Living network

Reply Deutschland AG

Annual Report 2012

Reply Deutschland at a glance

					Change	
Criterion		**2012**	**2011**	**2010**	**2012 / 2011**	**2011 / 2010**
Revenue	Euro mill.	59.2	58.5	60.2	+ 1%	– 3%
EBITDA	Euro mill.	3.70	6.11	6.09	– 39%	+ 0%
EBIT	Euro mill.	2.77	5.15	3.63	– 46%	+ 42%
EBT	Euro mill.	2.51	4.47	3.64	– 44%	+ 23%
Net profit for the period	Euro mill.	1.41	3.44	2.17	– 59%	+ 59%
Earnings per share (basic)	Euro	0.30	0.72	0.46	– 59%	+ 58%
Return on revenue (EBITDA)	%	6.2%	10.4%	10.1%		
Return on revenue (EBIT)	%	4.7%	8.8%	6.0%		
Return on revenue (EBT)	%	4.2%	7.6%	6.0%		
Employees (average fulltime equivalents)		379	388	401	– 2%	– 3%
Payroll employees (year-end)		402	395	409	+ 2%	– 3%
Balance sheet total	Euro mill.	53.8	51.9	52.8	+ 4%	– 2%
Equity	Euro mill.	31.1	31.8	30.5	– 2%	+ 5%
Liquid funds	Euro mill.	15.3	16.2	22.0	– 5%	– 26%
Change in cash and cash equivalents	Euro mill.	– 0.32	– 0.35	2.85		
Cash flow according DVFA/SG	Euro mill.	2.68	4.67	4.09	– 43%	+ 14%
Number of shares	mill.	4,750,561	4,749,343	4,734,536	+ 0%	+ 0%

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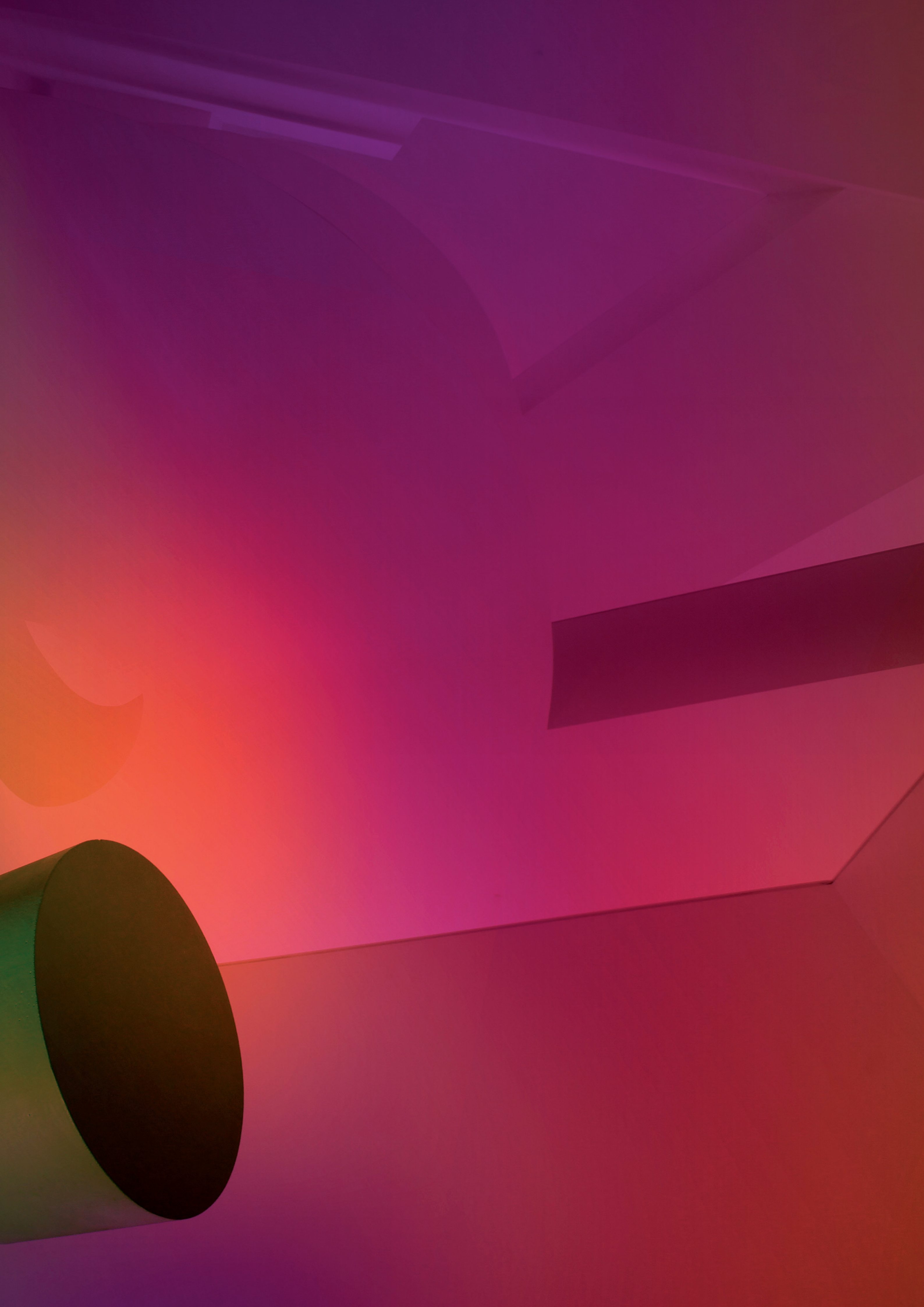


Letter from the Chairman of the Executive Board

Dear Shareholders,

Dear Customers and Business Partners,

Dear Colleagues,

The Reply Group, in which Reply Deutschland is an integral component, can look back at a very successful financial year in 2012. In spite of a continued uncertain economic situation, we have grown and gained a stronger foothold in Europe. A core driver of this development is, among other things, the implementation of the unified Reply brand. And with this we continue our story of success in building up Reply as a powerful and strong European IT brand.

The market launch in Germany at the start of 2006 signalled the beginning of the internationalisation of Reply. Since then the percentage of the Group's turnover outside of Italy, the home country, has grown successively to 25% today. This dynamic development is now to be adapted to the larger group structures. For this reason, Reply Deutschland AG is planning a reorganisation of the corporate structure in 2013. In the course of this, Reply Deutschland AG is to be merged with Reply S.p.A., which is based in Turin. The implementation of the "ONE REPLY" project is expected to be completed in summer 2013. The objective of the reorganisation is to simplify the enlarged structures and bring about an internationalisation and broadening of the shareholder basis. This will not influence the relationships with the customers, staff and partners in Germany.

In the course of 2012, Reply Deutschland AG found its way back to its old strengths after the loss of a major customer, even if this happened 2 quarters later than expected. Revenue increased in 2012 by 1% to 59.2 million euro. The EBITDA margin decreased from 10.4% to 6.2%. With an equity ratio of 57.8% and liquid assets of 15.3 million euro we are very strong financially. We want to use this momentum for the financial year 2013. The focus will be on expanding the market position and improving profitableness.

A major success of the previous year was the presentation of our comprehensive range of services for the automobile industry on the occasion of our participation at an automobile trade show. The Reply theme was the transition from “driver to user”, a motto that perfectly describes the influence of new technology on this industry. To ensure drivers not only enjoy using a vehicle, but also get excited for the online support, automobile manufacturers are applying the CRM competency offered by the Reply Group of IT companies.

We believe that automobile manufacturers in the future will have to react even better to the requirements of their customers by linking classic CRM data with data from social networks, discussion forums, etc. After all, the more they know about the customers, the better they will be able to provide advice, solve problematic situations and build up an emotional bond. Satisfied and well-advised customers become loyal drivers and users. A 360° focus on the customer is the objective that Reply has set for itself with the diverse competencies in the various Group units.

The strategy of strengthening the network of companies in the Reply network is working and will be given a new impetus in the future. Our customer satisfaction survey has shown that we have a lot of potential in this area. We interviewed a total of 50 customers after project end and asked them about their experiences with Reply. The results show that almost all of our customers were extremely satisfied with our services. 58% of the customers will recommend Reply without hesitation. The evaluation of the criteria, skills, customer relations and project quality were all improved. And of course we will continue this path of success.

Our major strength is to tailor innovations to the needs of the customers. After all, our leading role in innovative fields such as cloud computing, digital media, Internet of things and mobile solutions as well as continuous investments in new challenges such as big data or mobile payment open up new areas for growth.

For example, the SAP-certified Reply consultants were among the first IT companies in Germany to have their own HANA installation. The new business analytic technology evaluates millions of bytes of data in seconds. The in-memory technology SAP HANA is one of the most successful of SAP's product launches and we, of course, want to take on a leading role.

Another important key word for us is “e-commerce”. The boom in social networks and mobile end devices means retail companies are facing a variety of challenges. Today more than ever it is important to sharpen the comprehensive view of the end customer and to provide data in all channels in real time. Retail companies have to support increasingly agile processes. Activities are no longer performed sequentially in the various channels - the simultaneous use of channels is now the new trend. Since last year, our retail expert Xpress Reply has been working together with hybris, a leading producer of software for multi-channel commerce and communication. This partnership has been in existence for some time in Italy and Great Britain and is developing very positively. The expansion to Germany is a consequent step in expanding the successful cooperation and in improving our German portfolio of services.

And last but not least: The Power Reply start up from last year had a very good start and went directly to achieving an annual turnover of 2 million euro. In the Reply Group, Power Reply is the specialist for the energy and utilities industry. The objective of the company is to support its customers with innovative solutions and services to increase process efficiency in the optimization of their IT investments.

In just a few years, we have turned Reply into a European group, and in the next steps we want to take it to a real international player. Initial activities in the USA and Brazil have already been started. We owe this to an extraordinarily high level of competence and team abilities - internally as well as on the customer side.

We invite everyone, dear reader, to participate in the dynamic and exciting developments at the Reply Living Network.

Sincerely yours, Josef Mago

CEO, Reply Deutschland AG

Reply Living Network

Reply is a European IT provider of consulting, systems integration and application management services. The company specializes in developing and implementing solutions that utilize new communication channels and digital media. Reply's goal is to make customers more successful by introducing innovative technologies along their entire value chains. This is accomplished by drawing on specific solution-related knowledge and industry experience.

Reply is organized and operates as a group of smaller, highly specialized firms that are agile and flexible, but together wield the strength of a large corporation. Each firm is a center of excellence within its specific niche of expertise. This structure makes it possible to anticipate market developments and interpret the significance of new technologies early on.

The Reply service array is organized into three fields of competency:

Processes

We see technology as an "enabler" of business processes, and bring our in-depth understanding of the market and industry to bear in the projects we conduct.

Applications

We develop and implement application solutions that meet companies' specific core business requirements.

Technology

We employ innovative technologies in optimal fashion so that customers enjoy maximum efficiency and flexibility.

Within these three segments we provide:

Consulting

Strategy, processes and technologies,

System integration

Consulting combined with innovative technological solutions that deliver tremendous added value to customers,

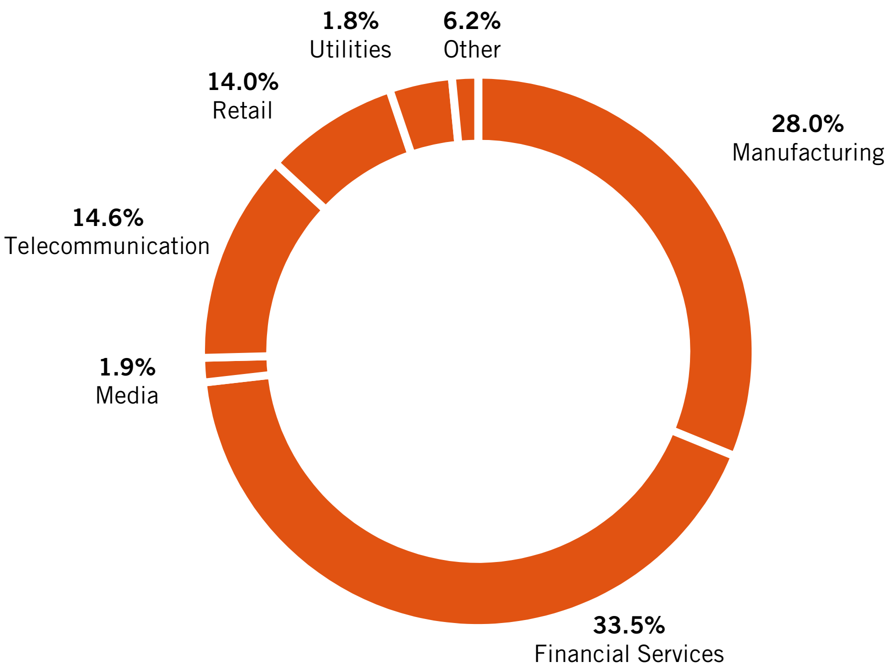
Application management

Management, monitoring and continuous further development of technology assets.

Industry focus

Reply provides reliable, top-quality, innovative technologies to large corporations in the German telecommunications, media, banking, insurance, industry, retail, services, energy and utilities industries.

Reply's 2012 sales to these industries broke down as shown below:



Manufacturing and services

Reply assists companies throughout the phases of rollout, modification and management of information systems, from defining strategic business processes to restructuring and realization of solutions for customer relationship management, supply chain management and business intelligence.

Brand image is crucial to automotive manufacturers, enabling them to differentiate themselves from competitors. Many manufacturers supplement their offerings by selling custom accessories, add-on products, services, financing and insurance. Knowing the customer's needs is essential for structuring these supplemental offerings. This knowledge comes from direct relationships with customers and close contact with dealers.

Reply specializes in software support in these areas by providing integrated IT solutions. When it comes to support for their marketing strategies, our customers expect 360-degree assistance, from information supply to complaint management. In these environments we develop comprehensive solutions for customer service and direct marketing.

In our efforts, we focus on customer-driven processes. The use of a "multi-channel customer interaction centers" optimizes service quality for both customers and suppliers, affording efficient delivery of the services needed. In addition, campaign management directly linked with business processes is key for addressing customers in targeted fashion to present customized offers.

We offer technology-independent consulting on the complete range of issues concerning IT system rollout in the consumer goods industry. We are extremely well-versed in value chain processes in consumer goods. Marketing, sales and logistics are our biggest strengths. Our proprietary industry-specific solutions speed up projects and minimize rollout risk for customers.

Our services help pharmaceuticals firms optimize their business processes to enhance profitability and enterprise value. Pharmaceuticals companies rely on accurate data for successful sales efforts, field sales playing an essential role.

Banking, insurance, financial services

Reply works major banks and insurance companies to identify and implement solutions for optimizing core processes and significantly improve data management efficiency.

Banks and insurance companies today face a multitude of simultaneous challenges: building and maintaining relationships of trust, keeping the product portfolio up to date, dealing with bank management, reporting and risk management issues, increasing regulation and processing available data so as to form a reliable basis for decision-making.

Reply helps banks and insurance companies effectively meet these challenges. Our principal areas of concentration are:

- Customer Relationship Management
- Business Intelligence services and solutions
- Reporting, controlling, accounting
- Risk management
- Credit risk management,
- Equity optimization
- Individual transaction profitability calculation
- Document management
- Facility management
- Creating modern IT environments while utilizing existing systems to protection previous investment
- Developing and assisting with the implementation of service-oriented architectures (SOAs).

Media

Reply helps media companies formulate and implement digital strategies. We are positioned as a provider of consulting expertise, creative ideas and technology rollout.

The media market is undergoing a structural paradigm shift, with the rapid developmental pace of digitalization technology, the convergence of mobility and media and the changing customer expectations these bring requiring media companies to address change and innovation issues in unprecedented scope. Success or failure depends on efficient, 360°management of the innovation process along the entire value chain.

Telecommunications

Reply helps telecommunications and media firms meet demand for a new generation of services that exploit the full potential of media convergence and innovative trends in telecommunications and consumer electronics like "user experience".

The focuses are on consulting, business support system integration and related managed services, operation support systems, service-oriented architecture and value-added services.

Areas of concentration:

- → Design, implementation and distribution of services and content
- → Structuring community and entertainment services
- → Providing innovative applications

for the web, mobile devices, TV and set-top boxes.

Retail

Reply assists retail and mail order firms with implementation of integrated software solutions for multi-channel business.

In doing so, Reply draws upon its extensive and valuable experience with integrating software solutions for the multi-channel mail order business. We are quite capable of implementing multi-channel capability for in-store sales, which is becoming increasingly important. Consumers expect to have the same shopping and service experience, whatever channel they make use of.

Utilities

Reply helps energy and utility companies in Germany and France enhance process efficiency to optimize their investment in IT.

The energy and utility industries are driven by smart technologies. These businesses are under rapidly rising pressure to start IT investment projects. Reply's cooperation with its parent company has made it possible to create an offering that unites German expertise in CRM projects for a variety of energy and utility companies in Germany with experience consulting on large, complex transformation processes in core areas of the industry in Italy.

Our service portfolio consists of

- Energy pricing and forecasting
- Smart Grid / Smart Metering
- Meter data management
- CRM / billing
- Business portals
- Trading and billing.

Fields of Innovation

We make innovation usable

Innovation and efficiency are crucial for businesses to be able to differentiate themselves from competitors. We provide our customers the tools they need to achieve this. Reply's business is built around the deployment of innovative technologies.

At present we are focusing particularly on CRM, Business Intelligence (big data), mobile solutions, cloud computing and social media.

CRM

Customer relationships have become substantially more important to many businesses as a key consideration alongside the product. Analyzing the entire customer relationship life cycle has yielded ways to improve customer management.

We create integrated software solutions tailored to the needs of customer-centric enterprises that ensure effective and economical customer management, including controlling and steering instruments. A host of successful projects demonstrates our expertise with complex service structures and effectiveness in optimizing customer and technical service.

Business Intelligence

Business intelligence is a watchword for the intelligent use of business data in order to gain insights for management and optimization. Business Intelligence is for mapping the entire process from data collection and use as a basis for business decision-making and for company-wide planning and controlling.

We assist businesses with creating and implementing innovative business intelligence applications. This includes addressing technical and design issues, implementation and application operation. We also look at reporting options and performance optimization for large data volumes with respect to end-user acceptance. We have demonstrated our expertise in realizing results-oriented planning and controlling systems in numerous projects. This performance capability stems from our knowledgeability about IT logic, the underlying business processes and ways to employ modern business intelligence tools from leading vendors.

Mobile solutions

Mobile solutions create new communication channels with the customer, which can make businesses more competitive and strengthen their market position. When deployed for field sales, these heighten the closing rate and distribution efficiency.

Reply is experienced in developing mobile solutions for iPad, iPhone and Android, which can be the starting point for mobilizing an entire firm. Reply's primary application focuses are:

- Enhancing the customer's shopping experience
- Mobile and social CRM for on the road
- Mobile TV and internet solutions
- Mobile Sales Force and Lead Management.

Cloud Computing

Cloud computing another key element for developing IT systems to allow flexible, needs-based use of IT services. These services are provided in real-time via the internet and billed for based on usage.

Reply offers end-to-end cloud computing services, from strategic consulting and selecting the most suitable model to constructing and integrating customized platforms and applications and operating these as needed. Our Italian parent company has built its own private enterprise cloud to enable customers to rapidly implement this new technology. An array of Reply applications for such areas as logistics and social networks are available from the cloud as an on-demand service.

Partnerships with several key vendors like Amazon, Google and Microsoft allow us to find the best solution, i.e. the cloud model and technology to be used.

Social Media

Social media solutions have become more popular in recent years, with user numbers increasing. Enterprise Social Networks open up new collaboration opportunities for businesses, drawing upon unstructured, distributed knowledge.

Reply offers flexible social media solutions that simplify business processes, promote collaboration and innovation and improve relationships with business prospects and customers.

The TamTamy software solution for creating and developing enterprise social networks and communities is available both on-demand via the internet (software as a service) and as an on-premise solution operated within businesses' own IT environment.

Partnerships

In project work Reply follows a principle of "as much standardization as possible and as much customization as necessary." Accordingly, Reply partners with a variety of market-leading providers of standard software, most notably Microsoft, Oracle and SAP.

Being organized as a network of autonomous, specialized units ensures loyalty to the respective software partner.

Microsoft

Reply is a major Microsoft partners, specializing in its technologies and applications. Credentials include" "Microsoft Gold Certified Partner," DUET Enterprise and Microsoft Azure Partner and Gold Partner for Dynamics CRM. Reply helps customers reap the benefits afforded by the latest Microsoft technologies. We are leaders in the areas of Microsoft Business Intelligence, SharePoint, CRM, collaboration, portals, data services, cloud computing (Windows Azure), application development, mobile solutions and integration of efficient online tools and services within enterprise-wide IT architectures.

Our offering consists of seven key elements:

- Microsoft Dynamics CRM
- Microsoft Business Intelligence (BI)
- Microsoft Collaboration
- DUET Enterprise
- Microsoft Application Development
- Products (e-Portal, Showplan, ETL Framework and Media Asset Management)
- Advanced infrastructure (cloud computing).

Oracle

As an Oracle Platinum Partner, Reply has followed the development of Oracle products over many years. Today Reply represents one of Europe's leading Oracle centers of excellence.

In the German-speaking world we are the leading consultancy for Oracle

- Customer Relationship Management (Oracle Siebel CRM),
- Integration (fusion)
- Business Intelligence (OBIEE)
- Master Data Management (MDM) and
- CRM on-demand.

Prominent businesses owe their market success and the loyalty of their customers to Oracle systems implemented by Reply. These systems align internal processes and strategies with customer expectations, enabling departments to focus efficiently on the customer for a decisive competitive advantage.

Salesforce.com

Reply is the leading salesforce.com service provider in Europe. As a certified salesforce.com Premier Consulting Partner, Reply supports international customers with consultation, engineering and development in salesforce.com, Force.com and mobile projects.

We are the reliable partner for the conception, development, implementation and continuous improvement of the Salesforce.com CRM system. A variety of own solutions are expanding the Salesforce.com portfolio, for example in the fields of:

- Relationship management,
- Call center management (call planner) as well as
- Connectors to Lotus Notes and SAP for fast and easy data integration and migration

In addition, Reply provides expertise on the Radian6 Social marketing Cloud which enables additional important marketing functions like monitoring, analysis and the participation in the millions of conversations in social networks about products and brands, thus contributing to the strengthening of the customer relationship.

SAP

Reply is a known specialist in the development, implementation and integration of applications and software components for SAP-based environments, with extensive experience and a host of projects under our belt. This is reflected among other things by our status as an Alliance Service Partner and by our numerous Special Expertise partnerships.

Customer Relationship Management solutions are realized based on SAP CRM; these are specially adapted to customer requirements and needs, and integrated into existing IT infrastructure. Proprietary solutions and products round out our portfolio.

These include Business Intelligence services and solutions for the banking and insurance markets, and financial and controlling applications for any industry.

The Facility Management offering is designed around integration and optimization of facility management processes, including SAP business processes.

The **Reply** Deutschland Share in 2012

The market capitalization of Reply Deutschland shares was 54.6 million euro at the end of 2012. Compared to 2011, this was a strong increase of 21% which meant the shares were able to grow just as dynamically as the German capital market. The growth of Reply Deutschland shares was mainly driven by the speculation of a possible squeeze out from the main shareholder. When the "ONE Reply" project measures were announced in December 2012 with the objective of merging Reply Deutschland AG with the Italian parent company, the shares reached the highest price of the year at 12.55 euro. To avoid detrimental effects on the customer, partner and staff situation, at the end of February 2013 all assets were transferred to Reply GmbH & Co. KG, a 100% subsidiary of Reply Deutschland AG. The corresponding resolutions were passed at an extraordinary general meeting on 14 February 2013 with the necessary majorities.

Due to the returning trust of the capital markets in the management of the European debt crisis, which is mainly due to the massive interventions of the European Central Bank, the German stock market index (DAX) was able to gain 29% on the basis of the year-end course. The TecDAX was almost able to balance out the 19% losses of the previous year with an increase of 21%.

The trade volume of the Reply Deutschland stock in 2012 went up slightly by 9% in comparison to the previous year with 0.27 million shares traded. Last year on all German stock markets an average of 1,100 Reply Deutschland shares were traded on every trading day (previous year: 971 shares).

		2012	2011	2010
Equity capital	Euro mill.	4.75	4.75	4.75
Number of shares	million	4.75	4.75	4.75
Options issued (cumulative)	thousand	0	0	23.5
Market capitalization	Euro mill.	54.58	45.04	43.61
Free Float	%	18.82	19.17	20.47
Shares traded [1]	thousand	1.1	1.0	2.0
Year-end price	Euro	11.49	9.48	9.19
High for the year	Euro	12.55	9.87	9.70
Low for the year	Euro	8.49	8.31	7.20
Earnings per share [2]	Euro	0.30	0.72	0.46
Dividends [3]	Euro	0.45	0.45	0.45
Total dividend payout	Euro mill.	2.14	2.14	2.14
Dividend yield [4]	%	3.9	4.7	4.9

1) Average daily volume 2) Reply Deutschland Group 3) amount proposed for shareholder approval for 2012
4) based on year-end closing price

Domination agreement

In the financial year 2010, Reply Deutschland concluded a domination agreement with the major shareholder Reply. Together with the main owner Reply, we are working to create a European network that will use a strong, united brand to be able to achieve greater synergies in our markets.

The complete spectrum of products from Reply, such as in the innovative areas of cloud computing, social media, big data and the Internet of things, should also be available in their entirety on the German market.

Last year we already indicated that arbitration procedures are pending against the domination agreement at the District Court in Dortmund. These procedures are to determine whether the compensation for the limitation of the shareholders' rights (a yearly guaranteed dividend of 0.45 euro or a compensation payment of 8.19 euro by Reply) is reasonable. The case is still pending; we cannot report any concrete results

According to the domination agreement, the Management Board and Supervisory Board will make a recommendation at the general meeting planned for 18 July 2013 to pay out a dividend of 0.45 euro per share for the financial year 2012. Resources not included in the net income for the year will be taken from the revenue reserves.

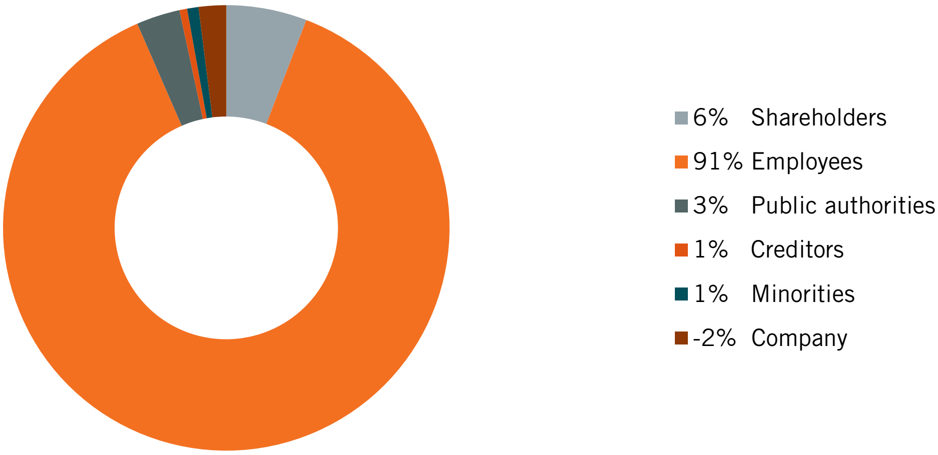
Added-value calculation

The company performance increased slightly in 2012 by 2% to 62.6 million euro.

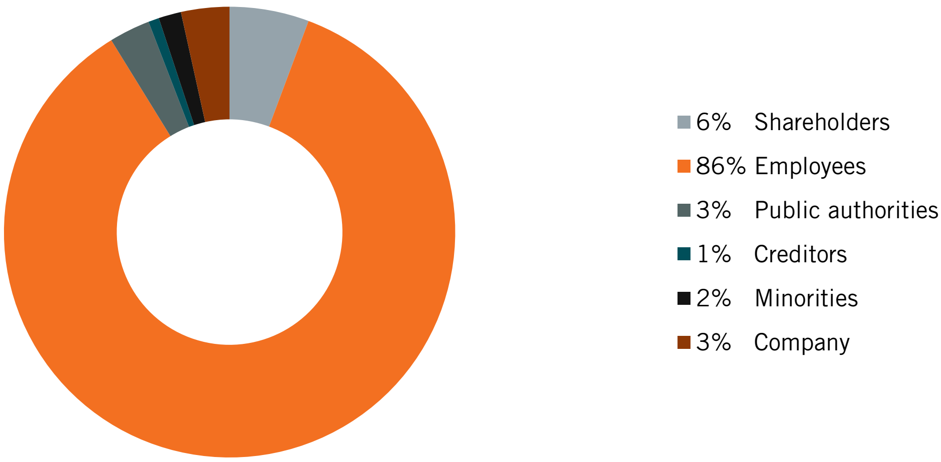
After deducting the input costs, which rose considerably due to increased cooperation with freelancers for more flexible reaction to variations in demand, the added value of the Reply Deutschland AG Group was 35.2 million euro (-6% as compared to the previous year). As is typical for supplied services, this was 58% of the company's performance.

Of this added value, 32.1 million euro - or 91% - were attributable to staff. For the shareholders 6% were used in the form of dividends; due to the weaker profit situation, 2% had to be taken from the revenue reserves to pay the dividends. Three per cent of the added value was attributed to the public sector, 1% was due to the minority shareholders involved in various companies in the group. With 1%, the share of added value used for the creditors is still insignificant.

2012: Euro 35.2 million



2011: Euro 37.5 million




Reply

Management Report of Reply Deutschland Group for Financial Year 2012

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Business and underlying circumstances

Welcome to Reply Deutschland

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

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

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

Company profile

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

Reply Deutschland is organized as a network of highly specialized companies. Inclusion in the network of IT service providers acting throughout Europe also allows Reply Deutschland access to the know-how of more than 3,400 IT experts. The 400 employees of Reply Deutschland AG achieved revenues of 59.2 million euro in the 2012 financial year.

General Economic and Sector Trend

Exactly four years ago the world economy slipped in the greatest crisis of the post-war period. Within the years 2010 and 2011 a significant correction of this drop was successful with growth rates of the gross domestic product of 3% or more. The growth intensity has dropped off considerably in the financial year 2012, though. Current forecasts expect a GDP growth of only another 1% and one the last quarter economic performance shrunk on inflation-adjusted figures. This met the German industry sector in special extent whose cushion of existing orders has faded and whose production sunk in view of the common investment restraint. In comparison the services sector still performed quite well.

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

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

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

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

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

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

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

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

The strategic importance of IT for reaching business goals in a complex future continues to increase. The change in this environment is indicated by a clear change of the general conditions: recession instead of growth, volatility instead of stability, dynamic changes instead of stable framework conditions and the increasing importance of the customer-related IT systems in comparison with the back-office systems. It is necessary to find the balance between the current IT operation and the great possibilities of the new technologies. For years the interest in the so-called "lighter-weight technologies" or agile technologies which help the CIO to save costs and to release resources has dominated to satisfy the increasing need in the enterprise for innovations and solutions which supports the growth. The following evaluation of the technology priorities of worldwide persons in charge of IT shows this quite clearly.

Technologies

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

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

Young new digital technologies, using available information and connecting it in a new way, like mobile solutions, analytical methods, big data, social media, the Internet of Things and Cloud technologies, become mainstream and require an adjustment of the IT budgets, investment portfolio and available competences. Systems working at the interfaces to clients and partners become ever more important compared with the technologies responsible for process optimization purposes. Cloud represents a new type of the provisioning of IT solutions. Social media promote new and more extreme forms of cooperation. Mobile solutions permit the access to service communities and data from everywhere; they provide new insights into the consumer behavior simultaneously. Information finally will change our analysis techniques and the data management in large quantities and different structures. A good example of the interaction of these technologies is the digitalization of the sale, purchase, reading, writing and publishing of books as started with Amazon in 2011. The combination of Cloud computing, a mobile device, the Kindle, the Amazon.com community and digital books created a completely new business process in the publishing sector. The emergence of mobile payments systems also shows where the journey will go.

Set-up and Management of the Reply Deutschland Network

The Reply Deutschland Group is comprised of a network of companies that combine the strength of a large company with the agility and customer proximity of highly specialized units. This network is based on the following fundamental principles:

- Focused business units, which are managed as individual companies, sustain the operative business.
- Cross-divisional functions such as finance, marketing, HR, IT or investor relations are centrally operated by departments within Reply Deutschland AG.
- Focusing each business unit on individual specializations (industries, applications, or technologies) allows us to provide first-class expertise paired with extensive experience. This in turn enables us to maintain a high level of quality and pass on the corresponding benefits to our customers.
- Each business unit works as an independent company within the network. At the same time, their affiliation with the network provides them with a corresponding size, economic backing and reputation. Their incorporation into the international network of the main shareholder, Reply S.p.A., gives them access to additional specialist expertise.

The Group is managed on the basis of the key figures revenues, EBITDA margin (earnings before interest, taxes, depreciation, and amortization; based on revenue) and EBT margin. By contrast, the performance of individual business units is judged using the key figures revenues (achievement of sales targets) and EBT margin. The following table shows how these key figures have developed over the past few years:

	2012	2011	2010	Change 12/11	Change 11/10
Revenue	59,225	58,521	60,174	+ 1%	–3%
EBITDA margin	6.2%	10.4%	10.1%	–4.2 pp	+ 0.3 pp

Corporate Governance Statement

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

Revenues Trend, Reference Projects and Partnerships

The development of revenues and profitability was less than what we expected which led to the correction of the annual guidance in October. The course of the 2012 financial year showed a first half year with dissatisfying revenues of EUR 14.3 million or EUR 14.1 million respectively. In the second half of 2012 the business activities clearly accelerated, 2 quarters later than we expected. In the fourth quarter revenues of EUR 16.1 million were achieved the second highest of the last 8 quarters. Quarterly revenues increased by 9% or 10% respectively, compared to the third quarter of 2012 or to the fourth quarter 2011.

Overall in the financial year 2012 revenues increased slightly to EUR 59.2 million (+1%). Regarding revenues related to Reply companies not being part of the group report, we refer to information (15) in the notes to the Consolidated Annual Financial Statements.

In comparison to the overall German market for IT services, which has increased by 2.1% according to BITKOM, Reply Deutschland AG has grown at a slightly below-average rate.

Furthermore, the Reply Deutschland Group intensified its work with freelancers in order to be able to flexibly react to fluctuations in the demand for IT services.

In the financial year 2012, we were able to complete numerous projects with high visibility on the market for IT services.

Classic machine and system builders are also searching for new ways to provide their customers with quick and interactive, up-to-date information about their products and services. That's why Cluster Reply has taken over 500 pages of numerous reference brochures from Voith Paper and integrated them into an interactive and streamlined app. Current and prospective customers of the manufacturer Voith can now access the descriptions for the most powerful paper manufacturing machines with an Apple iPad. The app is called Paper Machine References, or simply: "PM-References". The app is available free of charge from the Apple App Store.

Voith Paper has a reference brochure for every paper grade to illustrate the most powerful and successful machines in the world. The "World Class References" brochures have been digitized and can now be perused comfortably on a hand-held device. The app also provides additional information.

The app works offline. This means the contents can be read anywhere and at any time. An added benefit of the offline version is that this can be implemented quickly and inexpensively without backend or access management.

Along with the demanding design, the user interface designed by Cluster Reply also stands out with new, innovative operating elements such as the multi-select slider for selecting filter criteria. The information required for the app was extracted from the Voith System using Microsoft technology and transformed into the target format for the app, where it was then embedded in the iOS database.

Macros Reply, the expert for electronic mailbox, filing and document management solutions, has won the stationery specialist McPaper AG as a new customer. Macros Reply will be introducing the digital personnel filing system "macros ePAkt". The electronic filing system will provide all relevant employee information and linked workflows in the future at the push of a button. For Macros Reply the project means more involvement in the retail market.

Previously, the entire staff at McPaper was managed on the basis of paper files. The company was looking for an electronic solution to optimize the personnel files and the processes in HR. The decision was taken for the digital personnel filing system "macros ePAkt" from Macros Reply because macros ePAkt can be individually configured to the requirements. The high usability of the solution was an additional criterion for the decision. In spite of the high scope of service required of the software, easy and intuitive operation is possible.

In the future, the electronic filing system will provide HR with all relevant employee information at the push of a button. Paper-based HR files will be a thing of the past. Electronic mail boxes, checklists and various distribution processes are integral components of the solution. These ensure more efficient and secure processes in the personnel department and contribute to the optimization of the workflows involving staff files without media discontinuity. The seamless integration into the existing system landscape was an additional decisive reason for McPaper AG to select the Macros Reply solution. Along with the connection of the existing archive solution and standard off-the-shelf e-mail and office systems, the tight integration with SAP was a main selling point: The personnel files are automatically created in macros eDMS from SAP. The data stored in SAP can be opened at any time in the DMS and are synchronized with the master data in SAP.

A combination of business networking, athletic competition and charity: This is the internationally-renowned Global Biking Initiative (GBI). To increase the interactivity of the biking tour even more, the IT service provider and gold sponsor Reply equipped the participants and spectators with an app: the GBI Reply 2012 App. The participants in this year's biking tour could show fans and family their athletic spirit, even if those people were sitting at home in the living room. The app accompanied the bikers from the start to the goal. Once a biker had registered, the participants could be found with their name and start number using the global positioning system (GPS) - in any country. Furthermore, the riders could easily and quickly tell their fans at home about their experiences during the event over social media channels.

On the other hand, the mobile app let the spectators attach themselves virtually to the heels of their favorite biker and to encourage them "live". Anyone logged on as a spectator could track their favorites on the tour, add a desired participant to a list and cheer them on over Twitter and Facebook.

An additional function increased the social engagement of the participants and spectators. The GBI has only one goal: Collecting donations! With this app users can donate easily, using an additional channel for supporting the biking tour. The app for the famous European biking tour was developed by app specialists at Reply.

Industry specialist 4brands Reply developed the PSA4Sales template for key account planning to demonstrate how visualized shopper insights support promotion planning and the targeted segmenting of participating outlets.

In July 2012, SAP presented SAP Visual Business 2.0, a powerful tool for users to display data intuitively embedded in maps and 3D images. This makes it possible to optimize the success of a promotion and allows real time tracking at any time. The customers are offered a complete key account management process across all media in an appealing user interface. The process begins with the yearly planning, covers the price and condition planning and the rolling promotion planning up through the segmenting of the outlets in one concrete promotion. The idea for this solution was awarded the Innovation Award in November 2011 by SAP's partner eco-system. The prototype for the individual customer solution is already available today.

Successful companies from industry and retail trade are now able to group their target customers into precise groups. In doing so they use classic social and demographic segmentation - a division of customers by basic data such as gender, income, age and type of work. In companies, category management uses these shopper insights to specifically adjust their range of goods to the target groups of the areas covered by the individual outlets. The 4brands Reply solution provides the information on the screen so that manufacturers of consumer goods and retail chains can intuitively use this in their processes.

In the 2012 financial year, Reply Deutschland further expanded partnerships with leading software suppliers. Xpress Reply, expert for customer-centric processes in retail trade, is expanding its portfolio in multi-channel commerce. The company has access to the expertise in the European-wide acting Reply network. Xpress Reply also works together with hybris, a leading provider of software for multi-channel commerce and communication. The objective is to help retail companies in Germany be proficient in multichannel commerce and to accompany them along the path to becoming an omni-channel supplier.

The boom in social networks and mobile end devices means retail companies are facing a variety of challenges. Today more than ever it is important to sharpen the comprehensive view of the end customer and to provide data in all channels, in real time. As a link between a more flexible outside world and stable back-end systems, system integration plays a special role.

That's why Xpress Reply decided to build up its portfolio in multi-channel commerce. The company can access the broad expertise in the European-wide Reply network. The company has also concluded a partnership with the technology provider hybris.

Personnel trend

The number of employees working within the Group as of December 31, 2012, including Executive Board members, increased slightly by 2% compared with the end of 2011 and totaled 402 employees. For the financial year 2012 the number of employees working at Reply Deutschland AG Group dropped by 2% to 379 employees (converted into fulltime equivalents). In the course of the year an increase was to be posted in the second half year. The comparable figure for the fourth quarter stood again at 388 fulltime equivalents.

Non-financial performance indicators

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

As part of satisfaction surveys, our customers are polled at least once a year after the completion of projects on their satisfaction with the work performed by the employees of Reply Deutschland and its associated companies. This customer satisfaction is determined in the areas of expertise, customer relations and project results using a questionnaire and is summarized as an overall result. In the 2012 financial year the already excellent results improved on average by 4 percentage points. The number of customers who replied to the question of whether they would recommend Reply Deutschland with the highest or second highest value (9 or 10 on a scale of 10) remained constant compared to 2010. The ratio of the third highest category (8 out of 10 points) increased by 4 percentage points.

Conditions according to corporation law

Composition of share capital

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

Restrictions

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

Special rights

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

Authorization of the Executive Board to issue shares

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

A conditional capital does not exist.

Direct or indirect shareholdings exceeding 10% of the voting rights

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

Control of voting rights

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

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

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

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

Authorization of the Executive Board to buy back shares

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

Key agreements subject to conditions

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

Domination agreement

On April 14, 2010 syskoplan AG and Reply S.p.A. announced the intended conclusion of a domination agreement that was approved by the General Meeting on May 28, 2010. The shareholders of Reply Deutschland AG who have not accepted the cash compensation offer, remain minority shareholders and are entitled to the payment of a recurrent amount as fixed appropriate compensation. The appropriate compensation according to § 304 AktG is Euro 0.53 gross per non-par value share (gross profit share per share) less corporation tax to be paid by syskoplan. The applicable German corporate tax rate at the time of the conclusion of the agreement, including solidarity tax is 15.825 %; this currently equals a corporate income tax deductible of Euro 0.08 resulting from profits charged with German corporation tax and solidarity tax that is contained in the gross amount.

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

Compensation agreements

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

Shares and options held by Board members

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

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

Remuneration Report[1]

In accordance with the Act on the Appropriateness of Executive Board Compensation (VorstAG) which came into force on August 5, 2009 the Supervisory Board is responsible for concluding contracts with the Executive Board members and therefore setting their remuneration. The Supervisory Board's remuneration is based on the articles of incorporation and is set by the Annual General Meeting. Further details are contained in the Corporate Governance report on the pages 45 et seq.

Investment activities

A further EUR 1.6 million was invested in tangible non-current assets (previous year: EUR 0.6 million). In 2012 investments in software posted as intangible assets were just under EUR 0.2 million (previous year: EUR 0.1 million).

Asset and Financial Position

Balance sheet structure

Subject to the approval of the General Meeting, Executive Board and Supervisory Board of Reply Deutschland AG decided on December 14, 2012 to sell the shares in its 100% subsidiary Tool Reply GmbH. The General Meeting approved on February 14, 2013 to this sale, so that Reply Deutschland Ag sold his shares in Tool Reply GmbH on February 15, 2013. The corresponding assets in the amount of EUR 2.5 million as well as the liabilities in the amount of EUR 0.9 million have therefore been posted separately as held for sale. The other balance sheet items have correspondingly been "adjusted" by these values.

The executive board and the supervisory board of Reply Deutschland AG have approved the reorganization of Reply Deutschland AG on December 14th, 2012. This includes the hive down of the business activities of Reply Deutschland AG to Reply GmbH & Co. KG as well as the sale of Tool Reply GmbH. The

[1] The remuneration report is part of the management report and was audited by the auditor.

extraordinary shareholder meeting on February 14th, 2013 has as well approved the hive down of the assets and the liabilities of Reply Deutschland AG into the subsidiary Reply GmbH & Co. KG and the sale of Tool Reply GmbH.

Reply Deutschland AG's consolidated balance sheet total increased in the last year by 4% to EUR 53.8 million. In the same period, the proportion of total assets accounted for by current assets rise to 58% (after 57% in the previous year). This development is mainly due to the decline in liquid assets. Because of a lower invoiced amount for fixed price projects and other unpaid trade receivable the trade receivables increased by 24% to EUR 14.7 million. Liquid assets decreased slightly to EUR 15.3 million due to the decline in profitability.

Non-current assets amounted to EUR 20.1 million to the end of the period under review (previous year: EUR 22.1 million). This decrease is mainly due to the reclassification of assets held-for-sale. They accounted for 37% of total assets as of the end of 2012 (previous year: 43%). The ratio of non-current assets to equity was 155% (previous year: 144%).

Goodwill correspondingly remained unchanged at EUR 10.2 million (previous year: EUR 10.2 million). Impairment test didn't required amortizations. In relation to the balance sheet total, goodwill amounted to 19% in 2012 (previous year: 20%). The ratio of goodwill to equity was 33% (previous year: 32%).

On the liabilities side of the balance sheet, the Reply Deutschland AG Group increased its current liabilities by 19% from EUR 12.7 million to EUR 15.2 million. This accounted for 28% of the balance sheet total (previous year: 25%). Other financial liabilities increased by EUR 0.5 million to EUR 5.5 million. This was due to the increase by EUR 0.2 million in marked-off debts vis-à-vis employees, the EUR 0.2 million reduction in marked-off debts vis-à-vis subcontractors and suppliers and the increase in Finance Lease by EUR 0.1 million.

Accounts payable for supplies and performances did strong increase at EUR 1.7 million to EUR 4.1 million which was mainly driven by an increase of freelancers.

Non-current liabilities including pay-off obligations to limited partners of subsidiaries decreased to EUR 6.6 million (previous year: 7.3 million). Pay-off obligations to limited partners of subsidiaries resulting from the withdrawal from 4brands Reply GmbH & Co. KG decreased in the 2012 financial year by EUR 0.1 million to EUR 2.8 million. The long-term reserves decreased by EUR 0.2 million mainly because of the reduced liabilities of partial retirement and long-term bank liabilities decreased by EUR 0.9 million because of the reclassification to held-for-sale.

The Reply Deutschland AG Group's equity ratio decreased in the period under review from 61% to 58%. Share capital also remained virtually unchanged in the period under review as did the capital reserve. Reduction in the consolidated net income of EUR 1.4 million and as opposite the higher dividend of EUR 2.1 million are the reason for a decrease in retained earnings by EUR 0.7 million to EUR 7.1 million.

Liquidity situation

Reply Deutschland AG Group's cash and cash equivalents decreased in the 2012 financial year to EUR 15.3 million due to lower profitability Net short-term assets were EUR 16.0 million (previous year: EUR 11.2 million).

In the last year an inflow of funds from operating activities totaling EUR 2.7 million was generated. In the previous year the inflow of funds was EUR 3.0 million. This decrease is primarily due to lower EBT of EUR 2.4 million. This effect was lessened by the changes in receivables and payables of EUR 1.7 million. In relation to revenue, cash flow from operating activities decreased from 5.2% to 4.5% compared to the previous year.

Investments in 2012 led to an outflow of funds in the amount of EUR 0.5 million. One year before, the outflow of funds was EUR 5.6 million. The previous year's figure included the loan payment to Reply S.p.A. in the amount of EUR 5.0

The outflow of funds from financing activities was EUR 2.9 million (previous year: outflow of funds EUR 3.3 million) primarily due to the payment of retained earnings to the minority shareholder of 4brands Reply GmbH & Co. KG of EUR 0.4 million in the previous year.

In total cash and cash equivalents decreased in 2012 by EUR 0.8 million to EUR 15.3 million. First degree liquidity (liquid funds in relation to short-term liabilities) was 101% in 2012. In the previous year it was 127%. If the other short-term items are taken into consideration, then the second degree liquidity is 205% after 234% in 2011.

Reply Deutschland AG still has virtually no bank liabilities; financing requirements are met using only funds from self-financing, i.e. from the cash flow.

Reply Deutschland AG Group was at all times able to meet its payment obligations on time in the 2012 financial year and remains able to do so moving forward.

Earnings Position

Reply Deutschland AG Group's earnings position decreased in the last year because of a bad first half-year. The EBITDA margin (EBITDA to revenues), a key management metric reduced strongly to 6.2% after 10.4% in 2011.

Revenues for the Reply Deutschland AG Group in 2012 financial year increased slightly by 1% to EUR 59.2 million. A slight business recovery in the second half-year took place which was already expected in the first half-year.

The cost of revenue increased in 2012 by 8% to EUR 46.1 million (previous year: EUR 42.7 million) with an average number of full-time employees reduced by 2%. Gross profit from revenues was EUR 13.1 million after EUR 15.8 million in the previous year. The gross margin (gross profit in relation to revenue) reduced to 22% after 27% in the previous year. The development in hourly rates was stable.

Selling and marketing expenses slightly reduced by 4% to EUR 5.7 million. Administrative expenses with EUR 6.5 million were slightly above the previous year's level of EUR 6.3 million.

An analysis of the Group's total costs shows an increase of 6% to EUR 58.3 million compared to the previous year. Personnel expenses remained virtually unchanged at EUR 32.1 million. The cost of purchased services strongly increased in the last year by 44% to EUR 11.5 million - mainly due to significantly greater use of external capacities. Operating expenses (not including purchased services) decreased slightly by 1% to EUR 14.7 million.

Other comprehensive income (difference between other operating revenues and other operating expenses) improved by EUR 0.3 million to EUR 1.8 million. This was mainly due to an increase in fee income from the assumption of administrative activities vis-à-vis the German Reply companies, Live Reply and Riverland Reply.

Operating income (EBIT) reduced by 46% to EUR 2.8 million (previous year: EUR 5.1 million). The financial result including expenses relating to limited partners of third party companies was EUR -0.3 million.

The tax rate (tax expense in relation to result before tax) was 44% in the last financial year. This above-average tax rate results from some special effects. The main effect was due to the effect that on deferred tax assets were posted on permanent differences of waiver of receivables. Second reason of this untypical tax rate is due to the presentation of "expenses from revaluation of compensation obligation and from allocation of earnings to the minority partner in limited partnerships" in EBT. On these minority effects no taxes have to be calculated. Without the special effects the tax rate would be 30.6%

Group results were EUR 1.4 million (previous year: EUR 3.4 million) after taxes, expenses for the re-evaluation of pay-off obligations and the credit of profit shares for limited partners of subsidiaries. In terms of earnings per share, this represents earnings of EUR 0.30 after EUR 0.72 in the previous year.

Overall the situation of Reply Deutschland AG is well-ordered.

Opportunities and Risk Report

Risk management system and accounting related internal audit system

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

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

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

Part of the audit systems implemented is the internal audit system for accounting. Its purpose is to fully map all business transactions in both the separate and the consolidated annual financial statements. The checks and controls established throughout the Group in all process segments are examined for effectiveness on a regular basis and developed further. These controls comprise automated checks within the SAP system as well as manual checks of the business processes carried out by employees. This includes the monthly review meetings, at which the sales pipeline for booking "other customers" i.e. customers to be acquired is evaluated on an ongoing basis. Also included are the regular reviews of complex projects as well as projects subject to particular risks. The subject matter of these reviews additionally includes the respective project situations, a comparison of hours worked with those budgeted, and the valuation of work in progress. The monthly and quarterly reports as well as the annual financial statements are also subject to detailed reviews. The uniformity of accounting and valuation methods is ensured via the central accounting system for all Group companies at Reply Deutschland AG. The correctness of the annual financial statement of the Group is assured during preparation by strict adherence to the double-check principle.

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

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

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

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

Presentation of the Risk Position

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

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

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

All in all, as per December 31, 2012 there are no risks threatening the existence of Reply Deutschland AG Group bearing in mind the existing risk coverage possibilities and the risk management systems introduced. This statement also applies to accumulation of various existing corporate risks.

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

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

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

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

Report on Risks Associated with Financial Instruments

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

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

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

As regards debtors, developments in the backlog of receivables are monitored continuously. Default risks are adequately covered by the existing value adjustments. Within receivables, there is a risk concentration as regards a number of major customers and industries. The extent of business with major customers and specific industries is monitored on an ongoing basis. However, given the high payment speed and the current credit standings of these major customers, Reply Deutschland Group does not foresee any risks.

Special attention continues to be paid to the monitoring of value change risks arising from company values and goodwill. This is especially necessary as Reply Deutschland Group's stated strategy is to diversify its business portfolio by purchasing additional external companies. Such a strategy comes with the inherent risk that business performance may not match up to initial expectations. This risk is addressed within the framework of project controlling and monthly review meetings. Additionally, internal company valuations are conducted yearly for the main equity investments. If necessary, external experts are consulted. With regard to the business units showing goodwill the Reply Deutschland Group assumes that the participations develop according to the current planning. Valuation adjustments in the context of the impairment tests were not required in 2012.

In principle, a risk also exists that in the case of a resignation of the group external limited partners of subsidiaries the compensation obligations get due and means are therefore withdrawn from Reply Deutschland Group. Due to the time value assessment of the compensation obligation to IFRS, moreover, there is a value change risk not influenceable.

The continued existence of Reply Deutschland Group as a going concern is not endangered by any factors relating to substance or liquidity. This assessment is supported by the analysis of business trends and liquidity presented here. The existing liquidity portfolio and equity base are a more than adequate foundation for the implementation of our strategic goals. There are no identifiable risks which pose a threat to the Group's continued existence.

Additionally we refer to the comments on the capital and financial risk management given in the group annex.

Opportunities and outlook

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

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

Reply Deutschland AG has found its way back to old strength in the course of the year 2012. This momentum shall be used for the financial year 2013. Here it has to be taken into account that the parent company of Reply Deutschland group will change during the hive down of all business activities of Reply Deutschland AG to the subsidiary Reply GmbH & Co. KG and the intended subsequent merger of Reply Deutschland AG on Reply S.p.A. All statements on future developments therefore refer to the "formally" new group which will be the same like before from a business perspective. Under the prerequisites of a positive domestic economic development and Europe further stabilizing itself Reply Deutschland AG intends to increase the revenues in the middle single-digit per cent area in the coming financial year. The profitability shall as well be improved to increase it above the EBITDA margin of 6.2% obtained in 2012. Following this forecast development earnings before taxes will absolutely and relatively improve as well. As in the past, Reply Deutschland will be endowed with a liquidity level adequate to the business development also in financial year 2013.

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

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

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

Special Events after the Balance Sheet Date

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

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

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

Gütersloh, 5 March 2013

Reply Deutschland AG
The Executive Board

The Executive Board together with the Chairman of the Supervisory Board of Reply Deutschland AG
From left to right: Josef Mago (CEO), Dott. Flavia Rebuffat (COO and CFO), Dott. Mario Rizzante

The Boards

Executive Board

In the year under review the following individuals were members of the executive board:

Josef Mago, Glashütten

Chairman of the executive board

Corporate development, capital market, M&A

Dott. Flavia Rebuffat, Munich

Operations, Shared Services, Governance, Compliance and boards, since March 15, 2012 including Finance and Personnel

Dr. Jochen Meier, Löhne (until March 15, 2012)

Finance and Personnel

Supervisory Board

In the year under review the following individuals were members of the supervisory board:

Dott. Mario Rizzante

Chairman

Turin, Italy

President of Reply S.p.A.

Dr. Stefan Duhnkrack

Hamburg

Partner Heuking Kühn Lüer Wojtek

Dr. Niels Eskelson

Deputy chairman

Paderborn

Consultant

Dr. Markus Miele

Gütersloh

Managing Director of Miele & Cie. KG

Dott. Daniele Angelucci

Turin, Italy

Chief Financial Officer of Reply S.p.A.

Dott. Tatiana Rizzante

Turin, Italy

CEO of Reply S.p.A.

Report of the Supervisory Board

In the 2012 financial year, the Supervisory Board once again took great care to perform its duties in accordance with the law and the articles of incorporation. It advised the Executive Board regularly and monitored the management of the company. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental importance to the company.

The Executive Board informed the Supervisory Board in detail about all the relevant aspects of corporate planning and strategic development, about the course of business, and about the Group's position. Whenever business developments differed from the plans and objectives, the Supervisory Board was given an explanation of each individual deviation, which it subsequently reviewed using the provided documents. The Supervisory Board made decisions on business transactions requiring its consent under the rules of procedure issued for the Executive Board. Whenever required by law or the articles of incorporation, the Supervisory Board voted on the Executive Board's reports and proposed resolutions following thorough checks and deliberations.

Furthermore, the Chairman and other members of the Supervisory Board maintained regular contact with the Executive Board outside of the Supervisory Board meetings. They received prompt updates on the latest developments in the business position and on key business events.

In the 2012 financial year, nine regular meetings were held (January 25, March 13, May 3, June 13, July 26, September 6, October 30, November 29 and December 1 and December 5, 2011). No Supervisory Board member attended fewer than half of these meetings.

Apart of the meetings five resolutions in a circular procedure took place (January 12, April 16, April 25, November 06 and December 14).

Wide Range of Topics Covered by the Supervisory Board

Given the size of Reply Deutschland AG and of the Supervisory Board itself, it has been decided not to form committees. The plenary discussions regularly covered the sales, earnings, and workforce trends within the Group and its various units, plus the financial position and all shareholdings and other investment projects. In all meetings the Supervisory Board approved business affairs with the legal partnership Heuking Kühn Lüer Wojtek (HKLW) according to § 114 German Stock Corporation Act (AktG) and took notice of the fact that services rendered by Dr. Stefan Duhnkrack, partner of HKLW, under the scope of his supervisory board mandate have not been part of the invoiced services.

On January 25, 2012 the meeting was held because of a big customer offer and because Dr. Jochen Meier intends stepping down from his position on the Executive Board to take up tasks at a European level within Reply Group.

The meeting on March 13, 2012 focused primarily on the annual and consolidated financial statements for 2011. The Supervisory Board discussed the results of the business units and the achievement of 2011's KPI's for the Executive Board. Furthermore, the Supervisory Board approved the termination agreement with Dr. Meier.

Topic of the meeting of May 3, 2012 was the numbers of the first quarter.

The meeting of June 13, 2012 discussed extensively the move of the data center of the subsidiary 4brands Reply GmbH & Co. KG and the extension of the offices in Düsseldorf and Munich.

Topic of the meeting of July 26, 2012 was the numbers of the half year.

In the meeting of September 6, 2012 primarily the extension of the service agreements with the current Executive Board was discussed.

Topics of the meeting of October 30, 2012 were the numbers of the first nine months and the underachieved results of Twice Reply GmbH.

In the meeting on November 29, 2012 amongst others the Executive Board provided information on the status of planning for the 2013 financial year. The Supervisory Board again requested information on the current status and the enhancements of the risk management system.

In the meeting of December 13, 2012 planned hive-down for Reply Deutschland AG to Reply GmbH & Co. KG as well as the merger to Reply S.p.A. and the sale of Tool Reply GmbH was discussed. A resolution to these topics was made in the circular procedure of December 14, 2012 (see below).

In the circular procedure of January 12, 2012 one big customer offer and of April 16, 2012 two big customer offers were approved. With circular procedure of April 25, 2012 the invitation to the Annual General Meeting was approved. In the circular procedure of November 06, 2012 the revocation of a Managing Director of one subsidiary was approved.

Circular procedure of December 14, 2012 resulted in the approval to the sale and transfer of all shares of Tool Reply GmbH. Also approved was the hive-down of the operating business, the shared service functions as well as all remaining participations in its affiliated entities of Reply Deutschland AG. The upstream merger of Reply Deutschland AG to Reply S.p.A. and the subsequently transformation into a non-listed stock corporation was also approved. The appointments of Mrs. Dott. Rebuffat and Mr. Mago were prolonged additionally. Finally the compliance declaration according to Sec. 161 AktG was approved.

Conflict of interest

The Supervisory Board is obliged to examine potential conflicts of interest of its members on a regular basis.

The member of the Supervisory Board Dr. Stefan Duhnkrack is partner of the legal partnership Heuking Kühn Lüer Wojtek. Heuking Kühn Lüer Wojtek is advising Reply Deutschland AG as well as its affiliated companies with the approval of the Supervisory Board.

In all of its meetings the Supervisory Board approved business affairs with the law firm Heuking Kühn Lüer Wojtek according to § 114 AktG. Due to regular and ongoing examination the Supervisory Board has ascertained that the services rendered by Dr. Stefan Duhnkrack, that fall within the scope of his mandate as member of the Supervisory Board, are in no way part of the services invoiced by Heuking Kühn Lüer Wojtek. Supervisory Board members of Reply Deutschland AG are obliged to disclose potential conflicts of interest towards the whole board and not to participate in discussions of subjects that might lead to a conflict of interest. In this connection there were no indications for potential conflicts of interest in the 2012 financial year. Further measures with regard to these possibly latent conflicts of interest were not necessary.

Declaration of Conformity with the Corporate Governance Code

In its meeting on November 29, 2012, the Supervisory Board dealt in detail with the implementation of the German Corporate Governance Code at syskoplan AG. In this meeting, both the Management Board and the Supervisory Board adopted an updated declaration of conformity in accordance with § 161 AktG. This was posted on the website to be permanently accessible to shareholders.

In compliance with the German Corporate Governance Codex the Supervisory Board has assessed its efficiency in several meetings. Subject of the examination were in particular the development of a reporting to the Supervisory Board as well as its composition and organization.

With regard to the composition of the Supervisory Board it is being refrained from stipulating precise targets. The Supervisory Board is of the opinion that in regard to the composition of the Supervisory Board within the company's interest mainly the experience, qualifications and the knowledge of the individuals are of prior relevance. In contrast, the Supervisory Board values general targets respectively diversity criteria, as lower-ranking. In this context, the Supervisory Board states that the current composition of the Supervisory Board is in compliance with the regulations of the German Stock Corporation Act as well as the German Corporate Governance Codex. Further information can be found in the corporate governance report drawn up jointly by the Management Board and Supervisory Board.

Audit of the Annual and Consolidated Financial Statements

The annual financial statements and the management report of syskoplan AG for 2012 were audited by the appointed auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, Germany. The auditor found that the annual financial statements were in accordance with proper bookkeeping and with statutory requirements and established that the risks of future development are described accurately in the management report. This was certified in an unqualified audit opinion. The aforesaid also applies to the consolidated financial statements drawn up in accordance with IFRS and to the Group management report.

Additionally, the auditor also examined the early risk recognition system used by syskoplan AG as required by § 317 Paragraph 4 of the German Commercial Code (HGB). The auditor concluded that the system is in compliance with the regulations governing management's responsibility for control and transparency in the company's operational and strategic areas.

All documents pertaining to the financial statements, the audit opinions and their annexes, and the Management Board's proposal for the appropriation of profit were submitted to the Supervisory Board in a timely manner. The Board examined and discussed them in detail at the meeting held on March 13, 2013. The auditors took part in the discussion of the annual financial statements and the consolidated financial statements. They reported on the main findings of the audit and were on hand to answer the Supervisory Board's questions and support them with supplemental information.

After his own audit of the annual financial statements, the consolidated financial statements, the management report, and the Group management report, the Supervisory Board was in agreement with the auditor and noted that there were no objections. In addition to the consolidated financial statements for 2012, the Supervisory Board also approved the annual financial statements for 2012 and the management report of Reply Deutschland AG. The annual financial statements are therefore final.

New Appointments

In the reporting period the no change in the Supervisory Board occurred.

Gütersloh, March 13, 2013

The Supervisory Board

Signed Dott. Mario Rizzante

Chairman

Report on Corporate Governance

Reply Deutschland has long been committed to recognized standards of good and responsible corporate management. The principles of corporate governance are for implementing responsible leadership and control of business undertakings with a view towards long-term value enhancement. Respect for shareholders' interests, efficient cooperation between Executive Board and Supervisory Board, and open and transparent corporate communications are especially important to Reply Deutschland AG.

In adhering to these principles, Reply Deutschland would like reaffirm the confidence shown in the company by customers, employees, and shareholders. These principles undergo continuous further development.

Declaration of Conformity

The Executive Board and the Supervisory Board issued the following declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) on December 12, 2012:

“The Executive Board and the Supervisory Board of Reply Deutschland AG hereby declare that since the issue of the last declaration of conformity the recommendations made by the "Government Commission on German Corporate Governance Codex" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette are complied with, with the following restrictions which are justified as follows:

→ Per Section 3.8 of the Codex in the version dated May 15, 2012, a reasonable deductible is to be agreed if the company has taken out a D&O insurance policy for its supervisory board. The D&O insurance policies taken out by Reply Deutschland AG for its supervisory board members do not envisage a deductible. The executive board and supervisory board do not believe that the inclusion of a deductible results in increased due care in the advisory and monitoring activity of the supervisory board.

→ Pursuant to Section 4.2.3 of the Codex the remuneration structure of the executive board has to reflect a sustained development of the company. The monetary parts of the remuneration shall comprise fixed and variable components. The supervisory board has to ensure that variable parts of the remuneration have a multiannual basis. Until the end of the business year 2012 one part of the total remuneration, in particular the long-term variable component will be paid by the major shareholder, Reply S.p.A., to the respective member of the executive board. As of January 2013 all remuneration components will be paid by Reply Deutschland AG.

→ Since 2006 the supervisory board of Reply Deutschland AG has a female member. Since January 1, 2011 a woman has joined the executive board. Diversity, internationality and especially an appropriate degree of female representation are already considered today in the corporate bodies of Reply Deutschland AG. Concrete objectives regarding the composition of the supervisory board, as stipulated by Section 5.1.4 of the Codex, have not been specified.

→ Disclosing of candidate recommendations for the position of the supervisory board chairman (Section 5.4.3 of the Codex) prior to a vote is considered by the executive and the supervisory board not to be reasonable. If a candidate has been recommended to the annual general meeting for supervisory board membership, the suitability of the candidate should be judged by those voting with due care and independently of any considerations concerning further positions to be held by the candidate. In addition to this, on the basis of the articles of association resolved by the annual general meeting, the supervisory board itself is authorized to choose its chairman from amidst its own members, regardless of what information in this respect is made available to the annual general meeting.

The Executive Board and the Supervisory Board of Reply Deutschland hereby further declare that the recommendations made by the "Government Commission on German Corporate Governance Codex" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version dated May 12, 2012 published on June 15, 2012 are complied with, with the above restrictions.“

Composition of the Supervisory Board

As mentioned in the corporate governance declaration, Reply Deutschland AG has not approved any concrete objectives regarding the composition of the supervisory board. For the company the individual experiences, abilities and knowledge are preeminent for the composition of the supervisory board in the best enterprise interest. Against this the supervisory board regards diversity criteria as subordinated.

German Corporate Governance Code Suggestions

Reply Deutschland AG also follows the suggestions of the German Corporate Governance Code with two exceptions. These exceptions pertain to the approval of the system of compensation for the members of the Executive board as well as the broadcast of the Annual General Meeting via the Internet, which is not undertaken at present.

Remuneration Report[2]

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

Executive Board Remuneration

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

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

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

Remuneration system

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

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

In addition to her Executive Board contract with Reply Deutschland AG, Ms. Rebuffat also has a contract with Reply S.p.A. Reply Deutschland AG and Reply S.p.A. have agreed that she dedicates 85% of her agreed working time to her role in the Executive

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[2] This remuneration report is part of the management report and was audited by the auditor.

Board of Reply Deutschland AG as part of the contract between Reply S.p.A and Ms. Rebuffat. This work is to be remunerated to Ms. Rebuffat directly by Reply S.p.A. This remuneration is to be refunded to Reply S.p.A. in the form of monthly partial amounts.

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

→ Fixed remuneration

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

→ Performance-based short-term bonuses

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

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

Performance-dependent remuneration with long-term incentive effect

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

A remuneration structure pursuant to the statutory requirements was agreed with the members of the Executive Board to the effect that the remuneration components with long-term incentive effect are paid by Reply S.p.A. as the main shareholder of Reply Deutschland AG. The amount of this remuneration with long-term incentive effect depends on the sales and EBT margin achieved by Reply S.p.A. Group in Germany at the end of the 2012 financial year.

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

→ Post-contractual compensation

In the event of notice being given by the company for cause which was not given by the respective member of the Executive Board, the members of the Executive Board receive post-contractual compensation in the amount of the remuneration owed according to contract until the end of the original contract duration.

In the case of Mr. Mago and Ms. Rebuffat it is limited to the amount of the fixed remuneration for a period of two years. Moreover, Mr. Mago does not receive any post-contractual compensation unless certain minimum criteria regarding EBT and sales are reached.

→ Benefits package

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

The company also insures the members of the Executive Board against pecuniary damage liability claims asserted against them in connection with their performing their mandates (up to a maximum amount of EUR 10 million). The costs of any legal defense associated with such claims are included in the insurance. This D&O insurance contains a deductible of 10% per case of damage up to an amount of 1.5 times the fixed annual remuneration of the member of the Executive Board.

Remuneration in the financial year 2012

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

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

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

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

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

The scale for adjustment of the pension entitlement is one half of the percentage change of the fixed salary of the respective Executive Board member over the 3 years used for assessment. In the case of current pensions, the adjustment of the entitlement is to be performed according to price increases at least. If, however, the increase in the net wages of the employees of Reply Deutschland is below the rate of price increases in the same period, then an appropriately lower adjustment is also possible. Under the surviving dependents' benefits plan, a widow receives 60% of the pension amount.

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

Executive Board Pension Entitlements 2012

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

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

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

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

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

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

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

Supervisory Board remuneration

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

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

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

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

Securities Held and Traded by Representatives of the Company

In financial year 2012 no members of the Executive Board, members of the Supervisory Board, other individuals with management responsibilities or their dependents informed the Company of the sale or purchase of Reply Deutschland AG shares or of any financial instruments based on those shares with a total transaction value exceeding EUR 5,000 in the current financial year.

As of December 31, 2012 members of the Executive Board and Supervisory Board held the following shares and share options. Further details are available in the notes to the consolidated financial statements under number 38.

		Number
Body	**Shares**	**Options**
Executive Board	1	0
Supervisory Board *)	3,857,190	0

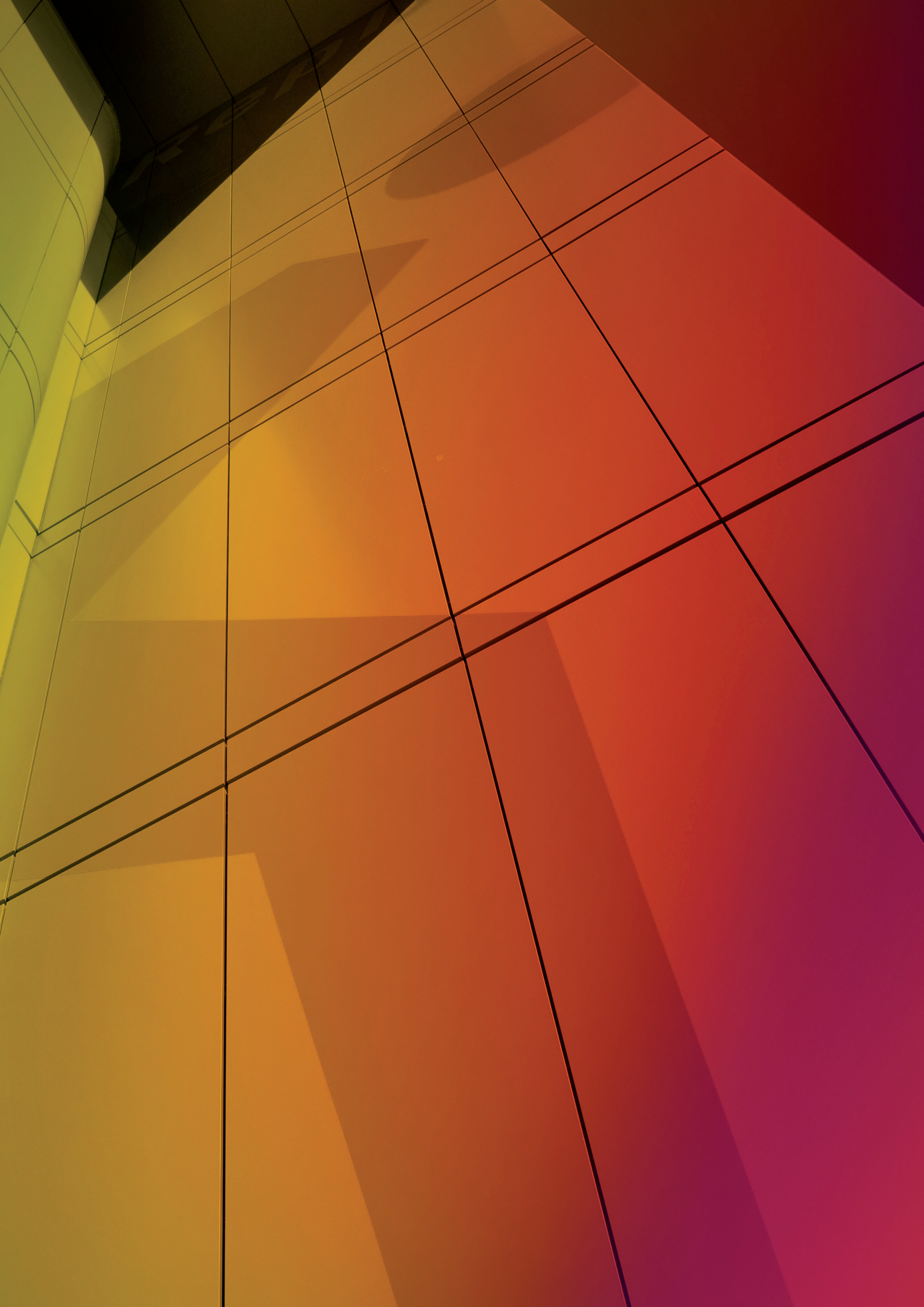
**) Of which 3,856,690 indirect attribution according to § 22 WpHG*

Remunerations paid to the Members of the Supervisory Board

Unless as a remuneration of the office in the Supervisory Board, Reply Deutschland AG has not paid any remunerations to the Supervisory Board members or granted advantages in connection with services, particularly advisory and procurement services rendered personally. We additionally point out that the Supervisory Board member Dr. Stefan Duhnkrack is a partner of Heuking Kühn Lüer Wojtek (HKLW) who is advising Reply Deutschland AG and its subsidiaries in legal matters. The legal advisory services of HKLW used in the year 2012 did not fall in his office as a Supervisory Board member and have all been approved by the Supervisory Board. Legal advisory services in his office as a Supervisory Board member of Reply Deutschland AG have not been charged by Dr. Duhnkrack.

Reply Deutschland AG's Share Incentive Program

In the general meeting held on September 20, 2000, a share option plan for employees was adopted, of which the final tranche was issued in 2004. According to the terms of the plan of the year 2000, the final options were exercisable up to 2011. A renewal of the share option plan is not currently planned.



Consolidated Annual Financial Statements

Group Income Statement for Period of January 1, to December 31, 2012

All figures in Euro thousand	**Annex**	**2012**	**2011**
Revenue	(22)	59,225	58,521
Cost of revenue	(23)	46,093	42,695
Gross profit/loss from sales		**13,132**	**15,826**
Selling and marketing expenses	(23)	5,662	5,884
General administrative expenses	(23)	6,475	6,264
Other operating income		3,124	2,546
Other operating expenses		1,349	1,075
Operating income (EBIT)		**2,770**	**5,149**
Interest income		244	229
Interest expenses	(24)	206	290
Other financial result	(24)	–5	–15
Expenses from revaluation of compensation obligations and from allocation of earnings to the minority partner in limited partnerships	(15)	294	606
Financial result		**–260**	**–682**
Earnings before taxes		**2,510**	**4,467**
Income tax	(25)	1,100	1,028
Net profit for the period		**1,410**	**3,439**
Of which attributable to:			
- shareholders of Reply Deutschland AG		1,407	3,437
- non-controlling shareholders	(14)	3	2
Total		**1,410**	**3,439**
Earnings per share (Euro)	(33)		
- basic		0.30	0.72
Weighted average number of shares outstanding			
- basic		4,750,561	4,749,343

Group Statement of Comprehensive Income for Period of January 1, to December 31, 2012

All figures in Euro thousand	Annex	2012	2011
Net profit for the period		**1,410**	**3,439**
Other income		**0**	**38**
Total result for the period		**1,410**	**3,477**
Of which attributable to:			
- shareholders of Reply Deutschland AG		1,407	3,475
- non-controlling shareholders		3	2

Group Balance Sheet on December 31, 2012

Assets (all figures in Euro thousand)	Annex	12/31/2012	12/31/2011
Non-current assets			
Goodwill	(5)	10,159	10,159
Other intangible assets	(5)	196	50
Property, plant, and equipment	(5)	1,978	3,599
Other financial assets	(6)	7,308	7,828
Deferred tax assets	(7)	492	464
Total non-current assets		**20,133**	**22,100**
Current assets			
Trade accounts receivable and other assets	(8)	14,712	11,845
Other financial assets	(6)	300	344
Tax assets		253	685
Other non-financial assets	(9)	612	786
Cash at bank and cash in hand	(10)	15,309	16,151
Total current assets		**31,186**	**29,811**
Assets held for sale	(26)	2,471	0
Balance sheet total		**53,790**	**51,911**

Liabilities (all figures in Euro thousand)	**Annex**	**12/31/2012**	**12/31/2011**
Equity			
Subscribed capital	(11)	4,751	4,751
Capital reserve	(12)	19,251	19,251
Retained earnings	(13)	7,089	7,820
Equity held by shareholders of Reply Deutschland AG		**31,091**	**31,822**
Non-controlling shareholders' interest	(14)	30	27
Total equity		**31,121**	**31,849**
Non-current liabilities			
Obligations to compensate minority partners in limited partnerships	(15)	2,800	2,860
Bank loans	(16)	0	863
Pension obligations	(17)	2,788	2,658
Provisions	(18)	532	701
Other financial liabilities	(20)	420	251
Total non-current liabilities		**6,540**	**7,333**
Current liabilities			
Provisions	(18)	702	672
Tax liabilities		559	498
Bank loans	(16)	0	115
Trade accounts payable	(19)	4,112	2,435
Other financial liabilities	(20)	5,509	5,017
Other liabilities	(21)	4,315	3,992
Total current liabilities		**15,197**	**12,729**
Total liabilities		**21,737**	**20,062**
Liabilities held for sale	(26)	932	0
Balance sheet total		**53,790**	**51,911**

Group Statement of Cash Flows for Period of January 1, to December 31, 2012

All figures in Euro thousand	**01.01.-31.12.2012**	**01.01.-31.12.2011**
Cash flow from operating activities		
Net profit for the period	1,410	3,439
Income tax	1,100	1,028
Expenses from revaluation of compensation obligations and from allocation of earnings to the minority partner in limited partnerships	294	606
Financial result before expenses related to the minority partner in limited partnerships	–34	75
Operating income (EBIT)	**2,770**	**5,148**
Depreciation and amortization of non-current assets	929	963
Other non-cash items	–8	16
Change in provisions	–94	–376
Profit/loss from the disposal of non-current assets	13	5
Change in receivables and other assets attributable to operating activities	–2,650	–55
Change in liabilities attributable to operating activities	2,318	–1,704
Interest payments made	–206	–290
Interest payments received	244	229
Income tax payments received	–652	–896
Cash flow from operating activities	**2,664**	**3,040**

All figures in Euro thousand	01.01.-31.12.2012	01.01.-31.12.2011
Cash flow from investment activities		
Payments for investments in property, plant, and equipment and other intangible assets	–1,085	–492
Payments for investments in other non-current financial assets	0	–86
Payments for the allocation of loans	0	–5,000
Payments for the acquisition of subsidiaries	0	0
Proceeds from the sale of property, plant, and equipment	0	0
Proceeds from the sale of non-current financial assets	600	0
Cash flow from investment activities	**–485**	**–5,578**
Cash flow from financing activities		
Dividends paid to shareholders and minority shareholders	–2,138	–2,138
Withdrawal of profits by minority partners in limited partnerships	–335	–252
Payments of reserves for minority shareholders	0	–363
Payments from the issue of new shares	0	38
Proceeds from the sale of treasury stock	0	18
Receipt of outstanding capital contributions from minority shareholders	0	0
Payments for the acquisition of minority shares of dominated subsidiaries	13	–100
Payments for the redemption of loans	–115	–115
Payments for the redemption of finance lease liabilities	–320	–349
Cash flow from financing activities	**–2,895**	**–3,261**
Change in cash and cash equivalents	**–716**	**–5,799**
Cash and cash equivalents at beginning of period	16,151	21,950
Cash and cash equivalents at end of period	**15,435**	**16,151**
plus deposits at banks with a fixed term of more than 3 months	0	0
Minus cash in assets held for sale	126	0
Cash and cash equivalents in balance sheet	**15,309**	**16,151**

Group Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity for Period of January 1 until December 31, 2012

All figures in Euro thousand	Subscribed capital	Capital reserve	Retained earnings
Status as at 01/01/2011	**4,746**	**19,218**	**6,505**
Net profit for the period	0	0	3,437
Other income	0	0	0
Total result for the period	**0**	**0**	**3,437**
Dividends	0	0	–2,138
Compensatory item for additional acquisitions of minority shares	0	0	0
Issuing of new shares	5 *	33	0
Changes from treasury stock	0	0	16
Status as at 12/31/2011	**4,751**	**19,251**	**7,820**
Net profit for the period	0	0	1,407
Other income	0	0	0
Total result for the period	**0**	**0**	**1,407**
Dividends	0	0	–2,138
Status as at 12/31/2012	**4,751**	**19,251**	**7,089**

** Due to issuance of new shares following the exercise of stock options the subscribed capital in 2012 increased by Euro 0 (financial year 2011: Euro 4,892).*

Reserve for hedges	Treasury stock	Equity held by shareholders of Reply Deutschland AG	Non-controlling shareholders' interest	Total equity
–38	**–2**	**30,429**	**25**	**30,454**
0	0	3,437	2	3,439
38	0	38	0	38
38	**0**	**3,475**	**2**	**3,477**
0	0	–2,138	0	–2,138
0	0	0	0	0
0	0	38	0	38
0	2	18	0	18
0	**0**	**31,822**	**27**	**31,849**
0	0	1,407	3	1,410
0	0	0	0	0
0	**0**	**1,407**	**3**	**1,410**
0	0	–2,138	0	–2,138
0	**0**	**31,091**	**30**	**31,121**

Statement of non-current Assets Movements in Financial Year 2012

Acquisition- or Production Costs

A. Financial year 2012 all figures in Euro thsd.	**01/01/2012**	**Additions due to acquisition of subsidiaries**	**Additions**	**Disposals**	**Repostings**	**12/31/2012**
I. Goodwill	13,208	0	0	0	0	13,208
II. Other intangible assets						
1. Acquired software	3,494	0	202	1,063	0	2,633
2. Internally developed software	2,085	0	0	0	0	2,085
	5,579	**0**	**202**	**1,063**	**0**	**4,718**
III. Property, plant, and equipment						
1. Land and property	4,011	0	0	0	–4,011	0
2. Other operating and office equipment	5,208	0	883	2,397	0	3,694
3. Assets from finance leases	1,841	0	709	212	0	2,338
	11,060	**0**	**1,592**	**2,609**	**–4,011**	**6,032**
IV. Total non-current assets	**29,847**	**0**	**1,794**	**3,673**	**–4,011**	**23,958**

B. Financial year 2011 all figures in Euro thsd.	**01/01/2011**	**Additions due to acquisition of subsidiaries**	**Additions**	**Disposals**	**12/31/2011**
I. Goodwill	13,208	0	0	0	13,208
II. Other intangible assets					
1. Acquired software	3,456	0	45	7	3,494
2. Internally developed software	2,085	0	0	0	2,085
	5,541	**0**	**45**	**7**	**5,579**
III. Property, plant, and equipment					
1. Land and property	4,011	0	0	0	4,011
2. Other operating and office equipment	4,960	0	447	199	5,208
3. Assets from finance leases	1,753	0	177	89	1,841
	10,724	**0**	**624**	**288**	**11,060**
IV. Total non-current assets	**29,473**	**0**	**669**	**295**	**29,847**

Statement of non-current Assets Movements in Financial Year 2012 (2)

Accumulated Depreciation

A. Financial year 2012 **all figures in Euro thsd.**	**01/01/2012**	**Depreciations and amortization during the financial year**	**Disposals**	**Repostings**	**12/31/2012**
I. Goodwill	3,049	0	0	0	3,049
II. Other intangible assets					
1. Acquired software	3,444	56	1,063	0	2,437
2. Internally developed software	2,085	0	0	0	2,085
	5,529	**56**	**1,063**	**0**	**4,522**
III. Property, plant, and equipment					
1. Land and property	1,543	141	0	–1,684	0
2. Other operating and office equipment	4,342	449	2,384	0	2,408
3. Assets from finance leases	1,576	283	212	0	1,647
	7,461	**873**	**2,596**	**–1,684**	**4,054**
IV. Total non-current assets	**16,039**	**929**	**3,659**	**–1,684**	**11,625**

B. Financial year 2011 **all figures in Euro thsd.**	**01/01/2011**	**Depreciations and amortization during the financial year**	**Disposals**	**12/31/2011**
I. Goodwill	3,037	12	0	3,049
II. Other intangible assets				
1. Acquired software	3,371	80	7	3,444
2. Internally developed software	2,085	0	0	2,085
	5,456	**80**	**7**	**5,529**
III. Property, plant, and equipment				
1. Land and property	1,401	141	0	1,543
2. Other operating and office equipment	4,056	482	195	4,342
3. Assets from finance leases	1,415	248	88	1,576
	6,873	**871**	**283**	**7,461**
IV. Total non-current assets	**15,366**	**963**	**290**	**16,039**

Statement of non-current Assets Movements in Financial Year 2012 (3)

Book Values

A. Financial year 2012 **all figures in Euro thsd.**	**12/31/2012**	**12/31/2011**
I. Goodwill	10,159	10,159
II. Other intangible assets		
1. Acquired software	196	50
2. Internally developed software	0	0
	196	**50**
III. Property, plant, and equipment		
1. Land and property	0	2,468
2. Other operating and office equipment	1,287	866
3. Assets from finance leases	691	265
	1,978	**3,599**
IV. Total non-current assets	**12,333**	**13,808**

B. Financial year 2011 **all figures in Euro thsd.**	**12/31/2011**	**12/31/2010**
I. Goodwill	10,159	10,171
II. Other intangible assets		
1. Acquired software	50	85
2. Internally developed software	0	0
	50	**85**
III. Property, plant, and equipment		
1. Land and property	2,468	2,610
2. Other operating and office equipment	866	904
3. Assets from finance leases	265	338
	3,599	**3,851**
IV. Total non-current assets	**13,808**	**14,107**

Notes to the Consolidated Annual Financial Statements

General Information

As the parent company, Reply Deutschland AG produces consolidated financial statements. The consolidated financial statements as of December 31, 2012 were drawn up in line with § 315a of the German Commercial Code (HGB) in connection with EU Regulation 1606/2002 dated July 19, 2002. They therefore comply with the International Financial Reporting Standards (IFRS) valid on the balance sheet date which have been endorsed by the EU. Reply Deutschland AG's headquarters are located in Gütersloh, Germany, at Bartholomäusweg 26. The company is entered in the commercial register in Germany.

Reply Deutschland provides innovative IT solutions that use adaptive and agile IT platforms, tailored to customer requirements. Customers benefit from our high-performance, flexible, and efficient IT systems in multiple ways. These custom-built solutions enable our customers to differentiate them-selves on the market while providing them with lasting competitive advantages.

Reply Deutschland AG itself is included in the consolidated statements of the majority shareholder, Reply S.p.A., Turin, Italy. The consolidated statements of Reply S.p.A. are published and filed in the Registro delle Imprese di Torino under the number 97579210010 partita I.V.A. 08013390011. The consolidated statements for the largest group of enterprises are prepared by Alika s.r.l., Turin, Italy. The consolidated statements of Alika s.r.l. are filed in the Registro delle Imprese di Torino under the number 07011510018.

The consolidated financial statements are prepared in Euro. All figures are in thousands of Euro. The financial year of Reply Deutschland AG and all subsidiary firms included in the consolidated group corresponds to the calendar year.

Accounting and Valuation Methods

1 Adoption of new Standards

The accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the years presented, with the following exceptions.

Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 are issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendments to IFRS 7 increase the disclosure requirements (qualitative and quantitative disclosures) for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments will increase the scope of the disclosures, but will have no effect on the amounts reported in the consolidated financial statements.

Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The amendments to IFRS 1 are issued in December 2010 and are effective for annual periods beginning on or after 1 July 2011. The first change replaces references to a fixed date '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second change is that the amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs, because its functional currency was subject to severe hyperinflation. The amendments have no effect on the amounts reported in the consolidated financial statements.

Amendments to IAS 12 – Deferred Tax. Recovery of Underlying Assets

The amendments to IAS 12 are issued in December 2010 and are effective for annual periods beginning on or after 1 January 2012. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments have no effect on the amounts reported in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 are issued in June 2011 and are effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items, that will be reclassified subsequently to profit or loss when specific conditions are met. The amendments refer to the presentation of financial statements and will therefore not affect the amounts reported in the consolidated financial statements.

Amendments to IAS 19 Employee Benefits (revised 2011)

The amendments to IAS 19 are issued in June 2011 and are effective for annual periods beginning on or after 1. January 2013. The amendments to IAS 19 essentially change the accounting for defined benefit plans. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and calculate finance cost on a net funding basis. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income. The amendments to IAS 19 require retrospective application. The Management Board expect, that the first time application of the amendments to IAS 19 will result in a decrease in net profit of the year with an amount of EUR 12 thousand and a decrease in other comprehensive income with an amount of EUR 202 thousand (1 January 2012: Decrease in equity with an amount of EUR 161 thousand).

IFRS 10 Consolidated Financial Statements

IFRS 10 is issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013 (Expected deviation of effective date for EU member state entities for annual periods beginning on or after 1 January 2014). IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. The definition of control in IFRS 10 includes three elements: (a) the power over an investee, (b) exposure, or rights to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. The application of IFRS 10 will have no effect on consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11 is issued in Mai 2011 and is effective for annual periods beginning on or after 1 January 2013 (Expected deviation of effective date for EU member state entities for annual periods beginning on or after 1 January 2014). The Standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly controlled entities – non-monetary contributions by ventures. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. The previous option to apply the proportionate consolidation for joint ventures is no longer allowed under IFRS 11. The application of IFRS 11 will have no effect on the consolidated financial statements; proportionate consolidation is not applied within the Reply Group Germany.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 is issued in Mai 2011 and is effective for annual periods beginning on or after 1 January 2013 (Expected deviation of effective date for EU member state entities for annual periods beginning on or after 1 January 2014). IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and structured entities. The disclosure requirements in IFRS 12 are more extensive than those in the current standard(s).

IFRS 13 Fair Value Measurement

IFRS 13 is issued in Mai 2011 and is effective for annual periods beginning on or after 1. January 2013. IFRS 13 gives guidance on fair value measurement and defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. Entities are required to make various disclosures depending upon the nature of the fair value measurement and the level in which it is classified. IFRS 13 defines the fair value as the price, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Actually, the Reply Group Germany analyses the effects on the consolidated financial statements.

IAS 27 Separate Financial Statements (revised 2011)

The revised IAS 27 is issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013 (Expected deviation of effective date for EU member state entities for annual periods beginning on or after 1 January 2014). In future, IAS 27 includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The amendment will not affect the consolidated financial statements of the Reply Group Germany.

IAS 28 Investments in associates and Joint Ventures

The revised IAS 28 is issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013 (Expected deviation of effective date for EU member state entities for annual periods beginning on or after 1 January 2014). The application of the Equity-method is extended to Joint ventures. Please refer to the documentation under IFRS 11.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 are issued in December 2011 and are effective for annual periods beginning on or after 1 January 2014. The amendments to IAS 32 clarify certain aspects because of diversity in application of the requirements on offsetting. The amendments have no material effect on the consolidated financial statements, but on the disclosures.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is issued in October 2011 and is effective for annual periods beginning on or after 1 January 2013. The interpretation clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. The interpretation requires stripping activity costs which provide improved access to ore are recognized as a non-current 'stripping activity asset' when certain criteria are met. The interpretation will have no effect on the consolidated financial statements of Reply Group Germany.

Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 are issued in December 2011 and are effective for annual periods beginning on or after 1 January 2013. The amendments eliminate inconsistencies. They contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position; or subject to master netting arrangements and similar arrangements. The amendments will have no effect on the amounts reported in the consolidated financial statements but will result in additional disclosures.

Amendments to IFRS 1 – Government Loans

The amendments to IFRS 1 are issued in Mai 2012 and are effective for annual periods beginning on or after 1 January 2013. The amendments to IFRS 1 relate to the accounting treatment of government loans with a below-market rate of interest when adopting IFRS. The amendments add a new exception to retrospective application of IFRS. Therefore a first-time adopter of IFRSs is permitted to apply the requirements in IAS 20.10A in connection with IAS 39 only to new loans entered into after the date of transition to IFRSs. If the first-time adopter did not, under its previous GAAP, recognize and measure a government loan at a below-market rate of interest on a basis consistent with IFRS requirements, it would be permitted to apply the previous GAAP carrying amount of the loan at the date of transition. The amendments have no effect on the amounts reported in the consolidated financial statements.

IFRS 9 Financial Instruments and subsequent amendments to IFRS 9 and IFRS 7

IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 all recognized financial assets that are currently within the scope of IAS 39 Financial Instruments: Recognition and Measurement will be subsequently measured at either amortized cost or fair value. A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortized cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). All equity instruments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognized in profit or loss. If an equity investment is not held for trading, an irrecoverable election can be made at initial recognition to measure the investment at fair value through other comprehensive income (FVTOCI), with only dividend income generally recognized in profit or loss.

In 2010 a revised version of IFRS 9 was issued. The revised version mainly adds the requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

In December 2011, the IASB issued, Mandatory Effective date and Transition Disclosures (amendments to IFRS 9 and IFRS 7), which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and modified the relief from restating comparative periods and the associated disclosures in IFRS 7. The application of IFRS 9 will have an impact on classification and measurement of financial assets in consolidated financial statement. No impact is expected for the amounts reported in respect of the Group's financial liabilities. A detailed review will be done when all phases of the IFRS 9 project are completed.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance

Amendments to IFRS 10, IFRS 11 and IFRS 12 are issued in June 2012 to provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments are effective for annual periods beginning on or after 1 January 2013 (Expected deviation of effective date for EU member state entities for annual periods beginning on or after 1 January 2014).

Improvements to IFRSs 2009-2011

In May 2012, the IASB issued Annual Improvements to IFRS 2009-2011 Cycle process to deal efficiently with a collection of narrow scope amendments to IFRSs. The annual improvements include amendments to five IFRSs which have been summarized below and are effective for annual periods beginning on or after 1 January 2013.

IFRS 1 First-time adoption of international financial reporting standards: The amendments clarify that borrowing costs capitalized under previous GAAP before the date of transition to IFRSs may be carried forward without adjustment to the amount previously capitalized at the transition date. As for borrowing costs incurred on or after the date of transition to IFRSs that relate to qualifying assets under construction at the date of transition, the amendments clarify that they should be accounted for in accordance with IAS 23 Borrowing Costs.

IAS 1 Presentation of Financial Statements: The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments also clarify that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1.

IAS 16 Property, plant and equipment: The amendment clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments will have no effect on the consolidated financial statements.

IAS 32 Financial Instruments: presentation: The amendments clarify, that income tax on distributions to holders of an equity instrument and on transaction costs of an equity transaction should be accounted for in accordance with IAS 12. The amendments will not have an effect on the consolidated financial statements.

IAS 34 Interim Reporting: The amendments clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment under IFRS 8 Operating Segments. The amendments will not have an effect on the consolidated financial statements.

Amendments to IFRS 10, 12 and IAS 27 – Investment Entities

The amendments to IFRS 10, 12 and IAS 27 are issued in October 2012 and are effective for annual periods beginning on or after 1 January 2013. They provide investment entities an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The amendments will not have an effect on the consolidated financial statements of Reply Group Germany.

2 Presentation of the Accounting and Valuation Methods

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards valid as of balance sheet date and adopted by the EU.

Consolidation Principles

The consolidated financial statements include the individual financial statements for Reply Deutschland AG and the fully consolidated subsidiaries.

When acquiring a subsidiary, the identifiable assets, debts, and contingent liabilities of the subsidiary in question are evaluated at their fair value at the time of acquisition. If the acquisition costs exceed the fair value of the identifiable assets less debts and contingent liabilities transferred, the difference is entered as goodwill. Following an additional check, any negative difference between the cost of acquiring the company and the identifiable assets, debts, and contingent liabilities transferred (i.e. a discount on acquisition) is recognized in the acquisition period with an effect on earnings. The stake held in the acquired subsidiary by minority shareholders is evaluated with their share of the net fair value of the identified assets, debts, and contingent liabilities.

The results of subsidiaries which have been acquired or disposed of in the course of the year are included in the consolidated income statement as of the date they were effectively acquired or until such time as they were effectively disposed of.

When additional shares are acquired in subsidiaries which were already fully consolidated in the consolidated financial statements before the increase in the stake held, any positive or negative differences resulting from the consolidation of the investment are offset against equity with no effect on net income.

If necessary, the subsidiaries' annual financial statements are adjusted in line with the accounting and valuation methods used by the Group.

All inter-company receivables, debts, and interim results within the Group are eliminated in the course of consolidation.

Minority shares in the net worth (excluding goodwill) of fully consolidated limited liability companies are reported separately as part of equity. The minority shares consist of the value of such shares on the day of the original merger and the minority share of the changes in equity since the date of the merger. Any losses allocated to the minorities which exceed their share in the subsidiary's equity are offset against the Group's share.

Pursuant to IAS 32, pay-off obligations to limited partners of subsidiaries with the legal structure "GmbH & Co. KG" are to be reported as a liability (puttable instruments). These liabilities are recognized at fair value under pay-off obligations vis-à-vis limited partners of subsidiaries.

Goodwill

The goodwill which arises when a subsidiary is acquired is reported at acquisition cost when it is recognized. In subsequent periods, it is recorded at acquisition cost minus all accumulated impairment losses.

For the purpose of impairment testing, goodwill is divided between the Group's cash-generating units. An annual impairment test must be carried out for the cash-generating units which are allocated part of the goodwill. If the recoverable value of a cash-generating unit is less than the unit's book value, the impairment is to be recognized in the book value of the unit's goodwill. If the unit's book value is insufficient, the impairment is to be recognized in the unit's other assets on a pro rata basis. Any impairments in value which affect goodwill cannot be reversed at a later date if the reasons for them become obsolete.

Earnings Recognition

Sales revenues are assessed at the fair value of the counter-performance received or to be received minus reductions, income tax, and other such deductions.

For projects invoiced based on actual work carried out (time and materials), sales revenues are reported once work has been completed in accordance with the underlying contractual agreements and payment is expected from the client.

For fixed-price projects, sales revenues are reported using the percentage of completion method. The percentage of completion is determined by setting in proportion the work done on the relevant project (in hours) prior to the balance sheet cut-off date with the full extent of the work to be completed (in hours). The work completed (in hours) is evaluated using the hourly rate derived from the fixed price to be charged for the expected total work to be completed.

Other income is recorded when it is sufficiently probable that the Company will benefit economically from the transaction and the amount of such income can be reliably determined.

Leasing Relationships

Whether an agreement contains a leasing relationship or not is determined on the basis of the economic content. In this process, the time of the conclusion of the agreement is taken as the basis which requires an estimate of whether fulfillment of the contractual agreement is dependent on the use of a certain asset or certain assets and whether the agreement grants a right to use the asset even if this right is not expressly laid down in the agreement.

Leasing relationships are classified as finance leases when the conditions of the lease transfer all the risks and rewards associated with the property to the lessee. All other leasing relationships are classified as operating leasing.

Payments made for operating leases are offset against the result for the current period using the straight-line method for the duration of the lease in question.

Assets relating to finance leases are reported at either their fair value at the beginning of the lease or the present value of the minimum lease payments, whichever is lower. A liability of the same value is recognized in respect of the lessor. The capitalized assets are depreciated using the straight-line method for the duration of the lease or the expected useful life, whichever is shorter. Finance lease payments are divided into interest expenses and repayment of the leasing obligation in such a way that interest is constantly paid on the remaining liability. Interest expenses are recorded in the income statement with effect on net income.

Foreign Currencies

Since completion of the liquidation of the US subsidiaries in 2008, the Euro has been the functional currency for all Group companies.

Transactions which a Group company concludes in a currency other than its functional currency are initially converted to the functional currency using the spot rate on the day of the transaction and reported in the balance sheet. On each subsequent balance sheet cut-off date, monetary assets or debts originally in a currency other than the functional currency are valued at the current exchange rate. The resulting currency rate differences are recorded as affecting net income.

Costs for Pension Plans

Payments for defined-contribution pension plans are recorded as expenses once employees have provided the service which entitles them to said contributions.

For defined-benefit pension plans, the cost of providing benefits is calculated using the method of ongoing single premiums, which involves an actuarial valuation being conducted on each balance sheet cut-off date. Actuarial gains and losses which exceed 10% of the fair value of the Group's defined-benefit obligations or 10% of the plan assets' fair value (whichever is higher) are distributed over the average expected remaining time until retirement of the employees covered by the plan with effect on net income. Any service cost recalculations are immediately recognized with effect on net income if the benefits are already non-forfeitable. Otherwise, they are distributed on a straight-line basis throughout the average time span until the revised benefits become non-forfeitable.

The defined-benefit obligation recorded in the balance sheet for a pension plan represents the present value of the defined-benefit obligation adjusted for unrecognized actuarial profits and losses and service cost recalculations. The fair value of the existing plan assets is subtracted from this figure.

Income Tax

Income tax expenses are the sum of the current tax expenses and the formation and release of deferred taxes.

Current tax expenses are calculated on the basis of the annual income on which tax is payable.

Deferred taxes are the expected tax expenses or tax benefits resulting from the difference between the book values of the assets and liabilities in the annual financial statements and the amount stated when calculating the taxable income.

In line with the balance sheet-oriented liability method, deferred taxes are accrued on temporary differences between the amounts reported in the consolidated financial statements and the tax valuations. Furthermore, deferred taxes are capitalized on tax loss carry-forwards if these are likely to be used in a clearly definable period of time.

Deferred taxes are calculated on the basis of the tax rates which apply in the various countries at the time of recognition or the rates which can be anticipated.

The book value of deferred taxes is verified on the cut-off date each year and reduced if it is no longer probable that sufficient taxable income will be available to offset the claim at a future date, either in full or in part.

Deferred taxes are recorded with effect on net income with the exception of positions which are recognized directly in equity.

Property, Plant, and Equipment

Property, plant, and equipment are reported at acquisition cost less scheduled straight-line depreciation and any impairment. Subsequent acquisition costs are capitalized. Maintenance costs are recorded as expenses. Financing costs are not capitalized.

The periods of depreciation reflect the assets' expected useful life – between 3 and 10 years for Company equipment and 25 years for the building in Bartholomäusweg, Gütersloh.

Self-constructed Intangible Assets

A self-constructed intangible asset is only capitalized if all of the following conditions are fulfilled:

- The asset created is identifiable (own software).
- It is probable that the constructed asset will bring economic benefits in the future.
- The development costs of the asset can be reliably determined.

Self-constructed intangible assets are capitalized at manufacturing cost and subject to scheduled amortization over the anticipated useful life using the straight-line method. Manufacturing costs include directly attributable personnel and material costs. All intangible assets carried on the books have a finite useful life; the period of amortization is always three years.

In year under review and the previous year no self-constructed intangible assets have been recognized.

Intangible Assets Acquired against Payment (except goodwill)

Intangible assets acquired against payment are reported at the cost of acquisition less scheduled straight-line amortization and reductions in value. The useful life is three years. No impairment losses needed to be recognized in 2012 or in previous years.

Impairment of Property, Plant, and Equipment and Intangible Assets Other than Goodwill

On each balance sheet cut-off date, the book value of property, plant, and equipment and intangible assets is verified in order to establish whether there is anything to suggest an impairment in the value of these assets. If such indicators are present, the recoverable amount of the asset is estimated in order to ascertain the extent of any write-down expense. There were no indicators of impairment in previous years or in 2012. The accumulated depreciation and amortization reported in the statement of movements in non-current assets therefore exclusively contain scheduled depreciation and amortization.

Financial Assets

Reply Deutschland distinguishes between the following types of financial assets: trade accounts receivable, work in progress from fixed-price projects with credit balance vis-à-vis customer, loan part-finished performances from fixed-price projects, securities, equity investments, and other financial assets. In addition to this, as per IAS 19, the financial assets include the fair value of the asset values from life insurance policies concluded to finance pension obligations which do not meet the requirements for a classification as plan assets. The fair value of these claims is calculated according to the so-called business actuarial reserve of the insurance agreement plus any existing credit from contribution refunds.

The following disclosures refer to financial instruments within the scope of IAS 39.

Financial assets are reported and eliminated on the trading day. This is the day when a financial investment is bought or sold, i.e. when the terms of the contract stipulate that the financial investment will be made available. The first amount reported is the fair value plus transaction costs.

Financial assets are allocated to one of the following categories:

- available-for-sale financial assets
- loans and receivables

The financial assets are classified depending on their type and purpose. They are categorized on acquisition. The securities held (money market funds) are categorized as available-for-sale financial assets. A sale of the securities is not intended for the near future.

In the previous year, the Group's because of negligibleness unconsolidated equity investment in DOCS.ON was allocated to the category of available-for-sale financial assets. The liquidation of DOCS.ON GmbH was concluded in 2012.

Financial assets classified as available for sale are always recognized at fair value. Securities are measured at fair value, corresponding to the market value as of balance sheet date (level 1 according to IFRS 7.27A).

Trade accounts receivable, loans, fixed-price orders with credit balance vis-à-vis customers and other receivables plus other financial assets are categorized as "loans and receivables". Loans and receivables, with the exception of fixed-price orders are reported at net book value according to the effective yield method less any impairment.

Trade receivables and other assets include fixed-price orders with credit balance vis-à-vis customers as other assets. Part-finished performances are measured in accordance with the degree of completion as of the balance sheet date. This is calculated by comparing the work completed with the full extent of the work to be completed. Partial payments received as of the balance sheet cut-off date are netted out with the work in progress. Fixed-price orders with an adverse balance are recorded in the other liabilities.

The loan is in favor of the main shareholder Reply S.p.A. amounting to EUR 5,000 thousand.

All in all, the book value of the financial assets can be broken down into categories as follows:

All figures in Euro thousand		**Short-term**		**Long-term**
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Equity investments	0	7	0	0
Securities	0	0	347	883
Claims from life insurance policies	0	0	1,646	1,698
Available for sale	**0**	**7**	**1,993**	**2,581**
Trade accounts receivable	12,195	11,168	0	0
Loan	0	0	5,000	5,000
Fixed-price projects with credit balance vis-à-vis customer	2,517	677	0	0
Other	300	337	315	247
Loans and receivables	**15,012**	**12,182**	**5,315**	**5,247**
Total	**15,012**	**12,189**	**7,308**	**7,828**

Financial assets amounting to EUR 347 thousand (previous year: EUR 883 thousand) are pledged as collateral. There is no collateral for the financial assets. Apart from the trade accounts receivable, none of the financial assets are overdue or impaired. Value adjustments affecting trade accounts receivable are made for existing individual risks. They are recorded in a separate account. Please see Note 8 for more details.

Financial Liabilities

Reply Deutschland divides financial liabilities into the following categories: pay-off obligations to limited partners of subsidiaries, liabilities from bank loans, trade accounts payable and other financial obligations.

Financial liabilities are categorized as either liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities are categorized as liabilities at fair value through profit and loss if they are either held for trading or voluntarily designated as being at fair value through profit and loss. The Reply Deutschland Group does not make use of the option of designating liabilities in this way.

Financial liabilities are categorized as being held for trading if they were entered into with the principal aim of buying them back in the near future or if they are derivatives which have not been designated as hedging instruments within the meaning of IAS 39. Financial liabilities classified as held for trading are shown as interest swaps (see 2.14).

Other financial liabilities at the Reply Deutschland Group include obligations to compensate minority partners in limited partnerships, liabilities from bank loans, trade accounts payable, and other financial liabilities.

Pay-off obligations to limited partners of subsidiaries are categorized as other financial liabilities because the shareholders of an unincorporated firm must legally be afforded a call right. The owners have the right to call for repayment. In line with the requirements of IAS 32, financial instruments which entitle the holder to return them to the issuer in return for liquid funds or other financial means (puttable instruments) are to be recorded as financial liabilities. The initial evaluation of the pay-off obligations to limited partners of subsidiaries is made by means of the present value of the obligation. The future value of the obligations is derived from the fair value as of each balance sheet date. The fair value calculation is carried out by means of a discounted cash flow model (level 3 according to IFRS 7.27A). Changes in the fair value are recognized in the income statement.

Liabilities from bank loans, trade payables, and other financial liabilities are initially recognized at their fair value less transaction costs. They are subsequently recognized at net book value according to the effective yield method; interest rate expenses are recognized in line with the effective yield rate.

All in all the book value of the financial liabilities can be broken down into categories as follows:

All figures in Euro thousand	Valuation		Short-term		Long-term
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Interest rate swaps	Attributable value (level 2)	0	0	61 *	67
Held for trading purposes		**0**	**0**	**61**	**67**
Obligations to compensate minority partners in limited partnerships	Attributable value (level 3)	0	0	2,800	2,860
Bank loans	Book value	115 *	115	748 *	863
Trade accounts payable	Book value	4,112	2,435	0	0
Other financial liabilities (rest)	Book value	5,539	5,017	420	184
Other financial liabilities		**9,766**	**7,567**	**3,968**	**3,907**

* presented in balance sheet under "held-for-sale"

The Group takes a financial liability out of the books once the Group's obligations have been discharged or annulled or once they have lapsed.

Expenses from revaluation of compensation obligations and from allocation of earnings to the minority partner in limited partnerships

Expenses for minority limited partners on the income statement consist of the following:

All figures in Euro thousand	12/31/2012	12/31/2011
Income / expenses from revaluation of compensation obligations	–60	195
Expenses from allocation of earnings	354	411
	294	**606**

We refer to information (15).

Derivative Financial Instruments

Reply Deutschland has concluded interest rate swaps in preceding financial years to hedge against interest change risks for the financing of the building in Gütersloh. The terms and nominal amounts correspond to those of the bank loans. The interest rate swaps were recognized at fair value at the time of entering into the contract and are assessed at their fair value at each balance sheet date. The fair value is calculated by means of the present value model based on observable market parameters (level 2 according to IFRS 7.27A). Any change in the fair value of the interest rate swaps is therefore recognized with effect on net income in the profit and loss statement.

We refer to information (27).

Provisions

Provisions are made for legal and de facto obligations based in the past if it is likely that the Group will be obliged to fulfill this obligation and a reliable estimate of the amount to be paid can be made. Provisions are entered at the probable cost of settlement (best estimate), taking into account all identifiable risks. Non-current provisions are discounted to reflect their present value.

3 Estimates

When producing the financial statements, it is sometimes necessary to make estimates and assumptions. This primarily affects verifying the value of goodwill, evaluating deferred tax assets on tax loss carry-forwards, assessing the fair value of the pay-off obligations to the minority shareholder of 4brands Reply GmbH & Co. KG, and valuing a number of provisions - especially pension provisions and provisions for performance-related purchase price obligations.

The Consolidated Entity and Company Acquisitions

4 The Consolidated Entity

Compared to the previous year, the consolidated entity has not changed

The consolidated entity is comprised as follows:

	Share in %
Reply Deutschland AG, Gütersloh	
Tool Reply GmbH, Gütersloh	100
Xpress Reply GmbH & Co. KG, Gütersloh**	100
Xpress Reply Verwaltungs-GmbH, Gütersloh	100
4brands Reply GmbH & Co. KG, Minden**	51
4brands Reply Verwaltungs-GmbH, Minden	51
macros Reply GmbH, Munich*	100
Cluster Reply GmbH & Co. KG, Munich**	100
Cluster Reply Verwaltungs-GmbH, Munich	100
Xuccess Reply GmbH, Munich*	100
Twice Reply GmbH, Düsseldorf	100
Syskoplan Reply GmbH, Küsnacht CH	100
Power Reply GmbH & Co. KG, Munich**	100
Power Reply Verwaltungs-GmbH, Munich	100

* *For those companies where a profit and loss transfer agreement has been made the exemption as to disclosure according to § 264 III HGB is used.*

** *For these commercial partnerships the exemption as to disclosure according to § 264b HGB is used.*

Notes to the Consolidated Balance Sheet

5 Goodwill, Other Intangible Assets and Property, Plant and Equipment

The development of goodwill, other intangible assets, and property, plant, and equipment can be seen in the statement of movements in non-current assets attached as an annex to the Notes.

For the purpose of impairment testing, goodwill was allocated to the following cash-generating units:

All figures in Euro thousand	12/31/2012	12/31/2011
Xuccess Reply GmbH	4,898	4,898
macros Reply GmbH	4,652	4,652
Cluster Reply GmbH & Co. KG	609	609
	10,159	**10,159**

In the 2012 financial year, the reported goodwill figures were subject to an impairment test based on the value in use. These values in use were based on the following fundamental assumptions:

The impairment tests have been made by means of a discounted cash flow model. For the first phase, cash flow prognoses were used showing a detailed planning period of 4 years. The cash flow prognoses were based on the current business plans of Reply Deutschland Group for 2012. For further financial years for which detailed plans were available, annual further sales increases were projected based on the individual situation of the company in question (market potential, intensity of competition, the company's competitive position, etc.). Similarly, suppositions were made concerning the development of each company's operating margin (EBT margin) which take into account its individual situation and business prospects. For the second phase, no further growth was assumed.

An average cost of capital of 11.2% (previous year: 11.5%) (pre-tax) was discounted from the expected cash flows.

The impairment tests did not show any need for amortization. The management is of the opinion that a change basically possible according to reasonable discretion of the basic assumption made to determine the value of the use of the cash-generating units could lead to the book value of these units exceeding their achievable amount.

6 Other Financial Assets

The other financial assets are composed as follows:

	Current		Non-current	
All figures in Euro thousand	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Equity investments	0	7	0	0
Securities	0	0	347	883
Loan	0	0	5,000	5,000
Claims from life insurance policies	0	0	1,646	1,698
Other	300	337	315	247
	300	**344**	**7,308**	**7,828**

No impairment was recognized on the financial assets. The other financial assets do not include any overdue assets.

The equity investments were categorized as available-for-sale financial assets.

Non-current securities are recognized at their fair value and categorized as available-for-sale financial assets. They concern shares in money market funds to hedge pension claims and part-time work in the run-up to retirement which do not have the pre-requisites to qualify as plan assets. They are pledged as collateral. Their book value corresponds to the fair value.

The claims from life insurances posted as long-term are recognized at fair value.

The loan to Reply S.p.A. and other financial assets are categorized as loans and receivables entered at net book value. The books value of the loan and other financial assets correspond to fair value. The income statement does not include any profits or losses from the securities apart from interest income of EUR 137 thousand (previous year: EUR 8 thousand).

7 Deferred Tax Assets

Listed below are the major deferred tax assets recognized by the Group. Movements during the current and past financial year are also shown:

All figures in Euro thousand	12/31/2012	12/31/2011
Opening inventory	464	115
arising from events affecting net income	46	366
directly recognized in equity	0	–17
from reclassification to "held for sale"	–18 *	0
	492	**464**

* presented in balance sheet under "held-for-sale"

Deferred tax assets and liabilities are netted out if there is a claim to offset actual tax refund claims against tax liabilities and if the deferred taxes relate to the same taxable income.

The deferred tax assets arose from:

All figures in Euro thousand	12/31/2012	12/31/2011
Provisions	370	354
Tax loss carry-forwards	165	66
Goodwill	394	421
Interest rate swaps	0	20
Finance leasing	10	15
Total deferred tax assets	**939**	**876**
Provisions	121	113
Work in progress	296	249
Trade accounts receivable	30	50
Total deferred tax liabilities	**447**	**412**
Net amount of deferred tax assets	**492**	**464**

A tax rate of 30.0% (previous year: 30.0%) is used for the German Group companies. In addition to the uniform rate of corporate income tax, this includes the solidarity surcharge and an average rate of trade tax.

As at December 31, 2012, domestic corporation tax loss carry-forwards amounted to EUR 540 thousand (previous year: EUR 456 thousand) and trade tax loss carry-forwards amounted to EUR 577 thousand (previous year: EUR 876 thousand). Deferred taxes on domestic corporation tax loss carry-forwards of EUR 491 thousand (previous year: EUR 456 thousand) and trade tax loss carry-forwards amounting to EUR 506 thousand (previous year: EUR 512 thousand) were not formed as it is not probable that they can be used within a clear timeframe of five years. Deferred tax assets amounting to EUR 17 thousand (previous year: EUR 15 thousand) were recognized for the loss carried forward by Reply Deutschland Schweiz GmbH.

On loss carry-forwards of companies, which made a loss in the last 2 years, deferred taxes assets are amounting to EUR 150 thousand.

8 Trade Accounts Receivable and Receivables

All figures in Euro thousand	12/31/2012	12/31/2011
Trade accounts receivable	12,212	11,291
Impairment	17	123
	12,195	**11,168**
Fixed-price projects with credit balance vis-à-vis customer	2,517	677
	14,712	**11,845**

Invoices for services rendered are usually payable within 30 days. Depending on the project situation, the time allowed for payment can vary greatly. Interest is not usually charged on arrears. In each individual case, the need for write-downs is assessed using criteria such as status as overdue, credit rating and customer relations and these are conducted if necessary. Past experience shows a very low default rate.

No valuation adjustments were conducted on the trade accounts receivable totaling EUR 5,786 thousand (previous year: EUR 5,017 thousand) which were overdue as of the balance sheet date as no significant change in these debtors' creditworthiness was identified and repayment is expected for the outstanding amounts. The Group has no collateral for these open items. On average, the receivables in question are 32 days old (previous year: 28 days). The arrears analysis below illustrates the age pattern of the overdue but unimpaired trade accounts receivable:

All figures in Euro thousand	12/31/2012	12/31/2011
Overdue less than 90 days	4,720	4,343
90 days to 180 days overdue	969	563
180 days to 1 year overdue	89	92
Overdue more than 1 year	8	19
Total	**5,786**	**5,017**

Valuation adjustments developed as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
At the beginning of the year	123	58
Utilized	–44	–44
Reversal	–78	–14
Allocations	16	123
At the end of the year	**17**	**123**

Losses on receivables came to EUR 44 thousand (previous year: EUR 33 thousand).

When determining the value of trade accounts receivable, each change in credit standing between the granting of credit and the balance sheet cut-off date is taken into account. There is a certain credit risk concentration as VW Group companies account for 21% of the receivables (previous year: 29%). The Executive Board is confident that no risk provisioning is necessary over and above the write-downs already recognized. The book values shown above therefore reflect the Group's maximum default risk for trade accounts receivable. The book value of the trade accounts receivable corresponds to fair value.

The age pattern of the impaired receivables is as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
60 to 90 days	0	0
90 to 120 days	0	0
Over 120 days	17	123
Total	**17**	**123**

Fixed-price projects with a credit balance due from customers include work in progress assessed according to its percentage of completion (POC), offset against the partial payments received.

All figures in Euro thousand	12/31/2012	12/31/2011
Capitalized production costs from fixed-price projects	3,576	2,155
plus PoC result	666	647
less partial payments	–3,044	–2,917
Fixed-price projects total	**1,198**	**–115**
Of which		
Fixed-price projects with credit balance vis-à-vis customer	2,517	677
Fixed-price projects with a credit balance due to customers (included in other liabilities)	–1,319	–792
	1,198	**–115**

The sales include EUR 9,376 thousand (previous year: EUR 11,220 thousand) in earnings from production projects. The book value of the fixed-price projects with a credit balance due from customers corresponds to fair value.

9 Other Non-financial Assets

As in the previous year, the other non-financial assets result from the assignment of payments made in the year under review which relate to expenses for the following financial year.

10 Cash at Banks and Cash in Hand

Cash and cash equivalents are made up as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
Cash on hand	2	4
Fixed-term deposits and overnight money	10,406	12,252
Balance on current accounts	4,901	3,895
	15,309	**16,151**

Fixed-term and call money investments are characterized by an investment period fixed over the entire term whereby they all have a maturity of less than 3 months. Call money is available on a daily basis.

11 Subscribed Capital

The subscribed capital (equity capital) of Reply Deutschland AG is divided into 4,750,561 individual fully paid-up, no-par-value shares. Arithmetically, each individual bearer share has a 1 euro stake in the share capital. All the shares grant identical rights; no preferred stock is issued.

The number of shares in circulation has developed as follows:

Number of shares	12/31/2012	12/31/2011
At the beginning of the financial year	4,750,561	4,745,669
Capital increase from approved capital	0	0
Capital increase from contingent capital (stock option plan)	0	4,892
At the end of the financial year	**4,750,561**	**4,750,561**

Announcements as per § 21 of the Securities Trading Law (WpHG) and Control Agreement

In accordance with § 21 of the Securities Trading Law (WpHG), we were obliged to publish the following announcements:

Reply S.p.A., Turin, Italy, informed us on October 9, 2009, that it had exceeded the threshold of 75% of the voting rights in Reply Deutschland AG. Alika s.r.l., Turin, Italy, informed us on October 9, 2009, that it had exceeded the threshold of 75% of the voting rights in Reply Deutschland AG, as the voting rights held by Reply S.p.A. are attributable to Alika s.r.l. Dott. Mario Rizzante, Turin, Italy, also informed us on October 09, 2009, that he had exceeded the threshold of 75% of the voting rights in Reply Deutschland AG, as the voting rights held by Alika s.r.l. and Reply S.p.A. are attributable to him.

On April 14, 2010, Reply Deutschland AG and Reply S.p.A. announced the planned conclusion of a control agreement, which was subsequently approved at the Annual General Meeting on May 28, 2010. Minority shareholders in Reply Deutschland AG who did not accept the cash compensation offer remain shareholders and retain the right to receive recurring payments for the term of the contract (compensation payment). In accordance with § 304 of the German Stock Corporation Law (AktG), the appropriate compensation payment amounts to EUR 0.53 per share (gross profit per share) less a payment to be paid by Reply Deutschland AG for corporation tax. The corporation tax rate valid at the time the contract was concluded, including solidarity surcharge, was 15.825%. This results in a deduction of EUR 0.08 for corporation tax on the share of profit subject to corporation tax.

Taking into account an unchanged corporation tax rate of 15% and the solidarity surcharge, the total compensation payment per share currently amounts to EUR 0.45 for every full financial year.

Hive-down / merger

On December 14, 2012 the Executive Board and Supervisory Board of Reply Deutschland AG passed a resolution on the reorganization of Reply Deutschland AG. The reorganization includes Reply Deutschland AG merging to its majority shareholder, Reply S.p.A., a company listed in the Star Segment of the Italian Stock Exchange.

In preparation, Tool Reply GmbH is divested to Reply Services S.R.L., Turin, Italy; while all the other assets of Reply Deutschland AG including its participating interests are transferred to a subsidiary of Reply Deutschland AG in sole ownership. Reply Deutschland AG is then merged to Reply S.p.A.

The Executive Board will initiate any measures necessary to execute this reorganization within 2013. The General Meeting has approved the sale of Tool Reply GmbH and the hive-down of operating business from Reply Deutschland AG to Reply GmbH & Co. KG. The related contracts have been signed on February 15, 2013.

Approved Capital

The Annual General Meeting on May 28, 2010 authorized the Executive Board to increase the share capital by up to EUR 2,367,029 in the period to May 27, 2015, with the Supervisory Board’s approval. This capital increase may be implemented by issuing new shares on one or several occasions in exchange for cash and/or non-cash capital contributions. The Executive Board did not make use of this authorization in the 2011 financial year.

12 Additional Paid-in Capital

In comparison to the previous year, capital reserves are composed as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
Premium from the issue of shares less issuing costs	18,922	18,922
Other shareholder contributions	329	329
	19,251	**19,251**

The increase in additional paid-in capital results from a sum of EUR 0 thousand (previous year: EUR 32 thousand) which was generated above and beyond the nominal value when issuing shares from the conditional capital. With a sum of EUR 475 thousand, the capital reserve relates to the statutory reserve according to § 150 II AktG in the amount of 10% of the share capital.

13 Retained Earnings

The statement of changes in equity shows how retained earnings have developed. The payment of dividends is based on the separate financial statements of Reply Deutschland AG produced in accordance with the German Commercial Code (HGB). In the financial year 2011, a dividend of EUR 0.45 per share was paid to the shareholders. This corresponded to a dividend payout of EUR 2,138 thousand. The Executive Board proposes paying an unchanged dividend of EUR 0.45 per share, which is equivalent to a total dividend payment of EUR 2,138 thousand as of December 31, 2012.

14 Equity of non-controlling Shareholders

Under non-controlling interests, the shares held by minority shareholders in 4brands Reply Verwaltungs GmbH are posted. In the reporting period, the consolidated net income attributable to non-controlling interests amounted to EUR 3.3 thousand (previous year: EUR 2.0 thousand).

15 Pay-off obligations to group-external limited partners in subsidiaries

This item covers the minority share in 4brands Reply GmbH & Co. KG.

The minority share in 4brands Reply GmbH & Co. KG is recorded at the fair value in line with the stipulations of the partnership agreement concerning the pay-off claims of a shareholder who wishes to withdraw their investment. The fair value was calculated based on a company valuation using the discounted cash flow method. The cash flow prognoses were based on the current business plans of 4brands Reply GmbH & Co. KG. An average cost of capital after taxes of 8.0% (previous year: 8.3%) was discounted from the expected cash flows. The fair value of the pay-off obligations decreased for 4brands Reply GmbH & Co. KG by EUR 60 thousand (previous year: increased by EUR 195 thousand)

The change in the fair value and the expenditure arising from credit of the shares in profits were shown in the previous years under EBT. In 2012 these changes are included in the financial result. The previous year's EBT was adjusted correspondingly.

16 Bank Overdrafts and Bank Loans

We refer to information (26).

17 Pension Obligations

The Group has defined-benefit pension plans for Reply Deutschland AG, 4brands Reply GmbH & Co. KG, and macros Reply GmbH.

The figure shown for the Group's obligations in the balance sheet was determined by netting the asset values from reinsurance cover under life insurance policies with the pension provisions. The resulting liability of the Group is composed as follows:

All figures in Euro thousand	**12/31/2012**	**12/31/2011**	**12/31/2010**	**12/31/2009**	**12/31/2008**
Present value of pension obligations	5,310	4,163	3,783	3,362	2,577
Fair value of plan assets (asset value of reinsurance coverage)	1,009	937	924	872	801
Financing status	**4,301**	**3,226**	**2,859**	**2,490**	**1,776**
Actuarial losses not recognized in the balance sheet	–1,513	–568	–372	–94	549
Liabilities shown on the balance sheet	**2,788**	**2,658**	**2,487**	**2,396**	**2,325**
Experience-based adoption of plan liabilities	84	65	–27	–61	–17
Experience-based adoption of plan assets	73	12	52	71	74

Shown below are changes in the present value of the pension obligations:

All figures in Euro thousand	12/31/2012	12/31/2011
At the beginning of the financial year	4,163	3,783
Current service cost	20	30
Actuarial profits (-) and losses	0	9
Interest expense	186	184
Actuarial profits (-) and losses	930	183
Benefit transfer	82	32
Payments made for services	–71	–58
At the end of the financial year	**5,310**	**4,163**

All pension obligations as of December 31, 2012 were calculated using the 2005G guideline tables by Klaus Heubeck. The pension obligations were evaluated as of December 31, 2012. The calculations were based on the following assumptions:

All figures in Euro thousand	12/31/2012	12/31/2011
Interest rate	3.10% p.a.	4.50% p.a.
Rate of entitlement increase (if applicable)	1.50% p.a.	1.50% p.a.
Rate of benefit increase	2.00% p.a.	2.00% p.a.

Pension obligations are partly reinsured by means of qualified insurance policies. Their fair value has developed as shown below:

All figures in Euro thousand	12/31/2012	12/31/2011
At the beginning of the financial year	937	924
Expected profits from plan assets (life insurance policies)	31	32
Actuarial profits (-) and losses	–14	–13
Repayment reinsurance	0	–61
Employer's contributions	55	55
At the end of the financial year	**1,009**	**937**

Contributions totaling EUR 56 thousand (previous year: EUR 55 thousand) are expected for 2013.

The income statement shows the effects of the pension obligations and the reinsurance policies as follows:

All figures in Euro thousand	**12/31/2012**	**12/31/2011**
Current service cost	– 20	– 30
Actuarial profits (-) and losses	0	– 9
Current interest expense	– 186	– 184
Benefit transfer	– 82	– 32
Expected profits from plan assets (life insurance policies)	31	32
	– 257	**– 223**

In addition to this, there are reinsurance policies to finance pension obligations which do not meet the requirements for a qualified insurance policy. They are recognized at fair value (EUR 1,646 thousand; previous year: EUR 1,698 thousand) and recorded under non-current financial assets. Contributions of EUR 11 thousand (previous year: EUR 11 thousand) were made towards these policies.

The pension obligation of Reply Deutschland AG to Dr. Manfred Wassel, former Chairman of the Executive Board, continues to exist after his departure as of December 31, 2009. The resulting additional future expenses are borne by Reply S.p.A. This arrangement as of December 31, 2011 led to a claim of EUR 274 thousand (previous year: EUR 195 thousand) which was posted under non-current assets.

18 Other Provisions

Other provisions are made up as follows:

		Current		**Non-current**
All figures in Euro thousand	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Personnel	253	411	532	701
Purchase price adjustments	81	64	0	0
Other	368	197	0	0
	702	**672**	**532**	**701**

The non-current provisions include provisions for part-time work in the run-up to retirement and anniversary bonuses. The provisions for anniversary bonuses are calculated using actuarial principles based on an interest rate of 3.1% (previous year: 4.8%). The current provisions for personnel primarily cover provisions for severance payments, employers' liability insurance association and not taken holidays.

Provisions for purchase price adjustments comprise the earn-out components of the purchase price for the acquisition of the minority share of 25.1% of macrosSolution GmbH from 2011. A purchase price due immediately of EUR 150 thousand as well as an earn-out component of a maximum of EUR 250 thousand were agreed, to depend on the results of 2010 to 2012. The earn-out component amounts were reserved as per December 31, 2010 in the amount of EUR 239 thousand. In the 2012 financial year, the reserves were increased against income by EUR 17 thousand (previous year: reduced by EUR 80 thousand).

The provisions developed overall as follows:

All figures in Euro thousand	01/01/2012	Utilized	Reversal	Addition	12/31/2012
Personnel	1,112	–400	–86	159	785
Purchase price adjustments	64	0	–15	32 *	81
Other	197	–138	–1	310	368
	1,373	**–538**	**–102**	**501**	**1,234**

* *thereof accumulation of EUR 2 thousand*

In the previous year provisions developed as follows:

All figures in Euro thousand	01/01/2011	Utilized	Reversal	Addition	12/31/2011
Personnel	1,361	–523	–50	324	1,112
Purchase price adjustments	239	–100	–80	5 *	64
Other	372	–194	–13	32	197
	1,972	–817	–143	361	1,373

* *Accumulation*

19 Trade Accounts Payable

Trade accounts payable are posted at net book value. They are payable within one month. The fair value corresponds roughly to the book value.

20 Other Financial Liabilities

Other financial liabilities are posted with the exception of the interest rate swaps (evaluated at fair value) at net book value. Their fair value corresponds roughly to the book value. They can be broken down as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
Amounts due to staff	831	870
Accrued liabilities due to staff	2,971	2,587
Amounts due to external limited partners	388	369
Amounts due from finance leases	702	317
Accrued liabilities due to vendors	809	875
Fair value of interest rate swaps	0	67
Other	228	183
	5,929	**5,268**
Of which		
Long-term	420	251
Short-term	5,509	5,017
	5,929	**5,268**

The amounts due to staff are the result of travel expenses and overtime work rendered. They are payable within one month.

The accruals vis-à-vis employees are primarily bonuses and emoluments.

The accruals vis-à-vis subcontractors and suppliers are accrued incoming invoices.

Amounts due to external partners exclusively relate to the minority shareholder in 4brands Reply GmbH & Co. KG and concern profit shares. The liabilities arising from commercial law profit shares in will probably be settled in March 2013. A withdrawal resolution was passed in December 2012.

The amounts due from finance leases relate to agreements for leasing computing center components. As the lessor retains ownership, they are secured against the objects of the leases. The agreements do not entail any conditional installment payments, any extension or purchase options, or any price adjustment clauses.

We refer to the overview of the other financial liabilities with regard to the allocation of the minimum leasing payments and the reconciliation to cash value of the minimum leasing payments (32).

21 Other liabilities

Other liabilities are composed as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
Fixed-price projects with a credit balance due to customers	1,319	792
Received prepayments from service contracts	1,544	1,579
Deferred income	83	86
Income tax payables	671	720
Wage and church tax payables	698	815
	4,315	**3,992**

Notes to the Consolidated Profit and Loss Account

22 Revenues

The revenues are due almost exclusively as in the previous year to the performance of services. Regarding the breakdown of revenues we refer to the segment reporting in Note 28.

23 Cost of Revenues, Sales Costs and Administrative Expenses

All figures in Euro thousand				2012
	Cost of revenue	Selling and marketing expenses	Administrative expenses	Total
Personnel expenses				
Wages and salaries	22,076	2,399	3,103	27,578
Social security expenses	3,502	374	476	4,352
Pension expenses	55	9	14	78
Other	70	8	12	90
	25,703	**2,790**	**3,605**	**32,098**
Cost of purchased services	**11,457**	**0**	**0**	**11,457**
Other costs				
Depreciation and amortization of intangible assets	50	3	4	57
Depreciation and amortization of tangible assets	649	34	190	873
Advertising costs	0	1,210	0	1,210
Travel costs	3,191	380	485	4,056
Vehicle costs	2,498	262	326	3,086
Other	2,545	983	1,865	5,393
	8,933	**2,872**	**2,870**	**14,675**
Total costs	**46,093**	**5,662**	**6,475**	**58,230**

All figures in Euro thousand				2011
	Cost of revenue	Selling and marketing expenses	Administrative expenses	Total
Personnel expenses				
Wages and salaries	21,976	2,701	2,734	27,411
Social security expenses	3,562	434	433	4,429
Pension expenses	137	12	13	162
Other	79	11	10	100
	25,754	**3,158**	**3,190**	**32,102**
Cost of purchased services	**7,947**	**0**	**0**	**7,947**
Other costs				
Depreciation and amortization of intangible assets	70	4	5	79
Depreciation and amortization of tangible assets	656	36	179	871
Advertising costs	0	964	0	964
Travel costs	3,058	410	414	3,882
Vehicle costs	2,664	338	328	3,330
Other	2,546	974	2,148	5,668
	8,994	**2,726**	**3,074**	**14,794**
Total costs	**42,695**	**5,884**	**6,264**	**54,843**

Social security expenses include statutory social security contributions in the amount of EUR 4,152 thousand (previous year: EUR 4,197 thousand). These include pension insurance contributions in the amount of EUR 2,040 thousand (previous year: EUR 2,032 thousand).

The expenditure for pensions includes expenditure for employers' contributions to direct insurances in the amount of EUR 151 thousand (previous year: EUR 142 thousand).

24 Interest income, Interest Paid and Other Financial Earnings

Interest income of EUR 244 thousand (previous year: EUR 229 thousand) relates to the valuation category of loans and receivables, EUR 106 thousand (previous year: EUR 220 thousand) from interest on cash at banks, EUR 137 thousand (previous year EUR 8 thousand) from the interest on loans, and EUR 1 thousand (previous year: EUR 1 thousand) from interest charged on loans to employees.

Interest expenses are composed as follows:

All figures in Euro thousand	2012	2011
Interest accrued on purchase price liabilities (earn-out)	3	5
Interest on loans	31	44
Interest on liabilities from		
finance leases	20	25
Other interest expenses	152	216
	206	**290**

The other financial income of EUR -5 thousand (previous year: EUR -15 thousand) relates to currency gains and losses from loans and receivables amounting to EUR -5 thousand (previous year: EUR -15 thousand).

There were no earnings or expenses from fees. Concerning the expense with regard to limited partners of subsidiaries, please refer to Note 15.

25 Income Tax

Break Down of Tax Expenses

Tax expenses can be broken down as follows:

All figures in Euro thousand	2012	2011
Current taxes	1,109	1,492
Taxes relating to other periods	36	–98
Deferred taxes	–46	–366
	1,099	**1,028**

The tax expenses for the financial year can be reconciled with the profit stated in the consolidated income statement as shown below:

All figures in Euro thousand	**2012**		**2011**	
Earnings from continued operations before taxes and expenses for group-external limited partners	2,510		4,467	
Tax at domestic rate	753	30.0%	1,340	30.0%
Tax effect of non-deductible expenses when determining the taxable profit	54		81	
Non-periodic tax expense	36		–98	
Corporation tax on minority shares (commercial partnerships)	–52		–56	
Use or capitalization of not accounted tax assets of loss carried forward and timing differences	–27		–427	
Tax effect of permanent differences of waiver of receivables	373		0	
Expenses from non-consideration of deferred tax assets on temporary differences and tax loss carry-forwards originated in financial year	–109		19	
Tax effect on minorities in EBT	88		182	
Other deviations	–16		–13	
Tax expense and effective tax rate for the financial year	**1,100**	**43.8%**	**1,028**	**23.0%**

26 Assets and liabilities held-for-sale

The Executive Board and Supervisory Board of Reply Deutschland AG resolved on December 14, 2012 to sell the 100% subsidiary Tool Reply GmbH in 2013. This proposal was agreed by the General Meeting of February 14, 2013.

The corresponding assets in the amount of EUR 2,471 thousand (previous year: EUR 0 thousand) and debts in the amount of EUR 932 thousand (previous year: EUR 0 thousand) were categorized in 2012 as available for sale. These assets and debts are to be allocated to the central segment. The assets are composed of tangible assets in the amount of EUR 2,327 thousand, balance at bank in the amount of EUR 126 thousand and deferred tax assets in the amount of EUR 18 thousand. The debts are composed of EUR 863 thousand for bank loans, EUR 8 thousand for accrued interest expenses and EUR 61 thousand for interest swaps.

Bank Loans

Bank loans are only related the financing of the building in Bartholomäusweg in Gütersloh. Owner of this real estate is Tool Reply GmbH. Therefor the assets and liabilities have been presented as “held-for-sale”.

All figures in Euro thousand	**12/31/2012**	**12/31/2011**
Current portion of non-current loan obligations	115	115
Non-current loan obligations	748	863
	863	**978**

The loans are due as follows:

All figures in Euro thousand	< 1 year	1–5 years	More than 5 years	Total	Interest rate	Collateral
Euro credit	115	460	288	863	variable	Land charge
	115	**460**	**288**	**863**		

Loans are subject to interest variable with EONIA plus a margin of 0.6%. The floating-rate loans are hedged by means of interest rate swaps which transform the variable interest payments into fixed interest payments of 4.18% p.a. The nominal values of the interest rate swaps correspond to the loan obligations and are adjusted correspondingly to reflect loan repayments. The interest rate swaps were entered into with the same financial institution that granted the loans. There is no hedge accounting within the meaning of IAS 39.

Loans are reported at net book value. The fair value of the loan corresponds roughly to the book value. The purpose of the loan is to finance the building in Gütersloh (book value: EUR 2,327 thousand; previous year: EUR 2,468 thousand). The land charges mentioned are registered for this property. All terms of the loan contracts were complied with (yearly amortization of EUR 115 thousand, gross net cash flow greater than EUR 200 thousand).

Taking into account the interest rate swaps and the yield curve as per December 31, 2012, the future payments for settlement and interest are as follows:

All figures in Euro thousand	< 1 year	1–5 years	More than 5 years	Total
Euro credit (repayment + variable interest)	144	535	301	980
Interest rate swap	5	13	2	20
	149	**548**	**303**	**1,000**

27 Managing Capital and Financial Risks

Capital Risk Management

The Reply Deutschland Group manages its capital with the aim of maintaining sufficient equity to finance its plans for growth.

The Group is managed on the basis of the key figures sales, EBITDA margin (earnings before interest, taxes, depreciation, and amortization; based on revenue) and EBT margin. By contrast, the performance of individual business units is judged using the key figures sales (achievement of sales targets) and EBIT margin.

The non-current assets are completely financed via equity, current assets to 35% (previous year: 33%). These capital resources allow the Group to finance the implementation of its strategy via its own assets without borrowing. This also applies to acquisitions necessary for the growth of the Group, as already evidenced in the past. In future, the Group will cover a broader segment of the market, thus being able to increase sales and EBIT. This approach needs an appropriate market research and analysis, which is time-consuming. At present, all liquidity, as far as it is not needed for operating business, is invested risk-free at renowned domestic banks as overnight money or as fixed-term deposits.

Financial Risk Management

The seriousness and extent of financial risks faced by the Reply Deutschland Group are analyzed through internal risk reporting. These risks for the Reply Deutschland Group primarily entail the risk of default, the exchange rate risk, and the interest rate risk.

Due to the existing cash position and the cash flow strength of the Group, the liquidity risk is classified as minor. Financial liabilities are paid at maturity by using the existing cash funds. As regards maturity of the liabilities, we refer to the Notes to the balance sheet.

Based on the co-determination rights of minority shareholders, EUR 2,854 thousand (previous year: EUR 2,538 thousand) of the liquid funds at 4brands Reply GmbH & Co. KG are at restricted disposal.

In addition to the risk of changes in value, there is also a liquidity risk in connection with the shares of limited partners of subsidiaries. The risk of changes in value consists of an increase in pay-off obligations in the event of a positive business development of the subsidiaries. The liquidity risk consists of the possibility that cash is withdrawn from the Group to satisfy a pay-off claim if a limited partner calls for repayment. However, it is only possible to give such notice with a term of 12 months to December 31 of a given year. Apart from that, the Group possesses sufficient cash and cash equivalents to satisfy this potential obligation.

Default Risk

Default risk denotes the risk of a loss for the Group if a contracting party is unable to fulfill its contractual obligations. The Reply Deutschland Group enters into business relationships with creditworthy contracting parties in order to minimize the risk of a loss arising from non-performance. Collateral is not normally obtained. When checking creditworthiness, the Group uses available financial information and its own business records to assess its clients. The Group's risk exposure is monitored continuously. The book value of the financial assets reported in the consolidated financial statements minus any impairment represents the Group's maximum default risk.

All figures in Euro thousand	12/31/2012	12/31/2011
Cash at bank	15,307	16,147
Trade accounts receivable and other assets	14,712	11,845
Loan	5,000	5,000
Other financial assets	2,608	3,172
	37,627	**36,164**

The default risk on bank balance is limited as it is only held at domestic banks which belong to a deposit guarantee fund. In addition to this, cash at banks is distributed between a number of credit institutions. As of December 31, 2012, the maximum amount invested at any one bank was EUR 5,220 thousand (previous year: EUR 6,608).

When determining the default risk on trade accounts receivable and other receivables, each change in credit standing between the granting of the credit and the balance sheet cut-off date is taken into account. There is a certain credit risk concentration as VW Group companies account for 2% of the receivables (previous year: 29%). The Executive Board is confident that no risk provisioning is necessary over and above the impairment already recognized, as all of the debtors are clients with an excellent credit standing. The Executive Board does not see any current increased default risk even in the concentration of the credit risk, based on the current rating of the VW Group.

The loan of EUR 5 million to the parent company Reply S.p.A. is subject to a low default risk. The loan was granted according to a directive based on the domination agreement with Reply S.p.A. Therefore, no credit rating examination was performed for Reply S.p.A. However, there are no obvious reasons, in particular no publicly known information, which could restrict the credit standing of Reply S.p.A. in any way. Reply S.p.A. has undertaken to inform Reply Deutschland AG immediately of any possible difficulties in liquidity with regard to the loan. Should such a situation arise and not be remedied in the short term, then Reply Deutschland AG has the right to cancel for cause.

The default risk on the securities included under other financial assets and claims arising from life insurances is also low because they consist of shares in money market funds from issuers with an excellent credit standing and re-insurances with a well-known German insurance company.

Exchange Rate Risk

Some Group transactions are conducted in a foreign currency, resulting in risks from exchange rate fluctuations. These are analyzed every month. As of December 31, 2011 there was no hedging against these risks as they are not considered substantial.

On the balance sheet date, the book value of the Group's financial assets and liabilities denominated in foreign currencies was as follows:

All figures in Euro thousand	Assets	
	12/31/2012	12/31/2011
Pound sterling	190	179
Swiss franc	12	153
	202	**332**

The Group is mainly exposed to exchange rate risks involving the pound sterling and the Swiss franc. The following table shows the Group's sensitivity to a 10% rise or fall in the exchange rate between the Euro and the foreign currencies in question. In the Executive Board's opinion, the 10% shift is a reasonable potential exchange rate fluctuation. The sensitivity analysis only covers outstanding monetary items denominated in foreign currencies. It adjusts their conversion at the end of the period to reflect a 10% change in the exchange rates. If the exchange rates were to rise (drop) by 10%, profit/loss for the year or equity would decrease (increase) as follows:

All figures in Euro thousand	Effect of the pound sterling		Effect of the Swiss franc		Effect of Norwegian Krone	
	2012	2011	2012	2011	2012	2011
Profit/loss	12	11	1	10	0	0
Equity	0	0	0	0	0	0

Interest Rate Risk

Interest rate differences trigger a cash flow risk as regards floating-rate bank loans. This has been counteracted by concluding two interest rate swaps with matching amounts and maturities. By concluding the interest rate swaps, the variable interest payments have been transformed into fixed interest payments. However regarding the interest rate swaps a value change risk exists. The corresponding liability would increase by EUR 17 thousand (previous year: EUR 33 thousand) if the interest rates fell by 100 basis points and would decrease by

EUR 17 thousand (previous year: EUR 34 thousand) if the interest rates increased by 100 basis points. This would have no impact on the equity (without net profit).

The pay-off obligations to minority limited shareholders of subsidiaries would decrease by EUR 280 thousand (previous year: EUR 210 thousand) if the average capital cost rate increased by 100 basis points. The pay-off obligations would increase by EUR 340 thousand (previous year: EUR 270 thousand) if average capital cost rate decreased by 100 basis points. The net profit before tax, would increase respectively decrease by the same amounts. This would have no impact on the equity (without net profit).

The loan to Reply S.p.A. is EUR 5.0 million and the interest rate is the 3-month Euribor plus 2.0%. A increase in the interest rate of 100 basis points would lead to an increase in the interest income of EUR 50 thousand. This would increase the profit after tax by EUR 35 thousand (previous year: EUR 35 thousand). On current level of the 3-month Euribor a decrease of interest rate to Zero would mean a decrease in the interest income of EUR 35 thousand (previous year: EUR 50 thousand). This would mean a reduction of profit after tax by EUR 25 thousand (previous year: EUR 35 thousand). This would have no impact on the equity (without net profit).

The net liability is posted as pension liability in the consolidated financial statement. An interest rate sensitivity analysis of the net liability is only possible with difficulty due to the corridor method. The consideration of the cash value of the pension liability is more useful for such an analysis. This cash value would increase by EUR 926 thousand (previous year: EUR 639 thousand) if the interest rates fell by 100 basis points and would decrease by EUR 768 thousand (previous year: EUR 590 thousand) if the interest rates increased by 100 basic points. This would increase the net profit by EUR 538 thousand (previous year: EUR 413 thousand) respectively decrease by EUR 628 thousand (previous year: EUR 447 thousand). This would have no impact on the equity (without net profit).

With the exception of liabilities from finance leases, the other financial liabilities are non-interest bearing. There is an interest rate-induced risk of changes in the value of the liabilities from finance leases. However, the Group does not consider this to be significant.

Interest rate differences also give rise to a risk of changes in value for fixed-term deposit investments and the shares held in money market funds. The risk of changes in value for fixed-term deposit investments is managed by generally choosing a very short investment horizon. Due to the amount invested, the risk of changes in value for fixed-term deposit investments is not considered significant.

The sensitivity analyses shown in the following were produced using the interest rate risk exposure for derivative and non-derivative instruments as of the balance sheet date. Floating-rate liabilities, for which the interest rate risk is secured using swaps, are not included in the analysis. An interest rate increase or decrease of 100 basis points is also assumed. In the Executive Board's opinion, this represents a reasonable potential change in interest rates.

If interest rates for call money and time deposit had been 100 basis points higher, but all other variables had remained constant, the net income for the year ending December 31, 2011 would rise by EUR 107 thousand (previous year: decrease/increase of EUR 113 thousand). The Group's equity (net profit not taken into account) would remain unchanged at an increase of interest by 100 basis points). Because current level of interest rates are near Zero a decrease of interest rate to Zero would not lead to a material decrease of net profit.

28 Segment Reporting

The Reply Deutschland Group is comprised of a network of companies in order to combine the strength of large companies with the agility and customer proximity of highly specialized units. This network is based on certain fundamental principles:

- Focused business units managed like companies sustain the operating business. Partners directly reporting to the Executive Board are responsible for the results of the respective business units. For the individual business units, the key figures of sales (achievement of sales targets) and EBT margin are relevant. EBT thus represents the segment result according to IFRS 8.
- Cross-divisional functions such as finance, marketing, HR, IT, or investor relations are centrally operated by departments within Reply Deutschland AG.

On the basis of comparable core competencies, margins and methods of performing services, the various business units are categorized to the segments Consulting, System Integration and Managed Services:

- In the segment Consulting Reply Deutschland delivers in the finance sector consulting services in the area of regulatory bank reporting and bank management.
- The business units classified to the segment System Integration are based on a project-related business model. By means of standard software, primarily from SAP or Microsoft, the business units develop innovative IT solutions uniquely adapted to the requirement of the clients.
- In the segment Managed Services Reply Deutschland Group offers outsourcing services primarily for medium-sized businesses which run their business processes in an SAP environment. The business is mainly based on a service model founded on long-term contracts. The majority of the segment's revenue is derived from data center operations for Reply Deutschland AG and other local clients. Services in the areas applications management and data center-related consulting are also rendered.

These groups of business units represent the reportable operating segments classified in the sense of IFRS 8.12 to the segments Consulting, System Integration, and Managed Services. Cross-divisional functions such as finance, marketing, HR, IT, or investor relations are centrally operated.

All figures in Euro thousand						**Segments of continued operations (1)**
			Consulting			**System Integration**
	12/31/2012	**31.11.2011**	**Delta**	**12/31/2012**	**12/31/2011**	**Delta**
Revenue	**9,438**	**7,648**	**23%**	**43,671**	**45,172**	**–3%**
of which internal:	242	601		133	335	–60%
of which external:	9,196	7,048	30%	43,539	44,837	–3%
Depreciation and amortization	–31	–36	13%	–109	–89	22%
Goodwill amortization	0	0		0	–12	0%
EBIT	1,850	924	100%	4,118	7,603	–46%
Interest income	6	9	29%	40	13	>100%
Interest expenses	0	0		–55	–1	<–100%
EBT	**1,857**	**932**	**99%**	**4,097**	**7,565**	**–46%**
Investments	–23	–25	–4%	–417	–46	>100%
Employees (FTE)	34	32	–6%	270	274	–2%

All values unconsolidated

All figures in Euro thousand				Segments of continued operations (2)		
			Managed Services			Headquarter
	12/31/2012	12/31/2011	Delta	12/31/2012	12/31/2011	Delta
Revenue	**5,317**	**7,074**	**–25%**	**2,642**	**901**	**>100%**
of which internal:	1,469	1,339	10%	0	0	
of which external:	3,849	5,735	–33%	2,642	901	>100%
Depreciation and amortization	–431	–443	3%	–359	–383	6%
Goodwill amortization	0	0		0	0	
EBIT	626	433	45%	–3,824	–3,811	0%
Interest income	0	0		197	207	5%
Interest expenses	–20	–25	–20%	–130	–264	51%
EBT	**607**	**408**	**49%**	**–3,757**	**–3,832**	**2%**
Investments	–897	–264	>100%	–457	–334	–37%
Employees (FTE)	32	45	–29%	44	36	22%

All values unconsolidated

The decline in revenue in Managed Services was due to the expiration of a long-term outsourcing contract with a key customer and could not be completely compensated for in 2012.

If required by the customer situation, subcontractor contracts without margins are to be concluded with the German Reply companies not included in the Group consolidated financial statement. This primarily results in the external sales shown under headquarters.

Total sales can be allotted to domestic clients with an amount of EUR 53,505 thousand (previous year: 53,604 thousand) and to clients abroad with an amount of EUR 5,710 thousand (previous year: 4,917 thousand). The three largest national sales are in Italy at EUR 1,387 thousand (previous year: EUR 826 thousand); the United Kingdom at EUR 1,213 thousand (previous year: EUR 442 thousand) and Switzerland at EUR 1,066 thousand (previous year: 1,322 thousand).

The reconciliation of the total segment result to the earnings before tax from continuing operations and before expenses relating to limited partners of subsidiaries is as follows:

Reconciliation statement to group figures

All figures in Euro thousand	Reconciliation		Group key figures	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Revenue	**–1,844**	**–2,274**	**59,225**	**58,521**
of which internal:	–1,844	–2,274	0	0
of which external:	0	0	59,225	58,521
Depreciation and amortization	0	0	–930	–951
Goodwill amortization	0	0	0	–12
EBIT	0	0	2,770	5,149
Interest income	0	0	244	229
Interest expenses	0	0	–206	–290
EBT	**0**	**0**	**2,804** *	**5,073** *
Investments	0	0	–1,794	–669
Employees (FTE)	0	0	379	388

** In the Income Statement "Expenses from revaluation of compensation obligations and from allocation of earnings to the minority partner in limited partner ships" are presented in the financial income. This expense position is not relevant for internal management purposes. Therefore EBT in the segment reporting differs.*

Figures in the reconciliation column for revenue refer to consolidation figures. The sales relationships between segments involve pooling human resources for customer projects and providing computer center services. Staff services are invoiced at project-specific daily rates. Computer center services are billed on the basis on contracts concluded between the Group companies.

29 Key Accounts

In 2012, more than 10% of total sales were generated with one single customer. This one customer accounted for EUR 9.1 million corresponding to 13% (previous year: 14%) of total sales (System Integration segment).

In addition, we draw attention to the fact that 24% of sales, EUR 13.9 million, were generated with the VW Group (previous year: 19%). The aforementioned single customer is included in the amount of VW Group.

30 Number of Employees, Executive Board and Supervisory Board Members

Employees

In 2012, an average of 394 staff members were employed in the Group (previous year: 400), of which 34 (previous year: 33) worked in the Consulting segment, 284 (previous year: 281) worked for System Integration, 27 (previous year: 46) worked in the Managed Services segment, and 49 (previous year: 40) in the Group headquarters.

Executive Board

The members of the company's Executive Board in 2012 were:

- Josef Mago (Chairman) — group development, capital market, M&A, and HR for partners
- Dr. Jochen Meier (until March 15, 2012) — finance and personnel
- Dott. Flavia Rebuffat — operations, from March 15, 2012 also finance and personnel

Executive Board Remuneration

Remuneration for key managers which must be declared in line with IAS 24 covers the salaries paid to active members of the Executive Board and the Supervisory Board of the Reply Deutschland Group. In the 2011 financial year, the Executive Board received remuneration as follows:

All figures in Euro thousand	12/31/2012	12/31/2011
Regular salaries	669	972

As of December 31, 2012, no loans or advances had been granted to Executive Board members. For details on disclosures pursuant to § 314 Section 1 No. 6a sent. 5–9 HGB we refer to the management report.

Options Held by the Executive Board

As of December 31, 2012, no members of the Executive Board held any share options.

Other Posts Held by Executive Board Members

In the 2012 financial year, the members of the Executive Board sat on the following supervisory boards and comparable controlling bodies in Germany and abroad:

- Josef Mago (since March 15, 2012) — Advisory Board, 4brands Reply GmbH & Co. KG, Minden (Chairman)
- Dr. Jochen Meier (until March 15, 2012) — Advisory Board, 4brands Reply GmbH & Co. KG, Minden (Chairman)
- Dott. Flavia Rebuffat (since September 13, 2012) — Supervisory Board, Arlanis Reply AG, Potsdam (Chairman)

Supervisory Board

Supervisory Board Members

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

- Dott. Mario Rizzante, President of Reply S.p.A., Turin, Italy (Chairman)
- Dr. Niels Eskelson, management consultant, Paderborn (Deputy Chairman)
- Dott. Daniele Angelucci CFO of Reply S.p.A., Turin, Italy
- Dr. Stefan Duhnkrack, partner at the joint legal practice Heuking Kühn Lüer Wojtek, Hamburg
- Dr. Markus Miele, managing director of Miele & Cie. KG, Gütersloh
- Dott. Tatiana Rizzante, CEO of Reply S.p.A., Turin, Italy.

Other Posts Held by Supervisory Board Members

In the year under review, the members of the Supervisory Board were also members of other supervisory boards and comparable controlling bodies in Germany and abroad. Their posts are listed below:

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

Supervisory Board Remuneration

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

The members of the Supervisory Board do not receive share options as part of the existing option plan.

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

The members of the Supervisory Board received remuneration as follows:

All figures in Euro thousand	2012	2011
Regular salaries	75	75

31 Corporate Governance Code

In December 2011, the Executive Board and the Supervisory Board issued a declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to shareholders on the Company's website.

32 Other Financial Obligations

In 2012, payments of EUR 1,779 thousand (previous year: EUR 1,734 thousand) relating to lease agreements (operating leases) were recorded as an expense. These agreements do not entail any conditional installment payments, any extension or purchase options, or any price adjustment. From rental agreements on office space, payments of EUR 529 thousand (previous year: EUR 988 thousand) as well as EUR 264 thousand (previous year EUR 367 thousand) for maintenance contracts were recognized as expenses in financial year 2012.

These lease, rental and maintenance agreements give rise to the following minimum lease payment obligations in future:

All figures in Euro thousand	12/31/2012	12/31/2011
Within one year	2,918	2,815
Within 1 to 5 years	2,715	1,989
More than 5 years	0	0
	5,633	**4,804**

The lease obligations primarily cover vehicles.

There are also other financial liabilities from financial leasing concerning IT hardware leasing by 4brands Reply. The future minimum leasing payments arising from this and the reconciliation ton the cash value of the minimum leasing payments can be seen in the table below:

All figures in Euro thousand	Minimum lease payments		Present value of minimum lease payments	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Remaining term:				
Within one year	298	228	282	218
1–5 years	432	102	420	99
More than 5 years	0	0	0	0
	730	**330**	**702**	**317**
Of which shown as				
Long-term			420	99
Short-term			282	218
			702	**317**

There are no further material contingent liabilities.

33 Earnings per Share

As of December 31, 2012 as well as in the previous year, no more options could be exercised, therefore there is no dilutive effect.

34 Relationships with Associated Companies and Individuals

Related companies and individuals are – apart from the subsidiaries of Reply Deutschland AG – Reply S.p.A., the direct majority shareholder of Reply Deutschland AG, as well as its Italian and German subsidiaries, the members of the Consiglio di Amministrazione and the Collegio Sindacale of Reply S.p.A., and the members of the Executive Board and Supervisory Board of Reply Deutschland AG. Furthermore, Alika s.r.l and companies controlled by it as well as Dott. Mario Rizzante are considered related companies and persons as they are indirect majority shareholders.

These companies and individuals held the following shares and options as of December 31, 2012:

		Number	
Person	**Function**	**Shares**	**Options**
Josef Mago	Chairman of the Executive Board	0	0
Dr. Jochen Meier	Member of the Executive Board (until 3/15/2012)	1	0
Dott. Flavia Rebuffat	Member of the Executive Board	0	0
Dott. Mario Rizzante	Chairman of the Supervisory Board	3,856,690*	0
Dr. Niels Eskelson	Deputy Chairman of the Supervisory Board	500	0
Dott. Daniele Angelucci	Member of the Supervisory Board	0	0
Dr. Stefan Duhnkrack	Member of the Supervisory Board	0	0
Dr. Markus Miele	Member of the Supervisory Board	0	0
Dott. Tatiana Rizzante	Member of the Supervisory Board	0	0
Reply Deutschland AG	**Treasury stock**	**0**	**0**

* *Indirect Ownership via Reply S.p.A. und Alika s.r.l.*

Please refer to Note 30 and the Group management report for further details on the remuneration paid to the members of the Executive Board and Supervisory Board. No further business or transactions were concluded with the persons stated.

In 2012, the following business dealings or transactions were concluded with companies belonging to the international Reply Group and their direct or indirect parent companies:

All figures in Euro thousand	**2012**	**2011**
Revenue	1,833	1,277
Other income	1,831	1,368
Expenses	3,538	1,276
Loan receivable as at December 31	5,000	5,000
Receivables as at 12/31	2,617	1,685
Liabilities as at 12/31	3,042	1,712

These are mainly consulting services in connection with customer projects that were billed in principle at daily rates customary in this market. If required by the customer situation, subcontractor contracts without margins are to be concluded with the German Reply companies not included in the Group consolidated financial statement. Thus sales in the amount of EUR 2,713 thousand (previous year: 777 thousand) were achieved in 2012.

In 2011, Reply Deutschland AG gave a loan in the amount of EUR 5,000 thousand to Reply S.p.A; this loan continues. After one year of grace, repayment is effected on a quarterly basis over two years. The agreed interest rate is 2% above the 3-month Euribor and is adjusted correspondingly on a quarterly basis.

The other income concerns in the main the recharging of hardware costs, the fees for assuming bookkeeping activities for affiliates of Reply Deutschland AG that are not part of the consolidation group, Riverland Reply GmbH, Sytel Reply s.r.l. Deutschland, Arlanis Reply AG, Arlanis Reply GmbH. Concept Reply GmbH and Live Reply GmbH as well as the passing on of additional expenditure as part of the pension agreement of Dr. Manfred Wassel, former Chairman of the Executive Board as per December 31, 2009.

As explained in the remuneration report, Dott. Rebuffat still has a contract of employment with Reply. S.p.A. According to this contract, she works to 85% for Reply Deutschland AG as a member of the Executive Board. Reply S.p.A. is refunded EUR 156 thousand (previous year: EUR 156 thousand) in expenditure for this purpose per year.

In 2012, a dividend of 0.45 Euro (previous year: 0.45 Euro) per share, amounting to EUR 1,718 thousand (previous year: EUR 1,718 thousand), was distributed to Reply S.p.A. as a shareholder of Reply Deutschland AG.

35 Auditing Fees

As per § 315 of the German Commercial Code (HGB) in conjunction with § 314 Section 1 No. 9 of the German Commercial Code (HGB), the auditing fees recorded as an expense in the financial year are to be reported as follows in the IFRS notes to the consolidated financial statements:

All figures in Euro thousand	**12/31/2012**
Auditing	169
Other certification services	12
Other services	26
Total	**207**

36 Special Events after the Balance Sheet Date

The general Meeting of February 14, 2013 agreed the sale of Tool Reply GmbH as well as the spin-off of Reply Deutschland AG to the subsidiary Reply GmbH & Co KG.

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

37 Approval of the Financial Statements

The Executive Board approved the financial statements on March 5, 2013. They will be submitted to the Supervisory Board for approval at their meeting on March 13, 2013 and subsequently approved for publication.

Gütersloh, March 5, 2013

Reply Deutschland AG
The Executive Board

Audit Opinion

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

“We have audited the consolidated financial statements prepared by Reply Deutschland AG, Gütersloh, comprising the income statement and statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks relating to future development.“

Dortmund, 6 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schlüter	Burchardt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Statements of Reply Deutschland AG according to German Commercial Code – Abstract

Balance Sheet as at December 31, 2012

All figures in Euro thsd.

Assets	**12/31/2012**	**Previous year**
A. Fixed Assets		
I. Intangible assets	55	30
II. Tangible assets	859	442
III. Financial assets	24,804	24,806
Total non-current assets	**25,718**	**25,279**
B. Current Assets		
I. Inventories	3,908	1,733
II. Accounts receivable and other assets	15,780	16,162
III. Cash in hand, cash at bank	4,757	5,247
Total current assets	**24,444**	**23,142**
C. Deferred items	182	210
D. Deferred tax assets	36	40
E. Asset-side difference from asset allocation	7	11
Assets	**50,388**	**48,682**

Liabilities		
A. Equity		
I. Subscribed capital (contingent capital 0, previous year 23)	4,751	4,751
II. Capital reserve	21,812	21,812
III. Surplus reserve	8,722	6,127
IV. Unappropriated profit	2,138	5,278
Total equity	**37,423**	**37,968**
B. Provisions	2,758	2,669
C. Liabilities	9,486	7,415
D. Deferred items	18	28
E. Deferred tax liabilities	703	602
Liabilities	**50,388**	**48,682**

The complete financial statement of Reply Deutschland AG provided with an unqualified opinion of the auditor is published in the federal gazette and deposited at the registry court of the district court Gütersloh. It can be requested in electronic form at Reply Deutschland AG.

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

All figures in Euro thsd.	2012	Previous year
1. Revenue	28,660	30,100
2. Increase in work in progress	1,229	1,278
Gross operational income	**29,888**	**31,378**
3. Other operating income of which income from currency translation 5 (previous year 34)	5,366	5,694
Gross income	**35,254**	**37,072**
4. Costs of material		
Cost of bought-in services	11,717	7,728
5. Personnel expenses		
a) Wages and salaries	10,967	13,663
b) Social security expenses and costs of provisions for retirement and welfare of which for retirement 18 (previous year 43)	1,635	1,991
	12,602	**15,654**
6. Depreciation		
a) on intangible assets and property, plant, and equipment	250	247
7. Other operating expenses of which expenses from currency translation 3 (previous year 31)	11,558	11,646
	36,127	**35,275**
Operating income	**–873**	**1,797**
8. Income from profit transfer agreements	2,541	1,844
9. Income from equity investments of which from affiliated companies 740 (previous year 2,748)	740	2,748
10. Loss from profit transfer agreements	0	0
11. Income from financial assets of which from affiliated companies 137 (previous year 8)	138	8
12. Other interest and similar profits of which from affiliated companies 201 (previous year 154)	242	284
13. Depreciation on financial assets	0	0
14. Interest and similar expenses of which discounting expenses 79 (previous year 72)	80	74
15. Profit from ordinary activities	**2,708**	**6,607**
16. Außerordentlicher Aufwand, davon Aufwendungen aus Anwendung der Art. 66 u. 67 Abs. 1–5 EGHGB 32 (Vorjahr 32)	32	32
17. Income tax of which deferred tax expenses 107 (previous year 377)	1,084	1,298
18. Net profit	**1,592**	**5,278**
19. Profit / loss carried forward	0	0
20. Withdrawal from capital reserve	0	0
21. Withdrawal from retained earnings	545	0
22. Allocation to retained earnings	0	0
23. Unappropriated profit	**2,138**	**5,278**

Responsibility Statement

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

Gütersloh, March 5, 2013

Reply Deutschland AG
The Executive Board

Company Calendar Reply Deutschland AG

Date	Occasion	Place
February 1, 2013	Preliminary results 2012	Gütersloh
February 1, 2013	Financial press conference	Gütersloh
February 14, 2013	Extraordinary annual meeting	Gütersloh
March 29, 2013	Publication of Annual Report 2012	Gütersloh
May 3, 2013	Report on Q1 2013	Gütersloh
July 18, 2013	Annual general meeting	Gütersloh
July 19, 2013	Payment of dividend	Gütersloh
July 30, 2013	Report on Q2 2013	Gütersloh
November 5, 2013	Report on Q3 2013	Gütersloh

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