Living network

Reply Deutschland AG
Annual Report 2011

Reply Deutschland at a glance

Criterion		2011	2010	2009	Change 2011 / 2010	Change 2010 / 2009
Revenue	Euro mill.	58.5	60.2	55.0	– 3%	+ 9%
EBITDA	Euro mill.	6.11	6.09	3.9	+ 0%	+ 54%
EBIT	Euro mill.	5.15	3.63	1.6	+ 42%	>100%
EBT	Euro mill.	5.07	3.64	1.6	+ 39%	>100%
Net profit for the period	Euro mill.	3.44	2.17	0.1	+ 59%	>100%
Earnings per share (basic)	Euro	0.72	0.46	0.01	+ 58%	>100%
Earnings per share (diluted)	Euro	0.72	0.46	0.01	+ 58%	>100%
Return on revenue (EBITDA)	%	10.4%	10.1%	7.2%		
Return on revenue (EBIT)	%	8.8%	6.0%	2.9%		
Return on revenue (EBT)	%	8.7%	6.0%	2.9%		
Payroll employees (average fulltime equivalents)		388	401	420	– 3%	– 5%
Payroll employees (year-end)		395	409	424	– 3%	– 4%
Balance sheet total	Euro mill.	51.9	52.8	50.5	– 2%	+ 4%
Equity	Euro mill.	31.8	30.5	29.3	+ 5%	+ 4%
Liquid funds	Euro mill.	16.2	22.0	19.9	– 26%	+ 10%
Change in cash and cash equivalents	Euro mill.	– 5.80	2.85	– 3.93		
Cash flow according DVFA/SG	Euro mill.	4.67	4.09	2.63	+ 14%	+ 56%
Number of shares	mill.	4,749,343	4,734,536	4,728,533	+ 0%	+ 0%

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Letter from the Chairman of the Executive Board

Dear shareholders,
customers, business partners
and employees,

Reply Deutschland AG's motto for fiscal year 2011 was "Showing Our True Colors". The companies in our affiliated group have been renamed so that they all now have "Reply" as part of their individual company names. This makes the benefits we derive from affiliation with our parent company more transparent to the market. We believe a unified brand identity is part of the next chapter in our success story, in which we establish Reply as a strong and highly recognizable European IT brand.

Considering the projects we do for customers, this was clearly a sound strategic decision. We greatly expanded business ties with our customers, VW, BMW and the retail giant METRO. We also gained many new customers. More and more projects are being landed through substantially closer cooperation with Reply affiliates. We intend to take this positive development further going forward. We are already Germany's third largest provider of CRM services. Our goal is to be number two within the near future, and a new major CRM customer we acquired in late 2011 will bring us one step closer to this goal.

What's more: our customers are very satisfied with us and our performance. In 2011 we interviewed 53 customers in a customer satisfaction survey. The results showed that nearly all customers consider our services either very good or excellent, and we will be keeping to this same successful course.

Innovation is one of our top priorities, which is why we collaborate closely with technology partners. We thus are particularly proud of two awards we have received. In 2011 SAP bestowed its SAP Ecosystem Innovation Award upon us. The judges panel loved our solution concept for using graphical support in sales rep appointment planning to make campaigns for the consumer goods industry more effective. Our partner Microsoft distinguished us with its prestigious Microsoft Cloud Services Partner Excellence Award. Systematically integrating the Microsoft Azure Cloud into our business strategy was key to our receiving this award.

Another important innovation last year was SAP's breakthrough in-memory technology SAP HANA. This new business analytics technology delivers results in seconds from huge databases in a way never before possible. We are collaborating with SAP on the further development of this technology, so we can pass on to

Josef Mago

our customers the valuable benefits of our experience with it.

Our portfolio is designed closely around innovation. Alongside our range of consulting, integration and outsourcing services for effective corporate management, we are increasingly delivering "agile" solutions as well. These solutions are very well-received by our customers, and frequently function as a door-opener to other projects.

Cloud computing and software as a service are closely related trends which we will be addressing with greater focus. So far we have been offering customers in Germany cloud-based solutions from SAP CRM, Oracle Siebel CRM, Microsoft CRM and Accenture CAS. In Germany we are adding to this cloud computing array the platform Salesforce.com, in a move toward our goal of being able to advise customers on all cloud computing technology platforms. The startup 4cust Reply, which we established in January 2012, will exclusively offer services for Salesforce.com.

Two other startups were founded in early 2012 as well, one of which was Twice Reply, a company that helps the innovation-hungry media industry formulate and implement digital strategies. The startup Power Reply consults for energy and utility companies in Germany and France on transforming their processes. A company with the same name has been operating in Italy for many years now. Italy's energy and utility industry is an innovation pioneer, so we will be able to deploy a lot of know-how and project experience in projects for German and French customers.

We look ahead with optimism. Even though the macroeconomic situation in Europe is unstable, our customers are demonstrating a great willingness to invest in their businesses. Where there is shadow, there is also light. As an IT service firm, the continuing short supply of skilled IT personnel is our Achilles' heel. Demographic trends are forcing IT service providers to compete hotly to recruit top talent, in something like a war. Achieving our growth objectives thus was not easy in 2011. Sales declined slightly in fiscal 2011, down 3% to Euro 58.5 million. EBITDA rose 0.4% to Euro 6.1 million. EBITDA margin widened from 10.1% to 10.4%. Earnings from ordinary business activity (EBT) came in at Euro 5.2 million, coming after Euro 3.6 million last year. The level of cash and cash equivalents declined to Euro 16.1 million, due chiefly to rebalancing into longer-term investments (end of 2010: Euro 22.0 million).

We are taking several measures to meet the challenges ahead in 2012. Principal among these is becoming an even more attractive employer for our existing staff. As an IT service firm, our employees are our most valuable resource. We are revamping our training model this year to provide employees improved opportunities for sharing their innovation and project experience. In these seminars employees from all corners of the Reply network will be working together to develop new solutions and ideas.

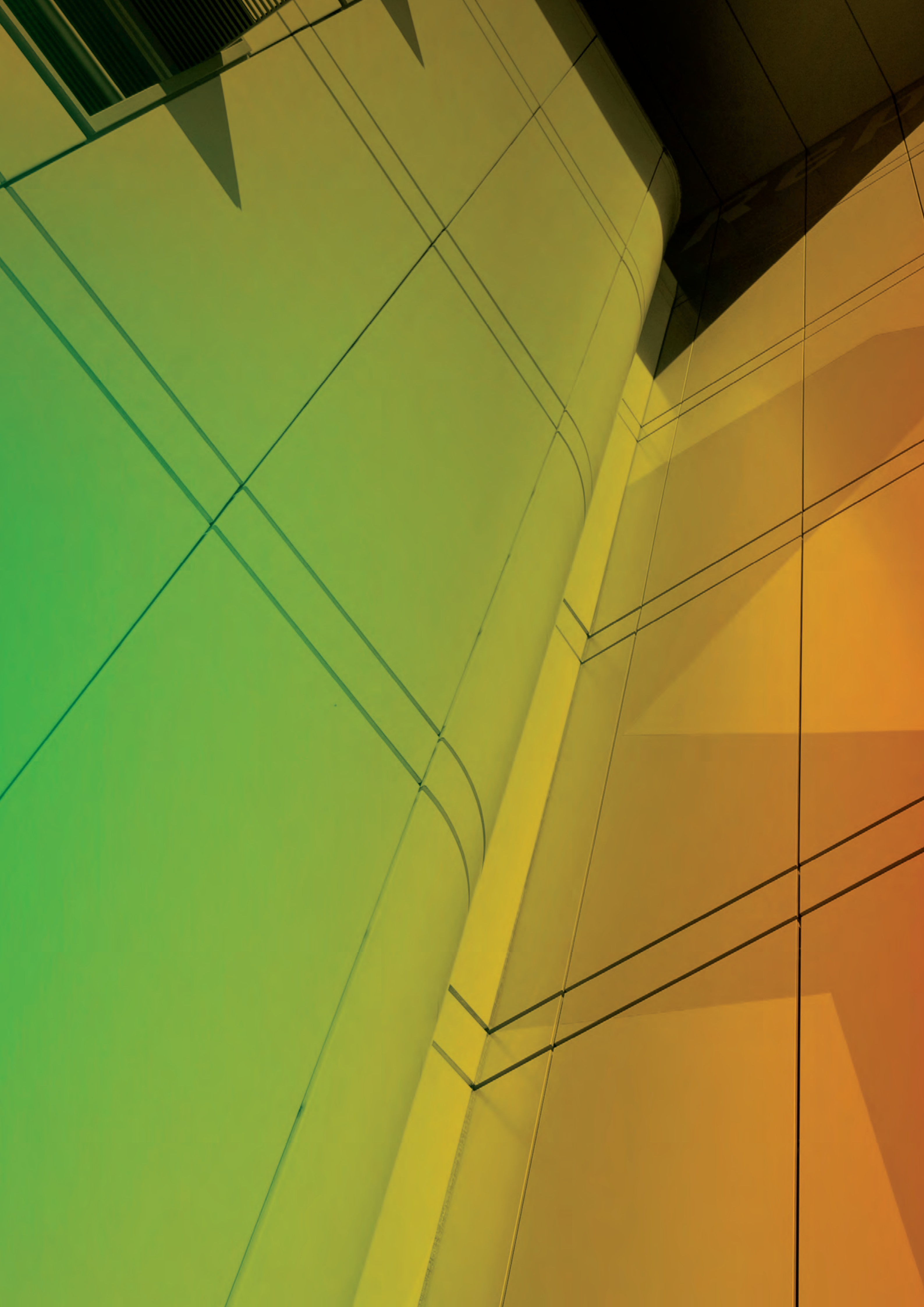
In addition, we are launching an innovation program. The goal is to provide a space for staff members' ideas to unfold. These ideas will be shared with colleagues and the company for development into marketable business concepts.

We will also be intensifying efforts to position ourselves as an attractive employer, to potential new employees. The CSR report published this year for the first time is a step in that direction. It is one way we are showing our true colors in our commitment to providing first-rate working conditions, to preserving the environment, and to greater diversity, both at the workplace and in society in general. We strongly believe that these commitments are key to sustainable growth and maintaining Reply's excellent brand image among our customers and employees.

These are the goals we will be working toward this year.

Join us on our journey!

Sincerely yours, Josef Mago
CEO, Reply Deutschland AG



Reply Living Network

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

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

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

Processes

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

Applications

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

Technology

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

Within these three segments we provide:

Consulting

Strategy, processes and technologies,

System integration

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

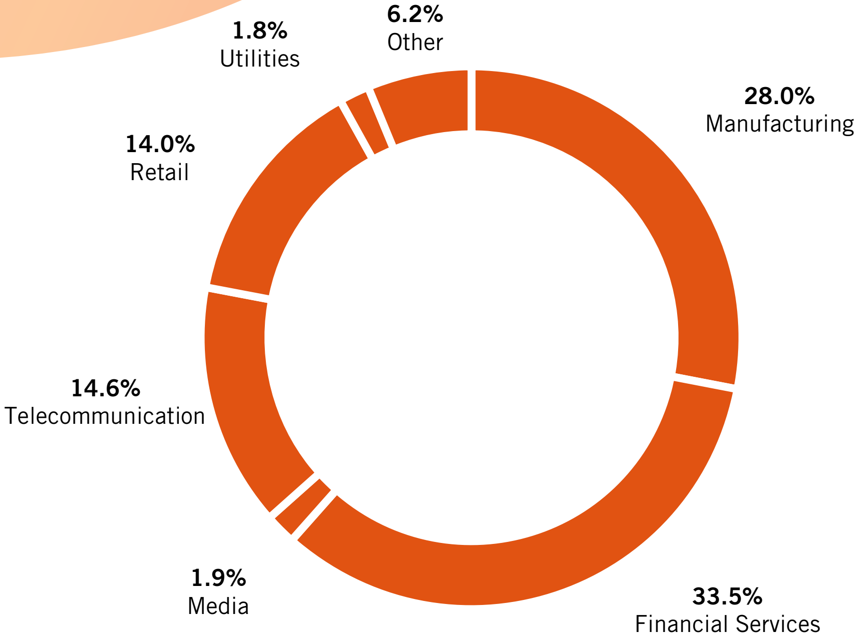
Application management

Management, monitoring and continuous further development of technology assets.

Industry focus

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

Reply's 2011 sales to these industries broke down as shown below.



Manufacturing and services

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

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

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

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

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

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

Banking, insurance, financial services

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

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

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

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

Media

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

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

Telecommunications

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

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

Areas of concentration:

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

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

Retail

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

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

Utilities

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

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

Our service portfolio consists of

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

Fields of Innovation

We make innovation usable

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

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

CRM

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

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

Business Intelligence

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

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

Mobile solutions

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

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

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

Cloud Computing

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

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

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

Social Media

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

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

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

Partnerships

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

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

Microsoft

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

Our offering consists of seven key elements:

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

Oracle

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

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

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

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

SAP

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

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

These include Business Intelligence services and solutions for the banking and insurance markets, and financial and controlling applications for any industry. The Facility Management offering is designed around integration and optimization of facility management processes, including SAP business processes.

The **Reply** Deutschland Share in 2011

Stability in a volatile environment

Last year syskoplan AG was renamed Reply Deutschland AG, and the exchange listing for our shares changed as well. Our shares have been trading under the new name in the Deutsche Börse Prime Standard segment since early August. The stock symbol and security number are unchanged.

Reply Deutschland's market capitalization was Euro 45.0 million at the end of 2011. The shares rose slightly, up 3% versus 2010, which was much in contrast to the performance of the overall German stock market.

In the wake of the economic turmoil unleashed by the debt crisis embroiling several European member states the German DAX share index fell 15% from its year-end level. The TecDAX fell 19%.

Trading volume in Reply Deutschland stock fell again by half in 2011, with 0.25 million shares changing hands. Average daily trading volume in Reply shares last year on all German stock exchanges was 971 (previous year: 2,035 shares).

		2011	2010	2009
Share capital	Euro mill.	4.75	4.75	4.73
Number of shares outstanding	million	4.75	4.75	4.73
Options issued (cumulative total)	thousand	0	23.5	52.2
Market capitaliziation	Euro mill.	45.04	43.61	38.22
Free Float	%	19.17	20.47	21.06
Trading volume [1)]	thousand	1.0	2.0	4.6
Year-end closing price	Euro	9.48	9.19	8.08
High for the year	Euro	9.87	9.70	8.50
Low for the year	Euro	8.31	7.20	4.83
Net profit per share [2)]	Euro	0.72	0.46	0.01
Dividends [3)]	Euro	0.45	0.45	0.15
Total dividends distributed	Euro mill.	2.14	2.14	0.71
Dividend yield [4)]	%	4.7	4.9	3.8

[1)] Average daily volume *[2)] Reply Deutschland Group* *[3)] amount proposed for shareholder approval for 2011*
[4)] based on year-end closing price

Domination agreement

Reply Deutschland concluded a control agreement with its major shareholder Reply in fiscal year 2010. Together with our main shareholder Reply we are creating a European network able to better exploit synergies in our markets through a strong unified brand. The complete array of Reply offerings in the cutting-edge areas of cloud computing, social media, big data and internet is to be made widely available on the German market as well.

Last year we announced that the control agreement special was being contested before Dortmund Regional Court, the adequacy of the compensation offered for limited shareholder rights (an annual guaranteed dividend of Euro 0.45 or a tender offer by Reply for Euro 8.19) being reviewed. The proceedings are underway, thus the outcome is not known at this time.

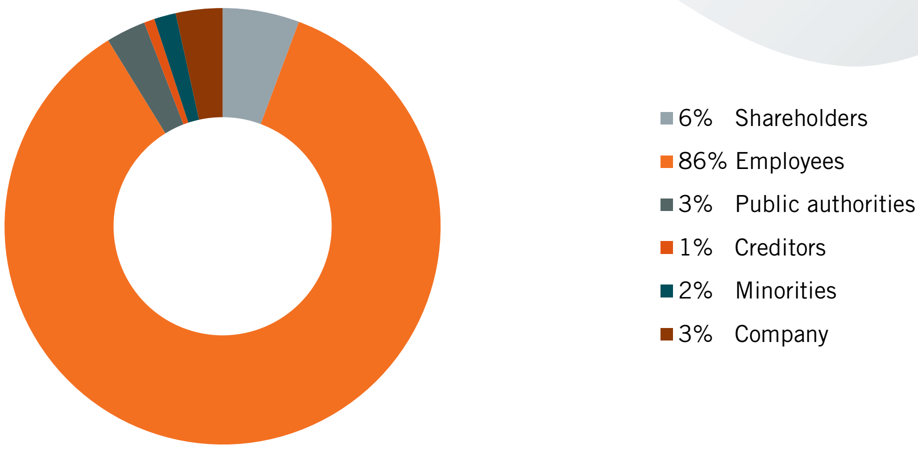
In accordance with the control agreement, on June 13, 2012 the Management and Supervisory Boards will propose paying a per-share dividend of Euro 0.45 for 2011. An additional Euro 1.3 million in profits is to be allocated to retained earnings.

Statement of Value Added

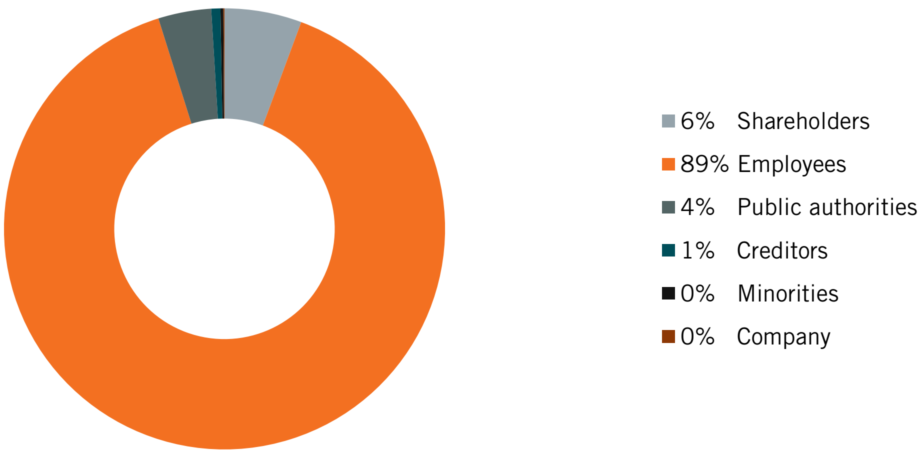
The company's total output was slightly higher in 2011, increasing by Euro 0.2 million to Euro 61.3 million. Deducting upfront expenditures, which increased due to greater reliance on freelancers so as to be more flexible in responding to fluctuating demand, the Reply Deutschland Group generated value added of Euro 37.5 million (-1% yoy). This represented 62% of total company output, which is typical for a service business.

Of this value added figure, Euro 32.1 million or 86% went to our employees. Shareholders received 6%, and 3% was retained and reinvested back into the company. The public sector received 3% of added value, while 2% went to the various minority shareholders of the Group companies. The percentage of added value that went to lenders was again insignificant, at 1%.

2011: Euro 37.5 million



2010: Euro 37.8 million




Reply

Management Report of Reply Deutschland Group for Financial Year 2011

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Business and underlying circumstances

Welcome to Reply Deutschland

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

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

- The consumer goods and datacenter activities are associated with the label 4brands Reply.
- Cluster Reply is responsible for the Microsoft activities in the Reply Group.
- The Macros Reply brand stands for document management and workflow processes, particularly in financial services.
- Syskoplan Reply remains the strong brand for the entire SAP activities of the Group.
- Twice Reply assumed business activities in the 4th quarter 2011 in media and telecommunications.
- Xpress Reply is the center of excellence for business processes and IT solutions in commerce.
- Xuccess Reply provides consulting services specializing in bank controlling and regulatory law.

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

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

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

Company profile

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

Reply Deutschland is organized as a network of highly specialized companies. Inclusion in the network of IT service providers acting throughout Europe also allows Reply Deutschland access to the know-how of more than 3,000 IT experts. The 400 employees of Reply Deutschland AG achieved sales of 58.5 million euro in the 2011 financial year.

General Economic and Sector Trend

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

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

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

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

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

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

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

All in all, the mood in the IT sector remains positive. The industry association index BITKOM was at 60 points in the fourth quarter of 2011, only slightly below the 69 points at the end of 2010. Software companies and IT service providers in particular are looking for new staff. This also intensifies the lack of highly qualified specialists which now poses the greatest impediment to growth for every second company in the industry.

The current assessment of further economic trends is also reflected in the annual worldwide survey of 4,000 IT managers conducted by Gartner Research. The exact results of the CIO Agenda 2012 are summarized in the Table below:

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

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

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

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

The strategic importance of IT for reaching business goals continues to increase. However, this does not always lead to an increase in the IT budget. For this reason, interest in such topics as cloud computing, lighter weight technologies, mobile solutions and virtualization is particularly high. These agile technologies should help CIOs save on costs and free up additional resources, which in turn help satisfy the increasing need for innovation and solutions that support the company's growth. Even though many companies have their own specific requirements for the architecture, performance, and security of a cloud infrastructure, standardized cloud services (SaaS, PaaS and IaaS) have already established a central role within the market. It is therefore expected that cloud computing in particular will experience a boom in investments over the next few years – establishing new business models and services along the way. The current economic, strategic and technological changes taking place require market participants to begin preparations in this direction immediately.

Set-up and Management of the Reply Deutschland Network

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

- Focused business units, which are managed as individual companies, sustain the operative business.

- Cross-divisional functions such as finance, marketing, HR, IT or investor relations are centrally operated by departments within Reply Deutschland AG.

- Focusing each business unit on individual specializations (industries, applications, or technologies) allows us to provide first-class expertise paired with extensive experience. This in turn enables us to maintain a high level of quality and pass on the corresponding benefits to our customers.

- Each business unit works as an independent company within the network. At the same time, their affiliation with the network provides them with a corresponding size, economic backing and reputation. Their incorporation into the international network of the main shareholder, Reply S.p.A., gives them access to additional specialist expertise.

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

	2011	2010	2009	Change 11/10	Change 10/09
Revenue	58,521	60,174	55,050	–3%	+ 9%
EBITDA margin	10.4%	10.1%	7.2%	+ 0.3 pp	+ 2.9 pp

Corporate Governance Statement

Based on the Accounting Law Modernization Act (BilMoG) effective as of May 29, 2009, the recipients of the accounting according to § 289a HGB are to be informed of the corporate governance and the company management practices in a so-called "Corporate Governance Statement". In early December 2011, the updated statement was approved by the bodies. Reply Deutschland AG exercises the possibility of making this statement accessible to the public on its website. Any interested parties can view the corporate governance statement under www.reply.de, Investors, Corporate Governance, Declaration of Corporate Dealings.

Sales Trend, Reference Projects and Partnerships

The marginal decline in sales was slightly less than we expected while the considerably improved earnings met our expectations. Market situations stabilized in 2011. The marginal decline in sales is due to the gap in capacity after the completion of two major projects in the first half of the year.

The willingness of our customers to invest in innovative IT solutions stabilized further. In the fourth quarter, figures of EUR 14.7 million approximated the sales of the second quarter (EUR 14.9 million). This represents an improvement of 13.8% compared to the third quarter of 2011.

Overall in the financial year 2011, sales decreased by 2.7% to EUR 58.5 million. In comparison to the overall German market for IT services, which has increased by 3.6% according to BITKOM, Reply Deutschland AG has grown at a slightly below-average rate.

Furthermore, in the financial year 2011 the Reply Deutschland Group intensified its work with freelancers in order to be able to flexibly react to fluctuations in the demand for IT services. Bearing this in mind, the use of nearshoring, e.g. incorporating employees from the majority Italian shareholder in suitable projects, is also important.

In the financial year 2011, we were able to complete numerous projects with high visibility on the market for IT services.

With the support of the business unit Syskoplan Reply and BlackBerry, VWFS UK developed and implemented a mobile application for BlackBerrys and a back-end application based on SAP technology. “This combination improves both the speed as well as the accuracy and consistency of the data gathered”, reports Martin Räcke, responsible for Software Architecture and Design at Syskoplan Reply. After a project duration of only six months, the team of sales representatives now gathers data from the car dealers using BlackBerrys and transfers it online to the back-end system which was developed based on SAP NetWeaver 7.0. The back-end system automatically consolidates the data from all the representatives according to fixed principles. If a car is missing from a dealer’s premises and he cannot verify the whereabouts of the vehicle credibly, then the relevant credit manager receives an automatically generated e-mail to attend to the matter.

New apps for smartphones, touch and tablet PCs on a daily basis – the app world is constantly becoming more varied and complex. Companies are also increasingly relying on mobile applications for various devices that allow them to address customers but also management and employees. For most companies this means not only offering apps for various devices but also for the respective various platforms such as Microsoft, Apple or Android.

The effort put into development can be reduced considerably if the apps can be used regardless of device type. The IT service provider Reply Deutschland delivers this as the integration partner for its customers, developing applications independent of device and operating system as middleware based on the Reply Deutschland ePortal. The apps can be integrated in the platforms of Apple (iPad, iPhone), Microsoft (Microsoft Phone 7, Microsoft Windows Slate) and Android.

Based on the back-ends available in the respective company, from data warehouses, CRM, through SharePoint, security systems to cloud computing, Reply Deutschland uses the ePortal as middleware to allow development of applications for customers independent of device and operating systems. The native functions of the respective operating system of the devices are supported; workflow and user interfaces are adapted.

The Reply Deutschland ePortal is an established product to handle large amounts of content and providing this content for IP-based access – regardless of the device used to access the data. It has been in use with numerous customers for some years and has proven successful at for example NRK, Norway's national broadcasting station. The middleware ePortal has its own business logic, is individually configurable and provides interfaces to many existing back-end systems. It is therefore also suitable as a back-end platform for corporate or company-own app stores. With Reply Deutschland as the integration partner, companies can have applications with a high level of integration independent of device developed as a comprehensive solution in one step.

The elegant bottles with the sparkling contents from the German sparkling wine market leader, the Rotkäppchen-Mumm Sekt producer represent a unique success story. To continue this success, the company is replacing its previous CRM solution with the leading software platform for customer management and mobility in the consumer goods industry. The software creates the preconditions for a company having an overall view of its customers, managing sales more efficiently and responding flexibly to changes in the market. 4brands Reply implemented the template xpressCAS in which the main processes relevant for cooperation with trade are preconfigured. 4brands Reply launched the application adapted to the processes of the Rotkäppchen-Mumm sparkling wine producer for field service management in a record seven months.

In the 2011 financial year, Reply Deutschland also further expanded partnerships with leading software suppliers. SAP Deutschland AG & Co KG honored Reply Deutschland with the SAP Ecosystem Innovation Award during the SAPPHIRE NOW in Madrid. The competition was tendered as part of a co-innovation project of SAP and SAP partners in the DACH region on behalf of the SAP management (Ecosystem & Channels). The aim of the competition was to jointly conceptualize innovative solutions and develop novel marketing concepts to launch these on the market. The best business scenarios were awarded prizes and presented at SAPPHIRE NOW. Reply Deutschland won the jury over with its idea as a solution to increase the success of promotional campaigns in the consumer goods industry by graphic support of sales representatives' visit scheduling. The solution is based on the SAP Visual Business Interface. It can be implemented with a small starter scenario and be extended up to a comprehensive solution for trade promotion management in combination with SAP HANA.

Reply Deutschland received the coveted Microsoft Cloud Service Partner Excellence Award FY 2011 at this year's Microsoft German Partner Conference in Hamburg. The decisive factor for the award is the consistent inclusion of the Microsoft Azure Cloud in the Reply corporate strategy and proactive advancement and support of the areas public cloud and Azure. Reply Deutschland AG, with its subsidiary Cluster Reply, has specialized in Microsoft technologies and applications. The company is Microsoft Gold Certified and supports customer in making use of the benefits of the newest Microsoft technologies. In various projects, Cluster Reply also focuses on the Microsoft Azure cloud. Windows Azure was used successfully in e.g. the implementation of Sky TV on iPad, iPhone and iPod touch.

Development of the German network

In addition to consolidating the service offerings in dedicated companies and the expansion of the holding services to cover all German Reply companies, the extension of the portfolio in Germany was driven further forward.

The rapid development of technology demands a high level of innovation from media companies. Bearing in mind the current economic situation, more efficient innovation processes along the entire value chain are decisive for success. Twice Reply assumed activities in media and telecommunication in the fourth quarter of 2011 to provide comprehensive support to media companies for these challenges. Twice Reply focuses Reply Deutschland's know-how in the media industry.

The media market is characterized by numerous structural changes: The rapid technological developments in digitalization, mobility and media convergence and the changing customer expectations these entail demand great capacity for change and innovation on the part of media companies. Comprehensive and efficient management of the innovation process along the entire value chain decides on success or failure. "Twice Reply will help media companies both in formulating and implementing digital strategies. And that means from A to Z. From the development of digital strategy, through creative brainstorming to technological implementation and marketing", says Georgios Kontargyris, General Manager of Twice Reply GmbH.

Smart technologies power the energy and utilities sector. The pressure on companies to initiate IT investment projects is growing dramatically. To open up this growth market to the optimum, Reply founded a start-up company in Germany called Power Reply. The Reply Group focuses its industry know-how in this new company. Power Reply made its public debut from February 7 to 9 in Essen at the E-World fair.

Employees who very successfully implemented SAP CRM projects for various German energy and utility companies in one division of the Reply Group are part of the newly founded company. This team will be augmented by industry experts from Italy who have supported extensive and complex transformation processes in the core sectors of the industry. There has been a company called Power Reply in the Reply Group in Italy for five years. Dr. Lutz Veldman and Stefano Caprari manage the business of the newly founded company.

Personnel trend

The number of employees working within the Group as of December 31, 2011, including Executive Board members, decreased slightly by 4% compared with the end of 2010 and totaled 391 employees. Apart from normal fluctuation this reduction in workforce was also caused by internal restructuring measures. Converted into full-time equivalents, the number of employees working at Reply Deutschland Group dropped by 3% to 388 employees for the financial year 2011.

Non-financial performance indicators

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

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

As part of satisfaction surveys, our customers are polled at least once a year after the completion of projects on their satisfaction with the work performed by the employees of Reply Deutschland and its associated companies. This customer satisfaction is determined in the areas of expertise, customer relations and project results using a questionnaire and is summarized as an overall result. In the 2011 financial year results improved on balance by 5%. The number of customers who replied to the question of whether they would recommend Reply Deutschland with the highest or second highest value (9 or 10 on a scale of 10) more than doubled compared to 2010.

Conditions according to corporation law

Composition of share capital

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

Restrictions

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

Special rights

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

Authorization of the Executive Board to issue shares

A resolution was passed at the Annual General Meeting on September 20, 2000 to implement a conditional capital increase of up to a nominal amount of Euro 300,000 by issuing up to 300,000 new individual bearer shares for the exercise of subscription rights under a share option plan. A total of 290,520 share options were issued within the scope of this authorization. A total of 4,892 subscription rights were exercised in the 2011 financial year, resulting in the issue from this conditional capital of 4,892 new individual bearer shares with a nominal value of Euro 1.00 each. 18,589 option rights expired in 2011. As of December 31, 2011 no more subscription rights could be exercised.

At the Annual General Meeting held on May 28, 2010, the existing but not yet exercised authorization of the Executive Board to increase capital (approved capital) was extended until May 27, 2015 and amended as follows. The Executive Board, with the approval of the Supervisory Board, is authorized to increase the share capital by up to Euro 2,367,029 (approved capital). This authorization was not exercised in the 2011 financial year meaning that a total of Euro 2,367,029 in approved capital remained as of December 31, 2011 unchanged from the previous year.

Direct or indirect shareholdings exceeding 10% of the voting rights

The Italian IT company Reply S.p.A., Turin, Italy, informed the Executive Board of Reply Deutschland AG on October 9, 2009 that it had exceeded the threshold of 75% of the voting rights in Reply Deutschland AG on October 7, 2009. As of October 7, 2009, Reply S.p.A. held 76.09% of the Reply Deutschland shares either directly or indirectly, corresponding to 3,598,330 shares. Alika s.r.l., Turin, Italy, informed the company that the voting rights assigned to Reply S.p.A. are attributable to Alika s.r.l. The Supervisory Board Chairman, Dott. Mario Rizzante, also informed the company that the voting rights held by Alika s.r.l. are attributable to him. As of December 31, 2011, the shareholding of Reply S.p.A. amounted to 80.83% of the voting rights, corresponding to a total of 3,839,909 votes.

Control of voting rights

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

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

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

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

Authorization of the Executive Board to buy back shares

The Annual General Meeting on May 28, 2010 authorized the Executive Board to acquire treasury shares of up to 10% of the share capital existing as of that date of Euro 4,742,539 in accordance with § 71 Section 1 No. 8 AktG. This authorization is valid until November 27, 2015. Together with other treasury shares owned by the company or attributable to the company according to § 71a ff. AktG, shares acquired on the basis of this authorization may not at any time exceed 10% of the current share capital of the company (§ 71 AktG). The authorization may not be used by the company for the purpose of trading treasury shares. As of December 31, 2011, Reply Deutschland AG did not hold any treasury shares.

Key agreements subject to conditions

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

Domination agreement

On April 14, 2010 syskoplan AG and Reply S.p.A. announced the intended conclusion of a domination agreement that was approved by the General Meeting on May 28, 2010. The shareholders of Reply Deutschland AG who have not accepted the cash compensation offer, remain minority shareholders and are entitled to the payment of a recurrent amount as fixed appropriate compensation. The appropriate compensation according to § 304 AktG is Euro 0.53 gross per non-par value share (gross profit share per share) less corporation tax to be paid by syskoplan. The applicable German corporate tax rate at the time of the conclusion of the agreement, including solidarity tax is 15.825 %; this currently equals a corporate income tax deductible of Euro 0.08 resulting from profits charged with German corporation tax and solidarity tax that is contained in the gross amount. At unchanged corporation tax rate of 15.0 % and solidarity tax, the complete compensation payment per non-par value share is currently Euro 0.45 for each complete financial year.

Compensation agreements

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

Shares and options held by Board members

At the end of 2011, Dr. Jochen Meier held 1 Reply Deutschland share (previous year: 1 share). The remaining members of the Executive Board did not hold any shares in Reply Deutschland AG. Neither did the members of the Executive Board hold any share options at the end of 2011.

Reply S.p.A., as of December 31, 2011, held 3,839,909 Reply Deutschland AG shares (previous year: 3,774,115). These shares were attributed to the Chairman of the Supervisory Board Dott. Mario Rizzante according to § 22 WpHG. Dr. Niels Eskelson held 500 shares at the end of 2011. The remaining members of the Supervisory Board did not hold any shares. No options were issued to the members of the Supervisory Board.

Remuneration Report[1]

In accordance with the Act on the Appropriateness of Executive Board Compensation (VorstAG) which came into force on August 5, 2009 the Supervisory Board is responsible for concluding contracts with the Executive Board members and therefore setting their remuneration. The Supervisory Board's remuneration is based on the articles of incorporation and is set by the Annual General Meeting. Further details are contained in the Corporate Governance report on the pages 44et seq.

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

Investment activities

A further EUR 0.6 million was invested in tangible non-current assets (previous year: EUR 0.5 million). In 2011 investments in software posted as intangible assets were just under EUR 0.1 million (previous year: none).

Asset and Financial Position

Balance sheet structure

Reply Deutschland AG's consolidated balance sheet total decreased in the last year by 2% to EUR 51.9 million. In the same period, the proportion of total assets accounted for by current assets fell to 57% (after 68% in the previous year). This development is mainly due to the decline in liquid assets. Trade accounts receivable decreased slightly by 1% to EUR 11.8 million. Liquid assets decreased to EUR 16.2 million due to a loan payment of EUR 5.0 million to Reply S.p.A.

Non-current assets amounted to EUR 22.1 million to the end of the period under review (previous year: EUR 16.9 million). They accounted for 43% of total assets as of the end of 2011 (previous year: 32%). The ratio of non-current assets to equity was 144% (previous year: 180%).

Goodwill correspondingly remained unchanged at EUR 10.2 million (previous year: EUR 10.2 million). In relation to the balance sheet total, goodwill amounted to 20% in 2011 (previous year: 19%). The ratio of goodwill to equity was 32% (previous year: 33%).

On the liabilities side of the balance sheet, the Reply Deutschland AG Group reduced its current liabilities by 15% from EUR 15.0 million to EUR 12.7 million in line with the course of business. This accounted for 25% of the balance sheet total (previous year: 28%). Other financial liabilities decreased by EUR1.7 million to EUR 5.0 million. This was due to the EUR 0.6 million reduction in marked-off debts vis-à-vis employees, the EUR 0.2 million reduction in marked-off debts vis-à-vis subcontractors and suppliers, the paying out of reserves to the minority shareholders in the amount of EUR 0.4 million as well as the reduction of liabilities from Finance Lease in the amount of EUR 0.2 million.

Accounts payable for supplies and performances remained virtually constant at EUR 2.4 million (previous year EUR 2.5 million. Other accounts payable decreased by EUR 0.4 million to EUR 4.0 million. This was mainly due to the advance payment surpluses for fixed prices reduced by EUR 0.7 million.

Non-current liabilities including pay-off obligations to limited partners of subsidiaries remained virtually unchanged at EUR 7.3 million (previous year: 7.4 million). Pay-off obligations to limited partners of subsidiaries resulting from the withdrawal from 4brands Reply GmbH & Co. KG increased in the 2011 financial year by EUR 0.2 million; while the long-term reserves and long-term bank liabilities decreased respectively by EUR 0.1 million.

The Reply Deutschland AG Group's equity ratio increased in the period under review from 58% to 61%. Share capital also remained virtually unchanged in the period under review as did the capital reserve. The gain seen in the consolidated net income of EUR 3.4 million and as opposite the higher dividend of EUR 2.1 million mean that retained earnings increased by 20% to EUR 7.8 million.

Liquidity situation

Reply Deutschland AG Group's cash and cash equivalents decreased in the 2011 financial year to EUR 16.2 million due to payment of a loan to Reply S.p.A. Net working capital was EUR 11.2 million (previous year: EUR 11.4 million).

In the last year an inflow of funds from operating activities totaling EUR 3.1 million was generated. In the previous year the inflow of funds was EUR 6.9 million. This decrease is primarily due to lower reserves and liabilities compared to the previous year. This effect was lessened by the consolidated annual net profit improving by EUR 1.3 million. In relation to sales revenue, cash flow from operating activities decreased from 11.5% to 5.3% compared to the previous year.

Investments in 2011 led to an outflow of funds in the amount of EUR 5.6 million. One year before, the outflow of funds was EUR 2.0 million. The previous year's figure included investment pay-offs for the acquisition of subsidiaries in the amount of EUR 1.9 million and the payment into fixed-term investments of longer than 3 months amounting to EUR 0.8 million; these were not incurred in 2011. On the other hand in 2011 there was also the payment of the loan to Reply S.p.A. of EUR 5.0 million posted under the cash flow from investment activities.

The outflow of funds from financing activities was EUR 3.3 million (previous year: outflow of funds EUR 2.1 million) primarily due to the increased dividend payments of EUR 2.1 million (previous year EUR 0.7 million).

In total cash and cash equivalents decreased in 2011 by EUR 5.8 million to EUR 16.2 million. First degree liquidity (liquid funds in relation to short-term liabilities) was 127% in 2011. In the previous year it was 147%. If the other short-term items are taken into consideration, then the second degree liquidity is 234% after 240% in 2010.

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

Reply Deutschland AG Group was at all times able to meet its payment obligations on time in the 2011 financial year and remains able to do so moving forward.

Earnings Position

Reply Deutschland AG Group's earnings position improved again in the last year as a consequence of the general economic recovery. The EBITDA margin (EBITDA to sales), a key management metric climbed to slightly above the 2010 level (10.1%) at 10.4%.

Sales for the Reply Deutschland AG Group in the 2011 financial year decreased by 3% from EUR 60.2 million to EUR 58.5 million. The slight decline in sales is due to the gap in utilization after the completion of two major projects in the first half of the year; compensation for this was only possible with a delay.

The cost of revenue decreased in 2011 over the previous year (EUR 44.1 million) to EUR 42.7 million with an average number of full-time employees reduced by 3%. Gross profit from sales was EUR 15.8 million after EUR 16.1 million in the previous year. The gross margin (gross profit from sales in relation to revenue) remained at the previous year's level of 27%. The development in hourly rates was stable.

Selling and marketing expenses remained virtually unchanged at EUR 5.9 million. The same applies to administrative expenses which at EUR 6.3 million were slightly above the previous year's level of EUR 6.2 million.

An analysis of the Group's total costs shows a reduction of 2% to EUR 54.8 million compared to the previous year. Personnel expenses decreased over the previous year by 6% to EUR 32.1 million. The cost of purchased services increased in the last year by 8% to EUR 7.9 million – mainly due to significantly greater use of external capacities. Operating expenses (not including purchased services) decreased slightly by 0.1% to EUR 14.8 million.

Other comprehensive income (difference between other operating revenues and other operating expenses) improved by EUR 1.8 million to EUR 1.5 million. This was mainly due to an increase in fee income of EUR 1.2 million from the assumption of administrative activities vis-à-vis the German Reply companies, Live and Riverland as well as lower necessary write-downs on goodwill (previous year EUR 0.8 million).

Operating income (EBIT) grew by 42% to EUR 5.1 million (previous year: EUR 3.6 million). The financial result before expenses relating to limited partners of third party companies was EUR -0.1 million.

The tax rate (tax expense in relation to result before tax) was 20% in the last financial year. This below-average tax rate results from some special effects. The very positive development of business for Cluster Reply GmbH & Co. KG meant that the majority of the loss carry forward was tax-recognized. Deferred tax assets were formed for the remaining loss carry forward and the tax goodwill.

Group results were EUR 3.4 million (previous year: EUR 2.2 million) after taxes, expenses for the re-evaluation of pay-off obligations and the credit of profit shares for limited partners of subsidiaries. In terms of earnings per share, this represents both basic and diluted earnings of EUR 0.72 after EUR 0.46 in the previous year.

The development regarding the major projects ending to mid 2011 (high contracted level of orders at the start of the year reducing significantly to the middle of the year) is bound to be reflected in the order balance. The orders in hand at Reply Deutschland AG Group decreased by 21% from EUR 52.1 million in January 2011 to EUR 45.1 million in January 2012. The average order backlog decreased from 341 days to 257 days. Adjusted by the impact of major projects, the Reply Deutschland order situation has improved further – especially due to the development in the fourth quarter of 2011. We would point out that Reply Deutschland deems it useful, based on many years of experience, to include all orders with a probability of conclusion of at least 70% when determining the level of orders.

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

Opportunities and Risk Report

Risk management system and accounting related internal audit system

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

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

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

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

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

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

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

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

Presentation of the Risk Position

The recent investigation of the risk situation as at third quarter 2011 revealed several risks currently essential for Reply Deutschland Group. The risks relate to

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

All of these are typical risks to which an IT provider is exposed. Every executive within the business units and central departments of the holding receives an individualized catalog of risks relevant to their area of responsibility – these risks are then evaluated on an individual basis. The results are evaluated centrally and compiled into a risk analysis for the entire Group. The most recent analysis, from the third quarter of 2011, classified all current risks as ranging from "negligible" to "minor" (on a scale of negligible – minor – major – extreme). All the risk classes showed an increase compared to 2010, especially due to the risks arising from the European debt crisis and the continuing tight situation in the labor market. The possible risks of further aggravation of the European debt crisis were classified as major.

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

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

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

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

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

Report on Risks Associated with Financial Instruments

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

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

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

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

Special attention continues to be paid to the monitoring of value change risks arising from company values and goodwill. This is especially necessary as Reply Deutschland Group's stated strategy is to diversify its business portfolio by purchasing additional external companies. Such a strategy comes with the inherent risk that business performance may not match up to initial expectations. This risk is addressed within the framework of project controlling and monthly review meetings. Additionally, internal company valuations are conducted yearly for the main equity investments. If necessary, external experts are consulted. With regard to the business units showing a goodwill the Reply Deutschland Group assumes that the participations develop according to the current planning. Valuation adjustments in the context of the Impairmenttests were not required in 2011 except for an insignificant rest clearing up.

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

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

Opportunities and outlook

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

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

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

Under the prerequisite that no further new burdens appear from the European debt crisis the Reply Deutschland Group expects in the financial year 2012 to be able to increase revenues in the middle single-digit per cent area. The order books are filled well. The EBITDA margin of 10.4% obtained in 2011 shall be improved slightly also in the next financial year. By this forecasted development the earnings before taxes will further increase, absolutely and relatively. Like in the past, Reply Deutschland will have liquid funds appropriate to the business development also in 2012.

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

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

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

Special Events after the Balance Sheet Date

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

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

Gütersloh, March 6, 2012

Reply Deutschland AG
The Executive Board

The Boards

Executive Board

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

Josef Mago, Glashütten

Chairman of the executive board

Corporate development, capital market, M&A

Dott. Flavia Rebuffat, Munich

Operations, Shared Services, Governance, Compliance and boards

Dr. Jochen Meier, Löhne

Finance and Personnel

Supervisory Board

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

Dott. Mario Rizzante

Chairman

Turin, Italy

President of Reply S.p.A.

Dott. Riccardo Lodigiani (until June 29, 2011)

Turin, Italy

Senior Partner der Reply S.p.A.

Dr. Niels Eskelson

Deputy chairman

Paderborn

Consultant

Dr. Markus Miele

Gütersloh

Managing Director of Miele & Cie. KG

Dott. Daniele Angelucci (since June 29, 2011)

Turin, Italy

Chief Financial Officer of Reply S.p.A.

Dott. Tatiana Rizzante

Turin, Italy

Senior Partner of Reply S.p.A.

Dr. Stefan Duhnkrack

Hamburg

Partner Heuking Kühn Lüer Wojtek

Report of the Supervisory Board

In the 2011 financial year, the Supervisory Board once again took great care to perform its duties in accordance with the law and the articles of incorporation. It advised the Executive Board regularly and monitored the management of the company. The Supervisory Board was involved directly and at an early stage in all decisions of fundamental importance to the company.

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

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

In the 2011 financial year, nine regular meetings were held (March 11, May 5, May 11, June 29, July 28, September 8, October 27, December 1 and December 5, 2011). No Supervisory Board member attended fewer than half of these meetings. In addition, the Supervisory Board made several decisions on the basis of circulating documents.

Wide Range of Topics Covered by the Supervisory Board

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

The meeting on March 11, 2011 focused primarily on the annual and consolidated financial statements for 2010. The Supervisory Board discussed the results of the business units and the achievement of 2010's KPI's for the Executive Board. Furthermore, the Supervisory Board discussed and resolved that Mr. Eskelson is exempted from the age limit for the members of the Supervisory Board.

Topic of the meeting of May 5, 2011 were the numbers of the first quarter.

At the meeting on May 11, 2011 the Supervisory Board discussed in detail about the legal restructuring and the renaming of syskoplan AG.

The meeting of June 29, 2011 discussed extensively the reorganization and the location of the data center of the subsidiary is4 GmbH & Co. KG.

Topic of the meeting of July 28, 2011 were the numbers of the half year.

The meeting of September 8, 2011 approved the renaming of several subsidiaries. Furthermore the schedule of 2012 and one material customer contract were discussed.

Topic of the meeting of October 27, 2011 were the numbers of the first nine months.

In the meeting on December 1, 2011 amongst others the Executive Board provided information on the status of planning for the 2012 financial year. The Supervisory Board again requested information on the current status and the enhancements of the risk management system.

In the meeting of December 5, 2011 the loan to the majority shareholder Reply S.p.A. was discussed and approved.

Conflict of interest

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

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

In all of its meetings the Supervisory Board approved business affairs with the law firm Heuking Kühn Lüer Wojtek according to § 114 AktG. Due to regular and ongoing examination the Supervisory Board has ascertained that the services rendered by Dr. Stefan Duhnkrack, that fall within the scope of his mandate as member of the Supervisory Board, are in no way part of the services invoiced by Heuking Kühn Lüer Wojtek. Supervisory Board members of Reply Deutschland AG are obliged to disclose potential conflicts of interest towards the whole board and not to participate in discussions of subjects that might lead to a conflict of interest. In this connection there were no indications for potential conflicts of interest in the 2011 financial year. Further measures with regard to these possibly latent conflicts of interest were not necessary.

Declaration of Conformity with the Corporate Governance Code

In its meeting on December 1, 2011, the Supervisory Board dealt in detail with the implementation of the German Corporate Governance Code at syskoplan AG. In this meeting, both the Management Board and the Supervisory Board adopted an updated declaration of conformity in accordance with § 161 AktG. This was posted on the website to be permanently accessible to shareholders.

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

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

Audit of the Annual and Consolidated Financial Statements

The annual financial statements and the management report of syskoplan AG for 2011 were audited by the appointed auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Dortmund, Germany. The auditor found that the annual financial statements were in accordance with proper bookkeeping and with statutory requirements and established that the risks of future development are described accurately in the management report. This was certified in an unqualified audit opinion. The aforesaid also applies to the consolidated financial statements drawn up in accordance with IFRS and to the Group management report.

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

All documents pertaining to the financial statements, the audit opinions and their annexes, and the Management Board's proposal for the appropriation of profit were submitted to the Supervisory Board in a timely manner. The Board examined and discussed them in detail at the meeting held on March 13, 2012. The auditors took part in the discussion of the annual financial statements and the consolidated financial statements. They reported on the main findings of the audit and were on hand to answer the Supervisory Board's questions and support them with supplemental information.

After his own audit of the annual financial statements, the consolidated financial statements, the management report, and the Group management report, the Supervisory Board was in agreement with the auditor and noted that there were no objections. In addition to the consolidated financial statements for 2011, the Supervisory Board also approved the annual financial statements for 2011 and the management report of Reply Deutschland AG. The annual financial statements are therefore final.

Dott. Mario Rizzante, Chairman of the Supervisory Board of Reply Deutschland AG

New Appointments

In the reporting period the following change in the Supervisory Board occurred:

As to the annual meeting on June 29, 2011 Dott. Riccardo Lodigiani resigned as member of the Supervisory Board and Dott. Daniele Angelucci was appointed as member of the Supervisory Board.

The Supervisory Board wishes to thank the Management Board and all employees of Reply Deutschland Group companies for their extraordinary personal commitment during the past financial year.

Gütersloh, March 13, 2012
The Supervisory Board
Signed Dott. Mario Rizzante
Chairman

Report on Corporate Governance

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

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

Declaration of Conformity

The Executive Board and the Supervisory Board issued the following declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) on December 1, 2011:

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

→ Per Section 3.8 of the Codex in the version dated May 26, 2010, a reasonable deductible is to be agreed if the company has taken out a D&O insurance policy for its supervisory board. The D&O insurance policies taken out by Reply Deutschland AG for its supervisory board members do not envisage a deductible. The executive board and supervisory board do not believe that the inclusion of a deductible results in increased due care in the advisory and monitoring activity of the supervisory board.

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

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

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

→ The compensation to members of the supervisory board of Reply Deutschland AG does not contain any components as consideration for taking part in committees, as such committees have not been formed. In addition the compensation for the Reply Deutschland AG supervisory board has no variable portion based on the economic situation and success of Reply Deutschland AG (Section 5.4.6 of the Codex). The executive and the supervisory board do not believe that such components in compensation result in an increase in efficiency in the work of supervisory board.

The Executive Board and the Supervisory Board of Reply Deutschland hereby further declare that the recommendations made by the "Government Commission on German Corporate Governance Codex" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version dated Mai 26, 2010 published on July 2, 2010 are complied with, with the above restrictions. "

Composition of the Supervisory Board

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

German Corporate Governance Code Suggestions

Reply Deutschland AG also follows the suggestions of the German Corporate Governance Code with three exceptions. These exceptions pertain to the approval of the system of compensation for the members of the Executive board as well as the broadcast of the Annual General Meeting via the Internet, which is not undertaken at present. As well the remuneration regulations of Reply Deutschland AG do not provide for any performance-related remuneration components which are tied to the long-term performance of the company for members of the Supervisory Board.

Remuneration Report[2]

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

Executive Board Remuneration

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

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

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

Remuneration system

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

We refer to the fact that Mr. Mago and Ms. Rebuffat have spent 85% of their working time in their roles in the Executive Board of Reply Deutschland AG. The

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

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

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

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

→ Fixed remuneration

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

→ Performance-based short-term bonuses

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

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

→ Performance-dependent remuneration with long-term incentive effect

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

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

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

- Post-contractual compensation

  In the event of notice being given by the company for cause which was not given by the respective member of the Executive Board, the members of the Executive Board receive post-contractual compensation in the amount of the remuneration owed according to contract until the end of the original contract duration. However, this is limited in the case of Dr. Meier to the fixed and variable total remuneration comprised in the two financial years preceding the notice of termination. In the case of Mr. Mago and Ms. Rebuffat it is limited to the amount of the fixed remuneration for a period of two years. Moreover, Mr. Mago does not receive any post-contractual compensation unless certain minimum criteria regarding EBT and sales are reached.

- Benefits package

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

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

Remuneration in the financial year 2011

For the 2011 financial year, the remuneration of the members of the Executive Board amounted to EUR 0.97 million; after EUR 1.27 million the previous year. The amounts attributable to the individual members of the Executive Board are listed in the following Table. The amounts for Dott. Rebuffat include the pro rata salary elements of Reply S.p.A. as described above.

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

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

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

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

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

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

Executive Board Pension Entitlements 2011

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

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

In Euro thsd.	Pension entitlement p.a. (Annual entitlement at the start of pension)	Pension entitlements earned as of 12/31	Addition to pension provisions (IFRS)
Josef Mago	0	0	0
Dott. Daniele Angelucci	0	0	0
Dr. Jochen Meier	50	36	39
Total	**50**	**36**	**39**

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

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

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

Supervisory Board remuneration

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

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

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

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

Securities Held and Traded by Representatives of the Company

In financial year 2011 no members of the Executive Board, members of the Supervisory Board, other individuals with management responsibilities or their dependents informed the Company of the sale or purchase of Reply Deutschland AG shares or of any financial instruments based on those shares with a total transaction value exceeding EUR 5,000 in the current financial year.

As of December 31, 2011 members of the Executive Board and Supervisory Board held the following shares and share options. Further details are available in the notes to the consolidated financial statements under number 38.

		Number
Body	Shares	Options
Executive Board	1	0
Supervisory Board *)	3,840,409	0

*) *Of which 3,839,909 indirect attribution according to § 22 WpHG*

Remunerations paid to the Members of the Supervisory Board

Unless as a remuneration of the office in the Supervisory Board, Reply Deutschland AG has not paid any remunerations to the Supervisory Board members or granted advantages in connection with services, particularly advisory and procurement services rendered personally. We additionally point out that the Supervisory Board member Dr. Stefan Duhnkrack is a partner of Heuking Kühn Lüer Wojtek (HKLW) who is advising Reply Deutschland AG and its subsidiaries in legal matters. The legal advisory services of HKLW used in the year 2011 did not fall in his office as a Supervisory Board member and have all been approved by the Supervisory Board. Legal advisory services in his office as a Supervisory Board member of Reply Deutschland AG have not been charged by Dr. Duhnkrack.

Reply Deutschland AG's Share Incentive Program

In the general meeting held on September 20, 2000, a share option plan for employees was adopted, of which the final tranche was issued in 2004. A renewal of the share option plan is not currently planned. According to the terms of the plan in the year 2000, the final options will be exercisable up to 2011. Further details of the share option plan are available in the notes to the consolidated financial statements under number 36.

Consolidated Annual Financial Statements

Group Income Statement for Period of January 1, to December 31, 2011

All figures in Euro thsd.	**Note**	**2011**	**2010**
Revenue	(25)	58,521	60,174
Cost of revenue	(26)	42,695	44,065
Gross profit/loss from sales		**15,826**	**16,109**
Selling and marketing expenses	(26)	5,884	5,925
General administrative expenses	(26)	6,264	6,214
Other operating income		2,546	583
Other operating expenses		1,075	924
Operating income (EBIT)		**5,149**	**3,629**
Interest income		229	143
Interest expenses	(27)	290	250
Other financial income/expense	(27)	–15	118
Financial result before expenses related to the minority partner in limited partnerships		**–76**	**10**
Earnings before tax and expenses related to the minority partner in limited partnerships		**5,073**	**3,639**
Income tax	(28)	1,028	1,391
Expenses from revaluation of compensation obligations and from allocation of earnings to the minority partner in limited partnerships	(18)	606	80
Net profit for the period		**3,439**	**2,168**
Of which attributable to: shareholders of the parent company		3,437	2,168
non-controlling shareholders	(17)	2	0
Total		**3,439**	**2,168**
Earnings per share (Euro)	(37)		
- basic		0.72	0.46
- diluted		0.72	0.46
Weighted average number of shares outstanding			
- basic		4,749,343	4,734,536
- diluted		4,749,343	4,737,864

Group Statement of Comprehensive Income for Period of January 1, to December 31, 2011

All figures in Euro thsd.	Note	2011	2010
Net profit for the period		**3,439**	**2,168**
Losses from cash flow hedges recognized directly in equity	(15)	55	–10
Deferred taxes on results directly recognized in equity		–17	3
Other income		**38**	**–7**
Total result for the period		**3,477**	**2,161**
Of which attributable to:			
shareholders of the parent company		3,477	2,161
non-controlling shareholders		–0	–0

The Executive Board of Reply Deutschland AG (since March 15, 2012)
Josef Mago (CEO), Dott. Flavia Rebuffat (COO and CFO)

Group Balance Sheet on December 31, 2011

Assets (all figures in Euro thsd.)	Note	12/31/2011	12/31/2010	01/01/2010
Non-current assets				
Goodwill	(6)	10,159	10,171	10,961
Other intangible assets	(6)	50	85	319
Property, plant, and equipment	(6)	3,599	3,851	4,956
Other financial assets	(7)	7,828	2,694	2,441
Deferred tax assets	(8)	464	115	312
Total non-current assets		**22,100**	**16,916**	**18,989**
Current assets				
Trade accounts receivable and other assets	(9)	11,845	11,932	9,069
Other financial assets	(7)	344	356	562
Tax assets		685	981	1,359
Other non-financial assets	(10)	786	633	649
Cash at bank and cash in hand	(11)	16,151	21,950	19,896
Total current assets		**29,811**	**35,852**	**31,535**
Balance sheet total		**51,911**	**52,768**	**50,524**

Liabilities (all figures in Euro thsd.)	Note	12/31/2011	12/31/2010	01/01/2010
Equity				
Subscribed capital	(12)	4,751	4,746	4,731
Capital reserve	(13)	19,251	19,218	19,106
Retained earnings	(14)	7,820	6,505	5,418
Reserve for hedges	(15)	0	–38	–31
Treasury stock	(16)	0	–2	–8
Equity held by shareholders of Reply Deutschland AG		**31,822**	**30,429**	**29,216**
Non-controlling shareholders' interest	(17)	27	25	118
Total equity		**31,849**	**30,454**	**29,334**
Non-current liabilities				
Obligations to compensate minority partners in limited partnerships	(18)	2,860	2,665	2,889
Bank loans	(19)	863	978	1,093
Pension obligations	(20)	2,658	2,487	2,396
Provisions	(21)	701	988	1,172
Other financial liabilities	(23)	251	239	642
Total non-current liabilities		**7,333**	**7,357**	**8,192**
Current liabilities				
Provisions	(21)	672	984	754
Tax liabilities		498	295	572
Bank loans	(19)	115	115	115
Trade accounts payable	(22)	2,435	2,490	1,260
Other financial liabilities	(23)	5,017	6,668	7,264
Other liabilities	(24)	3,992	4,405	3,033
Total current liabilities		**12,729**	**14,957**	**12,998**
Total liabilities		**20,062**	**22,314**	**21,190**
Balance sheet total		**51,911**	**52,768**	**50,524**

Group Statement of Cash Flows for Period of January 1, to December 31, 2011

All figures in Euro thsd.	01.01.-31.12.2011	01.01.-31.12.2010
Cash flow from operating activities		
Net profit for the period	3,439	2,168
Income tax	1,028	1,391
Result from discontinued operations	0	0
Expenses from revaluation of compensation obligations and from allocation of earnings to the minority partner in limited partnerships	606	80
Financial result before expenses related to the minority partner in limited partnerships	75	–10
Operating income (EBIT)	**5,148**	**3,629**
Depreciation and amortization of non-current assets	963	2,456
Other non-cash items	16	133
Change in provisions	–376	–304
Profit/loss from the disposal of non-current assets	5	178
Change in receivables and other assets attributable to operating activities	–55	–2,640
Change in liabilities attributable to operating activities	–1,704	4,524
Interest payments made	–290	–81
Interest payments received	229	143
Received dividend	0	0
Income tax payments made	–896	–1,090
Net cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**3,040**	**6,948**

All figures in Euro thsd.	**01.01.-31.12.2011**	**01.01.-31.12.2010**
Cash flow from investment activities		
Payments for investments in property, plant, and equipment and other intangible assets	–492	–453
Payments for investments in other non-current financial assets	–86	–220
Payments for granted loans	–5,000	0
Payments for deposits with a fixed term of more than 3 months	0	800
Payments for the acquisition of subsidiaries	0	–1,879
Proceeds from the sale of property, plant, and equipment	0	–210
Cash flow from investment activities	**–5,578**	**–1,962**
Cash flow from financing activities		
Dividends paid to shareholders and minorities	–2,138	–747
Withdrawal of profits by minority partners in limited partnerships	–252	–647
Payment of reserves to group-external limited partners	–363	0
Proceeds from the issue of new shares	38	109
Proceeds from the sale of treasury stock	18	71
Payments for the purchase of treasury stock	0	–78
Payments for earn-out obligations from the acquisition of minority shares at dominated subsidiaries	–100	–156
Payments for the redemption of loans	–115	–115
Payments for the redemption of finance lease liabilities	–349	–569
Cash flow from financing activities	**–3,261**	**–2,132**
Change in cash and cash equivalents	**–5,799**	**2,854**
Cash and cash equivalents at beginning of period	21,950	19,096
Cash and cash equivalents at end of period	**16,151**	**21,950**
Cash and cash equivalents in balance sheet	**16,151**	**21,950**

Group Statement of Changes in Shareholders' Equity

Statement of Changes in Shareholders' Equity for Period of January 1 until December 31, 2011

All figures in Euro thsd.	Subscribed capital	Capital reserve	Retained earnings
Status as at 01/01/2010	**4,731**	**19,106**	**5,419**
Net profit for the period	0	0	2,168
Other income	0	0	0
Total result for the period	**0**	**0**	**2,168**
Dividends	0	0	–714
Retroactive acquisition cost for equity investments directly posted in equity	0	0	–335
Issuing of new shares	15 *	93	0
Change from own shares	0	19	–32
Payments of uncalled capital by minority shareholders	0	0	0
Status as at 01/01/2011	**4,746**	**19,218**	**6,505**
Net profit for the period	0	0	3,437
Other income	0	0	0
Total result for the period	**0**	**0**	**3,437**
Retroactive acquisition cost for equity investments directly posted in equity	0	0	0
Dividends	0	0	–2,138
Issuing of new shares	5 *	33	0
Change from own shares	0	0	16
Payments of uncalled capital by minority shareholders	0	0	0
Status as at 12/31/2011	**4,751**	**19,251**	**7,820**

** Due to issuance of new shares following the exercise of stock options the subscribed capital in 2011 increased by Euro 4,892 (financial year 2010: Euro 14,991).*

	Reserve for hedges	Treasury stock	Equity held by shareholders of Reply Deutschland AG	Non-controlling shareholders' interest	Total equity
	–31	**–8**	**29,217**	**118**	**29,335**
	0	0	2,168	0	2,168
	–7	0	–7	0	–7
	–7	**0**	**2,161**	**0**	**2,161**
	0	0	–714	–33	–747
	0	0	–335	–60	–395
	0	0	108	0	108
	0	6	–7	0	–7
	0	0	0	0	0
	–38	**–2**	**30,429**	**25**	**30,454**
	0	0	3,437	2	3,439
	38	0	38	0	38
	38	**0**	**3,475**	**2**	**3,477**
	0	0	0	0	0
	0	0	–2,138	0	–2,138
	0	0	38	0	38
	0	2	18	0	18
	0	0	0	0	0
	0	**0**	**31,822**	**27**	**31,849**

Statement of non-current Assets Movements in Financial Year 2011

Acquisition- or Production Costs

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

B. Financial year 2010 all figures in Euro thsd.	01/01/2010	Additions due to acquisition of subsidiaries	Additions	Disposals	12/31/2010
I. Goodwill	13,208	0	0	0	13,208
II. Other intangible assets					
1. Acquired software	3,531	0	8	83	3,456
2. Internally developed software	2,085	0	0	0	2,085
	5,616	**0**	**8**	**83**	**5,541**
III. Property, plant, and equipment					
1. Land and property	4,011	0	0	0	4,011
2. Other operating and office equipment	4,833	0	445	318	4,960
3. Assets from finance leases	1,971	0	52	270	1,753
	10,815	**0**	**497**	**588**	**10,724**
IV. Total non-current assets	**29,639**	**0**	**505**	**671**	**29,473**

Statement of non-current Assets Movements in Financial Year 2011 (2)

Accumulated Depreciation

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

B. Financial year 2010 all figures in Euro thsd.	01/01/2010	Depreciations and amortization during the financial year	Disposals	12/31/2010
I. Goodwill	2,247	790	0	3,037
II. Other intangible assets				
1. Acquired software	3,212	236	76	3,371
2. Internally developed software	2,085	0	0	2,085
	5,297	**236**	**76**	**5,456**
III. Property, plant, and equipment				
1. Land and property	1,260	141	0	1,401
2. Other operating and office equipment	3,729	616	289	4,056
3. Assets from finance leases	870	674	128	1,415
	5,859	**1,431**	**417**	**6,873**
IV. Total non-current assets	**13,403**	**2,456**	**493**	**15,366**

Statement of non-current Assets Movements in Financial Year 2011 (3)

Book Values

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

B. Financial year 2010 all figures in Euro thsd.	12/31/2010	12/31/2009
I. Goodwill	10,171	10,961
II. Other intangible assets		
1. Acquired software	85	319
2. Internally developed software	0	0
	85	**319**
III. Property, plant, and equipment		
1. Land and property	2,610	2,751
2. Other operating and office equipment	904	1,104
3. Assets from finance leases	338	1,101
	3,851	**4,956**
IV. Total non-current assets	**14,107**	**16,236**

Notes to the Consolidated Annual Financial Statements

General Information

As the parent company, Reply Deutschland AG (formerly syskoplan AG) produces consolidated financial statements. The consolidated financial statements as of December 31, 2011 were drawn up in line with § 315a of the German Commercial Code (HGB) in connection with EU Regulation 1606/2002 dated July 19, 2002. They therefore comply with the International Financial Reporting Standards (IFRS) valid on the balance sheet date which have been endorsed by the EU. Reply Deutschland AG's headquarters are located in Gütersloh, Germany, at Bartholomäusweg 26. The company is entered in the commercial register in Germany.

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

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

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

Accounting and Valuation Methods

1 Adoption of new Standards

In principle, the applied accounting and valuation standards correspond with the methods applied in the previous year.

The exceptions are the following new and revised Standards and Interpretations applied as of January 1, 2011:

- IAS 24 Related Party Disclosures (revised),
- IAS 32 Financial Instruments: Presentation (revised),
- IFRIC 14 Prepayments within Minimum Funding Requirements (revised),
- Improvements to IFRS 2010 (May 2010).

The application of these Standards and Interpretations is explained in more detail below:

IAS 24 Related Party Disclosures (revised)

The IASB published an amendment to IAS 24 containing a clarification of the definitions of related companies and persons. The new definition strengthens the symmetrical approach in determining relationships to related companies and persons and clarifies the circumstances in which persons and persons in key positions influence the relationships to related companies and persons of a company. Furthermore, the amendment provides for a partial exemption from the disclosure obligations of IAS 24 for business with public departments and with companies controlled by the same public departments as the reporting company, jointly managed or significantly influenced. The application of the amendment did not result in any impact on the financial position of the company and the results of its operations and its cash flows.

IAS 32 Financial Instruments: Presentation (revised)

The IASB published an amendment in which the definition of a financial liability according to IAS 32 is changed with the result that companies may classify certain subscription rights and options or warrants as equity instruments. The amendment is applicable if the rights entitle acquisition of a fixed number of equity instruments of the company at a fixed amount in any currency and the company offers them pro rata to all current owners of the same class of non-derivative equity instruments. The amendment did not result in any impact on the financial position of the company and the results of its operations and its cash flows since the group does not have such instruments.

IFRIC 14 Prepayments within Minimum Funding Requirements (revised)

The amendment eliminates an unintended consequence in the event that a company is subject to minimum funding requirements and makes prepayments to meet these payment obligations. The amendment allows the classification of a prepayment of future current service costs by the company as plan assets. The group is not subject to any minimum funding requirements in the Eurozone; therefore this amendment to the Interpretation did not result in any impact on the financial position of the Group and the results of its operations and its cash flows.

Improvements to IFRS

In May 2010, the IASB published its third compilation Standard on the amendment of various IFRS with the primary objective of eliminating inconsistencies and clarifying formulations. The compilation Standards provide for individual transition regulations for each amended IFRS. The application of the following new regulations led to a change in accounting methods, however did not impact the financial position of the Group and the results of its operations and its cash flows:

IFRS 3 Business Combinations: The evaluation options for shares without dominant influence were changed. Only elements of shares without dominant influence which establish a current ownership and in the event of a liquidation a pro rata claim to the net assets of the company for the holder, may be evaluated either at fair value or at proportional share of the current ownership of the identifiable net assets of the acquired company. All other elements are to be evaluated at their fair value at the time of acquisition.

IFRS 7 Financial Instruments - Disclosures: The aim of the amendment was to simplify the disclosures by reducing the extent of the disclosures on securities held and to improve them by additional qualitative information to supplement the quantitative information.

IAS 1 Presentation of Financial Statements: The amendment clarifies that a company may present the analysis of every element of the other comprehensive income either in the statement of changes in equity or in the Notes. The Group presents this analysis in the statement of changes in equity.

The IASB published the following Standards and Interpretations that had already been adopted by EU law in the scope of the committee process, but were not yet mandatorily applicable in the 2011 financial year. Reply Deutschland will not adopt these Standards and Interpretations early.

Amendment to IFRS 7 – Information of the Transfer of Financial Assets

This revision of IFRS 7 was published in October 2010 and is first applicable in the financial year starting on or after July 1, 2011. The Revision defines extensive new qualitative and quantitative information concerning transferred financial assets that were not closed out and concerning the continuing commitment in the case of transferred financial assets as per the balance sheet date. This amendment will probably further extend the scope of disclosures on the financial instruments. However, it will not have any impact on the recognition and evaluation of assets and debts in the consolidated financial statement and the results in future financial years.

The IASB has published the following Standards and Interpretations that were not yet mandatorily applicable in the 2011 financial year. These Standards and Interpretations have not yet been adopted by the EU and were thus not applied by Reply Deutschland.

Amendment to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The Amendment to IFRS 1 was published in December 2010 and is first applicable in the financial year starting on or after July 1, 2011. The change removes fixed application dates for the derecognition of financial assets and liabilities and with respect to the recognition of a profit or loss at the time of acquisition pursuant to IFRS 1 and replaces these with the date of transition to IFRS. The Amendment further clarifies how accounting according to IFRS is to be resumed after a period that forced the entity to, in part, abandon IFRS due to a functional currency that was impacted by severe hyperinflation. No impact on the financial position of the Group and the results of its operations and its cash flows results.

IFRS 9 – Financial Instruments: Classification and Measurement

The first part of Phase I for the preparation of IFRS 9 Financial Instruments was published in November 2009. The Standard contains new rules regarding the classification and measurement of financial assets. According to this, debt instruments are to be measured at amortized cost or at fair value through profit or loss depending on their respective features and under consideration of the business model. Equity instruments are to be recognized at fair value. Value fluctuations with respect to equity instruments, however, may be posted in other comprehensive income due to the option granted for certain instruments, which can be exercised upon initial recognition of the financial instrument. In this case, only certain dividend income is recognized in profit or loss. Financial assets that are held for trading are an exception here. These must be recognized at fair value through profit or loss. In October 2010, the IASB completed the second part of Phase I of the project. Regulations on financial liabilities were thus added to the Standard, which provides for adherence to the existing regulations on classification and measurement with the following exceptions: effects from changes of the own credit risk with regard to financial liabilities that were classified as “at fair value through profit or loss” must be taken directly to equity, while derivative liabilities regarding unlisted equity instruments may no longer be recognized at cost. IFRS 9 is applicable for the first time in the financial year commencing on or after January 1, 2015. The conclusion of this project is expected in 2012. The application of the first part of Phase I will impact the classification and evaluation of financial assets of the Group. The second part of this project phase does not lead to expectation of any significant impact on the financial position of the Group and the results of its operations and its cash flows. To present a comprehensive picture of potential impacts, the Group will firstly quantify the impact only in connection with the other phases as soon as they are published.

IFRS 10 Consolidated Financial Statements

IFRS 10 was published in May 2011 and is applicable for the first time in the financial year commencing on or after January 1, 2013. The new Standard replaces the provisions of previous IAS 27 Consolidated and Separate Financial Statements concerning group accounting and the Interpretation SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a standardized control concept which applies to all the companies including the special purpose entities. The changes introduced with IFRS 10 require considerable exercise of discretion on the part of the management compared to the previous legal situation in the assessment of the question of which companies in the Group are dominated and whether these are in the consolidated financial statement by way of full consolidation.

IFRS 11 Join Arrangements

IFRS 11 was published in May 2011 and is applicable for the first time in the financial year commencing on or after January 1, 2013. The Standard replaces IAS 31 Interests in Joint Ventures and Interpretation SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 lifted the previous right to choose concerning the application of the pro rata consolidation in joint ventures. These companies are to be included in the consolidated financial statements in future purely at-equity. There were no impacts on the financial position and the results of its operations and its cash flows since Reply Deutschland does not include any companies in the consolidated financial statement as part of pro rata consolidation.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 was published in May 2011 and is applicable for the first time in the financial year commencing on or after January 1, 2013. The Standard regulates the disclosure obligations in the area of group accounting and consolidates the disclosures for subsidiaries that were previously regulated in IAS 27, the disclosures for joint controlled and associated companies that were previously in IAS 31 and IAS 28 as well as for structured companies. The new Standard formulates new disclosure requirements in addition to the previously existing explanatory obligations; therefore the Group disclosures concerning this group of companies will be more comprehensive in future.

IFRS 13 Fair Value Measurement

IFRS 13 was published in May 2011 and is applicable for the first time in the financial year commencing on or after January 1, 2013. The Standard lays down guidelines for the measurement of the fair value and defines extensive quantitative and qualitative information concerning the measurement of fair value. In contrast the Standard does not regulate the question of when assets and debts have to be or may be evaluated to the fair value. IFRS 13 defines the fair value as the price a party would receive in a regular transaction between market participants on the balance sheet date for the sale of an asset or would pay for the transfer of a liability. The Group is currently investigating the impacts the new Standard will have on the Group's financial position and the results of its operations and its cash flows.

Amendment to IAS 1 – Presentation of Elements of the Other Comprehensive Income

The Amendment to IAS 1 was published in June 2011 and is applicable for the first time in the financial year commencing on or after July 1, 2012. The Amendment of IAS 1 concerns the presentation of elements of the other comprehensive income; whereby elements that are intended for future reclassification with effect on net income (so-called recycling) are to be presented separately from elements that remain in the equity. This amendment only concerns the method of presentation in the financial statement and therefore has no impact on the Group's financial position and the results of its operations and its cash flows.

Amendment to IAS 12 – Deferred Taxes: Recovery of Underlying Assets

The Amendment to IAS 12 was published in December 2010 and is first applicable in the financial year starting on or after 1 January 2012. The Amendment to IAS 12 represents a simplification of regulations. According to this, it is assumed (refutably) that in measuring of deferred taxes, in the case of real estate that is measured at fair value, realization of the carrying amount by sale is the decisive factor. In the case of non-depreciable assets that are not evaluated according to the revaluation model, a sale is always to be assumed. There is impact on the financial position and the results of operations and cash flows.

IAS 19 Employee Benefits (revised 2011)

The revised Standard IAS 19 was published in June 2011 and is first applicable in the financial year starting on or after January 1, 2013. The adaptions made range from basic changes for example concerning the determination of revenue expected from the plan assets and the elimination of the corridor method which served to distribute or smooth any volatility arising from the pension obligations in the course of time to simple clarification and rephrasing. The elimination of the corridor method leads in the Group to the provision amount for pensions reflecting the scope of obligations in the full amount and to the actuarial profits and losses no longer being recorded pro rata with effect on net income, but instead recorded completely in the period of their coming into existence in other comprehensive income. This leads to greater volatility of provisions and equity.

IAS 27 Separate Financial Statements (revised 2011)

The revised Standard IAS 27 was published in May 2011 and is first applicable in the financial year starting on or after January 1, 2013. The adoption of IFRS 10 and IFRS 12 means the scope of application of IAS 27 is restricted solely to accounting of subsidiaries, jointly controlled and associated companies in separate financial statements of a company. The Standard does not impact the consolidated financial statement of Reply Deutschland.

IAS 28 Investments in Associated Companies and Joint Ventures (revised 2011)

The revised Standard IAS 28 was published in May 2011 and is first applicable in the financial year starting on or after January 1, 2013. The adoption of IFRS 11 and IFRS 12 means that the scope of regulation of IAS 28 – in addition to the associated companies – is also extended to the application of the equity method to joint ventures. We refer to our explanations concerning IFRS 11 with regard to the impacts.

Amendment to IAS 32 and IFRS 7 – Reclassification of Financial Assets and Financial Debts

The Amendment to IAS 32 and IFRS 7 was published in December 2011 and is first applicable in the financial year starting on or after January 1, 2013. The Amendment is intended to eliminate existing inconsistencies concerning the supplementation of application guidelines. The existing basic provisions for the reclassification of financial instruments are however retained. The Amendment also defines supplementary disclosures beyond this. The amendment will not have any impact on the accounting methods used by the Group; however it will entail further disclosures.

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

The IASB published IFRIC Interpretation 20 in October 2011. The interpretation regulates the capitalization of a long-term asset for the stripping costs arising during the production phase if the benefit lies in improved access to future mining of ores and further compelling preconditions are fulfilled. The Interpretation is first applicable in the financial year starting on or after December 31, 2012. The Standard does not have any impact on the consolidated financial statement of Reply Deutschland.

2 Presentation of the Accounting and Valuation Methods

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards valid as of balance sheet date and adopted by the EU. In previous years, the so-called accruals were shown in the short-term debts in the provisions. We are of the opinion that the classification in other financial liabilities within the short-term debts improves the insight into the financial situation.

We have corrected the classification error in the balance sheet to December 31, 2011 and adjusted the previous year's figures accordingly. In the balance sheet to December 31, 2010, the provisions within the short-term debts were reduced by EUR 4,663 thousand and the other financial liabilities were increased by the same amount. In the balance sheet to January 1, 2010, the provisions within the short-term debts were reduced by EUR 2,891 thousand and the other financial liabilities were increased by the same amount.

Consolidation Principles

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

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

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

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

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

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

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

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

Goodwill

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

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

Earnings Recognition

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

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

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

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

Leasing Relationships

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

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

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

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

Foreign Currencies

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

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

Costs for Pension Plans

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

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

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

Income Tax

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

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

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

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

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

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

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

Property, Plant, and Equipment

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

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

Self-constructed Intangible Assets

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

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

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

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

Intangible Assets Acquired against Payment (except goodwill)

Intangible assets acquired against payment are reported at the cost of acquisition less scheduled straight-line amortization and reductions in value. The useful life is three years. No impairment losses needed to be recognized in 2011 or in previous years.

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

On each balance sheet cut-off date, the book value of property, plant, and equipment and intangible assets is verified in order to establish whether there is anything to suggest an impairment in the value of these assets. If such indicators are present, the recoverable amount of the asset is estimated in order to ascertain the extent of any write-down expense. There were no indicators of impairment in previous years or in 2011. The accumulated depreciation and amortization reported in the statement of movements in non-current assets therefore exclusively contain scheduled depreciation and amortization.

Financial Assets

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

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

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

Financial assets are allocated to one of the following categories:

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

The financial assets are classified depending on their type and purpose. They are categorized on acquisition. The Group's because of negligibleness unconsolidated equity investment in DOCS.ON GmbH and securities held (money market funds) are categorized as available-for-sale financial assets. A sale of the securities is not intended for the near future. DOCS.ON GmbH is currently in liquidation. For this reason, the value of this investment has been recognized under the "current" category. Financial assets classified as available for sale are always recognized at fair value. Since there is no active market for the shares in DOCS.ON GmbH and the fair value therefore cannot be reliably determined, this equity investment is valued at the acquisition cost of EUR 7 thousand. Securities are measured at fair value, corresponding to the market value as of balance sheet date (level 1 according to IFRS 7.27A).

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

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

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

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

All figures in Euro thsd.		**Short-term**		**Long-term**
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Equity investments	7	7	0	0
Securities	0	0	883	913
Claims from life insurance policies	0	0	1,698	1,604
Available for sale	**7**	**7**	**2,581**	**2,517**
Trade accounts receivable	11,168	9,406	0	0
Loan	0	0	5,000	0
Fixed-price projects with credit balance vis-à-vis customer	677	2,526	0	0
Other	337	349	247	177
Loans and receivables	**12,182**	**12,281**	**5,247**	**177**
Total	**12,189**	**12,288**	**7,828**	**2,694**

No assets were re-categorized either in the reporting year or the previous year. Financial assets amounting to EUR 883 thousand (previous year: EUR 913 thousand) are pledged as collateral. There is no collateral for the financial assets. Apart from the trade accounts receivable, none of the financial assets are overdue or impaired. Value adjustments affecting trade accounts receivable are made for existing individual risks. They are recorded in a separate account. Please see Note 9 for more details.

Financial Liabilities

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

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

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

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

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

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

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

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

All figures in Euro thsd.	Valuation		Short-term		Long-term
		12/31/2011	12/31/2010	12/31/2011	12/31/2010
Interest rate swaps	Attributable value (level 2)	0	0	67	55
Held for trading purposes		**0**	**0**	**67**	**55**
Obligations to compensate minority partners in limited partnerships	Attributable value (level 3)	0	0	2,860	2,665
Bank loans	Book value	115	115	863	978
Trade accounts payable	Book value	2,435	2,490	0	0
Other financial liabilities (rest)	Book value	5,017	6,668	184	184
Other financial liabilities		**7,567**	**9,273**	**3,907**	**3,827**

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

Derivative Financial Instruments

Reply Deutschland has concluded interest rate swaps in preceding financial years to hedge against interest change risks for the financing of the building in Gütersloh. These interest rate swaps were designated in previous years as hedging instruments for the cash flow from floating-rate bank loans (cash flow hedges). The terms and nominal amounts correspond to those of the bank loans. The interest rate swaps were recognized at fair value at the time of entering into the contract and are assessed at their fair value at each balance sheet date. The fair value is calculated by means of the present value model based on observable market parameters (level 2 according to IFRS 7.27A). In the financial year expired a de-designation of the interest rate swaps was performed. Any change in the fair value of the interest rate swaps is therefore from 2011 recognized with effect on net income in the profit and loss statement. For reasons of simplification, the derecognition of the reserve formed in the previous years for hedges is posted with EUR 55 thousand together with the change in liability from interest rate swaps is posted in 2011 at EUR 12 thousand as expenditure.

Provisions

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

Share-based Remuneration

Under IFRS 2, share options for all plans granted after 11/7/2002 and not exercisable as of 1/1/2005 are to be recognized as an expense. The option value (fair value) is to be divided pro rata temporis over the blackout period. Deferred taxes are therefore not taken into account, as the differences are permanent. This affects the fifth tranche of Reply Deutschland's share option plan for 2004 which lapsed in 2011. There are thus no more exercisable options as per 31/12/2011.

3 Estimates

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

The Consolidated Entity and Company Acquisitions

4 The Consolidated Entity

Compared to the previous year, the consolidated entity changed as follows. In December 2011, Power Reply GmbH & Co. KG, located in Munich as well as Power Reply Verwaltungs-GmbH located in Munich were founded as wholly owned subsidiaries of Reply Deutschland AG. The purpose of this company is providing IT consulting services for the utilities market. Power reply assumes operative business in 2012. Furthermore, macrosSolution merged to macros Reply GmbH while cluster sysko GmbH and discovery sysko GmbH merged to Cluster Reply GmbH & Co. KG effective January 1, 2011.

The consolidated entity is comprised as follows:

	Share in %
Reply Deutschland AG (formerly syskoplan AG), Gütersloh	
Tool Reply GmbH (formerly syskotool GmbH), Gütersloh	100
Xpress Reply GmbH & Co. KG (formerly cm4 GmbH & Co. KG), Gütersloh**	100
Xpress Reply Verwaltungs-GmbH (formerly cm4 Verwaltungs-GmbH), Gütersloh	100
4brands Reply GmbH & Co. KG (formerly is4 GmbH & Co. KG), Minden**	51
4brands Reply Verwaltungs-GmbH (formerly is4 Verwaltungs-GmbH), Minden	51
macros Reply GmbH (formerly macrosInnovation GmbH), Munich*	100
Cluster Reply GmbH & Co. KG (formerly InteractTiV GmbH & Co. KG), München**	100
Cluster Reply Verwaltungs-GmbH (formerly InteracTiV Verwaltungs-GmbH), München	100
Xuccess Reply GmbH (formerly Xuccess Consulting GmbH), Munich*	100
Twice Reply GmbH (formerly bds sysko GmbH), Düsseldorf	100
Syskoplan Reply GmbH (formerly syskoplan Schweiz GmbH), Küsnacht, Switzerland	100
Power Reply GmbH & Co. KG, Munich**	100
Power Reply Verwaltungs-GmbH, Munich	100

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

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

5 Details of the Shares Acquired in the Year under Review as per IAS 27

No shares in companies already under control were acquired or disposed of in 2011.

Notes to the Consolidated Balance Sheet

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

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

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Xuccess Reply GmbH	4,898	5,507
macros Reply GmbH	4,652	4,652
Cluster Reply GmbH & Co. KG	609	0
discovery sysko GmbH (merged to Cluster Reply GmbH & Co. KG)	0	12
	10,159	**10,171**

The centralization of the Microsoft business in Cluster Reply GmbH & Co. KG also included the demerger of the Microsoft section of Xuccess Reply GmbH which was transferred to Cluster Reply GmbH & Co. KG. Corresponding to the values at the date of the demerger, January 1, 2011, EUR 609 thousand of goodwill was reclassified from Xuccess Reply GmbH to Cluster Reply GmbH & Co. KG.

For reasons of simplification and bearing in mind the merger to Cluster Reply GmbH & Co. KG, the low goodwill of discovery sysko GmbH of EUR 12 thousand in 2011 was completely amortized.

In the 2011 financial year, the reported goodwill figures were subject to an impairment test based on the value in use. These values in use were based on the following fundamental assumptions:

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

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

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

7 Other Financial Assets

The other financial assets are composed as follows:

		Current		Non-current
All figures in Euro thsd.	**12/31/2011**	**12/31/2010**	**31.12.2011**	**12/31/2010**
Equity investments	7	7	0	0
Securities	0	0	883	913
Loan	0	0	5,000	0
Claims from life insurance policies	0	0	1,698	1,604
Other	337	349	247	177
	344	**356**	**7,828**	**2,694**

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

The equity investments were categorized as available-for-sale financial assets. As in the previous year, the equity investments included a stake of 25% in DOCS.ON GmbH, Stuttgart. The amount of the equity investment was unchanged compared to the previous year. As of December 31, 2010, DOCS.ON GmbH had equity of EUR 19 thousand and achieved an annual deficit of EUR 9 thousand in the 2010 financial year (German Commercial Code). The investment is valued at acquisition cost as, due to the lack of a market, the fair value could only be reliably determined via concrete selling negotiations. The equity investment is not treated as an associated company because of negligibleness. The investment did not generate any dividend income in 2011 and 2010. In accordance with the shareholder resolution from November 14, 2009, DOCS.ON GmbH was liquidated on December 31, 2009. Therefore the equity investment was assigned as current financial assets. The company continued in 2011 under liquidation.

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

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

The loan to Reply S.p.A. and other financial assets are categorized as loans and receivables entered at net book value. The books value of the loan and other financial assets correspond to fair value. The income statement does not include any profits or losses from the securities apart from interest income of EUR 8 thousand (previous year: EUR 1 thousand).

8 Deferred Tax Assets

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

All figures in Euro thsd.	12/31/2011	12/31/2010
Opening inventory	115	312
arising from events affecting net income	366	–200
directly recognized in equity	–17	3
arising from addition of new companies	0	0
	464	**115**

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

The deferred tax assets arose from:

All figures in Euro thsd.	12/31/2011	12/31/2010
Provisions	354	395
Tax loss carry-forwards	66	15
Goodwill	421	168
Interest rate swaps	20	16
Finance leasing	15	53
Total deferred tax assets	**876**	**647**
Provisions	113	119
Work in progress	249	390
Trade accounts receivable	50	23
Total deferred tax liabilities	**412**	**532**
Net amount of deferred tax assets	**464**	**115**

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

As at December 31, 2011, domestic corporation tax loss carry-forwards amounted to EUR 456 thousand (previous year: EUR 392 thousand) and trade tax loss carry-forwards amounted to EUR 876 thousand (previous year: EUR 1,309 thousand). Deferred taxes on domestic corporation tax loss carry-forwards of EUR 456 thousand and trade tax loss carry-forwards amounting to EUR 512 thousand were not formed as it is not probable that they can be used within a clear timeframe of five years. Deferred tax assets amounting to EUR 15 thousand (previous year: EUR 15 thousand) were recognized for the loss carried forward by Reply Deutschland Schweiz GmbH.

9 Trade Accounts Receivable and Receivables

All figures in Euro thsd.	12/31/2011	12/31/2010
Trade accounts receivable	11,291	9,464
Impairment	123	58
	11,168	**9,406**
Fixed-price projects with credit balance vis-à-vis customer	677	2,526
	11,845	**11,932**

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

No valuation adjustments were conducted on the trade accounts receivable totaling EUR 5,017 thousand (previous year: EUR 4,413 thousand) which were overdue as of the balance sheet date as no significant change in these debtors' creditworthiness was identified and repayment is expected for the outstanding amounts. The Group has no collateral for these open items. On average, the receivables in question are 28 days old (previous year: 36 days). The arrears analysis below illustrates the age pattern of the overdue but unimpaired trade accounts receivable:

All figures in Euro thsd.	12/31/2011	12/31/2010
Overdue less than 90 days	4,343	3,735
90 days to 180 days overdue	563	303
180 days to 1 year overdue	92	199
Overdue more than 1 year	19	176
Total	**5,017**	**4,413**

Valuation adjustments developed as follows:

All figures in Euro thsd.	12/31/2011	12/31/2010
At the beginning of the year	58	20
Utilized	–44	0
Reversal	–14	0
Allocations	123	38
At the end of the year	**123**	**58**

Losses on receivables came to EUR 33 thousand (previous year: EUR 40 thousand).

When determining the value of trade accounts receivable, each change in credit standing between the granting of credit and the balance sheet cut-off date is taken into account. There is a certain credit risk concentration as VW Group companies account for 29% of the receivables (previous year: 17%). The Executive Board is confident that no risk provisioning is necessary over and above the write-downs already recognized. The book values shown above therefore reflect the Group's maximum default risk for trade accounts receivable. The book value of the trade accounts receivable corresponds to fair value.

The age pattern of the impaired receivables is as follows:

All figures in Euro thsd.	12/31/2011	12/31/2010
60 to 90 days	0	0
90 to 120 days	0	0
Over 120 days	123	58
Total	**123**	**58**

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

All figures in Euro thsd.	12/31/2011	12/31/2010
Capitalized production costs from fixed-price projects	2,155	4,789
plus PoC result	647	1,175
less partial payments	–2,917	–4,946
Fixed-price projects total	**–115**	**1,018**
Of which		
Fixed-price projects with credit balance vis-à-vis customer	677	2,526
Fixed-price projects with a credit balance due to customers (included in other liabilities)	–792	–1,508
	–115	**1,018**

The sales include EUR 11,220 thousand (previous year: EUR 11,909 thousand) in earnings from production projects. The book value of the fixed-price projects with a credit balance due from customers corresponds to fair value.

10 Other Non-financial Assets

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

11 Cash at Banks and Cash in Hand

Cash and cash equivalents are made up as follows:

All figures in Euro thsd.	12/31/2011	12/31/2010
Cash on hand	4	4
Fixed-term deposits and overnight money	12,252	9,572
Balance on current accounts	3,895	12,374
	16,151	**21,950**

All fixed-term deposits have a maturity of less than 3 months.

12 Subscribed Capital

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

The number of shares in circulation has developed as follows:

Number of shares	12/31/2011	12/31/2010
At the beginning of the financial year	4,745,669	4,730,678
Capital increase from approved capital	0	0
Capital increase from contingent capital (stock option plan)	4,892	14,991
At the end of the financial year	**4,750,561**	**4,745,669**

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

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

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

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

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

Approved Capital

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

Conditional Capital

A resolution was passed at the Annual General Meeting on September 20, 2000, to implement a conditional capital increase of up to EUR 300,000 by issuing up to 300,000 new individual bearer shares to employees, executives, and members of the Executive Board. The new individual bearer shares issued as a result of this resolution are entitled to participate in profits from the beginning of the financial year in which they are issued. In total, 290,520 share options were granted. Following this resolution, 46,395 (previous year: 41,503) individual bearer shares were issued. The remaining share options amounting to 244,125 (previous year: 225,536) expired, leaving no remaining conditional capital (previous year: EUR 23,481).

Please see Note 36 for further details regarding this share option plan.

13 Additional Paid-in Capital

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Premium from the issue of shares less issuing costs	18,922	18,889
Other shareholder contributions	329	329
	19,251	**19,218**

The increase in additional paid-in capital results from a sum of EUR 32 thousand (previous year: EUR 93 thousand) which was generated above and beyond the nominal value when issuing shares from the conditional capital. With a sum of EUR 475 thousand, the capital reserve relates to the statutory reserve according to § 150 II AktG in the amount of 10% of the share capital.

14 Retained Earnings

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

15 Reserves for Hedges

The profit and loss recording of the changes of the fair value of the interest rate swaps concluded to secure the cash flows of floating-rate bank loans means that a reserve for hedges does not have to be formed.

Please see Note 19 for further information.

16 Treasury Stock

As of January 1, 2011, the Company held 1,720 shares of treasury stock; 400 of which have been acquired by employees. The remaining 1,320 were sold on May 11, 2011 at a price of EUR 12,355.20 (9.3600/share). As of the balance sheet date December 31, 2011, there were no shares of treasury stock held by the company.

The share in the nominal capital (4,750,561 shares) of the treasury stock disposed of was 0.04%.

17 Equity of non-controlling Shareholders

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

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

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

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

Overall, the item developed as follows:

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
At the beginning of the year	2,665	2,889
Decrease (-) / Increase in fair value of minority interests	195	–224
At the end of the year	**2,860**	**2,665**

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Income / expenses from revaluation of compensation obligations	195	–225
Expenses from allocation of earnings	411	305
	606	**80**

19 Bank Overdrafts and Bank Loans

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Current portion of non-current loan obligations	115	115
Non-current loan obligations	863	978
	978	**1,093**

The loans are due as follows:

All figures in Euro thsd.	**< 1 year**	**1–5 years**	**More than 5 years**	**Total**	**Interest rate**	**Collateral**
Euro credit	115	460	403	978	variable	Land charge
	115	**460**	**403**	**978**		

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

Loans are reported at net book value. The fair value of the loan corresponds roughly to the book value. The purpose of the loan is to finance the building in Gütersloh (book value: EUR 2,610 thousand). The land charges mentioned are registered for this property. All terms of the loan contracts were complied with (yearly amortization of EUR 115 thousand, gross net cash flow greater than EUR 200 thousand).

Taking into account the interest rate swaps and the yield curve as per December 31, 2011, the future payments for settlement and interest are as follows:

All figures in Euro thsd.	< 1 year	1–5 years	More than 5 years	Total
Euro credit (repayment + variable interest)	148	552	428	1,128
Interest rate swap	6	15	4	25
	154	**567**	**432**	**1,153**

20 Pension Obligations

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

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

All figures in Euro thsd.	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Present value of pension obligations	4,163	3,783	3,362	2,577	2,834
Fair value of plan assets (asset value of reinsurance coverage)	937	924	872	801	727
Financing status	**3,226**	**2,859**	**2,490**	**1,776**	**2,107**
Actuarial losses not recognized in the balance sheet	–568	–372	–94	549	126
Liabilities shown on the balance sheet	**2,658**	**2,487**	**2,396**	**2,325**	**2,233**
Experience-based adoption of plan liabilities	65	–27	–61	–17	–15
Experience-based adoption of plan assets	12	52	71	74	62

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
At the beginning of the financial year	3,783	3,362
Current service cost	30	25
Actuarial profits (-) and losses	9	0
Interest expense	184	170
Actuarial profits (-) and losses	183	247
Benefit transfer	32	27
Payments made for services	– 58	– 48
At the end of the financial year	**4,163**	**3,783**

All pension obligations as of December 31, 2011 were calculated using the 2005G guideline tables by Klaus Heubeck. The pension obligations were evaluated as of December 31, 2011. The calculations were based on the following assumptions:

	12/31/2011	**12/31/2010**
Interest rate	4.50% p.a.	4.90% p.a.
Rate of entitlement increase (if applicable)	1.50% p.a.	1.50% p.a.
Rate of benefit increase	2.00% p.a.	2.00% p.a.

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
At the beginning of the financial year	924	872
Expected profits from plan assets (life insurance policies)	32	36
Actuarial profits (-) and losses	– 13	– 37
Repayment reinsurance	– 61	0
Employer’s contributions	55	53
At the end of the financial year	**937**	**924**

Contributions totaling EUR 55 thousand are expected for 2012.

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Current service cost	– 30	– 25
Actuarial profits (-) and losses	– 9	0
Current interest expense	– 184	– 170
Benefit transfer	– 32	– 27
Expected profits from plan assets (life insurance policies)	32	36
	– 223	**– 186**

In addition to this, there are reinsurance policies to finance pension obligations which do not meet the requirements for a qualified insurance policy. They are recognized at fair value (EUR 1,698 thousand; previous year: EUR 1,604 thousand) and recorded under non-current financial assets. Contributions of EUR 11 thousand were made towards these policies.

The pension obligation of Reply Deutschland AG to Dr. Manfred Wassel, former Chairman of the Executive Board, continues to exist after his departure as of December 31, 2009. The resulting additional future expenses are borne by Reply S.p.A. This arrangement as of December 31, 2011 led to a claim of EUR 195 thousand (previous year: EUR 147 thousand) which was posted under non-current assets.

21 Other Provisions

Other provisions are made up as follows:

All figures in Euro thsd.		**Short-term**		**Long-term**
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Personnel	411	373	701	988
Purchase price adjustments	64	239	0	0
Other	197	372	0	0
	672	**984**	**701**	**988**

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

Provisions for purchase price adjustments comprise the earn-out components of the purchase price for the acquisition of the minority share of 25.1% of macrosSolution GmbH. A purchase price due immediately of EUR 150 thousand as well as an earn-out component of a maximum of EUR 250 thousand were agreed, to depend on the results of 2010 to 2012. The earn-out component amounts were reserved as per December 31, 2010 in the amount of EUR 239 thousand. In the 2011 financial year, the reserves were reduced against income by EUR 80 thousand. The background to this reduction is a low result for 2011 as well as the expectation of a reduced result for 2012. In addition, EUR 100 thousand was drawn as earn-out component for 2010.

The provisions developed overall as follows:

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

* *Accumulation*

In the previous year provisions developed as follows:

All figures in Euro thsd.	01/01/2010	Utilized	Reversal	Addition	12/31/2010
Personnel	1,384	–251	–52	280	1,361
Purchase price adjustments	0	0	0	239	239
Other	542	–277	–3	110	372
	1,926	**–528**	**–55**	**629**	**1,972**

In 2011 some provisions have been reclassified to short-term liabilities. Accordingly the amounts of the previous year are adjusted. See item (2).

22 Trade Accounts Payable

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

23 Other Financial Liabilities

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

All figures in Euro thsd.	12/31/2011	12/31/2010
Amounts due to staff	870	1,090
Accrued liabilities due to staff	2,587	3,215
Amounts due to external limited partners	369	573
Amounts due from finance leases	317	514
Accrued liabilities due to vendors	875	1,335
Fair value of interest rate swaps	67	55
Other	183	124
	5,268	**6,906**
Of which		
Long-term	251	239
Short-term	5,017	6,667
	5,268	**6,906**

In 2011 some provisions have been reclassified to short-term liabilities. Accordingly the amounts of the previous year are adjusted. See item (2) .

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

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

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

Amounts due to external partners exclusively relate to the minority shareholder in 4brands Reply GmbH & Co. KG and concern profit shares. The liabilities arising from commercial law profit shares in will probably be settled in March 2012. A withdrawal resolution was passed in December 2011.

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

We refer to the overview of the other financial liabilities with regard to the allocation of the minimum leasing payments and the reconciliation to cash value of the minimum leasing payments (35).

24 Other liabilities

Other liabilities are composed as follows:

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Fixed-price projects with a credit balance due to customers	792	1,508
Received prepayments from service contracts	1,579	0
Deferred income	86	1,497
Income tax payables	720	772
Wage and church tax payables	815	637
Social security payables	0	–9
	3,992	**4,405**

The advances received from service contracts were posted in the previous year in the amount of EUR 1,444 thousand under the deferred income.

Notes to the Consolidated Profit and Loss Account

25 Revenues

The revenues are due almost exclusively as in the previous year to the performance of services. Regarding the breakdown of revenues we refer to the segment reporting in Note 31.

26 Cost of Revenues, Sales Costs and Administrative Expenses

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

All figures in Euro thsd.				2010
	Cost of revenue	Selling+ mark. exp.	Admin.expenses	Total
Personnel expenses				
Wages and salaries	23,346	3,021	2,749	29,116
Social security expenses	3,685	459	428	4,572
Pension expenses	152	16	14	182
Other	70	9	9	88
	27,253	**3,505**	**3,200**	**33,958**
Cost of purchased services	**7,328**	**0**	**0**	**7,328**
Other costs				
Depreciation and amortization of intangible assets	226	5	5	236
Depreciation and amortization of tangible assets	1,219	35	177	1,431
Advertising costs	0	811	0	811
Travel costs	3,179	451	394	4,024
Vehicle costs	2,797	352	337	3,486
Other	2,063	766	2,101	4,930
	9,484	**2,420**	**3,014**	**14,918**
Total costs	**44,065**	**5,925**	**6,214**	**56,204**

Social security expenses include statutory social security contributions in the amount of EUR 4,197 thousand (previous year: EUR 4,346 thousand).

The expenditure for pensions includes expenditure for employers’ contributions to direct insurances in the amount of EUR 142 thousand (previous year: EUR 131 thousand).

27 Interest income, Interest Paid and Other Financial Earnings

Interest income of EUR 229 thousand (previous year: EUR 143 thousand) relates to the valuation category of loans and receivables, EUR 220 thousand (previous year: EUR 142 thousand) from interest on cash at banks, EUR 8 thousand (previous year EUR 0 thousand) from the interest on loans, and EUR 1 thousand (previous year: EUR 1 thousand) from interest charged on loans to employees.

Interest expenses are composed as follows:

All figures in Euro thsd.	2011	2010
Interest accrued on purchase price liabilities (earn-out)	5	0
Interest on loans	44	47
Interest on liabilities from		
finance leases	25	52
Other interest expenses	216	151
	290	**250**

The other financial income of EUR -15 thousand (previous year: EUR 118 thousand) relates to currency gains and losses from loans and receivables amounting to EUR -15 thousand (previous year: EUR 118 thousand).

There were no earnings or expenses from fees. Concerning the expense with regard to limited partners of subsidiaries, please refer to Note 18.

28 Income Tax

Break Down of Tax Expenses

Tax expenses can be broken down as follows:

All figures in Euro thsd.	2011	2010
Current taxes	1,492	1,221
Taxes relating to other periods	–98	–30
Deferred taxes	–366	200
	1,028	**1,391**

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

All figures in Euro thsd.		2011		2010
Earnings from continued operations before taxes and expenses for group-external limited partners	5,073		3,639	
Tax at domestic rate	1,522	30.0%	1,092	30.0%
Tax effect of non-deductible expenses when determining the taxable profit	81		61	
Non-periodic tax expense	–98		–30	
Corporation tax on minority shares (commercial partnerships)	–56		–62	
Disregarded taxes on goodwill amortization	0		237	
Consequences of tax losses and set-off possibilities unused and not posted as defered tax assets	0		20	
Use or capitalization of not accounted tax assets of loss carried forward and timing differences	–427		0	
Expenses from non-consideration of deferred tax assets on temporary differences and tax loss carry-forwards originated in financial year	19		29	
Other deviations	–13		44	
Tax expense and effective tax rate for the financial year	**1,028**	**20.3%**	**1,391**	**38.2%**

29 Notes to the Discontinued Fields of Activity

There were no assets and debts from discontinued fields of activity in 2011 as well as in the previous year. Analogously, there was no impact on profit and loss.

30 Managing Capital and Financial Risks

Capital Risk Management

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

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

The non-current assets are completely financed via equity, current assets to 33% (previous year: 38%). These capital resources allow the Group to finance the implementation of its strategy via its own assets without borrowing. This also applies to acquisitions necessary for the growth of the Group, as already evidenced in the past. In future, the Group will cover a broader segment of the market, thus being able to increase sales and EBIT. This approach needs an appropriate market research and analysis, which is time-consuming. At present, all liquidity, as far as it is not needed for operating business, is invested risk-free at renowned domestic banks as overnight money or as fixed-term deposits.

Financial Risk Management

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

Liquidity Risk

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

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

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

Default Risk

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

All figures in Euro thsd.	**12/31/2011**	**12/31/2010**
Cash at bank	16,147	21,946
Trade accounts receivable and other assets	11,845	11,932
Loan	5,000	0
Other financial assets	3,172	3,050
	36,164	**36,928**

The default risk on bank balance is limited as it is only held at domestic banks which belong to a deposit guarantee fund. In addition to this, cash at banks is distributed between a number of credit institutions. As of December 31, 2011, the maximum amount invested at any one bank was EUR 6,608 thousand (previous year: EUR 8,108 thousand).

When determining the default risk on trade accounts receivable and other receivables, each change in credit standing between the granting of the credit and the balance sheet cut-off date is taken into account. There is a certain credit risk concentration as VW Group companies account for 29% of the receivables (previous year: 17%). The Executive Board is confident that no risk provisioning is necessary over and above the impairment already recognized, as all of the debtors are clients with an excellent credit standing. The Executive Board does not see any current increased default risk even in the concentration of the credit risk, based on the current rating of the VW Group.

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

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

Exchange Rate Risk

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

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

All figures in Euro thsd.	Assets		Liabilities	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Pound sterling	179	30	0	0
Swiss franc	153	71	0	0
Norwegian Krone	0	344	0	0
	332	**445**	**0**	**0**

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

All figures in Euro thsd.	Effect of the pound sterling		Effect of the Swiss franc		Effect of Norwegian Krone	
	2011	2010	2011	2010	2011	2010
Profit/loss	11	2	10	5	0	23
Equity	0	0	0	0	0	0

Interest Rate Risk

Interest rate differences trigger a cash flow risk as regards floating-rate bank loans. This has been counteracted by concluding two interest rate swaps with matching amounts and maturities. By concluding the interest rate swaps, the variable interest payments have been transformed into fixed interest payments. However regarding the interest rate swaps a value change risk exists. The corresponding liability would increase by EUR 33 thousand if the interest rates fell by 100 basis points and would decrease by EUR 34 thousand if the interest rates increased by 100 basis points. This would have no impact on the equity (without net profit).

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

The loan to Reply S.p.A. is EUR 5.0 million and the interest rate is the 3-month Euribor plus 2.0%. A change in the interest rate of 100 basis points would lead to an increase/a decrease in the interest income of EUR 50 thousand. This would increase respectively decrease the profit before tax by EUR 50 thousand. This would have no impact on the equity (without net profit).

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

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

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

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

If interest rates had been 100 basis points higher/lower, but all other variables had remained constant, the net income for the year ending December 31, 2011 would drop/ rise by EUR 113 thousand (2010: decrease/increase of EUR 144 thousand). The Group's equity (net profit not taken into account) would remain unchanged at an increase/decrease of interest by 100 basis points).

31 Segment Reporting

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

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

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

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

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

All figures in Euro thsd.						Segments of continued operations (1)
			Consulting			System Integration
	12/31/2011	12/31/2010	Delta	12/31/2011	12/31/2010	Delta
Revenue	7,648	8,183	–7%	45,172	44,320	2%
of which internal:	601	0		335	683	–51%
of which external:	7,048	8,183	–14%	44,837	43,637	3%
Depreciation and amortization	–36	–43	17%	–89	–59	–51%
Goodwill amortization	0	0		–12	–790	98%
EBIT	924	1,311	–30%	7,603	5,667	34%
Interest income	9	7	29%	13	14	–7%
Interest expenses	0	0		–1	–1	0%
EBT	932	1,317	–29%	7,565	5,629	34%
Investments	–25	–26	–4%	–46	–73	–37%
Employees (FTE)	32	34	–6%	274	270	2%

All figures unconsolidated

All figures in Euro thsd.						Segments of continued operations (2)
			Managed Services			Headquarter
	12/31/2011	12/31/2010	Delta	12/31/2011	12/31/2010	Delta
Revenue	7,074	10,751	–34%	901	44	>100%
of which internal:	1,339	2,442	–45%	0	0	
of which external:	5,735	8,279	–31%	901	74	>100%
Depreciation and amortization	–443	–1,150	62%	–383	–415	8%
Goodwill amortization	0	0		0	0	
EBIT	433	457	–5%	–3,811	–3,806	0%
Interest income	0	0		207	121	71%
Interest expenses	–25	–137	<–100%	–264	–113	>–100%
EBT	408	406	1%	–3,832	–3,712	–3%
Investments	–264	–217	21%	–335	–188	–78%
Employees (FTE)	45	66	–32%	36	31	–16%

All figures unconsolidated

The decline in revenue in Managed Services was due to the expiration of a long-term outsourcing contract with a key customer and could not be completely compensated for in 2011.

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

Total sales can be allotted to domestic clients with an amount of EUR 53,604 thousand (previous year: 55,269 thousand) and to clients abroad with an amount of EUR 4,917 thousand (previous year: 4,905 thousand).

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

Reconciliation statement to group figures

All figures in Euro thsd.	Reconciliation		Group key figures	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Revenue	–2,274	–3,125	58,521	60,174
of which internal:	–2,274	–3,125	0	0
of which external:	0	0	58,521	60,174
Depreciation and amortization	0	0	–951	–1,666
Goodwill amortization	0	0	–12	–790
EBIT	0	0	5,149	3,629
Interest income	0	0	229	143
Interest expenses	0	0	–290	–250
EBT	0	0	5,073	3,639
Investments	0	0	–669	–505
Employees (FTE)	0	0	388	401

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

32 Key Accounts

In 2011, more than 10% of total sales were generated with one single customer. This one customer accounted for EUR 7.7 million corresponding to 13% (previous year: 14%) of total sales (System Integration segment).

In addition, we draw attention to the fact that 19% of sales, EUR 10.9 million, were generated with the VW Group (previous year: 17%).

33 Number of Employees, Executive Board and Supervisory Board Members

Employees

In 2011, an average of 400 staff members were employed in the Group (previous year: 413), of which 33 (previous year: 35) worked in the Consulting segment, 281 (previous year: 276) worked for System Integration, 46 (previous year: 67) worked in the Managed Services segment, and 40 (previous year: 35) in the Group headquarters.

Executive Board

The members of the company's Executive Board in 2011 were:

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

Executive Board Remuneration

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

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

As of December 31, 2011, no loans or advances had been granted to Executive Board members. For details on disclosures pursuant to § 314 Section 1 No. 6a sent. 5–9 HGB we refer to the management report.

Options Held by the Executive Board

Dr. Meier was last allotted share options in the 2003 financial year as part of the Reply Deutschland AG share option plan. This tranche expired in 2011. As of December 31, 2011, no members of the Executive Board held any share options.

Other Posts Held by Executive Board Members

In the 2011 financial year, the members of the Executive Board sat on the following supervisory boards and comparable controlling bodies in Germany and abroad:

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

Supervisory Board

Supervisory Board Members

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

- Dott. Mario Rizzante, President of Reply S.p.A., Turin, Italy (Chairman)
- Dr. Niels Eskelson, management consultant, Paderborn (Deputy Chairman)
- Dott. Daniele Angelucci (since June 29, 2011) CFO of Reply S.p.A., Turin, Italy
- Dr. Stefan Duhnkrack, partner at the joint legal practice Heuking Kühn Lüer Wojtek, Hamburg
- Dott. Riccardo Lodigiani, (up to June 29, 2011) senior partner at Reply S.p.A., Turin, Italy
- Dr. Markus Miele, managing director of Miele & Cie. KG, Gütersloh
- Dott. Tatiana Rizzante, senior partner at Reply S.p.A., Turin, Italy.

Other Posts Held by Supervisory Board Members

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

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

Supervisory Board Remuneration

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

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

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

The members of the Supervisory Board received remuneration as follows:

All figures in Euro thsd.	**2011**	**2010**
Regular salaries	75	75

34 Corporate Governance Code

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

35 Other Financial Obligations

In 2011, payments of EUR 1,734 thousand (previous year: EUR 2,109 thousand) relating to lease agreements (operating leases) were recorded as an expense. These agreements do not entail any conditional installment payments, any extension or purchase options, or any price adjustment. From rental agreements on office space, payments of EUR 988 thousand (previous year: EUR 928 thousand) as well as EUR 367 thousand (previous year EUR 372 thousand) for maintenance contracts were recognized as expenses in financial year 2011.

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

All figures in Euro thsd.	2011	2010
Within one year	2,815	3,226
Within 1 to 5 years	1,989	2,386
More than 5 years	0	0
	4,804	**5,612**

The lease obligations primarily cover vehicles and IT hardware leased by 4brands Reply

There are also other financial liabilities from financial lease. The future minimum leasing payments arising from this and the reconciliation ton the cash value of the minimum leasing payments can be seen in the table below:

All figures in Euro thsd.	Minimum lease payments		Present value of minimum lease payments	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Remaining term:				
Within one year	228	350	218	330
1–5 years	102	189	99	184
More than 5 years	0	0	0	0
	330	**539**	**317**	**514**
Of which shown as				
Long-term			99	184
Short-term			218	330
			317	**514**

There are no further material contingent liabilities.

36 Share Option Plan

The Annual General Meeting held on September 20, 2000 agreed on a share option plan for employees, which came to an end with the final tranche from 2004. The plan has the following basic features:

A maximum of 300,000 subscription rights will be issued to employees. The annual tranche may not exceed 30% of the total volume (90,000 subscription rights).

Subscription rights may be exercised after the expiry of a holding period of two years and only within the following five-year period (exercise period). The date of issue is the date of notification.

All five tranches have been issued so far, the first on October 5, 2000, the second on April 12, 2001, the third on April 22, 2002, the fourth on April 24, 2003, and the fifth on April 7, 2004. The first tranche fell due in 2007, the second in 2008, and the third in 2009, the fourth in 2010 and the fifth in 2011. No options were exercised from the first three tranches. Options have been exercised from the fourth and fifth tranches.

The exercise price for the fifth tranche was 110% of the average closing price (Xetra trading) on the five trading days before the rights were issued.

The fifth tranche expired in 2011 with the result that as of December 31, 2011 no more options could be exercised.

The number and weighted average exercise price of the issued options developed as follows:

	Number		Weighted average exercise price (Euro)	
	2011	**2010**	**2011**	**2010**
At the beginning of the financial year	23,481	52,263	7.6	7.3
Options granted	0	0		
Options exercised	4,892	14,991	7.6	7.3
Forfeited and expired options	18,589	13,791		
Exercisable options outstanding at the end of the financial year	**0**	**23,481**	**0**	**7.6**

No expenses had to be recognized for share-based remuneration transactions in 2011 and 2010.

37 Earnings per Share

All figures in Euros	**2011**	**2010**
Related to the part of the annual surplus being allotted to the shareholders of Reply Deutschland		
- basic	0.72	0.46
- diluted	0.72	0.46
Related to the part of the annual result from continued activities being allotted to the shareholders of Reply Deutschland		
- basic	0.72	0.46
- diluted	0.72	0.46

The basic earnings per share is calculated by dividing the share in the annual net income to which the shareholders of the parent company are entitled (2011: EUR 3,437 thousand; previous year: EUR 2,168 thousand) by the average number of shares outstanding for the year (2011: 4,749,343 shares; previous year: 4,734,536 shares). The average number of shares outstanding for 2011 differs from the number of outstanding shares as of December 31, 2011 (4,750,561) because 4,892 shares were issued from the conditional capital in the course of 2011 (shares included pro rata temporis).

The diluted earnings per share is calculated by dividing the share in the annual net income to which the shareholders of the parent company are entitled (2011: EUR 3,437 thousand; previous year: EUR 2,168 thousand) by the average number of shares outstanding for the year plus the potentially diluting common stock (2011: 4,749,343 shares; previous year: 4,737,864 shares). Since no options can be exercised as per December 31, 2011, there is no dilutive effect.

38 Relationships with Associated Companies and Individuals

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

These companies and individuals held the following shares and options as of December 31, 2011:

			Number
Person	**Function**	**Shares**	**Options**
Josef Mago	Chairman of the Executive Board	0	0
Dr. Jochen Meier	Member of the Executive Board	1	0
Dott. Flavia Rebuffat	Member of the Executive Board	0	0
Dott. Mario Rizzante	Chairman of the Supervisory Board	3,839,909 *	0
Dr. Niels Eskelson	Deputy Chairman of the Supervisory Board	500	0
Dott. Daniele Angelucci	Member of the Supervisory Board (since 06/29/2011)	0	0
Dr. Stefan Duhnkrack	Member of the Supervisory Board	0	0
Dott. Riccardo Lodigiani	Member of the Supervisory Board (until 06/29/2011)	0	0
Dr. Markus Miele	Member of the Supervisory Board	0	0
Dott. Tatiana Rizzante	Member of the Supervisory Board	0	0
Reply Deutschland AG	Treasury stock	0	0

* *Mittelbarer Besitz über Reply S.p.A. und Alika s.r.l.*

Please refer to Note 33 and the Group management report for further details on the remuneration paid to the members of the Executive Board and Supervisory Board.

In 2011, the following business dealings or transactions were concluded with companies belonging to the international Reply Group and their direct or indirect parent companies:

All figures in Euro thsd.	**2011**
Revenue	1,277
Other income	1,368
Expenses	1,276
Loan receivable as at December 31	5,000
Receivables as at 12/31	1,685
Liabilities as at 12/31	1,712

These are mainly consulting services in connection with customer projects that were billed in principle at daily rates customary in this market. If required by the customer situation, subcontractor contracts without margins are to be concluded with the German Reply companies not included in the Group consolidated financial statement. Thus sales in the amount of EUR 777 thousand were achieved in 2011.

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

The other income concerns in the main the recharging of hardware costs, the fees for assuming bookkeeping activities for Riverland Reply GmbH, Sytel Reply s.r.l. Deutschland and Live Reply GmbH as well as the passing on of additional expenditure as part of the pension agreement of Dr. Manfred Wassel, former Chairman of the Executive Board as per December 31, 2009.

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

In 2011, a dividend of 0.45 Euros per shares, amounting to EUR 1,718 thousand, was distributed to Reply S.p.A. as a shareholder of Reply Deutschland AG.

39 Auditing Fees

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

All figures in Euro thsd.	**12/31/2011**
Auditing (of which for the previous year: EUR 47 thsd.)	201
Other certification services	11
Tax advisory services	0
Other services	20
Total	**232**

40 Special Events after the Balance Sheet Date

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

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

41 Approval of the Financial Statements

The Executive Board approved the financial statements on March 6, 2012. They will be submitted to the Supervisory Board for approval at their meeting on March 13, 2012 and subsequently approved for publication.

Gütersloh, March 6, 2012

Reply Deutschland AG
The Executive Board

Audit Opinion

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

“We have audited the consolidated financial statements prepared by Reply Deutschland AG (formerly: syskoplan AG), Gütersloh, comprising the statement of financial position, the income statement and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January 2011 to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks relating to future development.“

Dortmund, 6 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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

Balance Sheet as at December 31, 2011

All figures in Euro thsd.

Assets	12/31/2011	Previous year
A. Fixed Assets		
I. Intangible assets	30	32
II. Tangible assets	442	429
III. Financial assets	24,806	17,177
Total non-current assets	**25,278**	**17,638**
B. Current Assets		
I. Inventories	1,733	1,283
II. Accounts receivable and other assets	16,162	14,523
III. Cash in hand, cash at bank	5,247	11,155
Total current assets	**23,141**	**26,962**
C. Deferred items	210	172
D. Deferred tax assets	40	62
E. Asset-side difference from asset allocation	11	22
Assets	**48,682**	**44,856**

Liabilities		
A. Equity		
I. Subscribed capital (contingent capital 0, previous year 23)	4,751	4,744
II. Capital reserve	21,812	21,780
III. Surplus reserve	6,127	4,813
IV. Unappropriated profit	5,278	3,437
Total equity	**37,968**	**34,774**
B. Provisions	2,669	2,477
C. Liabilities	7,415	7,350
D. Deferred items	28	9
E. Deferred tax liabilities	602	246
Liabilities	**48,682**	**44,856**

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

Income Statement for Period of January 1, to December 31, 2011

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

Responsibility Statement

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

Gütersloh, March 6, 2012

Reply Deutschland AG
The Executive Board

Company Calendar Reply Deutschland AG

Date	Occasion	Place
March 30, 2012	Publication of Annual Report 2011	Gütersloh
May 4, 2012	Report on Q1 2012	Gütersloh
June 13, 2012	Annual general meeting	Gütersloh
June 14, 2012	Payment of dividend	Gütersloh
July 27, 2012	Report on Q2 2012	Gütersloh
October 31, 2012	Report on Q3 2012	Gütersloh

Imprint

Published by:

Reply Deutschland AG
Michael Lückenkötter and Thomas Hennig
Bartholomäusweg 26
D-33334 Gütersloh

Design and Layout:

Bitmama S.r.l.
Corso Francia, 110
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