

[Convenience Translation]

COMMON MANAGEMENT REPORT OF THE MANAGEMENT BODIES

on the
Common Cross-Border Merger Proposal

of
Reply Deutschland AG
Merged Company
into
Reply S.p.A.
Merging Company

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DEFINITIONS

Bank: Deutsche Bank AG, Frankfurt /Main, Deutschland

Common Management Report: this common report of the Common Merger Proposal provided for by the management bodies of the Merging Company and the Merged Company pursuant to Section 2501- *quinquies* of the Italian Civil Code, Section 122c of the UmwG, Section 7 of the Directive 2005/56/EC, Section 8 of the Legislative Decree 108/2008 and Section 70 of the Consob Regulation as well as Section 122e UmwG

Common Merger Proposal: the common cross-border merger proposal

Consob Regulation: Regulation implementing the Italian Legislative Decree No. 58 of 24th of February 1998 concerning the discipline of issuers (issued by Consob under resolution No. 11971 of 14th of May 1999 and subsequently amended)

Directive 2005/56/EC: Directive 2005/56/EC of the European Parliament and of the Council of the 26th of October 2005

Exchange Ratio: *ratio* applicable to the exchange of Reply shares and Reply Deutschland shares

Exchanged Shares: a maximum amount of No. 235,216 Reply's treasury (ordinary) shares, with par value of Euro 0.52 (zero/52) for each share, to be allotted in exchange to shareholders of Reply Deutschland AG (other than Reply) based on the Exchange Ratio

Legal Merger Effective Date: date of the entry of the Merger Deed at the Companies Register of Turin, i.e. the date from which the Merger will be legally implemented

Merged Company: Reply Deutschland AG

Legislative Decree 108/2008: Italian Legislative Decree No. 108 of the 30th of May 2008

Merger: cross-border merger of Reply Deutschland AG into Reply S.p.A.

Merger Accounting and Tax Effective Date: the 1st of April 2013, date as of the Merger will be effective for tax and accounting purposes and effective date of the Merger (*Verschmelzungstichtag*) in accordance with Section 122c § (2) no. 6 of the UmwG

Merger Deed: the notarial deed from the entry of which the Merger will be legally implemented

Merging Company: Reply S.p.A.

Reply: Reply S.p.A., a company incorporated under Italian law

Reply Group: group of companies in which Reply S.p.A. holds a majority participation

Reply Deutschland: Reply Deutschland AG, a company incorporated under German law

Reply Deutschland Group: Reply Deutschland AG and its affiliates within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz-AktG*)

UmwG: the German Merger and Transformation Act (*Umwandlungsgesetz*)

INTRODUCTION

Dear Shareholders,

you have been called to resolve on the Common Merger Proposal related to the cross-border merger by absorption of Reply Deutschland in Reply. The Common Merger Proposal drafted on the 22th of May 2013 was examined by the management bodies of both Reply and Reply Deutschland during the board committees resolving on the Merger on 24th of May 2013. The supervisory board of Reply Deutschland also approved the Common Merger Proposal by resolution on the 24th of May 2013. The execution of the Common Merger Proposal is subject to the approval of the shareholders' meetings of Reply Deutschland on the 18th / 19 July 2013 and of Reply on the 22nd of July 2013. From the German perspective, the notarization of the Common Merger Proposal will take place immediately following the approval of the same by the shareholders' meetings of each involved company. From the Italian perspective, the Merger Deed will be executed in notarial form upon the expiration of the term grant to Reply's creditors for their opposition right pursuant to section 2503 of the Italian Civil Code.

The management bodies of Reply Deutschland and of Reply envisaged to merge both companies by way of a cross-border merger. Upon merger Reply Deutschland transfers - by way of universal succession - the entirety of its manifest and not manifest rights, obligations, assets and liabilities to Reply. Reply Deutschland will dilute upon effectiveness of the Merger. As consideration, the shareholders of Reply Deutschland will receive Reply treasury shares. The shareholders of Reply Deutschland, who give notice of contradiction to protocol in the shareholders' meeting resolving on the Common Merger Proposal, also have the opportunity to accept the offer of Reply Deutschland to acquire their shares against cash consideration upon registration of the Merger Deed in the Companies' Register of Turin.

In order to provide you with a complete knowledge of the transaction – in accordance with Section 2501-*quinquies* of the Italian Civil Code, Section 8 of the Italian Legislative Decree No. 108 of the 30th of May 2008 of the implementation in Italy of the Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 and Consob Regulation No. 11971 implementing the Italian Legislative Decree No. 58 of the 24th of February 1998 concerning issuers, as well as Sections. 122a et seq of the UmwG as well as the national applicable regulatory provisions – together with this Common Management Report is submitted to your attention the Common Merger Proposal, herein attached as *Annex A*, provided all the information required by law.

Furthermore, together with this Common Management Report, the financial statements as at the 31st of March 2013 of the companies involved in the Merger, attached herein as *Annex B* and *Annex C* are submitted to your attention.

This Common Management Report provides in details (i) information and details of the Merger and of the companies involved in the transaction, (ii) the strategic reasons of the transaction, (iii) the legal and economic aspects of the Merger: namely, the Merger procedure, the determination of the Exchange Ratio and the complex of its evaluation as well as the accounting and fiscal effects of the Merger and (iv) the consequences of the transaction on shareholders, creditors and employees.

On 17 April 2013 the district court (*Landgericht*) of Dortmund appointed BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt, as merger auditor according to Section 122f, 10 § 1, UmwG, on the basis of the application of the management board of Reply Deutschland. BDO AG Wirtschaftsprüfungsgesellschaft, has confirmed the adequacy of the exchange Exchange Ratio as well as of the cash compensation.

On 17th of May 2013 the Court of Turin appointed BDO S.p.A as merger expert according to section 2501 *sexies* of the Italian Civil Code and section 9 of the Legislative Decree 108/2008, on the basis of the application of the management board of Reply. BDO S.p.A has confirmed the adequacy of the Exchange Ratio.

Turin, Gütersloh, 5th June 2013

Reply
The Board of Directors
The Chairman

Reply Deutschland AG
The Executive Board

1
TRANSACTION STRUCTURE AND PURPOSES - COMPANIES MANAGEMENT OBJECTIVES AND STRATEGY AND PLANS FOR THEIR IMPLEMENTATION

1.1
Structure of the Merger

As anticipated, the management bodies of Reply and Reply Deutschland have drawn up the Common Merger Proposal – attached herein as *Annex A* - pursuant to Section 2501-ter of the Italian Civil Code ,the Directive 2005/56/EC of the European Parliament and of the Council, as implemented by the Legislative Decree 108/2008 and Section 122c of the UmwG.

The proposed transaction concerns the merger by absorption of Reply Deutschland, a company governed by Germany Law, into Reply, a company governed by Italian law. At the time of the drawing up of the Common Merger Proposal and of this Common Management Report, approximately the 81% of the share capital of Reply Deutschland are held by Reply.

As a result of the Merger, Reply will acquire the entirety of the manifest and not manifest rights, obligations, assets and liabilities of Reply Deutschland by way of universal succession. Reply Deutschland will cease to exist without implementing a formal liquidation procedure under German law.

As described in details in § 1.4 below, the envisaged Merger is functional to the reinforcement of the Reply Group business and will allow to achieve economical benefits through the combination of operative structures currently separated. The integration of the activities currently carried out by Reply and Reply Deutschland will allow to create efficiencies in decision-taking process and of corporate governance, enhancing the position of the Reply Group in a market of global and multinational extent.

1.2
Description of the companies involved in the merger: Reply

Reply is the parent company of Reply Group, a group of entities, better detailed below, focusing on IT consultancy, systems integration, application management and business process outsourcing services and products, specialized in the creation and implementation of IT solutions based on new communication technologies and digital media.

Reply Group organizational model is based on a network structure composed of subsidiary companies, each focusing on specific lines of offer. This model combines the capacities of a large entity with the flexibility, specialization and dynamic character typical for small structures.

As of the date of completion of this Common Management Report, Reply Group is composed of the following directly held subsidiaries:

Subsidiary	%
@logistics Reply S.r.l.	100%
Arlanis Reply S.r.l. (former 4cust Reply S.r.l.)	100%
Arlanis Reply GmbH	100%
Aktive Reply S.r.l.	100%
Atlas Reply S.r.l.	100%
Arlanis Reply AG	100%
avantage Reply Ltd.	51%
Avvio Reply Ltd.	100%
Bitmama S.r.l.	51%
Blue Reply S.r.l.	100%
Bridge Reply S.r.l.	60%
Business Reply S.r.l.	100%

Cluster Reply S.r.l.	100%
Concept Reply GmbH	100%
Consorzio Reply Public Sector	100%
Discovery Reply S.r.l.	100%
e*finance consulting Reply S.r.l.	100%
Ekip Reply S.r.l.	100%
EOS Reply S.r.l.	100%
Forge Reply S.r.l.	100%
Hermes Reply Polska zo.o.	100%
Hermes Reply S.r.l.	100%
IrisCube Reply S.p.A.	100%
Iriscube Reply SA	100%
Lem Reply S.r.l.	100%
Live Reply GmbH	100%
Open Reply S.r.l.	92,50%
Portaltech Reply Ltd.	100%
Portaltech Reply S.r.l.	85%
Power Reply S.r.l.	100%
Reply Consulting S.r.l.	100%
Reply Deutschland AG *	81,18%
Reply do Brasil Sistemas de Informatica Ltda Belo Horizonte	100%
Reply Ltd.	100%
Reply Inc USA	100%
Reply Services S.r.l.	100%
Ringmaster S.r.l.	50%
Riverland Reply GmbH	100%
Santer Reply S.p.A.	100%
Security Reply S.r.l.	100%
Square Reply S.r.l.	100%
Storm Reply S.r.l.	80%
syskoplan Reply S.r.l.	100%
Sytel Reply Roma S.r.l.	100%
Sytel Reply S.r.l.	100%
Target Reply S.r.l.	100%
Technology Reply S.r.l.	100%
Tender Reply S.r.l.	100%
Twice Reply S.r.l.	98%
Whitehall Reply S.r.l.	100%
Juice Reply S.r.l.	100%
Pay Reply S.r.l.	100%

* and related controlled companies

1.2.1 Reply and Reply Group History

Reply was founded in Turin in the second half of the nineties by some managers experienced in the IT industry led by Mario Rizzante. Reply is today the holding of Reply Group, an international group acting in Europe, Brazil and United States.

From December 2000 Reply is listed in the Star segment (Regulated Market) of the Italian Stock Exchange.

The following notes illustrate the main steps of Reply's history and development.

- 2000 In December Reply is listed on the New Market of the Italian Stock Exchange.
- 2001 Reply acquires XYZ S.r.l., a communications agency operating in the advertising and marketing advisory sector. The acquisition is part of a plan for consolidation of the web marketing sector, and to offer multimedia content, reinforcing E-Business communications (multimedia communications and web-marketing services).

Reply acquires E-Finance Consulting S.p.A., a leader in strategic consultancy and a specialist in the finance sector for the creation of services on internet channels, contact center, wireless and broadband. E-Finance Consulting S.p.A. collaborates with the primary international strategic consulting networks, and develops projects and solutions for some of the most important Italian

	<p>financial institutions. The acquisition allows Reply Group to extend its offer to the banking and insurance sector.</p>
2002	<p>Reply acquires Sysproject S.r.l., an IT services company specialized in the planning and management of architectures, systems and services for the Internet. Sysproject S.r.l. mainly operates in the services sector linked to the design and management of software infrastructures with strong specialization in Microsoft architectures.</p> <p>Reply acquires a participation in Santer S.p.A., a technological partner of the Lombardy Region operating in the local public administration market and specialized in solutions for territorial health services and local authorities. The acquisition represents Reply Group's entry into the health services and local government sector, and marks the entry into the E-Government solutions market.</p>
2003	<p>Reply acquires IrisCube S.p.A., an information technology company working since 1991 in designing and creating both proprietary and third party software solutions in the systems integration and consultancy services fields. By this acquisition, Reply Group consolidates its (leading) position in the e-finance and mobile communication markets, integrating its own offer through architecture and technological applications, application platforms for the multi-channel distribution of banking, financial, and insurance products and services, and the development of integrated solutions for corporate and mobile banking.</p>
2004	<p>Reply establishes Reply Consulting S.r.l., a company specializing in IT process consultancy for manufacturing and logistics industry.</p> <p>Reply establishes Cape Reply S.r.l., a company specialized in SAP technologies, focused to the assistance of companies in the changeover process, planning, creating and managing innovative solutions and services on SAP Netweaver.</p>
2005	<p>Reply acquires ACS Multimedia, the division of Advanced Computer Systems of ACS S.p.A., specialized in digitalization, cataloguing and management of audio archives. The transaction is included in Reply Group's development strategy in the digital asset management sector, which it started since 2004 by implementation of its own Discovery Reply platform, and which involves both terrestrial digital and wide band for home entertainment applications.</p> <p>Reply establishes Power Reply S.r.l., to offer technological and application solutions to public and private companies operating in the utilities sector.</p> <p>Reply buys from Fiat Group a division dedicated to the management of "third party customers" of Fiat Gesco S.p.A., a company specialized in process management solutions. By this acquisition, Reply Group adds a new component to its offer to companies, which includes consultancy, systems integration, application management and, as of today, also process management.</p>
2006	<p>Reply acquires a majority participation in syskoplan (currently Reply Deutschland).</p>
2008	<p>Reply executes the acquisition of Communication Valley S.p.A. from UniCredit group, leading Italian banking group. By acquisition of Communication Valley. Reply group extends its offering in terms of services targeted to business security & data protection.</p> <p>Reply acquires Glue Ltd., a company specialized in enterprise architecture, solution design and service oriented architecture (SOA) consulting services on the UK market. Glue Ltd. - leader in its field in UK - works for leading organizations within telecommunication & media, manufacturing, insurance and retail customers. The acquisition enables Reply Group to extend its own global offerings also to the UK market.</p>
2009	<p>Reply acquires Motorola's Turin research center. By this acquisition the Reply Group creates a machine-to-machine (M2M) research and development center in Turin based on existing skills and facilities of one of the major worldwide players. The aim of the new research center is to create a platform of services, devices and middleware (i.e. infrastructural layer) to support specific vertical applications such as infomobility (i.e. solutions to support mobility and movement of people and goods), advanced logistics, environmental safety, contactless payment and product traceability. The new research center allows Reply Group to round out its offering through the ability to design integrated hardware and software solutions, enabling the Reply Group to strengthen its position in</p>

the markets where it operates (telco-media-utilities, banking and insurance, industry and services, health and public administration).

2010 Reply and Armando Testa S.p.A. merge their competences in digital communication, into a new entrepreneurial entity named "Bitmama". Bitmama S.r.l. is created in order to satisfy the requirements of digital communication via internet and all other digital distribution channels. Bitmama S.r.l. mainly focuses on services on digital communication and advertising in order to promote the same marketing concepts and designs through all (digital) channels.

Reply acquired 75.016% of the share capital of Riverland Solutions GmbH (currently Riverland Reply GmbH), a German company specializing in consulting and systems integration on Oracle Applications (Oracle CRM, Master Data Management, Fusion Middleware, Business Intelligence and Fusion Applications). Riverland Solutions GmbH considers some of the leading German companies in the Transportation, Life Science, Retail and Automotive industries amongst its clients. The acquisition of Riverland Solutions GmbH fits into Reply's development strategy of creating a European network of highly specialized boutique companies.

2011 Reply acquired the 100% share capital of Lem Consulting S.r.l., an Italian company specialized in the logistic and mobility sector for the realization and improvement of innovative projects.

Reply consolidates its presence in Europe with the acquisition of avantage (UK) Limited ("avantage"), a United Kingdom registered company specializing in the Financial Services market within the areas of risk, treasury and capital management, and financial performance management.

2012 Reply creates Storm Reply, a company specializing in creating innovative services based on Cloud Computing. In particular, this new company assists businesses in the process of converting applications and infrastructure to Cloud Computing models, with consulting and solutions integration services in the areas of Software as a Service (SaaS), Platform as a Service (PaaS) and virtualization of infrastructure environments (IaaS).

Reply enters the world of mobile gaming with Forge Reply, a company specialising in the development of games for mobile devices, smart phones and tablets for the consumer and business markets. The creation of Forge Reply is part of the Reply Group's Digital Media and Mobile development strategy

Reply strengthens its presence in Europe through the acquisition of 80% Portaltech shares, a UK company specialising in consulting and implementation of multichannel e-commerce strategies and solutions. Portaltech's chosen technology platform is Hybris, a global leader in e-commerce and multichannel software.

Reply extends its cloud practice by acquiring 100% of the shares of Arlanis Software AG, a German consultancy and data integration specialist and a European leader in implementing Salesforce.com solutions. With more than eight years' experience, Arlanis Software AG covers the whole range of social business applications and CRM consulting, including data migration and integration. With this acquisition Reply is strengthening its cloud and social enterprise offering still further and can also now boast one of the main practices in continental Europe on Salesforce.com, evidenced by more than 90 successful projects and applications.

Reply launches Pay Reply, a company offering consultancy services and technology platforms for remote and proximity payments. Pay Reply is the next step in Reply's ongoing focus on mobile payments. The implementation of its technology has been realized through HI Credits, launched in 2011 and now supporting some of the most innovative projects in the market.

Reply acquires Avvio Design Associates Ltd., an English consultancy specialized in the implementation of strategies for Brand Engagement and internal communications, based primarily on corporate social networking. This acquisition further underlines Reply Group's commitment to expanding its share of the British market. Reply Group already has a presence in the UK through a network of highly specialist companies.

1.2.2 Identification Elements

Reply, a company incorporated by shares and with registered offices in Corso Francia 110, 10143 – Turin, is registered in the Companies Register of Turin, No. 97579210010 and fiscal code No. 97579210010.

As a result of the Merger, Reply will remain governed by Italian law and will maintain its current corporate form, name and registered office.

1.2.3 Share Capital / Shares / Shareholders / Stock Exchange Listing

At the date of approval of this Common Management Report, the share capital subscribed and paid up of

Reply is equal to Euro 4,803,685.64, divided into No. 9,237,857 ordinary shares with a par value of Euro 0.52 each.

Reply is listed in the Star segment (Regulated Market) of the Italian Stock Exchange with trading code Rey.MI and ISIN IT0001499679.

The major shareholders of Reply with more than 2% of share capital, as publicly published as of the date hereof, are those mentioned in the table below:

Beneficiary	Direct Shareholder	% on share capital	% on voting rights
Rizzante Mario	Alika S.r.l.	53.4345%	53.4345%
	Rizzante Mario	0.1093%	0.1093%
Bny Mellon Service Kapitalanlage	Bny Mellon Service Kapitalanlage	5.2413%	5.2413%
Highclere International Investors Llp	Highclere International Investors Llp	3.5598%	3.5598%
Reply	Reply S.p.A.	2.5527%	2.5527%
Lodigiani Riccardo	Lodigiani Riccardo	2.1006%	2.1006%

The majority shareholder Alika S.r.l., with registered office in Turin, Corso Francia 110, is registered with the Companies Register of Turin under No. 07011510018, holds 4,936,204 Reply shares, representing the 53.5214% of its share capital. The share capital of Alika S.r.l. amounts to Euro 90,600.00. Mr. Mario Rizzante's family is the major shareholder of Alika S.r.l. and holds 51% of its share capital.

1.2.4 Business Purposes

Reply has the following business purposes:

- “ - the production of application and technical software, integration of computer systems both hardware and software, the design, purchase, sale, import, export, representation of electrical, electromechanical, and electronic components, packaged software systems and applications, providing consultancy and organizational performance, the provision of outsourcing services, with the exception of activities reserved for members of professional associations;*
 - the representation, in Italy and abroad, of Italian and foreign companies operating in one of the sectors of activities provided in this article;*
 - the assumption, as non-prevailing activity and not in the public sector, of interests and shares in companies or firms in general which carry out a business within the corporate's nature of business scope or otherwise related to it, complementary or similar, within the limits provide by the related legislation*
- The Company may also perform all acts deemed necessary or useful for the achievement of the corporate purpose: therefore, in brief, it may engage in securities transactions, real estate, industrial, commercial and financial, with relevance, direct or indirect, with the corporate purpose, including the release of collateral and guarantees, as well as the request for funding, all within the limits of applicable laws. Financial transactions, including the acquisition of equity should not be, however, carried out to the public. ”*

1.2.5 Company's business

Reply is today the holding of an international group acting in Europa, Brazil and United States.

With over 3700 employees, Reply Group operates through a network composed by companies specialised in Processes, Applications and Technologies, which are centres of excellence in their respective fields of expertise. Reply assists the leading European industrial groups in the design and development of business models enabled by new technological and communication means, such as: Social Networking, Cloud Computing, Big Data, Internet of Things, to optimize and integrate business processes, applications and devices.

Technological innovation is the main asset of Reply which always aims to provide its customers with the appropriate tools to increase flexibility and efficiency. Reply is actually engaged in a continuous process of research, selection and promotion on the market of innovative solutions in order to support the creation of value within organisations.

Reply supports its customers in this path of innovation with platforms and services designed to take full advantage of the new possibilities offered by the digital net and by communication technologies

Since its incorporation Reply has achieved important economic and financial results, characterised by a constant and significant growth.

1.2.6 Business Lines and Structure of Reply Group

Reply Group services comprise the introduction of innovation along the whole economic digital supply chain, based on Reply Group knowledge of specific solutions and a sustained experience addressing the main core issues of the various industrial sectors.

The business enterprise of Reply Group comprises three main areas of businesses:

- **Processes** – Reply Group provides IT business consulting aimed at helping organizations to improve their performance, primarily through the analysis of existing business problems and development of plans for improvement. In this area of business Reply Group mainly addresses manufacturing, telecommunication, financial services, commerce and energy and utilities markets.
- **Applications** – Reply Group designs and implements IT application solutions. This area provides IT solutions for specific markets or specific applications. Products offered include customer relationship management (**CRM** – methodological and technological solutions to automate business processes that involve direct contact with the customer), supply chain management (**SCM** – systematic and strategic coordination of traditional business functions directly involved in upstream and downstream flows of products or services from the raw material until the last customer), digital asset management (**DAM**), manufacturing execution systems (**MES**), big data and analytics (**BI** – collection and analysis of strategic information), mobile payments (the evolution of mobile devices towards payment devices), ecommerce (services for multichannel retail) as well as digital communication solutions (design, implementation and marketing of information through the new digital channels).
- **Technologies** – Reply Group optimizes existing IT technologies and platforms to implement solutions ensuring customers maximum operational efficiency and flexibility. This area is characterized by a strong competence in the adoption of the major software vendor's technologies, including the world wide leaders Microsoft, Oracle and SAP as well as expertise in leading areas, including cloud computing (computing and store services provided via network by a service provider), mobile (new generation of mobile devices), internet of things (connection of intelligent devices through the internet network), security and social media (communication, information and interactive channels between people).

Within the sphere of these three areas of business, Reply Group offers the following services:

- **IT Consultancy** – Reply Group advises businesses in strategic, communications, process and technology area on how to use information technology to meet their business objectives;
- **Systems integration** – Reply Group implements and deploys IT systems on businesses' behalf specified to the IT customers' needs;
- **Application management** – for specific solutions in the areas of its competences, Reply Group manages, monitors and continually evolves customers' technological assets (functional or infrastructural applications). Besides, Reply Group integrates its solutions with own products (TamTamy for enterprise social network, Gaia for mobile framework, Definio for risk and wealth management, Discovery for digital asset management, Click and Side-up for supply chain solutions) HiReply for internet of things solutions, Starbytes for crowdsourcing solutions – business model that involves an indefinite number of people to carry out a project).

Reply Group operates in the following markets:

- **Telco and Media:**
Reply Group is one of the main technological providers offering solutions in the convergence process between telecommunication (fixed, mobile and TV broadcaster together with internet network) and media (content providers) markets, with particular focus on terrestrial digital systems, the management of contents and digital assets, billing and CRM services, Business Support Systems (BSS) and Operational Support Systems (OSS).
- **Manufacturing and Retail**
Reply Group assists by means of all its competence lines (IT consulting, system integration and managed services) companies in the introductory and changeover phases and in the management of information enterprise systems. From the strategic design to the understanding and redefinition of the

core processes, Reply Group designs and implements solutions aimed at the integration of applications in support of the extended enterprise (CRM, SCM MES and SRM – support for suppliers and purchase management process). Specifically for retail, Reply offers ecommerce and multichannel consultancy with the design and development of solutions to integrate web, mobiles, call centres and in-store set-ups.

- **Financial Services**

Reply Group is specialized in strategic consultancy, planning and creation of multi-channel infrastructures (that enable seamless communication with clients through different channels, such as internet, telephone, TV, etc.) and services for banks, insurance companies and financial operators. Examples include multichannel retail strategies (CRM solutions and segment-oriented marketing, advances platforms for mobile banking and online trading, web marketing, new generation contact centres and process digitalization), wealth management solution (asset management and distribution networks) and credit compliance and risk management (support for retail credit providers, modeling and measuring/controlling various tyoes of risks).

- **Government and Defence**

For the central public administration and the national health service, Reply Group leverages its experience gained in the most advanced online services, integrating applications and competencies to create specific solutions to manage relations with the citizen. Among other Reply Group offers to hospitals and local healthcare units its own products for electronic patient record. To the local and central government Reply designs and develops online services based on “as a service” best practices.

- **Energy and Utilities**

In this sector, Reply helps its customers to move towards renewable sources and to adopt new networks. Solutions in this area include real-time billing, energy management solutions smart metering – intelligent recording and communication of energy consumptions, smart grid and demand response – automatic solutions to consumption optimization).

- **Partnerships**

To offer the most suitable solutions for the diverse needs of its customers, Reply Group has established partnership with IT vendors and has been qualified as: Microsoft Certified Partner and Microsoft National System Integrator, Oracle Platinum Partner, SAP Special Expertise Partner on SAP NetWeaver and SAP HANA and Hybris Gold Partner of the Year 2013. Besides, Reply is one of the leading European partners of Amazon Web Services, an important partner of Google in Italy and one of European’s leading Salesforce.com specialists.

1.2.7 Business Development and Results of Reply Group; Key Figures

Since 1997 (the first complete financial year after its establishment), Reply Group has achieved constant and significant growth.

The sustained increase in sales, which went from Euro 5.9 million in 1997 to Euro 495 million in 2012, has been accompanied by equally important growth in the dimensions of the company, which has gone from a staff of 83 employees in 1997 to 3.725 in December 2012.

The following table shows several key figures in the last five years of Reply, lead company of the Reply Group. Revenues have witnessed a compound annual growth rate of 34.4% from 1997 to 2012.

Figures in million Euro

	2008	2009	2010	2011	2012
Revenues	330.2	340.2	384.2	440.3	494.8
Gross operating income	46.0	42.9	49.2	55.0	62.4
Operating income	41.2	35.9	41.6	48.7	52.2
Income before taxes	40.1	34.0	40.1	46.5	50.3
Group net income	18.9	16.6	20.4	24.2	27.1

The compound annual growth rate 1997-2012 of EBITDA (Earnings before interest, tax, depreciation and amortization) was 35.2% whereas the compound annual growth rate of the EBIT margin (Earnings before interest and tax) was 45.6%.

In addition to growth rates shown in revenues and profitability, another distinctive feature characterizing Reply Group is the solid and well balanced financial structure as shown below:

Figures in million Euro

	2008	2009	2010	2011	2012
Group shareholders' equity	111.6	123.8	137.5	156.1	175.8
Minority interests	13.3	6.5	1.3	1.9	2.7
Total assets	301.0	309.1	362.3	423.7	475.3
Net working capital	81.4	89.3	92.7	116.2	120.5
Net invested capital	143.6	140.8	138.6	174.7	178.8
Cash Flow	10.3	26.0	25.3	4.7	32.0
Net financial position	-18.6	-10.5	0.2	-16.7	-0.4

The Reply Group's net indebtedness (calculated as the difference between cash and cash equivalent and total financial borrowings) at year end 2012 amounted to Euro 373 thousand (compared to a net indebtedness of Euro 16,714 thousand at year ended 2011); the debt/equity ratio at 31 December 2012 is equal to 0.002 (0.106 at 31 December 2011), confirming the Reply Group's solid financial structure.

The following table gives a consolidated overview of the earnings situation of Reply Group:

Figures in million Euro

	2008	2009	2010	2011	2012
Number of shares (mill.)	9.2	9.2	9.2	9.2	9.2
Operating income per share (euro)	4.46	3.89	4.51	5.28	5.67
Net result per share	2.05	1.80	2.21	2.62	2.94
Cash flow per share	1.11	2.82	2.74	0.51	3.47
Shareholders' equity per share	12.11	13.43	14.91	16.93	19.06

The Reply Group closed the financial year 2012 with consolidated revenue worth 494.8 million Euros, an increase over the 440.3 million Euros reported in 2011.

EBITDA achieved was 59.4 million Euros (55.0 million Euros in 2011) while EBIT achieved was 52.2 Euros (48.7 million Euros in 2011). Net Income reached 27.1 million Euros (24.2 million Euros in 2011).

The net financial position of the group at 31 December 2012 was 373 thousand Euro negative.

Reply Group drafts the periodic reports according to IFRS 8 principle, in light of the different area interesting in the services. The following scheme provides a summary of the economic and financial results at the end of the 2012.

Figures in million Euro

	Italy	Germany	UK
Revenue	382.7	80.0	45.0
EBITDA	51.2	5.8	5.4
EBIT	45.8	4.7	1.7

	Italy	Germany	UK
Current operating assets	252.0	20.2	19.2
Current operating liabilities	(141.5)	(15.4)	(14.0)
Net working capital	110.4	4.9	5.2
Non current assets	103.3	17.3	16.0
Non current liabilities	(59.1)	(6.3)	(13.0)
Net fixed capital	44.3	11.0	3.1
Net invested capital	154.7	16.0	8.2

1.2.8 Economic and Financial information as at the 1st of April 2013

The table below reports the economic and financial information of Reply arising from the Financial Statement as at the 31st of March 2013 attached hereto as *Annex B*.

Figures in thousand Euro

	31 March 2013	31 March 2012
Revenue	62,256	58,582
EBITDA	917	(79)
EBIT	765	(216)
EBT	839	(150)
Net income	377	(297)

Figures in thousand Euro

	31 March 2013	31 March 2012
Shareholders' equity	124,845	124,121
Total assets	348,326	421,372
Net working capital	11,237	4,306
Net invested capital	115,954	105,995
Net financial position	8,891	18,126

	31 March 2013	31 March 2012
Number of shares (mill.)	9,237,857	9,222,857
Operating income per share (euro)	0.08€	(0.02) €
Net result per share	0.04€	0.00€
Shareholders'equity per share	13.5€	13.5€

1.2.9 Financial Capability of Reply Deutschland and Reply to compensate the cash compensation of the shareholders

Based on the financial results stated above, Reply – and therefore Reply Deutschland itself - is able to meet all obligations arising from the Merger and in particular the obligation of acquisition of the shares of Reply

Deutschland from the shareholders of the same company who are willing to obtain the acquisition of their right against a cash compensation and do not intend to adhere to the Merger

The maximum theoretical disbursement of Reply for the above acquisition is approximately Euro 9,787,318

As stated in the table above, this amount could be covered by Reply considering its current financial position as well as the cash flow generated by Reply expected in the future.

Reply does not expect a worsening of its results and of its financial position compared with the past, which would lead to an inability to meet its obligations arising from the Merger.

Furthermore, Reply has already at its disposal a stand-by credit line issued by Unicredit SpA aimed at granting Reply with financial resources in acquisition and merger transactions and they are not intended for other business transactions.

Approximately Euro 7 millions of the credit lines are presently available to Reply for transactions, including the acquisition of Reply Deutschland's shares resulting from the implementation of the Merger.

1.2.10 Company' Bodies

As Italian company with shares listed on a stock exchange and therefore endorsing the Corporate Governance Code of Borsa Italiana, the governance structure of Reply - based on the Italian "traditional" model – consists, together with the shareholders meeting, of the following bodies: the Board of Directors (which operates through the executive directors and is supported by the Internal Control Committee, the Remuneration and Nominating Committee, the Statutory Auditors and the Independent Audit Firm.

a) Board of Directors

The Board of Directors is the statutory managing body of the company, with all powers related to the ordinary and extraordinary administration of the company. The Board of Directors of Reply primarily carries out management and control functions on the general activities of the company and of the Group, without prejudice for the statutory attributions of each single entity of the Group.

The Board of Directors of Reply grants and revokes powers to the managing and executive directors defining limits and conditions of their exercise.

Pursuant to the Article of association, Reply is governed by a Board of Directors consisting of 3 (three) to 11 (eleven) members to be chosen also among non-shareholders. The ordinary shareholders' meeting appoints the members of the Board of Directors. The Board of Directors is elected by "voting list" mechanisms.

Currently, the Board of Directors is composed of 9 (nine) directors, 6 (six) executive and 3 (three) non-executive. As required by the Corporate Governance Code of Borsa Italiana, number, attribution, authority and time availability of non-executive directors shall be such as to ensure that their judgment may have a significant impact on the taking of board's decisions.

The members of the Board of Directors of Reply appointed by the Shareholders' Meeting held on the 27th of April 2012 and in charge at the date of this Common Management Report is reported below:

- Mario Rizzante – Chairman and Managing Director
- Tatiana Rizzante - Managing Director
- Daniele Angelucci – Executive Director
- Claudio Bombonato – Executive Director
- Oscar Pepino – Executive Director
- Filippo Rizzante – Executive Director
- Fausto Forti – Non-executive Director and Independent
- Marco Mezzalama – Non-executive Director and Independent
- Carlo Alberto Carnevale Maffè – Non-executive Director and Independent

The Corporate Governance Code of Borsa Italiana requires that, in case the Chairman of the Board of Directors is the key person in charge of the running of the company, and even when office is held by the person that controls the Company, the Board must designate a "Lead Independent Director", that represents a reference and coordination point of the motions of the non executive Directors and more specifically the independent ones.

In accordance to article 2.C.3 of the Corporate Governance Code of Borsa Italiana, it has been foreseen the function of Lead Independent Director is performed by the non Executive and Independent Director, Mr. Fausto Forti.

b) Committees of the Board of Directors

Within the Board of Directors, Reply has constituted the Internal Control Committee and the Remuneration and Nominating Committee composed - at the date of drawing up of this Management Report – by Prof. Marco Mezzalama and Prof. Carlo Alberto Carnevale Maffé, Non-executive and Independent Directors, and by Mr. Fausto Forti, *Lead Independent Director*.

The powers entrusted to the Internal Control Committee are as follows:

- evaluates together with the director responsible for the preparation of the company's accounting documents, after hearing the accounting auditor and the Board of Statutory Auditors, the correct utilization of the accounting principles and, in the event of groups, their consistency for the purpose of the preparation of the consolidated balance sheet;
- expresses opinions on specific aspects regarding the identification of principal risks for the company;
- examines the periodic reports, relating to the evaluation of the system of internal and risk management control and those of particular relevance prepared by the internal audit system;
- monitors the independence, adequacy, effectiveness and efficiency of the internal audit system.

The Chairman of the Board of Statutory Auditors or another auditor designated by the Chairman, participates in the works for the Internal Control Committee.

The powers entrusted to the Committee for the Remuneration and Nominating are as follows:

- to define the policy and the guidelines for the remuneration of the directors and key management personnel of the company;
- to evaluate – periodically - the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors, submitting proposal to the Board on the issue;
- to submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration;
- to formulate proposals to the Board of Directors in that regard;
- to monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

c) Board of Statutory Auditors

Pursuant to By-Laws, the control of Reply is assigned to a Board of Statutory Auditors consisting of 3 (three) standing auditors, one appointed as Chairman, and two alternate auditors appointed by the Shareholders' Meeting.

The list of the effective members of the Board of Statutory Auditors of Reply appointed by the Shareholders' Meeting held on the 27th of April 2012 and in charge at the date of drawing up of this Common Management Report is reported below:

- Cristiano Antonelli - Chairman
- Paolo Claretta Assandri - Statutory Auditor
- Ada Alessandra Garzino Demo - Statutory Auditor

d) Independent Audit Firm

The independent auditor firm at the date of drawing up of this Common Management Report is Reconta Ernst & Young S.p.A.

e) Supervisory Body pursuant to Legislative Decree 231/2001

The Board of Directors of Reply has appointed the Supervisory Body responsible to ensure the compliance of the Organisational and Management Model adopted by the company pursuant to the Italian Legislative Decree 231/2001, approved by the Board of Directors on 28th of March 2008 and subsequently updated by resolutions of 13th of March 2009 and 4th of August 2011.

At the date of this Common Management Report, the Supervisory Body, provided with its own Internal Regulation, is composed of an external member, Mr. Franco Gianolio as the Chairman, by the Lead Independent Director Mr. Fausto Forti and by the Head of Internal Audit Function Mr. Edoardo Dezani.

f) Events subsequent to the 1st of April 2013

Other than the commencing of the Merger, others relevant events subsequent to the 1st of April 2013 there are not other relevant events.

1.2.11 Employees and Co-Determination

On 1st of April 2013, Reply has no. 275 employees. Reply Group is now an entity with more than 3700 employees.

Furthermore, at the date of this Common Management Report, Reply Deutschland does not have any employee. Therefore the procedure regarding the information and consultations of trade unions - as provided by Section 47 of Italian Law No. 428 of 29 December 1990 - is not applicable.

Without prejudice to the foregoing, this Common Management Report will be made available to employees in accordance with Section 8 of Legislative Decree 108/2008 and Section 122e UmwG.

Finally, please note that Section 19 of Legislative Decree 108/2008 - laying down the rules for the participation of workers in the Merging Company - shall not apply with respect to the proposed merger, given the fact that neither the Merging Company or the Merged Company are managed under a participation of workers regime as provided by Section 19 Legislative Decree 108/2008 and Section 16 of Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005.

For the same reason, an employment participation procedure in accordance with the German Act on Employee Participation in Cross-Border Mergers (*Gesetz über die Mitbestimmung der Arbeitnehmer bei einer grenzüberschreitenden Verschmelzung*- hereinafter "**MgVG**") does not apply.

1.3

Description of the companies involved in the merger: Reply Deutschland

Reply Deutschland Group comprises a network of companies combining the strength of large companies with the agility and customer proximity of highly specialized business units. Focused business units (hereinafter referred to as the "Business Units") in the form of either separate legal entities or internal units (hereinafter referred to as the "Profit Center") managed like independent companies drive the operative business. Cross-divisional functions such as administrations services in the field of finance, marketing, human resources, information technology, or investor relations are centrally operated by administrative departments within Reply Deutschland Group.

At the date of this Common Management Report Reply Deutschland operates solely as holding company managing its interests in the wholly-owned subsidiary Reply GmbH & Co. KG which provides consultancy services to leading German and European companies in the field of customer relationship management, business intelligence, supply chain management and IT management.

At the date of this Common Management Report Reply Deutschland directly and/or indirectly holds – through its wholly-owned subsidiary Reply GmbH & Co. KG – the following interests:

Subsidiary / Controlled Company	%
Xpress Reply GmbH & Co. KG	100%
Xpress Reply Verwaltungs-GmbH	100%
4brands Reply GmbH & Co. KG	51%
4brands Reply Verwaltungs-GmbH	51%
macros Reply GmbH	80%
Cluster Reply GmbH & Co. KG	100%
Cluster Reply Verwaltungs-GmbH	100%
Xuccess Reply GmbH	100%
Twice Reply GmbH	100%
syskoplan Reply GmbH	100%
Power Reply GmbH & Co. KG	100%
Power Reply Verwaltungs-GmbH	100%

1.3.1 Reply Deutschland History

Reply Deutschland was founded in 1983 as syskoplan GmbH specialized in IT systems and communications planning to implement IT projects throughout Germany

In 2000 syskoplan GmbH changed its legal form to syskoplan AG for the preparation of a going public. Since November 2000 syskoplan AG shares have been traded on the regulated market of the Frankfurt stock exchange.

In January 2006 Reply acquired 53.9% of the shares of syskoplan AG percentage subsequently increased until the stake currently held by the Merging Company.

In June 2010 Reply as dominant entity and Reply Deutschland as dependent entity established a so called contractual group (*Vertragskonzern*) by conclusion of a domination agreement (hereinafter also referred to as the "**Domination Agreement**") which became effective with registration on 02 August 2010.

Reply Deutschland conferred, with effect from 1st of March 2013, its entire business concern in favour to a sub-holding entirely controlled by the same Reply Deutschland, named Reply GmbH & Co. KG.

The overview below therefore refers to the business of the Reply Deutschland Group

1.3.2 Identification Elements

Reply Deutschland AG, German company incorporated by shares with registered offices in Bartholomäusweg 26, 33334 - Gütersloh, Governative District of Detmold, Westfalia – Germany, is registered with the commercial register (*Handelsregister*) of the local court of Gütersloh under HRB 3943 and with fiscal code No. 351/5774/0195.

At the date of this Common Management Report, approximately 81% of the share capital of Reply Deutschland is owned by Reply.

Reply Deutschland Group offers consulting, system integration and managed services (i.e. external provision of services in relation to information and communication systems) in relation to information technology (IT).

1.3.3 Share Capital / Shares / Shareholders / Stock Exchange Listing

At the date of this Common Management Report the share capital subscribed and paid up of Reply Deutschland is equal to Euro 4,750,561.00 divided into No. 4,750,561 non-par value bearer shares having a proportionate value in relation to the share capital of Euro 1.00 each.

According to Section 3 para. 3 of the articles of association of Reply Deutschland the management board is entitled to increase the share capital once or in several instalments by up to Euro 2.367.029.00 (approved capital - *Genehmigtes Kapital*) against contribution in cash or kind, with the approval of the supervisory board, by issuance of new shares with a proportionate value in relation to the share capital of Euro 1.00 per share. All shareholders have a subscription right. Under certain preconditions as stated in the articles of association of Reply Deutschland the management board is authorised to fully or partially exclude the subscription right with the approval of the supervisory board. At the date of this Common Management Report the management board of Reply Deutschland has not passed any resolution to use this entitlement.

The shares of Reply Deutschland are admitted to public trading on the Regulated Market (*Geregelter Markt*) at Frankfurt Stock Exchange (introduced in XETRA) under the International Stock Identification Number (ISIN) DE0005501456 and security identification number (*Wertpapierkennnummer*) 550145 and traded in the unregulated markets (*Freiverkehr*) Berlin-Bremen, Düsseldorf, Hamburg, Munich and Stuttgart.

As of the date of this Common Management Report Reply holds directly or indirectly shares in Reply Deutschland reflecting approximately 81% of the stated capital of Reply Deutschland. The other shares in Reply Deutschland are held – to Reply's and Reply Deutschland's knowledge – by shareholders with a maximum holding of less than 3% each in the stated capital.

1.3.4 Business Purposes

Reply Deutschland has the following business purpose according to Section 2 of its articles of association: *"the company's business is general business consultancy, in particular system and communications planning, IT organization consultancy, the production, sale and operation of own and third party software, programming work, IT training and education and personnel consultancy. The company may engage in all activities connected to the nature of its business or which are capable of furthering it.*

The company is permitted to establish branch offices at home and abroad and to purchase or take shareholdings in companies at home or abroad whose business corresponds to the corporate purposes."

1.3.5 Reply Deutschland Group's business

Reply Deutschland Group is a leading IT service provider, offering consulting, integration and outsourcing services for efficient company controlling. Reply Deutschland Group 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 Group customers stand out in the market and creates lasting competitive advantages. Reply Deutschland Group customers also benefit from well-founded industry knowledge and collaboration on a partnership basis.

Reply Deutschland Group is organized as a network of highly specialized companies. The inclusion in the network of IT service providers acting throughout Europe also allows Reply Deutschland Group access to the know-how of more than 3,700 IT experts. The employees of Reply Deutschland Group achieved revenues of 59.2 million euro in the 2012 financial year.

1.3.6 Reply Deutschland Group's Business Lines and Structure

Reply Deutschland Group provides premium quality, innovative technologies to large corporations in the German media, banking, insurance, industry, trade, services, energy and utilities industries.

- **Manufacturing and services**

Reply Deutschland Group 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. Special focus is laid on automotive manufacturers, consumer goods companies and pharmaceutical companies where Reply Deutschland Group is providing integrated IT solutions.

- **Banking, insurance, financial services**

Reply Deutschland Group works for major banks and insurance companies to identify and implement solutions for optimizing core processes and significantly improve data management efficiency. Reply Deutschland Group helps effectively meet the challenges of 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.

- **Media**

Reply Deutschland Group helps media companies formulate and implement digital strategies. Reply Deutschland Group are positioned as a provider of consulting expertise, creative ideas and technology rollout to cope for the rapid developmental pace of digitalization technology, the convergence of mobility and media and the changing customer expectations.

- **Retail**

Reply Deutschland Group assists retail and mail order firms with implementation of integrated software solutions for multi-channel business based on SAP and hybris technologies. In doing so, Reply Deutschland Group draws upon its experience with integrating software solutions for the multi-channel assists retail and mail order business.

- **Utilities**

Reply Deutschland Group helps energy and utility companies in Germany and France enhance process efficiency to optimize their investment in IT. Reply Deutschland Group's cooperation with Reply Group 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 experienced consulting on large, complex transformation processes in core areas of the industry in Italy.

1.3.7 Business Development and Results of Reply Deutschland Group; Key Findings

The development of Reply Deutschland Group in the last five financial years in terms of key economic figures can be derived from the subsequent table

Criterion	Unit	2012	2011	2010	2009	2008
Group profit and loss statement						
Revenue	€ mill.	59.2	58.5	60.2	55.0	60.8
EBITDA	€ mill.	3.70	6.11	6.09	3.95	7.43
EBIT	€ mill.	2.77	5.15	3.63	1.58	6.12
EBT	€ mill.	2.51	4.47	3.64	1.58	6.60
Net result	€ mill.	1.41	3.44	2.17	0.06	3.68
Group balance sheet						
Total assets	€ mill.	53.8	51.9	52.8	50.5	52.8
Equity ratio	%	57.8	61.3	57.8	58.1	57.9
Liquidity	€ mill.	15.3	16.2	22.0	19.9	23.0
Key figures						
Employees	FTE ⁽¹⁾	379	388	401	420	416

Free cash flow ²⁾	€ mill.	2.2	-2.5	5.0	-0.9	7.5
# of shares	mill.	4.75	4.75	4.75	4.73	4.73
EBITDA-margin	%	6.2	10.4	10.1	7.2	12.2
EPS (basic)	€	0.30	0.72	0.46	0.01	0.77
Dividend ³⁾	€	0.45	0.45	0.45	0.15	0.30

¹⁾ Average fulltime equivalents of the year

²⁾ Operational cash flow plus cash flow from investment activities

³⁾ per share

Course of Business in Financial Year 2012

Overall in the financial year 2012 revenues increased slightly to Euro 59.2 million (+1%). In comparison to the overall German market for IT services, which has increased by 2.1% according to BITKOM, Reply Deutschland Group 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.

Reply Deutschland AG's consolidated balance sheet total increased in the last year by 4% to Euro 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 Euro 14.7 million.

Non-current assets amounted to Euro 20.1 million to the end of the period under review (previous year: Euro 22.1 million). This decrease is mainly due to the reclassification of assets held-for-sale. The ratio of non-current assets to equity was 155% (previous year: 144%). Goodwill correspondingly remained unchanged at Euro 10.2 million (previous year: Euro 10.2 million). Impairment tests did not require 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, Reply Deutschland Group increased its current liabilities by 19% from Euro 12.7 million to Euro 15.2 million. This accounted for 28% of the balance sheet total (previous year: 25%). Accounts payable for supplies and performances strongly increased by Euro 1.7 million to Euro 4.1 million which was mainly driven by an increase of freelancers. Other short-term liabilities reduced by 21% to Euro 3.0 million. The main reason for this development was a reduced value-added tax liability.

Non-current liabilities including pay-off obligations to limited partners of subsidiaries decreased to Euro 6.6 million (previous year: 7.3 million).

Reply Deutschland 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.

The following table gives a compressed overview of the asset and liability situation (in Euro million):

Item	2012	2011
Total assets		
Total non-current assets	20.1	22.1
Total current assets	31.2	29.8
Assets held for sale	2.5	0.0
Total assets	53.8	51.9
Liabilities and equity		
Liabilities held for sale	0.9	0.0
Total current liabilities	15.2	12.7
Total non-current liabilities	6.5	7.3
Total liabilities	22.6	20.0
Equity		
Subscribed capital	4.8	4.8
Capital reserve	19.3	19.3
Retained earnings	7.1	7.8
Equity held by shareholders of Reply Deutschland	31.1	31.8
Non-controlling shareholders' interest	0.0	0.0
Total equity	31.1	31.8

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

In the last year an inflow of funds from operating activities totaling Euro 2.7 million was generated. In the previous year the inflow of funds was Euro 3.0 million. This decrease is primarily due to lower EBT of Euro 2.4 million. This effect was lessened by the changes in receivables and payables of Euro 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 Euro 0.5 million. One year before, the outflow of funds was Euro 5.6 million. The previous year's figure included the loan payment to Reply in the amount of Euro 5.0 million

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

The following table gives a compressed overview of the cash flow situation (in Euro million):

Item	2012	2011
Cash flow from operating activities	2.6	3.0
Cash flow from investment activities	-0.4	-5.6
Cash flow from financing activities	-2.9	-3.3
Cash and cash equivalents at beginning of period	16.2	22.0
Minus cash in assets held for sale	0.1	0.0
Cash and cash equivalents in balance sheet	15.3	16.2

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

Revenues for Reply Deutschland Group in 2012 financial year increased slightly by 1% to Euro 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 Euro 46.1 million (previous year: Euro 42.7 million) with an average number of full-time employees reduced by 2%. Gross profit from revenues was Euro 13.1 million after Euro 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 Euro 5.7 million. Administrative expenses with Euro 6.5 million were slightly above the previous year's level of Euro 6.3 million.

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

Other comprehensive income (difference between other operating revenues and other operating expenses) improved by Euro 0.3 million to Euro 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 subsidiaries, Live Reply and Riverland Reply.

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

Reply Deutschland Group results were Euro 1.4 million (previous year: Euro 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 Euro 0.30 after Euro 0.72 in the previous year.

The following table gives a compressed overview of the earnings situation of Reply Deutschland Group (in million Euro):

Item	2012	2011
Revenue	59.2	58.5
Gross result	13.1	15.8
EBIT (operating income)	2.8	5.1
Financial result	-0.3	-0.7
EBT	2.5	4.5
Income tax	1.1	1.0
Net profit	1.4	3.4

1.3.8 Economic and Financial information as at the 1st of April 2013

Course of business

In first quarter 2013 Reply Deutschland Group achieved sales of Euro 15.0 million.

The performance of the business segments of Reply Deutschland Group varied. The business fields referring to consulting (28% to Euro 2.7 million revenue) and managed services (10% to Euro 1.3 million revenue) performed very well. The business fields referring to system integration (0% to Euro 11.0 million) was stable.

In terms of industries the business volume in retail showed a pleasant development. Doubling revenues to Euro 1.4 million Reply Deutschland Group completely offset the slump of the previous year. Project business with utilities continued to develop positively. This sector grew by 8% to Euro 0.5 million. Business in financial services once again grew by 5% to Euro 7.6 million. Its portfolio share increased to 50%. The manufacturing sector posted a decrease of 7%. Nevertheless the sector is the second largest portfolio component showing a business volume of Euro 4.2 million.

In total in comparison to the first quarter 2012, revenue increased by 5%. Compared to the last quarter of 2012 revenue decreased expectedly subject to seasonal influences by 7%.

Personnel

As of the 31st of March 2013, the Reply Deutschland Group employed 394 employees (as at the 31st of December 2012 employed n. 402 employees). Converted to the average number of full-time staff, the personnel capacity – compared to the same period the previous year – increased by 3% to 382 employees.

Cost development

In a year-on-year comparison, total costs during the course of business decreased by 3%, or by Euro 0.5 million, to Euro 14.8 million. The development of the three different cost types varied. Costs of revenue increased by 5% to Euro 11.8 million during the reporting period. Administrative costs increased by 6% compared to the same period the previous year, amounting to Euro 1.7 million. The most relevant reason for the increase was the extraordinary General Assembly in February 2013.

Marketing and selling costs decreased 12% compared to the level of the previous year, bringing them to Euro 1.3 million.

Earnings and profitability situation

Neglecting the effects of the sale of Tool Reply the operational business of Reply Deutschland induced an EBITDA of Euro 1.0 million in the first quarter of 2013, 86% more than in 2012. Almost the same development showed the EBT which amounted to Euro 0.8 million and recorded an increase of 84%. The development of the profitability situation complied with the assumptions for the first quarter as stipulated in the annual budget for 2013.

The reported figures for the first quarter include the one-off effect of the sale of Tool Reply GmbH to Italian Reply Services S.r.l. in the course of the project "ONE REPLY". The pre-tax profit effect amounts to Euro 1.78 million.

Including this one-off effect the earnings before taxes, interest, depreciation and amortization (EBITDA) with Euro 2.8 million were 408% over the level of the previous year. Earnings before taxes and interest (EBIT) amounted to Euro 2.58 million during the reporting period, or 656% higher than the EBIT of the same period the previous year. Earnings before taxes (EBT) amounted to Euro 2.54 million compared to Euro 0.33 million the previous year.

During the present course of business, the Reply Deutschland Group achieved a net profit of Euro 2.2 million

after deducting taxes and minority interest, 1016% above previous year's level of Euro 0.2 million. This represented earnings per share of 46 cents (previous year: 4 cents).

Development of key balance sheet items

The balance sheet total had a slight increase by 1.6% compared to the figures as at year-end 2012, bringing it to Euro 53.4 million. Non-current assets increase by 1.4% and current assets increased by 4.2% compared to year-end 2012. The reduction of liquid assets to Euro 12.5 million following 15.3 Euro million at year-end 2012, the increase of trade receivables by 8% to Euro 15.9 million and the increase of tax assets from Euro 0.3 million to Euro 0,4 million were accompanied by an increase of other non-financial assets.

On the liabilities side of the balance sheet, shareholders' equity increased by 7.4% compared to the end of 2012, amounting to Euro 32.3 million. The capital ratio rose from 55% to 60%. Reason for this improvement was the increased net profit. While long-term liabilities slightly declined to Euro 8.0 million, current liabilities fell by 14% to Euro 13.1 million. The development of current liabilities was mainly due to the decrease of other financial liabilities (-30% to Euro 3.8 million) and the increase of other short-term liabilities (4% to Euro 4.5 million). To be considered is that changed requirements according IAS 19 are implemented as at the 31st of March 2013. Amounts of previous year are adjusted as at the 1st of January and the 31st of December. Accumulated Pension obligation rose by Euro 1.49 million. On this amount deferred tax assets were calculated, which results in a negative equity effect of Euro 1.04 million.

Development of cash flow

For the first quarter of 2013, the cash flow statement showed an operating outflow of funds of Euro 3.0 million (previous year: outflow of Euro 1.3 million). This decline was mainly due to payments of liabilities as at the 31st of December 2012 and the related reduction of liabilities. In the definition according to DVFA/SG, cash flow in the first quarter 2013 was Euro 2.5 million compared to Euro 0.6 million during the same period the previous year. This represents a decrease of Euro 1.9 million in a year-on-year comparison.

Liquid assets of Euro 0.4 million were used for investments during the reporting period (previous year: cash outflow Euro 0.1 million). The cash outflow from financing activities decreased 32% to Euro 0.3 million, following Euro 0.5 million in first quarter 2012. The main reason for the decrease was the reduction of withdrawal of profits by minority partners in limited partnerships. The liquidity amounted to Euro 12.5 million on the 31st of March 2013. Only a slight cash reduction of Euro 2.8 million was noted compared to the 31st of December 2012.

1.3.9 Company' Bodies

The governance structure of Reply Deutschland is based on the German "classic" organisational model (two-tier system) that is composed – together with the Shareholders' Meeting – by the following bodies: Executive Board, Supervisory Board.

a) Executive Board

The Executive Board is appointed by the Supervisory Board and is responsible for the direction of the company, through the development of business strategies to be implemented under the supervision of the Supervisory Board.

Presently the company is managed by an Executive Board composed by 2 (two) directors, namely:
Josef Mago - CEO
Flavia Rebuffat – CFO - COO

b) Supervisory Board

The Supervisory Board of Reply Deutschland which is attributed to the appointment and dismissal of members of the Executive Board and the definition of the relevant retribution – carries out functions finalised in supporting and monitoring the activities of the Executive Board.

In accordance with article 7 of the Reply Deutschland articles of association, the Supervisory Board consists of 6 (six) members.

The list of members of the Board of Supervisory Board of Reply Deutschland in charge at the date of the drawing up of this Common Management Report is reported below:

- Mario Rizzante - Chairman
- Niels Eskelson – Vice-Chairman
- Daniele Angelucci – Member
- Stefan Duhnkrack - Member
- Tatiana Rizzante – Member
- Markus Miele – Member

c) Independent Audit Firm

The independent auditor firm at the date of drawing up of this Common Management Report is Ernst

& Young GmbH Wirtschaftsprüfungsgesellschaft.

Following the Merger, the company bodies of Reply Deutschland will cease to exist.

- d) Events subsequent to the 1st of April 2013
Other than the starting of the process of the Merger under this Common Management Report, no relevant events occurred.

1.3.10 Employees and Co-Determination

As of 31 March 2013 Reply Deutschland Group has engaged in total 394 employees, Reply GmbH & Co. KG itself in total 161 employees.

As anticipated, at the time of drawing up of this Common Management Report, no employment relationships exist at Reply Deutschland (with the sole exception of 2 existing service agreements with the members of the management board which will be transferred to Reply). I. e., on the basis of German Law, there are no employment matters which could be effected by the Merger. Hence, the informing and consulting procedures provided for by German Employment Law (e. g. Section 122a et sqq. Transformation Act, Section 613a Civil Code, Section 106 Works Constitution Act, Section 111 Works Constitution Act) do not apply. Furthermore, for the same reason the employment participation procedure under the MgVG is not applicable as Reply Deutschland has no employee representatives in its corporate bodies.

1.4

Strategic and economic purposes of the transaction and management purpose of the companies involved in the Merger

1.4.1 General Purposes

Purpose of the Merger is mainly the rationalisation and simplification of the structure of Reply Group, other than the maximisation of the value for shareholders through the strengthening and the optimisation of the corporate structure, also in terms of administrative, management, compliance and supervisory costs.

As already highlighted, Reply Deutschland - in order to balance needs of integration with needs of maintenance in Germany of a company with local management and establish a clear and stable corporate structure - conferred with effect from 1st of March 2013 its entire business enterprise in a sub-holding wholly-owned by the same and named Reply GmbH & Co. KG. Due to this structure it will be possible to carry on with continuity the current activities of Reply Deutschland.

As a result, Reply – and consequently its shareholders – will benefit from the structural simplifications and efficiencies resulting from the decrease of costs and complexities associated with the maintenance of the Merged Company.

De facto, the transaction is part of a vaster project of centralisation and strengthening of Reply Group. In particular, the removal of Reply Deutschland from the control chain of Reply will consent to achieve a more efficient shareholding structure within the Reply Group. Furthermore, such transaction will allow Reply to an organic development achieved through the focus of the operating and financial core-business according to the role and industrial objectives pursued by the Merged Company.

The creation of a more linear and transparent organisational model – as the one resulting from the Merger - will grant Reply to achieve more effective and clear organisational chart and corporate governance systems as well as to improve financial performances of Reply.

The simplification of the corporate structure, and consequently of Reply Group, may also allow to achieve higher clearness in the governance structure as well as the optimisation of its related costs, deleting corporate over-structures and favouring an acceleration of cash flows.

Furthermore, upon Merger not only the corporate governance and organisational structure of Reply Group are optimised but also a unified shareholder structure is established. With this, Reply, as new management holding, can lead the operating business in the Reply Group without having to consider potential conflicts of interest between the different shareholder groups. Furthermore, by unifying the shareholder groups of Reply Deutschland and Reply the participation structure of Reply will be based on a broader shareholder group.

Due to the current sole (interim) holding function of Reply Deutschland no legal or economic impacts will result from the implementation of the Merger upon Reply. Therefore, irrespectively of the assumption of assets and liabilities, the financial situation of Reply stays the same, with the exemption of an improved cost structure resulting from the optimisation of the overall group structure and potential synergy effects.

1.4.2 Costs

With the merger of both legal entities double costs for the investor relations activities and costs for the double listing are avoided. This leads to cost advantages in relation to costs for the holding of shareholder meetings, costs for mandatory publications, including business reports as well as costs of the people involved in such activities. Cost advantages are expected approximately in the amount to Euro 300 thousand p.a. with reference to Reply Deutschland and Euro 100 thousand p.a. with reference to Reply.

As cost disadvantages the one-time cost for the implementation of the Merger amounting to approximately Euro 250 thousand with reference to Reply Deutschland and Euro 750 thousand with reference to Reply will occur.

According to the binding ruling of the competent tax authorities dated 24 October 2012, the Merger can be implemented in a tax neutral way under German tax law in Germany and therefore will not cause any additional tax costs.

1.4.3 Alternatives

The management board of Reply Deutschland and the management of Reply examined whether other measures could be considered apart from the Merger which could also achieve the desired results. This examination has shown that other concepts cannot bring about these results and the accomplishment of the objectives as defined above cannot be achieved with other legal instruments and measures.

(a) Majority) Integration (*Eingliederung*) / Squeeze-Out

A (majority) Integration pursuant to secs. 319 et seq. AktG (*Eingliederung*) is out of question because, in such case, at least 95% of the Reply Deutschland shares would have to be held by a principal company (*Hauptgesellschaft*) which would have to be a stock corporation with registered seat in Germany, which does not apply to Reply.

Also the exclusion of the minority shareholders against payment of a cash consideration pursuant to a squeeze-out procedure according to Section 327a AktG would require a direct or indirect participation of Reply of at least 95 % of the stated capital which does not exist. Furthermore, it is the intention of the management bodies not to exclude the existing shareholders but to uphold their participation on a higher group structure.

(b) Down Stream Merger / Merger under establishment of a new entity

A comparable result could be achieved by merging Reply into Reply Deutschland or merger both entities into a new legal entity.

Nevertheless, the merger of Reply into Reply Deutschland would require the transfer of the entire business and assets of Reply, holding company of Reply Group, with the related complexities taking into consideration its magnitude and wide organizational structure.

Furthermore, the merger of both entities into a new assuming legal entity would require the transfer of two enterprises being more burdensome in itself. Furthermore, such new assuming entity would have to be listed on the appropriate stock exchange causing considerable additional costs (e.g. costs for the establishment of prospectus etc.).

Furthermore, Reply is the ultimate parent company with a strong market position which would be contradicted by a merger under dissolution of Reply

(c) Capital Increase under Contribution-in-kind

A merger could also have been achieved via capital increase under contribution in kind on the level of Reply. Reply would have offered the shareholders of Reply Deutschland by public offer shares in Reply against contribution of the Reply Deutschland shares. Nevertheless, the comprehensive integration of both entities would have been more complicated as in practice not all shareholders accept such offer. Furthermore the ordinary subscription rights of the existing shareholders of Reply would have to be excluded which in practice may be subject to legal challenge. Furthermore, a special evaluation proceeding for the evaluation of the contribution-in-kind does not exist under German law leaving minority shareholders with a potentially lower level of protection. Also such take-over would contradict the principles of the envisaged merger of equals.

(d) Take-over via asset deal and subsequent liquidation of Reply Deutschland

The integration of the business enterprises of Reply and Reply Deutschland could also have been achieved by Reply taking over all assets of Reply Deutschland via asset deal. Reply Deutschland would then be liquidated following the effectiveness of the transfer of assets. The purchase price would within the liquidation procedure be contributed to the shareholders of Reply Deutschland. The consideration under the asset deal would be subject to judicial review. Nevertheless, a liquidation procedure is a very formal and time consuming procedure which would delay the envisaged combination of the shareholder groups.

(e) Continuance of the Domination Agreement

The management bodies also assessed the continuance of the existing group structure under the existing Domination Agreement. Nevertheless, in this case the above mentioned objectives would not be achieved. In particular, two listed entities would remain to exist causing additional financial costs and organisational efforts which can be avoided by the envisaged merger.

Therefore, the conclusion of the Merger is presently the most appropriate measure to achieve the stated objectives. Minority shareholders are adequately protected against potential negative effects of the Merger by the provisions on the Exchange Ratio, which are explained in details in the following.

1.5

Future Organisation and Management

As stated above, with contribution agreement dated 15 February 2013 (deed no. 30/2013 of the notary public Dr. Karsten Kühne with seat in Berlin), Reply Deutschland transferred its entire business enterprise to its subsidiary, Reply GmbH & Co. KG. The business of Reply Deutschland Group is therefore managed by the management bodies of Reply GmbH & Co. KG and will therefore not be affected by the envisaged Merger. Furthermore, although Reply loses its instruction rights under the Domination Agreement it will upon Merger have the right to directly instruct the management of Reply GmbH & Co. KG, due to its direct participation.

1.6

Cartel Clearance

Section 16(1) of the Italian Law no. 287/ 1990 (as updated on 2th of April 2013) requires prior notification to the Italian Competition Authority - Autorità Garante della Concorrenza e del Mercato of all mergers and acquisitions involving entities:

- whose aggregate turnover in Italy exceeds 482 million Euro;
- and
- when the aggregate turnover in Italy of the undertaking to be acquired exceeds 48 million Euro.

In the case at hand, thresholds may not be considered exceeded.

Namely:

- the aggregate turnover in Italy of Reply and Reply Deutschland is equal to Euro 384,748 thousand;
- and
- the aggregate turnover in Italy of Reply Deutschland is equal to Euro zero (Reply Deutschland's turnover towards Reply for activities carried out in Germany is included in the aggregate German turnover).

Furthermore, the prior notification is not required – independently from the thresholds – in case of transactions concerning, *inter alia*, the acquiring of a controlled company (release of the Italian Competition Authority - Autorità Garante della Concorrenza e del Mercato of the 11st of April 1995).

Under German merger control law, namely Section 35 et. Seq. of the German Act Against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen-GWB*), a merger requires prior notification to the German Federal Cartel Office only if in the last business year preceding the merger:

- the combined aggregate worldwide turnover of all the undertakings concerned was more than Euro 500 million, and
- the domestic turnover of at least one undertaking concerned was more than Euro 25 million and that of another undertaking concerned was more than Euro 5 million.

Currently:

- the aggregate worldwide turnover of Reply and Reply Deutschland is equal to Euro 494,831 thousand and
- the German turnover of Reply and Reply Deutschland is equal to Euro 80,019 thousand.

Thus the German thresholds are not met. In any event, a merger must not be notified to the German Federal Cartel Office - independently from the turnover thresholds mentioned above - if the merged company is solely controlled by the merging company already before the merger. In the case at hand, Reply already now holds approximately 81% of the shares in Reply Deutschland and therefore exercises sole control over Reply Deutschland.

1.7 **Domination Agreement**

Upon effectiveness of the Merger the existing Domination Agreement between Reply and Reply Deutschland will cease to exist.

According to Section 4.1 of the Domination Agreement in connection with Section 304 of the German Stock Corporation Act (**AktG**) Reply guarantees to each minority shareholder for the term of the Domination Agreement a guaranteed dividend. Furthermore, according to Section 5.1 of the Domination Agreement each minority shareholder may request that Reply shall acquire his shares in return for cash compensation. Both guaranteed dividend as well as the cash consideration are subject to a pending evaluation proceeding. According to Section 305 para. 4 S. 3 AktG the right to claim cash compensation under the Domination Agreement may be exercised until 2 (two) months after the final decision of the competent court in the evaluation proceeding has been made. In case of an increase of the guaranteed dividend or the cash consideration due to the settlement or final decision of the court all shareholders (even those who have already accepted the offer) participate in such increase, i.e. they can claim an additional payment.

The compensation claim under the Domination Agreement remains to exist irrespective of the implementation of the Merger (although the minority shareholders may participate in the share swap considering the cash consideration or the Exchange Ratio under the Merger). As the Domination Agreement will end upon effectiveness of the Merger, the guaranteed dividend is paid pro-rata for the current business year until the Legal Merger Effective Date for the last time. Immediately, following the Legal Merger Effective Date Reply will publish the amount of the pro-rata guaranteed dividend as well as the modalities of the payment in line with past procedures.

In relation to the right to claim cash compensation under the Domination Agreement the following applies. In case a shareholder has accepted the offer under Section 5.1 of the Domination Agreement before the Legal Merger Effective Date he will receive the cash compensation as stated in Section 5.1 of the Domination Agreement. Such shareholder terminates from his position as shareholder of Reply Deutschland and is therewith not affected by the subsequent Merger.

In case the shareholder has not accepted the right to claim cash consideration under the Domination Agreement before the Legal Merger Effective Date he will participate in the Exchange Ratio under the Merger. According to the prevailing legal opinion under German law the right to claim cash consideration continues within the term of Section 305 para. 4 S. 3 AktG - 2 (two) months after the final decision of the competent court in the evaluation proceeding has been made - and is deemed to apply to the allocated shares in Reply. The minority shareholders can therefore choose to either accept the cash consideration under the Domination Agreement or under the Common Merger Proposal pursuant to the requirements stated below.

Furthermore, shareholders of Reply Deutschland will remain to participate in any higher cash consideration determined by the court or agreed via settlement in relation to the pending evaluation proceeding relating to the Domination Agreement.

2
LEGAL ASPECTS OF THE MERGER

Law Provisions

As anticipated, the envisaged Merger provides for the incorporation of Reply Deutschland in Reply. It should be noted that:

- (i) Reply is an Italian company subject to Italian law provisions, namely: Section 2501 and following of the Italian Civil Code, Legislative Decree No. 108/2008 and Consob Regulation No. 11971 for the implementation of the Legislative Decree No. 58/1998 providing the regulation of issuers;
- (ii) Reply Deutschland is a German company subjected to German law provisions in force in Germany, namely: Law – UmwG as well as AktG
- (iii) the Merging Company and the Merged Company are both incorporated under the law of - and both have their registered offices, central administration and principal place of business in – a Member State of the European Union.

In such context, the integration of Reply Deutschland in Reply will take the form of cross-border merger by assumption and it will be regulated by the domestic law of each participating company as well as by the provisions of Directive 2005/56/EC on cross-border merger of companies as respectively implemented in the involved Member States (in Italy by Legislative Decree no. 108/2008 and in Germany by UmwG).

As a result of the Merger, Reply will acquire the entirety of the manifest and not manifest rights, obligations, assets and liabilities of the Reply Deutschland that will cease to exist.

The Merger — and thus the transfer of manifest and not manifest rights and obligations of Reply — will take effect upon the filing of the Merger Deed in the Companies Register of Turin.

2.1 Major Steps for the implementation of the Merger

2.1.1 Drawing up of the terms of the Common Merger Proposal

The basis of the Merger is formed by the terms of the draft Common Merger Proposal drawn up by the management bodies of Reply and Reply Deutschland. The Supervisory Board of Reply Deutschland approved the Common Merger Proposal on the 24th of May 2013. The terms of merger proposal in particular with the transfer of the entire the manifest and not manifest rights, obligations, assets and liabilities of Reply Deutschland to Reply.

The Exchange Ratio and cash compensation under the Common Merger Proposal was established on the basis of the evaluation conducted by Duff & Phelps in relation to Reply Deutschland and by Studio Pirola Pennuto Zei & Associati Corporate Finance in relation to Reply.

On 17th April 2013 the district court (*Landgericht*) of Dortmund appointed BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt, as expert examining the evaluation of the Exchange Ratio. On 17th of May 2013 the Court of Turin appointed BDO S.p.A., Italia, as an expert according to section 2501 *sexies* of the Italian Civil Code and section 9 of the Legislative Decree 108/2008.

BDO AG Wirtschaftsprüfungsgesellschaft, Germany, conducted the assessment from 18th of April 2013 to 5th of June 2013 and confirmed the adequacy of the Exchange Ratio as well as of the cash compensation on 5th of June 2013.

BDO, Italy, conducted the assessment from 18th of May 2013 to 3rd of June 2012 and confirmed the adequacy of the Exchange Ratio on 4th of June 2012.

The Common Merger Proposal was notified to the Company Register of Reply Deutschland on the 5th of June 2013 and it will be notified to the Company Register of Turin according to the applicable law provisions.

The management bodies of Reply and Reply Deutschland provide this Common Management Proposal, which will be deposited in the offices of Reply Deutschland at least 1 (one) month before the date of the ordinary shareholders' meeting called to approve the Merger and, of Reply, at least 30 (thirty) days before the date of the Extraordinary Shareholders' Meeting called to approve the Merger.

2.1.2 Shareholders' Resolutions

The implementation of the Merger requires an approving shareholders' resolution of Reply and Reply Deutschland.

The approval of the Merger by Reply Deutschland shareholders' meeting shall be resolved in the shareholders meeting called for the 18th / 19th of July 2013. As a matter of precaution this shareholders' meeting will be called also for the following day, in case the general meeting cannot be completed within one day. The approving resolution requires a majority of ¾ of the votes reflecting the share capital present in the shareholders' meeting.

The approval of the Merger by Reply shareholders' meeting shall be resolved in the shareholders meeting called for the 22nd of July 2013. The approving resolution requires a majority of 2/3 of the votes reflecting the share capital present in the shareholders' meeting.

2.1.3 Pre-Merger Certificate

After the passing of the resolution by Reply Deutschland, the German commercial register will assess the fulfilment of all conditions precedent for the implementation of the Merger in relation to Reply Deutschland. The commercial register will then issue a so-called pre-merger certificate setting out the positive outcome of this assessment. The pre-merger certificate must be submitted to the Italian Notary Public.

After the passing of the resolution by Reply, the Italian Notary Public will issue the so-called pre-merger certificate setting out the fulfilment, pursuant to applicable law provisions, of the conditions precedent for the implementation of the Merger.

2.1.4 Assessment of the Legality – Merger Deed - Entry in the Companies Register

The Italian Notary Public, after receiving the pre-merger certificate and the resolution approving the Common Merger Proposal, will carry out the legitimacy control of the Merger pursuant to section 13 of the Italian Legislative Decree 108/2008.

After this assessment and having expired the deadline for the exercise of the rights of creditors, a Merger Deed is signed in front of the Italian Notary Public.

Within 30 (thirty) days when all conditions for an entry are fulfilled, the Merger Deed will be filed at the Companies Register of Turin and subsequently registered.

The notarisation of the Merger Proposal in front of the German Notary Public will be conducted immediately following the general meetings. The Merger Deed will be executed in Italy following the execution of the formalities related to the pre-merger certificates.

2.1.5 Legal Effect of the Merger

The Merger takes effect from the date of entry the Merger Deed in the Companies Register of Turin.

As detailed under § 2.3 below, upon the Merger Deed being registered in the Companies' Register of Turin all transactions of Reply Deutschland as of the Merger Accounting and Tax Effective Date will be deemed as made in the name and on behalf of Reply, without prejudice for tax and accounting effects of the Merger.

2.1.6 Evaluation Proceeding

Within 3 (three) months following the entry of the Merger in the Companies Register of Turin, a shareholder of Reply Deutschland may file for a valuation proceedings according to the German Act on Appraisal Proceedings before the competent court in Germany which shall have exclusive jurisdiction in order to question the Exchange Ratio or the amount of the cash consideration. All shareholders of Reply Deutschland are entitled to participate in any increase determined by the court or agreed on the basis of a settlement on the Exchange Ratio, irrespective of their participation in the evaluation proceeding. On the contrary, only the shareholder which will have participated in the evaluation proceeding under the requirements provided for by the law provisions might benefit of the increase in the cash consideration determined by the court or agreed on the basis of a settlement.

In case the evaluation proceedings lead to an adjustment of the Exchange Ratio, any difference will be compensated in accordance with Section 15 para. (1) UmwG.

2.2 Employee Participation

Under the MgVG no employee participation procedure is required as currently no employment participation has been implemented on the level of Reply Deutschland.

Furthermore, as anticipated, Section 19 of Legislative Decree 108/2008 - laying down the rules for the participation of workers in the Merging Company - shall not apply with respect to the proposed Merger, given the fact that neither the Merging Company or the Merged Company are managed under a participation of workers regime as provided by Section 19 Legislative Decree 108/2008 and Section 16 of Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005.

2.3 Legal Effectiveness of the Merger

The Merger will be legally implemented from the Legal Merger Effective Date (date of entry the Merger Deed in the Companies Register of Turin) with accounting and tax retroactive effect as of the Merger Accounting and Tax Effective Date. The shareholders of Reply Deutschland will become shareholders of Reply by operation of law (except Reply itself, whose shares in Reply Deutschland will be deleted as a result of the Merger, pursuant to Section 2504-ter of the Italian Civil Code).

From the Legal Merger Effective Date, the Merging Company will succeed, by way of universal succession, in all the rights, obligations, assets and liabilities belonging to the Merged Company, without prejudice for the effectiveness of the Merger from an accounting and tax perspective.

2.4 Corporate Bonded Loan

At the date of this Common Management Report both the Merging Company and the Merged Company have not issued any corporate bonded loans.

2.5 Use of Reply's Treasury Shares for the exchange

The shareholders of Reply Deutschland have the right to obtain the acquisition of their shares against cash compensation, as explained in detail in § 6 of the Common Merger Proposal. Therefore, it cannot be precisely established the number of the Exchanged Shares which have to be allotted to the Reply Deutschland shareholders in order to satisfy the Exchange Ratio.

Nevertheless, assuming that all Reply Deutschland shareholders will adhere to the Merger, in the light of the Exchange Ratio, the Exchanged Shares will be amount to maximum No. 235,216 Reply treasury (ordinary) shares.

In this respect, the Exchange Ratio shall be entirely satisfy with treasury (ordinary) shares of Reply, at the date of this Common Management Report equal to No. 235,813, with the consequence that Reply will not issue any new share for such purpose and, therefore, will not increase its share capital.

2.6 Modifications of Reply 's Article of association

As anticipated, as a consequence of the Merger, Reply will not increase its share capital and, therefore, will not implement any modification of its Article of Association.

2.7 Annulment of the shares of the Merged Company

The Merger will cause the complete annulment of all the shares representing the share capital of the Merged Company.

2.8 Merging Company Shareholders' rights of withdrawal

Given the nature of the structure of the transaction, the Merger will not entitle shareholders of Reply the right to withdrawal in accordance with Section 2437 of the Italian Civil Code.

2.9 Merged Company Shareholders' rights

The shareholders of Reply Deutschland benefit of the special protection provisions.

The shareholders will by operation of law be entitled to receive the Exchanged Shares.

According to Clause 6 of the Common Merger Proposal in accordance with 122i UmwG, Reply Deutschland offers to its shareholders who give notice of contradiction to protocol in the shareholders' meeting the acquisition of their shares against appropriate cash consideration. Initially Reply Deutschland is obliged to cover the cash compensation. Nevertheless, as from the Legal Merger Effective Date, this obligation will be transferred to Reply.

If a shareholder of Reply Deutschland claims that the Exchange Ratio and/or the cash compensation (as far as a contradiction to the protocol of the approving shareholders meeting has been filed by such shareholder) is not sufficient, such shareholder may file for valuation proceedings before a German court, so that the court will determine the adequate share swap ratio and/or cash consideration. If, in the course of these valuation proceedings, a different share swap ratio and/or a different cash compensation is determined in a final and non-appealable decision, the shareholders are entitled to an adjustment of the share swap ratio and/or the higher cash compensation. Such entitlement will exist regardless of whether or not a shareholder is a party to valuation proceedings (if any).

The notice period for acceptance cash compensation offer is 2 (two) months following the Legal Merger Effective Date or in case of an evaluation proceeding, 2 (two) months following the notification of the court decision or of the settlement agreement entered into by the parties. In this last case (evaluation proceeding) these shareholders' actually participate for the time being in the share swap considering the Exchange Ratio under the Common Merger Proposal.

2.10 Further Information

Further information and details of the Merger are set out in the Common Merger Proposal attached herein as *Annex A*.

2.11 Explanation of the terms of the Common Merger Proposal

2.11.1 Description of the Participating Parties (cl. 1)

Clause 1 of the Common Merger Proposal comprises a complete description of the companies involved in the Merger, in particular legal form, name and registered office.

2.11.2 Articles of associations (cl. 2)

The transaction will not affect the current version of Reply 's Article of association.

2.11.3 Transfer of Assets through the Merger (cl. 3)

Clause 3 of the Common Merger Proposal explains the consequences of the Merger in terms of succession of Reply (pursuant to Secs. 122a et seq. UmwG and section 2501 and subsequent of the Italian Civil Code) and by way of universal succession, in all the assets and liabilities, rights and duties, of Reply Deutschland as of Legal Merger Effective Date, without prejudice for the tax and accounting effects of the Merger.

2.11.4 Share Exchange (cl. 4)

Clause 4 of the Common Merger Proposal explains the consequences of the Merger in terms of right of the shareholders of Reply Deutschland to obtain no. 5 (five) Reply ordinary share - for no. 19 (nineteen) shares in Reply Deutschland held at the Legal Merger Effective date.

2.11.5 Terms for the allotment of Exchanged Shares and date from which the shares allotted in exchange will be entitled to dividends (cl. 5)

Clause 5 of the Common Merger Proposal explains in detail the terms of the allotment of the Exchanged Shares to the shareholders of Reply Deutschland in light of the Exchange Ratio.

The Exchanged Shares, delivered to the Bank, will all have standard dividend rights as of the Legal Merger Effective Date and will grant to the holders rights equivalent to those granted to the shareholders of the Merging Company on the Legal Merger Effective Date.

Therefore, as for the Legal Merger Effective Date, the Exchanged Shares:

- will participate in the profits of the Merging Company;
- will be listed at the same par value of the ordinary shares of the Merging Company outstanding at the Legal Merger Effective Date;
- will be dematerialised through the centralised management system managed by Monte Titoli S.p.A.

The Bank has been engaged for the purpose of implementing the assignment of the Exchanged Shares to the shareholders of Reply Deutschland who will participate in the Merger.

2.11.6 Cash Compensation (cl. 6)

According to Clause 6 of the Common Merger Proposal Reply Deutschland offers to acquire the Reply Deutschland shares of those shareholders which, due to the conclusion of the Merger, intend to exercise their right concerning the acquisition of their shares, and have filed a contradiction to the protocol of the approving shareholders meeting, against payment of a cash consideration in the amount of Euro 10.95 (ten/95) per Reply Deutschland share. Pursuant to Clause 6 of the Common Merger Proposal, the obligation to acquire shares only exists for a limited period of time. This period will expire 2 (two) months after the notification of the offer for payment of a consideration, in no event, however, earlier than 1 (one) day falling 2 (two) months after the day on which the entry of the Merger was procured in the Companies Register of Turin.

The cash compensation will be adjusted accordingly, if an update of the underlying evaluation occurs in order to reflect the financial status of the participating entities of the date of the approving shareholders' resolution.

Furthermore, should valuation proceedings be initiated, the time limit for the acceptance of the offer for payment of a cash consideration will expire, at the earliest, on the day falling 2 (two) months after the day on which the final and non-appealable decision of the competent court or a binding settlement has been duly published).

The acceptance of the offer to acquire the shares in Reply Deutschland will be free of charge for the shareholders. This ensures that those shareholders willing to sell their shares will not be burdened with any expense, commission or any other administration fee of the Bank and that, accordingly, there will not be any deduction from the cash consideration. This will not affect, however, any taxes on capital gains falling due for the account of an individual shareholder. Each shareholder shall pay such taxes (for the detailed description of tax consequences for Reply Deutschland shareholders see below).

Finally, as regards an increase of the amount of a cash consideration as a result of valuation proceedings or a settlement thereof for the purpose of averting or ending such proceedings, all shareholders will participate in such increase provided the requirements for the cash consideration are met (i.e. a contradiction to the protocol of the approving shareholders meeting has been filed by each shareholder which intends to benefit of the increasing of the consideration).

2.11.7 Legal Merger Effective Date and Merger Accounting and Tax Effective Date (cl. 7)

Clause 7 of the Common Merger proposal indicates the Merger Accounting and Tax Effective Date as well as the Legal Merger Effective Date corresponding - pursuant to Section 12 of the Directive 2005/56/EC, Section 12 of the Legislative Decree 108/2008 and Sections 2501-ter and 2504-bis of the Italian Civil Code and to - Section 122c § (2) no. 6 of the UmwG – to the date of the execution of the entry of the Merger in the Companies Register of Turin.

Upon Accounting and Tax Effective Date, all legal acts and other transactions of Reply Deutschland will be deemed as conducted in the name and on behalf of Reply.

2.11.8 Treatment or Rights granted to special categories of Shareholders (cl. 8)

Clause 8 of the Common Merger Proposal confirms that:

- no special treatments is reserved to special categories of shareholders nor specific procedures to participate in profits are provided;
- the Merging Company and the Merged Company did not issue securities other than shares.

2.11.9 Special benefits to members of the administrative, supervisory, controlling or management bodies of the companies involved in the Merger - Special benefits to the experts examining the Common Merger Proposal and to the supervisory bodies of the companies involved in the Merger (cl. 9)

Clause 9 of the Common Merger Proposal confirms that no special benefits are granted to members of the administrative, supervisory, controlling or management bodies of the companies involved in the Merger nor to the experts examining the Common Merger Proposal.

2.11.10 Repercussion of the Merger on Employment (cl. 10) and Information concerning the procedure for the involvement of Employees (cl. 11)

Clause 10 of the Common Merger Proposal confirms that the Merger will not have impact on employment of the Merging Company nor on the employment of the Merged Company, in light of the fact that Reply Deutschland does not have any employment contract in force at the Legal Merger Effective Date, with the consequence that the informing and consulting procedure provided for by Section 47 of Italian Law No. 428 of the 29th of December 1990 on notices to workers' unions is not applicable.

From the Legal Merger Effective Date, all rights granted to the special representatives appointed by Reply Deutschland will cease to be effective.

Clause 11 of the Common Merger Proposal confirms that:

- no involvement procedures of employees in the definition of their rights to participate in the Merging Company are provided for;
- the Merging Company as well as the Merged Company are not managed under an employee participation system and, therefore, the provisions of Section 19 of the Legislative Decree 108/2008 concerning the applicability of the provisions on employee participation in force in the Merging Company's legislative system are not applicable;
- the application of the employee participation procedure under the German Act on Employee Participation in Cross-Border Mergers do not apply as Reply Deutschland does currently not have employees' representatives.

2.11.11 Information on the Evaluation of the Assets and Liabilities (cl. 12)

Clause 12 of the Common Merger Project provides indication on the assets and liabilities to be acquired by Reply as a result of the Merger, indicated in the financial statement of the Merged Company as of 31st March 2013, approved by the Executive Board of Reply Deutschland and evaluated in accordance to the Germans accounting principles.

2.11.12 Reference Date of the Merging Companies (cl. 13)

Clause 13 of the Common Merger Project gives note of the fact that:

- the Merger will take place on the basis of the financial statement of both the Merging Company and the Merged Company as of the 31st of March 2013 approved by the respective Management bodies.

Prior to the entry of the registration of the Merger to the commercial register of Reply Deutschland the closing date balance sheets of Reply Deutschland as of the 31st of March 2013 will have been audited by Ernst & Young;

- after the Merger takes effect, the Merging Company will for accounting purposes record the assets and liabilities of Reply Deutschland in its accounts prepared for statutory purposes with the book values shown in the merger balance sheet of Reply Deutschland (Section 122c para. 2 no. 11 UmwG).

2.11.13 Legal Merger Effective Date vis-à-vis third parties (cl. 14)

Clause 14 of the Common Merger Proposal explains that the Merger will be effective *vis-à-vis* third parties from the Legal Merger Effective Date and that the accounting and tax effects of the Merger, also *vis-à-vis* third parties, will be backdated to the Merger Accounting and Tax Effective Date.

2.11.14 Additional information: rights granted to creditors,

disclosure report concerning the merger additional information on the merger (cl. 15)

Clause 15 of the Common Merger Proposal informs that:

- **Rights of Creditors** – creditors of the Merging Company whose credits predate the entry of the Common Merger Proposal in the Companies Register, shall be entitled to file an appeal against the Merger according to Italian Law (Section 2503 of the Italian Civil Code) within the period of 60 (sixty) days from the last entry of the shareholders' resolution approving the Merger in the Companies Register of Turin. According to Section 122j, 22 of the UmwG creditors of the Merged Company may claim collateral providing evidence that the performance of the obligation is threatened;
- **Information about the Merger** - Reply will make available to the public the Information Document provided under Section 70, sixth §, of the Consob Regulation;
- **Further information concerning the Merger** - the current composition of the administrative bodies of the Merging Company will not be modified as a consequence of the Merger;
- **Other Securities from Shares and Special Rights** - Reply Deutschland has neither issued any preference shares, shares granting multiple voting rights or other special rights (Section 122c para. 2 no. 7 UmwG) nor do any other securities than shares exist. There are no natural persons or legal entities holding special rights other than a shareholder' s rights *vis-à-vis* Reply Deutschland;
- **Costs** - Reply and Reply Deutschland will each bear their own costs incurred in connection with the preparation and implementation of the Merger as well as the costs incurred for the draft of the relevant documentation. The costs jointly caused will be borne by Reply.

In detail, external costs have been incurred, in particular, for the work carried out by BDO AG Wirtschaftsprüfungsgesellschaft and BDO S.p.A. acting as experts auditors respectively appointed by the court of Dortmund (*Vertragsprüfer*) and the Court of Turin, for the enterprise valuation by Duff & Phelps and Studio Pirola Pennuto Zei & Associati, area Corporate, and for the legal advice services rendered by Studio Pirola Pennuto Zei & Associati and Heuking Kühn Lüer Wojtek.

3
**VALUE OF THE COMPANIES
INVOLVED IN THE MERGER
FOR THE DETERMINATION
OF THE EXCHANGE RATIO**

The economic and financial value of the companies participating in the Merger, necessary to determinate the Exchange Ratio (as defined below), has been determined – in accordance with Section 2501 and following of the Italian Civil Code, with the Italian Legislative Decree No. 108/2008, with Consob Regulation No. 11971 and with the German law - *Umwandlungsgesetz* – from the economic and financial statement of Reply and Reply Deutschland as at the 31st of March 2013 as approved by the management bodies.

The determination of the economic and financial value reflects the appreciation of the two companies participating in the Merger without the identification of premiums in favor of shareholders and without considering possible value added components connected to the synergic integration of the companies, in order to obtain comparable values for the determination of the scope in which the Exchange Ratio is to be placed, with respect to the specific transaction in question.

The values taken into consideration were determined on the assumption of going concern and cannot be considered representative of a stand-alone valuation of the two companies involved in the merger, nor be compared with potential acquisition or disposal (which normally reflect control premiums and minority discounts). These values do not reflect any strategic, operational and financial synergies from the Merger.

Underlining the express comparable values for the determination of the Exchange Ratio, were adopted practices and valuation methodologies, which took into account the nature of the two companies and the specific sector in which they operate. The valuation for the determination of the Exchange Ratio implies the identification and application of valuation methodologies based on uniform criteria.

The management of Reply and Reply Deutschland jointly instructed Studio Pirola Pennuto Zei & Associati – Area Corporate as well as Duff & Phelps as advisors to carry out an enterprise valuation of Reply and Reply Deutschland in preparation of the determination of the adequate Exchange Ratio and cash compensation. Studio Pirola Pennuto Zei & Associati – Area Corporate and Duff & Phelps determined the enterprise value of Reply and Reply Deutschland on the basis of generally accepted valuation standards and also took into consideration the average stock market quotation of Reply and Reply Deutschland and shares during the last 3 (three) months prior to the announcement of the intended conclusion of a Merger (14th December 2012). The management bodies of Reply and Reply Deutschland fully adopt the evaluation report related to Reply, dated 24th of May 2013, of Studio Pirola Pennuto Zei & Associati Area Corporate - attached as Annex D - and the evaluation report related to Reply Deutschland, dated 22th of May 2013, of Duff & Phelps' - attached as Annex E, as well as the comprised contents as their own and the aforementioned evaluation reports are herewith incorporated as integral part of this Common Management Report.

Given the transnational nature of the Merger, it has been also considered the specific accounting principles and valuation practices adopted in Germany with regard to the determination of the Exchange ratio. In this respect and by virtue of the fact that according to the German legal practice on the Merger is relevant the application of the method prescribed by the Association of German Auditors (IDW S 1), the valuation methodologies used for both companies has also included this method.

The valuations have been executed with the following methods:

- Discounted cash flow
- Market multiple approach
- IDW S1

Valuation of Reply

The evaluation of Reply for the determination of the Exchange Ratio is attached to this Common Management Report as Annex D.

Valuation of Reply Deutschland

The evaluation of Reply Deutschland for the determination of the Exchange Ratio is attached to this Common Management Report as Annex E.

EXCHANGE RATIO AND CRITERIA OF DETERMINATION

Within their respective and independent evaluations, the management bodies of Reply and Reply Deutschland have acknowledged and shared the assessments and evaluations carried out, and decided to adopt:

- a value of 37.75 €/per share for Reply corresponding to the point value determined using the income method by applying the IDW S 1 methodology and widely supported by other evaluation methodologies as previously explained, and
- a value of 9.84 €/share for Reply Deutschland, corresponding to the point value determined using the income method by applying the methodology IDW S 1 and supported by other valuation methodologies.

In the light of the above, the management bodies of Reply and Reply Deutschland propose to the respective Shareholders' Meetings the following share Exchange Ratio:

No. 5 Reply treasury (ordinary) shares for each No. 19 shares of Reply Deutschland.

The table below lists the values used and the calculations made by the Directors for the definition of the Exchange Ratio:

MERGING COMPANY

Reply S.p.A.

Exchange Ratio Determination

Share Capital	€ 4,803,685.64	
Shares outstanding	9,237,857	
Equity Value of the Share	€ 0.52	
Market Value	€ 339,785,514	
Shares outstanding net of treasury shares		
Price per Share as of 18/07/2013	€ 37.75	(a)

MERGED COMPANY

Reply Deutschland A.G.

Exchange Ratio Determination

Share Capital	€ 4,750,561.00	
Shares outstanding	4,750,561	
Equity Value per Share	€ 1.00	
Market Value	€ 46,732,012	
Price per Share as of 18/07/2013	€ 9.84	(b)

Exchange Ratio (a/b) **1 / 3.837021**

Rounded Exchange Ratio **1 / 3.8**

Reply Deutschland's shareholders who, as a consequence of the application of the Exchange Ratio, will not receive an even amount of Exchanged Shares and a remainder occurs, will participate in the settlement procedure provided by the Bank by way of the aggregation of the remainders and subsequent centralized sale of the corresponding Exchanged Shares. This settlement procedure will be free of charge for Reply Deutschland's shareholders.

Reply and the Bank executed a fiduciary agreement providing the obligation of the Bank to make use of the Exchanged Shares exclusively for the purposes concerning (i) the implementation of the Merger (ii) to communicate the receipt of the Exchanged Shares to the Companies Register of Reply Deutschland and (iii) to transfer the Exchanged Shares following the entry of the Merger in the Companies Register of Turin to the shareholders of Reply Deutschland, against receipt of their shares in Reply Deutschland considering the Exchange Ratio or respectively in case the Merger is not implemented to retransfer the Exchanged Shares to Reply.

The Exchange Ratio will be entirely satisfied with allotment of Reply's treasury shares.

Critical valuation issues identified

Reply and Reply Deutschland administrative boards determined the Exchange Ratio as a result of the relative valuation of Reply and Reply Deutschland, also supported by the appointed advisors. However, these conclusions should be considered jointly with the limitations and difficulties summarized below:

- the valuation approaches applied have involved the use of forecasted data that are, by nature, both aleatory and uncertain because sensitive to changes of macroeconomic variables and to company external factors. Furthermore the forecasted data are based on a set of hypothetical assumptions concerning future events and actions to be implemented by the boards of directors, which may not necessarily happen. In the matter in question, the uncertainty related to the timing and strength of the world economies recovery is generating deep impacts on the macroeconomic scenario. Considering that the analyses were based on the use of forecasted data and market standards, it cannot be excluded that the persistency of this situation and its unpredictability trend can have an impact, even important, on the reported results;
- the application of the valuation approaches also implied the use of stock market data and financial analyst forecasts that are exposed to fluctuations, even important, due to the market volatility.

REPORT ON THE ADEQUACY OF THE EXCHANGE RATIO

In accordance with law provisions of section 2501 *sexies* of the Italian Civil Code, the Legislative Decree No. 108/2008 and the *Umwandlungsgesetz*, the fairness of the Exchange Ratio determined by the companies participating in the Merger has been certified by the auditing firm BDO AG Wirtschaftsprüfungsgesellschaft, Frankfurt, appointed as independent expert by the district court (*Landgericht*) Dortmund on the 17th of April 2013 and by the auditing firm BDO S.p.A., appointed as independent expert by the Court of Turin on the 17th of May 2013.

The report of the independent expert appointed by the Court of Turin in favour of the Merging Company will be deposited at the registered offices of Reply and published on its corporate website - in accordance to section 2501 *septies* of the Italian Civil Code and - with Consob Regulation No. 11971/1999 within the 30 (thirty) days prior to the Shareholders' Meeting called to resolve on the Merger.

The report of the independent expert appointed by the district court (*Landgericht*) Dortmund will be deposited at the registered offices of Reply Deutschland within the month prior to the Shareholders' Meeting called to resolve on the Merger.

An excerpt of the report of the independent expert appointed by the Court of Dortmund in favour of Reply Deutschland will be deposited at the registered offices of Reply and published on its corporate website in accordance with section 2501 *septies* of the Italian Civil Code within the 30 (thirty) days prior to the shareholders' meeting called to approve the Merger.

6
SHARE ASSIGNMENT PROCESS

Pursuant to Section 2504-ter of the Italian Civil Code, the shares held by Reply in the Merged Company will be cancelled.

In execution of the Merger, to the minority shareholders of Reply Deutschland will be allotted maximum No. 235,216 Reply's treasury shares, of a par value of 0.52 (zero/52) each, to be allotted to the minority shareholders of Reply Deutschland in accordance with the Exchange Ratio as determined by the companies participating to the Merger and certified by the independent experts.

The procedure as stated under 2.11.5 above applies.

The Exchanged Shares will have standard dividend rights as of the Legal Merger Effective Date and will grant to the holders rights equivalent to those granted to the shareholders of the Merging Company on the Legal Merger Effective Date.

The Exchanged Shares will be listed at the same par value of the ordinary shares of the Merging Company outstanding at the Legal Merger Effective Date and will remain issued in dematerialised form through the centralised management system managed by Monte Titoli S.p.A..

No expense will be borne by the Merged Company shareholders for the purposes of the exchange allotment.

The merging companies have appointed the Bank as being in charge of all trustee and settlement duties relating to the exchange, through which ownership of the Exchanged Shares will be transferred.

Reply, Reply Deutschland and the Bank executed a fiduciary agreement providing the obligation of the Bank to make use of the Exchanged Shares exclusively for the purposes concerning (i) the implementation of the Merger (ii) to communicate the receipt of the Exchanged Shares to the Companies Register of Reply Deutschland and (iii) to transfer the Exchanged Shares following the entry of the Merger in the Companies Register of Turin to the shareholders of Reply Deutschland, against receipt of their shares in Reply Deutschland considering the Exchange Ratio or respectively in case the Merger is not implemented to retransfer the Exchanged Shares to Reply.

All further details relating to the procedure of payment of the cash consideration will be published in the Electronic Federal Gazette after the Legal Effective Date of the Merger. In addition, the Bank will make corresponding notifications to the minority shareholders of Reply Deutschland. The settlement will be effected without charges for the minority shareholders of Reply Deutschland.

7
FINANCIAL ASPECTS
OF THE MERGER:
EVALUATION OF THE ASSETS AND LIABILITIES

The assets and liabilities of the companies involved in the Merger were evaluated upon the basis of the financial representation resulting from the interim financial statements as of 31 March 2013 approved by the management bodies of both the participating companies and attached herein as *Annex B* and *Annex C*.

Assets and liabilities that will be transferred to the Merging Company have been evaluated in accordance to German accounting principles.

From the application of IAS/IFRS accounting principles no significant difference of value arises.

8 FISCAL EFFECTS OF THE MERGER

8.1

Taxation of the transferring and the Merging company

8.1.a German perspective

The Merger will not result in corporate income or trade tax effects for Reply Deutschland. As result of the intended application of the roll-over of book value provision, Section 11 para. 2 UmwStG (German Transformation Tax Act, *Umwandlungssteuergesetz*), the tax basis in Reply Deutschland 's closing tax balance sheet as of 31st of March 2013 will remain unaffected.

Pursuant to Section 12 UmwStG, Reply shall take over for its German tax purposes in connection with its participation in Reply Deutschland GmbH & Co. KG the tax basis from the closing tax balance sheet of Reply Deutschland as of 31st of March 2013, i.e. to the merger date for tax purposes.

There is no taxable takeover result from the merger, from an economical perspective, the exchange of the stock in Reply Deutschland against the assets and liabilities of Reply Deutschland in Germany.

Expenses and income accrued at the level of Reply Deutschland from 1st of April 2013 onwards from transferred assets and liabilities will be taxed as part of the income from the investment in Reply Deutschland GmbH & Co KG.

The Merger does not result in German value added tax.

8.1.b. Italian perspective

The Merger is neutral for Italian income tax perspective and accordingly shall not result in any taxable effect on hidden capital gain or loss on the assets and liabilities of Reply or Reply Deutschland, also in respect of the annulment of Reply Deutschland shares currently held by Reply (Section 172 and Section 179 of DPR 917/1986). Furthermore, taking into account that, the Merger will not result in any German "exit" taxation on the assets of Reply Deutschland, such assets will be taken over by Reply for Italian tax purposes at value equal to the book value in Reply Deutschland accounts.

Having regard to the amount of the net equity of Reply and its parameters of economical vitality (i.e. revenues and personnel costs), the Merger should not affect the deductibility for Italian tax purposes of tax loss and/or excess of interest charges, if any, generated by Reply in the course of the year in which the Merger is executed (Section 172 (7) DPR 917/1986).

The Merger will not interrupt the Italian Tax Group Regime existing among Reply and its Italian controlled companies (Section 11 (3) D.M. 09/06/2004)

The Merger does not result in Italian value added tax.

8.2

Taxation of the shareholders of Reply Deutschland

8.2.a. German perspective

General comments

The following § contains a short summary of some important German tax consequences of the Merger for the stockholders of Reply Deutschland. However, it is not a comprehensive and exhausting presentation of all tax aspects which could be relevant for the shareholders. Basis of this summary is the national German tax law (statutory rules, published guidance of the fiscal authority and published case law of German financial courts).

In case of uncertainty regarding tax consequences of the merger, stockholders are advised to contact their tax advisors. They are able to consider the individual facts and circumstances when analyzing the tax effects for the individual stockholder.

The aforementioned applies especially for stockholders which are not German tax residents as not only German domestic but also non German law as well as applicable income tax treaties have to be considered.

Stock owned as business assets

Stock in Reply Deutschland which is considered a German domestic business asset is, in principle, deemed sold at a fair market value and the stock in Reply received in exchange is deemed purchased at this value. A capital gain has to be taxed according to the general rules for corporations pursuant to Section 8b KStG (German Corporate Income Tax Act, *Körperschaftsteuergesetz*); whereby, in principle, only 5 percent of a capital gain would be taxed at the ordinary tax rates applicable to corporations. In case of individuals, pursuant to Section 3 no. 40, Section 3c EStG (German Income Tax Act, *Einkommensteuergesetz*); whereby, in principle, only 60 percent of the capital gain would be subject to the applicable ordinary income tax rates.

However, stockholders may apply for a roll-over of tax basis. In this case, the stock exchange does not result in taxable capital gain and any tax attributes of the stock in Reply Deutschland will carry-over to the stock in Reply.

In case a stockholder opts to not receive stock in Reply but a cash compensation, the transaction will constitute a sale of stock. Respectively, a capital gain has to be taxed according to the aforesaid rules.

Shares owned as private assets

In case stockholders receive shares in Reply for their shares in Reply Deutschland, they are considered to replace the stock in Reply Deutschland pursuant to Section 20 para. 4a EStG. Therefore, the exchange does not result in a taxable capital gain and any tax attributes of the stock in Reply Deutschland will carry-over to the stock in Reply.

If a stockholder opts to not receive stock in Reply but a cash settlement, the transaction will constitute a sale. Shares that were purchased after 31st of December 2008 are subject to the so-called flat rate tax of 25 percent plus solidarity surcharge (in the amount of 5.5 percent of the flat rate tax, i.e. the flat rate tax and the solidarity surcharge amount to 26.375 percent) and church tax, if applicable. Stockholders with a lower personal income tax rate may request taxation at their (lower) personal tax rate.

In case a stockholder acquired the respective stock prior to 1st of January 2009, a capital gain is not taxable.

Stock as substantial participation

In case a stockholder owned at least 1 percent of the stated capital in Reply Deutschland (so-called essential investment pursuant to Section 17 EStG) during at any time within the last 5 years prior to the merger, the rules as set out above for stock owned as business assets apply respectively. The tax basis is determined by the acquisition costs. In case a roll-over of tax basis is requested by the stockholder, the received stock in Reply is deemed to qualify as substantial participation even if the stockownership ration in Reply is lower than 1 percent.

8.2.b. Italian perspective

The exchange of Reply Deutschland shares against Reply shares received in execution of the Merger will not result in any taxable effect for Italian tax purposes in the hands of minority shareholders of Reply Deutschland.

9
LEGAL MERGER EFFECTIVE DATE
AND
MERGER ACCOUNTING AND TAX EFFECTIVE DATE

Pursuant to Section 15 of the Legislative Decree 108/2008 and Sections 2501-*ter* and 2504-*bis* of the Italian Civil Code, the Merger will be effective from the date of the last entry provided for by Sections 2504 of the Italian Civil Code and, therefore, from the date of execution of the entry of the Merger in the Companies Register of Turin. As of the Legal Merger Effective Date any legal acts or other transactions of Reply Deutschland will be deemed as made in the name and on behalf of Reply.

The Exchanged Shares will all have standard dividend rights and will grant to the holders administrative and patrimonial rights equivalent to those granted to the shareholders of the Merging Company from the Legal Merger Effective Date.

Pursuant to Section 2504-*bis* of the Italian Civil Code, starting from the Legal Merger Effective Date the Merging Company will succeed, by way of universal succession, in all the assets and liabilities belonging to the Merged Company.

From the accounting and financial perspective, the Merger will be retroactively effective from the 1st April 2013, date from which the transaction performed by the Merged Company will be ascribed to the financial statement of the Merging Company.

The last financial year of Reply Deutschland will close as at the day before the Merger Accounting and Tax Effective Date.

In particular, the Merger will be accounted in Reply accounts pursuant to IAS/IFRS as a “*business combination of entities under common control*”: pursuant to the general accepted interpretation (Assirevi OPI no. 1 and no. 2), the assets and liabilities of Reply Deutschland in principle, will be taken over in Reply accounts keeping the book values recorded in Reply Deutschland accounts before the Merger. Merger deficits, if any, deriving from the annulment of Reply Deutschland shares held by Reply against the relevant portion of net equity of Reply Deutschland may be posted as a step-up of Reply Deutschland assets for an amount not higher to that one resulting from Reply Consolidated Financial Statements.

10
PROSPECTIVE SHAREHOLDERS AND CONTROLLING SHAREHOLDERS
OF REPLY

As resulting from the Shareholders' Register, notices received pursuant to law and other information available at the date of this Common Management Report, the shareholders of Reply who directly or indirectly hold – even through nominees, trust companies and subsidiaries - significant equity interests (more than 2% of the share capital with voting rights) are as follows:

Beneficiary	Direct Shareholder	% Share quota	% Voting rights
Rizzante Mario	Alika S.r.l.*	53.4345	53.4345
	Rizzante Mario	0.1093	0.1093
Bny Mellon Service Kapitalanlage	Bny Mellon Service Kapitalanlage	5.2413	5.2413
Highclere International Investors Llp	Highclere International Investors Llp	3.5598	3.5598
Reply S.p.A.	Repy S.p.A. **	2.5527	2.5527
Lodigiani Riccardo	Lodigiani Riccardo	2.1006	2.1006

* Alika S.r.l., controlling company of Reply, do not exercise any activity of management and coordination vis-à-vis Reply since it has substantially assumed the configuration of an holding company, without independent organisational structure. Therefore, it does not exercise, as matter of fact, the direction for Reply

** These shares will be used to fulfill the share swap under the Merger

Upon completion of the Merger and taking into account that the Exchange Ratio will satisfy with attribution of treasury shares, the current shareholders' composition above detailed will not affect, without prejudice for the possible reduction of the percentage of the same Reply's interest relating to the treasury shares.

Given the structure of the transaction, the Merger will not entitle Reply's shareholders to withdraw pursuant to Section 2437 of the Italian Civil Cod.

The Merger will not affect shareholders' agreements (as defined in accordance with the provisions of Section 122 of Legislative Decree 58/1998.) involving Reply's ordinary shares.

The extract of the shareholders' agreement entered into on the 9th of November 2004 between the holders of a share equal to a total of 51% of the share capital of Alike S.r.l. (namely, Mr. Mario Rizzante, Ms. Maria Graziella Paglia, Ms. Tatiana Rizzante and Mr. Filippo Rizzante) and automatically renewed until the 9th of November 2013, was initially published in the newspaper Milano Finanza on the 18th of November 2004 and filed with the Companies Register of Turin pursuant to Section 122 of Legislative Decree 58/1998 and Section 129 of Consob Regulation No. 11971. The additional disclosure requirements with respect to Consob and the public pursuant to Section 122 of Legislative Decree No. 58/1998 were duly complied.

**BENEFITS OR RIGHTS GRANTED TO SPECIAL CATEGORIES OF SHAREHOLDERS,
TO THE MEMBERS OF THE ADMINISTRATIVE
OR MANAGEMENT AND CONTROLLING
BODIES OF THE COMPANIES INVOLVED IN THE MERGER
AND TO THE EXPERT EXAMINING THE
COMMON MERGER PROPOSAL**

No particular benefits or rights are granted to any categories of shareholders or to any member of the administrative, supervisory, controlling or management bodies of the companies involved in the Merger nor any special benefit or right is granted to the independent experts appointed by the Court of Turin and by the Court of Dortmund for the drafting, respectively, of the report on the fairness of the Exchange Ratio and of the report on the fairness of the cash consideration.

The Merging Company and the Merged Company did not issue securities other than shares.

The envisaged Merger will be conducted in accordance with applicable regulations protecting interests of the parties currently or potentially implicated in corporate matters of the involved companies.

In order to protect and facilitate the exercise of the rights of creditors and shareholders and, more generally, in order to enable the availability of useful information to anyone who might be interested in the Merger, the companies participating in the Merger will provide, to the extent required, for the publication of appropriate information in the Official Gazette.

13.1 Repercussions of the Merger for the Shareholders and withdrawal right

With reference to the new ownership structure resulting from the implementation of the transaction and the structure of the shareholding as it will be pursuing the Merger, please see the detail in the preceding §§ of this Common Management Report and, in particular, in § 10.

As anticipated, given the nature of the structure of the transaction, the Merger will not entitle shareholders with termination in accordance with Section 2437 of the Italian Civil Code.

As anticipated, e.g. under point 2.11.6 above, given the nature of the structure of the transaction, the Merger will entitle shareholders of Reply Deutschland to sell the shares against payment of an adequate consideration if such shareholders opposes the Merger by record to protocol of the shareholders' meeting.

13.2 Repercussions of the Merger for the Creditors of the Companies involved in the Merger

According also to Section 122e sentence 1 UmwG, this Common Management Report describes in detail under the effects of the Merger on the creditors of the companies involved in the merger.

In this perspective, the protection afforded to the creditors of the two companies is regulated by the law of the state in which the respective debtor's registered office is situated.

As highlighted under § 2.11.14 of this Common Management Report and in the Common Merger Proposal, as the Merger may theoretically result in an impairment of creditors' interests, the law provides for a protective mechanism.

Namely:

- according to section 122j UmwG the creditors of Reply Deutschland – within 2 (two) months of the day on which the Common Merger Proposal or its draft is published - can demand security if they make credible that the Merger will endanger the satisfaction of their claims, as far as such claim was or is established fifteen day prior or after the publication of the Common Merger Proposal;
- according to section 122a para. 2 and to section 22 of the UmwG, the creditors of Reply Deutschland - within 6 (six) months of the day on which the Merger Deed is registered in the Companies Register of Turin - can demand security for their claims if they make credible that the merger will endanger the satisfaction of their claims;
- according to section 2503 of the Italian Civil Code, the creditors of the Merged Company whose credits predate the entry of the Common Merger Proposal in the Companies Register, shall be entitled to file an appeal against the Merger within the period of 60 (sixty) days from the last entry of the entries provided by Section 2502-bis of the Italian Civil Code (entry of the entries of the Reply shareholders resolution in the Companies Register of Turin).

The Merger will be implemented after 60 (sixty) days from the entry with the Companies Register of Turin of the shareholders' resolution approving the Merger. Such amount of time has the purpose to allow creditors to exercise their right of opposition which they are entitled pursuant to Section 2503 of the Italian Civil Code.

Creditors who require any clarification on the Merger process may obtain further information on the conditions of exercise of the right to object at the registered office of both the Merging Company and the Merged Company.

13.3 Repercussions of the Merger on Employment

At the date of the execution of the Common Management Report, the Merged Company does not have any employee and therefore the procedure regarding the information and consultations of trade unions - as provided by Section 47 of Italian Law No. 428 of 29 December 1990 - is not applicable.

In order to preserve the current structure of employment Reply Deutschland transferred, with effect from the 28th of February 2013, its business concern in favour of Reply GmbH & Co. KG, a sub-holding company controlled by the same Merged Company.

In any case, the completion of the Merger will not entail any modification on the existing employment relations between Reply and its employees nor it will affect the employment of the Merging Company and the Reply Group.

At the time of the drawing up of the Common Management Report, no employment relationships exist at Reply Deutschland with the consequence that, on the basis of German Law, there are no employment matters which could be affected by the Merger. Hence, as anticipated under § 1.3.10 above, the informing and consulting procedures provided for by German Employment Law (e. g. Section 122. Transformation Act, Section 613a Civil Code, Section 106 Works Constitution Act, Section 111 Works Constitution Act) do not apply. Furthermore, due to the lack of employee participation in the corporate bodies of Reply Deutschland no proceedings under the MvBG are to be conducted.

Without prejudice to the foregoing, this Common Management Report will be made available to employees in accordance with Section 8 of Legislative Decree 108/2008.

Finally, please note that Section 19 of Legislative Decree 108/2008 - laying down the rules for the participation of workers in the Merging Company - shall not apply with respect to the proposed merger, given the fact that neither the Merging Company or the Merged Company are managed under a participation of workers regime as provided by Section 19 Legislative Decree 108/2008 and Section 16 of Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005.

PROPOSED RESOLUTION OF THE SHAREHOLDERS' MEETING OF REPLY

The Board of Directors of Reply will submit to the extraordinary shareholders' meeting following resolution:

"The Extraordinary Shareholders' Meeting of Reply examined:

- *the common cross-border merger by incorporation (hereinafter the "**Merger**") of Reply Deutschland (hereinafter "Reply Deutschland ") in Reply (hereinafter "**Reply**") drawn up by the management bodies of said companies pursuant to Section 2501-ter of the Italian Civil Code, Section 122c of the German Law Umwandlungsgesetz and Section 6 of Legislative Decree n. 108 of 30 March 2008 and of the Consob Regulation 11971 (hereinafter the "**Common Merger Proposal**");*
- *the common management report on the Common Merger Proposal drawn up by the management bodies of Reply and of Reply Deutschland (hereinafter the "**Common Management Report**");*
- *the economic and financial positions of Reply and Reply Deutschland as of the 31st of March 2013 approved by the respective management bodies on the 24ⁿ of May 2013;*
- *the report drawn up by the auditing firm appointed as independent experts by the Court of Turin pursuant to Section 2501-sexsies of the Italian Civil Code and Section 9 of Legislative Decree No. 108 of 30 March 2008 and by the auditing firm appointed by the Court of Dortmund pursuant to the German law Umwandlungsgesetz*

resolves

- 1) *to approve the Common Merger Proposal of incorporation of Reply Deutschland AG (with registered offices in Bartholomaeusweg 26, 33334 - Gutersloh, Governative District of Detmold, Westfalia, Germania, with share capital of Euro 4,750,561.00, filed with the Companies Register with protocol no. HRB 3943) in Reply S.p.A. (with registered office in Turin, Corso Francia 11, Italia, share capital of Euro 4,803,685.64, filed with the Companies Register of Turin with protocol no. 97579210010, fiscal code 97579210010) filed at the Companies Register of Turin on _____ and entry protocol no. _____ and on the Companies Register of _____ on _____ and with protocol no. ____ for Reply Deutschland, jointly with the relevant documentation ;*
- 2) *to approve that:*
 - *as a result of the Merger, the shares of Reply Deutschland held by Reply will be cancelled pursuant to Section 2504-ter of the Italian Civil Code;*
 - *pursuant to Section 2504-bis of the Italian Civil Code, the Merger will be effective from the date of entry of the Merger in the Companies Register of Turin;*
 - *transactions carried out by Reply Deutschland, for accounting and tax purposes, will be ascribed in the financial statement of Reply from the 1st of April 2013;*
 - *from the date of entry of the Merger in the Companies Register of Turin, the exchanged shares shall participate in the profits of the Merging Company;*
 - *the German evaluation in relation to the exchange ratio and the cash consideration under Section 122J of the Umwandlungsgesetz – German Merger and Transformation Act, as contemplated in paragraph 15 of the Common Merger Proposal will apply;*
- 3) *to empower and authorise, even severally, the Chairman of the Board of Directors, the Managing Director Mis. Tatiana Rizzante and the Executive Director Mr. Daniele Angelucci, every faculty and power to ensure that - in compliance with all the provisions of the Common Merger Proposal, the Common Management Report drafted by the Board of Directors on the Common Merger Proposal, as well as all related contractual agreements to which Reply is part and also in compliance with the German legislation - may, even through representatives appointed by themselves, within the limits provided by the law, carry out all that is necessary for the implementation of the present resolution and so may, inter alia:*
 - *to execute the Merger and in particular to enter into the relating notarial deed, providing for each clause, and implementation arrangements;*
 - *to comply with all the required formalities so as this resolution will obtain legal approvals, with the right to introduce any amendment deemed necessary and appropriate also for entry in the Companies Register;*
 - *to execute, in general, any action required and appropriate for the complete implementation of the Merger also in relation to the fulfillments with the relevant authorities, with any and all powers, none excluded or exempted ;*

- to transfer Reply's treasury shares in order to satisfy the exchange ratio equal to 5 (five) Reply share for every 19 (nineteen) Reply Deutschland shares;
- in accordance with German law, to purchase the treasury shares held following the exchange of shares of the shareholders formerly shareholders of Reply Deutschland, under the requirements provided by law;
- to represent the merging company in all the preliminary practices, granting them any power necessary to approve the documentation concerning the merger, including the Common Merger Proposal that will be subjected to notarization by the German Notary Public, any amendment and integration necessary to proceed with the notarization, as well as in the execution of the notarial merger deed (with the authority to accept and enter into all the clauses, terms and conditions as they deem appropriate, without making changes to the Common Merger Proposal that affect the rights of shareholders or third parties) and that they are provided, in general, with what it is required in order to finalise the Merger;
- to execute the legal notices of these resolutions, with the authority to introduce non-substantial changes that might be required for the entry in the Companies Register and with all the necessary powers in order to achieve the implementation of this resolution;
- to execute all acts and formality necessary or opportune for the implementation of all the procedures provided by the legislation in favour of the creditors, shareholders, employees and of all the other subjects involved."

PROPOSED RESOLUTION OF THE SHAREHOLDERS' MEETING OF REPLY DEUTSCHLAND

The management and Supervisory Board of Reply Deutschland will jointly submit to the Extraordinary Shareholders' Meeting the following resolution:

"The merger proposal as established on 24 May 2013 between Reply Deutschland AG and Reply S.p.A. is approved".

The Merger will have the following effects on the listing of the shares of Reply Deutschland and Reply.

16.1 Termination of Listing Reply Deutschland

The listing of Reply Deutschland will end with the close of the trading day on the Legal Merger Effective Date.

16.2 Consequences for the Listing Reply

As for the Legal Merger Effective Date, the Exchanged Shares will be listed at the same par value of the ordinary shares of the Merging Company outstanding at the Legal Merger Effective Date and will be dematerialised through the centralised management system managed by Monte Titoli S.p.A.

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FURTHER INFORMATION

Reply will make available:

- Common Merger Proposal/Common Management Report in the Reply registered office or on its website at least 30 (thirty) days before the shareholders meeting;
- Expert report for Reply and – by excerpt – for Reply Deutschland in the Reply premises or on Reply website at least 30 (thirty) days before the shareholders meeting;
- Annual financial statements and management and audit reports of Reply and of Reply Deutschland for the last three financial years in Reply registered office at least 30 (thirty) days before the shareholders meeting;
- Interim financial statements of Reply and Reply Deutschland dated 31st of March 2013 in Reply registered office or on Reply website at least 30 (thirty) days before the shareholders meeting;
- Information Document provided under Section 70, sixth §, of the Consob Regulation No. 11971 in the Reply registered office or on its website at least 15 (fifteen) days before the date of the shareholders' meeting.

Reply Deutschland will make available:

- Common Merger Proposal/Common Management Report to be submitted to the commercial register at least 1 (one) month before the shareholders meeting;
- Common Management Report in the Reply Deutschland premises/on the Reply Deutschland website at least 1 (one) month before the shareholders meeting;
- Merger audit reports for Reply Deutschland and for Reply in the Reply Deutschland premises/on the Reply Deutschland website at least 1 (one) month before the shareholders meeting;
- Annual financial statements and management reports for the last three financial years for Reply Deutschland and for Reply in the Reply Deutschland premises/on the Reply Deutschland website upon calling of the shareholders meeting;
- interim financial statements of Reply and Reply Deutschland dated 31 March 2013 in the Reply Deutschland premises/on the Reply Deutschland website upon calling of the shareholders meeting.

Torino/Gutersloh, 5th of June 2013

Reply S.p.A.
The Board of Directors
The Chairman

Reply Deutschland AG
The Executive Board

ANNEXES

- Annex A** Common Merger Proposal in Italian and German language
- Annex B** Interim Financial Statement of Reply S.p.A. as at the 31st of March 2013 in Italian and German language
- Annex C** Interim Financial Statement of Reply Deutschland AG as at the 31st of March 2013 in German and Italian language
- Annex D** Evaluation of Reply executed by Studio Pirola Pennuto Zei & Associati, Corporate area in Italian, English and German language
- Annex E** Evaluation of Reply Deutschland executed by Duffs & Phelps in Italian, English and German language