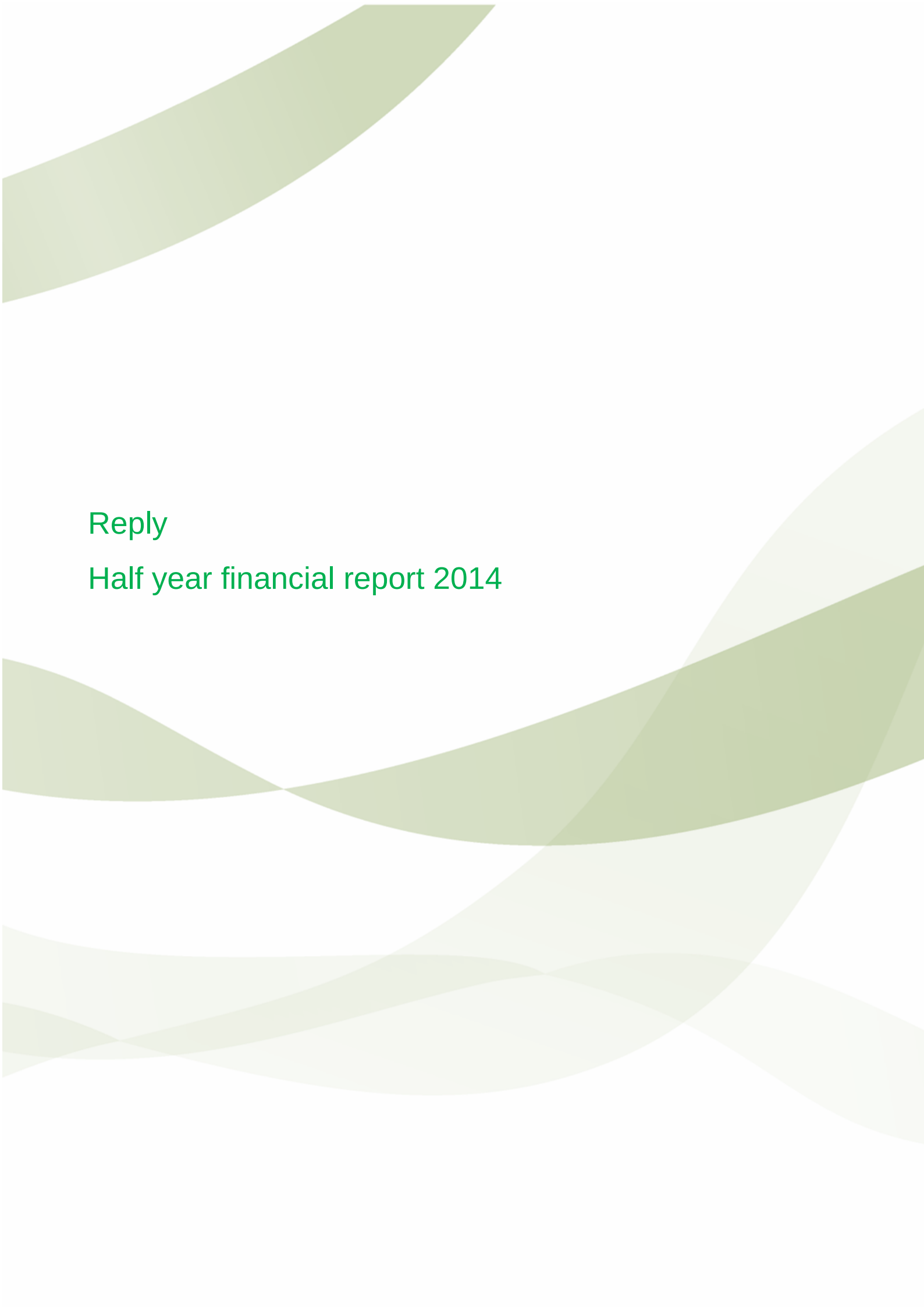




## Half-year financial report 2014



Reply

Half year financial report 2014

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*This half year report has been translated into English from the original Italian version, in case of doubt the Italian version shall prevail.*

# Board of Directors and Controlling Bodies

## Chairman and Chief Executive Officer

Mario Rizzante

## *Chief Executive Officer*

Tatiana Rizzante

## Executive Directors

Daniele Angelucci

Claudio Bombonato

Oscar Pepino

Filippo Rizzante

Fausto Forti <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

Carlo Alberto Carnevale Maffè <sup>(1)</sup> <sup>(2)</sup>

Marco Mezzalama <sup>(1)</sup> <sup>(2)</sup>

## Board of Statutory Auditors

### *President*

Cristiano Antonelli

### *Statutory auditors*

Paolo Claretta Assandri

Ada Alessandra Garzino Demo

## Independent Auditors

Reconta Ernst & Young S.p.A.

(1) Directors not invested with operational proxies.

(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance

(3) Lead independent director

## The Group's financial highlights

| Year 2013 | %     | Economic figures (Euros/000) | 1 <sup>st</sup> half 2014 | %     | 1 <sup>st</sup> half 2013 | %     |
|-----------|-------|------------------------------|---------------------------|-------|---------------------------|-------|
| 560,151   | 100.0 | Revenue                      | 308,499                   | 100.0 | 270,015                   | 100.0 |
| 72,600    | 13.0  | Gross operating income       | 41,554                    | 13.5  | 37,382                    | 13.8  |
| 64,171    | 11.5  | Operating income             | 37,924                    | 12.3  | 32,814                    | 12.2  |
| 61,732    | 11.0  | Income before taxes          | 37,346                    | 12.1  | 31,954                    | 11.8  |
| 34,450    | 6.2   | Group net income             | 22,067                    | 7.2   | 17,360                    | 6.4   |

| Year 2013 | Financial figures (Euros/000) | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 |
|-----------|-------------------------------|---------------------------|---------------------------|
| 211,809   | Group shareholders' equity    | 227,358                   | 188,161                   |
| 799       | Non controlling interest      | 519                       | 1,066                     |
| 549,531   | Totaled assists               | 530,094                   | 452,786                   |
| 124,374   | Net working capital           | 119,446                   | 115,668                   |
| 207,596   | Net invested capital          | 218,802                   | 182,984                   |
| 44,132    | Cash flow                     | 30,036                    | 23,624                    |
| 5,011     | Net financial position        | 9,075                     | 6,243                     |

| Year 2013 | Data per single share (in Euros) | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 |
|-----------|----------------------------------|---------------------------|---------------------------|
| 9,307,857 | Number of shares                 | 9,352,857                 | 9,267,857                 |
| 6,89      | Operating result per share       | 4,05                      | 3,54                      |
| 3,81      | Net result per share             | 2,36                      | 1,87                      |
| 4,74      | Cash flow per share              | 3,21                      | 2,55                      |
| 22,76     | Shareholders' equity per share   | 24,31                     | 20,30                     |

| Year 2013 | Other information   | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 |
|-----------|---------------------|---------------------------|---------------------------|
| 4,253     | Number of employees | 4,477                     | 3,951                     |

# Reply Living Network

Reply is a Consulting, System Integration and Digital Services organization, dedicated to the creation, design and implementation of solutions based on new communication channels and digital media.

It is made up of a network of highly-specialized companies, which support leading industrial groups in defining and developing business models to optimize and integrate processes, applications and devices, using new technology and communication paradigms, such as big data; cloud computing; digital communication; Internet of Things; mobile and social networking.

## Organizational model

Reply operates through a network of companies specialized by Processes, Applications and Technologies, and are centers of excellence in their respective segment.

**Processes:** For Reply, understanding and using technology means introducing a new process-enabling factor. It can do this thanks to an in-depth knowledge of the market and of the different industry implementation contexts.

**Applications:** Reply designs and develops applications to meet each company's core business needs.

**Technologies:** Reply uses the latest technologies, in the best possible way, to create solutions that enable customers to benefit from the highest levels of operational efficiency and flexibility.

Reply's services include:

**Consultancy** – related to strategy, communications, process and technology;

**System Integration** - combining business consulting with high value-add, innovative technology solutions, to harness the potential of the technology;

**Application Management** – encompassing the management, monitoring and continuous evolution of applications.

## Market focus

Reply combines sector expertise with a wealth of experience in the services offered, together with an ability to deliver advanced technology to all market segments.

### Telco and Media

Reply is a leading technology partner for the telco & media industry, a market whose players are continually evolving and increasingly positioning themselves as suppliers of innovative services and digital content. As digitalization becomes pervasive and the physical and digital realities merge, businesses' means of communicating with the end consumer are changing radically and thus influencing the underlying models, processes, systems and technologies.

### Banks, Insurance and other financial institutions

Reply is working with leading banks and insurance companies to develop solutions for the most important business areas, underpinned by profound and innovative changes to business models, operating processes, and underlying platforms.

### Manufacturing and Retail

Reply supports businesses in revamping and running their information systems, from strategic design to understanding and remodelling the core processes and implementing solutions to integrate applications supporting the extended enterprise.

### Energy and Utility

The energy & utilities sector is going through continual change. In recent years, the spread of renewable sources and the adoption of new grid technologies have driven the main players' investment strategies. Reply has put together a dedicated offering to support companies in the industry through operational, organizational and technological change initiatives, with advanced real-time-billing and energy-management solutions. In particular, Reply combines a deep knowledge of the market and the business processes with a distinctive ability to design, implement and manage application solutions to support 'core' activities.

Finally, Reply assists companies that sell and distribute electricity and gas in devising new operational models with solutions embracing the main market trends (e.g. smart metering, smart grid, and demand response).

## Government and Defence

In the public-administration and health sector, a pressing need has emerged over the last year to cut costs while maintaining quality and enhancing citizens' access to services. There are two contributory factors: the law, which has established 'standard costs' as a means of balancing local variations in service costs, and the operating framework, which sees the increasing use of big-data, cloud-computing and internet technologies as a way to reduce overall expenditure. In this scenario, Reply brings to bear its expertise in the latest online services, by verticalising applications and skills to create dedicated solutions for managing the interface with business and the public.

## Technology innovation

Technology innovation drives Reply forward. Reply has always striven to supply its customers with the tools needed to boost flexibility and efficiency. Reply is continually researching, selecting and marketing innovative solutions to support value-creation in organizations.

Previous years' investments in establishing implementation models for big-data architectures and in building specific multidisciplinary teams of analysts, business experts, statisticians and IT specialists have enabled Reply to position itself as a major big-data player in various European industries.

## Cloud Computing

In recent years, cloud computing has become one of the most important revolutions for businesses to grapple with. And it is increasingly clear that this is just the beginning. The major world vendors' offering of services and virtual environments has effectively transformed, if not overturned companies' traditional concept of IT.

## CRM

The ever-deeper integration with the new communication technologies (especially in the mobile arena), the social element of participation and collaboration, and the spread of multichannel methods have acquired crucial importance in the creation of CRM solutions that add real value, replacing the traditional models by a customer-centric approach.

## Digital Services

In the communication market, individual brands', products' or services' presence on the various digital platforms, both for consumers and for employees, has grown in importance in recent years. This multichannel presence, with multiple target groups, is increasingly dialogue-based and interactive, a long way from the classic shop-window model.



## E-Commerce

In recent years, ecommerce has become increasingly central to B2C relationships. Indeed, before 2014 is out, global ecommerce earnings are set to equal those from physical shops. More and more often, businesses are expanding their model with new multichannel strategies to offer consumers different touchpoints – both digital and physical – to use when buying products.

## Internet of Things

The impetus for convergence in the telco, media and consumer-electronics sectors is driving the need to treat objects currently without any kind of connectivity (domestic appliances, integrated domotic system controllers, etc...) as "networked devices". Underlying the Internet of Things (IoT) is machine to machine (M2M), a market that leading analysts predict will grow by over 39% a year in Europe during 2014–20, to be worth over 400 billion euros worldwide by 2020, with more than 26 billion networked objects.

## Mobile

Through its consolidated expertise in devices, user experience and communication protocols and its knowledge of the main telco and media processes, Reply supports its customers in establishing scenarios and models for multichannel interaction. Reply creates new collaborative environments that offer:

## Mobile Payments

Mobile devices are increasingly pervasive in consumers' daily lives. Mobile-device developments combined with the growing take-up of new payment methods as alternatives to cash and as ways to transfer funds between private individuals (PtoP), are making the mobile-payments sector a very promising market for the coming years.

## Security

Reply is now a key player with an integrated offering covering IT risk management, threat and vulnerability assessment, and the design and implementation of technological, procedural and organizational countermeasures.

## Social Media

Social media has changed the way people find information and how they interact and communicate. People of all ages use this communication model in an increasingly pervasive and natural way in their daily lives. It has now been embraced on a massive scale by businesses, too, which have seized new opportunities for using these paradigms, both internally (employee networks) and externally (B2C or B2B), seeking innovative ways to connect their organization/brand/service with their customers and stakeholders.

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## **Interim** financial report 2014

## Financial Review of the Group

### Introduction

The Half-Year report for the period ended June 30, 2014 has been prepared in accordance with the Legislative Decree. 58/1998, as amended, and the "Regolamento Emittenti" issued by Consob.

The Report also conforms with the requirements of the International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") adopted by the European Union and has been prepared in accordance with IAS 34 – Interim Financial Reporting.

The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at December 31, 2013.

### Trend of the first half

Since the beginning of 2014, the Group has achieved consolidated sales of 308.5 million Euros, an increase of 14.3% compared to 2013.

The first half of 2014 also registered significant improvements in margins, with consolidated EBITDA of 41.6 million Euros (+11.2%) and EBIT of 37.9 million Euros (+15.6%) for the period. Earnings before tax at 37.3 million Euros were up 16.9% compared to the same period in 2013.

With regard to the second quarter of 2014, the Group's results were also positive with a consolidated turnover for the period of 154.9 million Euros, a 14.3% increase over the 2013 figure.

The EBITDA from April to June 2013 amounted to 22.6 million Euros (+21.2% compared to 2013), with an EBIT of 20.8 million Euros (+31.4%), and earnings before tax of 20.7 million Euros (+34.2%).

As at 30 June 2014, the Group's net financial position was positive in the amount of 9.1 million Euros compared to 5.0 million Euros at 31 December 2013. As at 30 June 2013, the net financial position was positive at 6.2 million Euros.

The strength of Reply is its ability to understand innovation by making it functional to the needs of companies. Reply was among the first to work on new paradigms such as Big Data, Cloud Computing, Digital Services, Mobile and Social, supporting its customers in introducing them within their organizations.

## Reclassified consolidated statement of income at June 30

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

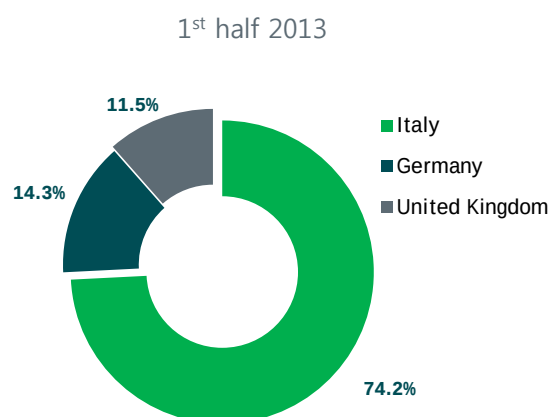
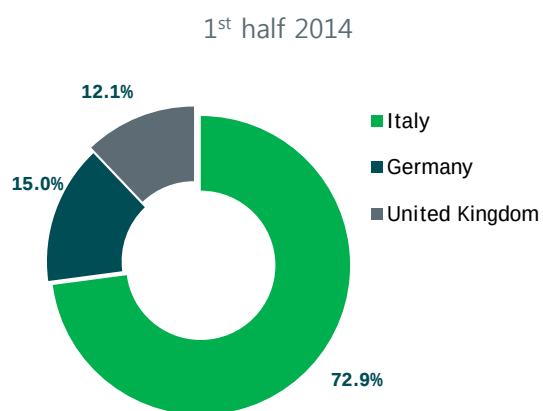
| (thousand Euros)                           | 1 <sup>st</sup> half 2014 | %             | 1 <sup>st</sup> half 2013 | %             |
|--------------------------------------------|---------------------------|---------------|---------------------------|---------------|
| <b>Revenues</b>                            | <b>308,499</b>            | <b>100.0</b>  | <b>270,015</b>            | <b>100.0</b>  |
| Purchases                                  | (5,910)                   | (1.9)         | (5,237)                   | (1.9)         |
| Personnel                                  | (154,393)                 | (50.0)        | (132,599)                 | (49.1)        |
| Services and other costs                   | (106,642)                 | (34.6)        | (94,798)                  | (35.1)        |
| <b>Operating costs</b>                     | <b>(266,945)</b>          | <b>(86.5)</b> | <b>(232,634)</b>          | <b>(86.2)</b> |
| <b>Gross operating income (EBITDA)</b>     | <b>41,554</b>             | <b>13.5</b>   | <b>37,382</b>             | <b>13.8</b>   |
| Amortization, depreciation and write-downs | (3,583)                   | (1.2)         | (3,640)                   | (1.3)         |
| Other unusual (costs)/income               | (47)                      | (0.0)         | (928)                     | (0.3)         |
| <b>Operating income (EBIT)</b>             | <b>37,924</b>             | <b>12.3</b>   | <b>32,814</b>             | <b>12.2</b>   |
| Financial income/(expenses)                | (578)                     | (0.2)         | (860)                     | (0.3)         |
| <b>Income before taxes</b>                 | <b>37,346</b>             | <b>12.1</b>   | <b>31,954</b>             | <b>11.8</b>   |
| Income taxes                               | (14,885)                  | (4.8)         | (14,253)                  | (5.3)         |
| <b>Net income</b>                          | <b>22,461</b>             | <b>7.3</b>    | <b>17,702</b>             | <b>6.6</b>    |
| Non controlling interest                   | (393)                     | (0.1)         | (342)                     | (0.1)         |
| <b>Group net income</b>                    | <b>22,067</b>             | <b>7.2</b>    | <b>17,360</b>             | <b>6.4</b>    |

## Reclassified consolidated statement of income of the second quarter

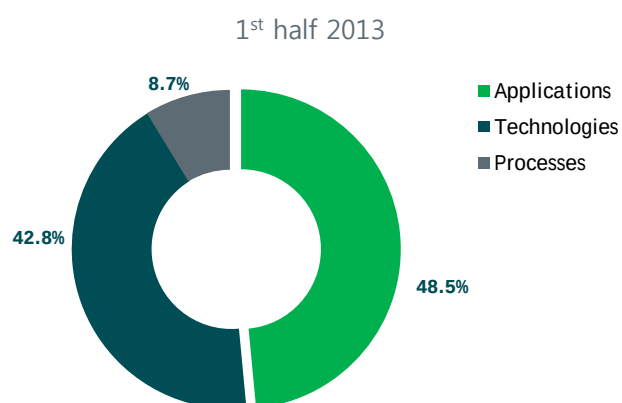
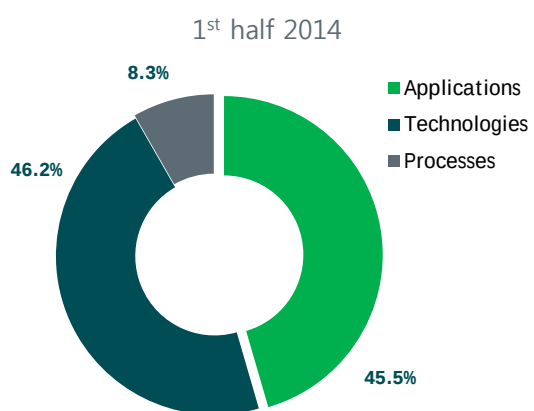
Reply's second quarter performance is shown below in the following reclassified consolidated income statement and is compared to corresponding figures of the previous second quarter:

| (thousand Euros)                           | 2 <sup>nd</sup> Q 2014 | %             | 2 <sup>nd</sup> Q 2013 | %             |
|--------------------------------------------|------------------------|---------------|------------------------|---------------|
| <b>Revenues</b>                            | <b>154,902</b>         | <b>100.0</b>  | <b>135,523</b>         | <b>100.0</b>  |
| Purchases                                  | (2,780)                | (1.8)         | (2,608)                | (1.9)         |
| Personnel                                  | (77,882)               | (50.3)        | (67,885)               | (50.1)        |
| Services and other costs                   | (51,612)               | (33.3)        | (46,359)               | (34.2)        |
| <b>Operating costs</b>                     | <b>(132,274)</b>       | <b>(85.4)</b> | <b>(116,853)</b>       | <b>(86.2)</b> |
| <b>Gross operating income (EBITDA)</b>     | <b>22,628</b>          | <b>14.6</b>   | <b>18,670</b>          | <b>13.8</b>   |
| Amortization, depreciation and write-downs | (1,802)                | (1.2)         | (1,929)                | (1.4)         |
| Other unusual (costs)/income               | (47)                   | (0.0)         | (928)                  | (0.7)         |
| <b>Operating income (EBIT)</b>             | <b>20,780</b>          | <b>13.4</b>   | <b>15,813</b>          | <b>11.7</b>   |
| Financial income/(expenses)                | (117)                  | (0.1)         | (418)                  | (0.3)         |
| <b>Income before taxes</b>                 | <b>20,663</b>          | <b>13.3</b>   | <b>15,395</b>          | <b>11.4</b>   |

## Revenue by geographic area



## Revenue by business lines



## Analysis of the financial structure

The table below illustrates the Group's financial structure as at June 30, 2014 compared to December 31, 2013:

| (thousand Euros)                      | 30/06/2014     | %            | 31/12/2013     | %            | Change         |
|---------------------------------------|----------------|--------------|----------------|--------------|----------------|
| Current operating assets              | 301,246        |              | 318,530        |              | (17,284)       |
| Current operating liabilities         | (181,800)      |              | (194,155)      |              | 12,355         |
| <b>Net working capital (A)</b>        | <b>119,446</b> |              | <b>124,374</b> |              | <b>(4,928)</b> |
| Non current assets                    | 162,419        |              | 162,570        |              | (151)          |
| Non current liabilities               | (63,063)       |              | (79,347)       |              | 16,284         |
| <b>Fixed capital (B)</b>              | <b>99,356</b>  |              | <b>83,222</b>  |              | <b>16,134</b>  |
| <b>Net invested capital (A+B)</b>     | <b>218,802</b> | <b>100.0</b> | <b>207,597</b> | <b>100.0</b> | <b>11,205</b>  |
| Shareholders' equity (C)              | 227,877        | 104.1        | 212,608        | 102.4        | 15,269         |
| <b>NET FINANCIAL POSITION (A+B-C)</b> | <b>(9,075)</b> | <b>(4.1)</b> | <b>(5,011)</b> | <b>(2.4)</b> | <b>(4,064)</b> |

Net invested capital as at June 30, 2014, amounted to 218,802 thousand Euros, and was financed by Shareholders' equity for 227,877 thousand Euros, with a remaining positive net financial position of 9,075 thousand Euros.

The following table provides a breakdown of net working capital:

| (thousand Euros)                         | 30/06/2014     | 31/12/2013     | Change          |
|------------------------------------------|----------------|----------------|-----------------|
| Work in progress                         | 44,710         | 21,910         | 22,800          |
| Trade receivables                        | 234,037        | 271,166        | (37,129)        |
| Other current assets                     | 22,499         | 25,454         | (2,955)         |
| <b>Current operating assets (A)</b>      | <b>301,246</b> | <b>318,530</b> | <b>(17,284)</b> |
| Trade payables                           | 66,995         | 68,124         | (1,129)         |
| Other current liabilities                | 114,805        | 126,032        | (11,227)        |
| <b>Current operating liabilities (B)</b> | <b>181,800</b> | <b>194,155</b> | <b>(12,355)</b> |
| <b>Net working capital (A-B)</b>         | <b>119,446</b> | <b>124,374</b> | <b>(4,928)</b>  |

% return on revenues

19.4%

22.2%

## Net financial position and cash flows statement

| (thousand Euros)                     | 30/06/2014      | 31/12/2013      | Change         |
|--------------------------------------|-----------------|-----------------|----------------|
| Cash and cash equivalents, net       | 46,645          | 38,861          | 7,784          |
| Current financial assets             | 1,458           | 1,010           | 448            |
| Due to banks                         | (10,163)        | (14,099)        | 3,937          |
| Due to other providers of finance    | (364)           | (319)           | (46)           |
| <b>Short-term financial position</b> | <b>37,576</b>   | <b>25,453</b>   | <b>12,123</b>  |
| Non current financial assets         | 1,316           | 1,278           | 38             |
| Due to banks                         | (28,860)        | (20,755)        | (8,105)        |
| Due to other providers of finance    | (956)           | (964)           | 8              |
| <b>M/L term financial position</b>   | <b>(28,501)</b> | <b>(20,442)</b> | <b>(8,059)</b> |
| <b>Total net financial position</b>  | <b>9,075</b>    | <b>5,011</b>    | <b>4,064</b>   |

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

| (thousand Euros)                                     | 30/06/2014   |
|------------------------------------------------------|--------------|
| Net cash flows from operating activities (A)         | 30,036       |
| Net cash flows from investment activities (B)        | (20,474)     |
| Net cash flows from financing activities (C)         | (1,779)      |
| <b>Net cash flows (D) = (A+B+C)</b>                  | <b>7,784</b> |
| Cash and cash equivalents at beginning of period (*) | 38,861       |
| Cash and cash equivalents at period end              | 46,645       |
| <b>Total change in cash and cash equivalents (D)</b> | <b>7,784</b> |

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

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



## Other information

### Research and Development activities

Reply offers high technology services and solutions in a market where innovation is of primary importance.

Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.

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

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

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

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

## Intergroup transactions and with related parties

During the period, there were no transactions with related parties, including intergroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

The company in the notes to the financial statements and consolidated financial statements provides the information required pursuant to Art. 154-ter of the TUF [Consolidated Financial Act] as indicated by Consob Reg. no. 17221 of 12 March 2010, indicating that there were no significant transactions concluded during the period.

Information on transactions with related parties as per Consob communication of 28 July 2006 is disclosed at the annexed tables herein.

## Human resources

At June 30, 2014 the number of employees of the Group was 4,477 with an increase of 224 compared to December 31, 2013 and an increase of 526 resources compared to June 30, 2013.

## Outlook on operations

In the first six months of 2014 Reply achieved extremely positive results, both in terms of turnover and profitability. The second quarter, in particular, was characterized by substantial growth, and this allows looking forward to the coming months with optimism, continuing on the path of development of our Group.

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# **Half year** condensed consolidated financial statements at 30 June 2014

## Consolidated statement of income (\*)

| (thousand Euros)                           | Note | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 | 2013           |
|--------------------------------------------|------|---------------------------|---------------------------|----------------|
| <b>Revenues</b>                            | 5    | <b>308,499</b>            | <b>270,015</b>            | <b>560,151</b> |
| Other income                               |      | 5,633                     | 6,033                     | 14,307         |
| Purchases                                  | 6    | (5,910)                   | (5,237)                   | (10,644)       |
| Personnel                                  | 7    | (154,393)                 | (132,599)                 | (269,893)      |
| Services and other costs                   | 8    | (112,275)                 | (100,830)                 | (214,726)      |
| Amortization, depreciation and write-downs | 9    | (3,583)                   | (3,640)                   | (7,949)        |
| Other unusual (cost)/income                | 10   | (47)                      | (928)                     | (7,075)        |
| <b>Operating income</b>                    |      | <b>37,924</b>             | <b>32,814</b>             | <b>64,171</b>  |
| Financial income/(expenses)                | 11   | (578)                     | (860)                     | (2,439)        |
| <b>Income before taxes</b>                 |      | <b>37,346</b>             | <b>31,954</b>             | <b>61,732</b>  |
| Income taxes                               |      | (14,885)                  | (14,253)                  | (26,652)       |
| <b>Net income</b>                          |      | <b>22,461</b>             | <b>17,702</b>             | <b>35,080</b>  |
| Non controlling interest                   |      | (393)                     | (342)                     | (630)          |
| <b>Group net result</b>                    |      | <b>22,067</b>             | <b>17,360</b>             | <b>34,450</b>  |
| <i>Earnings per share</i>                  | 13   | 2.36                      | 1.94                      | 3.81           |
| <i>Diluted Earnings per share</i>          |      | 2.36                      | 1.93                      | 3.79           |

(\*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 33.

## Consolidated statement of comprehensive income

| (thousand Euros)                                                                                                       | Note | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 |
|------------------------------------------------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Profit of the period (A)</b>                                                                                        |      | <b>22,461</b>             | <b>17,702</b>             |
| Other comprehensive income that will not be reclassified subsequently to profit or loss                                |      |                           |                           |
| Actuarial gains/(losses) from employee benefit plans                                                                   | 24   | (973)                     | 844                       |
| <b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):</b> |      | <b>(973)</b>              | <b>844</b>                |
| Other comprehensive income that may be reclassified subsequently to profit or loss:                                    |      |                           |                           |
| Gains/(losses) on cash flow hedges                                                                                     | 24   | 113                       | 41                        |
| Gains/(losses) on exchange differences on translating foreign operations                                               | 24   | 48                        | 328                       |
| <b>Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2)</b>       |      | <b>161</b>                | <b>369</b>                |
| <b>TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B) = (B1) + (B2)</b>                                                  |      | <b>(812)</b>              | <b>1,213</b>              |
| <b>Total comprehensive income (A)+(B)</b>                                                                              |      | <b>21,649</b>             | <b>18,915</b>             |
| <b>Total comprehensive income attributable to:</b>                                                                     |      |                           |                           |
| Owners of the parent                                                                                                   |      | 21,255                    | 18,553                    |
| Non-controlling interest                                                                                               |      | 393                       | 362                       |

## Consolidated statement of financial position (\*)

| (thousand Euros)                                             | Note      | 30/06/2014     | 31/12/2013     | 30/06/2013     |
|--------------------------------------------------------------|-----------|----------------|----------------|----------------|
| Tangible assets                                              | 14        | 13,132         | 13,553         | 10,966         |
| Goodwill                                                     | 15        | 126,731        | 125,637        | 105,195        |
| Other intangible assets                                      | 16        | 6,405          | 6,363          | 5,366          |
| Equity investments                                           | 17        | 6              | 23             | 7              |
| Financial assets                                             | 18        | 4,344          | 4,275          | 5,844          |
| Deferred tax assets                                          | 19        | 13,117         | 13,997         | 10,965         |
| <b>Non current assets</b>                                    |           | <b>163,735</b> | <b>163,847</b> | <b>138,342</b> |
| Work in progress                                             | 20        | 44,710         | 21,910         | 36,093         |
| Trade receivables                                            | 21        | 234,037        | 271,166        | 204,336        |
| Other current assets                                         | 22        | 22,499         | 25,454         | 23,592         |
| Financial assets                                             | 18        | 1,458          | 1,010          | 699            |
| Cash and cash equivalents                                    | 23        | 63,655         | 66,145         | 49,724         |
| <b>Current assets</b>                                        |           | <b>366,359</b> | <b>385,684</b> | <b>314,444</b> |
| <b>TOTAL ASSETS</b>                                          |           | <b>530,094</b> | <b>549,531</b> | <b>452,786</b> |
| Share capital                                                |           | 4,863          | 4,840          | 4,819          |
| Other reserves                                               |           | 200,427        | 172,519        | 165,982        |
| Group net income                                             |           | 22,067         | 34,450         | 17,360         |
| <b>Group shareholders' equity</b>                            | <b>24</b> | <b>227,358</b> | <b>211,809</b> | <b>188,161</b> |
| Non controlling interest                                     | 24        | 519            | 799            | 1,066          |
| <b>SHAREHOLDERS' EQUITY</b>                                  |           | <b>227,877</b> | <b>212,608</b> | <b>189,227</b> |
| Payables to minority shareholders and corporate transactions | 25        | 18,131         | 35,364         | 30,904         |
| Financial liabilities                                        | 26        | 29,817         | 21,719         | 13,535         |
| Employee benefits                                            | 27        | 22,190         | 20,089         | 19,089         |
| Deferred tax liabilities                                     | 28        | 10,785         | 12,458         | 8,478          |
| Provisions                                                   | 29        | 11,957         | 11,436         | 9,629          |
| <b>Non current liabilities</b>                               |           | <b>92,880</b>  | <b>101,067</b> | <b>81,635</b>  |
| Financial liabilities                                        | 26        | 27,537         | 41,702         | 33,591         |
| Trade payables                                               | 30        | 66,995         | 68,124         | 50,662         |
| Other current liabilities                                    | 31        | 114,039        | 125,047        | 96,207         |
| Provisions                                                   | 29        | 766            | 984            | 1,463          |
| <b>Current liabilities</b>                                   |           | <b>209,337</b> | <b>235,857</b> | <b>181,923</b> |
| <b>TOTAL LIABILITIES</b>                                     |           | <b>302,217</b> | <b>336,924</b> | <b>263,559</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>            |           | <b>530,094</b> | <b>549,531</b> | <b>452,786</b> |

(\*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of financial position are reported in the Annexed tables herein and fully described in Note 33.

## Statement of changes in consolidated equity

| (thousand Euros)                      | Share capital | Treasury shares | Capital reserve | Earning reserve | Cash flow hedge reserve | Cumulative translation adjustment reserve | Reserve for actuarial gains/(losses) | Non controlling interest | Total          |
|---------------------------------------|---------------|-----------------|-----------------|-----------------|-------------------------|-------------------------------------------|--------------------------------------|--------------------------|----------------|
| <b>At January 1<sup>st</sup> 2013</b> | <b>4,796</b>  | <b>(3,605)</b>  | <b>48,776</b>   | <b>126,305</b>  | <b>(73)</b>             | <b>24</b>                                 | <b>(1,524)</b>                       | <b>2,704</b>             | <b>177,403</b> |
| Increase of share capital             | 23            | -               | 937             | -               | -                       | -                                         | -                                    | -                        | 960            |
| Dividends distributed                 | -             | -               | -               | (5,131)         | -                       | -                                         | -                                    | (844)-                   | (5,975)        |
| Total comprehensive income/(loss)     | -             | -               | -               | 17,360          | 41                      | 328                                       | 824                                  | 362                      | 18,915         |
| Other changes                         | -             | -               | 1,324           | (941)           | -                       | -                                         | (1,303)                              | (1,156)                  | (2,076)        |
| <b>At June 30, 2013</b>               | <b>4,819</b>  | <b>(3,605)</b>  | <b>51,037</b>   | <b>137,593</b>  | <b>(32)</b>             | <b>352</b>                                | <b>(2,003)</b>                       | <b>(1,066)</b>           | <b>189,227</b> |

| (thousand Euros)                      | Share capital | Treasury shares | Capital reserve | Earning reserve | Cash flow hedge reserve | Cumulative translation adjustment reserve | Reserve for actuarial gains/(losses) | Non controlling interest | Total          |
|---------------------------------------|---------------|-----------------|-----------------|-----------------|-------------------------|-------------------------------------------|--------------------------------------|--------------------------|----------------|
| <b>At January 1<sup>st</sup> 2014</b> | <b>4,840</b>  | <b>(9)</b>      | <b>51,899</b>   | <b>155,849</b>  | <b>(124)</b>            | <b>313</b>                                | <b>(960)</b>                         | <b>799</b>               | <b>212,608</b> |
| Increase of share capital             | 23            | -               | 937             | -               | -                       | -                                         | -                                    | -                        | 960            |
| Dividends distributed                 | -             | -               | -               | (6,546)         | -                       | -                                         | -                                    | (694)                    | (7,240)        |
| Total comprehensive income/(loss)     | -             | -               | -               | 22,067          | 113                     | 48                                        | (973)                                | 393                      | 21,649         |
| Other changes                         | -             | -               | -               | (119)           | -                       | -                                         | -                                    | 21                       | (98)           |
| <b>At June 30, 2014</b>               | <b>4,863</b>  | <b>(9)</b>      | <b>52,836</b>   | <b>171,251</b>  | <b>(11)</b>             | <b>361</b>                                | <b>(1,933)</b>                       | <b>519</b>               | <b>227,877</b> |



## Consolidated statement of cash flows

| (thousand Euros)                                                  | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 |
|-------------------------------------------------------------------|---------------------------|---------------------------|
| Net result of the period                                          | 22,067                    | 17,360                    |
| Income taxes                                                      | 14,885                    | 14,253                    |
| Depreciation and amortization                                     | 3,583                     | 3,640                     |
| Other non monetary expenses/(income)                              | (2,369)                   | -                         |
| Change in work in progress                                        | (22,800)                  | (20,665)                  |
| Change in trade receivables                                       | 37,129                    | 33,363                    |
| Change in trade payables                                          | (1,129)                   | (5,994)                   |
| Change in other assets and liabilities                            | (19,140)                  | (15,882)                  |
| Income taxes paid                                                 | (2,190)                   | (2,450)                   |
| <b>Net cash flows from operating activities (A)</b>               | <b>30,036</b>             | <b>23,624</b>             |
| Payments for tangible and intangible assets                       | (3,204)                   | (2,449)                   |
| Payments for financial assets                                     | (517)                     | 496                       |
| Payments for the acquisition of subsidiaries net of cash acquired | (16,752)                  | (8,999)                   |
| <b>Net cash flows from investment activities (B)</b>              | <b>(20,474)</b>           | <b>(10,952)</b>           |
| Shares issued                                                     | 960                       | 960                       |
| Dividends paid                                                    | (7,240)                   | (5,975)                   |
| In payments from loans                                            | 11,173                    | 6,000                     |
| Repayment of loans                                                | (6,811)                   | (4,551)                   |
| Other changes                                                     | 138                       | (586)                     |
| <b>Net cash flows from financing activities (C)</b>               | <b>(1,779)</b>            | <b>(4,153)</b>            |
| <b>Net cash flows (D) = (A+B+C)</b>                               | <b>7,784</b>              | <b>8,519</b>              |
| Cash and cash equivalents at beginning of period                  | 38,861                    | 18,610                    |
| Cash and cash equivalents at period end                           | 46,645                    | 27,129                    |
| <b>Total change in cash and cash equivalents (D)</b>              | <b>7,784</b>              | <b>8,519</b>              |

### Detail of cash and cash equivalents

| (thousand Euros)                                        | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 |
|---------------------------------------------------------|---------------------------|---------------------------|
| <b>Cash and cash equivalents at beginning of period</b> | <b>38,861</b>             | <b>18,610</b>             |
| Cash and cash equivalents                               | 66,145                    | 53,992                    |
| Bank overdrafts                                         | (27,284)                  | (35,382)                  |
| <b>Cash and cash equivalents at period end</b>          | <b>46,645</b>             | <b>27,129</b>             |
| Cash and cash equivalents                               | 63,655                    | 49,724                    |
| Bank overdrafts                                         | (17,010)                  | (22,596)                  |

## Notes

|                                                                 |         |                                                                |
|-----------------------------------------------------------------|---------|----------------------------------------------------------------|
| <b>General information</b>                                      | Note 1  | - General information                                          |
|                                                                 | Note 2  | - Accounting principles and basis of consolidation             |
|                                                                 | Note 3  | - Risk management                                              |
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| <b>Income statement</b>                                         | Note 5  | - Revenue                                                      |
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|                                                                 | Note 7  | - Personnel                                                    |
|                                                                 | Note 8  | - Services and other costs                                     |
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|                                                                 | Note 10 | - Other unusual operating income/(expenses)                    |
|                                                                 | Note 11 | - Financial income/(expenses)                                  |
|                                                                 | Note 12 | - Income taxes                                                 |
|                                                                 | Note 13 | - Earnings per share                                           |
| <b>Statement of financial position - Assets</b>                 | Note 14 | - Tangible assets                                              |
|                                                                 | Note 15 | - Goodwill                                                     |
|                                                                 | Note 16 | - Other intangible assets                                      |
|                                                                 | Note 17 | - Equity Investments                                           |
|                                                                 | Note 18 | - Financial assets                                             |
|                                                                 | Note 19 | - Deferred tax assets                                          |
|                                                                 | Note 20 | - Work-in-progress                                             |
|                                                                 | Note 21 | - Trade receivables                                            |
|                                                                 | Note 22 | - Other receivables and current assets                         |
|                                                                 | Note 23 | - Cash and cash equivalents                                    |
| <b>Statement of financial position - Liabilities and equity</b> | Note 24 | - Shareholders' equity                                         |
|                                                                 | Note 25 | - Payables to minority shareholders and corporate transactions |
|                                                                 | Note 26 | - Financial liabilities                                        |
|                                                                 | Note 27 | - Employee benefits                                            |
|                                                                 | Note 28 | - Deferred tax liabilities                                     |
|                                                                 | Note 29 | - Provisions                                                   |
|                                                                 | Note 30 | - Trade payables                                               |
|                                                                 | Note 31 | - Other current liabilities                                    |
| <b>Other information</b>                                        | Note 32 | - Segment Reporting                                            |
|                                                                 | Note 33 | - Transactions with related parties                            |
|                                                                 | Note 34 | - Guarantees, commitments and contingent liabilities           |
|                                                                 | Note 35 | - Events subsequent to 30 June 2014                            |

## NOTE 1 – General information

Reply [MTA, STAR: REY] specializes in the implementation of solutions based on new communication channels and digital media. Reply, consisting of a network of specialist companies, supports important European industries belonging to the Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration segments, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply offers consultancy, system integration and application management and business process outsourcing ([www.reply.eu](http://www.reply.eu)).

## NOTE 2 - Accounting principles and basis of consolidation

### Compliance with International accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC"). Following the coming into force of European Regulation No. 1606 of July 2002, starting from 1 January, 2005, the Reply Group adopted International Financial Reporting Standards (IFRS).

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

### General principles

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

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

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

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

### Financial statements

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

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

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.

The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.

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

## Other accounting standards, amendments and interpretations commencing January 1, 2014

### IFRS 10 Consolidated financial statements, IAS 27 (2011) Separate financial statements

IFRS 10 introduces a new single model of control which is applied to all entities, including special purpose entities. IFRS 10 replaces the previous standards governing consolidated financial statements and special purpose entities (IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities).

Under the new concept of IFRS 10, control exists when the potential parent company holds decision power over the potential subsidiary based on voting rights or other rights, it is exposed to positive and negative variability in returns from the subsidiary, and these returns may be affected by the decision power held by the parent.

IFRS 10 did not affect the Group's scope of consolidation.

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

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

### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 expands the disclosure requirements for interests in other entities. These requirements are not applicable to interim financial statements unless a significant event and/or transaction has taken place and requires disclosure.

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

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

### Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

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

### Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

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

### Additional disclosure on the recoverable value of non financial assets – Amendments to IAS 36

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

## NOTE 3 - Risk management

### Credit risk

For business purposes, specific policies are adopted to assure its clients’ solvency.

With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

### Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of the Group companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of committed credit lines).

The difficult economic situation of the markets and of financial markets necessitates special attention being given to the management of the liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and maintaining an adequate level of liquid assets. The Group therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

### Exchange rate and interest rate risk

As the Group operates mainly in a "Euros area" the exposure to currency risks is limited.

The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

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

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

## NOTE 4 – Consolidation

Companies included in the consolidation are included on a line-by-line basis.

Change in the scope of consolidation compared to 30 June 2013 is as follows:

- Triplesense Reply GmbH, acquired in the month of July 2013 by Reply S.p.A which holds 100% of its shares, is a leading German company in consultancy and in the developments of strategies and solutions for digital communication on mobile and social channels.
- Mind Services Informatica Ltd acquired in the month of November 2013 by Reply S.p.A. by means of the subsidiary Reply do Brasil Ltda which holds 76% of its capital, is a Brazilian company specialized in consultancy and in the development of technological solutions for the insurance world.
- Solidsoft Reply Ltd, acquired in the month of December 2013 by Reply S.p.A., by means of the subsidiary Reply Ltd. which holds 100% of its share capital, and is a company specialized in consultancy and in the development of architectures and Microsoft cloud solutions.

Change in the consolidation does not significantly affect the Group's revenues and profits before tax on 30 June 2014 (approximately 3.2% on consolidated revenue).

Furthermore, the list of the Reply Group's companies and equity investments, presented as an annex herein, also includes in the consolidation the following newly incorporated companies with respect to 30 June 2013:

- Portaltech Reply GmbH incorporated under German law in November 2013, in which Reply holds 68% of the share capital.
- Engage Reply S.r.l., incorporated under Italian law in December 2013 in which Reply holds 85% of the share capital.
- Solidsoft Reply S.r.l., incorporated under Italian law in December 2013 in which Reply holds 85% of the share capital.
- France Reply Ltd., incorporated under English law in December 2013 in which Reply Ltd. holds 100% of the share capital.
- Reply Belgium SA, incorporated under Belgian law in February 2014 in which France Reply Ltd. holds 100% of the share capital.



- Reply Luxembourg Sarl incorporated under Luxembourg law in March 2014 in which France Reply Ltd. holds 100% of the share capital.
- Reply France Sarl incorporated under French law in May 2014 in which France Reply Ltd. holds 100% of the share capital.
- Risk Reply Ltd incorporated under English law in May 2014 in which Reply Ltd. holds 100% of the share capital.
- Breed Reply Ltd incorporated under English law in June 2014 in which Reply S.p.A. holds 100% of the share capital.

## NOTE 5 - Revenue

Revenues from sales and services, including change in work in progress, amounted to 308,499 thousand Euros (270,015 thousand Euros as at June 30, 2013).

This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by geographic area:

| Country        | 1 <sup>st</sup> Half 2014 | 1 <sup>st</sup> Half 2013 |
|----------------|---------------------------|---------------------------|
| Italy          | 72.9%                     | 74.2%                     |
| Germany        | 15.0%                     | 14.3%                     |
| United Kingdom | 12.1%                     | 11.5%                     |
|                | <b>100.0%</b>             | <b>100.0%</b>             |

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

## NOTE 6 - Purchases

Detail is as follows:

| (thousand Euros)             | 1 <sup>st</sup> Half 2014 | 1 <sup>st</sup> Half 2013 | Change     |
|------------------------------|---------------------------|---------------------------|------------|
| Software licenses for resale | 3,337                     | 2,957                     | 380        |
| Hardware for resale          | 209                       | 175                       | 34         |
| Other                        | 2,364                     | 2,105                     | 259        |
| <b>Total</b>                 | <b>5,910</b>              | <b>5,237</b>              | <b>673</b> |

Purchases of Software licenses and Hardware licenses for resale are recognized net of any change in inventory.

The item Other includes the purchase of fuel for 1,213 thousand Euros and the purchase of consumption material for 768 thousand Euros.

## NOTE 7 - Personnel

Detail is as follows:

| (thousand Euros)      | 1 <sup>st</sup> Half 2014 | 1 <sup>st</sup> Half 2013 | Change        |
|-----------------------|---------------------------|---------------------------|---------------|
| Payroll employees     | 138,690                   | 118,251                   | 20,439        |
| Executive Directors   | 12,409                    | 11,747                    | 662           |
| Project collaborators | 3,294                     | 2,601                     | 693           |
| <b>Total</b>          | <b>154,393</b>            | <b>132,599</b>            | <b>21,794</b> |

The increase in the cost of employees, amounting to 21,794 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees.

Detail of personnel by category is provided below:

| (number)     | 1 <sup>st</sup> Half 2014 | 1 <sup>st</sup> Half 2013 | Change     |
|--------------|---------------------------|---------------------------|------------|
| Directors    | 293                       | 264                       | 29         |
| Managers     | 655                       | 600                       | 55         |
| Staff        | 3,529                     | 3,087                     | 442        |
| <b>Total</b> | <b>4,477</b>              | <b>3,951</b>              | <b>526</b> |

On 30 June 2014 the Group had 4,477 employees compared with 3,951 of the first half 2013.

The acquisitions of Triplesense Reply GmbH, Mind Services Informatica Ltd and Solidsoft Ltd have resulted in an increase to the workforce equal to 128 employees.

Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

## NOTE 8 - Services and other costs

Services and other costs comprised the following:

| (thousand Euros)                              | 1 <sup>st</sup> Half 2014 | 1 <sup>st</sup> Half 2013 | Change        |
|-----------------------------------------------|---------------------------|---------------------------|---------------|
| Commercial and technical consulting           | 67,448                    | 57,260                    | 10,188        |
| Travelling and professional training expenses | 12,441                    | 11,565                    | 876           |
| Other service costs                           | 20,893                    | 21,344                    | (451)         |
| Office expenses                               | 4,625                     | 6,487                     | (1,862)       |
| Lease and rentals                             | 3,400                     | 3,164                     | 236           |
| Other                                         | 3,467                     | 1,011                     | 2,456         |
| <b>Total</b>                                  | <b>112,275</b>            | <b>100,830</b>            | <b>11,445</b> |

The change in Services and other costs, amounting to 11,445 Euros, is attributable to an overall increase in the Group's business.

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

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and provision of secretarial services for 415 thousand Euros and rent charged by third parties for 4,163 thousand Euros.

## NOTE 9 - Amortization, depreciation and write downs

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 30 June 2014 of 2,238 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the first half 2014 amounted to 1,345 thousand Euros. Details of depreciation are provided in the notes to intangible assets.

## NOTE 10 - Other unusual operating income/(expenses)

Other unusual operating costs amounted to 47 thousand Euros (928 thousand Euros in the first half of 2013) and refer to the fair value adjustment of the deferred consideration liabilities for the acquisition of shareholdings in controlled companies (income of 1,303 thousand Euros) and to provisions for contingent liabilities (expense of 1,350 thousand Euros).

## NOTE 11 - Financial income/(expenses)

Detail is as follows:

| <b>(thousand Euros)</b> | <b>1st Half 2014</b> | <b>1st Half 2013</b> | <b>Change</b> |
|-------------------------|----------------------|----------------------|---------------|
| Financial income        | 37                   | 51                   | (14)          |
| Interest expenses       | (878)                | (624)                | (254)         |
| Other                   | 263                  | (287)                | 550           |
| <b>Total</b>            | <b>(578)</b>         | <b>(860)</b>         | <b>282</b>    |

Financial gains are related to interest on bank accounts.

Interest expenses mainly include expenses related to loans for M&A operations.

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

## NOTE 12 - Income taxes

At June 30, 2014 income taxes amounted to 14,885 thousand Euros and were recognized in accordance to the expected annual average income tax rates.

## NOTE 13 - Earnings per share

### Basic earnings per share

The basic earnings per share as at 30 June 2014 was calculated on the basis of the Group's net result amounting to 22,067 thousand Euros (17,360 thousand Euros as at 30 June 2013), divided by the weighted average number of shares as at 30 June 2014, which amounted to 9,349,712 (8,930,438 as at 30 June 2013).

| (in Euros)               | 1st Half 2014 | 1st Half 2013 |
|--------------------------|---------------|---------------|
| Group net income         | 22,067,000    | 17,360,000    |
| Average number of shares | 9,349,712     | 8,930,438     |
| Earnings per share       | 2.36          | 1.94          |

### Diluted earnings per share

The basic earnings per share as at 30 June 2014 was calculated on the basis of the Group's net result amounting to 22,067 thousand Euros divided by the weighted average number of shares as at 30 June 2014, also taking into consideration the effect of future dilutions which could derive from the hypothetical use of financial instruments potentially convertible in shares (stock options).

| (in Euros)                        | 1st Half 2014 | 1st Half 2013 |
|-----------------------------------|---------------|---------------|
| Group net income                  | 22,067,000    | 17,360,000    |
| Average number of shares          | 9,349,712     | 8,930,438     |
| Diluting effect                   | -             | 85,000        |
| Weighted number of diluted shares | 9,349,712     | 9,015,438     |
| Diluted earnings per share        | 2.36          | 1.93          |

## NOTE 14 - Tangible assets

Tangible assets as at 30 June 2014 amounted to 13,132 thousand Euros and are detailed as follows:

| (thousand Euros)    | 30/06/2014    | 31/12/2013    | Change       |
|---------------------|---------------|---------------|--------------|
| Buildings           | 2,119         | 2,190         | (71)         |
| Plant and machinery | 1,416         | 1,154         | 262          |
| Hardware            | 3,310         | 3,507         | (197)        |
| Other               | 6,287         | 6,702         | (415)        |
| <b>Total</b>        | <b>13,132</b> | <b>13,553</b> | <b>(421)</b> |

Change in tangible assets in the first half of 2014 is summarized in the table below:

| (thousand Euros)         | Buildings    | Plants and machinery | Hardware     | Other assets | Total         |
|--------------------------|--------------|----------------------|--------------|--------------|---------------|
| Historical cost          | 4,023        | 4,584                | 23,719       | 14,035       | 46,361        |
| Accumulated depreciation | (1,833)      | (3,430)              | (20,211)     | (7,333)      | (32,808)      |
| <b>31/12/2013</b>        | <b>2,190</b> | <b>1,154</b>         | <b>3,507</b> | <b>6,702</b> | <b>13,553</b> |
| Historical cost          |              |                      |              |              |               |
| Purchases                | -            | 450                  | 1,039        | 350          | 1,839         |
| Disposals                | -            | -                    | (145)        | (171)        | (316)         |
| Other changes            | -            | -                    | 55           | 162          | 217           |
| Accumulated depreciation |              |                      |              |              |               |
| Depreciation             | (71)         | (189)                | (1,197)      | (781)        | (2,238)       |
| Utilization              | -            | -                    | 141          | 70           | 211           |
| Other changes            | -            | -                    | (90)         | (44)         | (134)         |
| Historical cost          | 4,023        | 5,034                | 24,668       | 14,376       | 48,101        |
| Accumulated depreciation | (1,904)      | (3,618)              | (21,358)     | (8,088)      | (34,968)      |
| <b>30/06/2014</b>        | <b>2,119</b> | <b>1,416</b>         | <b>3,310</b> | <b>6,287</b> | <b>13,132</b> |

The item Buildings mainly includes the net value of a building owned by the group amounting to 2,115 thousand Euros located in Gutersloh, Germany.

Change in the item Hardware is due to investments made by the Italian subsidiaries for 352 thousand Euros, 133 thousand Euros for purchases made by German companies, and 133 thousand Euros for purchases made by the English companies. Furthermore this item includes financial leases for 522 thousand Euros (628 at 31 December 2013).

The item Other assets as at 30 June 2014 mainly includes improvements to third party assets and office furniture. The increase of 350 Euros mainly refers to improvements made to the offices where the Group's companies operate. Such item also includes a financial leasing for furniture for a net value amounting to 445 thousand Euros (592 thousand Euros at 31 December 2013).

As at 30 June 2014, tangible assets were depreciated by 72.7% of their value, compared to 70.8% at the end of 2013.

## NOTE 15 - Goodwill

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

Goodwill in the first half of 2014 developed as follows:

(thousand Euros)

|                           |                |
|---------------------------|----------------|
| <b>Initial balance</b>    | <b>125,637</b> |
| Exchange rate differences | 1,094          |
| <b>Ending balance</b>     | <b>126,731</b> |

Goodwill was allocated to the cash generating units ("CGU"), identified in the countries in which the Group operates, and are summarized as follows:

| <b>CGU<br/>(thousand Euros)</b> | <b>Value at<br/>31/12/2013</b> | <b>Exchange rate<br/>differences</b> | <b>Value at<br/>30/06/2014</b> |
|---------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| Italy                           | 38,894                         | (184)                                | 38,710                         |
| Germany                         | 34,152                         | -                                    | 34,152                         |
| United Kingdom                  | 52,591                         | 1,278                                | 53,869                         |
| <b>Total</b>                    | <b>125,637</b>                 | <b>1,094</b>                         | <b>126,731</b>                 |

In the first half of 2014 the Group did not detect any impairment indicators.

## NOTE 16 - Other intangible assets

Net intangible assets as at 30 June 2014 amounted to 6,405 thousand Euros (6,363 thousand Euros on 31 December 2013) and are detailed as follows:

| (thousand Euros)        | Historical cost | Accumulated amortization | Net book value |
|-------------------------|-----------------|--------------------------|----------------|
|                         |                 |                          | 30/06/2014     |
| Development costs       | 16,421          | (12,935)                 | 3,485          |
| Software                | 15,435          | (13,052)                 | 2,382          |
| Trademarks              | 538             | -                        | 538            |
| Other intangible assets | 3,150           | (3,150)                  | -              |
| <b>Total</b>            | <b>35,543</b>   | <b>(29,139)</b>          | <b>6,405</b>   |

Intangible assets in the first half of 2014 developed as follows:

| (thousand Euros)  | Net book value | Increases    | Amortization   | Other changes | Net book value |
|-------------------|----------------|--------------|----------------|---------------|----------------|
|                   | 31/12/2013     |              |                |               | 30/06/2014     |
| Development costs | 3,616          | 767          | (898)          | -             | 3,485          |
| Software          | 2,209          | 634          | (447)          | (14)          | 2,382          |
| Trademarks        | 538            | -            | -              | -             | 538            |
| <b>Total</b>      | <b>6,363</b>   | <b>1,401</b> | <b>(1,345)</b> | <b>(14)</b>   | <b>6,405</b>   |

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

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 75 thousand Euros related to software development for internal use.

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

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



## NOTE 17 - Equity investments

The item Equity investments amounting to 6 thousand Euros mainly refers to minority shares in consortiums.

## NOTE 18 - Financial assets

Current and non current financial assets amounted to a total of 5,801 thousand Euros compared to 5,284 thousand Euros as at 31 December 2013.

Detail is as follows:

| (thousand Euros)                     | 30/06/2014   | 31/12/2013   | Change     |
|--------------------------------------|--------------|--------------|------------|
| Receivables from insurance companies | 3,003        | 2,984        | 19         |
| Guarantee deposits                   | 985          | 975          | 10         |
| Loans to non consolidated entities   | 1            | 1            | -          |
| Long term securities                 | 331          | 303          | 28         |
| Other financial assets               | 24           | 13           | 11         |
| Receivables from factor              | 373          | 669          | (297)      |
| Short term securities                | 1,084        | 340          | 745        |
| <b>Total</b>                         | <b>5,801</b> | <b>5,284</b> | <b>517</b> |

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

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse, net of advance payments received for 1,360 thousand Euros.

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

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

## NOTE 19 - Deferred tax assets

Such item, which amounted to 13,117 thousand Euros as at 30 June 2014 (13,997 thousand Euros as at 31 December 2013), includes the fiscal charge corresponding to the temporary differences deriving from income before taxes and taxable income in relation to deferred deductibility items.

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

## NOTE 20 – Work in progress

Work in progress, amounting to 44,710 thousand Euros, is detailed as follows:

| (thousand Euros)                | 30/06/2014    | 31/12/2013    | Change        |
|---------------------------------|---------------|---------------|---------------|
| Contract work in progress       | 94,626        | 63,669        | 30,957        |
| Advance payments from customers | (49,916)      | (41,759)      | (8,157)       |
| <b>Total</b>                    | <b>44,710</b> | <b>21,910</b> | <b>22,800</b> |

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

## NOTE 21 - Trade receivables

Trade receivables as at 30 June 2014 amounted to 234,037 thousand Euros with a net decrease of 37,129 thousand Euros.

| (thousand Euros)                | 30/06/2014     | 31/12/2013     | Change          |
|---------------------------------|----------------|----------------|-----------------|
| Domestic clients                | 189,169        | 219,053        | (29,884)        |
| Foreign trade receivables       | 48,937         | 57,244         | (8,306)         |
| Credit notes to be issued       | (29)           | (150)          | 120             |
| <b>Total</b>                    | <b>238,077</b> | <b>276,147</b> | <b>(38,069)</b> |
| Allowance for doubtful accounts | (4,040)        | (4,980)        | 940             |
| <b>Total trade receivables</b>  | <b>234,037</b> | <b>271,166</b> | <b>(37,129)</b> |

Trade receivables are shown net of allowances for doubtful accounts amounting to 4,040 thousand Euros at 30 June 2014 (4,980 thousand Euros at 31 December 2013).

The Allowance for doubtful accounts developed in the first half of 2014 as follows:

| (thousand Euros)                | 31/12/2013 | Provision | Write-off | Utilized | 30/06/2014 |
|---------------------------------|------------|-----------|-----------|----------|------------|
| Allowance for doubtful accounts | 4,980      | 250       | (24)      | (1,167)  | 4,040      |

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 31 December 2013, are summarized in the tables below:

**Aging at  
30/06/2014**

| (thousand Euros)                | Trade receivables | Current        | 0 - 90 days   | 91 - 180 days | 181 - 360 days | Over 360 days | Total overdue |
|---------------------------------|-------------------|----------------|---------------|---------------|----------------|---------------|---------------|
| Trade receivables               | 238,077           | 201,653        | 26,237        | 4,905         | 1,967          | 3,316         | 36,424        |
| Allowance for doubtful accounts | (4,040)           | (24)           | (170)         | (111)         | (1,028)        | (2,706)       | (4,016)       |
| <b>Total trade receivables</b>  | <b>234,037</b>    | <b>201,629</b> | <b>26,066</b> | <b>4,794</b>  | <b>938</b>     | <b>610</b>    | <b>32,408</b> |

**Aging at  
31/12/2013**

| (thousand Euros)                | Trade receivables | Current        | 0 - 90 days   | 91 - 180 days | 181 - 360 days | Over 360 days | Total overdue |
|---------------------------------|-------------------|----------------|---------------|---------------|----------------|---------------|---------------|
| Trade receivables               | 276,147           | 227,857        | 35,750        | 5,777         | 2,464          | 4,299         | 48,290        |
| Allowance for doubtful accounts | (4,980)           | (4)            | (270)         | (189)         | (1,169)        | (3,347)       | (4,976)       |
| <b>Total trade receivables</b>  | <b>271,166</b>    | <b>227,853</b> | <b>35,480</b> | <b>5,588</b>  | <b>1,295</b>   | <b>952</b>    | <b>43,314</b> |

## Assignment of receivables

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

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

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

As at 30 June 2014 the receivables transferred via Factoring operations with recourse amounted to 13,221 thousand Euros.

The book value of the assets assigned without recourse as at 31 December 2013 amounted to 1,733 thousand Euros, with an increase of available liquidity of 1,360 thousand Euros.

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

Trade receivables are all collectible within one year.

## NOTE 22 - Other receivables and current assets

Detail is as follows:

| (thousand Euros)                    | 30/06/2014    | 31/12/2013    | Change         |
|-------------------------------------|---------------|---------------|----------------|
| Tax receivables                     | 4,889         | 8,243         | (3,354)        |
| Advances to employees               | 108           | 273           | (166)          |
| Accrued income and prepaid expenses | 3,646         | 4,014         | (368)          |
| Other receivables                   | 13,856        | 12,923        | 933            |
| <b>Total</b>                        | <b>22,499</b> | <b>25,454</b> | <b>(2,955)</b> |

The item Tax receivables mainly includes:

- VAT tax receivables (3,856 thousand Euros);
- Receivables and advance payments for income tax net of the allocated liability (271 thousand Euros);
- Receivables for withholding tax (384 thousand Euros).

The item Other receivables includes the contribution to research in relation to financed projects in the amount of 10,904 thousand Euros.

## NOTE 23 - Cash and cash equivalents

The balance of 63,655 thousand Euros, with a decrease of 2,490 thousand Euros compared with 31 December 2013, represents cash and cash equivalents and the existence of cash on hand and valuables as at the end of the year.

Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flow.

## NOTE 24 - Shareholders' equity

### Share capital

As at 30 June 2014 the share capital of Reply S.p.A., fully subscribed and paid, amounted to 4,863,485 and comprises 9,352,856 ordinary shares of a nominal value of 0.52 Euros each.

The increase during the period refers to the exercise of stock options in the amount of 45,000 option rights for a total value of 960,255 Euros, of which 23,400 Euros is by way of increase in share capital and 936,855 Euros by way of share premiums.

### Treasury shares

The value of the Treasury shares, amounting to 9 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 30 June 2013 were equal to n. 597. In the first half of 2014 there were no changes in this item.

### Capital reserves

On 30 June 2014 Capital reserves, amounting to 52,836 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,302 thousand Euros;
- Treasury share reserve amounting to 9 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 29,991 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders'

Meeting of 16 April 2014 Reply S.p.A re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 50 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

## Earning reserves

Earnings reserves amounted to 171,251 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 144,766 thousand Euros (retained earnings amounted to 118,208 thousand Euros on 31 December 2013);
- Profits/losses attributable to shareholders of the Parent Company amounted to 22,067 thousand Euros (34,450 thousand Euros as on 31 December 2013).

## Other comprehensive income

Other comprehensive income can be analyzed as follows:

| (thousand Euros)                                                                                                       | 30/06/2014   | 31/12/2013   |
|------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Other comprehensive income that will not be reclassified subsequently to profit or loss                                |              |              |
| Actuarial gains/(losses) from employee benefit plans                                                                   | (973)        | 850          |
| <b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):</b> | <b>(973)</b> | <b>850</b>   |
| Other comprehensive income that may be reclassified subsequently to profit or loss:                                    |              |              |
| Gains/(losses) on cash flow hedges                                                                                     | 113          | (51)         |
| Gains/(losses) from the translation of financial statements                                                            | 48           | 404          |
| <b>Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):</b>      | <b>161</b>   | <b>353</b>   |
| <b>Total other comprehensive income, net of tax (B) = (B1) + (B2)</b>                                                  | <b>(812)</b> | <b>1.203</b> |

## Non-controlling interest

Non controlling interest amounting to 519 thousand Euros on 30 June 2014 (799 thousand Euros on 31 December 2013), refer to the following companies consolidated on a line-by-line basis:

| (thousand Euros)         | 30/06/2014 | 31/12/2013 |
|--------------------------|------------|------------|
| <b>Italian companies</b> |            |            |
| Bitmama S.r.l.           | 194        | (22)       |
| Bridge Reply             | 9          | 52         |
| Engage Reply S.r.l.      | (31)       | -          |
| Portaltech Reply S.r.l.  | 13         | 2          |
| Ringmaster Reply S.r.l.  | 448        | 678        |
| Solidsoft S.r.l.         | (18)       | -          |
| Storm Reply S.r.l.       | 72         | 54         |
| Twice Reply S.r.l.       | 71         | 64         |
| <b>Foreign companies</b> |            |            |
| is4 GmbH & Co. KG        | 32         | 32         |
| Inessence Reply GmbH     | (181)      | (56)       |
| Portaltech Reply GmbH    | (90)       | (5)        |
| <b>Total</b>             | <b>519</b> | <b>799</b> |

## Share based payment plans

In the first half of 2014 the remaining stock options were exercised in relation to the stock option plans resolved by the General Shareholders' meetings in the previous years.

## NOTE 25 - Payables to minority shareholders and for corporate transactions

Payables to minority shareholders and for company operations (earn out) owed on 30 June 2014 amount to 18,131 thousand Euros (35,364 thousand Euros on 31 December 2013) and are detailed as follows:

| (thousand Euros)                                            | 31/12/2013    | Increases | Fair value adjustments | Payments        | Exchange differences | 30/06/2014    |
|-------------------------------------------------------------|---------------|-----------|------------------------|-----------------|----------------------|---------------|
| Avantage Reply Ltd.                                         | 10,932        | -         | -                      | (11,141)        | 208                  | -             |
| 4brands GmbH & Co. KG                                       | 3,550         | -         | -                      | -               | -                    | 3,550         |
| Mind Services Informatica Ltda                              | 2,307         | -         | -                      | -               | 198                  | 2,505         |
| Other Italy                                                 | 650           | -         | -                      | -               | -                    | 650           |
| <b>Total payables to minority shareholders</b>              | <b>17,439</b> | <b>-</b>  | <b>-</b>               | <b>(11,141)</b> | <b>407</b>           | <b>6,705</b>  |
| Arlanis AG                                                  | 376           | -         | (203)                  | (173)           | -                    | -             |
| Avvio Ltd                                                   | 3,547         | -         | -                      | -               | 141                  | 3,688         |
| Portaltech Ltd                                              | 3,480         | -         | -                      | (3,480)         | -                    | -             |
| Riverland Reply GmbH                                        | 950           | -         | -                      | (300)           | -                    | 650           |
| Solidsoft Reply Ltd                                         | 8,089         | -         | (1,100)                | (1,676)         | 292                  | 5,604         |
| TripleSense Reply GmbH                                      | 1,483         | -         | -                      | -               | -                    | 1,483         |
| <b>Total payables for Earn out</b>                          | <b>17,925</b> | <b>-</b>  | <b>(1,303)</b>         | <b>(5,629)</b>  | <b>433</b>           | <b>11,425</b> |
| <b>Total payables to minority shareholders and earn out</b> | <b>35,364</b> | <b>-</b>  | <b>(1,303)</b>         | <b>(16,770)</b> | <b>840</b>           | <b>18,131</b> |

Payables to minority shareholders of avantage Ltd. was paid in the first half of 2014 with a corresponding exchange rate difference adjustment.

Payables to the minority shareholders of 4 brands GmbH & Co. KG. amounting to 3,550 thousand Euros expresses the fair value of minority shares equal to 49% of the company. Such a representation satisfies the IAS 31 in as much as a put option agreement exists that allows minority partners to exercise the same shares with a notice of at least 12 months.



Payables for the acquisition of Mind Services Informatica Ltd., amounting to 2,505 thousand Euros is referred to the earn-out which reflects the best estimate of the amount to be paid in three years as an additional consideration, subordinated to the achievement of determined economic parameters, for the acquisition of 76% of the company's share capital and the option relating to the acquisition of the remaining 24% of company capital. Change is related to the exchange rate adjustment of the liability at period end.

Payables Other Italy for 650 thousand Euros is referred to liabilities to some minority shareholders in relation to options held and that will expire in the future years.

Payables for the acquisition of Arlanis AG were fully paid in the first half of 2014.

Payables for the acquisition of Avvio Ltd. refers to the best estimate for the amount to be paid in three years as an additional consideration, subordinated to the achievement of determined economic parameters, for the acquisition of 100% of the company's share capital. The change reflects the exchange rate adjustment of the liability at period end.

Payables for the acquisition of Portaltech Ltd. were fully paid in the first half of 2014.

Payables to Riverland Reply GmbH minority shareholders, amounting to 650 thousand Euros, refer to the deferred amount to be paid for the acquisition of 25% of the company's share capital which occurred in January 2013. In the first half of 2014 this liability was partially paid.

Payables for the acquisition of Solidsoft Ltd., amounting to 5,604 thousand Euros relates to earn out which reflects the best estimate of the amount to be paid in three years as additional consideration, subordinated to the achievement of determined economic parameters, for the acquisition of 100% of the share capital. Change in the first half is related to the payment of the liability for 1,676 thousand Euros and to the exchange rate adjustment of the liability at period end.

Payables for the acquisition of Triplesense GmbH, amounting to 1,483 thousand Euros relates to earn out which reflects the best estimate of the amount to be paid in three years as additional consideration, subordinated to the achievement of determined economic parameters, for the acquisition of 100% of the share capital.

## NOTE 26 - Financial liabilities

Detail is as follows:

| (thousand Euros)                   | 30/06/2014    |               |               | 31/12/2013    |               |               |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    | Current       | Non current   | Total         | Current       | Non current   | Total         |
| Bank overdrafts                    | 17,010        | -             | 17,010        | 27,284        | -             | 27,284        |
| Bank loans                         | 10,163        | 28,860        | 39,023        | 14,099        | 20,755        | 34,855        |
| <b>Total due to banks</b>          | <b>27,173</b> | <b>28,860</b> | <b>56,033</b> | <b>41,383</b> | <b>20,755</b> | <b>62,138</b> |
| Other financial borrowings         | 364           | 956           | 1,321         | 319           | 964           | 1,283         |
| <b>Total financial liabilities</b> | <b>27,537</b> | <b>29,817</b> | <b>57,354</b> | <b>41,702</b> | <b>21,719</b> | <b>63,421</b> |

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

| (thousand Euros)           | 30/06/2014       |                   |              |               | 31/12/2013       |                   |              |               |
|----------------------------|------------------|-------------------|--------------|---------------|------------------|-------------------|--------------|---------------|
|                            | Due in 12 months | From 1 to 5 years | Over 5 years | Total         | Due in 12 months | From 1 to 5 years | Over 5 years | Total         |
| Bank overdrafts            | 17,010           | -                 | -            | 17,010        | 27,284           | -                 | -            | 27,284        |
| M&A loans                  | 9,794            | 28,610            | -            | 38,404        | 13,621           | 20,240            | -            | 34,041        |
| Carispe Bank               | -                | -                 | -            | -             | 19               | -                 | -            | 19            |
| Mortgage loans             | 115              | 460               | 115          | 690           | 112              | 487               | 173          | 772           |
| Other financial borrowings | 364              | 957               | -            | 1,321         | 319              | 964               | -            | 1,283         |
| Other                      | 253              | (325)             | -            | (72)          | 347              | (325)             | -            | 22            |
| <b>Total</b>               | <b>27,537</b>    | <b>29,702</b>     | <b>115</b>   | <b>57,354</b> | <b>41,702</b>    | <b>21,547</b>     | <b>173</b>   | <b>63,421</b> |

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

Summarized below are the existing contracts entered into for such a purpose:

- On 31 March 2009 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for a line of credit amounting to 50,000,000 Euros. The loan is reimbursed on a half-year basis commencing 30 June 2012 and expires on 31 December 2014.

Such a credit line was used for a total of 22,963 thousand Euros and the amount outstanding at 30 June 2014 amounted to 3,827 and expires on 31 December 2014.

- On 15 September 2012 Reply S.p.A signed a line of credit with Unicredit S.p.A for a total amount of 15,000,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expires on 31 December 2016. Such credit line was used for 13,900,000 Euros at 30 June 2014 with an amount outstanding of 11,583 thousand Euros.
- On 25 September 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 2,500,000 Euros. Instalments are paid on a half-year basis and expire on 25 September 2015. As at 30 June 2014 the amount outstanding was 1,250 thousand Euros.
- On 24 December 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 1,500,000 Euros. The loan is reimbursed on a half-year basis commencing 30 June 2013 and expiring 31 December 2015. As at 30 June 2014 the amount outstanding was 750 thousand Euros.
- On 13 November 2013 Reply S.p.A undersigned a line of credit with Intesa Sanpaolo S.p.A for a total amount of 20,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. As at 30 June 2014 the amount outstanding was 4,487 thousand Euros.
- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total amount amounting to 25,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 31 May 2016 and will expire on 30 November 2018. Such credit line was used for 16,507 thousand Euros at 30 June 2014.

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

As contractually defined, such ratios are as follows:

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

At 30 June 2014, Reply fulfilled the Covenants under the various contracts.

Mortgage loans refers to a loan undersigned by Tool Reply GmbH, for the acquisition of the building in which the company has its registered office.

Reimbursement takes place via six monthly instalments with expiry on 30 September 2019.

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

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

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

### Net Financial Position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's Recommendations for the consistent implementation of the European's regulation on Prospectuses issued on 10 February 2005, the Net financial position of the Reply Group at 30 June 2014 was as follows:

| (thousand Euros)                    | 30/06/2014      | 31/12/2013      | Change         |
|-------------------------------------|-----------------|-----------------|----------------|
| Cash and cash equivalents           | 63,655          | 66,145          | (2,490)        |
| Current financial assets            | 1,458           | 1,010           | 448            |
| Non current financial assets        | 1,316           | 1,278           | 38             |
| <b>Total financial assets</b>       | <b>66,429</b>   | <b>68,432</b>   | <b>(2,004)</b> |
| Current financial liabilities       | (27,537)        | (41,702)        | 14,165         |
| Non current financial liabilities   | (29,817)        | (21,719)        | (8,098)        |
| <b>Total financial liabilities</b>  | <b>(57,354)</b> | <b>(63,421)</b> | <b>6,067</b>   |
| <b>Total net financial position</b> | <b>9,075</b>    | <b>5,011</b>    | <b>4,064</b>   |

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

## NOTE 27 - Employee benefits

Employee benefits are detailed as follows:

| (thousand Euros)                | 30/06/2014    | 31/12/2013    | Change       |
|---------------------------------|---------------|---------------|--------------|
| Employee severance indemnities  | 15,978        | 14,574        | 1,404        |
| Employee pension funds          | 4,827         | 4,164         | 663          |
| Directors severance indemnities | 1,369         | 1,336         | 33           |
| Other                           | 16            | 16            | -            |
| <b>Total</b>                    | <b>22,190</b> | <b>20,089</b> | <b>2,101</b> |

### Employee severance indemnities

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

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

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

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

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

In accordance with IAS 19, Employment severance indemnities at 30 June 2014 are summarized in the table below:

| <b>(thousand Euros)</b>                               |               |
|-------------------------------------------------------|---------------|
| <b>Balance at 31/12/2013</b>                          | <b>14,574</b> |
| Cost relating to current ( <i>service cost</i> ) work | 1,206         |
| Actuarial gain/loss                                   | 974           |
| Interest cost                                         | 230           |
| Indemnities paid                                      | (1,007)       |
| <b>Balance at 30/06/2014</b>                          | <b>15,978</b> |

### Employee pension funds

The Pension fund item relates to liability as regards the defined benefit pensions of some German companies.

### Director's severance indemnities

This amount is related to Directors severance indemnities paid during the year.

Change amounting to 33 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2014.

## NOTE 28 - Deferred tax liabilities

Deferred tax liabilities at 30 June 2014 amount to 10,785 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

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

## NOTE 29 - Provisions

Provisions amount to 12,724 thousand Euros (of which 11,957 thousand Euros are non current).

Change in the first half of 2014 is summarized in the table below

| (thousand Euros)              | Balance at<br>31/12/2013 | Provisions   | Utilized       | Write-off   | Balance at<br>30/06/2014 |
|-------------------------------|--------------------------|--------------|----------------|-------------|--------------------------|
| Fidelity provision            | 765                      | 128          | (380)          | (12)        | 501                      |
| Other provisions              | 4,698                    | 1,742        | (1,111)        | (63)-       | 5,266                    |
| Motorola research center fund | 6,957                    | -            | -              | -           | 6,957                    |
| <b>Total</b>                  | <b>12,420</b>            | <b>1,870</b> | <b>(1,491)</b> | <b>(75)</b> | <b>12,724</b>            |

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

The provision for other risks represents the amounts set aside by the individual companies of the Group principally in connection with contractual commercial risks and disputes.

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

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

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

In the first half of 2014 the provision remained unchanged as the parties involved are discussing how to go forward with the operating methods of the initial agreements.

## NOTE 30 - Trade payables

Trade payables at 30 June 2014 amounted to 66,995 thousand Euros and are detailed as follows:

| (thousand Euros)      | 30/06/2014    | 31/12/2013    | Change         |
|-----------------------|---------------|---------------|----------------|
| Domestic suppliers    | 57,706        | 57,854        | (148)          |
| Foreign suppliers     | 10,131        | 11,102        | (971)          |
| Advances to suppliers | (842)         | (833)         | (9)            |
| <b>Total</b>          | <b>66,995</b> | <b>68,124</b> | <b>(1,129)</b> |

Trade payables decreased by 1,129 thousand Euros compared to 31 December 2013.

## NOTE 31 - Other current liabilities

Other current liabilities at 30 June 2014 amounted to 114,039 thousand Euros with a decrease of 11,010 thousand Euros with respect to the previous financial year.

Detail is as follows:

| (thousand Euros)                      | 30/06/2014     | 31/12/2013     | Change          |
|---------------------------------------|----------------|----------------|-----------------|
| Income tax payable                    | 17,381         | 6,265          | 11,116          |
| VAT payable                           | 148            | 5,288          | (5,140)         |
| Withholding tax and other             | 4,293          | 5,733          | (1,440)         |
| <b>Total due to tax authorities</b>   | <b>21,822</b>  | <b>17,286</b>  | <b>4,536</b>    |
| National social insurance payable     | 12,595         | 16,686         | (4,091)         |
| Other                                 | 1,008          | 1,285          | (277)           |
| <b>Total due to social securities</b> | <b>13,604</b>  | <b>17,972</b>  | <b>(4,368)</b>  |
| Employee accruals                     | 40,534         | 32,375         | 8,160           |
| Other payables                        | 28,371         | 46,400         | (18,029)        |
| Accrued expenses and deferred income  | 9,708          | 11,017         | (1,309)         |
| <b>Total other payables</b>           | <b>78,613</b>  | <b>89,792</b>  | <b>(11,179)</b> |
| <b>Other current liabilities</b>      | <b>114,039</b> | <b>125,049</b> | <b>(11,010)</b> |

Due to tax authorities amounting to 21,822 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.



Due to social security authorities amounting to 13,604 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 30 June 2014 amount to 78,613 thousand Euros and mainly include:

- Amounts due to employees that at the balance sheet date had not yet been paid;
- Remuneration of directors recognized as participation in the profits of the subsidiary companies;
- Advances received from customers exceeding the value of the work in progress amounting to 12,914 thousand Euros.

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

## NOTE 32 - Segment Reporting

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

| (thousand Euros)                | Italy          |             | Germany       |            | United Kingdom |            | Intraseg        | Total                     |             |
|---------------------------------|----------------|-------------|---------------|------------|----------------|------------|-----------------|---------------------------|-------------|
|                                 |                | %           |               | %          |                | %          |                 | 1 <sup>st</sup> half 2014 | %           |
| <b>Revenues</b>                 | <b>232,989</b> | <b>100</b>  | <b>47,975</b> | <b>100</b> | <b>38,780</b>  | <b>100</b> | <b>(11,246)</b> | <b>308,499</b>            | <b>100</b>  |
| Operating costs                 | (195,606)      | (84.0)      | (45,135)      | (94.1)     | (37,450)       | (96.6)     | 11,246          | (266,945)                 | (86.5)      |
| <b>Gross operating income</b>   | <b>37,383</b>  | <b>16.0</b> | <b>2,840</b>  | <b>5.9</b> | <b>1,330</b>   | <b>3.4</b> |                 | <b>41,554</b>             | <b>13.5</b> |
| Amortization/depreciation       | (2,646)        | (1.1)       | (638)         | (1.3)      | (300)          | (0.8)      |                 | (3,583)                   | (1.2)       |
| Other unusual income/(expenses) | (1,247)        | (0.5)       | -             | -          | 1,100          | 2.8        |                 | (47)                      | (0.0)       |
| <b>EBIT</b>                     | <b>33,591</b>  | <b>14.4</b> | <b>2,203</b>  | <b>4.6</b> | <b>2,130</b>   | <b>5.5</b> | <b>-</b>        | <b>37,924</b>             | <b>12.3</b> |

| (thousand Euros)                | Italy          |             | Germany       |            | United Kingdom |             | Intraseg       | Total                     |             |
|---------------------------------|----------------|-------------|---------------|------------|----------------|-------------|----------------|---------------------------|-------------|
|                                 |                | %           |               | %          |                | %           |                | 1 <sup>st</sup> half 2013 | %           |
| <b>Revenues</b>                 | <b>206,067</b> | <b>100</b>  | <b>39,650</b> | <b>100</b> | <b>31,904</b>  | <b>100</b>  | <b>(7,606)</b> | <b>270,015</b>            | <b>100</b>  |
| Operating costs                 | (177,447)      | (86.1)      | (36,800)      | (92.8)     | (25,993)       | (81.5)      | 7,606          | (232,634)                 | (86.2)      |
| <b>Gross operating income</b>   | <b>28,620</b>  | <b>13.9</b> | <b>2,851</b>  | <b>7.2</b> | <b>5,911</b>   | <b>18.5</b> |                | <b>37,382</b>             | <b>13.8</b> |
| Amortization/depreciation       | (2,816)        | (1.4)       | (579)         | (1.5)      | (245)          | (0.8)       |                | (3,640)                   | (1.3)       |
| Other unusual income/(expenses) | -              | -           | -             | -          | (928)          | (2.9)       |                | (928)                     | (0.3)       |
| <b>EBIT</b>                     | <b>25,805</b>  | <b>12.5</b> | <b>2,272</b>  | <b>5.7</b> | <b>4,738</b>   | <b>14.9</b> | <b>-</b>       | <b>32,814</b>             | <b>12.2</b> |

| Financial data<br>(thousand Euros)    | Italy          |               | Germany       |          | United Kingdom |                | Intraseg      |               | Total    |                |
|---------------------------------------|----------------|---------------|---------------|----------|----------------|----------------|---------------|---------------|----------|----------------|
|                                       |                |               |               |          |                |                |               |               |          |                |
| Current operating assets              | 262,584        | 30,719        | 26,255        | (18,312) | 301,246        | 280,930        | 29,805        | 25,057        | (17,263) | 318,530        |
| Current operating liabilities         | (165,073)      | (17,641)      | (17,397)      | 18,312   | (181,800)      | (177,474)      | (17,676)      | (16,269)      | 17,263   | (194,156)      |
| <b>Net working capital (A)</b>        | <b>97,511</b>  | <b>13,078</b> | <b>8,857</b>  |          | <b>119,446</b> | <b>103,456</b> | <b>12,130</b> | <b>8,788</b>  | <b>-</b> | <b>124,373</b> |
| Non current assets                    | 116,632        | 16,888        | 28,899        |          | 162,419        | 117,726        | 17,224        | 27,620        |          | 162,569        |
| Non current liabilities               | (44,444)       | (9,301)       | (9,319)       |          | (63,063)       | (55,673)       | (8,534)       | (15,139)      |          | (79,347)       |
| <b>Fixed capital (B)</b>              | <b>72,189</b>  | <b>7,587</b>  | <b>19,580</b> | <b>-</b> | <b>99,356</b>  | <b>62,052</b>  | <b>8,689</b>  | <b>12,481</b> | <b>-</b> | <b>83,222</b>  |
| <b>Net invested capital<br/>(A+B)</b> | <b>169,699</b> | <b>20,665</b> | <b>28,437</b> | <b>-</b> | <b>218,802</b> | <b>165,508</b> | <b>20,819</b> | <b>21,269</b> | <b>-</b> | <b>207,597</b> |

Breakdown of employees by country is as follows:

|                | 30/06/2014   | 30/06/2013   | Change     |
|----------------|--------------|--------------|------------|
| Italy          | 3,476        | 3,152        | 324        |
| Germany        | 645          | 539          | 106        |
| United Kingdom | 356          | 260          | 96         |
| <b>Total</b>   | <b>4,477</b> | <b>3,951</b> | <b>526</b> |

## NOTE 33 - Transactions with Related parties

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

Transactions carried out by the group companies with related parties that as of the reporting date are considered ordinary business and are carried out at normal market conditions.

The main economic and financial transactions with related parties are summarized below.

(thousand Euros)

| Financial transactions                           | 30/06/2014                | 31/12/2013                | Nature of transactions                                                                                              |
|--------------------------------------------------|---------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------|
| Trade receivables                                | 55                        | 46                        | Receivables from professional services                                                                              |
| Trade payables                                   | 193                       | 466                       | Payables for professional services and office rentals offices                                                       |
| Other payables                                   | 2,171                     | 4,342                     | Payables for emoluments s to Directors and Managers with strategic responsibilities and Board of Statutory Auditors |
| Economic transactions                            | 1 <sup>st</sup> half 2014 | 1 <sup>st</sup> half 2013 | Nature of transactions                                                                                              |
| Revenues from professional services              | 19                        | 46                        | Professional services executed                                                                                      |
| Services from Parent company and related parties | 444                       | 4,244                     | Service contracts relating to office rental , and administration office                                             |
| Personnel                                        | 4,212                     | 4,293                     | Emoluments to Directors and Key Management with strategic responsibilities                                          |
| Services and other costs                         | 71                        | 58                        | Emoluments to Statutory Auditors                                                                                    |

## Reply Group Main economic and financial transactions

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

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

Pursuant to Art. 150, paragraph 1 of the Italian Legislative Decree n. 58 of 24 February 1998, no transactions have been carried out by the members of the Board of Directors that might be in potential conflict of interests with the Company.

## NOTE 34 - Guarantees, commitments and contingent liabilities

### Guarantees

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

### Commitments

Following is a summary of the commitments to which the Group is exposed at 30 June:

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

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

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

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

At present, some minority shareholders have commenced the aforementioned procedures.

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

## Contingent liabilities

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

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

## NOTE 35 - Events subsequent to 30 June 2014

In the month of July 2014 Reply S.p.A. extends its presence in North America signing a term sheet, bound to exclusivity and confidentiality obligations, to take a 20% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer. The investment, which amounts to USD 5 million, is part of Reply's development strategy connected to the Internet of Things.

The background of the page is composed of several overlapping, wavy, organic shapes in various shades of green, ranging from a light sage green to a medium forest green. These shapes create a layered, flowing effect across the entire page.

Annexed tables

## Consolidated Statement of income prepared pursuant to Consob Resolution No. 15519 of 27 July 2006

| (thousand Euros)                           | 1st Half<br>2014 | Of which<br>related<br>parties | %           | 1st Half<br>2013 | Of which<br>related<br>parties | %           |
|--------------------------------------------|------------------|--------------------------------|-------------|------------------|--------------------------------|-------------|
| <b>Revenues</b>                            | <b>308,499</b>   | <b>19</b>                      | <b>0.0%</b> | <b>270,015</b>   | <b>46</b>                      | <b>0.0%</b> |
| Other income                               | 5,633            | -                              | -           | 6,033            | -                              | -           |
| Purchases                                  | (5,910)          | -                              | -           | (5,237)          | -                              | -           |
| Personnel                                  | (154,393)        | (4,212)                        | 2.7%        | (132,599)        | (4,293)                        | 3.2%        |
| Services and other costs                   | (112,275)        | (515)                          | 0.5%        | (100,830)        | (4,302)                        | 4.3%        |
| Amortization, depreciation and write-downs | (3,583)          | -                              | -           | (3,640)          | -                              | -           |
| Other unusual (cost)/income                | (47)             | -                              | -           | (928)            | -                              | -           |
| <b>Operating income</b>                    | <b>37,924</b>    | <b>-</b>                       | <b>-</b>    | <b>32,814</b>    | <b>-</b>                       | <b>-</b>    |
| Financial income/(expenses)                | (578)            | -                              | -           | (860)            | -                              | -           |
| <b>Income before taxes</b>                 | <b>37,346</b>    | <b>-</b>                       | <b>-</b>    | <b>31,954</b>    | <b>-</b>                       | <b>-</b>    |
| Income taxes                               | (14,885)         | -                              | -           | (14,253)         | -                              | -           |
| <b>Net income</b>                          | <b>22,461</b>    | <b>-</b>                       | <b>-</b>    | <b>17,702</b>    | <b>-</b>                       | <b>-</b>    |
| Non controlling interest                   | (393)            | -                              | -           | (342)            | -                              | -           |
| <b>Group net result</b>                    | <b>22,067</b>    | <b>-</b>                       | <b>-</b>    | <b>17,360</b>    | <b>-</b>                       | <b>-</b>    |



## Consolidated Statement of financial position prepared pursuant to Consob Resolution No. 15519 of 27 July 2006

| (thousand Euros)                                             | 30/06/2014     | Of which<br>related<br>parties | %    | 31/12/2013     | Of which<br>related<br>parties | %    |
|--------------------------------------------------------------|----------------|--------------------------------|------|----------------|--------------------------------|------|
| Tangible assets                                              | 13,132         |                                |      | 13,553         |                                |      |
| Goodwill                                                     | 126,731        |                                |      | 125,637        |                                |      |
| Other intangible assets                                      | 6,405          |                                |      | 6,363          |                                |      |
| Equity investments                                           | 6              |                                |      | 23             |                                |      |
| Financial assets                                             | 4,344          |                                |      | 4,275          |                                |      |
| Deferred tax assets                                          | 13,117         |                                |      | 13,997         |                                |      |
| <b>Non current assets</b>                                    | <b>163,735</b> |                                |      | <b>163,847</b> |                                |      |
| Work in progress                                             | 44,710         |                                |      | 21,910         |                                |      |
| Trade receivables                                            | 234,037        | 55                             | 0.0% | 271,166        | 46                             | 0.0% |
| Other current assets                                         | 22,499         |                                |      | 25,454         |                                |      |
| Financial assets                                             | 1,458          |                                |      | 1,010          |                                |      |
| Cash and cash equivalents                                    | 63,655         |                                |      | 66,145         |                                |      |
| <b>Current assets</b>                                        | <b>366,359</b> |                                |      | <b>385,684</b> |                                |      |
| <b>TOTAL ASSETS</b>                                          | <b>530,094</b> |                                |      | <b>549,531</b> |                                |      |
| Share capital                                                | 4,863          |                                |      | 4,840          |                                |      |
| Other reserves                                               | 200,427        |                                |      | 172,519        |                                |      |
| Group net income                                             | 22,067         |                                |      | 34,450         |                                |      |
| <b>Group shareholders' equity</b>                            | <b>227,358</b> |                                |      | <b>211,809</b> |                                |      |
| Non controlling interest                                     | 519            |                                |      | 799            |                                |      |
| <b>SHAREHOLDERS' EQUITY</b>                                  | <b>227,877</b> |                                |      | <b>212,608</b> |                                |      |
| Payables to minority shareholders and corporate transactions | 18,131         |                                |      | 35,364         |                                |      |
| Financial liabilities                                        | 29,817         |                                |      | 21,719         |                                |      |
| Employee benefits                                            | 22,190         |                                |      | 20,089         |                                |      |
| Deferred tax liabilities                                     | 10,785         |                                |      | 12,458         |                                |      |
| Provisions                                                   | 11,957         |                                |      | 11,436         |                                |      |
| <b>Non current liabilities</b>                               | <b>92,880</b>  |                                |      | <b>101,067</b> |                                |      |
| Financial liabilities                                        | 27,537         |                                |      | 41,702         |                                |      |
| Trade payables                                               | 66,995         | 193                            | 0.3% | 68,124         | 466                            | 0.7% |
| Other current liabilities                                    | 114,039        | 2,171                          | 1.9% | 125,047        | 4,342                          | 3.5% |
| Provisions                                                   | 766            |                                |      | 984            |                                |      |
| <b>Current liabilities</b>                                   | <b>209,337</b> |                                |      | <b>235,857</b> |                                |      |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>            | <b>530,094</b> |                                |      | <b>549,531</b> |                                |      |

## REPLY

### Companies included in consolidation and subsidiaries carried at cost at 30 June 2014

| Company name                                             | Headquarter                        | Group interest |
|----------------------------------------------------------|------------------------------------|----------------|
| <b>Parent company</b>                                    |                                    |                |
| Reply S.p.A.                                             | Turin – Corso Francia, 110 - Italy |                |
| <b>Subsidiaries consolidated on a line-by-line basis</b> |                                    |                |
| @logistics Reply S.r.l.                                  | Turin - Italy                      | 100.00%        |
| 4brands Reply GmbH & CO. KG                              | Minden, Germany                    | 51.00%         |
| Arlanis Reply S.r.l.                                     | Turin - Italy                      | 100.00%        |
| Arlanis Reply GmbH                                       | Munich - Germany                   | 100.00%        |
| Arlanis Reply AG                                         | Potsdam - Germany                  | 100.00%        |
| Aktive Reply S.r.l.                                      | Turin - Italy                      | 100.00%        |
| Atlas Reply S.r.l.                                       | Turin - Italy                      | 100.00%        |
| avantage Reply Ltd.                                      | London – United Kingdom            | 100.00%        |
| Avvio Reply Ltd                                          | London – United Kingdom            | 100.00%        |
| Bitmama S.r.l.                                           | Turin - Italy                      | 51.00%         |
| Blue Reply S.r.l.                                        | Turin - Italy                      | 100.00%        |
| Bridge Reply S.r.l.                                      | Turin - Italy                      | 60.00%         |
| Business Reply S.r.l.                                    | Turin - Italy                      | 100.00%        |
| Breed Reply Ltd                                          | London – United Kingdom            | 100.00%        |
| Cluster Reply S.r.l.                                     | Turin - Italy                      | 100.00%        |
| Cluster Reply GmbH & CO. KG                              | Munich, Germany                    | 100.00%        |
| Concept Reply GmbH                                       | Munich - Germany                   | 100.00%        |
| Consorzio Reply Public Sector                            | Turin - Italy                      | 100.00%        |
| Discovery Reply S.r.l.                                   | Turin - Italy                      | 100.00%        |
| e*finance consulting Reply S.r.l.                        | Turin - Italy                      | 100.00%        |
| Ekip Reply S.r.l.                                        | Turin - Italy                      | 100.00%        |
| Engage Reply S.r.l.                                      | Turin - Italy                      | 85.00%         |
| EOS Reply S.r.l.                                         | Turin - Italy                      | 100.00%        |
| Forge Reply S.r.l.                                       | Turin - Italy                      | 100.00%        |
| France Reply Ltd                                         | London – United Kingdom            | 100.00%        |
| Hermes Reply S.r.l.                                      | Turin - Italy                      | 100.00%        |
| Hermes Reply Polska zo.o                                 | Katowice - Poland                  | 100.00%        |
| InEssence Reply GmbH                                     | Düsseldorf, Germany                | 70.00%         |
| IrisCube Reply S.p.A.                                    | Turin - Italy                      | 100.00%        |

|                                              |                                  |         |
|----------------------------------------------|----------------------------------|---------|
| Iriscube Reply SA                            | Savosa - Switzerland             | 100.00% |
| Juice Reply S.r.l.                           | Turin - Italy                    | 100.00% |
| Lem Reply S.r.l.                             | Turin - Italy                    | 100.00% |
| Live Reply GmbH                              | Düsseldorf, Germany              | 100.00% |
| Mind Services Ltda. (*)                      | San Paolo - Brazil               | 76.00%  |
| Open Reply S.r.l.(*)                         | Turin - Italy                    | 92.50%  |
| Pay Reply S.r.l                              | Turin - Italy                    | 100.00% |
| Portaltech Reply Ltd.                        | London – United Kingdom          | 100.00% |
| Portaltech Reply S.r.l.(*)                   | Turin - Italy                    | 85.00%  |
| Portaltech Reply GmbH                        | Gutersloh, Germany               | 68.00%  |
| Power Reply S.r.l.                           | Turin - Italy                    | 100.00% |
| Power Reply GmbH & CO. KG                    | Munich, Germany                  | 100.00% |
| Reply Consulting S.r.l.                      | Turin - Italy                    | 100.00% |
| Reply GmbH & CO. KG.                         | Gutersloh, Germany               | 100.00% |
| Reply do Brasil Sistemas de Informatica Ltda | Belo Horizonte - Brazil          | 100.00% |
| Reply Inc.                                   | Michigan - USA                   | 100.00% |
| Reply Ltd.                                   | London – United Kingdom          | 100.00% |
| Reply Belgium SA                             | Mont Saint Guibert - Netherlands | 100.00% |
| Reply France SARL                            | Paris- France                    | 100.00% |
| Reply Luxembourg SARL                        | Sandweiler - Luxembourg          | 100.00% |
| Reply Services S.r.l.                        | Turin - Italy                    | 100.00% |
| Ringmaster S.r.l.                            | Turin - Italy                    | 50.00%  |
| Risk Reply Ltd                               | London – United Kingdom          | 100.00% |
| Riverland Reply GmbH                         | Munich - Germany                 | 100.00% |
| Santer Reply S.p.A.                          | Milano - Italy                   | 100.00% |
| Security Reply S.r.l.                        | Turin - Italy                    | 100.00% |
| Solidsoft Reply S.r.l.                       | Turin - Italy                    | 85.00%  |
| Solidsoft Reply Ltd.                         | London – United Kingdom          | 100.00% |
| Square Reply S.r.l.                          | Turin - Italy                    | 100.00% |
| Storm Reply S.r.l. (*)                       | Turin - Italy                    | 80.00%  |
| Syskoplan Reply S.r.l.                       | Turin - Italy                    | 100.00% |
| Sytel Reply Roma S.r.l.                      | Turin - Italy                    | 100.00% |
| Sytel Reply S.r.l.                           | Turin - Italy                    | 100.00% |
| Target Reply S.r.l.                          | Turin - Italy                    | 100.00% |
| Technology Reply S.r.l.                      | Turin - Italy                    | 100.00% |
| Tool Reply GmbH                              | Gutersloh, Germany               | 100.00% |
| Triplesense Reply GmbH                       | Frankfurt, Germany               | 100.00% |
| Twice Reply S.r.l.                           | Turin - Italy                    | 98.00%  |

|                            |                    |         |
|----------------------------|--------------------|---------|
| Whitehall Reply S.r.l.     | Turin - Italy      | 100.00% |
| Xpress Reply GmbH & CO. KG | Gutersloh, Germany | 100.00% |

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

## Attestation of the Half-year condensed financial statements pursuant to 154 bis of Legislative Decree No. 58/98

1. The undersigned, Mario Rizzante, in his capacity as Chief Executive Officer and Giuseppe Veneziano, director responsible of drawing up the Company's financial statements pursuant to the provisions of article 154-bis, paragraph 3 and 4 of legislative decree no. 58 of February 24, 1998, hereby attest:
  - the adequacy with respect to the Company's structure and
  - the effective application,

of the administrative and accounting procedures applied in the preparation of the Company's Half-year condensed financial statements at June 30, 2014.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed financial statements as of and for the period ended June 30, 2014 was based on a process defined by Reply in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

3.1 the Half-year condensed financial statements at June 30, 2014:

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries;

3.2 the related interim management report includes a reliable analysis of the significant events affecting the Company in the first six months of the current fiscal year and the impact of such events on the Company's condensed financial statements as well as a description of the main risks and uncertainties for the second half of the year.

Turin, July 31, 2014

/s/ Mario Rizzante

**Chairman and Chief Executive Officer**

**Mario Rizzante**

/s/ Giuseppe Veneziano

**Director responsible of drawing up the  
accounting documents**

**Giuseppe Veneziano**

The background of the page features several overlapping, wavy, organic shapes in various shades of green, ranging from a light sage to a darker forest green. These shapes create a sense of movement and depth, framing the central text.

## **Independent** Auditors' Report

Auditors' review report on the half year condensed consolidated financial statements  
(Translation from the original Italian text)

To the Shareholders of  
Reply S.p.A.

1. We have reviewed the half year condensed consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated equity, the consolidated statement of cash flows and the related notes of Reply S.p.A. and its subsidiaries (the "Reply Group") as of June 30, 2014. Management of Reply S.p.A. is responsible for the preparation of the half year condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the half year condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the half year condensed consolidated financial statements, as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the half year condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 24, 2014 and on August 2, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the half year condensed consolidated financial statements of Reply Group as of June 30, 2014 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, August 1, 2014

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

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



## Corporate information

### Registered office

Reply S.p.A.

Corso Francia, 110

10143 TURIN – ITALY

Tel. +39-011-7711594

Fax +39-011-7495416

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

### Corporate data

Share capital: Euros 4,863,485.64 i.v.

Fiscal code and Company register of Turin no. 97579210010

VAT no. 08013390011

REA of Turin 938289

### Marketing and communication

E-mail: [marketing@reply.it](mailto:marketing@reply.it)

Tel. +39-011-7711594

Fax +39-011-7495416

### Investor relators

E-mail: [investor@reply.it](mailto:investor@reply.it)

Tel. +39-02-535761

Fax +39-02-53576444



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

**Reply S.p.A.**

Corso Francia, 110  
10143 Torino - Italia  
Tel. +39-011-7711594  
Fax +39-011-7495416  
[info@reply.it](mailto:info@reply.it)