amendments and interpretations applied since 1 January 2014”. There have been no further changes other than those described in the aforementioned paragraph.

CHANGES IN ACCOUNTING ESTIMATES AND RECLASSIFICATIONS

At the reporting date, there are no significant estimates regarding the unforeseeable outcome of future events and other causes of uncertainty that might result in significant adjustments being made to the value of assets and liabilities in the coming year.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2014

IFRS 10 Consolidated Financial Statement, IAS 27 (2011) Separate financial Statements

IFRS 10 introduces a new single model of control which is applied to all entities, including special purpose entities. IFRS 10 replaces the previous standards governing consolidated financial statements and special purpose entities (IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities). Under the new concept of IFRS 10, control exists when the potential parent company holds decision power over the potential subsidiary based on voting rights or other rights, it is exposed to positive and negative variability in returns from the subsidiary, and these returns may be affected by the decision power held by the parent. IFRS 10 did not affect the Group's scope of consolidation.

IFRS 11 Joint Agreements and IAS 28 (2011) Investments in Associates and Joint Ventures

IFRS 11 substitutes IAS 31 Investments in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers and disallows the proportionate accounting method for jointly controlled entities. Rather, interests in joint ventures must be accounted for by using the equity method.

IFRS 12 Disclosures of Interests in Other Entities

L'IFRS 12 provides the disclosures requirements for an entity's interest in subsidiaries, joint ventures, associates and special purpose vehicles. The required disclosures of IFRS 12 in such entities have been significantly expanded regarding subsidiaries. For example, disclosures related to when a subsidiary was consolidated and the parent owned less than a majority of voting rights. The IFRS 12 had little effect on the Group's consolidated financial statements.

Investment entities - Amendments to IFRS 10, IFRS 12 and IAS 27

Insofar as the parent company meets the definition of an investment entity, an exception is provided in relation to the consolidation of subsidiaries required under IFRS 10. Rather than consolidate them, such parent companies are required to measure their investments in particular subsidiaries at fair value through profit or loss. This amendment did not impact the Group's financial statements as there are no entities within the Group that qualify as investment entities under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

While the offsetting rules for financial instruments remain unchanged, the application guidance of the standard clarifies the meaning of "currently has a legally enforceable right to set-off" and "simultaneous". The amendments did not impact the Group's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39

These amendments allow a novation of an OTC derivative designated as a hedging instrument to be deemed to be a continuation of the existing hedging relationship. The amendments did not impact the Group's financial statements as it did not substitute its hedging instruments in the year end under review nor in previous reporting periods.

Additional disclosures on the recoverable value of non financial assets – Amendment to IAS 36

These amendments revise the involuntary consequences of the introduction of IFRS 13 on disclosure required by IAS 36. The Amendment to IAS 36 includes revisions to the disclosure requirements of the recoverable amount of the asset or CGU for which an impairment loss was detected during the fiscal year.

NOTE 3 - RISK MANAGEMENT

CREDIT RISK

For business purposes, specific policies are adopted to assure its clients' solvency.
With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

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 difficult economic situation of the markets and of financial markets necessitates special attention being given to the management of the liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and maintaining an adequate level of liquid assets. The Group 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 Group operates mainly in a "Euros area" the exposure to currency risks is limited.
The Group mainly does not operate in areas with strong fluctuations in currency and therefore this risk is not significant.
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 Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, and when the Group considers it appropriate, makes use of derivative financial instruments designated as "cash flow hedges".

The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

NOTE 4 - CONSOLIDATION

Companies included in consolidation are consolidated on a line-by-line basis.
Change in consolidation compared to 31 December 2013 is as follows:

- Reply Belgium SA, incorporated under Belgian law in February 2014 in which France Reply Ltd. Holds 100% of the share capital.
- Reply Luxembourg Sarl incorporated under Luxembourg law in March 2014 in which France Reply Ltd. Holds 100% of the share capital.
- Reply Belgium SA, incorporated under Belgian law in February 2014 in which France Reply Ltd. holds 100% of the share capital.
- Reply France Sarl incorporated under French law in May 2014 in which France Reply Ltd. Holds 100% of the share capital.
- Risk Reply Ltd incorporated under English law in May 2014 in which Reply Ltd holds 100% of the share capital.
- Breed Reply Ltd, incorporated under English law, incubator of start-up in IoT, 2014 in which Reply S.p.A holds 100% of the share capital.
- France Reply Ltd., incorporated under English law in December 2013 in which Reply Ltd. holds 100% of the share capital.
- Air Reply S.r.l., incorporated under Italian law in July 2014 in which Reply S.p.A holds 85% of the share capital.

NOTE 5 - REVENUE

Revenues from sales and services, including changes in work in progress on orders, amounted to 632,184 thousand Euros (560,151 thousand Euros in 2013).
This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by geographic area. Moreover the breakdown reflects the business management of the Group by Top Management and the allocation approximates the localization of services provided:

COUNTRY	2014	2013
Italy	72.3 %	73.3 %
Germany	15.5 %	14.8 %
UK	12.2 %	11.9 %
	100.0 %	**100.0 %**

Disclosure required by IFRS 8 (“Operating segment”) is provided in Note 32 herein.

NOTE 6 - PURCHASES

Detail is as follows:

(THOUSAND EUROS)	2014	2013	CHANGE
Software licenses for resale	6,038	5,885	153
Hardware for resale	693	452	241
Other	5,496	4,308	1,189
Total	**12,227**	**10,644**	**1,583**

Purchases of Software licenses and Hardware licenses for resale are recognized net of any change in inventory.
The item Other includes the purchase of fuel for 2,472 thousand Euros and the purchase of consumption material for 1,836 thousand Euros.

NOTE 7 - PERSONNEL

Detail is as follows:

(THOUSAND EUROS)	2014	2013	CHANGE
Payroll employees	276,767	237,659	39,108
Executive Directors	25,342	26,630	(1,288)
Project collaborators	6,343	5,604	739
Total	**308,452**	**269,893**	**38,559**

The increase in the cost of employees, amounting to 38,559 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees.

Detail of personnel by category is provided below:

(NUMBER)	2014	2013	CHANGE
Directors	270	269	1
Managers	713	627	86
Staff	3,706	3,357	349
Total	**4,689**	**4,253**	**436**

On 31 December 2014 the Group had 4,689, employees compared with 4,253 at the end of 2013.

The average number of employees in 2014 was 4,473, an increase with respect to n. 3,985 in the previous year.
Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

NOTE 8 – SERVICES AND OTHER COSTS

Services and other costs comprised the following:

(THOUSAND EUROS)	2014	2013	CHANGE
Commercial and technical consulting	144,870	126,455	18,415
Travelling and professional training expenses	24,341	23,088	1,253
Other services costs	41,711	40,839	872
Office expenses	14,384	14,197	187
Lease and rentals	7,255	6,611	644
Other	6,659	3,536	3,123
Total	**239,220**	**214,726**	**24,494**

The change in Services and other costs, amounting to 24,494 Euros, is attributable to an overall increase in the Group's business.

The item Other services mainly include marketing services, administrative and legal services, telephone and canteen.

Office expenses include services rendered by related parties in connection to service contracts for the use of premises, domiciliation and provision of secretarial services for 635 thousand Euros and rent charged by third parties for 8,627 thousand Euros. This item also includes utility expense for 2,401 thousand Euros.

NOTE 9 – AMORTIZATION, DEPRECIATION AND WRITE DOWNS

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 31 December 2014 of 4,987 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2014 amounted to an overall loss of 3,034 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

NOTE 10 – OTHER UNUSUAL OPERATING INCOME/(EXPENSES)

Other unusual operating costs amounted to 686 thousand Euros (7,075 thousand Euros in 2013) and refer to:

- Other operating costs amounting to 4,252 thousand Euros in relation to provision for contractual and commercial risks and lawsuits;
- Other unusual items amounting to positive 5,893 thousand Euros in relation to the fair value adjustment of the liability referred to the deferred consideration for the acquisition of shareholdings in controlled companies (Business combination);
- Other atypical costs amounting to 2,327 thousand Euros.

NOTE 11 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(THOUSAND EUROS)	2014	2013	CHANGE
Financial income	378	154	224
Interest expenses	(1,950)	(1,647)	(303)
Other	176	(946)	1,122
Total	**(1,396)**	**(2,439)**	**1,043**

Financial gains mainly include interest on bank accounts amounting to 346 thousand Euros. Interest expenses mainly include expenses related to loans for M&A operations.

The item Other includes the Exchange rate differences from the translation of balance sheet items not stated in Euros, as well as changes in fair value of financial liabilities pursuant to IAS 39.

NOTE 12 – INCOME TAXES

Income taxes for the financial year ended 2014amounted to 30,646 thousand Euros and is detailed as follows:

(THOUSAND EUROS)	2014	2013	CHANGE
IRES and other taxes	20,365	20,095	270
IRAP (Italy)	9,000	8,509	491
Current taxes	**29,365**	**28,604**	**760**
Deferred tax expenses	3,035	2,805	230
Deferred tax income	(1,754)	(4,756)	3,003
Deferred taxes	**1,281**	**(1,951)**	**3,232**
Total income taxes	**30,646**	**26,653**	**3,992**

The tax burden on the result before taxes was equivalent to 38.7% (43.2% in the financial year of 2013).

The reconciliation between the tax charges recorded in the consolidated financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate in effect in Italy, is the following:

Profit/(loss) before taxes from continuing operations	**79,267**	
Theoretical income taxes	21,798	27.5 %
Effect of difference between foreign tax rates and the theoretical Italian tax rate	(1,453)	
Other differences	18	
Current and deferred income tax recognized in the financial statement excluding IRAP	**20,364**	25.7 %
IRAP current and deferred	9,000	
Current and deferred income recognized in the financial statements	**29,364**	37.0 %

In order to render the reconciliation between income taxes recognized in the financial statements and theoretical income taxes more meaningful, IRAP tax is not taken into consideration since it has a taxable basis that is different from the result before tax of continuing operations. Theoretical income taxes are therefore calculated by applying only the tax rate in effect in Italy ("IRES"), equal to 27.5%, on the result before tax of continuing operations.

NOTE 13 – EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The basic earnings per share as at 31 December 2014 was calculated on the basis of the Group's net result amounting to 47,909 thousand Euros (34,450 thousand Euros as at 31 December 2013) divided by the weighted average number of shares as at 31 December 2014 which amounted to 9,350,986 (9,092,021 as at 31 December 2013).

(EUROS)	**31/12/2014**	**31/12/2013**
Group net income	47,909,000	34,450,000
Average number per shares	9,350,986	9,092,021
Earnings per share	5.12	3.81

DILUTED EARNINGS PER SHARE

Diluted earnings per share as at 31 December 2014 was calculated with reference to the net profit for the Group which amounted to 47,909 thousand Euros, divided by the weighted average number of shares as at 31 December 2014, also taking into consideration the effect of future dilutions which could derive from the hypothetical use of financial instruments potentially convertible in shares (stock options).

(EUROS)	31/12/2014	31/12/2013
Group net income	47,909,000	34,450,000
Average number per shares	9,350,986	9,092,021
Diluting effect	-	45,000
Weighted number of diluted shares	9,350,986	9,137,021
Diluted earnings per share	5.12	3.79

NOTE 14 – TANGIBLE ASSETS

Tangible assets as at 31 December 2014 amounted to 14,976 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Buildings	2,048	2,190	(142)
Plant and machinery	2,209	1,154	1,055
Hardware	3,586	3,507	78
Other	7,134	6,702	432
Total	**14,976**	**13,553**	**1,423**

Change in Tangible assets during 2014 is summarized below:

(THOUSAND EUROS)	BUILDINGS	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical Cost	4,023	4,584	23,719	14,035	46,361
Accumulated depreciation	(1,833)	(3,430)	(20,211)	(7,333)	(32,808)
31/12/2013	**2,190**	**1,154**	**3,507**	**6,702**	**13,553**
Historical cost					
Increases	-	1,569	2,733	2,210	6,512
Disposals	-	(1)	(693)	(382)	(1,076)
Other changes	-	(4)	85	250	331
Accumulated depreciation					
Depreciation	(142)	(509)	(2,607)	(1,750)	(5,008)
Utilized	-	-	618	195	814
Other changes	-	-	(59)	(91)	(150)
Historical Cost	4,023	6,147	25,844	16,113	52,127
Accumulated depreciation	(1,975)	(3,938)	(22,259)	(8,979)	(37,151)
31/12/2014	**2,048**	**2,209**	**3,586**	**7,134**	**14,976**

During the financial year the Group carried out total investments for 6,512 thousand Euros (3,707 thousand Euros at 31 December 2013).

The item Buildings mainly includes the net value of a building owned by the group amounting to 2,185 thousand Euros, located in Gutersloh, Germany.

Increase in the item Plant and machinery mainly refers to purchases of specific devices and to plant systems for the new offices in which the Group operates.

Change in the item Hardware is due to investments made by the Italian subsidiaries for 1,575 thousand Euros, 818 thousand Euros for purchases made by German companies, and 213 thousand Euros for purchases made by the English companies. Furthermore this item includes financial leases for 248 thousand Euros (628 at 31 December 2013).

The item Other assets as at 31 December 2014 mainly includes improvements to third party assets and office furniture. The increase of 2,210 Euros mainly refers to improvements made to the offices where the Group's companies operate. Such item also includes a financial leasing for furniture for a net value amounting to 294 thousand Euros (592 thousand Euros at 31 December 2013).

Other changes refer mainly to translation differences.

As at 31 December 2014 tangible assets were depreciated by 71.3% of their value, compared to 70.8% at the end of 2013.

NOTE 15 - GOODWILL

This item includes goodwill arising from consolidation of subsidiaries and the value of business branches purchased against payment made by some Group companies.

Goodwill in 2014 developed as follows:

(THOUSAND EUROS)	
Beginning balance	**125,486**
Increases	-
Impairment	-
Other changes	(346)
Total	**125,140**
Exchange rate differences	1,623
Ending balance	**126,763**

Other change in 2014 refers to the reduction of goodwill due to the redefinition of the consideration for the acquisition of Mind Services within the first year of the acquisition.

Goodwill was allocated to the cash generating units ("CGU"), identified in the countries in which the Group operates. Moreover the breakdown reflects the business management of the Group by Top Management and is summarized as follows:

CGU	EURO/000
Italy	38,548.1
Germany	34,151.9
UK	52,440.4
Total	**125,140.4**

Reply has adopted a structured and periodic planning and budgeting system aimed at defining objectives and business strategies in order to draft the annual budget.

The impairment model adopted by the Reply Group is based on future cash flows calculated using the Discounted cash flow analysis.

In applying this model, Management uses different assumptions, which are applied to the single CGU over two years of extrapolation subsequent to the annual budget, in order to estimate:

- Increase in revenues,
- Increase in operating costs,
- Investments,
- Change in net capital.

The recoverable value of the CGU, to which the single goodwill is referred, is determined as the highest between the fair value less any selling costs (net selling price) and the present value of the estimated future cash flows expected from the continuous use of the good (value in use). If the recoverable value is higher than the carrying amount of the CGU there is no impairment of the asset; in the contrary case, the model indicates a difference between the carrying amount and the recoverable value as the effect of impairment.

The following assumptions were used in calculating the recoverable value of the Cash Generating Units:

ASSUMPTION	ITALY	GERMANY	UK
Terminal value growth rates:	1%	1%	1%
Discount rate, net of taxes:	10.09%	8.01%	8.71%
Discount rate, before taxes:	13.92%	11.37%	11.02%
Multiple of EBIT	8.3	8.3	8.3

As to all CGUs subject to the impairment tests at 31 December2014 no indications emerged that such businesses may have been subject to impairment.
The positive difference between the value in use thus estimated on the accounting value of the net invested capital on 31 December 2014 of the CGU is equal to 213% for Italy, 64% for Germany and 16% for the UK.

Reply has also developed a sensitivity analysis of the estimated recoverable value. The Group considers that the growth rate of revenues and the discount rate are key indicators in estimating the fair value and has therefore determined that:

- a decrease of up to 30% of the revenue growth;
- an increase of 100 basis points in the discount rate

would not lead to an excess of the carrying value of the CGU compared to its recoverable value, which tends to be significantly higher. From such analysis, had the growth rate been reduced by 10% an impairment of the CGU UK would have been necessary.

Finally, it is appropriate to note that the estimates and budget data to which the above mentioned parameters have been applied are those determined by management on the basis of past performance and expectations of developments in the markets in which the Group operates. Moreover, estimating the recoverable amount of the Cash-Generating Units requires discretion and the use of estimates by Management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events which could potentially cause further impairment losses are constantly monitored by Reply management.

NOTE 16 – OTHER INTANGIBLE ASSETS

Net intangible assets as at 2014 amounted to 6,550 thousand Euros (6,363 thousand Euros on 31 December 2013) and are detailed as follows:

(THOUSAND EUROS)	HISTORICAL COST	CUMULATIVE AMORTIZATION	NET BOOK VALUE AS AT 31/12/2014
Development costs	17,494	(13,894)	3,599
Software	16,189	(13,775)	2,414
Trademarks	537	-	537
Other intangible assets	3,150	(3,150)	-
Total	**37,369**	**(30,819)**	**6,550**

Change in intangible assets during 2014 is summarized in the table below:

(THOUSAND EUROS)	NET BOOK VALUE AS AT 31/12/2013	INCREASE	AMORTIZATION	OTHER CHANGES	NET BOOK VALUE AS AT 31/12/2014
Development costs	3,616	1,840	(1,857)	-	3,599
Software	2,209	1,377	(1,178)	6	2,414
Trademark	537	-	-	-	537
Total	**6,363**	**3,216**	**(3,034)**	**6**	**6,550**

Development costs refer to software products and are accounted for in accordance with provisions of IAS 38.

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 167 thousand Euros related to software development for internal use.

The item Trademark mainly refers to the value of the “Reply” trademark granted on 9 June 2000 to the Parent Company Reply S.p.A. (at the time Reply Europe Sàrl), in connection with the share capital increase that was resolved and subscribed to by the Parent Company. Such amount is not subject to systematic amortization.

Other intangible assets mainly includes the know-how of the Security Operation Centre (SOC), which offers a range of Managed Security Services (MSS) aimed at avoiding and identifying real or potential threats to which the complex IT infrastructures are exposed, in addition to proposing and implementing adequate counter-measures to limit or remove such dangers.

NOTE 17 – EQUITY INVESTMENTS

The item Equity Investments amounting to 3,911 thousand Euros mainly refers to the acquisition of the 19.99% share capital of Sensoria Inc., in the month of July 2014. The company, incorporated under American law, specializes in wearable technology and is part of the Reply Group development strategy connected to the Internet of Things.

NOTE 18 – FINANCIAL ASSETS

Current and non current financial assets amounted to a total of 6,716 thousand Euros with compared to 5,284 thousand Euros as at 31 December 2013.

Detail is as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Receivables from insurance companies	3,082	2,984	98
Guarantee deposits	1,013	975	38
Loans to non consolidated companies	20	1	19
Long term securities	358	303	55
Other financial assets	18	13	5
Receivables from factor	960	669	290
Short term securities	1,265	340	926
Total	**6,716**	**5,284**	**1,431**

The item Receivables from insurance companies mainly refers to the insurance premiums paid against pension plans of some German companies and to directors' severance indemnities.

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse for 4,798 thousand Euros, net of advance payments received for 3,838 thousand Euros.

Short term securities mainly refer to Time Deposit investments made by the Brazilian subsidiary.

The items Receivables from insurance companies other financial assets are not included in the net financial position.

NOTE 19 – DEFERRED TAX ASSETS

Such an item, amounting to 15,052 thousand Euros as at 31 December 2014 (13,997 thousand Euros as at 31 December 2013), includes the fiscal charge corresponding to the temporary differences originating among the anti-tax result and taxable income relating to entries with deferred deductibility.

Detail of deferred tax assets is provided at the table below:

(THOUSAND EUROS)	31/12/2013	ACCRUALS	UTILIZATION	31/12/2014
Prepaid tax on costs that will become deductible in future years	6,153	2,272	(2,406)	6,019
Prepaid tax on greater provisions for doubtful accounts	3,702	3,361	(1,203)	5,861
Deferred fiscal deductibility of amortization	1,659	352	(282)	1,728
Consolidation adjustments and other items	2,483	997	(2,036)	1,444
Total	**13,997**	**6,982**	**(5,927)**	**15,052**

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 – WORK IN PROGRESS

Work in progress, amounting to 40,801 thousand Euros, is detailed as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Contract work in progress	112,045	63,669	48,376
Advance payments from customers	(71,244)	(41,759)	(29,485)
Total	**40,801**	**21,910**	**18,891**

Any advance payments made by the customers are deducted from the value of the inventories, within the limits of the accrued consideration; the exceeding amounts are accounted as liabilities.

NOTE 21 – TRADE RECEIVABLES

Trade receivables as at 31 December 2014 amounted to 285,465 thousand Euros with a net increase of 14,298 thousand Euros.

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Domestic clients	227,900	219,053	8,847
Foreign trade receivables	59,368	57,244	2,125
Credit notes to be issued	(42)	(150)	108
Total	**287,226**	**276,147**	**11,079**
Allowance for doubtful accounts	(1,761)	(4,980)	3,219
Total trade receivables	**285,465**	**271,167**	**14,298**

Trade receivables are shown net of allowances for doubtful accounts amounting to 1,761 thousand Euros on 31 December 2014 (4,980 thousand Euros at 31 December 2013).

The Allowance for doubtful accounts developed in 2014 as follows:

(THOUSAND EUROS)	31/12/2013	PROVISION	UTILIZED	REVERSALS	31/12/2014
Allowance for doubtful accounts	4,980	180	(2,696)	(703)	1,761

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 2012, is summarized in the tables below:

AGING AT 31/12/2014

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	287,226	243,922	37,374	3,346	856	1,728	43,304
Allowance for doubtful accounts	(1,761)	(11)	(313)	(78)	(129)	(1,230)	(1,750)
Total trade receivables	**285,465**	**243,911**	**37,060**	**3,268**	**726**	**498**	**41,554**

AGING AT 31/12/2013

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	276,147	227,857	35,750	5,777	2,464	4,299	48,290
Allowance for doubtful accounts	(4,980)	(4)	(270)	(189)	(1,169)	(3,347)	(4,976)
Total trade receivables	**271,167**	**227,852**	**35,480**	**5,588**	**1,295**	**952**	**43,314**

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 December 2014 the receivables transferred via Factoring operations with recourse amounted to 2,805 thousand Euros.
The book value of the assets assigned without recourse as at 31 December 2014 amounted to 17,328 thousand Euros, with an increase of available liquidity of 16,368 thousand Euros of which 3,838 thousand Euros received as an advance.

The carrying amount of Trade receivables is in line with its fair value.
Trade receivables are all collectible within one year.

NOTE 22 – OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Tax receivables	8,339	8,243	96
Advances to employees	116	273	(158)
Accrued income and prepaid expenses	5,120	4,014	1,106
Other receivables	14,086	12,923	1,163
Total	**27,661**	**25,454**	**2,207**

The item Tax receivables mainly includes:

- credits to the Treasury for VAT (5,663 thousand Euros);
- credits and down payments for income tax net of the allocated liability (257 thousand Euros);
- receivables for withholding tax (415 thousand Euros).

The item Other receivables includes the contribution to research as regards projects financed for 12,484 thousand Euros (10,904 thousand Euros at 31 December 2013).

NOTE 23 – CASH AND CASH EQUIVALENTS

The balance of 88,819 thousand Euros, with an increase of 22,674 thousand Euros compared with 31 December 2013, represents cash and cash equivalents and the existence of cash on hand and valuables as at the end of the year.
Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flow.

NOTE 24 – SHAREHOLDERS' EQUITY

SHARE CAPITAL

On 31 December 2014 the company capital of Reply S.p.A, wholly undersigned and paid up, was amounting to 4,863,486 Euros and is composed of n. 9,352,857 ordinary shares with nominal value of 0.52 Euros each.
The increase during the period refers to the exercise of stock options, in the amount of 45,000 option rights for a total value of 960,255 Euros, of which 23,400 Euros is by way of increase in share capital and 936,855 Euros by way of share premiums.

TREASURY SHARES

The value of the Treasury shares, amounting to 9 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 31 December 2014 were equal to n. 597.

CAPITAL RESERVES

On 31 December 2014 Capital reserves, amounting to 52,836 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,303 thousand Euros;
- Treasury share reserve amounting to 9 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 29,991 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 27 April 2012 Reply S.p.A re-authorised it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% 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 196,878 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 147,996 thousand Euros (retained earnings amounted to 98,252 thousand Euros on 31 December 2013);
- Profits/losses attributable to shareholders of the Parent Company amounted to 47,909 thousand Euros (34,450 thousand Euros as on 31 December 2013).

OTHER COMPREHENSIVE INCOME

Other comprehensive income can be analysed as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	(2,349)	836
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**(2,349)**	**836**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	120	(51)
Gains/(losses) from the translation of financial statements	339	405
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**459**	**354**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**(1,890)**	**1,190**

NON-CONTROLLING INTEREST

Non controlling interest amounting to 936 thousand Euros on 31 December 2014 (799 thousand Euros on 31 December 2013), refer to the following companies consolidated on a line-by-line basis:

(THOUSAND EUROS)	31/12/2014	31/12/2013
ITALIAN COMPANIES		
Air Reply S.r.l.	2	-
Bitmama S.r.l.	407	(22)
Bridge Reply S.r.l.	61	52
Engage Reply S.r.l.	1	-
Portaltech Reply S.r.l.	2	2
Ringmaster Reply S.r.l.	693	678
Storm Reply S.r.l.	167	54
Twice Reply S.r.l.	78	64
FOREIGN COMPANIES		
is4 GmbH & Co. KG	39	32
Inessence Reply GmbH	(361)	(56)
Portaltech Reply GmbH	(153)	(5)
Total	**936**	**799**

SHARE BASED PAYMENT PLANS

During 2014 all existing stock options were exercised in relation to the stock option plans resolved by the Annual Shareholders' Meetings in previous years.

NOTE 25 – PAYABLES TO MINORITY SHAREHOLDERS AND FOR OPERATIONS

Payables to minority shareholders and for company operations (earn out) at 31 December 2014 amounted to 13,306 thousand Euros including an exchange rate adjustment in the amount of 1,110 thousand Euros (35,364 thousand Euros on 31 December 2013).

(THOUSAND EUROS)	31/12/2013	INCREASES	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2014
Avantage Reply Ltd.	10,932	-		(11,141)	209	-
4brands GmbH & Co. KG	3,550	-	321	-	-	3,871
Mind Services Informatica Ltda	2,307	-	(1,192)	-	62	1,177
Other Italy	650	-	180	-	-	830
Total payables to minority shareholders	**17,439**	**-**	**(691)**	**(11,141)**	**271**	**5,878**
Arlanis AG	376	-	(203)	(173)	-	-
Avvio Ltd	3,547	-	(1,144)	-	439	2,842
Portaltech Ltd	3,480	-	-	(3,480)	-	-
Riverland Reply GmbH	950	-	-	(300)	-	650
Solidsoft Reply Ltd	8,089	-	(4,769)	(1,993)	400	1,727
Triplesense Reply GmbH	1,483	-	1,012	(287)	-	2,208
Total payables for Earn-out	**17,925**	**-**	**(5,104)**	**(6,233)**	**839**	**7,427**
Total payables to minority shareholders and earn-out	**35,364**	**-**	**(5,795)**	**(17,374)**	**1,110**	**13,306**

The item Fair value adjustments in 2014 amounted to 5,795 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 17,374 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 26 – FINANCIAL LIABILITIES

Detail is as follows:

	31/12/2014			31/12/2013		
(THOUSAND EUROS)	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Bank overdrafts	38,073	-	38,073	27,284	-	27,284
Bank loans	6,348	29,994	36,342	14,100	20,755	34,855
Total due to banks	**44,421**	**29,994**	**74,415**	**41,383**	**20,755**	**62,138**
Other financial borrowings	671	1,036	1,707	319	964	1,283
Total financial liabilities	**45,092**	**31,030**	**76,122**	**41,702**	**21,719**	**63,421**

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

	31/12/2014				31/12/2013			
(THOUSAND EUROS)	DUE IN 12 MONTHS	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL	DUE IN 12 MONTHS	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Bank overdrafts	38,073	-	-	38,073	27,284	-	-	27,284
M&A loans	5,967	-	29,801	35,768	13,621	20,420	-	34,041
Carispe Bank	-	-	-	-	19	-	-	19
Mortgage loans	115	460	58	633	112	487	173	772
Other financial borrowings	671	1,036	-	1,707	319	964	-	1,283
Other	266	(325)	-	(59)	347	(325)	-	22
Total	**45,092**	**1,172**	**29,859**	**76,122**	**41,702**	**21,546**	**173**	**63,421**

M&A loans refers to credit lines to be used for acquisition operations carried out directly by Reply S.p.A. or via companies controlled directly or indirectly by the same.

Following are existing summarized contracts entered into for such a purpose:

- 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 total amount utilized was 22,963 thousand Euros.
  The loan was entirely reimbursed and the last instalment was paid on 31 December 3014.
- On 15 September 2012 Reply S.p.A signed a line of credit with Unicredit S.p.A for a total 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. Such credit line was used for 13,900,000 Euros at 31 December 2014 with an outstanding balance of 9,267 thousand Euros.

- 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 outstanding debt amounted to 833 thousand Euros at 31 December 2014.
- 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 2014 and expiring 31 December 2015. At 31 December 2014 the outstanding liability amounted to 500 thousand Euros.
- On 13 November 2013 Reply S.p.A undersigned a line of credit with Intesa Sanpaolo S.p.A for a total of 20,000,000 Euros to be used by 31 December 2015.The loan will be reimbursed on a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. On 31 December such a line of credit was used for 8,374 thousand Euros.
- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total of 25,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 31 May 2016 and will expire on 30 November 2018. On 31 December such a line was used for 16,794 thousand Euros.

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

At the balance sheet date, Reply fulfilled the Covenants under the various contracts.

The item Mortgages refers to financing granted to Tool Reply GmbH, for the acquisition of the building where the German company has its registered office. Reimbursement takes place via six monthly instalments (at 4.28%) with expiry on 30 September 2019.

Other financial borrowings are related to financial leases determined according to IAS 17.

The Others item refers mainly to the evaluation of derivative hedging instruments. The underlying IRS amounted to 19,728 thousand Euros.
The carrying amount of Financial liabilities is deemed to be in line with its fair value.

NET FINANCIAL POSITION

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's Recommendations for the consistent implementation of the European's regulation on Prospectuses issued on 10 February 2005, the Net financial position of the Reply Group at 31 December 2014.

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Cash and cash equivalents	88,819	66,145	22,674
Current financial assets	2,245	1,010	1,235
Non current financial assets	1,371	1,278	93
Total financial assets	**92,434**	**68,432**	**24,002**
Current financial liabilities	(45,092)	(41,702)	(3,390)
Non current financial liabilities	(31,030)	(21,719)	(9,311)
Total financial liabilities	**(76,122)**	**(63,421)**	**(12,701)**
Total net financial position	**16,313**	**5,011**	**11,302**

For further details with regards to the above table see Notes 18 and 23 as well as Note 26.

NOTE 27 – EMPLOYEE BENEFITS

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Employee severance indemnities	17,092	14,574	2,518
Employee pension funds	5,928	4,164	1,764
Directors severance indemnities	1,419	1,336	83
Other	16	16	-
Total	**24,454**	**20,089**	**4,365**

EMPLOYEE SEVERANCE INDEMNITIES

The Employee severance indemnity represents the obligation to employees under Italian law (amended by Law 296/06) that has accrued up to 31 December 2006 and that will be settled when the employee leaves the company. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.

The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations. In order to allow for the changes introduced by Law 296/06, the re-proportioning was only carried out for employees of companies with fewer than 50 employees that do not pay Employee severance indemnities into supplementary pension schemes.

Reassessment of Employee severance indemnities in accordance with IAS 19 was carried out "ad personam" and on the existing employees, that is analytical calculations were made on each employee in force in the company at the assessment date without considering future work force.

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.

The assumptions adopted can be summarized as follows:

DEMOGRAPHIC ASSUMPTIONS

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2014: 2.50% frequency of turnover in 2014: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS

Annual discount rate	Average annual rate of 2.0%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. An annual constant rate equal to 3.17% was used for the year 2014.
Annual increase in salaries	The employee severance indemnities (TFR) are revalued on an annual basis equal to 75% of the inflation rate plus a spread of one and a half percentage point.
Annual inflation rate	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

In accordance with IAS 19, Employment severance indemnities at 31 December 2014. are summarized in the table below:

(THOUSAND EUROS)	
Balance at 31/12/2013	**14,574**
Cost relating to current (*service cost*) work	2,598
Actuarial gain/loss	1,567
Interest cost	41
Indemnities paid during the year	(2,058)
Balance at 31/12/2014	**17,092**

EMPLOYEE PENSION FUNDS

The Pension fund item relates to liability as regards the defined benefit pensions of some German companies and is detailed as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013
Present value of liability	**6,256**	**5,134**
Fair value of plan assets	(329)	(970)
Net liability	**5,927**	**4,164**

The amounts recognized for defined benefit plans are summarized as follows:

(THOUSAND EUROS)	31/12/2014
Present value at beginning of 2012	5,134
Service cost	-
Interest cost	176
Actuarial gains/(losses)	1.112
Indemnities paid during the year	(166)
Present value at year end	**6,256**

DIRECTORS SEVERANCE INDEMNITIES

This amount is related to Directors severance indemnities paid during the year.
Change amounting to 83 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2014.

NOTE 28 – DEFERRED TAX LIABILITIES

Deferred tax liabilities at 31 December 2014 amounted to 15,630 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

(THOUSAND EUROS)	31/12/2014	31/12/2013
Deductible items off the books	1,484	1,074
Other	14,146	11,384
Total	**15,630**	**12,458**

The item Other mainly includes the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

Deferred tax liabilities have not been recognized on retained earnings of the subsidiary companies as the Group is able to control the timing of distribution of said earnings and in the near future does not seem likely.

NOTE 29 - PROVISIONS

Provisions amounted to 15,796 thousand Euros (of which 12,420 thousand Euros are not current).

Change in 2014 is summarized in the table below:

(THOUSAND EUROS)	BALANCE AT 31/12/2013	ACCRUALS	UTILIZATION	WRITE-OFFS	BALANCE AT 31/12/2014
Fidelity fund	765	188	(449)	(12)	492
Provision for risks	4,698	5,581	(1,404)	(528)	8,347
Motorola research centre fund	6,957	-	-		6,957
Total	**12,420**	**5,768**	**(1,853)**	**(540)**	**15,796**

Employee fidelity provisions refer mainly to provisions made for the employees of some German companies in relation to anniversary bonuses. The liability is determined through actuarial calculations applying a 5.5% rate.

The Provision for risks, amounting to 8,347 thousand Euros at 31 December 2014, represents the best estimate for contingent liabilities. The accrual of the year is referred to the update of this estimate and to new legal ongoing controversies, lawsuits with former employees and other liabilities, as also described at Note 36.

The Provision for Motorola Research centre originates from the acquisition of the business branch Motorola Electronics S.p.A. in 2009 and reflects the best estimate of the residual costs to incur in relation to the agreements reached with the parties involved in the transaction to implement research and development projects, in accordance with IAS 37. This provision is used on the basis of the progression of the abovementioned research activities.

Acquisition of the Motorola Research Centre was carried out as a consequence of agreements reached with Motorola Electronics S.p.A, Trade Unions and the region of Piedmont and the commitment to carry out research activities on agreed upon themes.

The residual provision will be written off to profit and loss on the basis of the progress of the research activities, in part financed by the public administrations, for which the Group has committed to carry out to several parties in view of the undersigning of the aforesaid agreements.

During the financial year the provision remained unchanged as Reply is still waiting for the Public authorities, with whom Reply had undersigned the original agreements, to give instructions as to which other research projects to undertake on agreed contents.

NOTE 30 – TRADE PAYABLES

Trade payables at 31 December 2014 amounted to 83,360 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Domestic suppliers	71,476	57,854	13,622
Foreign suppliers	12,786	11,102	1,684
Advances to suppliers	(901)	(833)	(69)
Total	**83,360**	**68,124**	**15,237**

The increase of Trade payables amounting to 15,237 thousand Euros is mainly owing to the overall increase of the Group's business.

NOTE 31 – OTHER CURRENT LIABILITIES

Other current liabilities at 31 December 2014 amounted to 135,202 thousand Euros with an increase of 10,152 thousand Euros with respect to the previous financial year.

Detail is as follows:

(THOUSAND EUROS)	31/12/2014	31/12/2013	CHANGE
Income tax payable	5,465	6,265	(800)
VAT payable	7,675	5,288	2,387
Withholding tax and other	5,442	5,733	(291)
Total due to tax authorities	**18,582**	**17,286**	**1,296**
National social insurance payable	18,634	16,686	1,948
Other	1,347	1,285	62
Total due to social securities	**19,981**	**17,972**	**2,010**
Employee accruals	38,381	32,375	6,006
Other payables	48,048	46,400	1,648
Accrued expenses and deferred income	10,210	11,017	(807)
Total other payables	**96,638**	**89,792**	**6,846**
Other current liabilities	**135,202**	**125,049**	**10,152**

Due to tax authorities amounting to 18,582 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.
Due to social security authorities amounting to 19,981 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 31 December 2014 amount to 96,638 thousand Euros and mainly include:

- Amounts due to employees that at the balance sheet date had not yet been paid.
- Remuneration of directors recognised as participation in the profits of the subsidiary companies.
- Liabilities related to share based payment transactions to be settled in cash to some Group companies. Following agreements signed in 2014 with some Directors of subsidiary companies, the liability at year end amounted to 141 thousand Euros with a balancing entry

in Profit and loss. Such options can be exercised in financial year 2018 upon achievement of some economic-financial parameters.

- Advances received from customers exceeding the value of the work in progress amounting to 25,995 thousand Euros.

Accrued Expenses and Deferred Income mainly relate to advance invoicing in relation to T&M consultancy activities to be delivered in the subsequent financial year.

NOTE 32 – SEGMENT REPORTING

Segment reporting has been prepared in accordance with IFRS 8, determined as the area in which the services are executed.

(THOUSAND EUROS)	ITALY	%	GERMANY	%	UNITED KINGDOM	%	INTERSEGMENT	TOTAL 2014	%
Revenues	**470,784**	**100**	**101,012**	**100**	**79,685**	**100**	**(19,297)**	**632,184**	**100**
Operating costs	(394,254)	(83.7)	(95,612)	(94.7)	(76,497)	(96.0)	19,297	(547,065)	(86.5)
Gross operating income	**76,530**	**16.3**	**5,400**	**5.3**	**3,189**	**4.0**	**-**	**85,119**	**13.5**
Amortization, and depreciation	(6,097)	(1.3)	(1,297)	(1.3)	(627)	(0.8)	-	(8,021)	(1.3)
Atypical costs	(2,125)	(0.5)	-	-	5,690	7.1	-	3,565	0.6
Operating income	**68,308**	**14.5**	**4,103**	**4.1**	**8,251**	**10.4**	**-**	**80,663**	**12.8**

(THOUSAND EUROS)	ITALY	%	GERMANY	%	UNITED KINGDOM	%	INTERSEGMENT	TOTAL 2013	%
Revenues	**424,752**	**100**	**85,719**	**100**	**68,642**	**100**	**(18,961)**	**560,151**	**100**
Operating costs	(370,731)	(87.3)	(78,515)	(91.6)	(57,267)	(83.4)	18,961	(487,551)	(87.0)
Gross operating income	**54,022**	**12.7**	**7,204**	**8.4**	**11,375**	**16.6**	**-**	**72,600**	**13.0**
Amortization and depreciation	(6,217)	(1.5)	(1,201)	(1.4)	(531)	(0.8)	-	(7,949)	(1.4)
Atypical costs	1,307	-	(750)	(0.9)	(1,036)	(1.5)	-	(480)	(0.1)
Operating income	**49,111**	**11.6**	**5,252**	**6.1**	**9,808**	**14.3**	**-**	**64,171**	**11.5**

	31/12/2014					31/12/2013				
(THOUSAND EUROS)	ITALY	GERMANY	UNITED KINGDOM	INTRASEG	TOTAL	ITALY	GERMANY	UNITED KINGDOM	INTRASEG	TOTAL
Current operating assets	310,817	31,196	31,190	(19,276)	353,927	280,930	29,805	25,057	(17,263)	318,530
Current operating liabilities	(196,728)	(25,365)	(16,768)	19,276	(219,586)	(177,474)	(17,676)	(16,269)	17,263	(194,156)
Net working capital (A)	**114,088**	**5,831**	**14,422**	**-**	**134,341**	**103,456**	**12,130**	**8,788**	**-**	**124,374**
Non current assets	123,118	17,593	29,639		170,351	117,726	17,224	27,620		162,569
Non financial liabilities long term	(52,292)	(11,271)	(4,598)		(68,161)	(55,673)	(8,534)	(15,139)		(79,347)
Fixed capital (B)	**70,826**	**6,323**	**25,041**	**-**	**102,190**	**62,052**	**8,689**	**12,481**	**-**	**83,222**
Net invested capital (A+B)	**184,914**	**12,154**	**39,463**	**-**	**236,531**	**165,508**	**20,819**	**21,269**	**-**	**207,596**

Breakdown of employees by country is as follows:

COUNTRY	2014	2013	CHANGE
Italy	3,617	3,319	298
Germany	674	619	55
United Kingdom	398	315	83
Total	**4,689**	**4,253**	**436**

NOTE 33 – ADDITIONAL DISCLOSURES TO FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

TYPES OF FINANCIAL RISKS AND CORRESPONDING HEDGING ACTIVITIES

Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximise costs and the resources Reply S.p.A. has centralised all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.

As described in the section “Risk management”, Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.

The quantitative data reported in the following do not have any value of a prospective nature, in particular the sensitivity analysis on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

CREDIT RISK

The maximum credit risk to which the company is theoretically exposed at 31 December 2014 is represented by the carrying amounts stated for financial assets in the balance sheet.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. General provisions are made for receivables which are not written down on a specific basis, determined on the basis of historical experience.

Refer to the note on trade receivables for a quantative analysis.

LIQUIDITY RISK

Reply S.p.A. is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The two main factors that determine the company's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimise the management of funds and to reduce the liquidity risk, as follows:

- centralising the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the company is present;
- maintaining an adequate level of available liquidity;
- monitoring future liquidity on the basis of business planning.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

CURRENCY RISK

Reply S.p.A. has a limited exposure to exchange rate risk, therefore the company does not deem necessary hedging exchange rates.

INTEREST RATE RISK

Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company.

SENSITIVITY ANALYSIS

In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value)) from floating rate financial instruments (for which the impact is assessed in terms of cash flows). Floating rate financial instruments include principally cash and cash equivalents and part of debt.
A hypothetical, unfavourable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2014 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 296 thousand Euros.
This analysis is based on the assumption that there is a general and instantaneous change of 50 basis points in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

FAIR VALUE ASSESSMENT HIERARCHY LEVELS

The IFRS 13 establishes a fair value hierarchy which classifies the input of evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly

classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.
The levels used in the hierarchy are:

- Level 1 inputs are prices quoted (not rectified) in markets active for identical assets and liabilities which the entity can access on the date of assessment;
- Level 2 inputs are variable and different from the prices quoted included in Level 1 observable directly or indirectly for assets or liabilities;
- Level 3 inputs are variable and not observable for assets or liabilities.

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2014, according to the fair value hierarchical assessment level.

(THOUSAND EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Financial securities	18	1,623	-	-
Other assets		-	-	-
Total Assets		**1,623**	**-**	**-**
Derivative financial liabilities (IRS)	26	-	20	-
Liabilities to minority shareholders and earn out	25	-	-	13,306
Total Liabilities		**-**	**20**	**13,306**

The item Financial securities is related to securities listed on the active stock markets and therefore falls under the fair value hierarchical level 1.

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The lastly mentioned, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently for the purposes of IFRS7 the *fair value* used by the Group for the exploitation of hedging derivatives contracts in existence at the end of the financial year re-enters under the hierarchy profile in level 2.
The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.

As at 31 December 2014, there have not been any transfers within the hierarchy levels.

NOTE 34 – TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 Related parties are Group companies and persons that are able to exercise control, joint control or have significant influence on the Group and on its subsidiaries. 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)

FINANCIAL TRANSACTIONS	31/12/2014	31/12/2013	NATURE OF TRANSACTION
Trade receivables	48	46	Receivables from professional services
Financial receivables	-	-	Financial receivables from guarantee deposits
Trade payables and other offices	218	466	Payables for professional services and official rentals
Other payables	4,348	4,342	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
ECONOMIC TRANSACTIONS	**2014**	**2013**	**NATURE OF OPERATION**
Revenues from professional services	14	96	Receivables from professional services
Services from Parent company and related parties	932	4,950	Service contracts relating to office rental, and office administration
Personnel	8,464	8,424	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	148	142	Emoluments to Statutory Auditors

REPLY GROUP MAIN ECONOMIC AND FINANCIAL TRANSACTIONS

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

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006 the financial statements present the Consolidated Income statement and Balance Sheet showing transactions with related parties separately, together with the percentage incidence with respect to each account caption.

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 35 – 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 function, including those in other subsidiary companies, are as follows:

(THOUSAND EUROS)	2014	2013
Executive Directors	5,461	5,449
Statutory auditors	148	142
Total	**5,609**	**5,591**

Emoluments to Key management amounted to approximately 3,003 thousand Euros (2,994 thousand Euros at 31 December 2013).

NOTE 36 – GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

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

COMMITMENTS

It is reported that:

- The Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euro). Currently it is not possible to foresee the outcome of the said judgment but Management believes that any future economic-financial effects on the Group are not significant.
- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122 of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash.

Within three months from the registration of the merger in the Turin Companies Register, each minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. All shareholders of Reply Deutschland will have the right to benefit from a possible increase in the exchange ratio determined by the Judge or on the basis of an agreement between the parties, and that is to say independently of their participation in the evaluation procedure.

On the contrary, from the possible increase of the corresponding amount in cash determined by the Judge or on the basis of an agreement between the parties only the shareholders who verbally annotated their disagreement in the general meeting in respect of conditions of the law can benefit.

In the case where evaluation procedures include a modification of the exchange ratio, every single difference shall be regulated in cash.

At present, some minority shareholders have commenced the aforementioned procedures. With specific reference to the request to obtain the corresponding amount in cash, the time limit for exerting such an authority shall expire starting from the shortest time limit between the day following it expiring from the two months subsequent to the final ruling of the qualified court or the publication of a binding agreement between the parties. During the said period, the former Reply Deutschland shareholders can freely decide on whether to obtain the corresponding amount in cash or whether to remain shareholders of Reply.

CONTINGENT LIABILITIES

As an international company, the Group 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 Group 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 Group recognises specific provision for this purpose.

NOTE 37 – EVENTS SUBSEQUENT TO 31 DECEMBER 2014

In the month of March 2015 Reply GmbH & Co. KG acquired the 100% share capital of Leadvise Region Mitte GmbH, incorporated under the German law, for 3,5 thousand euros. The company offers services in Management Consulting mainly in the areas of Innovation Management, Risk Management and Digital Optimization.

ANNEXED TABLES

CONSOLIDATED INCOME STATEMENT PREPARED PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(THOUSAND EUROS)	2014	OF WHICH RELATED PARTIES	%	2013	OF WHICH RELATED PARTIES	%
Revenues	**632,184**	**14**	**0,0%**	**560,151**	**96**	**0,0%**
Other income	17,085	-	-	14,307	-	-
Purchases	(12,227)	-	-	(10,644)	-	-
Personnel	(308,452)	(8,464)	2.7 %	(269,893)	(5,092)	1.9 %
Services and other costs	(239,220)	(1,080)	0.5 %	(214,726)	(8,424)	3.9 %
Amortization, depreciation and write downs	(8,021)	-	-	(7,949)	-	-
Other unusual (cost)/income	(686)	-	-	(7,075)	-	-
Operating income	**80,663**	**-**	**-**	**64,171**	**-**	**-**
Financial income/(expenses)	(1,396)	-	-	(2,439)	-	-
Income before taxes	**79,267**	**-**	**-**	**61,732**	**-**	**-**
Income taxes	(30,646)	-	-	(26,653)	-	-
Net income	**48,621**	**-**	**-**	**35,080**	**-**	**-**
Non controlling interest	(712)	-	-	(630)	-	-
Group net result	**47,909**	**-**	**-**	**34,450**	**-**	**-**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(THOUSAND EUROS)	31/12/2014	OF WHICH RELATED PARTIES	%	31/12/2013	OF WHICH RELATED PARTIES	%
Tangible assets	14,976	-	-	13,553	-	-
Goodwill	126,763	-	-	125,637	-	-
Other intangible assets	6,549	-	-	6,363	-	-
Equity investments	3,911	-	-	23	-	-
Other financial assets	4,471	-	-	4,275	-	-
Deferred tax assets	15,052	-	-	13,997	-	-
Non current assets	**171,722**	**-**	**-**	**163,847**	**-**	**-**
Work in progress	40,801	-	-	21,910	-	-
Trade receivables	285,465	48	0,0%	271,167	46	0,0%
Other current assets	27,661	-	-	25,454	-	-
Financial assets	2,245	-	-	1,010	-	-
Cash and cash equivalents	88,819	-	-	66,145	-	-
Current assets	**444,990**	**-**	**-**	**385,684**	**-**	**-**
TOTAL ASSETS	**616,712**	**-**	**-**	**549,531**	**-**	**-**
Share capital	4,864	-	-	4,840	-	-
Other reserves	199,135	-	-	172,519	-	-
Group net income	47,909	-	-	34,450	-	-
Group Shareholder's equity	**251,908**	**-**	**-**	**211,809**	**-**	**-**
Non controlling interest	936	-	-	799	-	-
SHAREHOLDER'S EQUITY	**252,843**	**-**	**-**	**212,608**	**-**	**-**
Payables to minority shareholders and corporate transactions	13,306	-	-	35,364	-	-
Financial liabilities	31,030	-	-	21,719	-	-
Employee benefits	24,454	-	-	20,089	-	-
Deferred tax liabilities	15,630	-	-	12,458	-	-
Provisions	14,772	-	-	11,436	-	-
Non current liabilities	**99,191**	**-**	**-**	**101,067**	**-**	**-**
Financial liabilities	45,092	-	-	41,702	-	-
Trade payables	83,360	218	0.3 %	68,124	466	0.7 %
Other current liabilities	135,202	4,348	3.2 %	125,048	4,342	3.5 %
Provisions	1,024	-	-	984	-	-
Current liabilities	**264,678**	**-**	**-**	**235,858**	**-**	**-**
Total liabilities	**363,869**	**-**	**-**	**336,925**	**-**	**-**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITES	**616,712**	**-**	**-**	**549,531**	**-**	**-**

COMPANIES INCLUDED IN CONSOLIDATION AND SUBSIDIARIES CARRIED AT COST AT 31 DECEMBER 2014

COMPANY NAME	HEADQUARTER	GROUP INTEREST
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Subsidiaries consolidated on a line by-line basis		
@logistics Reply S.r.l.	Turin, Italy	100.00%
@logistics Reply GmbH	Munich, Germany	100.00%
4brands Reply GmbH & CO. KG (**)	Minden, Germany	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply GmbH	Munich, Germany	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sarl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd	London, United Kingdom	100.00%
Bitmama S.r.l.	Turin, Italy	51.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Bridge Reply S.r.l.	Turin, Italy	60.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd	London, United Kingdom	100.00%
Breed Reply Investment Ltd	London, United Kingdom	80.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	90.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%

e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
Engage Reply S.r.l.	Turin, Italy	85.00%
EOS Reply S.r.l.	Turin, Italy	100.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
France Reply Ltd	London, United Kingdom	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Polska zo.o	Katowice, Poland	100.00%
InEssence Reply GmbH	Düsseldorf, Germany	70.00%
IrisCube Reply S.p.A.	Turin, Italy	100.00%
Iriscube Reply SA	Savosa, Switzerland	100.00%
Juice Reply S.r.l.	Turin, Italy	100.00%
Lem Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Mind Services Ltda. (*)	San Paolo, Brazil	76.00%
Open Reply S.r.l.	Turin, Italy	92.50%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l. (*)	Turin, Italy	85.00%
Portaltech Reply GmbH	Gutersloh, Germany	68.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Profondo Reply GmbH	Gutersloh, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply GmbH & CO. KG.	Gutersloh, Germany	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium SA	Mont Saint Guibert, Netherlands	100.00%
Reply France Sarl	Paris, France	100.00%
Reply Luxembourg Sarl	Sandweiler, Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%

Risk Reply Ltd	London, United Kingdom	100.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milano, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Solidsoft Reply S.r.l. (*)	Turin, Italy	85.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Square Reply S.r.l.	Turin, Italy	100.00%
Storm Reply S.r.l. (*)	Turin, Italy	80.00%
Storm Reply GmbH	Gutersloh, Germany	80.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Zurich, Switzerland	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Tool Reply Gmbh	Gutersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germania	100.00%
Twice Reply S.r.l.	Turin, Italy	98.00%
Twice Reply GmbH	Munich, Germany	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xpress Reply GmbH & CO. KG (**)	Gutersloh, Germany	100.00%
Xuccess Reply GmbH	Munich, Germany	100.00%

Companies held at cost

Consorzio Reply Energy (***)	Turin, Italy	100.00%
Sensoria Inc.	Delaware, USA	19.99%

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting reflects Management's best estimate as at the closing date of the 2014 Annual Financial Report.

(**) These companies are exempt from filing statutory financial statements in Germany under the German law § 264b HGB

(***) Company not consolidates as non operating.

INFORMATION IN ACCORDANCE WITH ARTICLE 149-DUODECIES ISSUED BY CONSOB

The following table, prepared in accordance with Art. 149-duodecies of Consob's Regulations for Issuers reports the amount of fees charged in 2014 for the audit and audit related services provided by the Independent Auditors and by entities that are part of the Independent Auditors' network.

(THOUSAND EUROS)	SERVICE PROVIDER	GROUP ENTITY	FEE 2014
Audit	Reconta Ernst & Young S.p.A.	Parent company - Reply S.p.A.	31
	Reconta Ernst & Young S.p.A.	Subsidiaries	166
	Ernst & Young GmbH	Subsidiaries	198
	Ernst & Young LLP	Subsidiaries	99
	Ernst & Young Auditores Independentes S.S.	Subsidiaries	21
	Total		**515**
Audit related services	Reconta Ernst & Young S.p.A.	Parent company - Reply S.p.A.(1)	1
	Reconta Ernst & Young S.p.A.	Subsidiaries (1)	14
	Total		**15**
Other services	Ernst & Young GmbH	Subsidiaries (2)	20
	Total		**20**
Total			**550**

(1) Signed tax forms (Modello Unico, IRAP and Form 770)
(2) Limited voluntary review of interim situations for some German subsidiaries.

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

in accordance with Article 154-bis of Legislative Decree 58/98

The undersigned, Mario Rizzante, in his capacity as Chairman and Chief Executive Officer, and Giuseppe Veneziano, Director responsible for drawing up Reply S.p.A.'s financial statements, hereby attest, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- suitability with respect to the Company's structure and
- the effective application

of the administration and accounting procedures applied in the preparation of the Consolidated financial statements for the year ended 2014.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2014 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

3.1 the Consolidated Financial Statement

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated 19 July 2002 as well as the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Turin, 13 March 2015

Chairman and Chief Executive Officer
Mario Rizzante

Director responsible of drawing up the accounting documents
Giuseppe Veneziano

REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Related to the financial Consolidated Financial Statements as at 31 December 2014

Dear Shareholders,
The Board of Directors is submitting the Consolidated Financial Statements as at 31 December 2012 to you prepared in conformity with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Changes in Shareholders' Equity, Consolidated Cash Flow Statement, and the Notes to the Financial Statements.

The Consolidated Financial Statements as at 31 December 2014 present a consolidated Shareholders' equity amounting to 251.908 thousand Euros, including a consolidated profit 47.91 thousand Euros.
The Report on Management adequately illustrates the financial, economic and earnings position, the trend, including at a consolidated level, of Reply S.p.A. and its subsidiaries during the financial year and after its end, as well as the sub-division of the volumes of assets of the principal business lines and the consolidated results.

The consolidation area is determined in such context, which included as at 31 December 2014 in addition to the Parent Company, eighty companies and a consortium, all consolidated on a line-by-line basis.

The controls made by the Independent Auditor Reconta Ernst & Young S.p.A. concluded that the amounts reported in the Consolidated Financial Statements as at 31 December 2014 are supported by the Parent Company's accounting records, in the financial statements for the reporting period of the subsidiaries, and in the information that they have formally communicated.

Such financial statements transmitted by the subsidiaries to the Parent Company, for purposes of the preparation of the Consolidated Financial Statements, prepared by the respective competent corporate bodies, have been reviewed by the bodies and/or persons in charge of the audit of the individual companies, according to their respective legal systems, and by the Independent Auditor in the context of the procedures followed for the audit of the Consolidated Financial Statements.

The Board of Statutory Auditors did not audit the financial statements of such companies. Reconta Ernst & Young S.p.A., the company entrusted with the audit of Reply's Consolidated Financial Statements, has issued its report on the date set forth below, in which it confirms that, in its opinion, the Consolidated Financial Statements of the Reply Group as at 31 December 2014 conform to the International Financial Reporting Standards (IFRS) endorsed by the European Union, as well as to the measures issued to implement Article 9 of Legislative Decree 38/2005 and, therefore, they were prepared with clarity and represent a true and fair view of the financial and economic position, the economic result and the cash flows of the Reply Group as at such date, and further, the Report on Management and the information pursuant to Article 123-bis(1)(c)(d)(f)(l)(m) and (2)(b) of Legislative Decree 58/1998 presented in the Report on Corporate Governance and Ownership Structure are consistent with the Consolidated Financial Statements.

On the basis of the audits and controls carried out, we certify that:

- The consolidation area has been determined in correct manner;
- The consolidation procedures adopted conform to legal requirements and have been properly applied;
- The review oof the report on Management demonstrated that it is consistent with the consolidated Financial statements;
- All the information used for the consolidation refers to the entire administrative period represented by the financial year 2014;
- The measurement criteria are homogeneous with those used for the previous reporting period;
- Changes in the consolidation area compared to 31 December 2013 consist of the inclusion of the following companies:
  - @logistics Reply GmbH;
  - Air Reply S.r.l.;
  - Avantage Reply (Belgium) Sarl;
  - Avantage Reply (Luxembourg) Sarl;
  - Avantage Reply (Netherlands) Sarl;
  - Breed Reply Ltd;

- Breed Reply Investment Ltd;
- Engage Reply S.r.l.(nel 2013 iscritta al costo);
- France Reply Ltd;
- Macros Reply GmbH;
- Profondo Reply GmbH;
- Reply Belgium SA;
- Reply France Sarl;
- Reply Luxembourg Sarl;
- Risk Reply Ltd;
- Solidsoft Reply S.r.l. (recognised at cost in 2013);
- Storm Reply GmbH;
- Syskoplan Reply GmbH;
- Twice Reply GmbH;
- Xuccess Reply GmbH.

To conclude we would like to remind you that our three year mandate has expired and would like to thank you for the trust you have placed in us and would like to invite you to take the necessary actions.

Turin, 27 March 2015

THE STATUTORY AUDITORS

(Prof. Cristiano Antonelli)

(Dott.ssa Ada Alessandra Garzino Demo)

(Dott. Paolo Claretta Assandri)

Reconta Ernst & Young S.p.A.
Via Confienza, 10
10121 Torino

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Reply S.p.A.

1. We have audited the consolidated financial statements of Reply S.p.A. and its subsidiaries, (the "Reply Group") as of 31 December 2014 and for the year then ended, 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 explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Reply S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 24 March 2014.

3. In our opinion, the consolidated financial statements of the Reply Group at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Reply Group for the year then ended.

4. The Directors of Reply S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and Proprietary Assets in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard

001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and Proprietary Assets, are consistent with the consolidated financial statements of the Reply Group at 31 December 2014.

Turin, 27 March 2015

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.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

INCOME STATEMENT (*)

(EUROS)	NOTE	2014	2013
Revenue	**5**	**291,648,905**	**274,691,960**
Other income	6	6,659,301	8,825,156
Purchases	7	(4,982,858)	(3,636,912)
Personnel	8	(17,702,836)	(16,080,630)
Services and other costs	9	(276,839,606)	(270,032,805)
Amortization, depreciation and write-downs	10	(671,513)	(697,944)
Other unusual operating income/(expenses)	11	(2,988,997)	249,563
Operating income		**(4,877,604)**	**(6,681,612)**
Gain/(loss) on equity investments	12	27,491,426	20,421,456
Financial income/(expenses)	13	2,526,409	442,727
Income before taxes		**25,140,231**	**14,182,571**
Income taxes	14	(1,208,521)	624,358
Net income		**23,931,709**	**14,806,929**
Net income per share	15	2.56	1.63
Diluted net income per share	15	2.56	1.62

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Income Statement are reported in the annexed Tables and further described in Note 34.

STATEMENT OF COMPREHENSIVE INCOME

(EUROS)	NOTE	2014	2013
Profit of the period (A)		**23,931,709**	**14,806,929**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	26	(33,636)	25,988
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**(33,636)**	**25,988**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	26	119,974	(50,362)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**119,974**	**(50,362)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):		**86,338**	**(24,374)**
Total comprehensive income (A)+(B)		**24,018,047**	**14,782,555**

STATEMENT OF FINANCIAL POSITION (*)

(EUROS)	NOTE	31/12/2014	31/12/2013
Tangible assets	16	1,095,038	446,674
Goodwill	17	86,765	86,765
Other intangible assets	18	866,734	1,053,650
Equity investments	19	130,081,311	130,196,800
Other financial assets	20	42,486,824	36,251,023
Deferred tax assets	21	1,521,880	1,669,848
Non current assets		**176,138,552**	**169,704,758**
Trade receivables	22	221,291,693	196,904,149
Other receivables and current assets	23	31,666,601	28,958,870
Financial assets	24	50,808,755	43,543,322
Cash and cash equivalents	25	40,913,939	28,321,938
Current assets		**344,680,988**	**297,728,279**
TOTAL ASSETS		**520,819,540**	**467,433,037**
Share Capital		4,863,486	4,840,086
Other reserves		135,140,323	125,856,496
Net income		23,931,709	14,806,929
SHAREHOLDERS' EQUITY	**26**	**163,935,517**	**145,503,511**
Due to minority shareholders	27	3,686,707	14,391,089
Financial liabilities	28	29,668,015	20,162,569
Employee benefits	29	435,868	405,582
Deferred tax liabilities	30	911,232	469,153
Provisions	33	3,921,700	1,745,000
Non current liabilities		**38,623,522**	**37,173,393**
Financial liabilities	28	69,873,787	67,954,479
Trade payables	31	222,959,775	195,102,211
Other current liabilities	32	23,360,939	21,189,443
Provisions	33	2,066,000	510,000
Current liabilities		**318,260,501**	**284,756,133**
TOTAL LIABILITIES		**356,884,023**	**321,929,526**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**520,819,540**	**467,433,037**

(*)Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Statement of Financial Position are reported in the annexed Tables and further described in Note 34.

STATEMENT OF CHANGES IN EQUITY

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	TOTAL
Balance at 1 January 2013	**4,795,886**	**(3,605,255)**	**50,155,937**	**72,852,064**	**(73,224)**	**(4,433)**	**124,120,975**
Share capital increase	44,200	-	1,742,845	-	-	-	**1,787,045**
Dividends distributed	-	-	-	(5,131,165)	-	-	**(5,131,165)**
Change in treasury shares	-	3,596,127	-	-	-	-	**3,596,127**
Total profit (loss)	-	-	-	14,806,929	(50,362)	25,988	**14,782,555**
Other changes	-	-	6,347,964	10	-	-	**6,347,974**
Balance at 31 December 2013	**4,840,086**	**(9,128)**	**58,246,746**	**82,527,838**	**(123,586)**	**21,555**	**145,503,511**

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	TOTAL
Balance at 1 January 2014	**4,840,086**	**(9,127)**	**58,246,746**	**82,527,838**	**(123,586)**	**21,555**	**145,503,511**
Share capital increase	23,400	-	936,855	-	-	-	**960,255**
Dividends distributed	-	-	-	(6,546,295)	-	-	**(6,546,295)**
Total profit (loss)	-	-	-	23,931,709	119,974	(33,636)	**24,018,047**
Balance at 31 December 2014	**4,863,486**	**(9,127)**	**59,183,601**	**99,913,252**	**(3,612)**	**(12,081)**	**163,935,518**

STATEMENT OF CASH FLOWS

(EUROS)	31/12/2014	31/12/2013
Result	23,931,709	14,806,929
Income taxes	(1,208,521)	(624,358)
Amortization and depreciation	671,513	697,944
Other non-monetary expenses/(income)	7,059,460	5,743,207
Change in trade receivables	(24,387,545)	(21,075,795)
Change in trade payables	27,857,564	13,201,668
Change in other assets and liabilities	4,039,635	2,001,535
Income tax paid	624,358	1,088,471
Interest paid	(1,476,674)	(1,242,590)
Net cash flows from operating activities (A)	**37,111,500**	**14,597,011**
Payments for tangible and intangible assets	(1,132,961)	(734,799)
Payments for financial assets	(10,123,234)	(22,160,342)
Payments for the acquisition of subsidiaries net of cash acquired	(11,922,922)	(8,620,567)
Net cash flows from investment activities (B)	**(23,179,117)**	**(31,515,708)**
Shares issued	960,255	1,787,045
Dividends paid	(6,546,295)	(5,131,165)
In payments from treasury shares	15,540,266	21,720,010
Payment of instalments	(16,206,083)	(11,261,249)
Other changes	86,337	(24,362)
Net cash flows from financing activities (C)	**(6,165,520)**	**7,090,279**
Net cash flows (D) = (A+B+C)	**7,766,862**	**(9,828,419)**
Cash and cash equivalents at the beginning of period	20,366,606	30,195,025
Cash and cash equivalents at period end	28,133,468	20,366,606
Total change in cash and cash equivalents (D)	**7,766,862**	**(9,828,419)**

DETAIL OF CASH AND CASH EQUIVALENTS

(EUROS)	31/12/2014	31/12/2013
Cash and cash equivalents at beginning of period:	**20,366,606**	**30,195,025**
Cash and cash equivalents	28,321,938	27,741,728
Other	669,342	833,521
Transaction accounts - surplus	42,873,980	50,324,134
Transaction accounts - overdraft	(19,562,205)	(14,552,863)
Bank overdrafts	(31,936,449)	(34,151,495)
Cash and cash equivalents at the end of the year:	**28,133,468**	**20,366,606**
Cash and cash equivalents	40,913,939	28,321,938
Other	959,512	669,342
Transaction accounts - surplus	49,849,243	42,873,980
Transaction accounts - overdraft	(26,868,340)	(19,562,205)
Bank overdrafts	(36,720,886)	(31,936,449)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Reply [MTA, STAR: REY] is specialized in the implementation of solutions based on new communication and digital media. Reply, consisting of a network of specialized companies, assists important European industries belonging to Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration sectors, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply'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 2014 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the provisions implementing Article 9 of Legislative Decree No. 38/2005.
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").

In compliance with European Regulation No. 1606 of 19 July 2002, beginning in 2005, the Reply Group adopted the International Financial Reporting Standards ("IFRS") for the preparation of its Consolidated Financial Statements. On the basis of national legislation implementing the aforementioned Regulation, those accounting standards were also used to prepare the separate Financial Statements of the Parent Company, Reply S.p.A., for the first time for the year ended 31 December 2006.
It is hereby specified that the accounting standards applied conform to those adopted for the preparation of the initial Statement of Assets and Liabilities as at 1 January 2005 according to

the IFRS, as well as for the 2005 Income Statement and the Statement of Assets and Liabilities as at 31 December 2005, as re-presented according to the IFRS and published in the special section of these Financial Statements.

GENERAL PRINCIPLES

The Financial Statements were prepared under the historical cost convention, modified as required for the measurement of certain financial instruments. The criterion of *fair value* was adopted as defined by IAS 39.
The consolidated Financial Statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Group'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 Financial Statements are expressed in Euros and are compared to the Financial Statements of the previous year prepared in accordance with the same principles.
These Financial Statements have been drawn up under the general principles of continuity, accrual based accounting, coherent presentation, relevancy and aggregation, prohibition of compensation and comparability of information.
The fiscal year consists of a twelve (12) month period and closes on the 31 December each year.

FINANCIAL STATEMENTS

The Financial Statements include statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory 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. 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.

It is further noted that, to comply with the indications provided by Consob Resolution No. 15519 of 27 July 2006 "*Provisions as to the format of Financial Statements*", in addition to mandatory tables, specific supplementary Income Statement and Balance Sheet formats have been added that report significant amounts of positions or transactions with related parties indicated separately from their respective items of reference.

TANGIBLE ASSETS

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses. Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.
In compliance with IAS 36 – Impairment of assets, the carrying value is immediately remeasured to the recoverable value, if lower.
Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Equipment	30%
Plant and machinery	40%
Hardware	40%
Furniture and fittings	24%

Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.
Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

GOODWILL

Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognized using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Company's interest at the time of acquisition of the fair value of the assets, liabilities and identifiable contingent liabilities attributable to the subsidiary.
Goodwill is not amortized, but is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Impairment losses are recognized immediately as expenses that cannot be recovered in the future.
Goodwill deriving from acquisitions made prior to the transition date to IFRS are maintained at amounts recognized under Italian GAAP at the time of application of such standards and are subject to impairment tests at such date.

OTHER INTANGIBLE ASSETS

Intangible fixed assets are those lacking an identifiable physical aspect, are controlled by the company and are capable of generating future economic benefits.

Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.

Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their *fair value* can be measured reliably.

In case of intangible fixed assets purchased for which availability for use and relevant payments are deferred beyond normal terms, the purchase value and the relevant liabilities are discounted by recording the implicit financial charges in their original price.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.

An internally-generated intangible asset arising from the company's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably.

These assets are amortized when launched or when available for use. Until then, and on condition that the above terms are respected, such assets are recognized as construction in progress. Amortization is determined on a straight line basis over the relevant useful lives.

When an internally-generated intangible asset cannot be recorded at balance sheet, development costs are recognized to the statement of income in the period in which they are incurred.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, as provided by IAS 36, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired. Any impairment losses are not subject to subsequent reversals.

IMPAIRMENT

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the higher of *fair value* less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, (the so-called *Cash generating unit*). With reference to goodwill, Management assesses return on investment with reference to the smallest cash generating unit including goodwill.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. When the recognition value of the *Cash generating unit*, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the *Cash generating unit*.

Where an impairment loss subsequently reverses, the carrying amount of the asset, (or cash-generating unit), with the exception of goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

EQUITY INVESTMENTS

Investments in subsidiaries and associated companies are valued using the cost method.
As implementation of such method, they are subject to an impairment test if there is any objective evidence that these investments have been impaired, due to one or more events that occurred after the initial measurement if such events have had an impact on future cash flows, thus inhibiting the distribution of dividends. Such evidence exists when the subsidiary's and associate's operating margins are repetitively and significantly negative. If such is the case, impairment is recognized as the difference between the carrying value and the recoverable value, normally determined on the basis of fair value less disposal costs.
At each reporting period, the Company assesses whether there is objective evidence that a write-down due to *impairment* of an equity investment recognized in previous periods may be reduced or derecognized. Such evidence exists when the subsidiary's and associate's operating margins are repetitively and significantly positive. In this case, the recoverable value is re-measured and eventually the investment is restated at initial cost.

Equity investments in other companies, comprising non current financial assets not held for trading, are measured at *fair value*, if it can be determined. Any subsequent gains and losses resulting from changes in *fair value* are recognized directly in Shareholders' equity until the investment is sold or impaired; the total recognized in equity up to that date are recognized in the Income Statement for the period.

Minor investments in other companies for which *fair value* is not available are measured at cost, and adjusted for any impairment losses.

Dividends are recognized as financial income from investments when the right to collect them is established, which generally coincides with the shareholders' resolution. If such dividends arise from the distribution of reserves prior to the acquisition, these dividends reduce the initial acquisition cost.

CURRENT AND NON CURRENT FINANCIAL ASSETS

Financial assets are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Investments are recognized and written-off the balance sheet on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, financial assets that the Company has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortized cost according to the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts, and are classified among non current financial assets.

Investments other than held-to maturity securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where financial assets are held for trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period. This item is stated in the current financial assets.

TRANSFER OF FINANCIAL ASSETS

The Company derecognizes financial assets from its Financial Statements when, and only when, the contractual rights to the cash flows deriving from the assets expire or the Company transfers the financial asset. In the case of transfer of the financial asset:

- If the entity substantially transfers all of the risks and benefits of ownership associated with the financial asset, the Company derecognizes the financial asset from the Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
- If the Company maintains substantially all of the risks and benefits of ownership associated with the financial assets, it continues to recognize it;
- If the Company does not transfer or maintain substantially all of the risks and benefits of ownership associated with the financial asset, it determines whether or not it has maintained control of the financial asset. In this case;
  - If the Company has not maintained control, it derecognizes the financial asset from its Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
  - If the Company has maintained control, it continues to recognize the financial asset to the

extent of its residual involvement with such financial asset.

At the time of removal of financial assets from the balance sheet, the difference between the carrying value of assets and the fees received or receivable for the transfer of the asset is recognized in the income statement.

TRADE PAYABLES AND RECEIVABLES AND OTHER CURRENT ASSETS AND LIABILITIES

Trade payables and receivables and other current assets and liabilities are measured at nominal value and eventually written down to reflect their recoverable amount.

Write-downs are determined to the extent of the difference of the carrying value of the receivables and the present value of the estimated future cash flows.

Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

CASH AND CASH EQUIVALENTS

The item cash and cash equivalents includes cash, banks and reimbursable deposits on demand and other short term financial investments readily convertible in cash and are not subject to significant risks in terms of change in value.

TREASURY SHARES

Treasury shares are presented as a deduction from equity. All gains and losses from the sale of treasury shares are recorded in a special Shareholders' equity reserve.

FINANCIAL LIABILITIES AND EQUITY INVESTMENTS

Financial liabilities and equity instruments issued by the Company are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Company's assets after having deducted its liabilities.

The accounting standards adopted for specific financial liabilities or equity instruments are outlined below:

- Bank borrowings
  Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently stated at its amortized cost, using the prevailing market interest rate method.
- Equity instruments
  Equity instruments issued by the Group are stated at the proceeds received, net of direct issuance costs.
- Non current financial liabilities
  Liabilities are stated according to the amortization cost.

DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER HEDGING TRANSACTIONS

The Company's activities are primarily subject to financial risks associated with fluctuations in interest rates. Such interest rate risks arise from bank borrowings; In order to hedge such risks the Company's policy consists of converting fluctuating rate liabilities in constant rate liabilities and treating them as *cash flow hedges*. The use of such instruments is disciplined by written procedures in line with the Company risk strategies that do not contemplate derivative financial instruments for trading purposes.

In accordance with IAS 39, derivative financial instruments qualify for *hedge accounting* only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.

All derivative financial instruments are measured in accordance with IAS 39 at *fair value*.

Changes in the *fair value* of derivative financial instruments that are designated and effective as hedges of future cash flows relating to Company commitments and forecasted transactions are recognized directly in Shareholder's equity, while the ineffective portion is immediately recorded in the Income Statement. If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.

For effective hedging against a change in *fair value*, the hedged item is adjusted by the changes in *fair value* attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.

Changes in the *fair value* of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction is no longer expected to occur; the net cumulative gain or loss recognized in equity is transferred to the net profit or loss for the period.

Embedded derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not closely related to those of the financial instrument that houses them and the latter are not measured at fair value with recognition of the relative gains and losses in the Income Statement.

EMPLOYEE BENEFITS

The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Financial Statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

Employee termination indemnities ("TFR") are classified as a "*post-employment benefit*", falling under the category of a "*defined benefit plan*"; the amount already accrued must be projected in order to estimate the payable amount at the time of employee termination and subsequently be discounted through the "*projected unit credit method*", an actuarial method based on demographic and finance data that allows the reasonable estimate of the extent of benefits that each employee has matured in relation to the time worked. Through actuarial measurement, *interest cost* is recognized as financial gains or losses and represents the figurative expenditure that the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities ("TFR").

Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders' equity.

SHARE-BASED PAYMENT PLANS

The Company has applied the standard set out by IFRS 2 "Share-based payment".

Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders' equity, on a straight-line basis and over the (vesting period). The fair value of the option, measured at the granting date, is assessed through actuarial calculations, taking into account the terms and conditions of the options granted.

The stock options resolved in the previous financial years have been exercised and therefore the Company does not have existing stock option plans.

PROVISIONS AND RESERVES FOR RISKS

Provisions for risks and liabilities are costs and liabilities having an established nature and the existence of which is certain or probable that at the reporting date the amount cannot be

determined or the occurrence of which is uncertain. Such provisions are recognized when a commitment actually exists arising from past events of legal or contractual nature or arising from statements or company conduct that determine valid expectations from the persons involved (implicit obligations).
Provisions are recognized when the Company has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

REVENUE RECOGNITION

Revenue is recognized if it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably.

Revenue from sales and services is recognized when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service.
Revenues from services include the activities the Company carries out directly with respect to some of its major clients in relation to their businesses. These activities are also carried out in exchange for services provided by other Group companies, and the costs for such services are recognized as Services and other costs.
Revenues from sales of products are recognized when the risks and rewards of ownership of goods are transferred to the customer. Revenues are recorded net of discounts, allowances, settlement discounts and rebates and charged against profit for the period in which the corresponding sales are recognized.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable that represents the discounted interest rate of the future estimated proceeds estimated over the expected life of the financial asset in order to bring them to the accounting value of the same asset.

Dividends from investments is recognized when the shareholders' rights to receive payment has been established.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognized and measured in the income statement on an accrual basis.

TAXATION

Income tax represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests arising in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

EARNINGS PER SHARE

Basic earnings per share is calculated with reference to the profit for the period of the Group and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.
Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

USE OF ESTIMATIONS

The preparation of the Financial Statements and relative notes under IFRS requires that management makes estimates and assumptions that have effect on the measurement of assets and liabilities and on disclosures related to contingent assets and liabilities at the reporting date. The actual results could differ from such estimates. Estimates are used to accrue provisions for risks on receivables, to measure development costs, to measure contract work in progress, employee benefits, income taxes and other provisions. The estimations and assumptions are reviewed periodically and the effects of any changes are recognized immediately in income.

CHANGES IN ESTIMATIONS AND RECLASSIFICATIONS

There were no changes of estimates or reclassifications during the 2014 reporting period.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2014

IFRS 12 Disclosures of Interests in Other Entities

L'IFRS 12 provides the disclosures requirements for an entity's interest in subsidiaries, joint ventures, associates and special purpose vehicles. The required disclosures of IFRS 12 in such entities have been significantly expanded regarding subsidiaries. For example, disclosures related to when a subsidiary was consolidated and the parent owned less than a majority of voting rights. The IFRS 12 had little effect on the company's financial statements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

While the offsetting rules for financial instruments remain unchanged, the application guidance of the standard clarifies the meaning of "currently has a legally enforceable right to set-off" and "simultaneous". The amendments did not impact the company's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39

These amendments allow a novation of an OTC derivative designated as a hedging instrument to be deemed to be a continuation of the existing hedging relationship. The amendments did not impact the Company's financial statements as it did not substitute its hedging instruments in the year end under review nor in previous reporting periods.

Additional disclosures on the recoverable value of non financial assets – Amendment to IAS 36

These amendments revise the involuntary consequences of the introduction of IFRS 13 on disclosure required by IAS 36. The Amendment to IAS 36 includes revisions to the disclosure requirements of the recoverable amount of the asset or CGU for which an impairment loss was detected during the fiscal year.

NOTE 3 – RISK MANAGEMENT

Reply S.p.A. operates at a world-wide level and for this reason its activities are exposed to various types of financial risks: market risk (broken down in exchange risk, interest rate risk on financial flows and on "fair value", price risk), credit risk and liquidity risk.
To minimize risks Reply utilizes derivative financial instruments. At a central level it manages the

hedging of principle operations. Reply S.p.A. does not detain derivate financial instruments for negotiating purposes.

CREDIT RISK

For business purposes, specific policies are adopted in order to guarantee that clients honor payments.
With regards to financial counterparty risk, the company does not present significant risk in credit-worthiness or solvency. For newly acquired clients, the Company accurately verifies their capability in terms of facing financial commitments. Transactions of a financial nature are undersigned 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 Group companies are monitored and managed on a centralized basis through the Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's current and future capital resources (maintaining an adequate level of cash and cash equivalents and the availability of reserves of liquidity that are readily convertible to cash and *committed* credit).
The difficulties both 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. 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.

RISKS ASSOCIATED WITH FLUCTUATIONS IN CURRENCY AND INTEREST RATES

As the company operates mainly in a "Euros area" the exposure to currency risks is limited.
The exposure to interest rate risk arises from the need to fund operating activities and the necessity to deploy surplus. Changes in market interest rates may have the effect of either increasing or decreasing the company's net profit/(loss), 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 net profit/(loss),

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 risks, Reply S.p.A. uses derivative financial 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

EXCEPTION ALLOWED UNDER PARAGRAPH 4 OF ARTICLE 2423 OF THE ITALIAN CIVIL CODE

No exceptions allowed under Article 2423, paragraph 4, of the Italian Civil Code were used in drawing up the annexed Financial Statements.

FISCAL CONSOLIDATION

The Company has decided to enter into the National Fiscal Consolidation pursuant to articles 117/129 of the TUIR.
Reply S.p.A., Parent Company, acts as the consolidating company and determines 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 just one tax return.
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 payable IRES; The companies that transfer fiscal losses can register a receivable with 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 stipulated among the Group companies.

NOTE 5 - REVENUE

Revenues amounted to 291,648,905 Euros and are detailed as follows:

(EUROS)	2014	2013	CHANGE
Revenues from services	250,782,488	239,159,847	11,622,641
Royalties on "Reply" trademark	14,751,519	13,275,839	1,475,680
Intercompany services	17,837,146	15,408,671	2,428,476
Other intercompany revenues	8,277,751	6,847,603	1,430,148
Total	**291,648,905**	**274,691,960**	**16,956,945**

Reply manages business relationships on behalf of some of its major clients. Such activities were recorded in the item Revenues from services to third parties which increased by 11,622,641 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.
Revenues from Intercompany services and Other intercompany charges refer to activities that Reply S.p.A. carries out for the subsidiaries, and more specifically:

- Operational, co-ordination, technical and quality management;
- Administration, personnel and marketing activities;
- Strategic management services.

NOTE 6 – OTHER INCOME

Other revenues that as at 31 December 2014 amounted to 6,659,301 Euros (8,825,156 Euros at 31 December 2013) 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

Detail is as follows:

(EUROS)	2014	2013	CHANGE
Software licenses for resale	2,357,017	2,099,411	257,606
Hardware for resale	2,164,421	1,060,466	1,103,955
Other	461,421	477,035	(15,614)
Total	**4,982,858**	**3,636,912**	**1,345,946**

The items Software and Hardware licenses for resale refer to the costs incurred for software licenses for resale to third parties carried out for the Group companies.
The item Other includes the purchase of supplies, stationary, and printed materials (219,291 thousand Euros) and fuel (222,854 thousand Euros).

NOTE 8 – PERSONNEL EXPENSES

Personnel costs amounted to 17,702,836 Euros, with an increase of 1,622,206 Euros and are detailed in the following table:

(EUROS)	2014	2013	CHANGE
Payroll employees	13,215,794	11,412,782	1,803,012
Directors	4,487,042	4,607,536	(120,494)
Project collaborators		60,313	(60,313)
Total	**17,702,836**	**16,080,630**	**1,622,206**

Detail of personnel by category is provided below:

(NUMBER)	2014	2013	CHANGE
Directors	52	45	7
Managers	10	10	-
Staff	34	34	-
Total	**96**	**89**	**7**

The average number of employees in 2014 was 93 (in 2013 92).

NOTE 9 – SERVICES AND OTHER COSTS

Service and other costs comprised the following:

(EUROS)	2014	2013	CHANGE
Commercial and technical consulting	2,623,211	3,825,394	(1,202,183)
Travelling and training expenses	1,625,197	1,058,859	566,339
Professional services from group companies	252,871,116	240,795,014	12,076,101
Marketing expenses	1,555,958	1,557,200	(1,242)
Administrative and legal services	987,618	2,001,819	(1,014,201)
Statutory auditors and Independent auditors fees	148,012	143,240	4,773
Leases and rentals	874,837	866,961	7,876
Office expenses	3,497,085	3,147,756	349,329
Other services from group companies	3,361,047	5,515,137	(2,154,090)
Expenses incurred on behalf of group companies	4,640,689	4,264,279	376,410
Other	4,654,836	6,857,147	(2,202,311)
Total	**276,839,606**	**270,032,805**	**6,806,802**

Professional Services from Group companies, which changed during the year by 12,076,101 Euros, relate to revenues from services 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 technical-economic rates determined in relation to the residual useful lives of the assets, and which amounted in 2014 to an overall cost of 268,415 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2014 to an overall cost of 403,098 Euros. Details of depreciation are provided at the notes to intangible assets.

NOTE 11 – OTHER UNUSUAL OPERATING INCOME/(EXPENSES)

Other unusual operating income/(expenses) amounted to 2,988,997 Euros and refer to accruals to risk and expense provisions (2,000 thousand Euros), and to the fair value adjustment of liabilities to minority shareholders (989 thousand Euros).

NOTE 12 – GAIN/(LOSSES) ON EQUITY INVESTMENTS

Detail is a follows:

(EUROS)	2014	2013	CHANGE
Dividends	34,951,226	28,814,456	6,136,770
Loss on equity investments	(7,459,800)	(8,393,000)	933,200
Total	**27,491,426**	**20,421,456**	**7,069,970**

Dividends include proceeds from dividends received by Reply S.p.A. from subsidiary companies during the year.
Detail is as follows:

(EUROS)	31/12/2014
@logistics Reply S.r.l.	905,000
Arlanis Reply S.r.l.	110,000
Aktive Reply S.r.l.	810,000
Atlas Reply S.r.l.	830,000
Blue Reply S.r.l.	3,715,000
Bridge Reply S.r.l.	66,000
Business Reply S.r.l.	40,000
Cluster Reply S.r.l.	5,260,000
Reply Consulting S.r.l.	370,000
Discovery Reply S.r.l.	480,000
Eos Reply S.r.l.	96,852
E*finance Consulting S.r.l.	415,000
Hermes Reply S.r.l.	1,125,000
Iriscube Reply S.p.A.	840,000
Power Reply S.r.l.	2,345,000
Ringmaster S.r.l.	650,000
Santer Reply S.p.A.	2,275,000
Syskopan Reply S.r.l.	650,000
Sytel Reply Roma S.r.l.	4,360,000
Sytel Reply S.r.l	2,530,000
Target Reply S.r.l.	980,000
Technology Reply S.r.l.	2,445,000
Whitehall Reply S.r.l.	1,045,000
Reply GmbH & Co. KG	2,608,374
Total	**34,951,226**

Losses on equity investments refer to write-downs and the year-end losses of several subsidiary companies that were prudentially deemed as non recoverable with respect to the value of the investment. For further details see Note 19 herein.

NOTE 13 – FINANCIAL INCOME/(EXPENSES)

Detail is as follows:

(EUROS)	2014	2013	CHANGE
Interest income from subsidiaries	2,673,846	1,791,820	882,026
Interest income on bank accounts	15,288	31,652	(16,364)
Interest expenses	(1,538,137)	(1,325,442)	(212,695)
Other	1,375,412	(55,303)	1,430,715
Total	**2,526,409**	**442,727**	**2,083,682**

Interest income from subsidiaries refers to the interest yielding cash pooling accounts of the Group companies included in the centralized pooling system.

Interest expenses refer to the interest expenses on the use of credit facilities with Intesa Sanpaolo and Unicredit.

The item Other includes a loss on exchange rate differences amounting to 367 thousand Euros and a gain on exchange rate differences amounting to 1,880 thousand Euros arising from the translation of balance sheet items not recorded in Euros.

NOTE 14 – INCOME TAXES

The details are provided below:

(EUROS)	2014	2013	CHANGE
IRES	231,541	329,733	(98,192)
IRAP	520,000	425,000	95,000
Current taxes	**751,541**	**754,733**	**(3,192)**
Deferred tax liabilities	442,079	(29,803)	471,882
Deferred tax assets	14,902	(1,349,288)	1,364,190
Deferred taxes	**456,981**	**(1,379,091)**	**1,836,072**
Total income taxes	**1,208,521**	**(624,358)**	**1,832,880**

The item IRES and other taxes includes the positive tax effect deriving from the domestic tax consolidation and the German tax (Kst) arising from the profits in the subsidiary company Reply GmbH & Co. KG. owed by Reply S.p.A. as shareholder of the company in compliance to the fiscal transparency system applicable in Germany.

IRES THEORETICAL RATE

The following table provides the reconciliation between the IRES theoretical rate and the fiscal theoretical rate:

(EUROS)	AMOUNT	TAXATION
Result before taxes	**25,140,230**	
Theoretical tax rate	**27.5 %**	**6,913,563**
Temporary differences, net	(24,438,932)	
Taxable income	**701,298**	**192,857**
Total IRES		**198,000**

Temporary differences, net refer to:

- Deductible differences amounting to 40,702 thousand Euros arising mainly from the non taxable share of the dividends received in the financial year (30,726 thousand Euros);
- Non deductible differences amounting to 16,263 thousand Euros owing mainly to the write-down of equity investments (7,436 thousand Euros) and Directors' fees to be paid (2,600 thousand Euros) and non deductible provision for risks (2,672 thousand Euros).

CALCULATION OF TAXABLE IRAP

(EUROS)	AMOUNT	TAXATION
Difference between value and cost of production	**(4,877,604)**	
IRAP net	**17,119,073**	
Taxable IRAP	12,241,469	
Total IRAP		**520,000**

Temporary differences, net refer to:

- Non deductible differences amounting to 22,953 thousand Euros mainly due to personnel expenses;
- Deductible differences amounting to 1,499 thousand Euros due to income components not

relevant for tax purposes;

- Deductions amounting to 4,335 thousand Euros mainly related to tax wedge and extra deductions

NOTE 15 – EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share as at 31 December 2014 was calculated with reference to the net profit which amounted to 23,931,709 Euros (14,806,929 Euros at 31 December 2013) divided by the weighted average number of shares outstanding as at 31 December 2014 which amounted to 9,350,986 (9,092,021 at 31 December 2013).

(EUROS)	2014	2013
Net profit for the year	23,931,709	14,806,929
Weighted number of shares	9,350,986	9,092,021
Basic earnings per share	2.56	1.63

DILUTED EARNINGS PER SHARE

Diluted earnings per share as at 31 December 2014 were calculated with reference to the net profit which amounted to 23,931,709 Euros divided by the weighted average number of shares outstanding as at 31 December 2014, considering the future diluting effect which could derive from the hypothetical exercising of financial instruments potentially convertible in shares (*stock options*).

(EUROS)	2014	2013
Net profit for the year	23,931,709	14,806,929
Weighted number of shares	9,350,986	9,092,021
Diluting effect	-	45,000
Weighted number of diluted shares	9,350,986	9,137,021
Diluted shares per earnings	2.56	1.62

NOTE 16 – TANGIBLE ASSETS

Tangible assets as at 31 December 2014 amounted to 1,095,038 Euros are detailed as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Plant and machinery	378,995	128,375	250,619
Hardware	110,165	66,984	43,180
Other tangible assets	605,878	251,314	354,564
Total	**1,095,038**	**446,674**	**648,364**

The item Other mainly includes office equipment, furniture, and costs for improvements to leased assets.

Change in Tangible assets during 2014 is summarized below:

(EUROS)	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	1,311,847	1,377,124	1,911,627	4,600,599
Accumulated depreciation	(1,183,472)	(1,310,140)	(1,660,313)	(4,153,925)
31/12/2013	**128,375**	**66,984**	**251,314**	**446,674**
Historical cost				
Purchases	318,100	105,147	643,491	1,066,738
Disposals	-	(19,111)	(162,089)	(181,200)
Accumulated depreciation				
Depreciation	(67,481)	(58,207)	(142,728)	(268,415)
Disposals	-	15,351	15,890	31,241
Historical cost	1,629,947	1,463,161	2,393,030	5,486,137
Accumulated depreciation	(1,250,952)	(1,352,996)	(1,787,151)	(4,391,100)
31/12/2014	**378,995**	**110,165**	**605,878**	**1,095,038**

During the year under review the Company made investments amounting to 1,066,738 Euros, which mainly refer to improvements to third party assets, to office furniture and plants for the new office located in Via del Giorgione 59 in Rome.

NOTE 17 - GOODWILL

Goodwill as at 31 December 2014 amounted to 86,765 Euros and refers to the value of business branches (consulting activities related to Information Technology and management support acquired in July 2000.

Goodwill recognized is deemed adequately supported in terms of expected financial results and related cash flows.

NOTE 18 – OTHER INTANGIBLE ASSETS

Intangible assets as at 31 December 2014 amounted to 866,734 Euros (1,053,650 Euros at 31 December 2013) and are detailed as follows:

(EUROS)	HISTORICAL COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE AT 31/12/2014
Software	4,672,006	(4,341,336)	330,670
Trademark	536,064	-	536,064
Total	**5,208,070**	**(4,341,336)**	**866,734**

Change in intangible assets in 2014 is summarized in the table below:

(EUROS)	NET BOOK VALUE 31/12/2013	INCREASES	DISPOSALS	DEPRECIATION	NET BOOK VALUE 31/12/2014
Software	517,586	216,182	-	(403,098)	330,670
Trademark	536,064	-	-	-	536,064
Total	**1,053,650**	**216,182**	**-**	**(403,098)**	**866,734**

The item Software is related mainly to software licenses purchased and used internally by the company.
The item Trademarks expresses the value of the “Reply” trademark granted to the Parent Company Reply S.p.A. (before Reply Europe Sàrl) on 9 June, 2000, in connection to the Company’s share capital increase that was resolved and undersigned by the Parent Company Alister Holding SA. Such amount is not subject to systematic amortisation, and the expected future cash flows are deemed adequate.

NOTE 19 – EQUITY INVESTMENTS

The item Equity investments at 31 December 2014 amounted to 130,081,311 Euros, with a decrease of 115,489 Euros compared to 31 December 2013.

(EUROS)	BALANCE AT 31/12/2013	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSALS	WRITE DOWNS	BALANCE AT 31/12/2014	INTEREST
@logistics Reply S.r.l.	1,049,167				1,049,167	100.0 %
Air Reply S.r.l.(*)	-	8,500	90,000		98,500	85.0 %
Aktive Reply S.r.l.	512,696				512,696	100.0 %
Arlanis Reply AG	2,435,000			(1,430,000)	1,005,000	100.0 %
Arlanis Reply GmbH	25,000				25,000	100.0 %
Arlanis Reply S.r.l.	588,000				588,000	100.0 %
Atlas Reply S.r.l.	356,575				356,575	100.0 %
Avantage Ltd.	12,626,484			(3,143,000)	9,483,484	100.0 %
Bitmama S.r.l.	217,019		40,800	(40,800)	217,019	51.0 %
Blue Reply S.r.l.	527,892				527,892	100.0 %
Breed Reply Ltd	-	12,477			12,477	100.0 %
Breed Reply Investments Ltd		103			103	80.0 %
Bridge Reply S.r.l.	6,000				6,000	60.0 %
Business Reply S.r.l.	268,602				268,602	100.0 %
Cluster Reply S.r.l.	2,610,032				2,610,032	100.0 %
Concept Reply GMBH	25,000				25,000	90.0 %
Consorzio Reply Public Sector	32,500				32,500	41.4 %
Consorzio Reply Energy	-	1,000			1,000	25.0 %
Discovery Reply S.r.l.	1,311,669				1,311,669	100.0 %
e*finance Consulting Reply S.r.l.	3,076,385				3,076,385	100.0 %
Engage Reply S.r.l.	8,500		241,000		249,500	85.0 %
Ekip Reply S.r.l.	30,000		50,000	(50,000)	30,000	100.0 %
EOS Reply S.r.l.	155,369				155,369	80.7 %
Forge Reply S.r.l.	12,000		770,000	(770,000)	12,000	100.0 %
Hermes Reply Polska zoo	10,217				10,217	100.0 %
Hermes Reply S.r.l.	199,500				199,500	100.0 %
Inessence Reply GmbH	17,500				17,500	70.0 %
IrisCube Reply S.p.A.	6,724,952				6,724,952	100.0 %
Juice Reply S.r.l	140,000				140,000	100.0 %
Lem Reply S.r.l.	400,012		265,000	(265,000)	400,012	100.0 %
Live Reply GmbH	27,500				27,500	100.0 %
Open Reply S.r.l.(*)	1,417,750				1,417,750	92.5 %
Pay Reply S.r.l	10,000				10,000	100.0 %
Portaltech Reply S.r.l.(*)	104,500		65,000	(65,000)	104,500	85.0 %
Portaltech Reply GmbH	17,000				17,000	68.0 %
Power Reply S.r.l.	2,500,850				2,500,850	100.0 %
Reply Consulting S.r.l.	3,518,434				3,518,434	100.0 %

(EUROS)	BALANCE AT 31/12/2013	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSALS	WRITE DOWNS	BALANCE AT 31/12/2014	INTEREST
Reply GmbH & CO. KG	41,302,722				41,302,722	100.0 %
Reply do Brasil Sistemas de Informatica Ltda	206,816				206,816	98.5 %
Reply Inc	40,596				40,596	100.0 %
Reply Ltd	11,657,767				11,657,767	100.0 %
Reply Services S.r.l.	10,000				10,000	100.0 %
Ringmaster S.r.l.	5,000				5,000	50.0 %
Riverland Reply GmbH	10,269,989				10,269,989	100.0 %
Santer Reply S.p.A.	11,386,966				11,386,966	100.0 %
Security Reply S.r.l.	392,866				392,866	100.0 %
Sensoria Inc.	-	3,887,432			3,887,432	19.99 %
Solidsoft Reply S.r.l.(*)	8,500		217,000		225,500	85.0 %
Square Reply S.r.l.	100,000		140,000	(140,000)	100,000	100.0 %
Storm Reply S.r.l.(*)	188,000				188,000	80.0 %
Syskoplan Reply S.r.l.	949,571				949,571	100.0 %
Sytel Reply Roma S.r.l.	894,931				894,931	100.0 %
Sytel Reply S.r.l.	4,991,829				4,991,829	100.0 %
Target Reply S.r.l.	778,000				778,000	100.0 %
Technology Reply S.r.l.	216,658				216,658	100.0 %
Triplesense Reply GmbH	5,153,070				5,153,070	100.0 %
Twice Reply S.r.l.	521,202				521,202	98.0 %
Whitehall Reply S.r.l.	160,211				160,211	100.0 %
Total	**130,196,799**	**3,909,511**	**1,878,800**	**(5,903,800)**	**130,081,310**	

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting of such options reflect management's best estimate at the closing date.

ACQUISITIONS AND SUBSCRIPTIONS

Air Reply S.r.l.

In July 2014 Air Reply Srl., was constituted, a company in which Reply S.p.A. holds 85% of the share capital. The company specializes in the design and integration of the NetSuite cloud-based application.

Breed Reply Ltd

In June 2014 Breed Reply, a company incorporated under English law was constituted in which Reply S.p.A. holds 100% of the share capital. The company specializes in funding and developing start-ups on the Internet of Things (IoT).

Breed Reply Investment Ltd

In December 2014 Breed Reply Investments Ltd, a company incorporated under English law was constituted in which Reply S.p.A holds 80% of the share capital. The company will acquire the shares of the start-up in the incubator Breed Reply.

Consorzio Reply Energy

In March 2014 Consorzio Reply Energy was constituted, a company in which Reply S.p.A. holds 25% of the consortium fund. At 31 December 2014 the consortium was composed by Reply S.p.A., Power Reply S.r.l., Security Reply S.r.l. and Syskoplan Reply S.r.l. The consortium will operate in the Energy market.

Sensoria Inc

In July 2014 a term sheet was signed, bound to exclusivity and confidentiality obligations, to take a 19.99% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer. The investment which amounts to USD 5 million is part of Reply's development strategy connected to the Internet of Things.

FINANCIAL LOAN REMISSION

The amounts are referred to the waiver of financial loan receivables from some subsidiaries in order to increase their equity position.

WRITE-DOWNS

The amounts recorded reflect losses on some equity investments that are deemed not to be recoverable.

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The list of equity investments in accordance with Consob communication no. 6064293 of 28 July 2006 is included in the attachments.
The negative differences arising between the carrying value of the investments and the

corresponding portion of their shareholders' equity are not related to permanent impairment of value, as the carrying value is supported by positive economic and financial forecasts that guarantee the recoverable amount of the investment.

NOTE 20 – NON CURRENT FINANCIAL ASSETS

Detail is as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Guarantee deposits	188,066	356,566	(168,500)
Loans to subsidiaries	42,298,758	35,894,456	6,404,302
Total	**42,486,824**	**36,251,023**	**6,235,802**

Guarantee deposits are mainly related to deposits on lease contracts.

Financial receivables from subsidiaries are referred to loans granted to the following companies:

COMPANY	AMOUNT
Arlanis Reply AG	800,000
Arlanis Reply GmbH	1,000,000
Concept Reply GmbH	200,000
Hermes Reply Polska Sp Zoo	520,410
InEssence Reply	1,550,000
Live Reply GmbH	700,000
Mind Services Informàtica LTDA	1,215,000
Open Reply S.r.l.	250,000
Portaltech Reply Gmbh	600,000
Reply do Brazil Sist. De Inf Ltda	1,724,156
Reply Inc.	453,010
Reply Ltd	32,766,182
Storm Reply S.r.l	120,000
Triplesense Reply GmbH	400,000
Total	**42,298,758**

NOTE 21 – DEFERRED TAX ASSETS

This item amounted to 1,521,880 Euros at 31 December 2014 (1,669,848 Euros at 31 December 2013), and included the fiscal charge corresponding to the temporary differences on statutory income and taxable income related to deferred deductible items.

TEMPORARY DEDUCTIBLE DIFFERENCES	TAXABLE	TAX
Total deferred tax assets at 31/12/2013	**5,940,280**	**1,669,848**
Accrued	**3,847,818**	**1,058,150**
Utilization	(3,902,008)	(1,073,052)
Utilized within fiscal consolidation	(483,876)	(133,066)
Total deferred assets at 31/12/2014	**5,402,215**	**1,521,880**
Of which:		
- Directors fees and employee bonuses accrued but not yet paid	5,201,700	1,466,738
- unrealized foreign exchange losses	43,807	12,047
- depreciation and amortization deductible in future years	156,708	43,095
Total	**5,402,215**	**1,521,880**

The decision to recognize 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 is no deferred tax assets on losses carried forward.

NOTE 22 – TRADE RECEIVABLES

Trade receivables at 31 December 2014 amounted to 221,291,693 Euros and are all collectible within 12 months.

Detail is as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Third party trade receivables	148,040,319	145,219,321	2,820,999
Credit notes to be issued	(31,660)	(85,870)	54,210
Allowance for doubtful accounts	(262,030)	(428,375)	166,344
Third party trade receivables	**147,746,629**	**144,705,076**	**3,041,553**
Receivables from subsidiaries	73,543,421	52,193,547	21,349,874
Receivables from Parent Company	1,644	5,526	(3,882)
Trade receivables from subsidiaries and Parent Company	**73,545,065**	**52,199,073**	**21,345,992**
TOTAL TRADE RECEIVABLES	**221,291,693**	**196,904,149**	**24,387,545**

Reply manages business relationships on behalf of some of its major clients. This activity is reflected in the item Third Party Receivables which increased by 3,041,553 Euros.

Receivables from subsidiaries are related to services that the Parent Company Reply S.p.A. carries out in favour of the subsidiary companies at normal market conditions.

Trade receivables are all due within 12 months and do not include significant overdue balances.

In 2014 the provision for doubtful accounts was written off by 166,344 Euros following a specific risk analysis of all the trade receivables.

ASSIGNMENT OF RECEIVABLES

The Company 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 recognized in the Company'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 recognized when the assets are derecognized from the Company's financial-economic position.

As at 31 December 2014 the assignment of receivables through factoring operations with recourse amounted to 2,807 thousand Euros.
The book value of the assets assigned without recourse as at 31 December 2014 amounted to 17,328 thousand Euros, with an increase of available liquidity of 16,368 thousand Euros net of advances received amounting to 3,838 thousand Euros.
The carrying amount of *Trade receivables* in line with its *fair value*.

NOTE 23 – OTHER RECEIVABLES AND CURRENT ASSETS

Detail is as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Tax receivables	3,848,614	5,041,342	(1,192,728)
Other receivables from subsidiaries	20,643,219	17,596,577	3,046,642
Other receivables	74,144	250,886	(176,742)
Accrued income and prepaid expenses	7,100,624	6,070,065	1,030,559
Total	**31,666,601**	**28,958,870**	**2,707,731**

The item Tax receivables includes VAT receivables net (3,097,837 Euros), withholding tax and also includes receivables from German tax authorities following the merger of Reply A.G. (659,213 Euros), and IRAP tax prepayments (32,171 Euros).

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 prepaid expenses arising from the execution of services, lease contracts, insurance contracts and other utility expenses, which are accounted for on an accrual basis.

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

NOTE 24 – CURRENT FINANCIAL ASSETS

This item amounted to 50,808,755 Euros (43,543,322 Euros at 31 December 2013) and refers to:

- The total of interest yielding cash pooling accounts of subsidiaries included in the centralised pooling system of the Parent Company Reply S.p.A for 49,849,243 Euros; the interest yield on these accounts is in line with current market conditions;
- Receivables from factoring companies for 959,512 Euros, referring to credit for the sale of invoices without recourse net of advances received.

NOTE 25 – CASH AND CASH EQUIVALENTS

This item amounted to 40,913,939 Euros, with an increase of 12,592,001 Euros compared to 31 December 2013, and is referred to cash at banks and on hand at year-end.

NOTE 26 – SHAREHOLDERS' EQUITY

SHARE CAPITAL

As at 31 December 2014 the fully subscribed paid-in share capital of Reply S.p.A., amounted to 4,863,486 Euros and is made up of no. 9,352,857 ordinary shares having a nominal value of euro 0.52 each.

The increase during the period refers to the exercise of stock options, in the amount of 45,000 option rights for a total value of 960,225 Euros, of which 23,400 Euros is by way of increase in share capital and 936,855 Euros by way of share premium.

TREASURY SHARES

The value of the Treasury shares, amounting to 9,127 Euros, refers to the shares of Reply S.p.A. that at 31 December 2014 were equal to no. 597.

CAPITAL RESERVES

At 31 December 2014 amounted to 59,183,601 Euros, and included the following:

- Share premium reserve amounting to 23,302,692 Euros.
- Treasury share reserve amounting to 9,127 Euros, relating to the shares of Reply S.p.A which at 31 December 2014 were equal to no. 597.
- Reserve for the purchase of treasury shares amounting to 29,990,873 Euros that 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 re-authorised, pursuant to the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.
- Reserves arising from the merger operation of Reply Deutschland AG. in Reply S.p.A, and include:
  - › Share swap surplus reserve amounting to 3,445,485 Euros
  - › Surplus annulment reserve amounting to 2,902,479 Euros

EARNINGS RESERVE

Earning reserves amounted to 99,913,252 Euros and were comprised as follows:

- The Legal reserve amounting to 972,697 Euros (960,737 Euros at 31 December 2013);
- Extraordinary reserve amounting to 72,186,144 Euros (63,937,470 Euros at 31 December 2013);
- Retained earnings amounting to 2,882,701 Euros (2,882,701 Euros at 31 December 2013);
- Net result totaling 23,931,709 Euros (14,806,929 Euros at 31 December 2013).

OTHER COMPREHENSIVE INCOME

Other comprehensive income can be analysed as follows:

(EUROS)	31/12/2014	31/12/2013
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	(33,636)	25,988
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**(33,636)**	**25,988**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	119,974	(50,362)
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**119,974**	**(50,362)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**86,338**	**(24,374)**

SHARE BASED PAYMENT PLANS

During 2014 the company no longer has stock options as they were exercised in relation to the stock option plans resolved by the Annual Shareholders' Meeting in previous years.

NOTE 27 – PAYABLES TO MINORITY SHAREHOLDERS

Payables to Minority shareholders and for operations (earn-out) at 31 December 2014 amounted to 3,686,707 Euros (14,391,089 Euros at 31 December 2013) and are detailed as follows:

(EUROS)	31/12/2013	INCREASES	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2014
Avantage Reply Ltd.	10,933,221	-	-	(11,140,685)	207,463	-
Reply Deutschland AG	-	-	-	-	-	-
Riverland Reply GmbH	-	-	-	-	-	-
Other Italy	648.758	-	180,000	-	-	828,758
Total payables to minority shareholders	**11,581,979**	**-**	**180,000**	**(11,140,685)**	**207,463**	**828,758**
Arlanis AG	376,000	-	(203,003)	(172,997)	-	-
Riverland Reply GmbH	950,000	-		(300,000)	-	650,000
Triplesense Reply GmbH	1,483,110	-	1,012,000	(287,161)	-	2,207,949
Total payables to Earn-out	**2,809,110**	**-**	**808,997**	**(760,158)**	**-**	**2,857,949**
Total payables to minority shareholders and earn-out	**14,391,089**	**-**	**988,997**	**(11,900,843)**	**207,463**	**3,686,707**

The item Fair value adjustments in 2014 amounted to 988,997 Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 11,900,843 Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 28 – FINANCIAL LIABILITIES

Detail is as follows:

	31/12/2014			31/12/2013		
(EUROS)	**CURRENT**	**NON CURRENT**	**TOTAL**	**CURRENT**	**NON CURRENT**	**TOTAL**
Bank overdrafts	36,720,886	-	36,720,886	31,936,449		31,936,449
Bank loans	5,966,666	29,801,215	35,767,881	13,621,144	20,420,010	34,041,154
Loans from third parties	67,872	191,445	259,317	26,145	67,203	93,348
Loans from subsidiaries	-	-	-	2,500,000	-	2,500,000
Transaction accounts	26,868,340	-	26,868,340	19,562,205	-	19,562,205
Other	250,023	(324,644)	(74,621)	308,535	(324,644)	(16,109)
Total financial liabilities	**69,873,787**	**29,668,015**	**99,541,802**	**67,954,479**	**20,162,569**	**88,117,048**

The future out payments of the financial liabilities are detailed as follows:

	31/12/2014			31/12/2013		
(EUROS)	**DUE IN 12 MONTHS**	**FROM 1 TO 5 YEARS**	**OVER 5 YEARS**	**TOTAL**	**DUE IN 12 MONTHS**	**FROM 1 TO 5 YEARS**
Bank overdrafts	36,720,886	-	36,720,886	31,936,449	-	31,936,449
M&A loans	5,966,666	29,801,215	35,767,881	13,621,144	20,420,010	34,041,154
Loan from subsidiaries	-	-	-	2,500,000	-	2,500,000
Transaction accounts	26,868,340	-	26,868,340	19,562,205	-	19,562,205
Other	317,895	(133,199)	184,696	334,681	(257,441)	77,240
Total	**69,873,787**	**29,668,015**	**99,541,802**	**67,954,479**	**20,162,569**	**88,117,048**

M&A loans refers to credit lines to be used for acquisition operations carried directly by Reply S.p.A. or via companies controlled directly or indirectly by the same.

Following and summarized by main features the ongoing contracts entered into for such a purpose:

- 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 total amount utilized was 22,963 thousand Euros.

The loan was entirely reimbursed and the last instalment was paid on 31 December 3014.

- On 15 September 2012 Reply S.p.A signed a line of credit with Unicredit S.p.A for a total 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. Such credit line was used for 13,900,000 Euros at 31 December 2014 with an outstanding balance of 9,267 thousand Euros.
- 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 outstanding debt amounted to 833 thousand Euros at 31 December 2014.
- 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 2014 and expiring 31 December 2015. At 31 December 2014 the outstanding liability amounted to 500 thousand Euros.
- On 13 November 2013 Reply S.p.A undersigned a line of credit with Intesa Sanpaolo S.p.A for a total of 20,000,000 Euros to be used by 31 December 2015.The loan will be reimbursed on a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. On 31 December such a line of credit was used for 8,374 thousand Euros.
- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total of 25,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 31 May 2016 and will expire on 30 November 2018. On 31 December such a line was used for 16,794 thousand Euros.

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

At the balance sheet date, Reply fulfilled the Covenants under the various contracts.

The Loan from subsidiaries was related to an interest bearing loan from Reply GmbH & CO. KG the conditions and interest rate were in line with those of the market. This liability was entirely reimbursed in 2014.

The item Other refers to the valuation of derivative hedging instruments. The underlying IRS amounted to 3,612 thousand Euros.

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

NET FINANCIAL POSITION

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's "*Recommendations for the consistent implementation of the European's regulation on Prospectuses"* issued on 10 February 2005 the Net financial position at 31 December 2014 was as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Cash and cash equivalents	40,913,939	28,321,938	12,592,001
Transaction accounts, asset	49,849,243	42,873,980	6,975,263
Receivables from factor	959,512	669,342	290,170
Total current financial assets	**91,722,694**	**71,865,260**	**19,857,434**
Guarantee deposits	188,066	356,566	(168,500)
Loans to subsidiaries	42,298,758	35,894,456	6,404,302
Total non current financial assets	**42,486,824**	**36,251,023**	**6,235,802**
Total financial assets	**134,209,518**	**108,116,282**	**26,093,236**
Due to banks	(43,005,447)	(45,892,274)	2,886,827
Transaction accounts	(26,868,340)	(19,562,205)	(7,306,135)
Loans from subsidiaries	-	(2,500,000)	2,500,000
Current financial liabilities	**(69,873,787)**	**(67,954,479)**	**(1,919,308)**
Due to banks	(29,668,015)	(20,162,569)	(9,505,447)
Non current financial liabilities	**(29,668,015)**	**(20,162,569)**	**(9,505,447)**
Total financial liabilities	**(99,541,802)**	**(88,117,048)**	**(11,424,754)**
Total net financial position	**34,667,716**	**19,999,235**	**14,668,481**
of which related parties	*64,279,661*	*56,706,231*	*7,573,430*

For further details with regards to the above table see Notes 20, 24 and 25 as well as Note 28.

NOTE 29 – 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. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.

The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations.

Reassessment of Employee severance indemnities in accordance with IAS 19 was carried out "ad personam" and on the existing employees, that is analytical calculations were made on each employee in force in the company at the assessment date without considering future work force.

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.

The assumptions adopted can be summarized as follows:

DEMOGRAPHIC ASSUMPTIONS

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2014: 2.50% frequency of turnover in:2014 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS

Annual discount rate	Constant average annual rate equal to 2.00%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. The annual discount used for 2014 was 3.17%
Annual increase in salaries	The employee severance indemnities (TFR) are revalued on an annual basis equal to 75% of the inflation rate plus a spread of one and a half percentage point.
Annual inflation rate	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

In accordance with IAS 19, Employment severance indemnities at 31 December 2014 is summarised in the table below:

31/12/2013	**405,582**
Actuarial gains/(losses)	33,637
Interest cost	11,199
Indemnities paid	(14,550)
31/12/2014	**435,868**

NOTE 30 – DEFERRED TAX LIABILITIES

Deferred tax liabilities at 31 December 2014 amounted to 911,232 Euros and are referred mainly to the fiscal effects arising from temporary differences between the statutory income and taxable income.

TEMPORARY TAXABLE DIFFERENCES	TAXABLE	TAX
Balance at 31/12/2013	**1,617,680**	**469,153**
Accruals	1,743,425	479,442
Utilization	(135,867)	(37,363)
Total at 31/12/2014	**3,225,237**	**911,232**
- On deductible items off the books	718,805	197,671
- different goodwill measurements	622,828	195,568
- gains on unrecognised differences	1,883,604	517,992
Total at 31/12/2014	**3,225,237**	**911,232**

NOTE 31 – TRADE PAYABLES

Trade payables at 31 December 2014 amounted to 222,959,775 Euros with an increase of 27,857,564 Euros.

Detail is as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Due to suppliers	15,253,895	10,470,906	4,782,990
Due to subsidiaries	157,589,662	149,067,953	8,521,709
Advance payments from customers - asset	50,116,218	35,563,352	14,552,866
Total	**222,959,775**	**195,102,211**	**27,857,564**

Due to suppliers mainly refers to services from domestic suppliers (14,063,354 Euros).

Due to subsidiary companies recorded a change of 8,521,709 Euros, and refers to professional services in connection to third party agreements with Reply S.p.A. Reply S.p.A. carries out commercial *fronting* activities for some of its major clients, whereas *delivery* is carried out by the operational companies.

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

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

NOTE 32 – OTHER CURRENT LIABILITIES

Detail is as follows:

(EUROS)	31/12/2014	31/12/2013	CHANGE
Income tax payable	3,026,992	2,508,100	518,892
Withholding tax and other	1,922,328	1,618,336	303,992
Total payable to tax authorities	**4,949,320**	**4,126,436**	**822,884**
INPS (National Italian insurance payable)	844,069	755,414	88,655
Other	256,206	212,402	43,804
Total social security payable	**1,100,275**	**967,816**	**132,460**
Employee accruals	1,359,345	1,182,968	176,377
Payable to subsidiary companies	6,301,517	5,452,596	848,922
Miscellaneous payables	3,451,517	3,845,313	(393,795)
Accrued expenses and deferred income	6,198,965	5,614,314	584,650
Total other payables	**17,311,344**	**16,095,191**	**1,216,153**
Total other current liabilities	**23,360,939**	**21,189,443**	**2,171,497**

Due to tax authorities mainly refers to payables due for withholding tax on employees and free lancers' compensation.
Due to social security authorities is related to both Company and employees contribution payables.
Employee accruals mainly include payables to employees for remunerations due but not yet paid at year-end.

Due to subsidiary companies represents the liability on tax losses recorded by subsidiaries under national tax consolidation for 2014 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 33 – PROVISIONS

The item Provisions amounting to 5,987,700 Euros is summarized as follows:

(EUROS)	31/12/2013	ACCRUALS	UTILIZATION	REVERSALS	31/12/2014
Provisions	1,745,000	2,671,700	(180,000)	(315,000)	3,921,700
Provision for losses on equity investments	510,000	1,556,000	-	-	2,066,000
Total	**2,255,000**	**4,227,700**	**(180,000)**	**(315,000)**	**5,987,700**

The accrual posted in 2014 reflects the best estimate of any contingent liability deriving from ongoing legal litigations.

NOTE 34 – TRANSACTIONS WITH RELATED PARTIES

With reference to CONSOB communications no. DAC/RM 97001574 of 20 February 1997 and no. DAC/RM 98015375 of 27 February 1998 concerning relations with related parties, the economic and financial effects on Reply S.p.A.'s year ended 2014 Financial Statements related to such transactions are summarised below.

Transactions carried out by Reply S.p.A. with related parties are considered ordinary business and are carried out at normal market conditions.
Financial and business transactions among the Parent Company Reply S.p.A. and its subsidiaries and associate companies are carried out at normal market conditions.

REPLY S.P.A. MAIN ECONOMIC AND FINANCIAL TRANSACTIONS

(THOUSAND EUROS)	WITH SUBSIDIARY AND ASSOCIATE COMPANIES	WITH RELATED PARTIES	WITH SUBSIDIARY AND ASSOCIATE COMPANIES	WITH RELATED PARTIES	NATURE OF TRANSACTION
Financial transactions	**31/12/2014**		**31/12/2013**		
Financial receivables	42,299	-	35,894	-	Financial loans
Guarantee deposits	-	80	-	177	Guarantee deposits
Transaction accounts. net company	22,981	-	23,312	-	Transaction accounts held by the Parent
Trade receivables and other	94,187	2	69,790	6	Royalties, administration services, marketing, quality management services and office rental
Financial liabilities	-	-	2,500	-	Financial borrowings
Trade payables and other	162,689	-	154,521	3	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other payables	-	2,600	-	2,600	Compensation paid to Directors, Key Management
Economic transactions	**2014**		**2013**		
Revenues from Royalties	14,752	-	13,276	-	Licensing of the "Reply" trademark consisting in a 3% fee on third party revenues
Revenues from services	29,544	13	21,822	-	Administrations services, marketing, quality management and office rental
Revenues from management services	5,872	-	6,790	-	Strategic management services
Costs for professional services	261,162	9	249,391	76	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other services	1,010	350	604	704	Services related to office rental and office of the secretary
Personnel	-	5,461	-	5,340	Emoluments to Directors and Key Management
Interest income, net	2,674	-	1,792	-	Interest on financial loans: 3 month Euribor + spread of 3 percentage points

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, in the annexed tables herein, the Statement of income and the Statement of financial position reporting transactions with related parties separately, together with the percentage incidence with respect to each account caption has been provided.

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 35 – ADDITIONAL DISCLOSURE TO FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

TYPES OF FINANCIAL RISKS AND CORRESPONDING HEDGING ACTIVITIES

Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximize costs and the resources Reply S.p.A. has centralized all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.
As described in the section "Risk management", Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.
The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.
The quantitative data reported in the following do not have any value of a prospective nature, in particular the *sensitivity analysis* on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

CREDIT RISK

The maximum credit risk to which the company is theoretically exposed at 31 December 2014 is represented by the carrying amounts stated for financial assets in the balance sheet.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. General provisions are made for receivables which are not written down on a specific basis, determined on the basis of historical experience.
Refer to the note on trade receivables for a quantative analysis.

LIQUIDITY RISK

Reply S.p.A. is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The two main factors that determine the company's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

- Centralizing the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the company is present;
- Maintaining an adequate level of available liquidity;
- Monitoring future liquidity on the basis of business planning.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

CURRENCY RISK

Reply S.p.A. has a limited exposure to exchange rate risk; therefore the company does not deem necessary hedging exchange rates.

INTEREST RATE RISK

Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company.
In order to manage these risks, the Reply S.p.A uses interest rate derivative financial instruments, mainly *interest rate swaps,* with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on the net result.

SENSITIVITY ANALYSIS

In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of *fair value*) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).
Floating rate financial instruments include principally cash and cash equivalents and part of debt.

A hypothetical, unfavourable and instantaneous change of 50 *basis points* in short-term interest rates at 31 December 2014 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 287 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 50 *basis points* in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

FAIR VALUE HIERARCHY LEVELS

Evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.
The levels used in the hierarchy are:

- Level 1 inputs are prices quoted (not rectified) in markets active for identical assets and liabilities which the entity can access on the date of assessment;
- Level 2 inputs are variable and different from the prices quoted included in Level 1 observable directly or indirectly for assets or liabilities;
- Level 3 inputs are variable and not observable for assets or liabilities.

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2014, according to the fair value hierarchical assessment level.

(THOUSAND EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Financial securities		-	-	-
Other assets		-	-	-
Total Assets		**-**	**-**	**-**
Derivative financial liabilities (IRS)	28	-	4	-
Liabilities to minority shareholders and earn out	27	-	-	3,687
Total Liabilities		**-**	**4**	**3,687**

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The lastly mentioned, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently for the purposes of IFRS7 the fair value used by the Group for the exploitation of hedging derivatives contracts in existence at the end of the financial year re-enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.

As at 31 December 2014, there have not been any transfers within the hierarchy levels.

NOTE 36 - SIGNIFICANT NON-RECURRING TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, there were no significant non-recurring transaction during 2014..

NOTE 37 - TRANSACTIONS RESULTING FROM UNUSUAL AND/OR ABNORMAL OPERATIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, in 2014 Reply S.p.A. has not taken part in any unusual and/or abnormal operations as defined in that Communication, under which unusual and abnormal transactions are those which because of their significance or importance, the nature of the parties involved, the object of the transaction, the means of determining the transfer price or of the timing of the event (close of the year end) may give rise to doubts regarding the accuracy/completeness of the information in the Financial Statements, conflicts of interest, the safeguarding of the entity's assets or the protection of minority interests.

NOTE 38 – GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

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

COMMITMENTS

It is reported that:

- The Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euro). Currently it is not possible to foresee the outcome of the said judgment but Management believes that any future economic-financial effects on the Company are not significant.
- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122 of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash.

Within three months from the registration of the merger in the Turin Companies Register,

each minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. All shareholders of Reply Deutschland will have the right to benefit from a possible increase in the exchange ratio determined by the Judge or on the basis of an agreement between the parties, and that is to say independently of their participation in the evaluation procedure. On the contrary, from the possible increase of the corresponding amount in cash determined by the Judge or on the basis of an agreement between the parties only the shareholders who verbally annotated their disagreement in the general meeting in respect of conditions of the law can benefit.
In the case where evaluation procedures include a modification of the exchange ratio, every single difference shall be regulated in cash.
At present, some minority shareholders have commenced the aforementioned procedures.

With specific reference to the request to obtain the corresponding amount in cash, the time limit for exerting such an authority shall expire starting from the shortest time limit between the day following it expiring from the two months subsequent to the final ruling of the qualified court or the publication of a binding agreement between the parties. During the said period, the former Reply Deutschland shareholders can freely decide on whether to obtain the corresponding amount in cash or whether to remain shareholders of Reply.

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 39 – 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 Annual Report on Remuneration annexed herein.

STOCK OPTION GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS AND KEY MANAGEMENT

During the financial year under review no. 45,000 stock options were exercised.
For further information please see the Annual Report on Remuneration annexed herein.

NOTE 40 – EVENTS SUBSEQUENT TO 31 DECEMBER 2014

No significant events have occurred subsequent to 31 December 2014.

ANNEXED TABLES

REPLY S.P.A.
STATEMENT OF INCOME PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(EUROS)	2014	OF WHICH WITH RELATED PARTIES	%	2013	OF WHICH WITH RELATED PARTIES	%
Revenue	291,648,905	45,353,699	15.6 %	274,691,960	37,626,105	13.7 %
Other income	6,659,301	4,827,392	72.5 %	8,825,156	4,176,731	47.3 %
Purchases	(4,982,858)	(4,521,438)	90.7 %	(3,636,912)	(3,069,877)	84.4 %
Personnel	(17,702,836)	(5,461,000)	30.8%	(16,080,630)	(5,340,000)	33.2 %
Services and other costs	(276,839,606)	(258,009,583)	93.1%	(270,032,805)	(250,774,886)	92.9%
Amortization and depreciation	(671,513)	-	-	(697,944)	-	-
Non recurring income/(expenses)	(2,988,997)	-	-	249,563	-	-
Operating income (EBIT)	**(4,877,604)**	**-**	**-**	**(6,681,612)**	**-**	**-**
Gain/(loss) on equity investments	27,491,426		-	20,421,456	-	-
Financial income/(loss)	2,526,409	2,673,846	105.8 %	442,727	1,731,820	404.7 %
Income before taxes	**25,140,231**		**-**	**14,182,571**	**-**	**-**
Income tax	(1,208,521)		-	624,358	-	-
Net income	**23,931,709**		**-**	**14,806,929**	**-**	**-**
Earnings per share	2.56			1.63		
Diluted earnings per share	2.56			1.62		

REPLY S.P.A.
STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(EUROS)	31/12/2014	OF WHICH WITH RELATED PARTIES	%	31/12/2013	OF WHICH WITH RELATED PARTIES	%
Tangible assets	1,095,038	-	-	446,674	-	-
Goodwill	86,765	-	-	86,765	-	-
Other intangible assets	866,734	-	-	1,053,650	-	-
Equity investments	130,081,311	-	-	130,196,800	-	-
Other financial assets	42,486,824	42,298,458	99.6%	36,251,023	36,071,456	99.5%
Deferred tax assets	1,521,880	-	-	1,669,848	-	-
Non current assets	**176,138,552**	**-**	**-**	**169,704,758**	**-**	**-**
Trade receivables	221,291,693	73,545,065	33.2%	196,904,149	52,199,547	26.5%
Other receivables and current assets	31,666,601	20,643,219	65.2%	28,958,870	17,596,577	60.8%
Financial assets	50,808,755	49,849,243	98.1%	43,543,322	42,873,980	98.5%
Cash and cash equivalents	40,913,939	-	-	28,321,938	-	-
Current assets	**344,680,988**	**-**	**-**	**297,728,279**	**-**	**-**
TOTAL ASSETS	**520,819,540**	**-**	**-**	**467,433,037**	**-**	**-**
Share Capital	4,863,486	-	-	4,840,086	-	-
Other reserves	135,140,323	-	-	125,856,496	-	-
Net income	23,931,709	-	-	14,806,929	-	-
SHAREHOLDERS' EQUITY	**163,935,517**	**-**	**-**	**145,503,511**	**-**	**-**
Due to minority shareholders	3,686,707	-	-	14,391,089	-	-
Financial liabilities	29,668,015	-	-	20,162,569	-	-
Employee benefits	435,868	-	-	405,582	-	-
Deferred tax liabilities	911,232	-	-	469,153	-	-
Provisions	3,921,700	-	-	1,745,000	-	-
Non current liabilities	**38,623,522**	**-**	**-**	**37,173,393**	**-**	**-**
Financial liabilities	69,873,787	26,868,340	38.5%	67,954,479	22,062,205	32.5%
Trade payables	222,959,775	157,098,852	70.7%	195,102,211	149,067,953	76.4%
Other current liabilities	23,360,939	8,189,652	35.1%	21,189,443	8,055,311	38.0%
Provisions	2,066,000	-	-	510,000	-	-
Current liabilities	**318,260,501**	**-**	**-**	**284,756,133**	**-**	**-**
TOTAL LIABILITIES	**356,884,023**	**-**	**-**	**321,929,526**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**520,819,540**	**-**	**-**	**467,433,037**	**-**	**-**

REPLY S.P.A.
EQUITY INVESTMENTS IN SUBSIDIARIES WITH ADDITIONAL INFORMATION REQUIRED BY CONSOB (COMMUNICATION NO. 6064293 OF 28 JULY 2006)

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2014
@logistics Reply S.r.l.	Turin	EUR	78,000	1,288,015	710,398	100.0 %	1,049,167
Air Reply S.r.l.	Turin	EUR	10,000	10,861	(89,139)	85.0 %	98,500
Arlanis Reply S.r.l.	Turin	EUR	10,000	424,687	286,964	100.0 %	588,000
Arlanis Reply AG	Potsdam	EUR	70,000	59,278	(100,307)	100.0 %	1,005,000
Arlanis Reply GmbH	Munich	EUR	25,000	(938,695)	(453,745)	100.0 %	25,000
Aktive Reply S.r.l.	Turin	EUR	10,000	2,232,292	1,476,208	100.0 %	512,696
Atlas Reply S.r.l.	Turin	EUR	10,000	532,888	(182,150)	100.0 %	356,575
Avantage Reply Ltd.	London	GBP	5,086	3,351,273	(233,723)	100.0 %	9,483,484
Bitmama S.r.l.	Turin	EUR	29,407	829,965	797,160	51.0 %	217,019
Blue Reply S.r.l.	Turin	EUR	10,000	6,218,727	5,076,390	100.0 %	527,892
Breed Reply Ltd	London	GBP	10,000	(445,539)	(455,539)	100.0 %	12,477
Breed Reply Investments Ltd	London	GBP	100	-	-	80.0 %	103
Bridge Reply S.r.l.	Turin	EUR	10,000	152,458	134,552	60.0 %	6,000
Business Reply S.r.l.	Turin	EUR	78,000	1,705,698	1,122,279	100.0 %	268,602
Cluster Reply S.r.l.	Turin	EUR	139,116	5,240,227	4,165,600	100.0 %	2,610,032
Concept Reply GMBH	Munich	EUR	25,000	(1,135)	(88,354)	90.0 %	25,000
Consorzio Reply Public Sector	Turin	EUR	78,500	10,320	-	41.4 %	32,500
Consorzio Reply Energy	Turin	EUR	4,000	-	-	25.0 %	1,000
Discovery Reply S.r.l.	Turin	EUR	10,000	572,864	555,265	100.0 %	1,311,669
e*finance Consulting Reply S.r.l.	Turin	EUR	34,000	3,170,856	2,475,385	100.0 %	3,076,385
Ekip Reply S.r.l.	Turin	EUR	10,400	10,055	(51,654)	100.0 %	30,000
Engage Reply S.r.l.	Turin	EUR	10,000	10,546	(240,454)	85.0 %	249,500
Eos Reply S.r.l.	Turin	EUR	14,000	728,931	326,233	80.7 %	155,369
Forge Reply S.r.l.	Turin	EUR	10,000	11,926	(769,970)	100.0 %	12,000
Hermes Reply Polska	Katowice	ZLT	40,000	1,209,396	1,202,455	100.0 %	10,217
Hermes Reply S.r.l.	Turin	EUR	10,000	2,579,230	1,838,106	100.0 %	199,500
Inessence Reply GmbH	Düsseldorf	EUR	25,000	(1,446,306)	(1,244,226)	70.0 %	17,500
IrisCube Reply S.p.A.	Turin	EUR	651,735	3,467,099	2,558,314	100.0 %	6,724,952
Juice Reply S.r.l. (*)	Turin	EUR	10,000	208,179	197,845	100.0 %	140,000

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2014
Lem Reply S.r.l.	Turin	EUR	47,370	51,407	(261,508)	100.0 %	400,012
Live Reply GmbH	Düsseldorf	EUR	25,000	2,910,665	1,235,966	100.0 %	27,500
Open Reply S.r.l.	Turin	EUR	10,000	5,120,942	2,109,062	92.5 %	1,417,750
Pay Reply S.r.l.	Turin	EUR	10,000	536,962	524,867	100.0 %	10,000
Portaltech Reply GmbH	Gutersloh	EUR	25,000	(482,764)	(463,361)	68.0 %	17,000
Portaltech Reply S.r.l.	Turin	EUR	10,000	11,279	(64,521)	85.0 %	104,500
Power Reply S.r.l.	Turin	EUR	10,000	5,077,695	2,562,691	100.0 %	2,500,850
Reply Consulting S.r.l.	Turin	EUR	10,000	1,400,533	577,017	100.0 %	3,518,434
Reply GmbH & CO. KG.	Gutersloh	EUR	25,200	31,933,273	986,223	100.0 %	41,302,722
Reply Services S.r.l.	Turin	EUR	10,000	132,359	120,706	100.0 %	10,000
Reply Inc.	Michigan	US	50,000	251,364	232,041	100.0 %	40,596
Reply Ltd.	London	GBP	54,175	107,483	1,717,664	100.0 %	11,657,767
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte	BRL	650,000	5,198,507	4,122,054	98.5 %	206,816
Ringmaster S.r.l.	Turin	EUR	10,000	1,386,165	1,330,530	50.0 %	5,000
Riverland Reply GmbH	Munich	EUR	25,000	6,259,206	1,095,046	100.0 %	10,269,989
Santer Reply S.p.A.	Milan	EUR	2,209,500	15,247,138	4,653,092	100.0 %	11,386,966
Security Reply S.r.l.	Turin	EUR	50,000	1,101,216	1,046,630	100.0 %	392,866
Sensoria Inc.	Washington	US	-	-	-	19.99 %	3,887,432
Square Reply S.r.l.	Turin	EUR	10,000	9,807	(142,927)	100.0 %	100,000
Solidsoft Reply S.r.l.	Turin	EUR	10,000	10,126	(216,874)	85.0 %	225,500
Storm Reply S.r.l.	Turin	EUR	10,000	858,409	679,853	80.0 %	188,000
Syskoplan Reply S.r.l.	Turin	EUR	32,942	430,675	319,757	100.0 %	949,571
Sytel Reply S.r.l.	Turin	EUR	115,046	7,077,172	4,744,329	100.0 %	4,991,829
Sytel Reply Roma S.r.l.	Turin	EUR	10,000	6,670,270	4,876,054	100.0 %	894,931
Target Reply S.r.l.	Turin	EUR	10,000	2,358,062	1,539,069	100.0 %	778,000
Technology Reply S.r.l.	Turin	EUR	79,743	5,548,801	4,662,372	100.0 %	216,658
Triplesense Reply GmbH	Frankfurt	EUR	51,000	1,068,077	(18,319)	100.0 %	5,153,070
Twice Reply S.r.l.	Turin	EUR	10,000	3,909,062	755,113	98.0 %	521,202
Whitehall Reply S.r.l.	Turin	EUR	21,224	699,291	590,208	100.0 %	160,211

DETAILS OF SHAREHOLDERS' EQUITY STATED ACCORDING TO ORIGIN, POSSIBILITY OF UTILIZATION, POSSIBILITY OF DISTRIBUTION, AVAILABILITY AND THE UTILIZATION IN THE PREVIOUS THREE FISCAL YEARS.

				SUMMARY OF THE AMOUNTS USED IN THE PRIOR THREE FISCAL YEARS	
NATURE/DESCRIPTION	**AMOUNT**	**POSSIBILITY OF UTILIZATION**	**AVAILABLE**	**FOR COVERAGE OF LOSSES**	**OTHER**
Capital	4,863,486				
Capital reserve					
Reserve for treasury shares	9,127				
Share premium	23,302,692	A,B,C	23,302,692		
Reserve for purchases of treasury shares	29,990,873	A,B,C	29,990,873		
Income reserves					
Legal reserve	972,697	B			
Extraordinary reserve	72,186,144	A,B,C	72,186,144		
Surplus merger reserve	6,347,963	A,B,C	6,347,963		
Retained earnings	674,740	A,B,C	674,740		
Total			**132,502,412**		
Non available amount			-		
Residual available amount			**132,502,412**		
Reserves from transition to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,327,634				
Reserve for cash flow hedge	(3,612)				
Treasury shares	(9,127)				
IAS reserve	(191,755)				
Accounting expenses according to IAS 32	(770,448)				
	1,656,085				

Legend
A: for share capital increase
B: for coverage of losses
C: distribution to shareholders

DISCLOSURES PURSUANT TO ARTICLE 149-DUODECIES BY CONSOB

The following table, prepared in accordance with Art. 149-*duodecies* of the Regolamento Emittenti issued by Consob, reports the amount of fees charged in 2014 for the audit and audit related services provided by the Audit Firm and by entities that are part of the Audit Firm network. There were no services provided by entities belonging to its network.

(EUROS)	SERVICE PROVIDER	2014 FEES
Audit	Reconta Ernst & Young S.p.A.	30,950
Audit related services	Reconta Ernst & Young S.p.A. [1]	1,075
Total		**32,025**

[1] Attestation of tax forms (tax return, IRAP and Form 770)

ATTESTATION OF THE FINANCIAL STATEMENTS

in accordance with Article 154-bis of Legislative Decree 58/98

The undersigned, Mario Rizzante, in his capacity as Chairman and Chief Executive Officer, and Giuseppe Veneziano, Director responsible for drawing up Reply S.p.A.'s financial statements, hereby attest, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- suitability with respect to the Company's structure and
- the effective application

of the administration and accounting procedures applied in the preparation of the financial statements for the year ended 2014.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2014 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

3.1 the Financial Statements

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated 19 July 2002 as well as the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Turin, 13 March 2015

Chairman and Chief
Executive Officer
Mario Rizzante

Director in charge of
drawing up the financial statements
Giuseppe Veneziano

STATUTORY AUDITORS' REPORT

report on the statutory auditors to the shareholders' meeting pursuant to article 153 of the legislative decree 58/1998 on the financial statements as at 31 december 2014

Dear Shareholders,

pursuant to Article 153 of Legislative Decree No. 58/1998, as well as in compliance with outstanding laws and regulations, the Board of Statutory Auditors is reporting to the Shareholders' meeting on the supervisory activity performed, and any omissions or censurable acts that emerged and can make proposals with respect to the approval of the Financial Statements.

During the course of the financial year ended 31 December 2014, we complied with the duties set forth in Article 149 of Legislative Decree No. 58/1998 and we are providing the following information with reference to the recommendations contained in the Consob communications issued up to the present day concerning the Regulations for Issuers:

1. THE MOST SIGNIFICANT OPERATIONS FROM AN ECONOMIC, FINANCIAL AND EARNINGS STANDPOINT.

We obtained timely and adequate information from the Directors with respect to the most significant operations from an economic, financial and earnings standpoint carried out by the Company and/or by its subsidiaries in 2014 or subsequent to the end of the financial year, among which we note:

- The acquisition in March 2014 of 49% of the share capital of the English company Avantage Reply Ltd in which Reply S.p.A holds 100% share capital (acquisition already stated in the Statutory Auditors' report of 2013);
- The acquisition in July 2014 of the 19.99% of the share capital of the American company Sensoria Inc;
- In the month of June 2014 the constitution of the English company Breed Reply Ltd, and in the month of December the English company Breed Reply Investments Ltd., which is the advanced incubator that funds and supports the development of start-ups on the Internet of Things. During the first months of 2015 minority shares have been acquired in the following companies:
  - XMetrics Sports Ltd.,
  - BrainControl S.r.l.,
  - Cocoon Ltd and
  - Greeniant B.V..

We can reasonably state that such operations occurred in compliance with law and the Company's by-laws.

2. ANY UNUSUAL AND/OR ATYPICAL TRANSACTIONS, INCLUDING INTRA-GROUP OR WITH RELATED PARTIES.

On the basis of meetings with the Directors and with representatives of the Independent Auditor, it did not appear that any atypical or unusual transactions occurred during the financial year, nor after it ended.

With reference to intra-group transactions, we advise that:

- Reply S.p.A. obtained professional services from Group companies related to revenues connected to contracts stipulated with major clients;
- Reply S.p.A. gave bank guarantees, payable on first request, to subsidiaries;
- Reply S.p.A. granted the following subsidiaries loans without restrictions on use, aimed at supporting their activity:
  - › Open Reply S.r.l. and Storm Reply S.r.l. – non-interest bearing loan;
  - › Reply Ltd., Hermes Reply Polska Sp Zoo, Reply do Brasil Sistemas de Informatica Ltda, Live Reply Gmbh, Arlanis Reply GmbH, Concept Reply GmbH, Arlanis Reply AG, Portaltech Reply GmbH, InEssence Reply Gmbh, Reply Inc., Mind Services Informatica Ltda and Triplesense Reply GmbH– interest bearing loans;
- Reply S.p.A., in December 2014 has completely reimbursed the interest bearing loan with Reply & CO KG company that benefited from the hive down of Reply Deutschland AG);
- Reply S.p.A. provided subsidiaries with management, administrative, commercial and marketing services, the lease of premises, as well as services to manage the corporate internet network, electronic mail and web;
- Reply S.p.A. centrally managed the Group's treasury by means of correspondence bank accounts held by the individual subsidiaries;
- Reply S.p.A. granted Group companies the use of the "REPLY" trademark that it owns;
- Reply S.p.A. acquired "office services" (general services and the availability of office space) from Reply Services S.r.l. and from Santer Reply S.p.A..

Transactions with related parties in 2014, took place under normal market conditions, and are related to "office services", in particular to the office situated in Corso Francia, 110 Turin, provided by Alika S.r.l., Reply S.p.A.,'s direct parent company. For the above mentioned transactions the Procedures with Related Parties was not applied as the underlying transactions were insignificant, as defined by art. 4.4 of the procedures.

3. INFORMATION PROVIDED IN THE REPORT ON THE OPERATION ON ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP TRANSACTIONS AND THOSE WITH RELATED PARTIES.

The information provided by the Directors in the Report on Operations accompanying the Financial Statements as at 31 December 2014 and in the Notes to the Consolidated Financial Statements of the Reply Group and to the Financial Statements as at 31 December 2014 regarding the most significant transactions from an economic, financial and earnings standpoint, as well as transactions with subsidiaries, associated companies and related parties, are adequate

The Report does not reveal that any atypical and/or unusual transactions occurred during the year or after it ended.

4. COMMENTS AND PROPOSALS ON THE NOTES AND REQUESTS FOR INFORMATION CONTAINED IN THE REPORT OF THE INDEPENDENT AUDITOR.

Reconta Ernst & Young S.p.A., the company entrusted with the audit of the Financial Statements and Consolidated Financial Statements as at 31 December 2014, issued its Report on the date set forth herein, in which it confirms that the Financial Statements as at 31 December 2014 of Reply S.p.A. conform to the International Financial Reporting Standards endorsed by the European Union, as well as to the measures issued in implementation of Article 9 of Legislative Decree 38/2005, and were therefore prepared with clarity and represent in a true and fair manner the economic and financial situation, economic result and cash flows of Reply S.p.A. for the financial year ended on such date, and further the Report on Operations and the information set forth in paragraph 1, sections (c)(d)(f)(l)(m) and (2)(b) of Article 123-bis(1)(c)(d)(f)(l)(m) and (2)(b) of Legislative Decree 58/1998 presented in the Report on Corporate Governance and the Ownership Structure are consistent with the Financial Statements.

5. COMPLAINTS PURSUANT TO ARTICLE 2408 OF THE ITALIAN CIVIL CODE.

No complaints have been acknowledged pursuant to Article 2408 of the Italian Civil Code in 2014 and at present.

6. FILED COMPLAINTS/LAWSUITS.

The Company's Directors did not advise us of any complaints filed against them in the financial year, nor subsequent to the year ended.

7. THE GRANTING OF ANY FURTHER APPOINTMENTS TO THE INDEPENDENT AUDITOR AND RELATIVE COSTS.

During the course of 2014, in addition to the appointment to audit the Financial Statements as at 31 December 2014, Reconta Ernst & Young S.p.A. received the following appointments:

- The signing of Reply S.p.A.'s various tax forms (Modelli Unico, IRAP, 770)

The consideration for such appointment was 1.1 thousand Euros;

- The signing of various tax forms of Reply S.p.A.'s Italian subsidiaries (Modelli Unico, IRAP, 770)

The consideration for such appointment was 14.4 thousand Euros.

8. ANY APPOINTMENTS OF PARTIES CONNECTED TO THE INDEPENDENT AUDITOR BY ONGOING RELATIONSHIPS, AND THE RELATIVE COSTS.

Reconta Ernst & Young S.p.A. notified us that in 2014 professional appointments were granted to parties connected to Reconta Ernst & Young S.p.A. by ongoing relationships and/or by parties belonging to its network.
Specifically, Arlanis Reply AG and Triplesense Reply GmbH appointed Ernst & Young GmbH to conduct the voluntary statutory audit at 31 December 2014.
The consideration for such appointment was 9.8 thousand Euros, for each company.

9. INDICATION OF WHETHER OPINIONS WERE ISSUED IN ACCORDANCE WITH LAW DURING THE FINANCIAL YEAR.

During the financial year the opinions requested by the Board of Statutory Auditors were issued as provided by law.

10. INDICATION OF THE FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND BOARD OF STATUTORY AUDITORS.

During the financial year, the Board of Directors met 4 times, and the Board of Statutory Auditors 5 times.
The Internal Control and Risk Management Committee met 4 times, the Remuneration Committee met once, and the Committee for Related Party Transactions did not meet.
The Board of Statutory Auditors attended the meetings of the Board of Directors, and through its Chairman, those of the Internal Control and Risk Management Committee and the Remuneration Committee.

11. INSTRUCTIONS GIVEN BY THE COMPANY TO SUBSIDIARIES PURSUANT TO ARTICLE 114(2) OF LEGISLATIVE DECREE 58/1998.

The instructions given by Reply S.p.A. to subsidiaries, pursuant to the second paragraph of Article 114 of Legislative Decree 58/1998 appear to be adequate; similarly, the subsidiaries provided the Parent Company with the necessary information for its timely knowledge of the business situation.

We advise you that in order to guarantee the timely communication of the information requested, Mr. Daniele Angelucci, Executive Director and Finance and Control Manager of Reply S.p.A., also acted as advisor within all of the administrative bodies of the Italian subsidiaries, with the exclusion of the company Ringmaster S.r.l., as well as Director in numerous foreign subsidiaries.

We further advise you that the Chairman of Reply S.p.A.'s Board of Directors, Mr. Mario Rizzante, is the Director of the English subsidiaries Reply Ltd., Portaltech Reply Ltd., Avantage Reply Ltd, Breed Reply Ltd, Breed Reply Investments Ltd., and the Managing Director Tatiana Rizzante is the Management Director of the German subsidiaries Arlanis Reply GmbH, Live Reply GmbH, InEssence Reply GmbH, Portaltech Reply GmbH, Profondo Reply GmbH, Riverland Reply GmbH.

12. SIGNIFICANT ISSUES THAT EMERGED DURING THE MEETINGS HELD WITH THE INDEPENDENT AUDITOR PURSUANT TO ARTICLE 150(3) OF LEGISLATIVE DECREE 58/1998.

During the meetings held with representatives of the Independent Auditor, no significant issues emerged that are worthy of mention.

13. THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTED COMPANIES' CORPORATE GOVERNANCE COMMITTEE.

Commencing from 2000, the Company adheres to the Corporate Governance Code promoted by Borsa Italiana S.p.A., and revised in July 2014

On 14 March 2015 the Board of Directors approved the annual Report on Corporate Governance and Ownership Structure prepared pursuant to Article 123 bis of Legislative Decree 58/1998.

14. FINAL CONSIDERATIONS ON THE SUPERVISORY ACTIVITY CARRIED OUT, AS WELL AS WITH RESPECT TO ANY OMISSIONS, CENSURABLE EVENTS OR IRREGULARITIES DISCOVERED DURING SUCH ACTIVITY.

The Board's supervisory activity was carried out through:

- Activities aimed at controlling compliance with laws and the by-laws;
- Participation at the meetings of the Company's governing bodies;
- Acquiring information during periodic meetings with the Independent Auditor concerning both the activity it performed as well as any risks related to its independence;
- Acquiring information during meetings with members of the Board of Statutory Auditors of the subsidiaries to exchange information on the Group's activities and coordinate control and supervisory activities;
- Gathering additional information during meetings with the Chairman of the Company, the Director responsible for drawing up the Company's Financial Statements, the Person in charge of internal control and the Supervisory Body;
- Participation at the meetings of the Internal Control and Risk Management Committee and the Remuneration and Nominating Committee;
- The analysis of any new provisions of law or Consob communications of interest to the Company.

The Board confirmed that the organizational requirements were met to comply with the relevant Company by-laws, laws and regulations, in the constant evolution and search for improvement.

In particular, we advise the Shareholders that:

- We have monitored the conformity of the Procedure for Transactions with Related Parties, approved by Reply S.p.A.'s Board of Directors on 11 November 2010 and which entered into force on 1 January 2011, according to the standards indicated in the Regulations approved by Consob by means of Resolution No. 17221 of 12 March 2010 and subsequent modifications, as well as compliance with it;
- We controlled the correct application of the criteria adopted by the Board of Directors in evaluating the existence of the conditions of independence of the "independent Directors";
- We monitored, when requested, compatibility with legal restrictions on services other than the audit of the annual and consolidated accounting records provided by the Independent Auditor to Reply S.p.A. and to its subsidiaries;
- We controlled compliance with the limit on the accumulation of appointments pursuant to Article 144-terdecies of the Consob Issuers' Regulation No. 11971 as well as whether the members of the Board of Statutory Auditors possess the same pre-requisites of independence required for Directors;

- We did not receive any reports of the Supervisory Body's violation of the Organizational and Management Model pursuant to Legislative Decree 231/01;
- We verified compliance with the laws on "*Market abuse*" and "*Protection of savings*" in matters of corporate disclosures of information and "*Internal Dealings*".

On the basis of the principles mentioned and the information acquired during the audits and participation at meetings with the persons responsible for administration and the internal control, we reached the following conclusions:

1) ADMINISTRATION

The Board of Statutory Auditors, having participated at the meetings of the Board of Directors, on the basis of the information obtained at such time, acknowledges that it has verified, with the exclusion of control of the merits of the opportunity and economic convenience of the choices made by such body, that the transactions performed and being carried out by the Company are based on principles of proper administration, conform to law and the By-laws, do not conflict with the resolutions of the Shareholders' meetings or compromise the integrity of the Company's assets.

2) ORGANISATIONAL STRUCTURE

Within the scope of the responsibilities bestowed on us by the rules set forth in Legislative Decree 58/1998 and in compliance with the Governance Rules of the Board of Statutory Auditors, we met periodically with the Directors of the Independent Auditor and the organizational department, to gather the necessary information.
This allowed the Board of Statutory Auditors to thoroughly supervise the Company's organizational structure and to arrive at a judgment of overall adequacy with respect to its size.

3) INTERNAL CONTROL SYSTEM

Within the Board of Directors there is a Committee for Internal Control and Risk Management, a Remuneration and Nominating Committee, and a Committee for Transactions with Related Parties, whose activities are carried out according to a program in line with the needs of the Company.
The participation of the Director in charge of the Internal Control, as well as our participation at the meetings of the Internal Control and Risk Management Committee, allowed us to coordinate our functions as the Internal Control and Audit Committee, assumed pursuant to Article 19 of Legislative Decree 39/2010, with the activities of the Internal Control and Risk Management Committee, and, in particular, to carry out the supervisory activities provided by Article 19 of

Legislative Decree No. 39/2010.
On the basis of our analysis and the audits conducted, the overall system appears to be substantially fair and reliable.
We received from Reconta Ernst & Young S.p.A. the notice issued pursuant to Article 17(9)a) of Legislative Decree 39/2010, as well as the report set forth in Article 19(3) of Legislative Decree No. 39/2010 which states that no fundamental issues emerged during the audit, nor significant gaps in the Internal Control System in relation to the financial reporting process.

On the basis of our analysis and the audits conducted, the overall system appears to be substantially fair and reliable.

4) ADMINISTRATIVE - ACCOUNTING SYSTEM

Our assessment of the administrative-accounting procedures is positive, and they also appear to be imposed on the companies belonging to the Group.
We therefore deem that the administrative-accounting system is suitable to represent and monitor management, the presentation of the data for the reporting period, the identification, prevention and management of financial and operational risks, and any fraud that could damage the Company.
The Chairman and the Director in charge of drawing up the Company's Financial Statements have issued, pursuant to Article 81-ter of Consob Regulation No. 11971/1999 and subsequent modifications and supplements, the attestation required by Article 154-bis(5) of TUF (Legislative Decree 58/1998).

15. ANY PROPOSALS TO MAKE TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/1998.

In relation both to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998 and the general supervisory obligation pursuant to Article 149(1) of such Decree, as well as the agenda of the Shareholders' meeting which includes discussion of the Financial Statements for the reporting period, the Board of Statutory Auditors states that it has supervised compliance with the procedural rules and law with respect to their preparation.
We note that the Financial Statements as at 31 December 2012 were prepared in compliance with European Regulation No. 1606/2002 of 19 July 2002, in compliance with International Financial Reporting Standards (IAS/IFRS).
On the basis of the controls made directly and the information exchanged with the Independent Auditor, and also in view of the latter's report pursuant to Article 14 of Legislative Decree

39/2010 which expresses a judgment without reservations, the Board of Statutory Auditors has no comments or proposals with respect to the Financial Statements or Report on Operations and the proposals set forth therein, which it consequently considers, to the extent of its specific expertise, should meet your approval.
Similarly, with specific reference to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998, the Board does not have any proposals to make with respect to the other matters within its scope of expertise.
With reference to the point on the agenda concerning the purchase and disposal of treasury shares, recalling disclosures made by the Directors, the Board states that the resolution proposed is in accordance with articles 2357, 2357-ter of the Italian Civil Code, in accordance with Article 132 of Legislative Decree 58/1998, as well as those of Art. 144-bis of Consob's Issuers Regulation no. 11971 of 14 May 1999.

To conclude we would like to remind you that our three year mandate has expired and would like to thank you for the trust you have placed in us and would like to invite you to take the necessary actions.

Turin, 27 March 2015.

THE STATUTORY AUDITORS

(Prof. Cristiano Antonelli)

(Dott.ssa Ada Alessandra Garzino Demo)

(Dott. Paolo Claretta Assandri)

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Reply S.p.A.

1. We have audited the financial statements of Reply S.p.A. as of 31 December 2014 and for the year then ended, 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. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Reply S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 24 March 2014.

3. In our opinion, the financial statements of Reply S.p.A. at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Reply S.p.A. for the year then ended.

4. The Directors of Reply S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and Proprietary Assets in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in

compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and Proprietary Assets, are consistent with the financial statements of Reply S.p.A. at 31 December 2014.

Turin, 27 March 2015

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.

REPORT ON CORPORATE GOVERNANCE AND PROPRIETARY ASSETS 2014

Reply S.p.A.

REPORT ON CORPORATE GOVERNANCE AND PROPRIETARY ASSETS 2014

Approved by the Board of Directors on 14 March 2015

www.reply.eu

Pursuant to art.123 bis Legislative Decree no. 58/1998.

CORPORATE GOVERNANCE SYSTEM

The Corporate governance system adopted by the company, that is, the set of laws and bylaws adopted in order to ensure the efficient and transparent functioning of the corporate bodies and of the control systems, adheres to the Corporate Governance Code issued by Borsa Italiana in March 2006, updated in July 2014 (hereinafter “the Code”).

The Company is incorporated under Italian law and listed on the stock exchange on the MTA market, STAR segment. The governance structure of Reply S.p.A. – based on the traditional model, is made up of the following bodies: The General Shareholders’ meeting, the Board of Directors (that carries out its function through Executive Directors and is advised by an Internal Control and Risks Committee and a Remuneration and Nomination Committee), the Board of Statutory Auditors and Independent Auditors.

The General Shareholders’ meeting is the corporate body, which expresses the requests of the shareholders through its resolutions. Resolutions passed in compliance with the law and the by-laws are binding on all shareholders independently whether they agree or disagree unless the latter draw out, in the cases allowed. The Shareholders are convened according to the rules set out for listed companies.

The Board of Directors has the function to define and approve the company’s strategic, operating and financial plans in addition to the corporate structure it heads. The Board is invested with the broadest powers of management of the company in order to perform all the actions held to be most appropriate in the pursuit of the company object, with the exception of those reserved to the Shareholders’ meeting.

The Board of Statutory Auditors is responsible for the supervision of compliance with the law and by-laws and more specifically:

- Supervision of proper management by verifying:
  - The respect of good management principles;
  - The adequate structure of the company;
  - The implementation of the rules of corporate governance;
  - The adequacy of information disclosed by the subsidiaries in relation to mandatory information to the market and concerning privileged information.
- Role of committee for internal control and audit responsible for overseeing:
  - The financial reporting process;
  - The effectiveness of the internal control, internal audit and risk management systems;
  - The audit of the annual separate and consolidated accounts;
  - The independence of the independent auditors.

The Board of Statutory Auditors is not responsible for the legal audit which is a function performed by an independent company appointed by the Shareholders' meeting.
The independent audit firm is responsible for checking that the company's accounts are properly kept and that managerial operations are correctly reflected in the accounting records. The auditors also verify that the separate and consolidated accounts correspond to the accounting records and to verifications performed and that they are in compliance with the applicable regulations. The Independent Auditors can also perform other services upon request of the Board of Directors, if not incompatible with the legal audit engagement
Governance also includes the Internal Control System, the Organizational and management Model pursuant to Article 6 of Legislative Decree no. 231/2011 and the structure of the powers and proxies, as presented herein.
The following Report - and where it is deemed necessary in Report on Remuneration- includes the governance structure examined by the Board of Directors on 13 March 2015 and it accounts for the recommendations of the Code that the Board of Directors has decided not to adopt, providing related motivations and/or, where pertinent, the alternative recommendations adopted.
The Report on Corporate Governance, that is an integral part of the Report on Operations, along with the company's by-laws, are available on the company's website (www.reply.eu – Investors – Corporate Governance).

OWNERSHIP STRUCTURE
(ex Art. 123-bis, paragraph 1, of Italian Legislative Decree. 58/1998) at 13 March 2015

CAPITAL STRUCTURE

The share capital structure of Reply S.p.A. is summarized below.

The share capital fully paid and subscribed at 13 March 2015, amounts to 4,863,485.64 Euros, divided in 9,352,857 ordinary shares having nominal value of 0.52 Euros- no other form of shares exist. At present, the stock option plans, no longer exist as the stock options have been entirely exercised.

OWNERSHIP STRUCTURE

	ORDINARY SHARES	% WITH RESPECT TO S.C.	LISTED/ NON-LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	9.352.857	100%	Listed	ex law
Plural voting share	-	-	-	-
Limited voting share	-	-	-	-
Non voting share	-	-	-	-
Other	-	-	-	-

RESTRICTIONS ON THE TRANSFER OF SHARES

The by-laws do not foresee restrictions on the transfer of shares.

SIGNIFICANT SHAREHOLDERS

According to the Shareholders' Ledger, to the notifications received in compliance to the laws and according to other available information as at 13 March 2015, the shareholders that directly or indirectly hold stakes greater than 2% of the share capital having the right to vote are the following:

SHAREHOLDER	DIRECT SHAREHOLDER	OWNERSHIP % OVER SHARE CAPITAL	OWNERSHIP % OVER VOTING CAPITAL
Rizzante Mario	Alika S.r.l.	52.7775	52.7775
	Rizzante Mario	0.1080	0.1080
	Total	**52.8855**	**52.8855**
GMT CAPITAL CORP	GMT CAPITAL CORP	5.0498	5.0498
BNY Mellon Service Kapitalanlage	BNY Mellon Service Kapitalanlage	4.4249	4.4249
Goldman Sachs Segregation	Goldman Sachs Segregation	3.3049	3.3049

SHARES GRANTING SPECIAL RIGHTS

No shares have been issued that grant special rights of control.

EMPLOYEE SHAREHOLDINGS: MECHANISM EXERCISING VOTING RIGHTS

In the case of employee shareholdings, a system by which the voting right can be exercised directly by someone else does not exist.

RESTRICTIONS ON VOTING RIGHTS

The company by-laws have not established restrictions on voting rights.

AGREEMENT WITH SHAREHOLDERS

At present, the Company has the following lock-up agreements in compliance to art. 122 of Legislative Decree n. 58/1998, in which shareholders have more than 2% of the share capital: Agreement dated 9 November 2004, tacitly renewed for a further three year period and until 9 November 2010, and tacitly renewed for a further three-year period until 9 November 2013, by which the shareholders of Alika S.r.l., with headquarters in Torino Corso Francia no. 110, share capital of 90,600.00 Euros entirely called up, fiscal code and Torino company registration no. 07011510018, for a stake of 46,206.00 Euros equivalent to 51% (fifty-one percent) of the share capital and more specifically:

- Mr. Mario Rizzante holder of 5,706.00 Euros, equivalent to approximately 6.3% (six point three percent) of the share capital;
- Mrs. Maria Graziella Paglia holder of 17,100.00 Euros equivalent to approximately 18.87% (eighteen point eighty-seven percent) of the share capital;
- Mrs. Tatiana Rizzante holder of 11,700.00 Euros equivalent to approximately 12.91% (twelve point ninety-one percent) of the share capital;
- Mr. Filippo Rizzante holder of 11,700.00 Euros equivalent to approximately 12.91% (twelve point ninety-one percent) of the share capital;

have signed a lock up agreement according to ex Article 122 of TUF for a three year period and renewable for equal periods as long as one of the shareholders does not communicate the cancellation with a six months written notice, having the right to vote in the company Alika S.r.l., holding of Reply S.p.A.

CHANGE OF CONTROL AND STATUTORY RULINGS IN PUBLIC TENDER OFFICES

With reference to agreements that could be cancelled in relation to a change of control in Reply S.p.A., the following is noted:

FINANCING CONTRACTS

Reply S.p.A., has entered into the following loan agreements with Intesa San Paolo:

- On 25 September 2012 a contract was signed for 2.5 million Euros.
- On 24 December 2012 a contract was signed for 1.5 million Euros.
- On 13 November 2013 a contract was signed for 20 million Euros.

Reply S.p.A., has entered into the following loan agreements with Unicredit SpA:

- On 15 September 2012 a contract was signed for 15 million Euros;
- On 25 November 2013 a contract was signed for 25 million Euros.

These contracts, having the scope of financing the Group for acquisitions on the Italian or European market, allow the funding banks the faculty to call off the contract in case of a change of control directly or indirectly in Reply S.p.A., in accordance with Art. 2359 of the Italian Civil Code.

BUSINESS AGREEMENTS AND CONTRACTS

Within some business agreements and contracts undersigned by Reply S.p.A. it is mandatory to notify the change of control: the Company has also undersigned contracts in which the clause “Change of control” implies immediate cancellation of the contract.
Such agreements, which are not very significant when compared to the whole of Group activities, are subject to confidentiality clauses.

PUBLIC OFFICES

Reply’s by-laws do not provide any regulations in relation to the passivity rule provided for by art. 104, paragraph 1 and 2 of TUF nor does it foresee the application of the neutralization rules contemplated in art. 104-bis, paragraphs 2 and 3 of the TUF.

PROXIES TO INCREASE SHARE CAPITAL AND AUTHORIZATION TO BUY TREASURY SHARES

The General Shareholders' meeting has given proxy to the Board of Directors to increase the share capital, pursuant to Article 2443 of the civil code.

The information regarding the current proxies is detailed in the table below:

RESOLUTION					AMOUNT PROXY	PROXY EXECUTED
THE GENERAL SHAREHOLDERS' MEETING	**PROXY**	**EXPIRY DATE**	**EUROS**	**SHARES**	**EURO**	**SHARES**
28/04/2011	The Board of Directors has the proxy to increase the share capital with the exclusion of pre-emptive rights, payable in different forms and to be executed separately against payment in shares of enterprises having the same business scope or instrumental to the development of the Company's activities.	28/04/2016	312.000	600.000	-	-

The Shareholder's, following resolution passed on 16 April 2014, have authorized the acquisition of treasury shares in accordance with art. 2357 of the Italian Civil Code as follows:

number of shares: considering the treasury shares already held by the Company at the said date, a maximum number of 1,869,564 ordinary shares at 0.52 Euros, corresponding to 19.9892% of the existing share capital within the maximum spending limit of 30,000,000 Euros;

duration: for a period of 18 months, that is from 16 April 2014 to 16 October 2015, in substitution of the previous authorization resolved by the Shareholders' meeting of 23 April 2013;

minimum purchase price: nominal value of the ordinary shares (presently 0.52 Euros);

maximum purchase price: not greater than the official trade price on the MTA Market the day prior to the purchase applying a spread of 15%, and a disbursement of maximum 50,000,000 Euros;

authorization to sell: (i)on the market or in blocks, through a public bid; (ii) sale, transfer, or trade of shares for investment acquisitions or negotiations with strategic *partners* (iii) following agreements made with individual Directors, employees and or collaborators of the Company or with directly or indirectly controlled companies, that do not meet the requirements of Stock granting pursuant to ex. Art. 114 bis of the TUF (iv) against payment in kind pursuant to the regulations of the Stock Granting plans.

At the reporting date the company held 1,007 treasury shares.

On 28 April 2011 the Company resolved to grant the Board of Directors, pursuant to Article 2443 of the Civil Code, the powers to increase the share capital in one or more tranches for a period of five years pursuant to art. 2441 paragraph 4, for a maximum nominal value of 312,000 Euros through the issue of 600,000 Reply S.p.A ordinary shares with a par value of 0.52 Euros each, to be executed in one or more tranches and therefore separable, for a maximum five year period.
The new shares will be issued separately against payment in shares of enterprises having the same business scope or instrumental to the development of the Company's activities.
The Board of Directors pursuant to Article 2441, paragraph 6 of the Civil Law, shall determine the price of the shares with reference to the trend of the stock market for the operation in the increase of share capital, and subordinated to the best practice methods of evaluation at an international level that take into consideration the market multipliers of comparable companies and to financial economic models commonly recognized and used in the respect of the minimum share price calculated as the single value of the share of the consolidated net equity resulting in the most recently approved Financial Statements by the Board of Directors prior to the resolution of the increase in share capital.

It is to be noted that:

- The information requested by art.123-bis, first paragraph letter i) of TUF is disclosed in the Directors' report at the paragraph disclosing Director's remuneration;
- The information requested by art.123-bis, first paragraph letter l) of TUF is disclosed in the Directors' report at the paragraph disclosing information on the Board of Directors.

MANAGEMENT AND COORDINATION ACTIVITIES

Reply S.p.A. is not subject to management and coordination activities pursuant to Article 2497 and subsequent of the civil code.
The Parent company does not exercise control and coordination activities over Reply S.p.A. in as much as it qualifies as a holding, lacking an autonomous organizational structure and consequently does not carry out management activities for Reply S.p.A.
All the Italian subsidiaries held, directly or indirectly, by Reply S.p.A. have accurately disclosed the control and coordination to which they are subject by Reply S.p.A. in accordance with art. 2497 – bis of the Italian Civil Code.

COMPLIANCE (ex Art. 123-bis, para 2, letter a, TUF)

The Report herein reflects and illustrates the corporate governance structure that the Company has adopted in compliance to the requirements of the Code, available on Borsa Italiana's website http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf and to which the Company has adhered.
The Board of Directors is always inclined at evaluating any new views and orientations that the Corporate Governance Code could consider and eventually integrate and amend the Company's Corporate Governance only if, and compatible with the company's reality, and that such integration enables the Company to further strengthen its reliability with investors.
Reply S.p.A. and its key strategic subsidiaries, to the Board of Directors knowledge, are not subject to foreign laws that have an influence on the corporate governance structure of the Issuer.

BOARD OF DIRECTORS

NOMINATION AND SUBSTITUTION OF DIRECTORS

The nomination and substitution of Directors is disciplined by art. 16 (Nomination of Directors) of the by-laws, and is available on the Company's website (www.reply.eu under – Investors – Corporate Governance).
Art. 16 of the Company's by-laws has been revised under the General Meeting's resolution of 14 June 2007 in order to comply with the changes made to the laws and regulations recently introduced, even in relation to the "voting list" mechanisms, under Article 5 of the Civil Code. The same Article has been further amended by the Board of Directors resolution passed on 26 October 2010 following mandatory amendments to the regulation introduced by Legislative Decree no. 27/2010 (exercising of rights of the shareholders of listed companies). The regulations contained in Art. 16 of the Company's by laws have been further revised under the General Meeting's resolution of 16 April 2014 following mandatory amendments to the balance between the genders in the listed companies.
Art. 16 of the Company by-laws, regulates that:

- The list of candidates running for Director, shall be deposited at the company's registered office twenty-five days prior to the date of the first call for the Annual General Shareholders' meeting; at least twenty-one days prior to the Shareholders' meeting, the list together with the information and declarations required, shall be made available to the public;
- Only those shareholders that alone or together with others represent 2.5% of the ordinary voting shares have the right to present the lists or the minimum minority voting share required in accordance with binding laws or regulations;
- The lists that do not reach the percentage of votes equivalent to at least half of those required for the presentation of the same, cannot be considered when apportioning the Directors to be elected;
- The list presenting candidates equivalent or superior to three shall be composed by candidates from both genders, so as the number of candidates, in accordance to the regulations of the Report, belong also to the less represented genders (it shall be rounded up to the next number if in excess);
- The voting mechanism appoints the Directors from the list having obtained the majority votes by the shareholders and following the order on the list, five sevenths of the Directors will be selected from the eligible candidates, while the remaining Directors will be selected from the other lists, guaranteeing in any case, that at least one candidate has been voted by the minority list that has received the most number of votes and that is not connected in any

way, not even indirectly, to the shareholders that presented or voted the list that reached the greatest number of votes;

- In the case where the minimum number of Independent Directors have not been nominated according to the procedure mentioned above, the last candidate elected from each list which has been nominated by at least one Director and who has received the most votes will be substituted by the candidate immediately following until the minimum number of Independent Directors have been elected.
- As to represent a balance in the genders, the last candidate elected from the section of the list that obtained the most votes belonging to the most represented gender shall lapse and shall be replaced by the first candidate not elected from the same list and the same section belonging to the least represented gender. Otherwise, the Shareholders' Meeting shall make up the number of the Board of Statutory Auditors with the majorities required by law, ensuring that the requirement is complied with.
- The company by-laws regulate that Independent Directors not only must meet the requirements established for Statutory Auditors in accordance with art. 148, paragraph 3, of Legislative Decree 24 February 1998 no. 58, but must also meet requirements established by the Corporate governance code adopted by the Company.

Following a periodic internal control process, and considering the current composition of the Board of Directors and the shares held in Reply S.p.A. by various members, a succession plan for Executive Directors has not been adopted also in light of the fact that the business management is guaranteed through a prompt substitution of executives.

MEMBERS

The Company's Board of Directors is made up of a variable number of members from a minimum of 3 to a maximum of 11. The number of members is resolved by the Annual General Shareholders' meeting.

As required by the Corporate Governance Code, the Board of Directors is made up of Executive and Non-Executive Directors, the number, competence, authority and time availability of Non-Executive Directors shall be such as to ensure that their judgment may have a significant impact on the taking of board's decisions.

At present the Board of Directors is made up of nine (9) Directors of which six (6) Executive:

- Mr. Mario Rizzante Chairman and Chief Executive Officer
- Ms. Tatiana Rizzante Chief Executive Officer
- Mr. Oscar Pepino Executive Director

- Mr. Claudio Bombonato Executive Director
- Mr. Daniele Angelucci Executive Director
- Mr. Filippo Rizzante Executive Director
- Dott. Filippo Rizzante Executive Director

and three (3) Non-Executive and Independent Directors:

- Mr. Fausto Forti (Lead Independent Director)
- Mr. Marco Mezzalama
- Mr. Carlo Alberto Carnevale Maffè

The Directors operate and take decisions in an informed and unconditioned matter, pursuing the primary objective of creating value for the shareholders. The members above were nominated by the Annual Shareholders' resolution on April 27, 2012 based on the list presented by the majority shareholder Alika S.r.l. Office for the above members terminated with the approval of the 2014 financial statements. They hold office with the awareness of being able to dedicate the necessary time in order to carry out their actions diligently.

The Chairman coordinates the activities and conducts the Board of Directors Meetings and takes the necessary actions so as to inform the members well in advance on significant points and useful items in order to participate in a profitable manner with the exception of urgent and confidential matters.

The Chairman furthermore, by means of the operational members of the company, makes sure that the Directors participate in initiatives aimed at increasing knowledge of the company reality and its evolution and that they are informed about the major new legislation and regulations that concern the Company and its governing bodies.

With regard to the application of the criterion of apportionment in relation to the election of Directors, pursuant to Art. 147 ter, paragraph 1 ter of the TUF, the law no. 120 of 2011 established that the above provisions shall apply from the first renewal of the Board one year from the date of entry into force of the above-mentioned law; such rules apply to Reply to S.p.A. as from the renewal of the corporate bodies on the approval of the Financial Statements at 31 December 2014.

The table below discloses the main information related to the Board of Directors in compliance with Article 144-duodecies issued by Consob

Name	Position held	Year of Birth	Date of first nomination	Board of Directors								Internal control and risks committee		Remuneration and Nomination committee	
				In office	L (**)	E	N.E	I.code	I. TUF	%	Other offices	Attendance	%	Attendance	%
Mario Rizzante	Chairman and Chief Executive Officer	1948	10/07/2000	From 1/1/12 to 31/12/14(*)	M	X	-	-	-	-	-	-	-	-	-
Tatiana Rizzante	Chief Executive Officer	1970	10/06/2003	From 1/1/12 to 31/12/14(*)	M	X	-	-	-	100.00%	1(***)	-	-	-	-
Oscar Pepino	Executive Director	1952	10/07/2000	From 1/1/12 to 31/12/14(*)	M	X	-	-	-	75.00%	-	-	-	-	-
Claudio Bombonato	Executive Director	1946	13/12/2007	From 1/1/12 to 31/12/14(*)	M	X	-	-	-	75.00%	2	-	-	-	-
Daniele Angelucci	Executive Director	1956	27/04/2012	From 1/1/12 to 31/12/14(*)	M	X	-	-	-	100.00%	-	-	-	-	-
Filippo Rizzante	Executive Director	1972	27/04/2012	From 1/1/12 to 31/12/14(*)	M	X	-	-	-	100.00%	-	-	-	-	-
Fausto Forti	Lead Independent Director	1949	19/04/2004	From 1/1/12 to 31/12/14(*)	M		X	X	X	75.00%	1	X	100%	X	100%
Marco Mezzalama	Non-Executive independent Director	1948	10/06/2003	From 1/1/12 to 31/12/14(*)	M		X	X	X	100.00%	1	X	75%	X	100%
Carlo Alberto Carnevale Maffé	Non-Executive independent Director	1961	28/07/2005	From 1/1/12 to 31/12/14(*)	M		X	X	X	75.00%	1	X	100%	X	100%
Number of meetings held in 2014				Board meetings: 4								Meetings of the Risk and Control Committee: 4			

(*) in office until the Shareholders' meeting for the approval of 31 December 2014 Financial Statements
(**) the last quorum for the presentation of the lists reached 2.5%. Nomination was unanimous with votes in favors amounting to 52.21% of share capital.
(***) office held until 10 April 2014
Legend
L: list
M/m: M/majority list m/minority list
E: Executive
N.E.: Non-Executive
I: independent
I TUF independent pursuant to art. 148 of TUF

Following is a brief description of personal and professional characteristics of the members of the Board of Directors of the Company.

Mario Rizzante (Chairman, Chief Executive Officer and founder of Reply S.p.A.)

Mr. Rizzante received a graduate in Science of Informatics at the University of Turin. In the 70's, within the Fiat Group, Mr. Rizzante worked on several projects for manufacturing automation. In 1981 Mr. Rizzante left Fiat and founded Mesarteam S.p.A., a System Integration company that in a few years became one of the leading Italian companies in the ICT sector. In 1990 Mesarteam was sold to Sligos, company belonging to the Group Crédit Lyonnais and Mr. Rizzante contributed as Chairman and strengthened relations with important international clients. In 1994 Mr. Rizzante joined Digital (now HP), as Southern Europe Territory Manager of System Integration and Consulting. In June 1996, together with other partners Mr. Rizzante decided to undertake a new entrepreneur endeavor: constructing a system integration and consulting company specialized in new internet technologies. Reply comes to life. Within only four years since its constitution, in December 2000, Mr. Rizzante leads Reply to the Stock market, listing it on the market in Milan. In 2014 he was nominated "Cavaliere del Lavoro" (Historian of the Workforce).

Tatiana Rizzante (Chief Executive Officer of Reply S.p.A.)

Tatiana Rizzante received a Bachelor degree in Informatics Engineering at the Polytechnics of Turin. Immediately after having graduated, in 1995 Mrs. Rizzante begins working in the field of experimental and research activities on the Internet in collaboration with the Polytechnics of Turin and Cselt. In 1996 within Technology Reply S.r.l., she participates actively in projects involving the realization of Intranet websites, network computing and information retrieving. She continues her career within the Reply Group covering the role of Technical Director in Sytel Reply S.r.l. with the task of developing a competence center related to Internet services for Telecommunication operators. In 2002 Mrs. Rizzante was appointed Senior Partner of Reply with the mission of pursuing the business line Technological Architectures and Portals, along with marketing, communication and partnership activities. In 2003 Mrs. Rizzante was appointed Director of the Board of Directors of Reply and carries out Sales & Marketing activities in Italy for the entire Group. From April 2011 to April 2014 she held the position as Independent Director at Ansaldo Sts S.p.A. (Finmeccanica Group company). She is a member of the Board of Directors of Confindustria Digitale, an industrial federation of representation, which has the aim to promote the development of the digital economy through competition and the innovation of the country.

Oscar Pepino (Executive Director and founder of Reply S.p.A.)
Mr. Pepino graduated in Science Informatics at the University of Turin in 1977. In 1981 he founded Mesarteam S.p.A., a System Integration company fulfilling his management role from the headquarters in Milan. After Mesarteam was sold to Sligos, company belonging to the Group Crédit Lyonnais in 1990, Mr. Pepino joins Digital (now HP), covering the role of informatics consultant. In June 1996 he participates in the foundation of Reply and fulfils the role of Chief Executive Officer with the task of Technical and Quality Director of the Reply Group. Mr. Pepino is currently is in charge of the Reply Group Operations Office which runs the informatics system, quality management, the management of operational quarters, PM Academy and Cmmi; Safety at work and Privacy, supervision of the Internal Control System and tasks associated to this role in accordance with the Procedures for Operations with Related Parties.

Claudio Bombonato (Executive Director of Reply S.p.A.)
Mr. Claudio Bombonato graduated in Aeronautics Engineering from the Polytechnics of Turin. He holds a Doctorate in Philosophy in Aerospace Engineering from the Turin University, and also a Masters degree in Business Administration from Università Commerciale Luigi Bocconi. After a 10 year professional experience in Fiat Aviation Division and IBM Italy, he started working at McKinsey (in 1981) where he was mainly involved in the banking sector and ICT. In 1986 he became Partner and leader in financial institutional practices and ICT in Italy. In 1990, he was appointed Director of the company by McKinsey and was a member of the European leadership group on Financial Institutions. Mr. Claudio Bombonato was the European Supervisor overseeing Commercial Banking practices for a number of years. In 2006 he left Mckinsey and was appointed European Senior Advisor for Morgan Stanley (Financial Institution sector in Italy). He has published many articles on strategic thematic, organization and technology both for the financial and public sectors. He was Member of the Board at SI Holding and Banca Fonspa S.p.A. until November 2013 At present he is a Member of the Board at Whysol S.p.A. a financial holding company active in the energy sector. Since March 2014 he is the Chairman of Anima Holding S.p.A., a company which is listed on the Italian stock exchange.

Daniele Angelucci (Executive Director of Reply S.p.A.)
Daniele Angelucci worked from 1976 to 1986 at the Centre of Study & Laboratories of Telecommunications (CSELT, now Telecom Italy Lab) as a researcher; From 1986 to 1995 he worked in Mesarteam S.p.A. fulfilling various roles including Technical Director of the Rome office, Head of Technical Software and then Technical Director of Turin. He joined Reply as a Senior Partner in 1996. In 1996 he became President and founding member of Cluster Reply,

a group company focused on e-business solutions using Microsoft technology. From 2000 to 2002 he was Director of operations in the Turin area. In 2003 he became CEO of Santer S.p.A., a company specialized in the health market and local government. From 2006 to 2010 he was Chief Financial Officer of Reply Deutschland AG. Since 2011 he has been Chief Financial Officer of Reply S.p.A.

Filippo Rizzante (Executive Director of Reply S.p.A.)
A computer engineering graduate from the Polytechnic University of Turin, whom has always been fascinated by new technologies. He began his career with Reply in 1999. In the early years, he worked within the Group mainly in consultancy and projects for the web division, focusing in particular on the development of B2B and B2C portals. In 2003 he held the position of Technical Manager of Technology Reply Rome, and then continued his career within YH Reply (now Whitehall Reply) as CEO. In 2006 he became Executive Partner of the Reply Group, overseeing the Group companies that deal with Oracle technologies, Safety, Information Lifecycle Management, Web 2.0 and Open Source. Over the years his responsibilities within the Group grew and he assumed direct responsibility for various business lines, including Architecture and Technologies, Digital and Mobile Media – in addition to contributing to the success of the Reply offer in the context of Cloud Computing, Digital Media and Social Media for significant Italian and foreign clients. Since 2012, in the capacity of Reply CTO, he led the development of new offer elements associated with technological innovation and assumed Group responsibility for all partnerships.

Fausto Forti (Independent Director and Lead Independent Director of Reply S.p.A.)
Mr. Forti has a graduate degree in mathematics. From 1974 to 1983 he held several positions in Inveco S.p.A. (Fiat Group) among which: IS and in charge of Spare parts for the Brazilian affiliate; from 1983 to 1994 in Fiat S.p.A. he held the position of Director of Logistics. From 1994 to 2004 joins the TNT Group – Logistics division – where he covers the role of Chief Executive Officer of the Italian Business Unit and South America. In 2005 he joins DHL Express Mediterranean (Italy, Greece, Cyprus, Malta and Israel), Deutsche Post Group World Net, and is appointed Chairman and Chief Executive Officer, position that he held until March 2013. From April 2013 to April 2014 he was the Chairman of DHL Express Italy S.r.l. From 2000 to 2006 he was Chairman of Assologistica (Associazione Italiana delle Aziende di Logistica). Since April 2010 he is Chairman of Confetra (Confederazione italiana delle Associazioni di Trasporto e Logistica).

Marco Mezzalama (Independent Director of Reply S.p.A.)
Mr. Mezzalama graduate cum laude in Science of Informatics at the Polytechnics of Turin in 1972 where he is currently Professor of System Elaborations. Since 2005 he holds office of Vice-Chancellor at the Polytechnics of Turin for the informatics systems. From 2001 to 2005 he was substitute of the Chancellor. From 1993 to 2001 Mr. Mezzalama held office as Vice Chancellor for informatics systems. He is a member of the Turin Science Academy and Vice-president of Fondazione Bancaria Compagnia di San Paolo. He is the author of more than 150 scientific publications. He also holds various positions at research institutions and/or organisations in the ICT sector.

Carlo Alberto Carnevale Maffè (Independent Director of Reply S.p.A.)
Mr. Maffè is a professor of Business Strategy at the Strategy Institute and the School of Business Administration at the Bocconi University and was the founder and coordinator of Master in Business Strategy (MISA). He teaches the Business Strategy course for the BA in International Economics and Management and the MAFED M.A.. He has taught the Media MBA course at Steinbeis University of Berlin and the Master in Intelligence at the University of Malta. He has also worked as professor at the Graduate School of Business of Columbia University and Stern School of Business of New York University. He collaborates on a regular basis with newspapers and national and international television such as CNCB International/Class CNCB and Bloomberg. Mr. Maffè is a member of Assodigitale scientific committee and the editorial review board of “Harvard Business Review Italy”. He is a member of the Steering Committee “E-business Policies” of the European Commission DG Enterprise. He is independent Director of listed companies in the Technology, Media and Telecommunications segments, as well as industrial companies, for which he is Director of US and India branches. He is a strategic advisor for leading Italian and international companies He is economic advisor for the Marisa Bellisario Foundation and scientific Director at ABI Lab of the Innovation Award for Banking Services. He has published many articles, books and business cases and often has released interviews and comments for the most important international economic- financial newspapers.

The criteria in evaluating the requisites of independence of the Board of Directors has not been integrated or modified.

The Board of Directors has verified, at the date of approval of the Report herein, the offices of Directors and Statutory Auditors, held by the Directors in other listed companies, finance, bank, and insurance companies or big enterprises.

The following arose:

- Mr. Claudio Bombonato is a Director of Whysol S.p.A., a financial holding company active in the energy sector and Chairman of Anima Holding S.p.A.;
- Professor Marco Mezzalama is member of the Board of Directors of CSI Piemonte of San Paolo, CSP Innovazione in ICT and Consorzio Topix;
- Professor Carlo Alberto Carnevale Maffè is a member of the Board of Directors' of Poligrafica San Faustino S.p.A.,

Although recommended by the Code, following a periodic internal evaluation process, the Board of Directors has preferred not to express an opinion in relation to the maximum number of offices compatible with the execution of the Directors' role, as it believes that such assessment firstly should be made by the shareholders when appointing the Directors and secondly by the individual Director when accepting the office.
In accordance to the Group's practices that have been systematically adopted in relation to induction programmes, several initiatives are foreseen aimed at providing Directors and Top Management an adequate knowledge of the area in which the company operates, of the dynamics of the company and its evolution and of the regulatory framework. More specifically, it is provided that a full set of documents containing the principle regulations and laws regarding the Board of Directors, the various internal Committees within the Board and the main related corporate documents be made available.
Currently, considering the well consolidated structure of the Board of Directors and given the experience of its members the above mentioned provisions concerning induction programmes have not been applied.

ROLE OF THE BOARD OF DIRECTORS
The Board of Directors is the statutory managing body vested with the broadest powers for the ordinary and extraordinary management of the Company.
The Board of Directors primarily carry out a management and control function with relation to the general activities of the company and the subsidiary companies.¬

More specifically the Board of Directors, in compliance with the Code:

a) Examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it heads periodically monitoring its implementation; defines the corporate governance system and the structure of the group;

b) Defines the nature and level of risk compatible with the issuer's strategic objectives;

c) Evaluates the adequacy of the organizational, administrative and accounting structure of the issuer and its subsidiaries having strategic relevance, as established by the managing Directors, in particular with regard to the Internal Control System and risk management;

d) It shall specify the limits on these delegated powers, the manner of exercising them and the frequency, as a rule no less than once every three months, with which the bodies in question must report to the board on the activities performed in the exercise of the powers delegated to them;

e) Evaluates the general performance of the company, paying particular attention to the information received from the Executive committee (when established) and the managing Directors, and periodically comparing the results achieved with those planned;

f) Decides on operations carried out by the issuer and its subsidiaries when said operations have significant strategic, economic or financial relevance to such issuer; to this end, the board shall establish general criteria for identifying the transactions which might have a significant impact;

g) At least once a year, it performs an evaluation of the work of the Board itself as well as of its committees including their size and composition, also taking into account elements such as the professional characteristics, (managerial) experience and general qualities of its members, including their length of time in office;

h) Taking account of the outcome of the evaluation under point g), before a new Board is appointed, it advises shareholders with regard to the types of professionals it deems advisable to have represented on the Board;

i) Provides information in the report on corporate governance: (1) on its composition of the board, indicating for each member the qualification (Executive, Non-Executive, or independent) the role within the Board, his or her main professional features and seniority as a member of the Board; (2) the methods of application of Art. 1 of the Code and, on the number of meetings of the board and of the Executive committee, if any, held during the fiscal year plus the related percentage of attendance of each Director; (3) on the modalities of the evaluation process referred to under point g);

j) In order to ensure the proper management of corporate information, adopted, on the proposal of the Chief Executive Officer or Chairman of the Board of Directors, a procedure for the internal management and external communication of documents and information concerning the issuer, with particular reference to privileged information.

The Board of Directors meet on a regular basis, at least every three months, as established by the Company by-laws, or when deemed necessary.
The Chairman, under the company's by-laws, has the power to convene the Board of Directors' meetings.
The Directors report to the Statutory Auditors on a quarterly basis with regards to the activities carried out during the year, the significant operations carried out by the company or its subsidiaries and with regards to operations that could be of potential conflict of interest and provide adequate information on atypical, unusual or with related party transactions, that are not subject to the Board of Directors approval.
During 2014 the Board of Directors met four (4) times and the average duration was approximately two hours (2).
The Board of Directors are scheduled to meet at least four (4) times in 2015. The Board of Directors have held no meetings at the present date of this Report.

During 2014, the Chairman, in accordance to the Corporate Governance, provided documents containing information relevant to the discussion to directors and statutory auditors a few days preceding the meeting as to ensure the directors and statutory auditors timely and complete access to information in advance of the Board meeting. In particular, to simplify access and consultation of such documents, a synthesis of the most relevant items (new amendments, regulations) has been provided. The documentation shall be sent a few days prior to the established date of the meeting, except documentation which is not available or particularly urgent or unforeseen.
The Chairman of the Board of Directors ensured that each meeting was carried out appropriately, ensuring that each item on the minutes was treated accordingly, and that adequate time was spent to establish an advantageous comparison among the members of the board.

The participating members of the Board are also allowed to intervene through audiovisual connection.
In order to facilitate the participation of a greater number of Managers and Statutory Auditors, a calendar of the annual meetings scheduled is drafted.
The Board of Directors, upon the approval of the annual and half-year financial report and considering the duties carried out by the Control and Risk Committee (which in turn is based on controls carried out by the Internal Audit), examine and evaluate periodically the adequacy of the organizational, administrative, and accounting structure and the general performance of the system of the internal control and risk management.
This point is fully detailed in “Internal Control and risks Committee”.

In accordance with the Corporate Governance Code (art. 1.C.1, letter f), the company has granted the Board of Directors the examination and approval of the operations deemed “significant” and some specific operations with related parties, fully detailed in this Report in the section dedicated to the topic.
Coherent to the Code, the Board of Directors, on an annual basis, evaluate the activities performed by the Board and its Committees with particular emphasis on size, composition and functioning. The evaluation takes into account the relative mix of executive, non-executive and independent directors, as well as their specific technical abilities and professional background and experience and the length of time on the board.

During the meeting held on 31 July 2014, the Board of Directors deemed that the standing Board and its Committees, with particular emphasis on size, composition and functioning meet the requirements set forth by the Code.

The Board of Directors, pursuant to the Group’s consolidated practices, has considered not to express its position with regards to the nomination foreseen for the current year, as this valuation is already carried out by the shareholders upon presentation of the mentioned lists.

The shareholders have relieved the Board of Directors from the obligations pursuant to art 2390 paragraph 1 of the Civil Code.

CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICERS AND EXECUTIVE DIRECTORS

The Board of Directors currently holding office comprises of two Chief Executive Officer, (who also fulfils the role of Chairman of the Board of Directors) four Executive Directors and has empowered the Chairman (who also fulfils the role of Chief Executive Officer) with the broadest operational delegations, in light of the resolutions passed on 27 April 2012.

Mr. Mario Rizzante, Chairman of the Board of Directors, is empowered with the ordinary and extraordinary administration of the company with the exception of those specifically empowered by law to the Board of Directors and excluding the operations empowered to the Board of Directors, as set out by the *Regulation on Significant Operations and with related parties.*
The Chairman, is responsible for the management of the Company and is also major shareholder, as illustrated here within.

Mrs. Tatiana Rizzante, Chief Executive Officer, has the following main powers:

- Ordinary administration of the company, including the activities related to purchase, sales, trade-in of products, goods and automobiles, real estate and any other asset related to the company's activities;
- Undersign rent and lease contracts for no longer than a nine year period establishing the relative terms and conditions, and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions;
- Carry out any type of operation with the offices of the public debt, banking institutions, post offices, administration and finance authorities, customs agents and transport institutions in general, governmental authorities whether federal, provincial or local, with ministries and in general with any public or private office, including the undersigning of any acts or declarations pursuant to fiscal laws;
- To represent the Company before any judicial authority, before any administration authority of the Italian Republic and foreign countries, even with reference to litigations even of fiscal nature of whatever degree, with reference to appeals, cassation, protests, undersign conservative and executive acts, and retract from them as necessary, intervene in bankruptcy procedures, take part in creditor meetings, insinuate receivables from the principal company, declare the truth, discuss, accept, sign and refuse agreements, grant to the bankrupt the benefits foreseen by law, allow penalties to payments, assist in inventories, appoint lawyers, carry out transactions, appoint arbiters and sign compromises;
- Request, accept and use short term or long term lines of credit, with no sum limitation,

according to the necessary conditions and terms with any banking or credit institution;

- Hire, appoint or suspend employees, undersign the related labour contracts, modify or retract from the same contracts and compromise the related controversies, representing the Company before the labour unions; nominate and engage external consultants and collaborators, agreeing the related terms of the contracts, such as the fee; resolve and revoke the above contracts;
- Participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5,000,000.00 Euros; and can:
  - › Draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › Confer or receive the related mandate in the event of a temporary group enterprise participation;
  - › Negotiate and undersign contracts following the awarding of the bid;
  - › Subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
  - › Represent the Company in relation to all such matters, issuing the relevant powers of attorney.

Mr. Oscar Pepino, Executive Officer, has the following main powers:

- Sign rent and lease contracts for no longer than a nine year period and establishing the relative terms and conditions, and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions. To accept, negotiate and impose in any of the said contracts, deals, conditions, clauses, prices, fees, commissions, executing the related payments and obtaining receipt of payment; resolve, cancel or draw back from any of the said contracts;
- Grant guarantees and sureties of up to a maximum of 1,000,000 Euros;
- Participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5,000,000.00 Euros; and can:
  - › Draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › Confer or receive the related mandate in the event of a temporary group enterprise participation;

- › Negotiate and undersign contracts following the awarding of the bid;
  - › Subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
- Negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 5,000,000.00 Euros for each operation from an asset side and 500,000.00 Euros for operations from a liability side;
- To represent the Company before any judicial authority, before any administration authority of the Italian Republic and foreign countries, even with reference to litigations even of fiscal nature of whatever degree, with reference to appeals, cassation, protests, undersign conservative and executive acts, and retract from them as necessary, intervene in bankruptcy procedures, take part in creditor meetings, insinuate receivables from the principal company, declare the truth, discuss, accept, sign and refuse agreements, grant to the bankrupt the benefits foreseen by law, allow penalties to payments, assist in inventories, appoint lawyers, carry out transactions, appoint arbiters and sign compromises;
- Hire, appoint or suspend employees, undersign the related labour contracts, modify or retract from the same contracts and compromise the related controversies, representing the Company before the labour unions; nominate and engage external consultants and collaborators, agreeing the related terms of the contracts, such as the fee; resolve and revoke the above contracts;

The main proxies empowered to the Executive Director, Mr. Claudio Bombonato, with the scope of supporting the Company in the development of its activities, are the following:

- Individual powers:

a) Represent the Company Reply S.p.A. with external contacts and business negotiations and authorize the issuing of the related business offer with a limit of 5,000,000 Euros per transaction;

b) Negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 5,000,000.00 Euros for each operation;

c) Participate in any public or private bidding – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5,000,000.00 Euros; and can:

- › draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;

- › confer or receive the necessary mandate in the case of temporary joint ventures;
- › undersign contracts following the awarding of the bid;
- › subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;

d) To carry out in the interest of the Company whatever is necessary or convenient within his powers;

- › joint powers, with another Director having the necessary powers, the powers outlined at letters a), b) and c) in the case the limits defined above are exceeded.

Executive Director, Mr. Claudio Bombonato in capacity of Executive Director, has been assigned further powers related to activities under Network Finance & Security within the Reply Group.

The main proxies empowered to the Executive Director, Mr. Daniele Angelucci:

- Negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 5,000,000.00 Euros for each operation from an asset side and 1,000,000.00 Euros for operations from a liability side;
- Sign rent and lease contracts for a maximum value of 1,000,000.00 Euros for no longer than a nine year period and establishing the relative terms and conditions, and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions. To accept, negotiate and impose in any of the said contracts, deals, conditions, clauses, prices, fees, commissions, executing the related payments and obtaining receipt of payment; resolve, cancel or draw back from any of the said contracts;
- Grant guarantees, sureties in the limit of 5,000,000 Euros;
- To sign insurance policies covering risks pertaining to its premises, as well as the products owned by or dealt in by the company, as well as automotive insurance policies and other insurance contracts all subject to a maximum limit of 500,000.00 Euros;
- Request, accept and use bank credit in the short, medium and long term to a maximum of 10,000,000 Euros;
- Sign factoring contracts, negotiating conditions, carry out any operation connected including the sale of receivables, the provision of guarantees, warrants for collection, discount operations and advance payments with commitment of shares all in the limit of 10,000,000 Euros;
- To represent the Company before any judicial authority, before any administration

authority of the Italian Republic and foreign countries, even with reference to litigations even of fiscal nature of whatever degree, with reference to appeals, cassation, protests, undersign conservative and executive acts, and retract from them as necessary, intervene in bankruptcy procedures, take part in creditor meetings, insinuate receivables from the principal company, declare the truth, discuss, accept, sign and refuse agreements, grant to the bankrupt the benefits foreseen by law, allow penalties to payments, assist in inventories, appoint lawyers, carry out transactions, appoint arbiters and sign compromises;

- To employ, appoint and dismiss employees with annual gross salaries (including any supplemental compensation) of up to 100,000.00 Euros; to grant salary supplements to employees as a result of which the beneficiaries do not exceed a gross annual salary (including any supplemental compensation) of 100,000.00 Euros;
- Within the maximum spending limit of 300,000 Euros, retract from contracts with middle and senior managers, compromise the related controversies, representing the Company before the labour unions;
- Participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5,000,000.00 Euros; and can:
  - › Draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - › Confer or receive the related mandate in the event of a temporary group enterprise participation;
  - › Negotiate and undersign contracts following the awarding of the bid;
  - › Subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
  - › Represent the Company in relation to all such matters, issuing the relevant powers of attorney.

The main proxies empowered to the Executive Director, Mr. Filippo Rizzante:

- Negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 1,000,000.00 Euros for each operation from an asset side and for operations from a liability side with Reply Group subjects and a value not greater than 150,000 Euros for each operation and from a liability side for subjects outside the Reply Group;
- Participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 1,000,000.00 Euros; and has the power to:
  - Draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
  - Confer or receive the related mandate in the event of a temporary group enterprise participation;
  - Negotiate and undersign contracts following the awarding of the bid;
  - Subcontract to third parties within the law, the contracts awarded as well as signing subcontracts with companies, who have been awarded contracts;
- Undersign rent and lease contracts for no longer than a nine year period to a maximum of 150,000 Euros and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions;
- Sign insurance policies covering risks pertaining to the premises where the company carries out its business, as well as the products owned by or dealt in by the company, as well as automotive insurance policies and other insurance contracts deemed to be necessary and expedient; all subject to a maximum limit of 50,000.00 Euros.
- Hire employees with annual salaries of up to 40,000 Euros, modify or retract from work contracts up to a maximum fee of 100,000 Euros and settle the related disputes, representing the Company in front of trades unions;

In order to have a better management of the Group activities, the Board of Directors of Reply S.p.A. and the Chairman have the possibility to attribute specific delegation powers to several key managers of the Group Companies that can act in name and on behalf and interest of the Company.

INDEPENDENT DIRECTORS

As previously stated, the three Directors members of the Board of Directors qualifying as being independent are:

- Dott. Fausto Forti (*Lead Independent Director*)
- Prof. Marco Mezzalama
- Prof. Carlo Alberto Carnevale Maffè

The independent Directors constitute as a whole the Remuneration and Nomination Committee and the Internal Control and Risks Committee.

The same Independent Directors also qualify as, in the capacity of members of the Internal Control and Risks Committee, members of the Related party transaction committee established by the related procedure.

The Independent Non-Executive Directors have the same characteristics as the Independent Directors, in compliance with paragraph 3.C.1. of the 2014 edition of the Corporate Governance Code that provides that a Director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

a) If he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;

b) If he/she is or has been in the previous three accounting periods a key person of the issuer, of one of its subsidiaries having a significant strategic relevance or of a joint venture of the issuer, or a company that together with others or under special agreements control the issuer or is able to exercise a notable influence;

c) If he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:

- › with the issuer, one of its subsidiaries, or any of its significant representatives;
- › with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;

or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;

d) If he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer and compensation for participation in committees recommended by the Code, a significant additional remuneration compared to the “fixed” remuneration of Non-Executive Director of the issuer, including the participation in incentive plans linked to the company’s performance, including stock option plans;

e) If he/she was a Director of the issuer for more than nine years in the last twelve years;

f) If he/she is vested with the Executive Director office in another company in which an Executive Director of the issuer holds the office of Director;

g) If he/she is shareholder or shareholder or Director of a legal entity belonging to the same network as the company appointed for the external audit of the issuer;

h) If he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

The Board of Directors, in its entirety, verified, in the meeting held 27 April 2012, also being the first meeting following its renewal and subsequently on an annual basis, with positive results, the independence of the abovementioned Directors, by drawing on information provided by each of the Directors in accordance with the definition provided by the Corporate Governance Code, resolving not to apply the criteria stated in point e) in view of the Directors’ authority, reputation and moral statute. This was verified with regards to Prof. Marco Mezzalama accruing from September 2009, Mr. Fausto Forti from April 2013 and Mr. Carlo Alberto Maffè from July 2014.

The Independent directors shall communicate in due time to the Board of directors any situation which may compromise independency and assume the necessary and/or consequent decisions.

The Board of Statutory Auditors verifies the proper application of the assessment criteria and procedures adopted by the board in order to annually assess the independence of its members, communicating the outcome of such controls in its report to the shareholders.

During the periodic meetings held in 2014, the Board of Statutory Auditors has not disclosed any situations which could compromise independency in accordance to the regulations in force.

In 2014 it was not necessary for the independent Directors to convene in specific individual meetings as they periodically meet when the Internal Control and Risks Committee and Remuneration and Nomination Committee meetings are convened representing as a whole such bodies.

LEAD INDEPENDENT DIRECTOR

The Code requires that, in case the Chairman of the Board of Directors is the key person in charge of the running of the company, and even when office is held by the person that controls the Company, the Board must designate a "Lead Independent Director", that represents a reference and coordination point of the motions of the Non-Executive Directors and more specifically the independent ones; and cooperate with the chairman of the Board of Directors in order to ensure that Directors receive adequate information in good time; for this scope, should these circumstances occur, in accordance with article 2.C.3 of the Code, the role of Lead Independent Director is head by the Non-Executive and Independent Director, Mr. Fausto Forti.

PROCESSING OF CONFIDENTIAL INFORMATION

The Chairman and Chief Executive Officer, Mr. Mario Rizzante and the *Investor Relator*, Mr. Riccardo Lodigiani, handle the *processing* of internal and external communication of confidential company information in order to avoid the spreading of such information through means not in compliance with law, provisions or rulings or by means that are not timely, or that are incomplete or inadequate.

More specifically, all company communication to outsiders and all press releases are accurately drawn up and under the strict supervision of the abovementioned persons that verify the correctness and compliance, in terms of content and means of diffusion, to the existing laws.

Furthermore, all employees, and in particular those having a managing position, have been instructed as to their duties concerning confidentiality of information of a listed company and must verify that the Chief Executive officer's directions are followed.

It is also acknowledges that, following the introduction in Italy of the so-called "*market abuse*" directive enacted by Community Law 2004 (Law 18, April 2005 no. 62) and endorsed by the corresponding Consob regulation a law was passed concerning the obligation to notify the public about any transactions carried out by "key persons" and people strictly associated to them in relation to financial instruments of the company.

Consequently, the Internal Conduct Code on Internal Dealing already adopted by Reply S.p.A. ever since 1 January 2003, was abolished as of 1 April 2006 date in which the new Consob Regulation no. 11971/99 was implemented.

In execution of the new regulation of 1 April 2006, a new Conduct Code was implemented aimed at disciplining the flow of information from "Key persons" and "Parties connected to them" with respect to the Company and the corresponding obligations and informative and

communication means with respect to Consob and to the market related to operations carried out by these parties.
The new Corporate Governance Code was enacted starting 1 April 2006 following the Board of Directors' resolution of 31 March 2006 and revised in 13 November 2014 following the Board of Directors' resolution.
More specifically, the new Corporate Governance Code, with reference to Internal Dealing concerning operations on financial derivative instruments issued by Reply S.p.A. executed by the so called "key persons", disciplines the information to provide the Company, Consob and the market when purchase, sales, undersigning and negotiating of shares or financial derivative instruments connected to the shares, are executed for personal reasons by "Key Persons", that is those being close to the Company that can legitimately negotiate his shares having access to information concerning the parent Company's or its subsidiaries financial-economic trends.
The code comprises nine paragraphs that define the conduct in terms of "internal dealing" and the ways of applying the same. The code disciplines more specifically, the identification of the so called "key" parties, the types of operations subject to mandatory communication, identification of the party in charge of receiving such information and the notification to Consob and to the market, timing and the means of communication that must be carried out by the so called "Key persons"; all in accordance with the regulations issued by Consob.
Executive Director, Mr. Daniel Angelucci, is the person responsible for the handling of confidential information.
The complete version of the Corporate Governance Code is available on the Company's website (www.reply.eu – Investors – Corporate Governance).

Aside from the above, the Board of Directors of the Company has not, for the moment, adopted additional resolutions for the adoption of procedures concerning internal management and external communication of documents and information concerning the issuer.

COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Board of Directors has set up consulting committees, The Internal Control and Risks Committee and the Remuneration and Nomination Committee (previously Remuneration Committee).

In 2012, the Board of Directors decided to set up an internal committee to propose candidates for appointment to the position of Director, identified by the Remuneration Committee. However, considering the current ownership structure, proven to be concentrated and the governance structure of Reply S.p.A. and within the periodic evaluation process pursuant to art. 4.C.2 of the Corporate Governance code for public companies, the Board of Directors resolved, on 14 March 2014, to carry out the role once carried out by the Remuneration and Nomination Committee. Considering the current governing structure to which the different Directors belong and the circumstances that this function is already carried out by the shareholders upon presentation of the lists for renewal of the governing bodies, starting from March 2014, the Remuneration and Nomination Committee has been renamed the Remuneration Committee.

REMUNERATION COMMITTEE

With reference to what has been stated reference shall be made to the Annual Report on Remuneration published in accordance with Article 123-ter of TUF.
The Board of Directors has internally constituted a Remuneration Committee composed of Professor Marco Mezzalama and Prof. Carlo Alberto Carnevale Maffè, Non-Executive and Independent Directors and Mr. Fausto Forti, Lead Independent Director.
In 2014 the Remuneration Committee, in order to carry out its duties, met once (1) with the presence of all members.
In 2015 two (2) meetings have been planned, of which one has already been held.
At present the Committee has not utilized external consultants.
In consideration of the current composition of the Remuneration Committee, it has been deemed not necessary to proceed with the nomination of a President of the committee, also in light of the fact that the Lead Independent Director already carries out functions in coordinating and programming activities for the Committee and relating to the Board.
In accordance with art. 6.C.6 of the Corporate Governance Code, no Director shall participate in meetings of the Remuneration and Nomination Committee in which proposals are submitted

to the Board of Directors relating to his/her remuneration; meetings will be attended by the Chairman of the Board of Statutory Auditors.

REMUNERATION OF DIRECTORS

With reference to what has been stated reference shall be made to the Annual Report on Remuneration published in accordance with Article 123-ter of TUF.
Remuneration of Directors not invested with operational proxies, for each year in office, was resolved by the Shareholders' meeting of 27 April 2012, upon nomination, and equal to 30,000.00 Euros gross of any withholding amounts foreseen by law.
Remuneration of Directors invested with special roles, was established by the Board of Directors in line with the Remuneration and Nomination Committee, upon proposal of the Committee, authorised by the Board of Statutory Auditors.

In compliance with article 20 of the Company by-laws the total amount of remuneration to Directors, including those invested with strategic powers, can also be determined by the Annual General Shareholders' meeting.

In March 2012 the Company complied with the recommendations contained in the Code of Conduct of March 2006, as amended in March 2010 (now categorised as art. 6, in the version of the Code of July 2014).

In compliance with Article 6.C.1 of the Code of the March 2006 release, article 22 of the Company by-laws provides the possibility to attribute a variable fee to the Directors invested with special powers, as participation in the profits of the parent Company, and dependent of the economic trends of the Group and more specifically to the Consolidated Gross Margin, which is resolved by the Annual General Shareholders' meeting approving the annual Financial Statements.
Such a possibility, that has already been adopted ever since allocation of the 2004 net result (with the exception of 2009), considering that this alternative does not exclude the distribution of dividends to the shareholders, will be once again applied in relation to 31 December 2014.

INTERNAL CONTROL AND RISKS COMMITTEE

Under the Article 7.P.4 of the Code, the Board of Directors has internally constituted a Control and Risk Committee composed by Mr. Carlo Alberto Carnevale Maffè and Mr. Marco Mezzalama, Non-Executive and Independent Directors and Mr. Fausto Forti, Lead Independent Director.
The Internal Control and Risks Committee:

- Evaluates together with the Director responsible for the preparation of the company's accounting documents, the auditor, and the Board of Statutory Auditors, the correct utilisation of the accounting principles and, in the event of groups, their consistency for the purpose of the preparation of the consolidated balance sheet;
- Expresses opinion on specific aspects relating to the identification of the principal risks for the company;
- Examines the periodic reports relating to the evaluation of the system of internal control and risk management, and those of particular relevance prepared by the Internal Audit function;
- Monitors the independence, appropriateness, effectiveness and efficiency of the Internal Audit function;
- May ask the Internal Audit function to perform checks on specific operating areas, simultaneously notifying such request to the Chairman of the Board of Directors;
- Report to the board, at least on a half yearly basis, on the occasion of the approval of the balance sheet and the half yearly report, on the activity carried out, as well as on the adequacy of the internal control and risk management system.

The President of the Board of Statutory Auditors or another auditor appointed by the aforementioned participates in the work of the Control and Risk Committee; a written report shall be prepared at the end of each meeting, which will include the Committee's proposals.

In order to carry out its duties, the Committee can request information and data from the head of the Internal Audit function, the Board of Statutory Auditors and the independent auditors.
During 2014 the Internal Control and Risks committee met four (4) times and twice (2) in 2015. All the members were present and examined the following:

- Revision of the Impairment Test policy – Impairment (IAS 36);
- The separate Financial Statements and the consolidated Financial Statements of 2013 and 2014, and half-year report of 2014;
- Update on activities in relation to Law no. 262/2005 (Legge sul Risparmio) and other related internal improvement projects;

- Update on the introduction of the Risk Management system.
- Internal audit's mandate and work;
- Updating of the Oraganizational Model ex Law Decree 231/2001 and the Code of Ethics.

With reference to the examination of issues related to the Financial Statements, the Committee requested the participation, further to that of the Head of Internal Audit, but also the presence of Mr. Conti on behalf of the audit firm Reconta Ernst & Young S.p.A.

The Committee reported four (4) times to the Board of Directors in relation to the activities carried out and with reference to the adequate functioning of the Internal Control and Risks System.

INTERNAL CONTROL AND RISK MANAGEMENT

The internal control and risk management system is a set of rules, procedures and organizational structures that contribute to safeguarding the company's assets, the efficiency and effectiveness of business transactions, the reliability of financial information, the identification and monitoring of the main risks, and the compliance with laws and regulations.
The Board of Directors is responsible for the system of internal control and risk management, that, after receiving the opinion of the Control and Risks Committee, establishes guidelines and a work plan, evaluating its adequacy.
In this regard, during the year, the Board of Directors and the Control and Risks Committee expressed a favourable judgment regarding the adequacy of the Internal Control System for monitoring the level of risk consistent with the objectives of the Group.

FOREWORD

Reply has put in place a system of internal control and risk management for financial reporting based on the "*COSO Framework*", defined as a set of rules, procedures and tools designed to provide, through an adequate process of identification, the measurement, management and monitoring, of the major risks related to disclosure of financial data, reasonable assurance of the achievement of corporate objectives.
The objective of the internal control and risk management system is also to ensure that the financial reporting disclosed within the required timeframe provides a fair and correct representation of operations, in order to guarantee the reliability, accuracy, truthfulness and

timeliness of the financial information.
In relation to the Company's objectives, whether business or compliance, as well as reporting, the Company has adopted the following key instruments:

INSTRUMENTS MONITORING BUSINESS OBJECTIVES

- **Planning and management control –** Reply S.p.A. has implemented a structured and periodic system in order to forecast and monitor company activities, aimed at defining the Company's objectives/strategies and operational planning through a *budget* and monitoring them by means of a monthly *review* of performance.
- **Company operational procedure system -** Reply S.p.A. has implemented a group of procedures that regulate internal processes, in order to properly apply the Company directives and to limit the risks connected with the achievement of the Company's objectives, regulating both the activities carried out within individual departments, as well as relations with other entities.
- **Risk Management System** - Reply S.p.A. has implemented a Risk Management system, based on the Control Risk Self-Assessment model, a self-assessment methodology recognized by sector standards.

The objective of such procedure is to develop a corporate culture in view of raising risk awareness, through a continuous and pervasive process, implemented by the Board of Directors and by top management, aimed at identifying any potential events that might involve the Company as well as pursuing a risk level that is consistent with achieving the Company's objectives.

The methodology used is articulated in the following phases:

- Identification of objectives, strategies, critical success factors and the specific related risks that conflict with the achievement of the objectives;
- Self-assessment process based on indicators associated with the different risk categories (named the Key Risk Indicators).

Such system thus enables the identification, measurement, management and control of the Company's level of exposure to the different risk factors, considering (i) the probability that the risk occurs, (ii) the impact of the risk on the Company's objectives, (iii) the overall scope of the risk, (iv) the Company's ability to reduce the impact of the risk on business operations, and (v) possible relationships among the different risk factors.
The procedure provides for monitoring the adequacy and effective functioning of the internal control and risk management system, as well as its review, to be completed annually, in order

to consider the trend of business operations and the context of reference. Such process, coordinated by the Internal Audit department, provides for the use of questionnaires so that risk belonging to each profile can be assessed by Top Management and the Directors of the Company's various departments as well as by the Partners of the Italian subsidiaries.

INSTRUMENTS MONITORING COMPLIANCE OBJECTIVES

- **Law 262/2005 on financial and accounting reporting** – Consistently with what is provided by Law 262/2005 on the protection of savings, Reply S.p.A. implemented accounting and administrative processes relevant for purposes of the reliability of the financial-economic reporting disclosed to the market, that provide for:
  - › Mapping of the main sub-processes within the administration and relevant accounting procedures;
  - › Assessment of the adequacy of the existing controls and ongoing implementation of further controls in view of *compliance* and increased reliability of the processes considered;
  - › Drafting of a series of procedures and consequently the drafting of an Administration Procedures Manual;
  - › Creation of future control and monitoring instruments.
- **Legislative Decree 231/2001** – see the relevant paragraph.
- **Security, environment and quality** – Reply has implemented a system of procedures and an organizational structure dedicated to the management of data security (also in view of the laws on *Privacy*), environmental protection, the safety of equipment and personnel and the quality of the services carried out (ISO certification 9001:2008).
- **Other laws and regulations** - Monitoring the evolution of laws and regulations and that relative compliance is carried out internally.

INSTRUMENTS MONITORING REPORTING OBJECTIVES

- **Accounting disclosures** - the drafting of accounting disclosures and disclosures in the consolidated and separate Financial Statements is regulated by the procedures of an administrative-accounting system.
- **Confidential Information**: see the relevant paragraph.
- **Internal Communications** – Reply S.p.A. has implemented an internal communications system aimed at facilitating and promoting internal communications within the Company and the Group, including by means of a structured management and coordination Committee system.

CHARACTERISTICS OF THE CURRENT INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO FINANCIAL REPORTING

The approach adopted by Reply in relation to the assessment, monitoring and continuous updating of the internal control and risk management system is based on a process that is consistent with the "*COSO Framework*" model, which allows making assessments focusing on areas of higher risk and/or materiality, that is, where there are risks of significant errors in elements of the Financial Statements and related documents.
The key components of the process are:

1. Identification and evaluation of the source and probability of significant errors in elements of financial reporting;
2. Identification of the key controls aimed at covering the risks;
3. Assessment of the adequacy of the above controls with respect to the above risks, enabling ex ante or ex post identification of potential misstatements in elements of financial-economic reporting;
4. Verification of the operating effectiveness of controls.

Identification of the risk of misstatements which could have material effects on *financial reporting* is carried out through an administrative-accounting *risk assessment* process, under the supervision of the Director in charge of drawing up the Financial Statements along with the Group Finance Director that identify the organizational entities, processes and the related accounting items that are generated, in addition to specific activities which could potentially generate significant errors. According to the methodology adopted by Reply, risks and related controls are associated with the accounting and business processes upon which accounting information is based.
Significant risks, identified through the *risk assessment* process, require definition and

evaluation of specific controls ("key controls") that guarantee "coverage", thereby mitigating the risk that financial reporting will contain any material misstatements.

According to international *best practice*, there are two principal types of existing controls:

- controls that operate at Group or subsidiary level, such as: the delegation of authorities and responsibilities, separation of duties and assignment of privileges and rights for access to IT systems;
- Controls that operate at process level, such as authorizations, reconciliations, verifications of consistency, etc. This category includes controls referring to operational processes and controls of accounting closure processes.

Such controls can be "*preventive*" aimed at preventing errors or fraud which could result in misstatements in financial reporting, or "*detective*", aimed at revealing errors or fraud which has already occurred. They may also be defined as manual or automatic, such as application-based controls relating to the technical characteristics and configuration of IT systems supporting business activities.

The process of identifying the above risks and key controls has led to the elaboration of control matrixes (*RCM – "Risk Control Matrix"*) that identify, for each significant process, the potential impact on financial reporting:

- Risks subsequent to not having fulfilled the "Financial Statement assertion" control objectives, (existence, occurrence, completeness, rights and obligations, evaluation and accounting, presentation and disclosures) and other control objectives (such as authorization, segregation of tasks, data security, documentation and traceability of operations, etc.);
- The related "*best practice*" (i.e. *CoSO Framework*);
- The standard control activities (key controls) over these processes/procedures, and their principal characteristics (preventive/detective manual/automatic) and the related process owners;
- The assessment of the aforesaid controls in relation to the adequacy of mitigating the risks identified;
- Suggestions to improve shortages identified in the assessment of control activities.

The control activities related to significant processes of financial reporting are fully detailed in the “Reply Group’s Manual of administration and accounting procedures”, recently updated/integrated pursuant to Law No. 262/2005, commented on below.
As Reply S.p.A.’s shares are listed and negotiated on the Italian stock market, it is mandatory for the Board of Directors to nominate a Director in charge of drawing up the Financial Statements (Nominated Director); The Director in charge of drawing up the Financial Statements is responsible for setting up adequate administrative and accounting procedures to prepare the financial information disclosed to the market, and to monitor the proper application of such procedures. The Administration and accounting procedures manual defines the guidelines that must be applied within Reply and more specifically with reference to obligations under art. 154-bis of legislative decree 58/1998 governing company’s Financial Statements and related attestation obligations.
More specifically the Administrative Procedures Manual:

- Defines the roles and responsibilities of the Organizational Units involved in the general activities of drafting, communication and control of the financial reporting disclosed to the market;
- Defines the operational means of managing the necessary activities to comply with the aforementioned legal obligations;
- Introduces, in order to support the drafting of the legal attestations/statements required by law of the Director in charge and the Chief Executive Officer, the obligation, headed by the Compliance department, to internally attest, through the internal communication processes, the correct functioning of the Accounting Control System pursuant to Law 262/2005 related to the accounting processes/flows regulated by such law and which fall within their administrative responsibility, the completeness and reliability of the information flows, as well as the adequacy and effective application of the key controls summarized in the control matrixes.

The company processes, the administrative-accounting procedures and the related control matrixes, along with the list of persons in charge of the operational units enacting the control, are subject to periodic assessments and if the case are updated.
The administrative-accounting procedures and the related control matrixes are shared with the relative process-owners, who attest that the controls have been planned and are operational, Administrative Management, with the support of the Internal Audit department, agree upon the implementation of any corrective measures.

The Internal Audit department carries out periodic assessments of the adequacy and effective application of the key controls every six months at the time of the preparation of the Financial Statements and interim report through audit procedures performed on specific areas determined by the Director in charge of drawing up the Financial Statements.
The persons in charge of the relevant administrative and accounting processes pursuant to Law 265/2005 issue an attestation letter addressed to the Director in charge of drawing up the Financial Statements, confirming the effective application of the administrative-accounting procedures for which they are responsible.
The audit plan is aimed at identifying a number of processes to be tested in order to cover the major processes during the year. The audit is performed on several Group companies, selected according to quantative parameters, (material thresholds with respect to the consolidated Financial Statements) and qualitative ones.
In order to carry out the monitoring controls check lists are prepared according to the different processes being controlled which summarize the ways of testing the key controls included in the Procedures Manual and in the RCM, the sample to be tested and the outcome of the test. Sample testing is the criteria used and the data and assessments included in the check lists are supported by the documentation gathered during the monitoring activities, that are an integral part of the same check lists.

The outcome of the tests performed and any suggestions made concerning the opportunity of implementing further controls where shortages were identified, are summarized by the Internal Audit Officer in a special report, object of an internal communications flow, and addressed to the Director in charge of drawing up the Financial Statements and to the Board of Directors.

By sharing this document, two flows are activated:

- The attestation process addressed externally based on the declarations made by the Director in charge in compliance with art. 154-bis of legislative decree 58/1998, in occasion of the drafting of the annual Financial Statements or the half-year financial report, as described above.
- The internal process of sharing with the related *process owners* the outcome of the control assessments, any compensation controls, corrective measures or improvement plan proposals.

The Head of the Internal Audit department periodically refers to the Internal Control and Risk Management Committee, the Board of Statutory Auditors and to the Supervisory Body with reference to the activities carried out within the assessment process of the Internal Control System.

Director in charge of the Internal control system

The Board of Directors, at its meeting of 27 April 2012, confirmed Mr. Oscar Pepino as the Director in charge of the Internal Control and Risk Management system, responsible for maintaining the internal control and risk management system in an efficient manner and in conformity with what is required by the Corporate Governance Code, and allows the Head of the Internal Audit department to carry out his role in accordance with the cited provisions of the Code.

Head of the Internal Audit department

The Board of Directors, at its meeting of 27 April 2012, appointed Mr. Edoardo Dezani – already tied to the Company as an employee – as the Head of the Internal Audit department, upon a proposal of the Director responsible for the Internal Control System, with the favourable opinion of the Internal Control and Risk Management Committee and having heard the Board of Statutory Auditors, who is responsible for controlling that the internal control and risk management system is operational and adequate.

The Head of the Internal Audit department works on the basis of an audit plan approved by the Board of Directors, which provides for periodic reports on the assessment of the internal control and risk management system's adequacy and the reliability of the reporting systems, including the accounting reporting systems, advising the members of the Board of Directors, Top Management, the Internal Control and Risk Management Committee and the Board of Statutory Auditors of his activities.

Organization, management and control model pursuant to ex Legislative Decree 231/01

In November 2004 the Company's Board of Director's approved an "*Ethics Code*", that confirmed the ethical principles and transparency that guide the Company's internal and external activities, outlining all of the fundamental principles required to guarantee legality, loyalty, and correctness when conducting Reply's business.

During the course of 2007 a project was initiated to adopt an updated organizational, management and control Model pursuant to the provisions of Article 6 of Legislative Decree 231/2001 (the "Model") in relation to the responsibilities of enterprises, in order to prevent the crimes provided by such Decree. The Model was approved by the Board of Directors at a meeting held 28 March 2008, and was subsequently updated periodically through resolutions on 1 August 2013 and on 31 July 2014 which was limited to the Ethic Code.

The Model adopted, starting from an accurate analysis of the company activities with the

objective of identifying the potential activities at risk, is the set of general principles, rules of conduct, control instruments and organizational procedures, formation and informational activities and disciplinary system finalized at assuring, the prevention of offences.
The types of crime contemplated by Legislative Decree No. 231/2001 and that have been considered at risk for the Group, as outlined in the annex to the Model, are the following:

(i) Relations with the Public Administration;
(ii) Enterprise obligations;
(iii) Privileged information;
(iv) Security, prevention, health and hygiene in the workplace;
(v) IT crimes and illegal use of personal data;
(vi) Laundering crimes;
(vii) Offences related to violation of copyright laws.
(viii) Employing citizens from foreign countries

The Model was adopted during 2008 and updated periodically and the latest version in 2014 by all the Italian Group companies.

The Organizational Model of Reply S.p.A is available on the company website (www.reply.eu – Investors – Corporate Governance).
The Model and the Code of Ethics have been distributed to all Group employees and collaborators through the company Intranet. The Code of Ethics is also supplied to newly hired employees of the Group.

The Board of Directors has appointed a Supervisory Body, which has the duty to verify the correct functioning of the Model and to update it accordingly. The Compliance Committee refers to the Board of Directors and to the Internal Control and Risk Management Committee. The Supervisory Body, which has its own internal Regulations, is comprised of an outsider (Eng. Franco Gianolio) as its President, the Lead Independent Director (Mr. Fausto Forti), and the Head of the Internal Audit department (Mr. Edoardo Dezani), who will remain in office until the approval of the Financial Statements as at 31 December 2014.

The Italian Group companies have entrusted the function of the Compliance Committee to their Directing body, which performs the functions of compliance through resources within the Supervisory Body of the Parent Company, on the basis of specific agreements.

In 2014 the Supervisory Body met four (4) times and referred to the Board of Directors and to the Statutory Auditors in relation to their activities and the state of the art concerning the Model.

INDEPENDENT AUDIT FIRM

The Shareholders' General Meeting held on 29 April 2010, approved the appointment of Reconta Ernst & Young S.p.A. as the Company's independent auditors for the nine-year period 2010-2018 which includes the audit of the separate Financial Statements, the annual consolidated Financial Statements and the half-year condensed consolidated Financial Statements.

DIRECTOR IN CHARGE OF DRAWING UP THE FINANCIAL STATEMENTS AND LEGAL DOCUMENTS

The Board of Directors, at its meeting of 27 April 2012, in accordance with the provisions of Law 262/2005, confirmed as the *Director responsible for drawing up the Company's Financial Statements,* upon the proposal of the Chairman and Chief Executive Officer, and with the favourable opinion of the Board of Statutory Auditors, Mr. Giuseppe Veneziano, based on the experience matured in such department during the previous three years, as well as in the context of the Group's administrative and management control areas ever since it was listed; on 17 May 2012, the power of attorney was renewed for the same *Director* in order to enable him to carry out the powers attributed to him.
Pursuant to article 24 of the Company by-laws, the Director must set up adequate administration and accounting procedures for the drawing up of the statutory Financial Statements, the consolidated statements and any other financial communication.
The *Director*, together with the other Executive organs, must undersign an attestation, annexed to every Financial Statement and to any other financial communication in accordance with specific laws and regulations.
With reference to his tasks, the *Director responsible for drawing up the Financial Statements* and legal documents has the same responsibilities and liabilities as those foreseen by law for the Directors, with the exception of those executed under work relations with the company.

COORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

At present, the company does not consider it necessary to set up formal procedures for coordination between the various parties involved in the Internal Control and Risk Management system, as they already work in a spirit of mutual cooperation.

DIRECTORS' INTEREST AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the Corporate Governance Code transactions carried out with related parties are performed in a transparent manner and meet criteria of substantial and procedural fairness. Directors who have an interest, even if only potential or indirect with related parties shall:

- Promptly inform the board in detail of the existence of the interest and of the related circumstances;
- Abandon the board meeting when the issue is discussed.

The Board of Directors can however, under certain circumstances, allow the Directors to participate and/or vote.
In accordance with Consob regulation no. 17221 of 12 March 2010, the Company has adopted, effective 1 January 2011, procedures for transaction with related parties (the "Procedures") to ensure full transparency and substantial and procedural fairness in transactions with related parties and is available on the Company website (www.reply.eu – Investors – Corporate Governance).
Recalling the definition of Consob Regulation no. 17221 of 12 March 2010, the Procedures establish "significant transactions" those requiring the prior approval of the Board of Directors, with the exception of those subject to law and/or the General Shareholders, "minor transactions" (unless pertaining to the residual category of non significant transactions) those that can be delegated to one or more members of the Board and "exempt transactions" those falling under the types disciplined by Consob regulations.
In the past the Company has exercised the option to apply the procedures related to minor transactions to significant transactions, as it is a smaller sized company.
Under a procedural perspective, when a transaction with a related party is deemed probable, the Designated Director (that is the Director in charge of supervising the Internal Control System) timely provides the Committee (identified within the Internal Control Committee) written communication with a brief description of the transaction.
If the transaction falls under the significant transaction category and the Designated Director has proposed the application of the specific procedures, the Committee must express a motivated and binding opinion concerning the convenience and substantial correctness of the terms and conditions of the transaction. Should the Committee express an unfavorable opinion, the Board of Directors could choose to submit to the General Shareholders' meeting the decision concerning the transaction; in this case, the transaction cannot be approved unless the

majority of the non Related Shareholders express a favorable vote, provided that they represent at least 10% of the voting share capital.

If the transaction falls under the minor transaction category, the Committee submits to the Director its non binding opinion concerning the convenience and substantial correctness of the terms and conditions of the transaction prior to the presentation of the contractual proposal, or, in case the decision is taken by the Board of Directors of the Company, at least three days prior to the board's meeting.

If the transaction falls under the General Shareholders' competencies or must be authorized by the latter, in addition to what has been described above, depending on whether the transaction is significant or minor, the Committee must express a motivated opinion in relation to the Company's interest in carrying out the transaction along with the convenience and substantial correctness of the terms and conditions of the transaction when the Board of Directors is called to approve the motion to submit to the General Shareholders' meeting the decision.

If, in relation to a significant operation the motion to submit to the General Shareholders' meeting the decision is approved by the Board of Directors despite an unfavourable opinion expressed by the Committee, the transaction – having respected the constituent and voting quorum requested for the adoption of ordinary and extraordinary resolutions by the General Shareholders' meeting – cannot be approved unless the majority of the non Related Shareholders express a favourable vote, provided that they represent at least 10% of the voting share capital.

In case there is an urgency, the operation, as long it is not competence of the Shareholders and does not need their authorization, may be concluded in derogation of the procedures as long as all mandatory information has been provided to the public and under the condition that:

- Should the transaction fall under the Chief financial officer's powers, the Chairman of the Board of Directors must be informed the reasons of the urgency prior to the transaction being executed;
- The transactions are subsequently approved in a following Shareholders' meeting;
- The body convening the Shareholders' meeting must draw up a report with adequate motivations of the urgency and the Board of Statutory Auditors must refer to the Shareholders their opinion in relation to the reasonableness of the urgency;
- The report and valuation of the previous point must be made available to the public at least 21 days prior to the Annual Shareholders' meeting and in accordance with the means set out by Consob;
- Within one day following the Annual Shareholders' meeting, the Company must make available to the public the information regarding the results of the voting.

The Designated Director, on at least a quarterly basis, submits to the Committee, to the Board of Directors and to the Board of Statutory Auditors, a detailed report concerning transactions previously approved by the Board of Directors and/or carried out by the Chief Executive Officer. The Head of the Internal Control Function periodically carries out – in any case at least on a half-year basis – control activities over the fulfilment of obligations of the Procedures herein by the competent company departments and refers to the Committee and Board of Statutory Auditors.

In 2014 the Committee for transaction with related parties, identified within the Internal Control Committee (now called the Control and Risks Committee), did not meet.
Due to the growth of the company on the stock market in terms of market capitalization, the Board of Directors shall be called to revise the Procedures pursuant to present regulations in force.

APPOINTMENT OF STATUTORY AUDITORS

The appointment and substitution of Auditors is disciplined by Art. 23 (Board of Statutory Auditors) of the by-laws, and is available on the Company's *website* (www.reply.eu under – Investors – Corporate Governance).
Art. 23 of the Company by-laws has been amended by the Board of Directors resolution passed on 26 October 2010 following mandatory amendments to the regulation introduced by Legislative Decree no. 27/2010 (exercising of rights of the shareholders of listed companies) and the resolution of the Extraordinary Shareholders' meeting on 28 April 2011.

Art. 23 of the Company by-laws, regulates that:

- The lists of the candidates for the office of Statutory Auditor must be deposited at the Company's offices at least twenty-five days prior to the date set for the Shareholders' meeting on first call; at least twenty-one days prior to the Shareholders' meeting, the list together with the information and declarations required, shall be made available to the public;
- Only those shareholders that alone or together with others represent 2.5% of the ordinary voting shares have the right to present the lists or the minimum minority voting share required in accordance with binding laws or regulations; should at the expiry date stated above, only one list be presented, or only lists presented by shareholders that are inter-related in accordance with the regulations in force, lists can be presented up to five days following such date. In this case the above threshold is reduced by half;
- Statutory Auditors and Alternate Auditors, will be divided by one, two, three for the Statutory Auditors and one, two for the Alternate Auditors, according to the progressive number of auditors to be appointed. The ratios will then be progressively assigned to the candidates on each list and ranked in descending order. The candidates with the highest ratio will be appointed, being that one Statutory Auditor and Alternate Auditor have been elected from the second list according to the number of votes obtained and must not be connected, neither indirectly, to the Shareholders which presented or voted the list which obtained the highest number of votes;
- The list which presents candidates equivalent to or superior to three shall be composed by candidates from both Statutory auditors and Alternative auditors, so as the number of candidates, in accordance to the regulations of the Report, belong also to the less representative genders (if in excess, it shall be rounded up to the next number);
- If candidates obtain the same percentage of votes, the candidate will be selected from the

list which has not elected a Statutory Auditor, whereas if all the lists have elected the same number of candidates, the Statutory Auditor will be chosen from the list which obtained the most votes. If the result in percentage and vote is the same the Shareholders vote once more and the candidate with the highest percentage will be appointed;

- The office of President of the Board of Statutory Auditors is held by the Statutory Auditor which was elected from the minority list that obtained the highest number of votes;
- In the event of a Statutory Auditor and/or an Alternative being replaced, and considering the balance in genders, if the Statutory auditor shall be replaced in the majority list, the nomination is carried out without any binds to the list; if a Statutory Auditor shall be replaced from a minority list, the Board shall substitute with a majority vote and when counting such votes, the shareholders' with a majority shares and shareholders' connected to the previous shall not be considered.

With regard to the application of the criterion of allocation in connection with the election of auditors, under Art. 148, paragraph 1 bis of the TUF, Law no. 120 of 2011 established that the above provisions shall apply from the first renewal of the body one year from the date of entry into force of the above-mentioned law; such rules will apply to Reply to S.p.A. as from the renewal of the corporate bodies on the approval of the Financial Statements at 31 December 2014.

STATUTORY AUDITORS

The Board of Statutory Auditors is made up of three standing auditors and two alternate auditors and the Board is comprised as follows:

- Mr. Cristiano Antonelli — President
- Mrs. Ada Alessandra Garzino Demo — Statutory Auditor
- Mr. Paolo Claretta – Assandri — Statutory Auditor
- Mrs. Giuliana Monte — Alternate auditor
- Mr. Alessandro Pedretti — Alternate auditor

The Board of Statutory Auditors was appointed during the Shareholders' meeting on 27 April 2012 based on the list which was presented by the majority shareholder of Alika S.r.l., apart from Mrs. Giuliana Monte, appointed with resolution dated 22 July 2014 (substituting Mr. Alessandro Mikla whose resignation was effective as 30 April 2013).
The office expires on 31 December 2014 with the approval of the Financial Statements.

On an annual basis and upon nomination, the Committee, verifies the requisites of independence of its members in accordance to Article 144 novies of the Regolamento Emittenti and in compliance to the Code of Conduct.
During the periodic controls carried out in 2014 and in compliance to the Code, the Committee has not disclosed any situations which could compromise independence and it has been resolved not to apply the criteria stated in Article 3.C.1 letter f) of the Code, in view of member's authority, reputation and moral statute.
This was verified with regards to Mrs. Ada Alessandra Garzino Demo from June 2012.

Considering the professional experience of the members of the Statutory auditors, the Company deemed not necessary to proceed with training courses, finalized at providing an adequate knowledge of Reply S.p.A's business and norms and regulations.

Statutory auditors who have an interest, even if only potential or indirect in a given transaction shall promptly inform the members of the Board of Statutory Auditors and the Chairman of the Board of Directors of the interest and the related circumstances.

During the periodic controls carried out in 2014 by the main controlling committees, the Statutory Auditors coordinated its activities with the functions of the Internal Audit, the Internal Control committee and with the Supervisory Board.

The exchange of information is carried out on a quarterly basis during Statutory Auditors meetings and also through the participation of the President during the the Internal Control and Risk Committee meetings.

The table below summarizes the Board of Statutory Auditors with the main information requested in accordance with Article 144-duodecies issued by Consob

Name	Office	Year of birth	Date of first nomination	In office	List(*)	Independent from code	% of attendance in meetings of Board of Statutory Auditors	Other offices held (1)
Cristiano Antonelli	President	1951	29/04/2009	From 1.1.12 to 31.12.14	M	X	100%	-
Ada Alessandra Garzino Demo	Statutory Auditor	1963	10/06/2003	From 1.1.12 to 31.12.14	M	X	100%	16
Paolo Claretta-Assandri	Statutory Auditor	1954	01/01/2003	From 1.1.12 to 31.12.14	M	X	100%	32
Giuliana Monte	Alternative Auditor	1964	22/07/2013	From 22.07.13 to 31.12.14	M	X	NA	NA
Alessandro Pedretti	Alternative Auditor	1969	29/04/2009	From 1.1.12 to 31.12.14	M	X	NA	NA

Key:
M/m: M/majority list m/minority list
(1) Where applicable a list of all positions held has been annexed, according to Art. 144-quinquies decies of RE, as replaced by Resolution no. 17326 of 13 May 2010.
(*) the last quorum for the presentation of the lists reached 2.5%. Nomination was unanimous and reached favorable votes equal to 59.199% of the share capital.

Following is a brief description of personal and professional characteristics of the members of the Statutory Auditors of the Company:

Cristiano Antonelli President of the Board of the Statutory Auditors

Cristian Antonelli is a professor of political economics, Director of the Economic Department Salvatore Cognetti de Martiis at the University of Turin (2004-2010); Director of the Bachelor degree in Institution and Business Communication(2004-2013); Director of BRICK (Bureau of Research in Innovation Complexity and Knowledge) at Carlo Alberto College. He is the editor of the ‘Economics of Innovation and New Technology’ magazine and along with Bo Carlsson edits the column ‘Economics of Science Technology and Innovation’ of Springer. His education background includes a Master in Economics at ISTAO of Ancona. During 1978 and 1979 he was a junior economist of the Science and Technology department of the OCSE and Rockefeller Fellow in the Sloan School of Massachusetts Institute of Technology from 1983 to

1985. He has taught in the universities of Sassari, Calabria, the Polytechnic of Milan and in the universities of Manchester, Nice, Lyon, Lumiere, Aix-en-Provence, Paris XIII and Paris XII. During the academic year 1999-2000 he taught in the university of Dauphine Paris IX. In the past Mr. Antonelli was member of the Board of Directors of Telecom Italia in the two-year period 1998-99 and of Pirelli&C for the three-year period 2008-2011; Member of the Science Committee of Confindustria in 1999 and 2000; Techno-scientific Committee of ENEA from 2000-2004. Furthermore he held office as Chairman of ICER (International Centre for Economic Research from 2008 to 2011 and was Vice-president of the International Schumpeter Society from 1999 to 2004.

Ada Alessandra Garzino Demo Statutory Auditor
Mrs. Ada Alessandra Garzino Demo graduated in Economics at the University of Turin in 1987. She has been registered on the Registry of Qualified Accountants and Bookkeepers ever since 1991 and the Registry of Auditors ever since 1995. She works as a Charted accountant and provides fiscal and corporate consultancy for medium-large companies as well as Multinationals. Mrs. Ada Alessandra Garzino Demo is specialized in Telecommunication tax matters and fiscal planning. She covers the role of both Statutory Auditor and president in other companies.

Paolo Claretta Assandri Statutory Auditor
Mr. Paolo Claretta Assandri received a graduate degree in Economics and Commerce at the University of Turin in 1978, has been registered on the Registry of Qualified Accountants and Bookkeepers ever since 1981 and the Registry of Auditors ever since 1983. She works as a Charted accountant in Turin and provides fiscal and corporate consultancy for medium-large companies as well as Multinationals.

In 2014 the Statutory Auditors met five (5) times.

The compensations paid to the Statutory Auditors is disclosed in the Annual Report on Remuneration pursuant to Article 123-ter of TUF.
Legislative decree 39/2010 assigns the Board of Statutory Auditors the role of the committee for control and risks and audits responsible for supervising: (i) the financial disclosure process, (ii) the effectiveness of the internal control, internal audit and risk management systems, (iii) the audit of the annual separate and consolidated accounts, (iv) the independence of the independent auditors.

RELATIONS WITH SHAREHOLDERS

The Board of Directors ensures that a person in charge of relations with investors is identified and periodically assesses the need to constitute a structural function within the company.

With a resolution of the Board on 27 April 2012 Mr. Riccardo Lodigiani, was confirmed in charge of relations with institutional investors and with shareholders (Investor relator) in order to create an ongoing dialogue with the market.
The abovementioned person must exclusively and periodically inform the Chairman and the designated member of the board of his activities.
On the Company's website (www.reply.eu, Investors – Corporate Governance), the following documents are available:

- Company by-laws;
- Annual calendar for 2014 of company events;
- Organizational Model pursuant ex art. 6 Legislative Decree no. 231/01 and the Code of Ethics;
- Code of conduct for internal dealing;
- Corporate Governance Code;
- Annual Report on Remuneration;
- Procedures on Related party transactions

GENERAL SHAREHOLDERS' MEETING

The company encourages and facilitates the participation at the Annual General Meetings providing any necessary information or explanation in order to guarantee a smooth and conscientious participation of the Shareholders.

The Company, with the resolution by the Board of Directors on 26 October 2010 and by the Extraordinary Shareholders' meeting on 28 April 2011, has introduced the amendments to the Company's by-laws required by Legislative Decree no. 27 of 27 January 2010 enacting the Community Directive no. 2997/36/EC in relation to the shareholders' rights in listed companies. Art. 12 of the Company by-laws establishes that shareholders are entitled to intervene during the General Shareholders' meeting if they are shareholders at the end of the seventh accounting day of open markets preceding the General Shareholders' meeting and have provided written notice pursuant to art. 2370, paragraph two of the Italian Civil Code.
The Company can designate for each general meeting one or two persons to whom confer the voting rights with specific instructions for one or more proposals on the agenda.

The designated persons, the means and terms of the conferred delegation are communicated on the notice calling the general meeting.
The company does not deem necessary the adoption of an Annual General Meeting legislation (aimed at regulating the running of the meetings), as the Company's by-laws provide adequate provisions concerning the matter.

At the Ordinary and Extraordinary General Shareholders' meeting held on 16 April 2014, Seven (7) Directors out of nine (9) spoke. On that occasion, the Board of Directors reported on its activities during the year 2013.

Following the change in market capitalization of Reply S.p.A.'s shares and considering the current shareholder structure, the Board of Directors did not deem necessary to propose to the General Shareholders' Meeting, changes in the company bylaws in relation to the percentages established for the exercise of the shares and the privileges put into place for the safeguard of the minorities.

OTHER CORPORATE GOVERNANCE PRACTICES

System of the Company's operational procedures – in order to properly apply the Company's regulations and to reduce risks connected with achieving the Company's objectives, Reply S.p.A. has adopted a set of procedures that regulate internal processes, governing both the activities carried out by the single departments as well as relations with other entities; Reference is made in this regard to what has been described in the paragraph on the Internal Control and Risk Management System.

CHANGES SUBSEQUENT TO THE YEAR END UNDER REVIEW

Following the year end close no significant changes have been made to the structure of the Corporate Governance, other than what has been disclosed above.

Turin, 13 March 2015
For the Board of Directors
The Chairman
Mr. Mario Rizzante

ANNUAL REPORT ON REMUNERATION

1. INTRODUCTION

This document ("The Annual Report on Remuneration", the "Report"), was prepared and approved by the Board of Directors on 14 March 2013 according to Article 123-ter of Legislative Decree No. 58/1998 ("TUF") and Article 6 of the Corporate Governance Code, the July 2014 version, approved by the Corporate Governance Committee established at Borsa Italiana S.p.A. The Report describes the Remuneration policy adopted by Reply S.p.A (hereon "Reply") with reference to remuneration to (i) members of the Board of Directors and in particular to Executive Directors and Directors invested with special charges (ii) Directors with Strategic Responsibility.

2. SECTION I

2.1. DRAFTING, APPROVAL AND IMPLEMENTATION OF THE REMUNERATION POLICY

The corporate bodies and persons responsible for drafting, approving and implementing the remuneration Policy are the following:

- Shareholders' meeting;
- The Board of Directors;
- The Remuneration and Nominating Committee;
- Executive Directors;
- Statutory Auditors.

Shareholders' meeting

With regard to remuneration, the Shareholders' meeting:

- Determines the remuneration of each member of the Board of Directors and the Executive Committee, if appointed in accordance with Article 2364(1) (3) of the Italian Civil Code; and shall establish, a total amount to all the Board. This amount is established in a concrete manner as to attract, retain and motivate the staff invested with high professional skills necessary to manage the Company with success;
- Determines the participation in the profit of the present Company, dependent on the Gross consolidated margin, to Directors invested with special charges in accordance with the Company bylaw;
- Expresses its advisory, non-binding vote on the Annual Report on Remuneration approved by the Board of Directors, upon the proposal of the Remuneration and Nominating Committee;

- Receives adequate information with regards to the remuneration policy;
- Resolves on the Remuneration Plans based on shares or other financial instruments for Directors, employees and collaborators, including Managers with strategic responsibilities pursuant to Article 114-bis TUF.

Board of Directors

The Board of Directors

- Establishes a Remuneration and Nominating Committee from among its members. One member must have adequate knowledge and experience with regards to financial and remuneration policy; the persons competence is evaluated by the Board when he/she is elected;
- Determines, upon a proposal of the Remuneration and Nominating Committee, the remuneration policy for members of the administrative bodies. The remuneration policy defines guidelines which all company members involved must follow as to determine the remuneration of Executive Directors, Directors invested with special charges and Directors with strategic responsibilities. Such guidelines are illustrated in the present document;
- Approves the Annual Report on Remuneration which shall be submitted to the General Shareholders' meeting;
- Upon the proposal or opinion of the Remuneration and Nominating Committee determines, based on the guidelines of the Remuneration Policy, and in any case upon consulting the Board of Statutory Auditors, the remuneration of the Executive Directors and other Directors with specific responsibilities; prepares, with the assistance of the Remuneration and Nominating Committee, the remuneration plans based on the allocation of shares or other financial instruments and submits them to the approval of the Shareholders' meeting in accordance with Article 114-bis TUF;
- Carries out the Remuneration plans based on shares or other financial instruments delegated by the Shareholders' meeting

Considering the current structure of the Board of Directors and the shares held in Reply S.p.A., by various members, no succession plan which regulates the substitution of Executive Directors or Directors with Strategic position or those who have ceased has been implemented. In particular, the substitution of an Executive is carried out in accordance to Article 2386 of the Italian Civil Code, in which the Board of Directors choose the Executive. Whereas the substitution of Directors with strategic responsibility is agreed upon by top management of the company.

Remuneration committee

The remuneration committee:

- Makes proposals and advises the Board of Directors in relation to the remuneration to Executive Directors and other Directors with special charges, and furthermore advises on the identification and fixing of adequate performance objectives that enable the calculation of the variable components of the compensation;
- Makes proposals to the Board of Directors on the remuneration policy;
- Assists the Board of Directors in drawing up and implementing remuneration plans based on shares or other financial instruments;
- Periodically evaluates the adequacy and correct application of the remuneration policy, making use of information provided by the Executive Directors when the evaluation is referred to a Director with strategic responsibility;
- Provides the Board of Directors' opinions and proposals about remuneration;
- Monitors implementation of the decisions adopted by the Board of Directors regarding remuneration, evaluating that the performance target has been achieved;
- Refers to the Shareholders' the methods of the Committees functions; for such reason, the presence of the Chairman of the Remuneration and Nominating Committee or another member of the Committee is recommended at the annual Shareholders' meeting;
- If it is deemed necessary or appropriate an external consultant with expertise in remuneration policy can be utilized to carry out such task; the independent expert must not carry out any form of activity in favour of Reply Human resource department, shareholders', Executive Directors and Directors with strategic responsibilities. The independence of external consultants is verified by the Remuneration and Nominating Committee before they are appointed.

On 27 April 2012, Reply S.p.A.'s Board of Directors appointed the members of the Remuneration and Nominating Committee. As at the date of approval of this Report, the Remuneration and Nominating Committee was comprised as follows:
Fausto Forti, Chairman of the Committee and Lead Independent Director;
Marco Mezzalama, Independent Director;
Carlo Alberto Carnevale Maffé, Independent Director.
The Chairman of the Remuneration and Nominating Committee has gained adequate knowledge and experience on financial issues and remuneration policy given his professional experience characterized by operational responsibility in large companies.

In 2014 the Remuneration Committee did not rely on the support of independent remuneration policy experts to draw up the Remuneration Policy.

For further information regarding the operation and activities of the Remuneration and Nominating Committee for the financial year ended as at 31 December 2014, see the 2014 Report on Corporate Governance and Ownership Structure.

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Executive Directors

Executive Directors:

- Provide the Remuneration Committee all useful information so to evaluate the adequacy and concrete application of the Remuneration Policy, with particular regard to the remuneration of Directors with strategic responsibilities;
- Establish the remuneration to Directors with Strategic Responsibilities based on the guidelines set out by the Remuneration Policy.

Statutory Auditors

The Board of Statutory Auditors has the task of providing opinion in relation to the Remuneration Policy; in particular the Board provides opinions on the remuneration of Executive Directors and Directors invested with special charges; in expressing their opinion the Board verifies the consistency of the proposals with the Remuneration Policy:

2.2. REMUNERATION POLICIES

The 2015 Remuneration Policy has remained substantially unvaried with respect to 2014, in view of the assessments made by the Remuneration and Nominating Committee at the meeting of 13 March 2014 and subsequently, on the same date, by the Board of Directors. Moreover, the Board of Directors at the meeting held on 13 March 2015, deemed it was not necessary to modify the Remuneration Policy adopted the previous year and to confirm the policies for 2015 and has transferred the evaluation of any new adoptions and modifications to the policy to the Board which shall be nominated.

The Remuneration Policy is intended to ensure the Company has the ability to attract, retain and motivate individuals who have professional skills and experience to pursue the achievement of the Company's objectives. The Policy is also instrumental in aligning the interests of the Company's management with those of the shareholders, pursuing the primary objective of the creation of value over a medium-long term period, through the creation of a strong link between remuneration and individual performance.

2.3. REMUNERATION OF DIRECTORS

With reference to 2014 the Directors were as follows:

Mario Rizzante	Chairman and Chief Executive Officer
Tatiana Rizzante	Chief Executive Officer
Oscar Pepino	Executive Director
Claudio Bombonato	Executive Director
Daniele Angelucci	Executive Director
Filippo Rizzante	Executive Director
Fausto Forti	Non-Executive Director, Independent and Lead Independent Director
Marco Mezzalama	Non-Executive Director and Independent
Carlo Alberto Carnevale Maffè	Non-Executive Director and Independent

In 2014 remuneration of Directors not invested with operational proxies is as follows:

- 30,000 Euros for each member of the Board, as resolved by the Shareholders' meeting of 27 April 2012.

In 2014 the remuneration of Board members of the Supervisory Body – with reference to Mr.

Fausto Forti – was determined as follows:

- 1,000 Euros for each participation in the Supervisory Body meeting.

A specific remuneration component in relation to the participation in the Committee meetings or to the execution of specific engagements not related to operational proxies is not foreseen, being the beneficiaries of the compensation only the Executive Directors that are also members of the Committee, the compensation to the Directors already takes into consideration the commitment deriving from the participation in the Committee meetings.
In line with best practices, Non-Executive Directors are not eligible for any variable form of compensation linked to the achievement of financial targets.
In line with best practice, the Company has an insurance policy on third party liability for damage inflicted by the Board of Directors (apart from the General Manager, but also Directors with Strategic Responsibilities) in performing their duties, with the aim of safeguarding the beneficiaries and the Company from any connected indemnity, excluding cases of malice or gross negligence.

2.4. REMUNERATION OF EXECUTIVE DIRECTORS

Under a legal and statutory perspective, remuneration of the Company's Executive Directors are established in accordance with:

- Article 2389(3) of the Italian Civil Code – "The remuneration of Directors invested with special responsibilities in conformity with the by-laws is determined by the Board of Directors after consultation with the Board of Statutory Auditors";
- Article 22(2) of the by-laws –"Directors invested with special responsibilities are entitled to share in the profits of the Company, dependent on the Consolidated Gross Operating Margin, whose quantification is established annually by the Shareholders' meeting at the time the Financial Statements are approved".

From the perspective of the Remuneration Policy, the remuneration of the Executive Directors is generally comprised of the following elements:

- **A gross annual fixed component;**
- **A variable component** linked to general predetermined measurable objectives, connected to the creation of value over a medium period of time. Establishing a twelve month timeframe should allow targets to be determined that are suitably consistent with the

trend of the market in which the Company operates, and is consistent with the objective of aligning the interests of the Executive Directors with the pursuit of the creation of value for shareholders in the medium-long term, considering that, in the Company's case, almost all of the Executive Directors are also shareholders of the Company.

The payment of the variable compensation is deferred in respect of when it has matured of approximately four to five months which enables a proper risk management within the Remuneration Policy of the Company.

The Board of Directors keeps in mind two factors when determining remuneration and its single components: (i) the specific proxy that each Executive Directors holds and/or (ii) the function and the role actually carried out by each Executive Director within the Company, thus ensuring that the variable component is coherent with the tasks assigned.

Under an accounting perspective, the remuneration of the Executive Directors is recorded in the Financial Statements in the year in which the services are rendered both for the fixed gross annual component and the variable component, even though payment is made through profit sharing in accordance with Article 22 of the Company By-laws; This is consistent with the International Financial Reporting Standards IAS/IFRS in as much as profit-sharing is considered to all effects as part of the remuneration and therefore the relative al location is recorded in the Financial Statements in the year in which the Executive Directors' services are rendered; for such reason, the proposal to attribute profit-sharing is the object of resolution by the Board of Directors at the same time as approval of the draft annual Financial Statements.

With reference to 2014,

- During the meeting of 14 March 2014 the Board of Directors approved resolutions on the Remuneration Policy for 2014, upon the proposal of the Remuneration Committee;
- The Shareholders' meeting of 16 April 2014 approved, with a non-binding resolution, the Remuneration Report containing the Remuneration Policy;
- During the meeting of 14 March 2013, the Board of Directors, upon the proposal of the Remuneration and Nominating Committee, determined the variable component of the remuneration for the Executive Directors for 2013 by allowing profit-sharing in accordance with Article 22 of the Company's By-laws, and at the meeting of 13 March it verified performance and made the profit-sharing proposal to be submitted to the Shareholders' meeting, together with the relative division;

- On 23 April 2015 the Shareholders' meeting shall be called to approve the proposal regarding the variable component of remuneration as described.

With reference to 2015, remuneration is based on the following criteria:
- The consistency between the elements as to determine remuneration and the objectives;
- The correct balance between the fixed and variable component based on the strategic objectives and risk management policy of the Company, keeping in mind the field in which it operates and the characteristics of the activities concretely carried out;
- The weight of the variable component is approximately 60% of the whole remuneration package, being understood that the fixed component must be sufficient to compensate the performance of Executive Directors in case the variable component is not paid out when performance objectives established by the Board of Directors are not achieved;
- Pre-established performance targets, i.e. financial results or other specific objectives linked to the payment of the variable component, are measurable and linked to the creation of value for shareholders over the medium to long term;
- The relationship between the variance of the results achieved and the variance of the remuneration is guaranteed through scaling of the variable compensation up to a maximum limit related to a scale of objectives;
- Several month deferral of payment of the variable component with respect to when the compensation matures in order to enable a proper risk management of the company within the Remuneration Policy requirements.

With reference to the variable components of the remuneration for the Executive Directors, the Remuneration Committee proposes objectives and, during the subsequent year, performance checks in order to verify whether the objectives established the previous year were achieved.

The criteria utilized in defining remuneration for Executive Directors for 2015 was established by the Board of Directors and is as follows:
- Accrual is subordinated to the achievement of one of the accessible terms represented by the capacity of the profits of the Company;
- Fixing of the annual margin objective represented by the Consolidated Gross Operating Margin as shown in the consolidated Financial Statements, with the identification of a minimum threshold and maximum threshold;
- Fixing of further objectives for the Executive Directors invested with special charges in the Company;

- Quantification of the bonus up to a pre-established maximum amount linked to the achievement of assigned objectives;
- Allocation, in general, of the variable profit-sharing component by dividing it among those entitled to receive it, related to the Consolidated Gross Operating Margin to which Directors invested with special responsibilities are entitled pursuant to Article 22 of the Company By-laws;

The Executive Directors can also be granted other types of benefits typical of the office held and recognized within the Group to Directors having strategic responsibilities and/or managers (i.e. company car).

At present, Directors' severance indemnity (TFM) has been allocated for Executive Directors and Managers with strategic responsibilities having analogous characteristics to employee severance indemnity (TFR) pursuant to Article 2120 of the Italian Civil Code to which the Group's Italian managers are legally entitled.
The Board of Directors can propose to the Shareholders the adoption of the incentive mechanisms through the attribution of financial options. At present no incentive plans of this kind have been established.

The Company deems that the Remuneration Policy is consistent with the pursuit of the long-term interests of the company and its risk management.

2.5. GENERAL MANAGERS AND DIRECTORS WITH STRATEGIC RESPONSIBILITY

As at 13 March 2015 the role of General Manager is non existent in the Company's organization.

Four Directors have Strategic Responsibility at 13 March 2015.

Remuneration to Directors with Strategic Responsibilities is composed by a fixed and variable component and established with the same principles and criteria described above for the Executive Directors. For further information see point 2.4 Remuneration to Executive Directors. Directors with Strategic Responsibilities have the right to severance indemnity (TFR) ex Art. 2120 of the Italian Civil Code. Furthermore some Directors who cover strategic positions in subsidiaries have also been assigned post termination treatment determined in the same manner as severance indemnity.
The remuneration to the Director in charge of drawing up the Financial Statements and the Internal Audit manager are in line with the tasks assigned.

2.6. CESSATION OF OFFICE OR TERMINATION OF EMPLOYMENT

At the date of the present Report no allowance has been set in event of cessation of office or termination of employment on behalf of Executives and Directors with Strategic Responsibilities apart from what is provided by the ex law and/or the Collective labour agreement in case the persons have a dependent work contract.

Considering the current structure and how the variable component of remuneration is determined, of the Directors and Directors with strategic responsibility, in the case of cessation of office due to inadequate results achieved, and if remuneration has been paid, no return mechanisms have been defined.

3.SECTION TWO

3.1. REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Remuneration paid in 2014 to members of the Board of Directors, Statutory Auditors, General Managers with Strategic Responsibilities
(figures in thousands of Euros)

Name Surname	Office held Reply S.p.A.	Period of office	Term of office	Fixed Remuneration	Remuneration for the participation in internal committees
Mario Rizzante	Chairman and Chief Executive Officer	1/01/2014-31/12/2014	31/12/2014	460 (1)	-
			Compensi da società Controllate	240 (2)	-
			Total	700	
Tatiana Rizzante	Chief Executive Officer	1/01/2014-31/12/2014	31/12/2014	210 (3)	-
			Remuneration paid by subsidiaries	343 (4)	-
			Total	553	-
Oscar Pepino	Executive Director	1/01/2014-31/12/2014	31/12/2014	300	-
Claudio Bombonato	Executive Director	1/01/2014-31/12/2014	31/12/2014	400	-
Filippo Rizzante	Executive Director	1/01/2014-31/12/2014	31/12/2014	100	-
			Remuneration paid by subsidiaries	340	-
			Total	440	-
Daniele Angelucci	Executive Director	1/01/2014-31/12/2014	31/12/2014	220	-
			Remuneration paid by subsidiaries	134 (5)	-
			Total	354	-
Fausto Forti	Non-Executive Director and Independent	1/01/2014-31/12/2014	31/12/2014	34 (7)	-
Carlo Alberto Carnevale Maffé	Non-Executive Director and Independent	1/01/2014-31/12/2014	31/12/2014	30	-
Marco Mezzalama	Non-Executive Director and Independent	1/01/2014-31/12/2014	31/12/2014	30	-
Cristiano Antonelli	Chairman of the Board of Statutory Auditors	1/01/2014-31/12/2014	31/12/2014	48	-
Ada Alessandra Garzino Demo	Statutory Auditor	1/01/2014-31/12/2014	31/12/2014	32	-
			Remuneration paid by subsidiaries	36 (8)	-
			Total	68	-
Paolo Claretta-Assandri	Statutory Auditor	1/01/2014-31/12/2014	31/12/2014	32	-
Directors with Strategic Responsibility			Remuneration paid by Reply S.p.A.	171	-
			Remuneration paid by subsidiaries	1.151	-
			Total	1.322	-

To be noted that where no indication has been made, no compensation has been given to Reply S.p.A. subsidiaries.
Remuneration to Directors is as follows:
(1) Gross emolument for the office of Chairman and Chief Executive Officer of the Board of Directors in Reply S.p.A.;
(2) Gross emolument for the office of Chief Executive Officer in subsidiaries equal to 120,000 Euros. The remaining amount refers to the gross salary received as an employee.
(3) Gross emolument for the office of Chief Executive Officer in Reply S.p.A.;
(4) Gross emolument for the office of Chief Executive Officer in subsidiaries equal to 60,000 Euros. The remaining amount refers to the gross salary received as an employee,

non equity variable remuneration						
Bonus and other incentives	Profit Sharing	Non monetary benefits	Other remuneration	Total	Fair value of the equity remuneration	Post mandate indemnity
-	400	-	-	860	-	-
-	-	-	-	240	-	-
	400			1.100	-	-
-	400	-	-	610	-	-
-	-	-	-	343	-	-
-	400	-	-	953	-	-
-	400	-		700	-	-
-	600	-	-	1.000	-	-
-	400	-	-	500	-	-
-	-	-	-	340		
-	400	-	-	840		
-	400	-	-	620	-	-
-	-	-	19 (6)	153		
-	400	-	19	773		
-	-	-	-	34	-	-
-	-	-	-	30	-	-
-	-	-	-	30	-	-
-	-	-	-	48	-	-
-	-	-	-	32	-	-
-	-	-	-	36		
-	-	-	-	68		
-	-	-	-	32	-	-
-	-	-	-	171	-	-
-	1.598	-	82 (6)	2.831	-	-
-	1.598	-	82	3.002	-	-

(5) Gross emolument for the office of Chief Executive Officer in subsidiaries equal to 60,000 Euros. The remaining amount refers to the gross salary received as an employee,

(6) Post termination treatment.

(7) Gross emolument for the office of Independent Directors in 2014 equal to 30,000 Euros. The residual amount is referred to the presence tokens in 2014 for the participation in the Internal control Committee meetings;

(8) Gross emolument for the office of Chairman of the Board of Statutory Auditors in 2014 in subsidiaries;

3.2. Stock-option granted to members of the Board of Directors and Executives with Strategic Responsibility (in Euros)

		Shareholders' meeting resolution of 10/06/2004.	Number of options 01/01/2014		
Name and Surname	**Office**	**(1)**	**(2)**	**(3)**	**(4)**
Executives with Strategic Responsibility	Piano 2004	30.000	21,339	12/5/2009 -12/5/2014	-

(1) Plan
(2) Number of options
(3) Exercise price
(4) Possible exercise period
(5) Number of options
(6) Exercise price
(7) Possible exercise period
(8) Fair value on the granting date
(9) Granting date
(10) Market price of the underlying shares at the granting date
(11) Number of options
(12) Exercise price
(13) Market price of the underlying shares at the granting date
(14) Number of options
(15) Number of options
(16) Fair value

3.3. Shares held by the members of the Board of Directors and Executives with Strategic Responsibility in companies with listed shares and its subsidiaries

Shares held by the members of the Board of Directors

FIRST NAME AND SURNAME	OFFICE	SHARES HELD	NO. OF SHARES HELD AT 31/12/2013	NO. OF SHARES BOUGHT	NO. OF SHARES SOLD	NO. OF SHARES HELD AT 31/12/2014
Mario Rizzante	Chairman and Chief Executive Officer	Reply S.p.A.	11,381	-	-	11,381
Tatiana Rizzante	Chief Executive Officer	Reply S.p.A.	15,734	-	-	15,734
Oscar Pepino	Executive Director	Reply S.p.A.	13,710	-	-	13,710
Claudio Bombonato	Executive Director	Reply S.p.A.	17,500	-	-	17,500
Filippo Rizzante	Executive Director	Reply S.p.A.	3,400	-	-	3,400
Daniele Angelucci	Executive Director	Reply S.p.A.	144,522	-	-	144,522
Fausto Forti	Non- Executive Director and Independent	Reply S.p.A.	-	-	-	-
C. A. Carnevale Maffé	Non- Executive Director and Independent	Reply S.p.A.	-	-	-	-
Marco Mezzalama	Non- Executive Director and Independent	Reply S.p.A.	250	-	250(*)	-

(*) shares held within an investment fund

At 31/12/2014 the following members of the Board of Directors hold shares in the Company:

- Mario Rizzante and Oscar Pepino hold 51% and 18% respectively of Alika S.r.l., a limited liability company with headquarters at C.so Francia 110, Turin.
- Alika S.r.l. holds no. 4,936,204 Reply S.p.A. shares, equivalent to 52.7775% of the Company's share capital.

	Options assigned in 2014						Options exercised in 2014			Options expired in 2014	Total Options held at 31/12/2014	Options relating to the current financial year
	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	-	-	-	-	-	-	30.000	21,339	58,00	-	-	-

Shareholding of Directors with strategic responsibility

NUMBER OF DIRECTORS HAVING STRATEGIC RESPONSIBILITY	SHARES HELD	NO. OF SHARES HELD AT 31/12/2013	NO. OF SHARES BOUGHT	NO. OF SHARES SOLD	NO. OF SHARES HELD AT 31/12/2014
4	Reply S.p.A.	478,302	30,000	108,927	399,375

Definitions

In the present document the definitions of the words in upper case is as follows:

"Board": means all the Board members of Reply, whether Executive, Non- Executive, Independent, etc.;

"Executive Directors": means, in accordance with the criteria of the Corporate governance Code for Listed Companies:

- Directors of Reply who have been nominated as Chief Executive Directors of the Company or subsidiaries which has strategic importance;
- Members of the Reply Board of Directors with management duties in the Company or subsidiaries which has strategic importance;
- The Directors of Reply, who may also be the Chairman of the Company, holder of specific individual proxies or having a specific role in the development of the company strategies;

"Other Directors invested with special charges" means Directors who are assigned special charges (i.e. Chairman, Vice- Chairman), different from the Executive Directors;

"Executives with Strategic responsibilities" means those who have power and responsibility in – directly or indirectly- planning, managing and controlling the activities of the Company, in accordance with the Consob Regulation no. 17221/2010 regarding Related Parties.

CORPORATE INFORMATION

REGISTERED OFFICE

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CORPORATE DATA

Share capital: Euro 4,863,485.64 i.v.
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