



**Reply Deutschland AG**  
Financial Statements 2011



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# Management Report of Reply Deutschland AG for Financial Year 2011

## Business and underlying circumstances

### Welcome to Reply Deutschland

One reader or another will already have noticed from the layout: syskoplan AG is now called Reply Deutschland AG and will act in future in Europe under the consistent, strong and agile consulting and IT brand Reply.

Reply Deutschland AG governs all German Reply activities. The various companies under the new brand umbrella focus on:

- 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.
- **Syskoplan Reply** remains the strong brand for the entire SAP activities of the Group.
- **Twice Reply** assumed business activities in the 4th quarter 2011 in media and telecommunications.
- **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.

The change in the company status was also completed in the 3rd quarter at the stock exchange. As Reply Deutschland AG, the company founded in 1983, remains listed in the Prime Standard at the German stock exchange in Frankfurt.

As part of the rebranding, we have concentrated service offerings of similar types and located them in dedicated companies. The structure of the German companies was reorganized correspondingly.

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 new 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 3,000 IT experts. The approximately 180 employees of Reply Deutschland AG achieved sales of 30.1 million euro in the 2011 financial year.

### Corporate Governance Statement

Based on the Accounting Law Modernization Act (BilMoG) effective as of May 29, 2009, the recipients of the accounting according to § 289a HGB are to be informed of the corporate governance and the company management practices in a so-called "Corporate Governance Statement". In early December 2011, 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](http://www.reply.de), Investors, Corporate Governance, Statement on Corporate Governance.

### General Economic and Sector Trend

During the last year, economic activity in Germany returned to the level prior to the economic and financial crisis of spring 2008. The Gross Domestic Product increased by 3 percent in 2011 according to provisional figures, adjusted for price changes. The German economy thus continued to grow somewhat more than Europe overall. The excellent order situation in industry contributed greatly to this.

The high level of debts of some industrial countries however led to considerable uncertainty on the capital markets casting a shadow over economic expectations in the second half of 2011. Growth lost momentum.

Growth in Germany has long been borne by the domestic economy to a great extent. The weakening of growth in Europe only caused a moderate increase in exports. The relatively positive economic trend means the demand for qualified employees is unchecked on the employment market. Bearing in mind the expected decline in population able to work, recruitment will increasingly become a challenge critical to success.

The current situation on the German IT market is very good. There are numerous ongoing projects at present many of which are strategic, large-scale and complex. At the same time investment portfolios in the companies provide for further worthwhile investment opportunities; the project pipelines of IT service providers are well supplied.

The demand for consulting services and system integration is still developing positively; the substantial workload is making price stability and gradual price increases possible.

Demand for software continued to strengthen in the second half of 2011. In particular strategically relevant areas such as business intelligence, CRM, collaboration, mobile solutions and industry solutions meet with noticeable investment interest.

Managed Services is traditionally more resistant to economic fluctuations. This is based on the longer-term contracts and the opportunities for cost-cutting offered by outsourcing in times of economic downturn.

All in all, the mood in the IT sector remains positive. The industry association index BITKOM was at 60 points in the fourth quarter of 2011, only slightly below the 69 points at the end of 2010. 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 economic 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 2012 are summarized in the Table below:

Business expectations	CIO business priorities	
	2012	2011
Increasing enterprise growth	1	↔ 1
Attracting and retaining new customers	2	↔ 2
Reducing enterprise costs	3	↔ 3
Creating new products or services (innovation)	4	↔ 4
Improving operations	5	- 9
Improving enterprise efficiency	6	- 8
Improving profitability (margins)	7	- 21
Attracting and retaining new employees	8	- 12
Improving marketing and sales effectiveness	9	- 18
Expanding into new markets or geographies	10	- 11
Improving business continuity, risk and security	11	- 10
Implementing finance and management controls	12	- 25
Improving business processes	13	- 5

Source: Amplifying the Enterprise: The 2012 CIO Agenda, Gartner Research, January 2012

The year 2011 was characterized by economic, strategic and technological changes and developments. Companies are currently showing a notable tendency towards expanding their business, with aspects such as innovative ability, competitive advantage and customer growth heading the list of priorities.

One of the greatest challenges for companies' IT departments will be ensuring the balance between supporting the ambitious growth targets set due to the overall economic recovery and lifting further gains in efficiency to prepare for unexpected economic trends. Topics such as gaining and retaining new customers, reducing costs, innovation and improving business processes remain the top spots on the agenda for CIOs.

The strategic importance of IT for reaching business goals continues to increase. However, this does not always lead to an increase in the IT budget. For this reason, interest in such topics as cloud computing, lighter weight technologies, mobile solutions and virtualization is particularly high. These agile technologies should help CIOs save on costs and free up additional resources, which in turn help satisfy the increasing need for innovation and solutions that support the company's growth. Even though many companies have their own specific requirements for

the architecture, performance, and security of a cloud infrastructure, standardized cloud services (SaaS, PaaS and IaaS) have already established a central role within the market. It is therefore expected that cloud computing in particular will experience a boom in investments over the next few years – establishing new business models and services along the way. The current economic, strategic and technological changes taking place require market participants to begin preparations in this direction immediately.

**Corporate Management**

The company is managed on the basis of the key figures sales, EBITDA margin (net income for the year before income tax, interest and depreciation based on sales revenue) and EBT margin. The performance of individual business units is judged using the key figures sales (achievement of sales targets) and EBT margin. For the analysis of Reply Deutschland AG, it should be noted that the company performs holding functions in the German network, for which the Group companies (subsidiaries and affiliated companies) transfer up to 6% of their sales to Reply Deutschland AG. Fluctuations in the business activities of subsidiaries trigger corresponding reactions in Reply Deutschland AG's earnings position.

### Sales Trend

Reply Deutschland AG's sales in the 2011 financial year increased from EUR 27.8 million to EUR 30.1 million, a rise of 8%. In comparison to the overall German market for IT services, which has increased by 3.6% according to BITKOM, Reply Deutschland AG has grown at an above-average rate. The positive development in sales and the increase in earnings corresponded to our forecast. These developments are mainly due to further stabilization of the economic situation of the markets in which Reply Deutschland AG is active.

The total result (sales revenues and changes in inventories) increased somewhat more than sales by 12% to EUR 31.4 million. Sales productivity improved further in the 2011 financial year. In Reply Deutschland AG sales generated per FTE employee came to EUR 157 thousand, vis-à-vis EUR 140 thousand in the year before. This represents an increase of 12%. The development in hourly rates was stable.

### Personnel Trend

The number of employees (including Executive Board members) of Reply Deutschland AG as per December 31, 2011 decreased to 179 – measured in terms of headcount; 205 employees were employed the year before. Converted into average full-time equivalents (including Executive Board members), the number of employees declined by 4% from 198 to 191. Apart from normal fluctuation, this development was due to the shift of employees in Cluster Reply GmbH & Co. KG.

### Non-financial performance indicators

The management and employees of Reply Deutschland AG are confident that sustainable environmental actions, diversity and participation opportunities in the company and in society as well as excellent working conditions are the preconditions for successful economic activity. In our first Corporate Social Responsibility report 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 opportu-

nities 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.

The average age at Reply in 2010 was 40.1 years. Our employees stay in our company an average of 8.8 years. In 2010, 35 percent of our employees had been in the company for 10 years or more.

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 2011 financial year results improved on balance by 5%. 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) more than doubled compared to 2010.

## 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

A resolution was passed at the Annual General Meeting on September 20, 2000 to implement a condi-

tional capital increase of up to a nominal amount of Euro 300,000 by issuing up to 300,000 new individual bearer shares for the exercise of subscription rights under a share option plan. A total of 290,520 share options were issued within the scope of this authorization. A total of 4,892 subscription rights were exercised in the 2011 financial year, resulting in the issue from this conditional capital of 4,892 new individual bearer shares with a nominal value of Euro 1.00 each. 18,589 option rights expired in 2011. As of December 31, 2011 no more subscription rights could be exercised.

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 2011 financial year meaning that a total of Euro 2,367,029 in approved capital remained as of December 31, 2011 unchanged from the previous year.

#### **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, 2011, the shareholding of Reply S.p.A. amounted to 80.83% of the voting rights, corresponding to a total of 3,839,909 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, 2011, 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**

At the end of 2011, 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 2011.

Reply S.p.A., as of December 31, 2011, held 3,839,909 Reply Deutschland AG shares (previous year: 3,774,115). These shares were attributed to the Chairman of the Supervisory Board Dott. Mario Rizz-

ante according to § 22 WpHG. Dr. Niels Eskelson held 500 shares at the end of 2011. The remaining members of the Supervisory Board did not hold any shares. No options were issued to the members of the Supervisory Board.

## **Asset, Financial and Earnings Position**

### **Asset Position**

In the 2011 financial year, Reply Deutschland AG's balance sheet total rose to EUR 48.7 million over the previous year by 9% (from EUR 44.9 million in 2010). Fixed assets rose significantly by 43% from EUR 17.6 million to EUR 25.3 million due to several reasons. The positive business trend in the course of the measures under company law of Cluster Reply GmbH & Co KG caused a write-up to the original investment value in the amount of EUR 1.7 million. Furthermore, the shares in Cluster Reply GmbH & Co KG increased by EUR 0.8 million due to the inclusion of the individual assets of the Microsoft business of Reply Deutschland AG. Loans to affiliated companies increased by EUR 5.0 million due to a loan given to Reply S.p.A. with a term of 3 years.

The investments were subjected to an impairment test as per December 31, 2011. As described above, the value of Cluster Reply GmbH & Co. KG was written-up again. The remaining value analyses did not lead to any depreciation requirement.

Current assets plus accruals decreased compared to the previous year by 14% to EUR 23.4 million and were 48% of the balance sheet total at the end of 2011 (previous year: 61%). Trade accounts receivable increased by 54% to EUR 5.6 million. In comparison to the previous year, the turnover rate of trade accounts receivable decreased to 6.5; the value was 7.6 in 2010. Receivables due from affiliated companies remained virtually unchanged at EUR 9.8 million (previous year: EUR 9.6 million). The liquid assets of Reply Deutschland AG decreased to EUR 5.2 million from EUR 11.2 million in the previous year.

The share of equity (before dividend payments) in the balance sheet total remained unchanged at the end of the year under review 2011 at 78%. In absolute terms it increased by EUR 3.2 million to EUR 38.0 million at the end of 2011. This development is due to the improved business situation at Reply Deutschland AG and its subsidiaries which led to a net profit of EUR 5.3 million.

In comparison to the previous year, provisions increased slightly, primarily due to the increase in pension provisions by EUR 0.2 million to EUR 2.7 million. Liabilities remained in the 2011 financial year at the previous year's level with EUR 7.4 million.

#### Financial Position

In 2011, the cash flow from operating activities increased by 7% to EUR 1.5 million. The outflow of funds from investment activities increased considerably by EUR 5.0 million to EUR 5.3 million as a result of the payment of the loan to Reply S.p.A. The outflow of funds from financing activities increased due to the higher dividend in 2011 by EUR 1.5 million compared to the previous year at EUR 2.1. In total, liquid assets decreased by EUR 5.9 million to EUR 5.2 million. The relation to the balance sheet total is reduced compared to the previous year to 11% (previous year: 25%). Reply Deutschland AG still does not have any liabilities to banks; financing requirements are only met with funds from self-financing, i.e. from the cash flow.

#### Earnings Position

The positive trend in sales was reflected correspondingly in the earnings position. In 2011, operating income (earnings before taxes, interest income and income from expenditures in connection with affiliated companies) totaled EUR 1.8 million after EUR 2.5 million in the previous year. The operating income decreased by EUR 0.7 million despite increased overall performance (+ EUR 3.4 million). This was based on several factors. On the one hand, the expenditures on performances received increased by EUR 4.8 million as well as other expenditures by EUR 1.2 million. While on the other hand, personnel expenses decreased by EUR 0.9 million and the other

operating revenues increased by EUR 1.0 million which also led to an increase in results.

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

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

The personnel expenses were reduced due to the decrease in the number of employees. It should be noted that some employees – due to the centralization of the Microsoft business – moved to Cluster Reply GmbH & Co. KG as per August 1, 2011.

The operative units are primarily managed on the basis of EBITDA margin (net income for the year before income tax, interest, revenues from investments and depreciation based on sales revenue). The increasing significance of incomes from investments means that the EBT margin (income before tax related to sales revenue) is more informative for the evaluation of the performance of Reply Deutschland AG. This improved in 2011 from 16.5% to 22.0%.

Reply Deutschland AG's 2011 financial result increased by EUR 2.7 million to EUR 4.8 million. This is in particular due to investment revenue increased by EUR 1.3 million and the reduced expenditure of EUR 0.5 million for loss assumptions. The operating income from equity investments, i.e. the income from profit transfer agreements and equity investments less expenses for the transfer of losses increased from EUR 2.8 million to EUR 4.6 million.

The net income for the year improved by 54%, from EUR 3.4 million to EUR 5.3 million. 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 helps 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 monitors its business objec-

tives 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 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 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 2011 revealed several risks currently essential for Reply Deutschland AG. The risks relate to

- The debt crisis of some members of the European Union,
- The rebranding of German Reply companies,
- Strength in sales,
- Employee fluctuation (loss of experienced employees)
- Gaining new, qualified employees and – thus as a consequence thereof –
- Securing specialist expertise within the company.

All of these 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 2011, classified all current risks as ranging from “negligible” to “minor” (on a scale of negligible –

minor – major – extreme). All the risk classes showed an increase compared to 2010, especially due to the risks arising from the European debt crisis and the continuing tight situation in the labor market. The possible risks of further aggravation of the European debt crisis were classified as major.

All in all, as per December 31, 2011 there are no risks threatening the existence of Reply Deutschland bearing in mind the existing risk coverage possibilities and the risk management systems introduced. This statement also applies to accumulation of various existing corporate risks.

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

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

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

If the overall economic situation is negatively impacted in 2012 as a result of new economic issues arising from the debt crisis of financially-struggling Eurozone countries, this will have a trickle-down effect on the IT services industry. Reply Deutschland AG takes these risks into account by operating a demand-oriented staff deployment system.

#### **Report on Risks Associated with Financial Instruments**

In the area of financial planning, the usual methods of planning and control are used to guarantee liquidity at all times.

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.

Reply Deutschland transacts its cash investments with various banks, which are all part of a deposit insurance fund. 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. 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 does not foresee any risks.

Special attention continues to be paid to the monitoring of risks arising from investment book values. This is especially necessary as Reply Deutschland'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. Value adjustments were not required in 2011.

The continued existence of Reply Deutschland 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.

#### **Opportunities and outlook**

During the last year, economic activity in Germany picked up to return to the level prior to the economic and financial crisis of spring 2008. According to the 2012 annual economic report by the Federal Government, Gross Domestic Product increased by 3 percent in 2011 according to provisional figures, adjusted for price changes; after it had already increased by 3.7 percent the year before. The impact of the debts of a number of European countries however led to considerable uncertainty on the capital markets, therefore casting a shadow over German economic expectations in the second half of 2011. Growth lost momentum.

Growth forces will continue to shift towards domestic demand. The weakening of growth in Europe means that exports will only increase moderately this year. Private consumer expenditure is in contrast contributing noticeably to growth. And the basic conditions for investments are still favorable. Looking to the economic indicators, it can be assumed that the German economy will return to greater growth during the first half of 2012 after a noticeable slow-down of economic dynamism. Experts are expecting a growth rate of the Gross Domestic Product adjusted for price changes of 1 percent.

In view of the continuing economic uncertainty and the saving policies of public budgets, business strategies require a combined focus on growth and efficiency. The customers are the pivotal element of all these considerations. The current CIO Agenda shows that gaining new customers, securing existing customer relationships and developing new products and services have top priority. The use of agile technologies such as virtualization or cloud computing creates the scope required for this. The most important IT topics of 2012 are, according to BITKOM, cloud computing, mobile solutions, IT security and social media.

Reply Deutschland is cautiously optimistic for the financial year 2012 in view of the well-filled order books. The mood in the IT sector is currently good; many companies are again investing in larger-scale and strategic projects. In line with BITKOM, we expect growth in the demand for IT services to be at 3.5% as in 2011. With this in mind and assuming that no further economic burdens arise from the debt crisis of some financially weak Eurozone countries, Reply Deutschland AG estimates there will be a mid-range, single-figure increase in sales. We also expect, compared to 2011, a slightly improved EBITDA margin. This forecast trend will also lead to the earnings before tax increasing absolutely and relatively. The availability of liquid funds will also be appropriate in 2012 as in the past.

For 2013 Reply Deutschland sees the IT market remaining at the level of 2012 with regard to growth rates. Reply Deutschland anticipates for 2013 that its own business activities will develop in line with market growth rates. Earnings before tax should also continue to improve further.

The diversification of Reply Deutschland's business portfolio is also to be expanded through additional acquisitions and/or the founding of start-up companies. Here, the primary focus will remain on maintaining Reply Deutschland's strengths of profitability and liquidity.

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

## Remuneration Report

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

### Executive Board Remuneration

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

- a fixed remuneration,

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

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

#### Remuneration system

In the 2009 financial year, the Executive Board contract of Dr. Jochen Meier was extended until December 31, 2014. Dr. Meier intends stepping down from his position on the Executive Board as of March 15, 2012 to take up tasks at the European level in the Reply Group. The contract of Mr. Josef Mago was concluded with a duration until December 31, 2012. In December 2010, the Executive Board contract of Dott. Flavia Rebuffat was concluded effective from January 01, 2011 until December 31, 2012.

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

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

Reply S.p.A. This remuneration is to be refunded to Reply S.p.A. in the form of monthly partial amounts.

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

#### → Fixed remuneration

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

#### → Performance-based short-term bonuses

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

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

#### → Performance-dependent remuneration with long-term incentive effect

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

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

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

→ Post-contractual compensation

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

However, this is limited in the case of Dr. Meier to the fixed and variable total remuneration comprised in the two financial years preceding the notice of termination. 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 2011

For the 2011 financial year, the remuneration of the members of the Executive Board amounted to EUR 0.97 million; after EUR 1.27 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	350	0	35	385
Dott. Flavia Rebuffat	221	0	1	222
<b>Total</b>	<b>921</b>	<b>0</b>	<b>51</b>	<b>972</b>

For comparison, the figures for the 2010 financial year were as follows:

In Euro thsd.	Fixed sum	Bonus	Benefits in kind	Total
Josef Mago	350	40	14	404
Dott. Daniele Angelucci	350	60	12	422
Dr. Jochen Meier	350	60	35	445
<b>Total</b>	<b>1,050</b>	<b>160</b>	<b>61</b>	<b>1,271</b>

Pensions are paid to Executive Board members who have reached the statutory pension limit. Dr. Jochen Meier has a non-forfeitable pension entitlement to be adjusted every 3 years. Dott. Flavia Rebuffat and Mr. Josef Mago do not have pension entitlement.

ees 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.

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 employ-

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 2011

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
<b>Total</b>	<b>50</b>	<b>38</b>	<b>42</b>

For comparison, the figures for the 2010 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
Dott. Daniele Angelucci	0	0	0
Dr. Jochen Meier	50	36	39
<b>Total</b>	<b>50</b>	<b>36</b>	<b>39</b>

The cash value of the pension obligation (according to IFRS) for Dr. Meier was EUR 549 thousand as of December 31, 2011 (previous year: EUR 481 thousand).

The pension provision value (according to HGB) for Dr. Meier was EUR 380 thousand as of December 31, 2011 (previous year: EUR 343 thousand).

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

#### 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.

<b>In Euro thsd.</b>	<b>2011</b>	<b>2010</b>
Dott. Mario Rizzante, Chairman	20	20
Dr. Niels Eskelson, Deputy Chairman	15	15
Dott. Daniele Angelucci (from June 29, 2011)	5	0
Dr. Stefan Duhnkrack	10	10
Dott. Riccardo Lodigiani (until June 29, 2011)	5	10
Dr. Markus Miele	10	10
Dott. Tatiana Rizzante	10	10
<b>Total</b>	<b>75</b>	<b>75</b>

#### **Special Events after the Balance Sheet Date**

Dr. Meier intends stepping down from his position on the Board of as of March 15, 2012 to take up tasks at a European level within the Reply Group. The Board will then probably be reduced to two members.

Apart from this, no substantive events occurred after December 31, 2011 that affected the asset, financial, and earnings position.

Gütersloh, March 5, 2012  
 Reply Deutschland AG  
 The Executive Board

Reply

## Financial Statements of Reply Deutschland AG

### Income Statement for Period of January 1, to December 31, 2011 of Reply Deutschland AG (formerly syskoplan AG)

<b>All figures in Euro thsd.</b>	<b>2011</b>	<b>Previous year</b>
1. Revenue	30,100	27,812
2. Increase in work in progress	1,278	184
<b>Gross operational income</b>	<b>31,378</b>	<b>27,996</b>
3. Other operating income of which income from currency translation 34 (previous year 120)	5,694	4,681
<b>Gross income</b>	<b>37,072</b>	<b>32,677</b>
4. Costs of material		
Cost of bought-in services	7,728	2,881
5. Personnel expenses		
a) Wages and salaries	13,663	14,167
b) Social security expenses and costs of provisions for retirement and welfare of which for retirement 43 (previous year 131)	1,991	2,404
	<b>15,654</b>	<b>16,571</b>
6. Depreciation		
a) on intangible assets and property, plant, and equipment	247	255
7. Other operating expenses of which expenses from currency translation 31 (previous year 55)	11,646	10,473
	<b>35,275</b>	<b>30,180</b>
<b>Operating income</b>	<b>1,797</b>	<b>2,497</b>
8. Income from profit transfer agreements	1,844	3,074
9. Income from equity investments of which from affiliated companies 2.748 (previous year 223)	2,748	223
10. Loss from profit transfer agreements	0	508
11. Income from financial assets	8	1
12. Other interest and similar profits of which from affiliated companies 154 (previous year 159)	284	254
13. Depreciation on financial assets	0	893
14. Interest and similar expenses of which discounting expenses 72 (previous year 43)	74	62
<b>15. Profit from ordinary activities</b>	<b>6,607</b>	<b>4,586</b>
16. Extraordinary expenses of which expenses from appl. art. 66 + 67 sec. 1–5 EGHGB 32 (previous year 36)	32	36
17. Income tax of which deferred tax expenses 377 (previous year 240)	1,298	1,113
<b>18. Net profit</b>	<b>5,278</b>	<b>3,437</b>
19. Profit / loss carried forward	0	0
20. Withdrawal from capital reserve	0	0
21. Withdrawal from retained earnings	0	0
22. Allocation to retained earnings	0	0
<b>23. Unappropriated profit</b>	<b>5,278</b>	<b>3,437</b>

## Balance Sheet as at December 31, 2011 of Reply Deutschland AG (formerly syskoplan AG)

All figures in Euro thousand

Assets	12/31/2011	Previous year
<b>A. Fixed Assets</b>		
I. Intangible assets		
Software	30	32
II. Tangible assets		
Other plant, office furniture and equipment	442	429
III. Financial assets		
1. Shares in affiliated companies	19,754	17,147
2. Loans to affiliated companies	5,000	0
3. Other lendings	53	30
	<b>24,806</b>	<b>17,177</b>
	<b>25,279</b>	<b>17,638</b>
<b>B. Current Assets</b>		
I. Inventories		
1. Work in progress	1,526	1,227
2. Advance payments	207	56
	<b>1,733</b>	<b>1,283</b>
II. Accounts receivable and other assets		
1. Trade accounts receivables	5,631	3,654
2. Receivables from affiliated companies	9,765	9,648
3. Other assets	766	1,221
	<b>16,162</b>	<b>14,523</b>
III. Cash in hand, cash at bank	5,247	11,155
	23,142	26,962
<b>C. Deferred items</b>	<b>210</b>	<b>172</b>
<b>D. Deferred tax assets</b>	<b>40</b>	<b>62</b>
<b>E. Asset-side difference from asset allocation</b>	<b>11</b>	<b>22</b>
	<b>48,682</b>	<b>44,856</b>

**All figures in Euro thousand**

<b>Liabilities</b>	<b>12/31/2011</b>	<b>Previous year</b>
<b>A. Equity</b>		
I. Subscribed capital		
1. Share capital	4,751	4,746
(Contingent capital 0, previous year 23)		
2. Treasury stock	0	-2
	<b>4,751</b>	<b>4,744</b>
II. Capital reserve		
1. Premium from the issue of shares	21,483	21,451
2. Other capital reserves	329	329
	<b>21,812</b>	<b>21,780</b>
III. Surplus reserve		
1. Reserve for treasury stock	0	2
2. Other retained earnings	6,127	4,811
	<b>6,127</b>	<b>4,813</b>
IV. Unappropriated profit	5,278	3,437
	<b>37,968</b>	<b>34,774</b>
<b>B. Provisions</b>		
1. Provisions for pension obligations	515	381
2. Tax provisions	184	115
3. Other provisions	1,970	1,981
	<b>2,669</b>	<b>2,477</b>
<b>C. Liabilities</b>		
1. Prepayments received on ordering	3,648	3,940
2. Trade accounts payable	588	379
3. Payables to affiliated companies	1,860	1,388
4. Other liabilities	1,319	1,643
(of which from taxes 782, previous year 924)	<b>7,415</b>	<b>7,350</b>
<b>D. Deferred items</b>	<b>28</b>	<b>9</b>
<b>E. Deferred tax liabilities</b>	<b>602</b>	<b>246</b>
	<b>48,682</b>	<b>44,856</b>

### Statement of Fixed Assets Movements 2011

All figures in Euro thsd.	Acquisition or production cost			
	01.01.2011	Additions	Disposals	31.12.2011
<b>I. Intangible assets</b>				
Software	921	39	17	943
<b>II. Tangible assets</b>				
Other plant, office furniture and equipment	2,036	268	186	2,118
<b>III. Financial assets</b>				
1. Shares in affiliated companies	18,917	896	0	19,813
2. Loans to affiliated companies	0	5,000	0	5,000
3. Other lendings	30	30	7	53
	<b>18,947</b>	<b>5,926</b>	<b>7</b>	<b>24,866</b>
	<b>21,904</b>	<b>6,233</b>	<b>210</b>	<b>27,927</b>

All figures in Euro thsd.	Cumulative value adjustments				
	01.01.2011	Depreciation of current year	Appreciations of financial year	Disposals	31.12.2011
<b>I. Intangible assets</b>					
Software	889	31	0	7	913
<b>II. Tangible assets</b>					
Other plant, office furniture and equipment	1,607	216	0	147	1,676
<b>III. Financial assets</b>					
1. Shares in affiliated companies	1,769	0	1,710	0	59
2. Loans to affiliated companies	0	0	0	0	0
3. Other lendings	0	0	0	0	0
	<b>1,769</b>	<b>0</b>	<b>1,710</b>	<b>0</b>	<b>59</b>
	<b>4,265</b>	<b>247</b>	<b>1,710</b>	<b>154</b>	<b>2,648</b>

All figures in Euro thsd.	Book values	
	31.12.2011	Previous year
<b>I. Intangible assets</b>		
Software	30	32
<b>II. Tangible assets</b>		
Other plant, office furniture and equipment	442	429
<b>III. Financial assets</b>		
1. Shares in affiliated companies	19,754	17,147
2. Loans to affiliated companies	5,000	0
3. Other lendings	53	30
	<b>24,807</b>	<b>17,177</b>
	<b>25,279</b>	<b>17,638</b>

## Notes to Financial Year 2011 of Reply Deutschland AG (formerly syskoplan AG)

### 1 General Notes to the Annual Financial Statements

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

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

### 1 Statements to the Accounting and Valuation Methods

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

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

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

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

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

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

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

All other asset items are carried at their nominal values.

The calculation of pension provisions (necessary settlement amount) was performed according to the projected unit credit method in line with the statutory regulations (§ 253 Section 2 of the German Commercial Code (HGB)). In accordance with the simplification regulation of (§ 253 Section 2 Item 2 German Commercial Code (HGB)), a blanket residual term (medium duration) of the liability of 15 years was assumed. As per December 31, 2011, the actuarial interest rate was 5.14 %. The previous year, the interest rate was 5.15%. In addition, salary and pension trends with 1.5 % or 2.0 % respectively as well as the mortality table RT 2005 G of Dr. Klaus Heubeck were taken as a basis when determining the decisive settlement amount. By making use of the right to choose according to Section 67 paragraph 1 item 1 of the Introductory Law to the Commercial Code (EGHGB), the allocation amount resulting from the German Accounting Law Modernization Act due to the change of the accounting for provisions according to Articles 249 paragraph 1 item 1, 253 paragraph 1 item 2, paragraph 2 of the German Commercial Code is taken into account as per Jan. 1, 2010 in the financial year 2011 - as in the previous year - to 1/15 and correspondingly stated as "extraordinary expense". The difference amount arising from the BilMoG changeover not taken into account as expenditure in the financial years 2010 and 2011, as permitted, amounts to EUR 413 thousand (previous year: EUR 445 thousand).

Depending upon their period of service, the employees of Reply Deutschland AG receive service anniversary awards. The total liability in this respect was determined following actuarial principles by taking an interest rate of 5.14 % as a basis. The interest rate of the previous year was 5.15 %.

Claims for reinsurance coverage from life insurance policies for pension obligations represent plan assets subject to offsetting because they are exclusively used for the fulfillment of pension obligations and are protected from any access by all other creditors. In accordance with the amended statutory provisions ("BilMoG"; Section 246 paragraph 2 sentence 2 of the German Commercial Code), they were, with the respective fair value (EUR 936 thousand), set-off against the corresponding settlement amount (EUR 1,451 thousand). The liability surplus is reported as pension provision. Correspondingly, expenditures in the amount of EUR 90 thousand were offset with other income in the amount of EUR 18 thousand and reported as interest expenditures.

Bonus funds pledged to employees for securing their claims from partial retirement also represent plan assets subject to offsetting because they are exclusively used to the fulfillment of partial retirement obligation and are protected against any access by all other creditors. Such items, too, were set-off against the corresponding settlement amount on the basis of their fair value. In line with the amended statutory provisions, the assets surplus (EUR 11 thousand) is recorded as "excess of plan assets" over pension liabilities (Section 246 paragraph 2 of the German Commercial Code).

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

Liabilities are carried at their settlement value.

Advances paid to contracts of service were shown up to and including 2010 under the prepaid expenses and deferred charges. From 2011 they are shown under prepayments received (EUR 1,339 thousand). The previous year's amounts were adjusted correspondingly. The deferred income of the previous year was reduced by EUR 1,152 thousand; the items including advances were increased by the same amount.

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

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

## 2 Notes to the Balance Sheet

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

In the financial year, as part of the reorganization within the corporate group and the focusing of company units, the corporate group units acting in the Microsoft context were consolidated within a legal entity (Cluster Reply GmbH & Co. KG). Therefore a contract was concluded by Reply Deutschland AG with the acquiring Cluster Reply GmbH & Co. KG on July 20, 2011 in which the **inclusion of Microsoft IT consulting in Cluster Reply GmbH & Co. KG** was regulated with effect from August 1, 2011. The inclusion of the assets and liabilities arising from Microsoft IT consulting stated within the contract is effected by way of single succession based on § 24 Reorganization Tax Act (tax-neutral). This inclusion did not have any significant effect on comparability with the previous year's figures.

Derecognitions from the inclusion of the Microsoft IT consulting section of Reply Deutschland AG in Cluster GmbH & Co. KG were shown respectively in the derecognitions column; analogously, any accruals arising therefrom were shown in the accruals column.

Furthermore, for the above mentioned reasons, the Microsoft IT consulting section of Xuccess Reply GmbH was transferred by way of the demerger (§ 123 Section. 2 No. 1 Reorganization Act) as well as the companies discovery sysko GmbH and cluster sysko GmbH by way of the merger (§ 2 Section 1 Reorganization Act) to Cluster Reply GmbH & Co. KG with effect from January 1, 2011. Apart from that, macrosSolution GmbH was transferred to macros Reply GmbH by way of merger (§ 2 Section 1 Reorganization Act) with effect from January 1, 2011. The investment book values of the companies concerned shown within the **financial assets** of Reply Deutschland AG were adjusted correspondingly without impacting the sum of the investment book values.

### Share ownership

The names of some companies in which Reply Deutschland AG (formerly syskoplan AG) directly or indirectly participates were changed in 2011 as part of reorganization within the corporate group. Reply Deutschland AG held shares directly or indirectly in the following companies as per balance sheet date:

	Share in %	Currency	Equity	Net profit for the year
Tool Reply GmbH (formerly systool GmbH), Gütersloh	100	Euro thsd.	366	89
Xpress Reply GmbH & Co. KG (formerly cm4 GmbH & Co. KG), Gütersloh**	100	Euro thsd.	1,962***	1,499***
Xpress Reply Verwaltungs-GmbH (formerly cm4 Verwaltungs- GmbH), Gütersloh	100	Euro thsd.	45	4
4brands Reply GmbH & Co. KG (formerly is4 GmbH & Co. KG), Minden**	51	Euro thsd.	3,717***	717***
4brands Reply Verwaltungs-GmbH (formerly is4 Verwaltungs- GmbH), Minden	51	Euro thsd.	71	4
macros Reply GmbH (formerly macrosInnovation GmbH), Munich*	100	Euro thsd.	1,234***	904***
DOCS.ON GmbH, Stuttgart	25	Euro thsd.	19****	-9****
Cluster Reply GmbH & Co. KG (formerly InteractiV GmbH & Co. KG), München**	100	Euro thsd.	1,341***	1,324***
Cluster Reply Verwaltungs-GmbH (formerly InteracTiV Verwaltungs- GmbH), München	100	Euro thsd.	17	0
Xuccess Reply GmbH (formerly Xuccess Consulting GmbH), Munich*	100	Euro thsd.	1,041***	941***
Twice Reply GmbH (formerly bds sysko GmbH), Düsseldorf	100	Euro thsd.	-430	-63
Syskoplan Reply GmbH (formerly syskoplan Schweiz GmbH), Küsnacht, Switzerland	100	Euro thsd.	49	69***
Power Reply GmbH & Co. KG, Munich**	100	Euro thsd.	6	-4***
Power Reply Verwaltungs-GmbH, Munich	100	Euro thsd.	24	-1

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

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

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

\*\*\*\* Value for 2010. On November 14, 2009, the meeting of shareholders had resolved the liquidation as to December 31, 2009. The company has been continued in liquidation since 2010.

**Loans** to associated companies include a load to the main shareholder Reply S.p.A. in the amount of EUR 5,000 thousand (previous year: EUR 0 thousand).

**Receivables and other assets** are receivables vis-à-vis affiliated companies of EUR 1,655 (previous year: EUR 1,513 thousand) as well as other assets in the amount of EUR 41 thousand (previous year: EUR 82 thousand) with a residual term of more than one year.

**Receivables owed by affiliated companies** in the amount of EUR 9,765 thousand (previous year: EUR 9.648 thousand) concern trade receivables in the amount of EUR 1,193 thousand (previous year: EUR 1,399 thousand) and other receivables in the amount of EUR 8,572 thousand (previous year: EUR 8,249 thousand). The other receivables owed by affiliated companies include loan receivables of EUR 1,175 thousand (previous year: EUR 1,760 thousand). The remaining receivables concern in the main receivables from existing profit transfer agreements and investment income for the year 2011.

**Deferred tax assets** (trade tax) are stated at EUR 40 thousand (previous year: EUR 62 thousand). The tax rate taken as a basis is 14.0 %. The deferred tax assets (trade tax) result from differences between commercial law and tax law assessments when reporting pension liabilities (EUR 172 thousand), anniversary provisions (EUR 57 thousand), provisions for partial retirement (EUR 55 thousand) of a total of EUR 284 thousand (previous year: EUR 444 thousand). In this connection, temporary differences with the group entities were taken into account.

The **share capital** of Reply Deutschland AG as per Dec. 31, 2011 amounts to EUR 4,750,561 (previous year: EUR 4,745,669) and consists of 4,750,561 (previous year: 4,745,669) no-par-value bearer shares with a notional portion in the share capital of EUR 1 each.

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

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

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

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

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

On September 20, 2000, the general meeting of shareholders passed a resolution for a **contingent capital increase** by up to a nominal amount of EUR 300,000 by issuing up to 300,000 new no-par-value bearer shares for the redemption of subscription rights within the framework of a stock option plan. During the financial year

of 2011, 4,892 new no-par-value bearer shares with a notional value of EUR 1.00 each were issued out of said contingent capital by way of an exercise of 4,892 subscription rights. 18,589 subscription rights were forfeited in 2011. The number of issued but not yet exercised subscription rights as per Dec. 31, 2010 amounts to 0. Thus, the contingent capital as to Dec. 31, 2011 amounts to EUR 0 (previous year: EUR 23,481).

During the general meeting of shareholders held on May 28, 2010, the Executive Board was authorized to increase the share capital by up to EUR 2,367,029 (**authorized capital**) by May 27, 2015 with the consent of the Supervisory Board. As per Dec. 31, 2011, the authorized capital still amounts to EUR 2,367,029.

As to Jan. 1, 2011, the Company was in the ownership of more than 1,720 **treasury stock**. 400 of which have already been acquired by employees. The remaining 1,320 were sold on May 11, 2011 at a price of EUR 12,355.20 (9.3600/share). At the balance sheet date of December 31, 2011 the company is not in ownership of any treasury stock.

In the financial year 2011, an amount of EUR 32 thousand, as resulting from the issue of shares out of the contingent capital as surplus above the nominal amount, was allocated to the **capital reserve**. From the sale of treasury stock, an amount of EUR 15.84 was allocated to the capital reserve. In the amount of EUR 475 thousand, the capital reserve represents the statutory reserve in terms of Section 150 II of the German Companies Act (AktG) as 10% of the share capital.

On June 29, 2011, the general meeting of shareholders resolved to distribute a dividend of EUR 0.45 per no-par-value bearer share (a total of EUR 2,137.7 thousand) to the shareholders out of the balance sheet profit of EUR 3,437 thousand and to allocate an amount of EUR 1,299 thousand to the **other surplus reserves**. The reserves were increased by EUR 16 thousand from the sale of treasury stock.

Furthermore, the general meeting of shareholders on June 29, 2011 resolved to rename syskoplan AG as **Reply Deutschland AG**. The entry of the change in the company name in the Commercial register took place on July 29, 2011.

EUR 1,133 thousand (previous year: EUR 1,357 thousand) of the **other provisions** in the amount of EUR 1,970 thousand (previous year: EUR 1,981) are assigned to staff costs (in the main emoluments for executives of EUR 887 thousand and anniversaries of EUR 125 thousand) inclusive of incidental expenses.

All **liabilities** amounting to a total of EUR 7,415 thousand (previous year: EUR 7,350 thousand) have a term of up to one year. Liabilities secured by rights of lien or similar rights do not exist.

**Liabilities towards affiliated companies** consist of trade accounts payable in the amount of EUR 1,528 thousand (previous year: EUR 328 thousand) and other liabilities in the amount of EUR 332 thousand (previous year: EUR 1,060 thousand).

In connection with the **deferred tax liabilities** (corporate tax) in the amount of EUR 602 thousand, a tax rate of 15.825% was taken as a basis. The deferred tax liabilities of EUR 646 thousand (corporate tax) result from differences between commercial law assessments and tax law assessments and the entailed consequences with

respect to the subsidiaries maintained as partnerships in the amount of EUR 4,079 thousand. These effects were offset against the deferred tax assets arising from corporate tax of EUR 44 thousand.

### 3 Notes to the Profit and Loss Account

EUR 30,100 thousand of **sales figures** were achieved; EUR 27,164 thousand in the domestic country and EUR 2,936 thousand in foreign countries. Furthermore, sales figures are allocated to their respective fields of activities as follows:

	<b>Euro thsd.</b>
<b>Consulting</b>	<b>1,114</b>
System integration	26,708
Managed services	861
Other	1,417

The inclusion of the Microsoft IT consulting in Cluster GmbH & Co. KG means that the change in inventory in the 2011 financial year does not correspond to the change in part-finished performances as shown in the balance sheet. The difference corresponds to the proportion of part-finished performances transferred to Cluster GmbH & Co. KG from Microsoft IT consulting.

The **other operating income** includes income from the dissolution of provisions in the amount of EUR 50 thousand (relating to other periods) as well as write-up of the contribution in Cluster Reply GmbH & Co. KG amounting to EUR 1,710 thousand.

As in the previous year, the **other operating expenses** do not include any significant expenses relating to other periods.

The **extraordinary expenses** incurred due to the application of Section 66 and Section 67 paragraph 1 to 5 of the Introductory Law to the Commercial Code (EGHGB) (transitional provisions with respect to the BilMoG) in financial year 2011 amount to EUR 32 thousand.

**Taxes from income and profit** in the amount of EUR 1,298 thousand include income related to other periods of EUR 94 thousand. Taxes from income and profit are attributed solely to the result of the ordinary business activities. Furthermore, the item taxes from income and profit includes deferred tax expenses of EUR 377 thousand (corporate tax EUR 355 thousand and trade tax EUR 22 thousand).

### 5 Other Notes

#### Staff

In 2011, the average number of staff members excluding board members amounted to 191 employed persons. Said number is allocated to the fields of activity as follows:

	<b>Number</b>
System integration	149
Managed services	6
Other/administration	36

### Other Financial Liabilities

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

<b>Remaining term</b>	<b>Euro thsd.</b>
Within one year	1,445
Within 2 to 5 years	1,530

These include the following other financial liabilities towards affiliated companies:

<b>Remaining term</b>	<b>Euro thsd.</b>
Within one year	405
Within 2 to 5 years	51

### Contingent Liabilities

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

Reply Deutschland AG has issued letters of comfort to the favor of affiliated companies by means of which the Company undertakes to make available upon first request the financial means for the fulfillment of their obligations up to a maximum amount of a total of EUR 1,500 thousand. Said obligations are, in terms of time, limited up to June 30, 2012. Up to date, no claims were asserted against Reply Deutschland AG. The Company proceeds on the assumption that no claims will be asserted within the limited time period.

### Financial Derivatives

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

### Off-Balance Sheet Transactions

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

### Restrictions of Distributions

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

<b>from capitalization</b>	<b>Euro thsd.</b>
Original intangible assets	0
deferred taxes	0
from assets at fair value	1.3

### Members of the Board of Directors

In 2011, the following persons were members of the Executive Board of the Company:

- Josef Mago (Chairman), Corporate Development, Capital Market, M&A and HR for Partners
- Dr. Jochen Meier, Finances and Staff
- Dott. Flavia Rebuffat, Operations.

In the financial year 2011, the members of the Executive Board were represented in the following supervisory boards and other comparable domestic and foreign supervising bodies:

- Josef Mago No further mandates.
- Dr. Jochen Meier Advisory Board 4brands GmbH & Co. KG, Minden (Chairman)
- Dott. Flavia Rebuffat No further mandates.

### Members of the Supervisory Board

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

- Dott. Mario Rizzante President of Reply S.p.A., Turin, Italy, Chairman
- Dr. Niels Eskelson Management Consultant, Paderborn, Vice-Chairman
- Dr. Stefan Duhnkrack Partner of Heuking Kühn Lüer Wojtek, Hamburg
- Dott. Riccardo Lodigiani Senior Partner of Reply S.p.A., Turin, Italy (until June 29, 2011)
- Dott. Daniele Angelucci CFO Reply S.p.A., Turin, Italy (from June 29, 2011)
- Dr. Markus Miele Managing shareholder of Miele & Cie. KG, Gütersloh
- Dott. Tatiana Rizzante Senior Partner of Reply S.p.A., Turin, Italy.

### Mandates of the Members of the Supervisory Board

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

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

### Remuneration of Executive Board and Supervisory Board

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

In the financial year 2011, the remunerations for board members were as follows:

<b>All figures in Euro thsd.</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
Regular salaries	972	1,271

As to Dec. 31, 2011, no stock options and other share-based remunerations, advances or loans were granted to board members.

The members of the supervisory board received the following remunerations:

<b>All figures in Euro thsd.</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
Regular salaries	75	75

As per December 31, 2011, no subscription rights and other share-based remunerations, advances or loans were granted to members of the Supervisory Board.

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

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

As to December 31, 2011, pension provisions for former members of the Executive Board amount to EUR 1,189 thousand (previous year: EUR 1,114 thousand). Apart from that, an amount of EUR 270 thousand (previous year: EUR 290 thousand) resulting from the adjustments due to the BilMoG has not been created as permitted as to December 31, 2011.

#### Business with related parties

The total sales figures include sales of EUR 777 thousand resulting from projects of Reply Deutschland AG with end customers that were achieved solely by an affiliated company and therefore are shown in the same amount (i.e. without margin) as expenditure for performances received. A management fee in the amount of 6% is charged for this and shown under other operating revenue.

#### Declaration of Conformity

In December of 2011, the Executive Board and the Supervisory Board issued the declaration of conformity according to Section 161 of the German Companies Act (AktG) of the "Regierungskommission Deutscher Corporate Governance Kodex" in its version of May 26, 2010 and made it permanently available for the shareholders on the Company's website (www.reply.de).

#### Consolidated Financial Statements

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

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

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

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

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

Gütersloh, March 5, 2012

Reply Deutschland AG

The Executive Board

## Audit Opinion

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

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Reply Deutschland AG (formerly syskoplan AG), Gütersloh, for the fiscal year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation and bylaws are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Dortmund, 6 March 2012  
Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Broschk                      Bogena  
Wirtschaftsprüfer      Wirtschaftsprüfer  
[German Public Auditor] [German Public Auditor]

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

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

Gütersloh, March 5, 2012

Reply Deutschland AG

The Executive Board



[www.reply.de](http://www.reply.de)

