Living network

Annual financial report 2014

Contents

Board of Directors and Controlling Bodies

Chairman and Chief Executive Officer

Mario Rizzante

Chief Executive Officer
Tatiana Rizzante

Executive Directors

Daniele Angelucci
Claudio Bombonato
Oscar Pepino
Filippo Rizzante
Fausto Forti (1) (2) (3)
Carlo Alberto Carnevale Maffè (1) (2)
Marco Mezzalama (1) (2)

Board of Statutory Auditors

President
Cristiano Antonelli

Statutory Auditors
Paolo Claretta Assandri
Ada Alessandra Garzino Demo

Auditing firm

Reconta Ernst & Young S.p.A.

(1) Directors not invested with operational proxies.
(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance
(3) Lead Independent Director

This report has been transalted into English from the original Italian version. In case of doubt the Italian version shall prevail.

The Group’s financial highlights

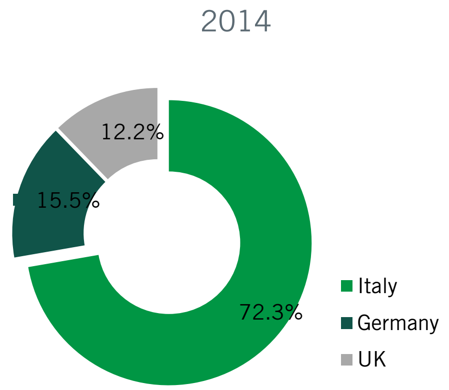
Economic figures (Thsd Euros)	2014	%	2013	%	2012	%
Revenue	632,184	100.0	560,151	100	494,831	100
Gross operating income	85,119	13.5	72,600	13.0	62,424	12.6
Operating income	80,663	12.8	64,171	11.5	52,249	10.6
Income before taxes	79,267	12.5	61,732	11.0	50,265	10.2
Group net income	47,909	7.6	34,450	6.2	27,094	5.5

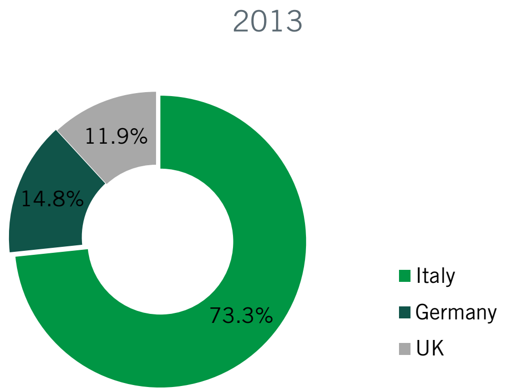
Financial figures (Thsd Euros)	2014	2013	2012
Group shareholders' equity	251,908	211,808	175,757
Non controlling interest	936	799	2,704
Total assets	616,712	549,531	475,298
Net working capital	134,341	124,374	120,476
Net invested capital	236,531	207,596	178,834
Cash flow	49,578	44,132	31,986
Net financial position	16,313	5,011	(373)

Data per share	2014	2013	2012
Number of shares	9,352,857	9,307,857	9,222,857
Operating income per share	8.62	6.89	5.67
Net result per shares	5.12	3.70	2.94
Cash flow per share	5.30	4.74	3.47
Shareholders' equity per share	26.93	22.76	19.06

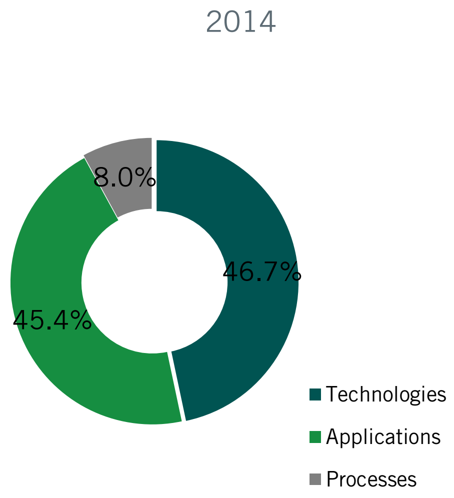
Other information	2014	2013	2012
Number of employees	4,689	4,253	3,725

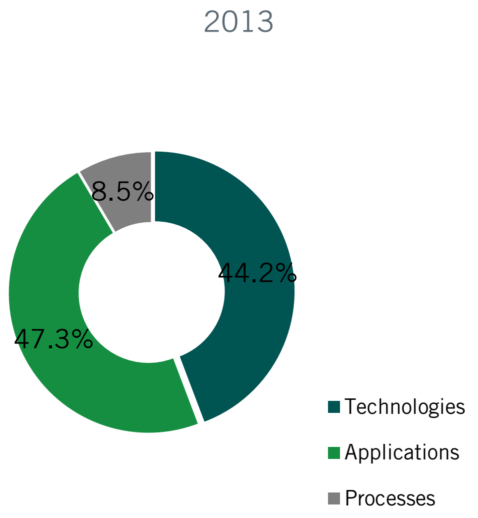
Revenue by geographical area



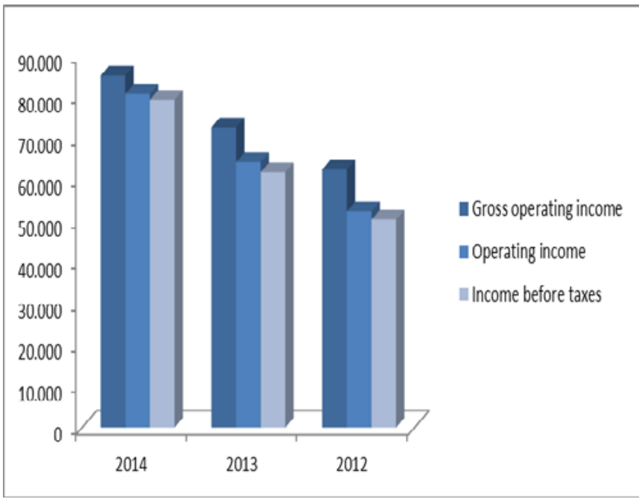


Revenue by business lines

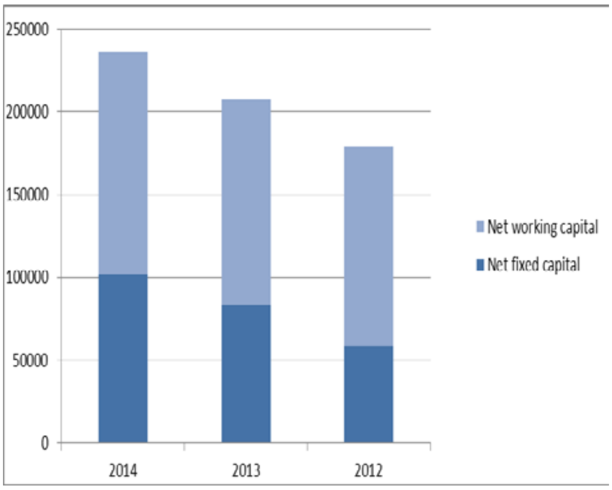




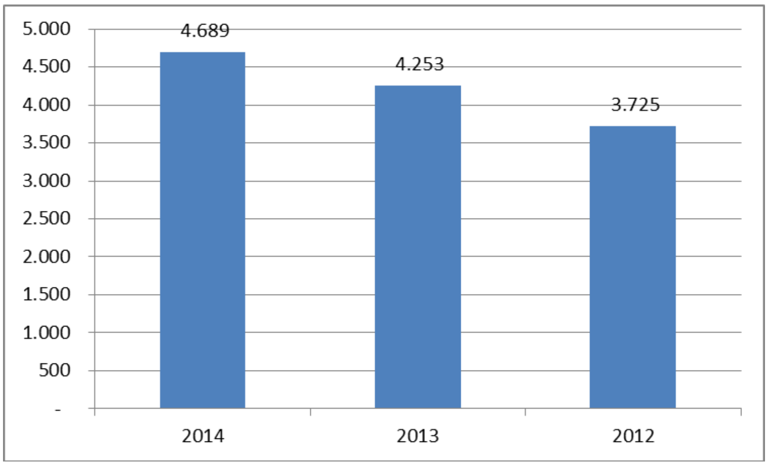
Trend in the principle economic indicators (thousand Euros)



Net invested capital (thousand Euros)



Human resources (number)



Report on Operations

Main risks and uncertainties to which Reply S.p.A and the Group are exposed

The Reply Group adopts specific procedures in managing risk factors that can have an influence on company results. Such procedures are a result of an enterprise management that has always aimed at maximizing value for its stakeholders putting into place all necessary measures to prevent risks related to the Group activities.

Reply S.p.A., as Parent Company, is exposed to the same risks and uncertainties as those to which the Group is exposed, and which are listed below.

The risk factors described in the paragraphs below must be jointly read with the other information disclosed in the Annual Report.

External risks

Risks associated with general economic conditions

The informatics consultancy market is strictly related to the economic trend of industrialized countries where the demand for highly innovative products is greater. An unfavourable economic trend at a national and/or international level or high inflation could alter or reduce the growth of demand and consequently could have negative effects on the Group's activities and on the Group's economic, financial and earnings position.

Risks associated with evolution in ICT services

The ICT service segment in which the Group operates is characterized by rapid and significant technological changes and by constant evolution of the composition of the professionalism and skills to be combined in the realization of such services, with the need to continuously develop and update new products and services. Therefore, future development of Group activities will also depend on the capability of anticipating the technological evolutions and contents of the Group's services even through significant investments in research and development activities.

Risks associated with competition

The ICT market is highly competitive. Competitors could expand their market share squeezing out and consequently reduce the Group's market share. Moreover the intensification of the level of competition is also linked with possible entry of new entities endowed with human resources and financial and technological capacities in the Group's reference sectors, offering largely competitive prices which could condition the Group's activities and the possibility of consolidating or amplifying its own competitive position in the reference sectors, with consequent repercussions on business and on the Group's economic, earnings and financial situation.

Risks associated with increasing client needs

The Group's solutions are subject to rapid technological changes that, together with the increasing needs of customers and their need to improve informatics, which results in a request of increasingly complex development activities, sometimes requires excessive efforts that are not proportional to the economic aspects. This in some cases could result in negative effects on the Group's activities and on the Group's economic, financial and earnings position.

Risks associated with segment regulations

The activities carried out by the Group are not subject to any particular segment regulation.

Internal risks

Risks associated with key management

The Group's success is largely dependent on some key figures that have made a decisive contribution to its development, such as the Chairman and the Executive Directors of the Parent Company Reply S.p.A.
Reply also has a leadership team (Senior Partner, Partner) with many years of experience in the sector with a decisive role in the management of the Group's business.
The loss of any of these key figures without an adequate replacement or the inability to attract and retain new, qualified personnel could therefore have an adverse effect upon the Group's business prospects, earnings and financial position.
Management deems that in any case the Company has a sufficient operational and managerial structure capable of guaranteeing continuity in the running of the business.

Risks associated with relationship with client

The Group offers consulting services mainly to medium and large size companies operating in different market segments (Telco, Manufacturing, Finance, etc.).
A significant part of the Group's revenues, although in a decreasing fashion in the past years, is concentrated on a relatively limited number of clients. If such clients were lost this could have an adverse effect on the Group's activities and on the Group's economic, financial and earnings position.

Risks associated with internationalization

The Group, with an internationalization strategy, could be exposed to typical risks deriving from the execution of its activities on an international level, such as changes in the political, macro-economic, fiscal and/or normative field, along with fluctuations in exchange rates.
These could negatively influence the Group's growth expectations abroad.

Risks associated with contractual obligations

The Group develops solutions with a high technological content of significant value; the underlying related contracts can provide for the application of penalties in relation to timeliness and the qualitative standards agreed upon.
The application of such penalties could have adverse effects on the Group's economic, financial and earnings position.
The Group has undersigned adequate precautionary insurance contracts against any risk that could arise under professional responsibility for an annual maximum amount deemed to be adequate in respect of the actual risk.
Should the insurance coverage not be adequate and the Group is called to compensate damages greater than the amount covered, the Group's economic, financial and earnings position could be deeply jeopardized.

Financial risks

Credit risk

For business purposes, specific policies are adopted to assure its clients' solvency.
With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of the Group's companies are monitored or centrally managed under the control of the Group Treasury, with the objective of guaranteeing effective and efficient management of capital resources (maintaining an adequate level of liquid assets and funds obtainable via an appropriate *committed* credit line amount).
The difficult economic context of the markets and financial markets requires specific attention as regards the management of liquidity risk and in such a way that particular attention is given to shares tending to generate financial resources with operational management and to maintaining an adequate level of liquid assets. The Group therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Exchange rate and interest rate risk

The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, the Group has used derivative financial instruments designated as "cash flow hedges".
The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

Review of the Group's economic and financial position

Foreword

The financial statements commented on and illustrated in the following pages have been prepared on the basis of the Consolidated financial statements as at 31 December 2014 to which reference should be made, prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, as well as with the provisions implementing Article 9 of Legislative Decree No. 38/2005.

Trend of the period

The Reply Group ended 2014 financial year with consolidated sales of 632.2 million Euros, an increase of 12.9% compared to the 560.2 million Euros reported in 2013.

EBITDA was 85.1 million Euros (72.6 million Euros in 2013) while EBIT achieved was 80.7 million Euros (64.2 million Euros in 2013).

Consolidated net profit reached 47.9 million Euros (34.5 million Euros in 2013).

Following the results achieved in 2014, the Reply Board of Directors decided to propose the distribution of a gross dividend of 0.85 Euros per share at the next Annual General Meeting. This will be paid from 6 May 2015, with the ex-dividend date set at 4 May 2015 (record date at 5 May 2015).

The Group's net financial position at 31 December 2014 was positive by 16.3 million Euros, a significant improvement over the 5.0 million Euros recorded at 31 December 2013.

The year 2014 has seen the Group achieve excellent results not only in economic and financial terms, but also as perceived by the market. Reply is, in effect, one of the leaders in Europe in the area of digital transformation, with a unique skill set, ranging from consulting and strategic communication to the design of technology architectures, and the design of integrated hardware-software.

The distinctive positioning in the main areas, now the basis of the future development of companies – such as Cloud Computing, Digital Services, Mobile, Big Data and the Internet of Things - combined with the ability to provide the customer with the best skills on the basic components of innovation and the main application domains of CRM, SCM, Risk Management and Digital Payments, lead to Reply's increasing involvement in the creation of solutions for the most important business areas.

Reclassified consolidated Income statement

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

(thousand Euros)	2014	%	2013	%
Revenues	**632,184**	**100**	**560,151**	**100**
Purchases	(12,227)	(1.9)	(10,644)	(1.9)
Personnel	(308,452)	(48.8)	(269,893)	(48.2)
Services and other costs	(222,135)	(35.1)	(200,419)	(35.8)
Other operating (costs)/income	(4,252)	(0.7)	(6,595)	(1.2)
Operating costs	**(547,065)**	**(89)**	**(487,551)**	**(87.0)**
Gross operating income (EBITDA)	**85,119**	**13.5**	**72,600**	**13.0**
Amortization, depreciation and write-downs	(8,021)	(1.3)	(7,949)	(1.4)
Other unusual (costs)/income	3,565	0.6	(480)	(0.1)
Operating income (EBIT)	**80,663**	**12.8**	**64,171**	**11.5**
Financial income/(expenses)	(1,396)	(0.2)	(2,439)	(0.4)
Income before taxes	**79,267**	**12.5**	**61,733**	**11.0**
Income taxes	(30,646)	(4.8)	(26,653)	(4.8)
Net income	**48,621**	**7.7**	**35,080**	**6.3**
Non controlling interests	(712)	(0.1)	(630)	(0.1)
Group net income	**47,909**	**7.6**	**34,450**	**6.2**

Group key events of 2014 are summarized below:

October 2014: Reply continues to invest in the Internet of Things (IoT) and in Wearable Technologies with Breed Reply (www.breedreply.com), its advanced incubator for funding, accelerating and supporting the growth and establishment of ideas and start-ups around the IoT across Europe and the USA.

July 2014: Reply S.p.A. extends its presence in North America signing a term sheet, bound to exclusivity and confidentiality obligations, to take a 20% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer.

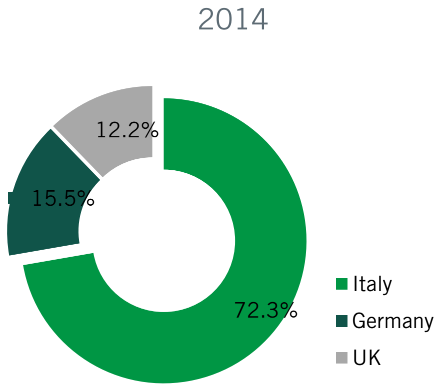
July 2014: Cluster Reply has been nominated Microsoft Dynamics' strategic partner by Microsoft. This places Cluster Reply in the Microsoft Dynamics Inner Circle, a restricted group of highly-specialised international partners for Microsoft Dynamics technology.

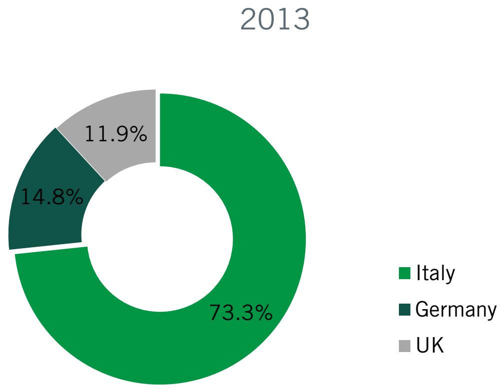
July 2014: Power Reply, the Reply group company that specialises in consulting services and development of energy and utilities companies, and a Platinum level member of Oracle PartnerNetwork (OPN), announced that it is among the first Partners worldwide to achieve the OPN Specialized status for Oracle Utilities Meter Data Management.

April 2014: Storm Reply has been designated a Premier Consulting Partner by Amazon Web Services (AWS), making it part of an elite list of AWS' top 22 Consulting Partners worldwide. Storm Reply was recognized with this prestigious award thanks to the quality of the services it provides to customers on AWS and makes the company a point of reference in the whole cloud computing value chain.

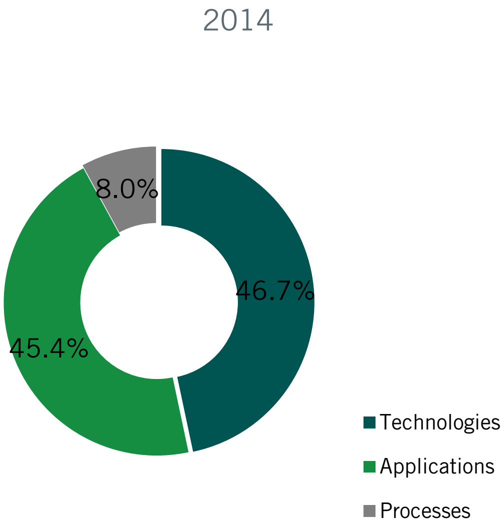
February 2014: RSA, the Security Division of EMC, appoints Communication Valley Reply as the first Europe-based RSA Managed Security Program services provider. This endorsement further strengthens the two companies' long alliance, having worked together closely on key security projects for Europe's leading industrial groups. Communication Valley Reply and RSA have pooled their expertise to collaborate in the area of research and development, focused on managed security services projects.

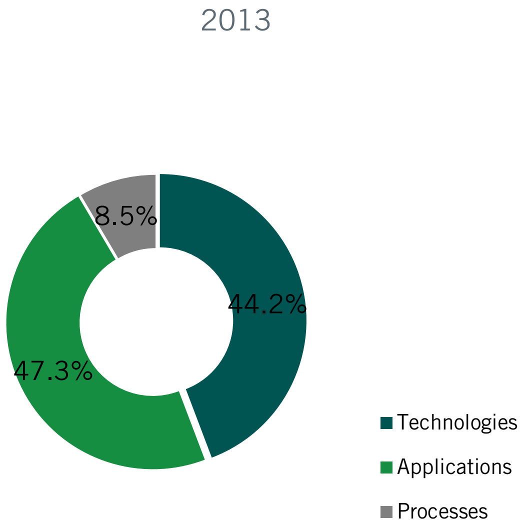
Revenues by geographical area



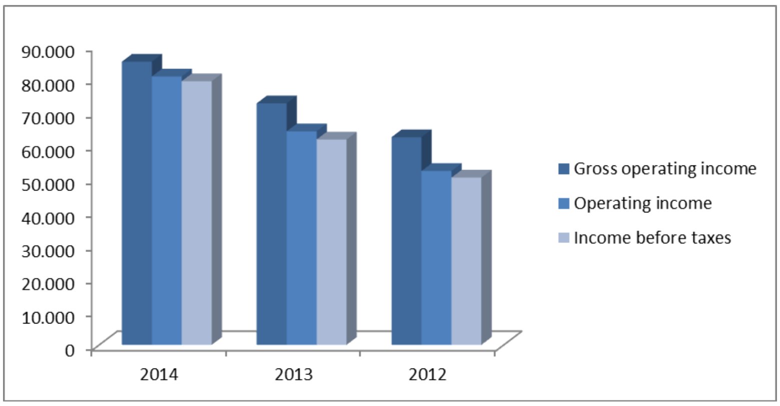


Revenues by business lines





Trend in key economic indicators



Analysis of the financial structure

The Group's financial structure is set forth below as at 31 December 2014, compared to 31 December 2013:

(thousand Euros)	31/12/2014	%	31/12/2013	%	Change
Current operating assets	353,927		318,530		35,397
Current operating liabilities	(219,586)		(194,156)		(25,430)
Working capital, net (A)	**134,341**		**124,374**		**9,968**
Non current assets	170,351		162,569		7,782
Non current liabilities	(68,161)		(79,347)		11,186
Fixed capital (B)	**102,190**		**83,222**		**18,968**
Invested capital, net (A+B)	**236,531**	**100.0**	**207,596**	**100.0**	**28,935**
Shareholders' equity (C)	252,843	106.9	212,607	102.4	40,237
NET FINANCIAL POSITION (A+B-C)	**(16,313)**	**(6.9)**	**(5,011)**	**(2.4)**	**(11,301)**

Net invested capital on 31 December 2014, amounting to 236,531 thousand Euros, was financed for 252,843 thousand Euros by net capital and reserves and by available overall funds of 16,313 thousand Euros.

The following table provides a breakdown of net working capital:

(thousand Euros)	31/12/2014	31/12/2013	Change
Work in progress	40,801	21,910	18,891
Trade receivables	285,465	271,167	14,298
Other current assets	27,661	25,454	2,207
Current operating assets (A)	**353,927**	**318,530**	**35,397**
Trade payables	83,360	68,124	15,237
Other current liabilities	136,225	126,032	10,193
Current operating liabilities (B)	**219,586**	**194,155**	**25,430**
Working capital, net (A-B)	**134,341**	**124,374**	**9,968**
% return on investments	*21.3 %*	*22.2 %*	

Net financial position and cash flows statement

(thousand Euros)	31/12/2014	31/12/2013	Change
Cash and cash equivalents, net	50,745	38,861	11,884
Current financial assets	2,245	1,010	1,235
Due to banks	(6,348)	(14,100)	7,752
Due to other providers of finance	(671)	(319)	(352)
Short-term financial position	**45,972**	**25,453**	**20,519**
Non current financial assets	1,371	1,278	93
Due to banks	(29,994)	(20,755)	(9,239)
Due to other providers of finance	(1,036)	(964)	(71)
M/L term financial position	**(29,659)**	**(20,442)**	**(9,218)**
Total net financial position	**16,313**	**5,011**	**11,301**

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

(thousand Euros)	2014
Cash flows from operating activities (A)	49,578
Cash flows from investment activities (B)	(31,933)
Cash flows from financial activities (C)	5,761
Change in cash and cash equivalents (D) = (A+B+C)	**11,884**
Cash and cash equivalents at beginning of period (*)	38,861
Cash and cash equivalents at year end (*)	50,745
Total change in cash and cash equivalents (D)	**11,884**

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

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

Significant operations in 2014

Sensoria

In the month of July 2014 Reply S.p.A extended its presence in North America signing a term sheet, bound to exclusivity and confidentiality obligations, to take 19.99% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer. The investment, which amounts to USD 5 million, is part of Reply’s development strategy connected to the Internet of Things.

Sensoria – Headquartered in Redmond, Washington – is a leading developer of wearable platforms and devices. The company was founded on the vision that clothing would become the fulcrum between Internet of Things and People as a seamless, naturally wearable body-sensing computer.

Sensoria’s objective is to work with industry partners to enable the Internet of Everyone. After releasing the Sensoria Developer Kit, designed for developers of wearable solutions, Sensoria, will continue to work with leaders in each industry to create connected, biometric driven consumer experiences.

Internet of Things is at the basis of the next wave of technology innovation and Rely intends to play a key role in this epochal transition and the investment in Sensoria is part of this.

Breed Reply

Reply launched in October 2014 Breed Reply a new Reply advanced incubator for funding, accelerating and supporting the growth and establishment of ideas and start-ups around IoT across Europe and the USA.
Breed Reply, based in London and with offices in Italy and Germany, offers three fundamental services: funding at "seed" and "early stage" level; considerable support with significant know how transfer of business, managerial and technological expertise; and thanks to Reply’s ecosystem, medium-term involvement to establish start-ups in their market.
Breed Reply will offer the start-ups the opportunity to present their ideas and projects through IoT Best in Breed, an initiative that aims to identify the most innovative ideas in IoT space.

Breed Reply has already selected start-ups for their highly innovative solutions and their outstanding management teams, capable of combining excellent ideas and market potential:

- → **Xmetrics** *(www.swim-xmetrics.com)*, a company that offers innovative devices for swimmers Xmetrics uses sensors, electronic components and software via mobile devices, to enhance the training sessions of professional and amateur swimmers, analysing their main biometric parameters and their real time performance.
- → **Cocoon** (https://cocoon.life) is a UK based start-up that has created a smart home security system that senses unusual activity throughout the house in real time, without the need for any additional sensors or professional installation. It avoids false alarms by learning what’s normal for home, only sending alerts and high quality video straight to your smartphone via the mobile app. Cocoon received a London Design Award and has been listed in Forbes as one of the top new businesses to keep an eye on in 2015.
- → **Greeniant** (www.greeniant.net) is a Dutch start-up whose solution analyses energy consumption by using the data from smart meters. Greeniant provides energy providers and end users, a device which is able to analyse consumption and use of electrical appliances resulting in a reduction of energy, cost savings and CO2 emission.

Reply on the stock market

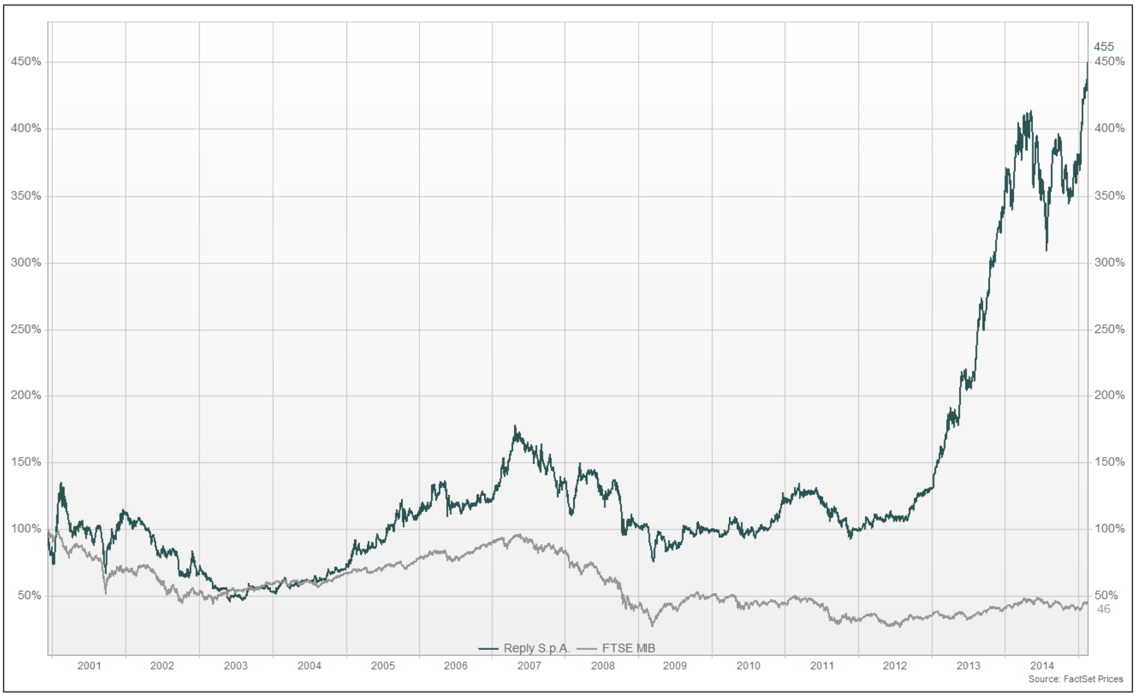
Continuous profitable growth and consequent investments in future business opportunities have been the main value drivers for the Reply share in financial year 2014. Despite of significant geopolitical risks and economic concerns the share price increased 7% until the end of the year; on February 13, 2015 when this report was closed, the share was up 30%. Once again the share developed better than the main European indexes and outperformed most of the peer companies in the IT and agency spaces. In terms of valuation Reply is now traded at the average multiples of the peer group, top- and bottom-line. The long-lasting valuation gap has been closed. We invite our shareholders to stay invested since Reply continues to belong to the strong-growing and highly profitable companies in our industry.

Reply share performance

Until mid of May the Italian stock market and the Reply share price rose continuously. On April 22, 2014 the Reply share stood at Euro 67,90, its highest value in 2014. Despite of good Q1 results published mid of May the Reply share entered a downside corridor which led to the year-low value of Euro 47,70 on July 25, 2014. The general downward trend of the markets was enforced by an investment fund that had to close positions due to bigger money outflows. Given its strong past performance, the Reply share was among those affected by this development.

During summer the Reply share was able to close the gap with the development of the main indices and for the rest of the year more or less developed in parallel with the capital markets. At the end of 2014 the Reply share improved 7%, quite close to the increase of the STAR index (+9%) and well ahead of the development of the Italian MIB index who closed 2014 on the level of the beginning of the year.

Since the Reply IPO on December 6, 2000 the Italian main index MIB lost more than half of its starting value. The Reply share price has nearly quadruplicated since the IPO.



Capital market position

Reply continued to elaborate its position in the capital markets. With a market capitalization of Euro 680 million Reply can get on the radar of additional investor groups, more focused on larger companies. In the Italian MidCap Index, where Reply is a constituent since March 2013, Reply improved its rank to number 44 (end of 2013: number 46).

The liquidity situation of the Reply share was mixed in 2014. Altogether the trading volume of the Reply share amounted to Euro 213 million, another strong increase by 57% year on year. However this development was mainly due to the increase of the share price. The number of traded Reply shares at the Italian Stock Exchange reduced by 3% to 3.6 million. The average traded shares per day amounted to 13.8 thousand following 14.7 thousand in the year before. Circa two-thirds of these shares were traded in the first half of 2014, only one-third in the second half. So a significant liquidity reduction took place in the second half of the year.

Dividend

Although most of the liquid means produced shall stay in the group to finance future growth, Reply is sharing its positive course of business with its shareholders also by means of dividend distributions. In 2014 Reply achieved earnings per share of Euro 5.10 an increase of 37.8% compared to 2013. For the financial year 2014 the corporate bodies of Reply propose to the shareholders' meeting to approve the payment of a dividend of EUR 0.85 (dividend 2013: Euro 0.70). Referred to the share price of Reply at the end of 2014 this means a dividend yield of 1.4% (1.2% in 2013).

The following table gives an overview on the main parameters of the Reply share and their substantial developments during the last 5 years.

		2014	2013	2012	2011	2010
Share price						
Year-end	Euro	60.90	56.90	20.99	16.02	19.21
High for the year	Euro	67.90	56.90	21.00	21.49	20.44
Low for the year	Euro	47.70	20.92	15.89	14.86	14.94
Trading						
Number of shares traded (year)	# thousand	3,586.0	3,705.0	1,497.3	1,403.1	1,693.6
Number of shares traded (day)	# thousand	13.8	14.7	5.9	5.5	6.6
Trading volume (year)	Euro million	212.7	123.9	27.323	26.615	28.529
Trading volume (day)	Euro million	0.844	0.492	0.108	0.104	0.111
Number of shares	# thousand	9,352.9	9,307.9	9,222.9	9,222.9	9,222.9
Share capital	Euro million	4.863	4.840	4.796	4.796	4.796
Free Float	%	43.1	42.1	41.8	42.3	42.3
Market capitalization	Euro million	569.6	529.6	193.6	147.8	177.2
Earnings per share	Euro	5.10	3.38	2.94	2.62	2.21
Dividend [1)]	Euro	0.85	0.70	0.57	0.50	0.45
Dividend payment	Euro million	7.950	6.515	5.257	4.611	4.150
Dividend yield [2)]	%	1.4%	1.2%	2.7%	3.1%	2.3%

[1)] Amount proposed for shareholder approval for 2014

[2)] Related to year-end closing price

The shareholder base

Based on the last information on the Reply shareholders' register 60.5% of the Reply shares are owned by the founders and the management of Reply whereas institutional shareholders increased their holdings to 32.7%. Accordingly the shares in the hands of retail shareholders dropped to 6.8%.

Also the regional distribution of the Reply shareholders changed slightly. The very strong performance of Reply in the last 2 years forced some investors to adjust their positions because of internal portfolio limits. In September 2014 68.4% of the shares were allotted to Italian shareholders (2013: 71.4%), 8% were held by shareholders from Germany (2013: 10%) whereas 7.7% were related to British (2013: 1.4%) and US shareholders (2013: 4.8%) each.

In December 2014 Reply was informed that the US-based Investor GMT Capital built a position of 5.1% of the Reply shares. This news explained the strong growth of US investors in the shareholder register of Reply.

Analysts

Unchanged 4 analysts from Italy and Germany are covering the Reply share. All of them gave an "overweight" rating.

Dialog with the capital markets

In 2014 Reply continued its manifold activities with the capital markets to keep shareholders informed. During the last year Reply more than doubled its participation in conferences, one-on-one meetings and roadshows all over Europe. Especially visits of and calls with US Investors and the France and UK activities increased significantly. Helsinki and Edinburgh were 2 new locations where Reply conducted roadshows. Also the number of brokers, Reply is working with, expanded significantly. In 2013 Reply was active with 3 brokers; this number increased to 11 in 2014. The beginning of 2015 shows the investor attention for Reply remains at high levels. We still meet many new investors during our capital market tours. Lyon, Barcelona and Stockholm have already been identified as venues for roadshows.

The Parent Company Reply S.p.A.

Introduction

The tables presented and disclosed below were prepared on the basis of the financial statements as at 31 December 2014 to which reference should be made, prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree No. 38/2005.

Reclassified income statement

The Parent Company Reply S.p.A. mainly carries out the operational co-ordination and the technical and quality management services for the Group companies as well as the administration, finance and marketing activities.
As at 31 December 2014 the Parent Company had 96 employees (89 employees in 2013).
Reply S.p.A. also carries out commercial fronting activities for some major customers, whereas delivery is carried out by the operational companies. The economic results achieved by the Company are therefore not representative of the Group’s overall economic trend and the performances of the markets in which it operates. Such activity is instead reflected in the item Revenue from fronting operations of the Income Statement set forth below.

The Parent Company’s income statement is summarized as follows:

(thousand Euros)	2014	2013	Change
Revenues from operating activities	45,694	39,794	5,900
Income from fronting activities	252,614	243,723	8,891
Purchases, services and other expenses	(281,823)	(273,670)	(8,153)
Personnel and related expenses	(17,703)	(16,081)	(1,622)
Other unusual operating (expenses)/income	(2,989)	250	(3,239)
Amortization, depreciation and write-downs	(672)	(698)	26
Operating income	**(4,878)**	**(6,682)**	**1,804**
Financial income/(expenses)	2,526	443	2,084
Gain on equity investments	34,951	28,815	6,137
Loss on equity investments	(7,460)	(8,393)	933
Income before taxes	**25,140**	**14,183**	**10,958**
Income taxes	(1,209)	624	(1,833)
NET INCOME	**23,932**	**14,807**	**9,125**

Revenues from operating activities mainly refer to charges for:

- royalties on the Reply trademark for 14,752 thousand Euros (13,276 thousand Euros in the financial year 2013);
- activities developed on a central level for controlled companies for 22,571 thousand Euros (19,585 thousand Euros in the financial year 2013);
- Management services for 7,605 thousand Euros (6,790 thousand Euros in the financial year 2013).

Operating income 2014 marked a negative result of 4,878 thousand Euros after having deducted amortization expenses of 672 thousand Euros (of which 4,063 thousand Euros referred to intangible assets and 269 thousand Euros to tangible assets).

Financial income/(expenses) amounted to 2,526 thousand Euros, and included interest income for 2,766 thousand Euros and interest expenses for 1,760 thousand Euros mainly relating to financing for the M&A operations. Such result also includes net positive exchange rate differences amounting to 1,513 thousand Euros.

Income from equity investments which amounted to 34,951 thousand Euros refers to dividends received from subsidiary companies in 2014.

Losses on equity investments refer to write-downs and losses reported in the year by some subsidiary companies that were considered to be unrecoverable.

Net income for the year ended 2014, amounted to 23,932 thousand Euros after income taxes of 1,209 thousand Euros

Financial structure

Reply S.p.A.'s financial structure as at 31 December 2014, compared to that as at 31 December 2013, is provided below:

(thousand Euros)	31/12/2014	31/12/2013	Change
Tangible assets	1,095	447	648
Intangible assets	954	1,140	(187)
Equity investments	130,081	130,197	(116)
Other fixed assets	1,522	1,670	(148)
Non financial liabilities - L/T	(8,956)	(17,011)	8,055
Fixed capital	**124,696**	**116,443**	**8,253**
Net working capital	**4,572**	**9,061**	**(4,490)**
INVESTED CAPITAL	**129,268**	**125,504**	**3,764**
Shareholders' equity	163,936	145,504	18,432
Net financial position	(34,668)	(19,999)	(14,669)
TOTAL SOURCES	**129,268**	**125,504**	**3,764**

The net invested capital on 31 December 2014, amounting to 129,268 thousand Euros, was financed for 163,936 thousand Euros from Shareholders' equity and available overall funds of 34,668 thousand Euros.

Changes in balance sheet items are fully analyzed and detailed in the explanatory notes to the financial statements.

Net Financial Position

The Parent Company's net financial position as at 31 December 2014, compared to 31 December 2013, is detailed as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Cash and cash equivalents, net	4,193	(3,615)	7,808
Financial loans to subsidiaries	49,849	42,874	6,975
Receivables from factor	960	669	290
Due to banks	(6,285)	(13,956)	7,671
Due to subsidiaries	(26,868)	(22,062)	22,744
Net financial position short term	**21,849**	**3,911**	**17,938**
Long term financial assets	42,487	36,251	6,236
Loans to third parties	-	-	-
Due to banks	(29,668)	(20,163)	(9,505)
Due to subsidiaries	-	-	-
Net financial position long term	**12,819**	**16,089**	**(3,270)**
Total net financial position	**34,668**	**19,999**	**14,669**

Change in the net financial position is analyzed and illustrated in the explanatory notes to the financial position.

Reconciliation of equity and profit for the year of the Parent Company

In accordance with Consob Communication no. DEM/6064293 dated 28 July 2006, Shareholders' equity and the Parent Company's result are reconciled below with the related consolidated amounts.

	31/12/2014		31/12/2013	
(thousand euros)	Shareholder's Equity	Net Result	Shareholder's Equity	Net Result
Reply S.p.A.'s separate financial statements	**163,936**	**23,932**	**145,504**	**14,807**
Results of the subsidiary companies	143,235	53,955	133,592	52,793
Carrying value of investments in consolidated companies	(63,860)	-	(63,035)	-
Elimination of dividends from subsidiary companies	-	(37,698)	-	(28,854)
Adjustments to accounting principles and elimination of unrealized intercompany gains and losses, net of related tax effect	9,531	8,432	(3,453)	(3,668)
Non controlling interests	(936)	(712)	(797)	(630)
Net Group consolidated financial statement	**251,908**	**47,910**	**211,809**	**34,450**

Corporate Governance

The Corporate Governance system adopted by Reply adheres to the Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana S.p.A. in March 2006, which was updated in July 2014, with the additions and amendments related to the specific characteristics of the Group.

In compliance with regulatory obligations the annually drafted "Report on Corporate Governance and Ownership Structures" contains a general description of the corporate governance system adopted by the Group, reporting information on ownership structures and compliance with the Code of Conduct, including the main governance practices applied and the characteristics of the risk management and internal control system also with respect to the financial reporting process.
The aforementioned Report is available on the Corporate Governance section of the website www.reply.eu. - Investors – Corporate Governance.
The Corporate Governance Code is available on the website of Borsa Italiana S.p.A. www.borsaitaliana.it.

The Board of Directors, on an annual basis and at the proposal of the Remuneration Committee, establishes a Remuneration Policy which incorporates the recommendations of the Corporate Governance Code and regulations issued by Consob. In accordance with law, the Remuneration Policy forms the first part of the Report on Remuneration and will be submitted to the review of the Shareholders' Meeting called to approve the 2014 financial statements.

Other information

Research and development activities

Reply offers high technology services and solutions in a market where innovation is of primary importance.
Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.

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

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

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

- Microsoft
- Oracle
- SAP
- Amazon

- Google
- Hybris
- Salesforce

Research and development activities are fully described in the Corporate information of "Reply Living Network".

Human resources

Human resources constitute a primary asset for Reply which bases its strategy on the quality of products and services and places continuous attention on the growth of personnel and in-depth examination of professional necessities with consequent definitions of needs and training courses.

The Reply Group is comprised of professionals originating from the best universities and polytechnics. The Group intends to continue investing in human resources by bonding special relations and collaboration with major universities with the scope of attracting highly qualified personnel.

The people who work at Reply are characterized by enthusiasm, expertise, methodology, team spirit, initiative, the capability of understanding the context they work in and of clearly communicating the solutions proposed. The capability of imagining, experimenting and studying new solutions enables more rapid and efficient innovation.

The group intends to maintain these distinctive features by increasing investments in training and collaboration with universities.

At the end of 2014 the Group had 4,689 employees compared to 4,253 in 2013. During the year 1,065 were employed and 629 left the Group.

Security Planning Document

As part of the requirements of Legislative Decree 196/03, the Italian "Data Protection Act", several activities to evaluate the system of data protection for information held by Group companies subject to this law, including specific audits, were performed. These activities confirmed that legislative requirements relating to the protection of personal data processed by Group companies had been substantially complied with, including preparation of the Security Planning Document.

Transactions with related parties and Group companies

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

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

Information on transactions with related parties as per Consob communication of 28 July 2006 is disclosed at the Note to the Consolidated financial statements and Notes to the financial statements.

Treasury shares

At the balance sheet date, the Parent Company holds 597 treasury shares amounting to 9,127 Euros, nominal value equal to 310 Euros; at the balance sheet item net equity, the company has posted an unavailable reserve for the same amount.

At the balance sheet date the Company does not hold shares of other holding companies.

Financial instruments

In relation to the use of financial instruments, the company has adopted a policy for risk management through the use of financial derivatives, with the scope of reducing the exposure to interest rate risks on financial loans.
Such financial instruments are considered as hedging instruments as they can be traced to the object being hedged (in terms of amount and expiry date).

In the notes to the financial statements more detail is provided to the above operations.

Events subsequent to 31 December 2014

In the month of March 2015 Reply GmbH & Co. KG acquired the 100% share capital of Leadvise Region Mitte GmbH, incorporated under the German law, for 3,5 thousand euros. The company offers services in Management Consulting mainly in the areas of Innovation Management, Risk Management and Digital Optimization.

Outlook on operations

Reply was founded when Internet was just at its beginning and in no time at all, Reply has become an important exponent in which it is able to dominate the evolution of technologies, applications and processes, thanks to it audacity in anticipating the changing drivers.

Today the Group competes with the global leaders, and is a strong competitor regarding new technology and business areas such as Big Data, Cloud computing, Digital services and Social Media.

Reply has consolidated experience in the main core issues of the various industrial sectors which allows Reply to rapidly transform technology in innovation for its clients and support them in the search of new competitiveness that the markets impose on companies.

Today Reply is facing a new challenge which is the transforming of the combination among Digital Services, Big Data and Internet of Things. This new challenge is revolutionizing our way of living, working and thinking.

This is a great opportunity for Reply which intends to play a key role in this epochal transition which may influence all industrial sectors and services.

The financial and economic soundness of the group enable Reply to face this new scenario and to emerge and conquer new areas in the upcoming years.

Motion for the approval of the financial statement and allocation of the result for the financial year

The financial statements at year end 2014 of Reply S.p.A. prepared in accordance with International Financial Reporting Standards (IFRS), recorded a net income amounting to 23,931,709 Euros and net shareholders' equity on 31 December 2014 amounted to 163,935,517 Euros thus formed:

(Euros)	31/12/2014
Share Capital	4,863,486
Share premium reserve	23,302,692
Legal reserve	972,697
Reserve for treasury shares on hand	9,127
Other reserves	110,855,806
Total share capital and reserves	**140,003,808**
Net income	23,931,709
Total	**163,935,517**

The Board of Directors in submitting to the Shareholders the approval of the financial statements (Separate Statements) as at 31 December 2014 showing a net result of 23,931,709 Euros, proposes that the shareholders resolve:

- → to approve the financial statement (Separate Statements) of Reply S.p.A. which records net profit for the financial year of 23,931,709 Euros;
- → to approve the motion to allocate the net result of 23,931,709 as follows:
  - → a unit dividend to shareholders amounting to 0.85 Euros for each ordinary share with a right, therefore excluding treasury shares, with payment date fixed on 6 May 2015, coupon cutoff date 4 May 2015 and record date, determined in accordance with Article 83-terdecies of Legislative Decree no. 58/1998 set on 5 May 2015;
  - → approving the proposal of attribution to Directors entrusted with operative positions as regards a shareholding in the profits of the Parent Company in accordance with Article 22 of the articles of association, to be established for an overall amount of 2,600,000.00 Euros, corresponding to around 3.0% of the consolidated gross operative margin 2014, (before allocation of the shareholding in profits for Directors invested with operative positions) calculated at 87,719 Euros, which will be paid taking into account the related reserve funds in the financial statement in compliance with that foreseen in the main IAS/FRS international accounts, ratifying as the related allocation in the statement requires.

Turin, 13 March 2015
/s/ Mario Rizzante

For the Board of Directors
The Chairman

Mario Rizzante

Consolidated Financial Statement as at 31 December 2014

Consolidated income statement (*)

(thousand Euros)	Note	2014	2013
Revenues	5	**632,184**	**560,151**
Other income		17,085	14,307
Purchases	6	(12,227)	(10,644)
Personnel	7	(308,452)	(269,893)
Services and other costs	8	(239,220)	(214,726)
Amortization, depreciation and write-downs	9	(8,021)	(7,949)
Other unusual (cost)/income	10	(686)	(7,075)
Operating income		**80,663**	**64,171**
Financial income/(expenses)	11	(1,396)	(2,439)
Income before taxes		**79,267**	**61,733**
Income taxes	12	(30,646)	(26,653)
Net income		**48,621**	**35,080**
Non-controlling interest		(712)	(630)
Group net result		**47,909**	**34,450**
Earnings per share	13	5.12	3.81
Diluted earnings per share	13	5.12	3.79

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 34.

Consolidated statement of comprehensive income

(thousand euros)	Note	2014	2013
Profit of the period (A)		**48,621**	**35,093**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) from employee benefit plans	24	(2,349)	836
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**(2,349)**	**836**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	24	120	(51)
Gains/(losses) on exchange differences on translating foreign operations	24	339	405
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**459**	**354**
Total other comprehensive income, net of tax (B) = (B1) + (B2):		**(1,890)**	**1,190**
Total comprehensive income (A)+(B)		**46,731**	**36,283**
Total comprehensive income attributable to:			
Owners of the parent		46,019	35,639
Non-controlling interests		712	644

Statement of financial position (*)

(thousand Euros)	Note	31/12/2014	31/12/2013
Tangible assets	14	14,976	13,553
Goodwill	15	126,763	125,637
Other intangible assets	16	6,549	6,363
Equity investments	17	3,911	23
Financial assets	18	4,471	4,275
Deferred tax assets	19	15,052	13,997
Non current assets		171,722	163,847
Work in progress	20	40,801	21,910
Trade receivables	21	285,465	271,167
Other current assets	22	27,661	25,454
Financial assets	18	2,245	1,010
Cash and cash equivalents	23	88,819	66,145
Current assets		444,990	385,684
TOTAL ASSETS		616,712	549,531
Share capital		4,864	4,840
Other reserves		199,135	172,519
Group net income		47,909	34,450
Group shareholders' equity	24	251,908	211,809
Non controlling interest		936	799
SHAREHOLDERS' EQUITY	24	252,843	212,608
Payables to minority shareholders and corporate transactions	25	13,306	35,364
Financial liabilities	26	31,030	21,719
Employee benefits	27	24,454	20,089
Deferred tax liabilities	28	15,630	12,458
Provisions	29	14,772	11,436
Non current liabilities		99,191	101,067
Financial liabilities	26	45,092	41,702
Trade payables	30	83,360	68,124
Other current liabilities	31	135,202	125,048
Provisions	29	1,024	984
Current liabilities		264,678	235,858
TOTAL LIABILITIES		363,869	336,925
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		616,712	549,531

(*)*Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Statement of Financial Position are reported in the annexed Tables and further described in Note 34.*

Statement of changes in consolidated equity

(thousand euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Cash flow hedge reserve	Translation reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
On 1 January 2013	4,796	(3,605)	48,776	126,305	(73)	24	(1,524)	2,704	177,403
Share capital increase	44	-	1,743	-	-	-	-	-	1,787
Dividends distributed	-	-	-	(5,131)	-	-	-	(844)	(5,975)
Change in treasury shares	-	3,596	-	-	-	-	-	-	3,596
Total profit (loss)	-	-	-	34,449	(51)	405	836	644	36,283
Other changes	-		1,380	226	-	-	(272)	(1,705)	(372)
Balance at 31 December 2013	4,840	(9)	51,899	155,849	(124)	313	(960)	799	212,608

(thousand euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Cash flow hedge reserve	Translation reserve	Reserve for actuarial gains/(losses)	Non-controlling interests	Total
On 1 January 2014	4,840	(9)	51,899	155,849	(124)	313	(960)	799	212,607
Share capital increase	23	-	937	-	-	-	-	-	960
Dividends distributed	-	-	-	(6,546)	-	-	-	(694)	(7,240)
Total profit (loss)	-	-	-	47,909	120	339	(2,349)	712	46,731
Other changes	-	-	-	(333)	-	-	-	119	(214)
Balance at 31 December 2014	4,864	(9)	52,836	196,878	(4)	652	(3,309)	936	252,843

Statement of consolidated cash flows

(thousand euros)	2014	2013
Group net income	47,909	34,450
Income taxes	30,646	26,652
Amortization and depreciation	8,021	7,949
Other non-monetary expenses/(income)	(6,201)	7,075
Change in inventories	(18,891)	(6,482)
Change in trade receivables	(14,298)	(27,511)
Change in trade payables	15,237	9,191
Change in other assets and liabilities	15,306	16,163
Income tax paid	(26,653)	(22,006)
Interest paid	(1,843)	(1,501)
Interest collected	346	151
Net cash flows from operating activities (A)	49,578	44,132
Payments for tangible and intangible assets	(9,630)	(9,979)
Payments for financial assets	(5,318)	1,934
Payments for the acquisition of subsidiaries net of cash acquired	(16,984)	(20,846)
Net cash flows from investment activities (B)	(31,933)	(28,892)
Shares issued	960	1,787
Dividends paid	(7,240)	(5,975)
In payments from loans	15,348	21,720
Repayment of loans	(13,437)	(12,715)
Other changes	(1,393)	191
Net cash flows from financing activities (C)	(5,762)	5,008
Net cash flows (D) = (A+B+C)	11,884	20,249
Cash and cash equivalents at the beginning of period	38,861	18,613
Cash and cash equivalents at period end	50,746	38,861
Total change in cash and cash equivalents (D)	11,884	20,249

Detail of cash and cash equivalents

(thousand euros)	2014	2013
Cash and cash equivalents at beginning of period:	38,861	18,613
Cash and cash equivalents	66,145	53,992
Bank overdrafts	(27,284)	(35,379)
Cash and cash equivalents at period end:	50,746	38,861
Cash and cash equivalents	88,819	66,145
Bank overdrafts	(38,073)	(27,284)

Notes to the consolidated financial statements

NOTE 1 - General Information

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

NOTE 2 – Accounting principles and basis of consolidation

Compliance with International accounting principles

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

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

General principles

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

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

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

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

Financial statements

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

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

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.
The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.
It should be noted that in order to comply with the indications contained in Consob Resolution no. 15519 of 27 July 2006 "as to the format of the financial statements", additional statements: income statement and statement of financial position have been added showing the amounts of related party transactions.

Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements as at 31 December of each year. Control exists when the Group has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.
The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting principles used into line with those used by other members of the Group.
All significant intercompany transactions and balances between group companies are eliminated on consolidation.
Non controlling interest is stated separately with respect to the Group's net equity. Such Non controlling interest is determined according to the percentage of the shares held of the fair values of the identifiable assets and liabilities of the company at the date of acquisition and post-acquisition adjustments. According to IAS 27, overall loss (including the profit/(loss) for the year) is attributed to the owners of the Parent and minority interest also when net equity attributable to minority interests has a negative balance.
Difference arising from translation of equity at historical exchange rates and year end exchange rates are recorded at an appropriate reserve of the consolidated shareholders' equity.

Business combinations

Acquisition of subsidiary companies is recognized according to the purchase method of accounting. The acquisition cost is determined by the sum of the fair value, at the trading date, of all the assets transferred, liabilities settled and the financial instruments issued by the group in exchange of control of the acquired company. In addition, any cost directly attributable to the acquisition.
The identifiable assets, liabilities and contingent liabilities of the company acquired that respect the conditions to be recognized according with IFRS 3 are stated at their fair value at the date of acquisition with the exception of those non current assets (or groups in discontinued operations) that are held for sale in accordance with IFRS 5, which are recognized and measured at fair value less selling costs.
The positive difference between the acquisition costs and Group interest of the reported assets and liabilities is recorded as goodwill and classified as an intangible asset having an indefinite life.
Minority interest in the company acquired is initially measured to the extent of their shares in the fair value of the assets, liabilities and contingent liabilities recognized.
The accounting of the put and call options on the minority shareholdings of the subsidiary company are recorded according to IAS 32, taking into account therefore, depending on the case, the existence and the determinability of the consideration to the minority shareholders if the option was exercised.

Investments in associate companies

An associate is a company over which the Group is in a position to exercise significant influence, but not control, through the participation in the financial and operating policy decisions of the investee.
The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, with the exception of investments held for future disposal.
Where a group company transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred.

Transactions eliminated on consolidation

All significant intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the company's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recorded in the relevant functional currency of the foreign entity and are translated using the period end exchange rate. In the context of IFRS First-time Adoption, the cumulative translation difference arising from the consolidation of foreign operations was set at nil, as permitted by IFRS 1; gains or losses on subsequent disposal of any foreign operation only include accumulated translation differences arising after 1 January 2004.

The following table summarizes the exchange rates used in translating the 2014 and 2013 financial statements of the foreign companies included in consolidation:

	Average 2014	On 31 December 2014	Average 2013	On 31 December 2013
GBP	0.806429	0.7789	0.84928	0.8337
CHF	1.214631	1.2024	1.23091	1.2276
Real	3.122768	3.2207	2.87401	3.2576
US Dollar	1.328842	1.2141	1.32826	1.3791
Polish Zloty	4.184467	4.2732	4.18474	4.074

Tangible assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.
Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.
Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	3%
Equipment	30%
Plants	40%
Hardware	40%
Furniture and fittings	24%

The recoverable value of such assets is determined through the principles set out in IAS 36 and outlined in the paragraph ("Impairment") herein.
Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.

Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.
Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are amortized over their estimated useful life or over the duration of the lease contract if lower.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognized using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Group's interest at the time of acquisition, after having recognized all assets, liabilities and identifiable contingent liabilities attributable to both the Group and third parties at their fair value.
Goodwill is not amortized but is (tested for impairment) annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Impairment losses are recognized immediately as expenses that cannot be recovered in the future.
On disposal of a subsidiary or associate, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Intangible fixed assets are those lacking an identifiable physical aspect, are controlled by the company and are capable of generating future economic benefits.
Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.
Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.
Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably.
In case of intangible fixed assets purchased for which availability for use and relevant payments are deferred beyond normal terms, the purchase value and the relevant liabilities are discounted by recording the implicit financial charges in their original price.
Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.
An internally-generated intangible asset arising from the Group's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:
an asset is created that can be identified (such as software and new processes);
it is probable that the asset created will generate future economic benefits;
the development cost of the asset can be measured reliably.
These assets are amortized when launched or when available for use. Until then, and on condition that the above terms are respected, such assets are recognized as construction in progress. Amortization is determined on a straight line basis over the relevant useful lives.
When an internally-generated intangible asset cannot be recorded at balance sheet, development costs are recognized in the statement of income in the period in which they are incurred.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized in accordance with IAS 36 criteria, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired. Any impairment losses are not subject to subsequent reversals.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
The recoverable amount of an asset is the higher of fair value, less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, the so-called Cash generating unit).
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where the value of the Cash generating unit, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the Cash generating unit.
Where an impairment loss subsequently reverses, the carrying amount of the asset, (or cash-generating unit), with the exception of goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in other companies

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or Losses arising from change in fair value are recognized in Other comprehensive income/(losses) until the assets are sold or are impaired, at that time, the cumulative Other comprehensive income/(losses) are recognized in the Income Statement. Investments in other companies for which fair value is not available are stated at cost less any impairment losses.
Dividends received are included in Other income/(expenses) from investments.

In the event of write-down for impairment, the cost is recognized in the income statement; the original value is restored in subsequent years if the assumptions for the write-down no longer exist.

The risk resulting from possible losses beyond equity is entered in a specific provision for risks to the extent to which the Parent Company is committed to fulfil its legal or implicit obligations towards the associated company or to cover its losses.

Current and non current financial assets

Financial assets are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Investments are recognized and written-off the balance sheet on a trade-date basis and are initially measured at cost, including transaction costs.
At subsequent reporting dates, financial assets that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured and amortized at cost according to the prevailing market interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.
Investments other than held-to maturity securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where financial assets are held for trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period; for available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired; at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.
This item is stated in the current financial assets.

Transfer of financial assets

The Group removes financial assets from its balance sheet when, and only when, the contractual rights to the cash flows from the assets expire or the Group transfers the financial asset. In the case of transfer of the financial asset

- if the entity substantially transfers all the risks and rewards of ownership of the financial asset, the Group removes the asset from the balance sheet and recognizes separately as assets or liabilities any rights and obligations created or retained with the transfer;
- if the Group substantially retains all the risks and rewards of ownership of financial assets, it continues to recognize the financial asset;
- if the Group neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset, it determines whether or not it has retained control of the financial asset. In this case;
- if the Group has not retained control, it removes the asset from its balance sheet and separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Group has retained control, it continues to recognize the financial asset to the extent of its residual involvement in the financial asset.

At the time of removal of financial assets from the balance sheet, the difference between the carrying value of assets and the fees received or receivable for the transfer of the assets is recognized in the income statement.

Work in progress

Work in progress mainly comprise construction contracts; when the result of a specific order can be reliably estimated, proceeds and costs referable to the related order are indicated as proceeds and costs respectively in relation to the state of progress of activities on the date of closure of the financial

statement, based on the relationship between costs sustained for activities taking place up to the date of the financial statement and total costs estimated from the order, except for that which is not considered as representative of the state of progress of the order.
Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Any advance payments are subtracted from the value of work in progress within the limits of the contract revenues accrued; the exceeding amounts are accounted as liabilities.
Product inventories are stated at the lower of cost and net realizable value. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Trade payables and receivables and other current assets and liabilities

Trade payables and receivables and other current assets and liabilities are measured at nominal value and eventually written down to reflect their recoverable amount.
Write-downs are determined to the extent of the difference of the carrying value of the receivables and the present value of the estimated future cash flows.
Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

Cash

The item cash and cash equivalents includes cash, banks and reimbursable deposits on demand and other short term financial investments readily convertible in cash and are not subject to significant risks in terms of change in value.

Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and proceeds of any subsequent sale are presented as movements in equity.

Financial liabilities and equity investments

Financial liabilities and equity instruments issued by the Group are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Group’s assets after having deducted its liabilities.
The accounting standards adopted for specific financial liabilities or equity instruments are outlined below:

- → Bank borrowings
- → Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently stated at its amortized cost, using the prevailing market interest rate method.

- Equity instruments
- Equity instruments issued by the Group are stated at the proceeds received, net of direct issuance costs.
- Non current financial liabilities.
- Liabilities are stated according to the amortization cost.

Derivative financial instruments and other hedging transactions

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.

All derivative financial instruments are measured in accordance with IAS 39 at fair value.
Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to the Group's contractual commitments and forecast transactions are recognized directly in Shareholders' equity, while any ineffective portion is recognized immediately in the Income Statement.
If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.
For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.
For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.
Changes in the fair value of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction is no longer expected to occur; the net cumulative gain or loss recognized in equity is transferred to the net profit or loss for the period.
Implicit derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not strictly related to the underlying contractual obligation and the latter are not stated at fair value with recognition of gains and losses in the Income Statement.

Employee benefits

The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Consolidated financial statements for those benefits accruing up to 31

December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

For Italian companies with less than 50 employees, severance pay (“TFR”) remains a “post-employment benefit”, of the “defined benefit plan” type, whose already matured amount must be planned to estimate the amount to settle at the time of annulment of working relations and subsequently updated, using the “Projected unit credit method”. Such actuarial methodology is based on an assumption of demographic and financial nature in order to carry out a reasonable estimate of the amount of benefits that each employee had already matured based on his employment performances.

Through actuarial valuation, current service costs are recognized as “personnel expenses” in the Income Statement and represent the amount of rights matured by employees at the reporting date, and the interest cost is recognized as “Financial gains or losses” and represents the figurative expenditure the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities (“TFR”).

Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders’ equity without being ever included in the consolidated income statement.

Pension plans

According to local conditions and practices, some employees of the Group benefit from pension plans of defined benefits and/or a defined contribution.

In the presence of defined contribution plans, the annual cost is recorded at the income statement when the service cost is executed.

The Group's obligation to fund defined benefit pension plans and the annual cost recognized in the Income Statement is determined on an actuarial basis using the “ongoing single premiums” method. The portion of net cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year is amortized over the average remaining service lives of the employees.

The post-employment benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses, arising from the application of the corridor method and past service costs to be recognized in future years, reduced by the fair value of plan assets.

Share-based payment plans

The Group has applied the standard set out by IFRS 2 “Share-based payment”. Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders’ equity, on a straight-line basis over the “vesting period”. The fair value of the option, measured at the granting date, is measured through actuarial calculations, taking into account the terms and conditions of the options granted. Following the exercise of the options assigned in previous years, the Group has no more stock option plans.
For cash-settled share-based payment transactions, the Group measures the goods and services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with the changes in value recognized in profit or loss for the period.

Provisions and reserves for risks

Provisions for risks and liabilities are costs and liabilities having an established nature and the existence of which is certain or probable that at the reporting date the amount cannot be determined or the occurrence of which is uncertain. Such provisions are recognized when a commitment actually exists arising from past events of legal or contractual nature or arising from statements or company conduct that determine valid expectations from the persons involved (implicit obligations).
Provisions are recognized when the Group has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

Revenue recognition

Revenue is recognized if it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

Revenue from sales and services is recognized when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service.

Revenues from sales of products are recognized when the risks and rewards of ownership of goods are transferred to the customer. Revenues are recorded net of discounts, allowances, settlement discounts and rebates and charged against profit for the period in which the corresponding sales are recognized.

Government grants

Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.
Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests arising in joint ventures, except where the Group is able to

control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

Dividends

Dividends are entered in the accounting period in which distribution is approved.

Earnings per share

Basic earnings per share is calculated with reference to the profit for the period of the Group and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.
Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

Use of estimations

The preparation of the financial statements and relative notes under IFRS requires that management makes estimates and assumptions that have effect on the measurement of assets and liabilities and on disclosures related to contingent assets and liabilities at the reporting date. The actual results could differ from such estimates. Estimates are used to accrue provisions for risks on receivables, to measure development costs, to measure contract work in progress, employee benefits, income taxes and other provisions. The estimations and assumptions are reviewed periodically and the effects of any changes are recognized immediately in income.

In this context it is made known that the situation caused by the current economic and financial crisis has included the need to carry out undertakings regarding future progress characterized by significant uncertainty, for which the materialization cannot be excluded in the next financial year of results different from that estimated and that therefore could require rectification, up to the present day, neither assessable or foreseeable in the accounting value of the related items. The items of the financial statements mainly effected by such uncertainty are the impairment funds, risk funds, goodwill and deferred taxes.

Changes in accounting principles

The accounting principles newly adopted by the Group and their outcomes are described in the subsequent paragraph "Accounting principles, amendments and interpretations applied since 1 January 2014". There have been no further changes other than those described in the aforementioned paragraph.

Changes in accounting estimates and reclassifications

At the reporting date, there are no significant estimates regarding the unforeseeable outcome of future events and other causes of uncertainty that might result in significant adjustments being made to the value of assets and liabilities in the coming year.

Accounting principles, amendments and interpretations adopted from 1 January 2014

IFRS 10 Consolidated Financial Statement, IAS 27 (2011) Separate financial Statements

IFRS 10 introduces a new single model of control which is applied to all entities, including special purpose entities. IFRS 10 replaces the previous standards governing consolidated financial statements and special purpose entities (IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities). Under the new concept of IFRS 10, control exists when the potential parent company holds decision power over the potential subsidiary based on voting rights or other rights, it is exposed to positive and negative variability in returns from the subsidiary, and these returns may be affected by the decision power held by the parent. IFRS 10 did not affect the Group's scope of consolidation.

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

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

IFRS 12 Disclosures of Interests in Other Entities

L'IFRS 12 provides the disclosures requirements for an entity's interest in subsidiaries, joint ventures, associates and special purpose vehicles. The required disclosures of IFRS 12 in such entities have been significantly expanded regarding subsidiaries. For example, disclosures related to when a subsidiary was consolidated and the parent owned less than a majority of voting rights. The IFRS 12 had little effect on the Group's consolidated financial statements.

Investment entities - Amendments to IFRS 10, IFRS 12 and IAS 27

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

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

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

Novation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39

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

Additional disclosures on the recoverable value of non financial assets – Amendment to IAS 36

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

NOTE 3 - Risk management

Credit risk

For business purposes, specific policies are adopted to assure its clients' solvency.
With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of the Group companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of committed credit lines).

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

Exchange rate and interest rate risk

As the Group operates mainly in a "Euros area" the exposure to currency risks is limited.
The Group mainly does not operate in areas with strong fluctuations in currency and therefore this risk is not significant.
The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, and when the Group considers it appropriate, makes use of derivative financial instruments designated as "cash flow hedges".
The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

NOTE 4 - Consolidation

Companies included in consolidation are consolidated on a line-by-line basis.
Change in consolidation compared to 31 December 2013 is as follows:

- → Reply Belgium SA, incorporated under Belgian law in February 2014 in which France Reply Ltd. Holds 100% of the share capital.
- → Reply Luxembourg Sarl incorporated under Luxembourg law in March 2014 in which France Reply Ltd. Holds 100% of the share capital.
- → Reply Belgium SA, incorporated under Belgian law in February 2014 in which France Reply Ltd. holds 100% of the share capital.
- → Reply France Sarl incorporated under French law in May 2014 in which France Reply Ltd. Holds 100% of the share capital.
- → Risk Reply Ltd incorporated under English law in May 2014 in which Reply Ltd holds 100% of the share capital.
- → Breed Reply Ltd, incorporated under English law, incubator of start-up in IoT, 2014 in which Reply S.p.A holds 100% of the share capital.
- → Air Reply S.r.l., incorporated under Italian law in July 2014 in which Reply S.p.A holds 85% of the share capital.

NOTE 5 - Revenue

Revenues from sales and services, including changes in work in progress on orders, amounted to 632,184 thousand Euros (560,151 thousand Euros in 2013).
This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by geographic area. Moreover the breakdown reflects the business management of the Group by Top Management and the allocation approximates the localization of services provided:

Country	2014	2013
Italy	72.3 %	73.3 %
Germany	15.5 %	14.8 %
UK	12.2 %	11.9 %
	100.0 %	100.0 %

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

NOTE 6 - Purchases

Detail is as follows:

(thousand Euros)	2014	2013	Change
Software licenses for resale	6,038	5,885	153
Hardware for resale	693	452	241
Other	5,496	4,308	1,189
Total	**12,227**	**10,644**	**1,583**

Purchases of Software licenses and Hardware licenses for resale are recognized net of any change in inventory.
The item Other includes the purchase of fuel for 2,472 thousand Euros and the purchase of consumption material for 1,836 thousand Euros.

NOTE 7 - Personnel

Detail is as follows:

(thousand Euros)	2014	2013	Change
Payroll employees	276,767	237,659	39,108
Executive Directors	25,342	26,630	(1,288)
Project collaborators	6,343	5,604	739
Total	**308,452**	**269,893**	**38,559**

The increase in the cost of employees, amounting to 38,559 thousand Euros, is attributable to the total registered increase in the Group's business and in the increase in employees.

Detail of personnel by category is provided below:

(number)	2014	2013	Change
Directors	270	269	1
Managers	713	627	86
Staff	3,706	3,357	349
Total	**4,689**	**4,253**	**436**

On 31 December 2014 the Group had 4,689, employees compared with 4,253 at the end of 2013.

The average number of employees in 2014 was 4,473, an increase with respect to n. 3,985 in the previous year.
Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

NOTE 8 – Services and other costs

Services and other costs comprised the following:

(thousand Euros)	2014	2013	Change
Commercial and technical consulting	144,870	126,455	18,415
Travelling and professional training expenses	24,341	23,088	1,253
Other services costs	41,711	40,839	872
Office expenses	14,384	14,197	187
Lease and rentals	7,255	6,611	644
Other	6,659	3,536	3,123
Total	**239,220**	**214,726**	**24,494**

The change in Services and other costs, amounting to 24,494 Euros, is attributable to an overall increase in the Group's business.

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

Office expenses include services rendered by related parties in connection to service contracts for the use of premises, domiciliation and provision of secretarial services for 635 thousand Euros and rent charged by third parties for 8,627 thousand Euros. This item also includes utility expense for 2,401 thousand Euros.

NOTE 9 – Amortization, depreciation and write downs

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 31 December 2014 of 4,987 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2014 amounted to an overall loss of 3,034 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

NOTE 10 – Other unusual operating income/(expenses)

Other unusual operating costs amounted to 686 thousand Euros (7,075 thousand Euros in 2013) and refer to:

- Other operating costs amounting to 4,252 thousand Euros in relation to provision for contractual and commercial risks and lawsuits;
- Other unusual items amounting to positive 5,893 thousand Euros in relation to the fair value adjustment of the liability referred to the deferred consideration for the acquisition of shareholdings in controlled companies (Business combination);
- Other atypical costs amounting to 2,327 thousand Euros.

NOTE 11 – Financial income/(expenses)

Detail is as follows:

(thousand Euros)	2014	2013	Change
Financial income	378	154	224
Interest expenses	(1,950)	(1,647)	(303)
Other	176	(946)	1,122
Total	**(1,396)**	**(2,439)**	**1,043**

Financial gains mainly include interest on bank accounts amounting to 346 thousand Euros.
Interest expenses mainly include expenses related to loans for M&A operations.

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

NOTE 12 – Income taxes

Income taxes for the financial year ended 2014amounted to 30,646 thousand Euros and is detailed as follows:

(thousand Euros)	2014	2013	Change
IRES and other taxes	20,365	20,095	270
IRAP (Italy)	9,000	8,509	491
Current taxes	**29,365**	**28,604**	**760**
Deferred tax expenses	3,035	2,805	230
Deferred tax income	(1,754)	(4,756)	3,003
Deferred taxes	**1,281**	**(1,951)**	**3,232**
Total income taxes	**30,646**	**26,653**	**3,992**

The tax burden on the result before taxes was equivalent to 38.7% (43.2% in the financial year of 2013).

The reconciliation between the tax charges recorded in the consolidated financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate in effect in Italy, is the following:

Profit/(loss) before taxes from continuing operations	79,267	
Theoretical income taxes	21,798	27.5 %
Effect of difference between foreign tax rates and the theoretical Italian tax rate	(1,453)	
Other differences	18	
Current and deferred income tax recognized in the financial statement excluding IRAP	20,364	25.7 %
IRAP current and deferred	9,000	
Current and deferred income recognized in the financial statements	29,364	37.0 %

In order to render the reconciliation between income taxes recognized in the financial statements and theoretical income taxes more meaningful, IRAP tax is not taken into consideration since it has a taxable basis that is different from the result before tax of continuing operations. Theoretical income taxes are therefore calculated by applying only the tax rate in effect in Italy ("IRES"), equal to 27.5%, on the result before tax of continuing operations.

NOTE 13 – Earnings per share

Basic earnings per share

The basic earnings per share as at 31 December 2014 2013 was calculated on the basis of the Group's net result amounting to 47,909 thousand Euros (34,450 thousand Euros as at 31 December 2013) divided by the weighted average number of shares as at 31 December 2014 which amounted to 9,350,986 (9,092,021 as at 31 December 2013).

(Euros)	31/12/2014	31/12/2013
Group net income	47,909,000	34,450,000
Average number per shares	9,350,986	9,092,021
Earnings per share	5.12	3.81

Diluted earnings per share

Diluted earnings per share as at 31 December 2014 was calculated with reference to the net profit for the Group which amounted to 47,909 thousand Euros, divided by the weighted average number of shares as at 31 December 2014, also taking into consideration the effect of future dilutions which could derive from the hypothetical use of financial instruments potentially convertible in shares (stock options).

(Euros)	31/12/2014	31/12/2013
Group net income	47,909,000	34,450,000
Average number per shares	9,350,986	9,092,021
Diluting effect	-	45,000
Weighted number of diluted shares	9,350,986	9,137,021
Diluted earnings per share	5.12	3.79

NOTE 14 – Tangible assets

Tangible assets as at 31 December 2014 amounted to 14,976 thousand Euros and are detailed as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Buildings	2,048	2,190	(142)
Plant and machinery	2,209	1,154	1,055
Hardware	3,586	3,507	78
Other	7,134	6,702	432
Total	**14,976**	**13,553**	**1,423**

Change in Tangible assets during 2014 is summarized below:

(thousand Euros)	Buildings	Plant and machinery	Hardware	Other	Total
Historical Cost	4,023	4,584	23,719	14,035	46,361
Accumulated depreciation	(1,833)	(3,430)	(20,211)	(7,333)	(32,808)
31/12/2013	2,190	1,154	3,507	6,702	13,553
Historical cost					
Increases		1,569	2,733	2,210	6,512
Disposals		(1)	(693)	(382)	(1,076)
Other changes		(4)	85	250	331
Provisions for depreciation					
Depreciation	(142)	(509)	(2,607)	(1,750)	(5,008)
Utilized		-	618	195	814
Other changes		-	(59)	(91)	(150)
Historical Cost	4,023	6,147	25,844	16,113	52,127
Accumulated depreciation	(1,975)	(3,938)	(22,259)	(8,979)	(37,151)
31/12/2014	2,048	2,209	3,586	7,134	14,976

During the financial year the Group carried out total investments for 6,512 thousand Euros (3,707 thousand Euros at 31 December 2013).

The item Buildings mainly includes the net value of a building owned by the group amounting to 2,185 thousand Euros, located in Gutersloh, Germany.

Increase in the item Plant and machinery mainly refers to purchases of specific devices and to plant systems for the new offices in which the Group operates.

Change in the item Hardware is due to investments made by the Italian subsidiaries for 1,575 thousand Euros, 818 thousand Euros for purchases made by German companies, and 213 thousand Euros for purchases made by the English companies. Furthermore this item includes financial leases for 248 thousand Euros (628 at 31 December 2013).

The item Other assets as at 31 December 2014 mainly includes improvements to third party assets and office furniture. The increase of 2,210 Euros mainly refers to improvements made to the offices where the Group’s companies operate. Such item also includes a financial leasing for furniture for a net value amounting to 294 thousand Euros (592 thousand Euros at 31 December 2013).

Other changes refer mainly to translation differences.

As at 31 December 2014 tangible assets were depreciated by 71.3% of their value, compared to 70.8% at the end of 2013.

NOTE 15 - Goodwill

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

Goodwill in 2014 developed as follows:

(thousand Euros)	
Beginning balance	125,486
Increases	-
Impairment	-
Other changes	(346)
Total	**125,140**
Exchange rate differences	1,623
Ending balance	**126,763**

Other change in 2014 refers to the reduction of goodwill due to the redefinition of the consideration for the acquisition of Mind Services within the first year of the acquisition.

Goodwill was allocated to the cash generating units ("CGU"), identified in the countries in which the Group operates. Moreover the breakdown reflects the business management of the Group by Top Management and is summarized as follows:

CGU	Euro/000
Italy	38,548.1
Germany	34,151.9
UK	52,440.4
Total	**125,140,4**

Reply has adopted a structured and periodic planning and budgeting system aimed at defining objectives and business strategies in order to draft the annual budget.

The impairment model adopted by the Reply Group is based on future cash flows calculated using the Discounted cash flow analysis.

In applying this model, Management uses different assumptions, which are applied to the single CGU over two years of extrapolation subsequent to the annual budget, in order to estimate:

- Increase in revenues,
- Increase in operating costs,
- Investments,
- Change in net capital.

The recoverable value of the CGU, to which the single goodwill is referred, is determined as the highest between the fair value less any selling costs (net selling price) and the present value of the estimated future cash flows expected from the continuous use of the good (value in use). If the recoverable value is higher than the carrying amount of the CGU there is no impairment of the asset; in the contrary case, the model indicates a difference between the carrying amount and the recoverable value as the effect of impairment.

The following assumptions were used in calculating the recoverable value of the Cash Generating Units:

Assumption	Italy	Germany	UK
Terminal value growth rates:	1%	1%	1%
Discount rate, net of taxes:	10.09%	8.01%	8.71%
Discount rate, before taxes:	13.92%	11.37%	11.02%
Multiple of EBIT	8.3	8.3	8.3

As to all CGUs subject to the impairment tests at 31 December2014 no indications emerged that such businesses may have been subject to impairment.
The positive difference between the value in use thus estimated on the accounting value of the net invested capital on 31 December 2014 of the CGU is equal to 213% for Italy, 64% for Germany and 16% for the UK.

Reply has also developed a sensitivity analysis of the estimated recoverable value. The Group considers that the growth rate of revenues and the discount rate are key indicators in estimating the fair value and has therefore determined that:

- a decrease of up to 30% of the revenue growth;
- an increase of 100 basis points in the discount rate

would not lead to an excess of the carrying value of the CGU compared to its recoverable value, which tends to be significantly higher. From such analysis, had the growth rate been reduced by 10% an impairment of the CGU UK would have been necessary.

Finally, it is appropriate to note that the estimates and budget data to which the above mentioned parameters have been applied are those determined by management on the basis of past performance and expectations of developments in the markets in which the Group operates. Moreover, estimating the recoverable amount of the Cash-Generating Units requires discretion and the use of estimates by Management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events which could potentially cause further impairment losses are constantly monitored by Reply management.

NOTE 16 – Other intangible assets

Net intangible assets as at 2014 amounted to 6,550 thousand Euros (6,363 thousand Euros on 31 December 2013) and are detailed as follows:

(thousand Euros)	Cost original	Cumulative amortization	Net book value as at 31/12/2014
Development costs	17,494	(13,894)	3,599
Software	16,189	(13,775)	2,414
Trademarks	537	-	537
Other intangible assets	3,150	(3,150)	-
Total	**37,369**	**(30,819)**	**6,550**

Change in intangible assets during 2014 is summarized in the table below:

(thousand Euros)	Net book value as at 31/12/2013	Increase	Amortization	Other changes	Net book value as at 31/12/2014
Development costs	3,616	1,840	(1,857)	-	3,599
Software	2,209	1,377	(1,178)	6	2,414
Trademark	537	-	-	-	537
Total	6,363	3,216	(3,034)	6	6,550

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

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 167 thousand Euros related to software development for internal use.

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

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

NOTE 17 – Equity investments

The item Equity Investments amounting to 3,911 thousand Euros mainly refers to the acquisition of the 19,99% share capital of Sensoria Inc., in the month of July 2014. The company, incorporated under American law, specializes in wearable technology and is part of the Reply Group development strategy connected to the Internet of Things.

NOTE 18 – Financial assets

Current and non current financial assets amounted to a total of 6,716 thousand Euros with compared to 5,284 thousand Euros as at 31 December 2013.

Detail is as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Receivables from insurance companies	3,082	2,984	98
Guarantee deposits	1,013	975	38
Loans to non consolidated companies	20	1	19
Long term securities	358	303	55
Other financial assets	18	13	5
Receivables from factor	960	669	290
Short term securities	1,265	340	926
Total	6,716	5,284	1,431

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

Receivables from factoring companies refer to receivables for the assignment of invoices without recourse for 4,798 thousand Euros, net of advance payments received for 3,838 thousand Euros.

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

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

NOTE 19 – Deferred tax assets

Such an item, amounting to 15,052 thousand Euros as at 31 December 2014 (13,997 thousand Euros as at 31 December 2013), includes the fiscal charge corresponding to the temporary differences originating among the anti-tax result and taxable income relating to entries with deferred deductibility.

Detail of deferred tax assets is provided at the table below:

(thousand euros)	31/12/2013	Accruals	Utilization	31/12/2014
Prepaid tax on costs that will become deductible in future years	6,153	2,272	(2,406)	6,019
Prepaid tax on greater provisions for doubtful accounts	3,702	3,361	(1,203)	5,861
Deferred fiscal deductibility of amortization	1,659	352	(282)	1,728
Consolidation adjustments and other items	2,483	997	(2,036)	1,444
Total	13,997	6,982	(5,927)	15,052

The decision to recognise deferred tax assets is taken by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of expected future results.
There are no deferred tax assets on losses carried forward.

NOTE 20 – Work in progress

Work in progress, amounting to 40,801 thousand Euros, is detailed as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Contract work in progress	112,045	63,669	48,376
Advance payments from customers	(71,244)	(41,759)	(29,485)
Total	40,801	21,910	18,891

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

NOTE 21 – Trade receivables

Trade receivables as at 31 December 2014 amounted to 285,465 thousand Euros with a net increase of 14,298 thousand Euros.

(thousand Euros)	31/12/2014	31/12/2013	Change
Domestic clients	227,900	219,053	8,847
Foreign trade receivables	59,368	57,244	2,125
Credit notes to be issued	(42)	(150)	108
Total	287,226	276,147	11,079
Allowance for doubtful accounts	(1,761)	(4,980)	3,219
Total trade receivables	285,465	271,167	14,298

Trade receivables are shown net of allowances for doubtful accounts amounting to 1,761 thousand Euros on 31 December 2014 (4,980 thousand Euros at 31 December 2013).

The Allowance for doubtful accounts developed in 2014 as follows:

(thousand Euros)	31/12/2013	Provision	Utilized	Reversals	31/12/2014
Allowance for doubtful accounts	4,980	180	(2,696)	(703)	1,761

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 2012, is summarized in the tables below:

Aging at 31/12/2014

(thousand Euros)	Trade receivables	Current	0 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	Total overdue
Trade receivables	287,226	243,922	37,374	3,346	856	1,728	43,304
Allowance for doubtful accounts	(1,761)	(11)	(313)	(78)	(129)	(1,230)	(1,750)
Total trade receivables	**285,465**	**243,911**	**37,060**	**3,268**	**726**	**498**	**41,554**

Aging at 31/12/2013

(thousand Euros)	Trade receivables	Current	0 - 90 days	91 - 180 days	181 - 360 days	Over 360 days	Total overdue
Trade receivables	276,147	227,857	35,750	5,777	2,464	4,299	48,290
Allowance for doubtful accounts	(4,980)	(4)	(270)	(189)	(1,169)	(3,347)	(4,976)
Total trade receivables	**271,167**	**227,852**	**35,480**	**5,588**	**1,295**	**952**	**43,314**

Assignment of receivables

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

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

As at 31 December 2014 the receivables transferred via Factoring operations with recourse amounted to 2,805 thousand Euros.
The book value of the assets assigned without recourse as at 31 December 2014 amounted to 17,328 thousand Euros, with an increase of available liquidity of 16,368 thousand Euros of which 3,838 thousand Euros received as an advance.

The carrying amount of Trade receivables is in line with its fair value.
Trade receivables are all collectible within one year.

NOTE 22 – Other receivables and current assets

Detail is as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Tax receivables	8,339	8,243	96
Advances to employees	116	273	(158)
Accrued income and prepaid expenses	5,120	4,014	1,106
Other receivables	14,086	12,923	1,163
Total	27,661	25,454	2,207

- The item Tax receivables mainly includes:
  - credits to the Treasury for VAT (5,663 thousand Euros);
  - credits and down payments for income tax net of the allocated liability (257 thousand Euros);
  - receivables for withholding tax (415 thousand Euros).

The item Other receivables includes the contribution to research as regards projects financed for 12,484 thousand Euros (10,904 thousand Euros at 31 December 2013).

NOTE 23 – Cash and cash equivalents

The balance of 88,819 thousand Euros, with an increase of 22,674 thousand Euros compared with 31 December 2013, represents cash and cash equivalents and the existence of cash on hand and valuables as at the end of the year.
Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flow.

NOTE 24 – Shareholders' equity

Share capital

On 31 December 2014 the company capital of Reply S.p.A, wholly undersigned and paid up, was amounting to 4,863,486 Euros and is composed of n. 9,352,857 ordinary shares with nominal value of 0.52 Euros each.
The increase during the period refers to the exercise of stock options, in the amount of 45,000 option rights for a total value of 960,255 Euros, of which 23,400 Euros is by way of increase in share capital and 936,855 Euros by way of share premiums.

Treasury shares

The value of the Treasury shares, amounting to 9 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 31 December 2014 were equal to n. 597.

Capital reserves

On 31 December 2014 Capital reserves, amounting to 52,836 thousand Euros, were mainly comprised as follows:

- Share premium reserve amounting to 23,303 thousand Euros;
- Treasury share reserve amounting to 9 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 29,991 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 27 April 2012 Reply S.p.A re-authorised it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 196,878 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
  - Retained earnings amounted to 147,996 thousand Euros (retained earnings amounted to 98,252 thousand Euros on 31 December 2013);
  - Profits/losses attributable to shareholders of the Parent Company amounted to 47,909 thousand Euros (34,450 thousand Euros as on 31 December 2013).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(thousand euros)	31/12/2014	31/12/2013
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	(2,349)	836
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**(2,349)**	**836**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	120	(51)
Gains/(losses) from the translation of financial statements	339	405
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**459**	**354**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**(1,890)**	**1,190**

Non-controlling interests

Non controlling interest amounting to 936 thousand Euros on 31 December 2014 (799 thousand Euros on 31 December 2013), refer to the following companies consolidated on a line-by-line basis:

(thousand euros)	31/12/2014	31/12/2013
Italian companies		
Air Reply S.r.l.	2	-
Bitmama S.r.l.	407	(22)
Bridge Reply S.r.l.	61	52
Engage Reply S.r.l.	1	-
Portaltech Reply S.r.l.	2	2
Ringmaster Reply S.r.l.	693	678
Storm Reply S.r.l.	167	54
Twice Reply S.r.l.	78	64
Foreign companies		
is4 GmbH & Co. KG	39	32
Inessence Reply GmbH	(361)	(56)
Portaltech Reply GmbH	(153)	(5)
Total	**936**	**799**

Share based payment plans

During 2014 all existing stock options were exercised in relation to the stock option plans resolved by the Annual Shareholders' Meetings in previous years.

NOTE 25 – Payables to minority shareholders and for operations

Payables to minority shareholders and for company operations (earn out) at 31 December 2014 amounted to 13,306 thousand Euros including an exchange rate adjustment in the amount of 1,110 thousand Euros (35,364 thousand Euros on 31 December 2013).

(thousand euros)	31/12/2013	Increases	Fair value adjustments	Payments	Exchange differences	31/12/2014
Avantage Reply Ltd.	10,932	-		(11,141)	209	-
4brands GmbH & Co. KG	3,550	-	321	-	-	3,871
Mind Services Informatica Ltda	2,307	-	(1,192)	-	62	1,177
Other Italy	650	-	180	-	-	830
Total payables to minority shareholders	**17,439**	**-**	**(691)**	**(11,141)**	**271**	**5,878**
Arlanis AG	376	-	(203)	(173)	-	-
Avvio Ltd	3,547	-	(1,144)	-	439	2,842
Portaltech Ltd	3,480	-	-	(3,480)	-	-
Riverland Reply GmbH	950	-	-	(300)	-	650
Solidsoft Reply Ltd	8,089	-	(4,769)	(1,993)	400	1,727
Triplesense Reply GmbH	1,483	-	1,012	(287)	-	2,208
Total payables to Earn-out	**17,925**	**-**	**(5,104)**	**(6,233)**	**839**	**7,427**
Total payables to minority shareholders and earn-out	**35,364**	**-**	**(5,795)**	**(17,374)**	**1,110**	**13,306**

The item Fair value adjustments in 2014 amounted to 5,795 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 17,374 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 26 – Financial liabilities

Detail is as follows:

	31/12/2014			31/12/2013		
(thousand Euros)	Current	Non current	Total	Current	Non current	Total
Bank overdrafts	38,073	-	38,073	27,284	-	27,284
Bank loans	6,348	29,994	36,342	14,100	20,755	34,855
Total due to banks	**44,421**	**29,994**	**74,415**	**41,383**	**20,755**	**62,138**
Other financial borrowings	671	1,036	1,707	319	964	1,283
Total financial liabilities	**45,092**	**31,030**	**76,122**	**41,702**	**21,719**	**63,421**

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

	31/12/2014				31/12/2013			
(thousand euros)	Due in 12 months	From 1 to 5 years	Over 5 years	Total	Due in 12 months	From 1 to 5 years	Over 5 years	Total
Bank overdrafts	38,073	-	-	38,073	27,284	-	-	27,284
M&A loans	5,967	-	29,801	35,768	13,621	20,420	-	34,041
Carispe Bank	-	-	-	-	19	-	-	19
Mortgage loans	115	460	58	633	112	487	173	772
Other financial borrowings	671	1,036	-	1,707	319	964	-	1,283
Other	266	(325)	-	(59)	347	(325)	-	22
Total	**45,092**	**1,172**	**29,859**	**76,122**	**41,702**	**21,546**	**173**	**63,421**

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

Following are existing summarized contracts entered into for such a purpose:

- On 31 March 2009 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for a line of credit amounting to 50,000,000 Euros. The total amount utilized was 22,963 thousand Euros.
- The loan was entirely reimbursed and the last instalment was paid on 31 December 3014.
- On 15 September 2012 Reply S.p.A signed a line of credit with Unicredit S.p.A for a total of 15,000,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expires on 31 December 2016. Such credit line was used for 13,900,000 Euros at 31 December 2014 with an outstanding balance of 9,267 thousand Euros.
- On 25 September 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 2,500,000 Euros. Instalments are paid on a half-year basis and expire on 25 September 2015. The outstanding debt amounted to 833 thousand Euros at 31 December 2014.
- On 24 December 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 1,500,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expiring 31 December 2015. At 31 December 2014 the outstanding liability amounted to 500 thousand Euros.
- On 13 November 2013 Reply S.p.A undersigned a line of credit with Intesa Sanpaolo S.p.A for a total of 20,000,000 Euros to be used by 31 December 2015.The loan will be reimbursed on a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. On 31 December such a line of credit was used for 8,374 thousand Euros.
- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total of 25,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 31 May 2016 and will expire on 30 November 2018. On 31 December such a line was used for 16,794 thousand Euros.

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

As contractually defined, such ratios are as follows:

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

At the balance sheet date, Reply fulfilled the Covenants under the various contracts.

The item Mortgages refers to financing granted to Tool Reply GmbH, for the acquisition of the building where the German company has its registered office.
Reimbursement takes place via six monthly instalments (at 4.28%) with expiry on 30 September 2019.

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

The Others item refers mainly to the evaluation of derivative hedging instruments. The underlying IRS amounted to 19,728 thousand Euros.

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

Net Financial Position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's Recommendations for the consistent implementation of the European's regulation on Prospectuses issued on 10 February 2005, the Net financial position of the Reply Group at 31 December 2014.

(thousand Euros)	31/12/2014	31/12/2013	Change
Cash and cash equivalents	88,819	66,145	22,674
Current financial assets	2,245	1,010	1,235
Non current financial assets	1,371	1,278	93
Total financial assets	**92,434**	**68,432**	**24,002**
Current financial liabilities	(45,092)	(41,702)	(3,390)
Non current financial liabilities	(31,030)	(21,719)	(9,311)
Total financial liabilities	**(76,122)**	**(63,421)**	**(12,701)**
Total net financial position	**16,313**	**5,011**	**11,302**

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

NOTE 27 – Employee benefits

(thousand Euros)	31/12/2014	31/12/2013	Change
Employee severance indemnities	17,092	14,574	2,518
Employee pension funds	5,928	4,164	1,764
Directors severance indemnities	1,419	1,336	83
Other	16	16	-
Total	**24,454**	**20,089**	**4,365**

Employee severance indemnities

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

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

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;

- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations. In order to allow for the changes introduced by Law 296/06, the re-proportioning was only carried out for employees of companies with fewer than 50 employees that do not pay Employee severance indemnities into supplementary pension schemes.

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

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

The assumptions adopted can be summarized as follows:

Demographic assumptions

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2014 : 2.50% frequency of turnover in 2014: 10%

Economic and financial assumptions

Annual discount rate	Average annual rate of 2.0%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. An annual constant rate equal to 3.17% was used for the year 2014.
Annual increase in salaries	The employee severance indemnities (TFR) are revalued on an annual basis equal to 75% of the inflation rate plus a spread of one and a half percentage point.
Annual inflation rate	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

In accordance with IAS 19, Employment severance indemnities at 31 December 2014. are summarized in the table below:

(thousand Euros)	
Balance at 31/12/2013	**14,574**
Cost relating to current (*service cost*) work	2,598
Actuarial gain/loss	1,567
Interest cost	41
Indemnities paid during the year	(2,058)
Balance at 31/12/2014	**17,092**

Employee pension funds

The Pension fund item relates to liability as regards the defined benefit pensions of some German companies and is detailed as follows:

(thousand Euros)	31/12/2014	31/12/2013
Present value of liability	6,256	5,134
Fair value of plan assets	(329)	(970)
Net liability	**5,927**	**4,164**

The amounts recognized for defined benefit plans are summarized as follows:

(thousand Euros)	31/12/2014
Present value at beginning of 2012	5,134
Service cost	-
Interest cost	176
Actuarial gains/(losses)	1.112
Indemnities paid during the year	(166)
Present value at year end	**6,256**

Directors severance indemnities

This amount is related to Directors severance indemnities paid during the year.
Change amounting to 83 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2014.

NOTE 28 – Deferred tax liabilities

Deferred tax liabilities at 31 December 2014 amounted to 15,630 thousand Euros and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

(thousand Euros)	31/12/2014	31/12/2013
Deductible items off the books	1,484	1,074
Other	14,146	11,384
Total	**15,630**	**12,458**

The item Other mainly includes the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

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

NOTE 29 - Provisions

Provisions amounted to 15,796 thousand Euros (of which 12,420 thousand Euros are not current).

Change in 2014 is summarized in the table below:

(thousand euros)	Balance at 31/12/2013	Accruals	Utilization	Write-offs	Balance at 31/12/2014
Fidelity fund	765	188	(449)	(12)	492
Provision for risks	4,698	5,581	(1,404)	(528)	8,347
Motorola research centre fund	6,957	-	-		6,957
Total	**12,420**	**5,768**	**(1,853)**	**(540)**	**15,796**

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

The Provision for risks, amounting to 8,347 thousand Euros at 31 December 2014, represents the best estimate for contingent liabilities. The accrual of the year is referred to the update of this estimate and to new legal ongoing controversies, lawsuits with former employees and other liabilities, as also described at Note 36.

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

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

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

During the financial year the provision remained unchanged as Reply is still waiting for the Public authorities, with whom Reply had undersigned the original agreements, to give instructions as to which other research projects to undertake on agreed contents

NOTE 30 – Trade payables

Trade payables at 31 December 2014 amounted to 83,360 thousand Euros and are detailed as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Domestic suppliers	71,476	57,854	13,622
Foreign suppliers	12,786	11,102	1,684
Advances to suppliers	(901)	(833)	(69)
Total	83,360	68,124	15,237

The increase of Trade payables amounting to 15,237 thousand Euros is mainly owing to the overall increase of the Group's business.

NOTE 31 – Other current liabilities

Other current liabilities at 31 December 2014 amounted to 135,202 thousand Euros with an increase of 10,152 thousand Euros with respect to the previous financial year.

Detail is as follows:

(thousand Euros)	31/12/2014	31/12/2013	Change
Income tax payable	5,465	6,265	(800)
VAT payable	7,675	5,288	2,387
Withholding tax and other	5,442	5,733	(291)
Total due to tax authorities	**18,582**	**17,286**	**1,296**
National social insurance payable	18,634	16,686	1,948
Other	1,347	1,285	62
Total due to social securities	**19,981**	**17,972**	**2,010**
Employee accruals	38,381	32,375	6,006
Other payables	48,048	46,400	1,648
Accrued expenses and deferred income	10,210	11,017	(807)
Total other payables	**96,638**	**89,792**	**6,846**
Other current liabilities	**135,202**	**125,049**	**10,152**

Due to tax authorities amounting to 18,582 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.
Due to social security authorities amounting to 19,981 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 31 December 2014 amount to 96,638 thousand Euros and mainly include:

- Amounts due to employees that at the balance sheet date had not yet been paid.
- Remuneration of directors recognised as participation in the profits of the subsidiary companies.
- Liabilities related to share based payment transactions to be settled in cash to some Group companies. Following agreements signed in 2014 with some Directors of subsidiary companies, the liability at year end amounted to 141 thousand Euros with a balancing entry in Profit and loss. Such options can be exercised in financial year 2018 upon achievement of some economic-financial parameters.
- Advances received from customers exceeding the value of the work in progress amounting to 25,995 thousand Euros.

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

NOTE 32 – Segment Reporting

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

(thousand Euros)	Italy	%	Germany	%	United Kingdom	%	Intersegment	Total 2014	%
Revenues	**470,784**	**100**	**101,012**	**100**	**79,685**	**100**	**(19,297)**	**632,184**	**100**
Operating costs	(394,254)	(83.7)	(95,612)	(94.7)	(76,497)	(96.0)	19,297	(547,065)	(86.5)
Gross operating income	**76,530**	**16.3**	**5,400**	**5.3**	**3,189**	**4.0**		**85,119**	**13.5**
Amortization, and depreciation	(6,097)	(1.3)	(1,297)	(1.3)	(627)	(0.8)	-	(8,021)	(1.3)
Atypical costs	(2,125)	(0.5)	-	-	5,690	7.1	-	3,565	0.6
Operating income	**68,308**	**14.5**	**4,103**	**4.1**	**8,251**	**10.4**	**-**	**80,663**	**12.8**

(thousand euros)	Italy	%	Germany	%	United Kingdom	%	Intersegment	Total 2013	%
Revenues	**424,752**	**100**	**85,719**	**100**	**68,642**	**100**	**(18,961)**	**560,151**	**100**
Operating costs	(370,731)	(87.3)	(78,515)	(91.6)	(57,267)	(83.4)	18,961	(487,551)	(87.0)
Gross operating income	**54,022**	**12.7**	**7,204**	**8.4**	**11,375**	**16.6**	**-**	**72,600**	**13.0**
Amortization and depreciation	(6,217)	(1.5)	(1,201)	(1.4)	(531)	(0.8)		(7,949)	(1.4)
Atypical costs	1,307	-	(750)	(0.9)	(1,036)	(1.5)	-	(480)	(0.1)
Operating income	**49,111**	**11.6**	**5,252**	**6.1**	**9,808**	**14.3**	**-**	**64,171**	**11.5**

	31/12/2014					31/12/2013				
(thousand euros)	**Italy**	**Germany**	**United Kingdom**	**Intraseg**	**Total**	**Italy**	**Germany**	**United Kingdom**	**Intraseg**	**Total**
Current operating assets	310,817	31,196	31,190	(19,276)	353,927	280,930	29,805	25,057	(17,263)	318,530
Current operating liabilities	(196,728)	(25,365)	(16,768)	19,276	(219,586)	(177,474)	(17,676)	(16,269)	17,263	(194,156)
Net working capital (A)	**114,088**	**5,831**	**14,422**	**-**	**134,341**	**103,456**	**12,130**	**8,788**	**-**	**124,374**
Non current assets	123,118	17,593	29,639		170,351	117,726	17,224	27,620		162,569
Non financial liabilities long term	(52,292)	(11,271)	(4,598)		(68,161)	(55,673)	(8,534)	(15,139)		(79,347)
Fixed capital (B)	**70,826**	**6,323**	**25,041**	**-**	**102,190**	**62,052**	**8,689**	**12,481**	**-**	**83,222**
Net invested capital (A+B)	**184,914**	**12,154**	**39,463**	**-**	**236,531**	**165,508**	**20,819**	**21,269**	**-**	**207,596**

Breakdown of employees by country is as follows:

Country	2014	/2013	Change
Italy	3,617	3,319	298
Germany	674	619	55
United Kingdom	398	315	83
Total	**4,689**	**4,253**	**436**

NOTE 33 – Additional disclosures to financial instruments and risk management policies

Types of financial risks and corresponding hedging activities

Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximise costs and the resources Reply S.p.A. has centralised all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.

As described in the section “Risk management”, Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.
The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.
The quantitative data reported in the following do not have any value of a prospective nature, in particular the sensitivity analysis on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit risk

The maximum credit risk to which the company is theoretically exposed at 31 December 2014 is represented by the carrying amounts stated for financial assets in the balance sheet.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. General provisions are made for receivables which are not written down on a specific basis, determined on the basis of historical experience.

Refer to the note on trade receivables for a quantative analysis.

Liquidity risk

Reply S.p.A. is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The two main factors that determine the company’s liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimise the management of funds and to reduce the liquidity risk, as follows:

- → centralising the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the company is present;
- → maintaining an adequate level of available liquidity;
- → monitoring future liquidity on the basis of business planning.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

Currency risk

Reply S.p.A. has a limited exposure to exchange rate risk, therefore the company does not deem necessary hedging exchange rates.

Interest rate risk

Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company.

Sensitivity analysis

In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value)) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

Floating rate financial instruments include principally cash and cash equivalents and part of debt.

A hypothetical, unfavourable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2014 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 296 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 50 basis points in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Fair value assessment hierarchy levels

The IFRS 13 establishes a fair value hierarchy which classifies the input of evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.
The levels used in the hierarchy are:

- Level 1 inputs are prices quoted (not rectified) in markets active for identical assets and liabilities which the entity can access on the date of assessment;
- Level 2 inputs are variable and different from the prices quoted included in Level 1 observable directly or indirectly for assets or liabilities;
- Level 3 inputs are variable and not observable for assets or liabilities.

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2014, according to the fair value hierarchical assessment level.

(thousand Euros)	Note	Level 1	Level 2	Level 3
Financial securities	18	1,623	-	-
Other assets		-	-	-
Total Assets		**1,623**	**-**	**-**
Derivative financial liabilities (IRS)	26	-	20	-
Liabilities to minority shareholders and earn out	25	-	-	13,306
Total Liabilities		**-**	**20**	**13,306**

The item Financial securities is related to securities listed on the active stock markets and therefore falls under the fair value hierarchical level 1.

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The lastly mentioned, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently for the purposes of IFRS7 the *fair value* used by the Group for the exploitation of hedging derivatives contracts in existence at the end of the financial year re-enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.

As at 31 December 2014, there have not been any transfers within the hierarchy levels.

NOTE 34 – Transactions with Related parties

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

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

The main economic and financial transactions with related parties is summarised below.

(thousand euros)

Financial transactions	31/12/2014	31/12/2013	Nature of transaction
Trade receivables	48	46	Receivables from professional services
Financial receivables		-	Financial receivables from guarantee deposits
Trade payables and other	218	466	Payables for professional services and official rentals offices
Other payables	4,348	4,342	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**2014**	**2013**	**Nature of operation**
Revenues from professional services	14	96	Receivables from professional services
Services from Parent company and related parties	932	4,950	Service contracts relating to office rental, and office administration
Personnel	8,464	8,424	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	148	142	Emoluments to Statutory Auditors

Reply Group Main economic and financial transactions

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

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

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

NOTE 35 – Emoluments to Directors, Statutory Auditors and Key Management

The fees of the Directors and statutory Auditors of Reply S.p.A. for carrying out their respective function, including those in other subsidiary companies, are as follows:

(thousand Euros)	2014	2013
Executive Directors	5,461	5,449
Statutory auditors	148	142
Total	**5,609**	**5,591**

Emoluments to Key management amounted to approximately 3,003 thousand Euros (2,994 thousand Euros at 31 December 2013).

NOTE 36 – Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

It is reported that:

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

- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122 of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash.

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

On the contrary, from the possible increase of the corresponding amount in cash determined by the Judge or on the basis of an agreement between the parties only the shareholders who verbally annotated their disagreement in the general meeting in respect of conditions of the law can benefit.
In the case where evaluation procedures include a modification of the exchange ratio, every single difference shall be regulated in cash.

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

Contingent liabilities

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

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

NOTE 37 – Events subsequent to 31 December 2014

In the month of March 2015 Reply GmbH & Co. KG acquired the 100% share capital of Leadvise Region Mitte GmbH, incorporated under the German law, for 3,5 thousand euros. The company offers services in Management Consulting mainly in the areas of Innovation Management, Risk Management and Digital Optimization.

Annexed tables

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

(thousand euros)	2014	Of which related parties	%	2013	Of which related parties	%
Revenues	**632,184**	**14**	**-**	**560,151**	**96**	**-**
Other income	17,085	-	-	14,307	-	-
Purchases	(12,227)	-	-	(10,644)	-	-
Personnel	(308,452)	(8,464)	2.7 %	(269,893)	(5,092)	1.9 %
Services and other costs	(239,220)	(1,080)	0.5 %	(214,726)	(8,424)	3.9 %
Amortization, depreciation and write downs	(8,021)	-	-	(7,949)	-	-
Other unusual (cost)/income	(686)	-	-	(7,075)	-	-
Operating income	**80,663**	**-**	**-**	**64,171**	**-**	**-**
Financial income/(expenses)	(1,396)	-	-	(2,439)	-	-
Income before taxes	**79,267**	**-**	**-**	**61,732**	**-**	**-**
Income taxes	(30,646)	-	-	(26,653)	-	-
Net income	**48,621**	**-**	**-**	**35,080**	**-**	**-**
Non controlling interest	(712)	-	-	(630)	-	-
Group net result	**47,909**	**-**	**-**	**34,450**	**-**	**-**

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

(thousand euros)	31/12/2014	Of which related parties	%	31/12/2013	Of which related parties	%
Tangible assets	14,976	-	-	13,553	-	-
Goodwill	126,763	-	-	125,637	-	-
Other intangible assets	6,549	-	-	6,363	-	-
Equity investments	3,911	-	-	23	-	-
Other financial assets	4,471	-	-	4,275	-	-
Deferred tax assets	15,052	-	-	13,997	-	-
Non current assets	**171,722**	**-**	**-**	**163,847**	**-**	**-**
Work in progress	40,801	-	-	21,910	-	-
Trade receivables	285,465	48	-	271,167	46	-
Other current assets	27,661	-	-	25,454	-	-
Financial assets	2,245	-	-	1,010	-	-
Cash and cash equivalents	88,819	-	-	66,145	-	-
Current assets	**444,990**	**-**	**-**	**385,684**	**-**	**-**
TOTAL ASSETS	**616,712**	**-**	**-**	**549,531**	**-**	**-**
Share capital	4,864	-	-	4,840	-	-
Other reserves	199,135	-	-	172,519	-	-
Group net income	47,909	-	-	34,450	-	-
Group Shareholder's equity	**251,908**	**-**	**-**	**211,809**	**-**	**-**
Non controlling interest	936	-	-	799	-	-
SHAREHOLDER'S EQUITY	**252,843**	**-**	**-**	**212,608**	**-**	**-**
Payables to minority shareholders and corporate transactions	13,306	-	-	35,364	-	-
Financial liabilities	31,030	-	-	21,719	-	-
Employee benefits	24,454	-	-	20,089	-	-
Deferred tax liabilities	15,630	-	-	12,458	-	-
Provisions	14,772	-	-	11,436	-	-
Non current liabilities	**99,191**	**-**	**-**	**101,067**	**-**	**-**
Financial liabilities	45,092	-	-	41,702	-	-
Trade payables	83,360	218	0.3 %	68,124	466	0.7 %
Other current liabilities	135,202	4,348	3.2 %	125,048	4,342	3.5 %
Provisions	1,024	-	-	984	-	-
Current liabilities	**264,678**	**-**	**-**	**235,858**	**-**	**-**
Total liabilities	**363,869**	**-**	**-**	**336,925**	**-**	**-**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITES	**616,712**	**-**	**-**	**549,531**	**-**	**-**

Companies included in consolidation and subsidiaries carried at cost at 31 December 2014

Company name	Headquarter	Group interest
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
Subsidiaries consolidated on a line by-line basis		
@logistics Reply S.r.l.	Turin, Italy	100.00%
@logistics Reply GmbH	Munich, Germany	100.00%
4brands Reply GmbH & CO. KG (**)	Minden, Germany	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply GmbH	Munich, Germany	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sarl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd	London, United Kingdom	100.00%
Bitmama S.r.l.	Turin, Italy	51.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Bridge Reply S.r.l.	Turin, Italy	60.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd	London, United Kingdom	100.00%
Breed Reply Investment Ltd	London, United Kingdom	80.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	90.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
Engage Reply S.r.l.	Turin, Italy	85.00%
EOS Reply S.r.l.	Turin, Italy	100.00%

Forge Reply S.r.l.	Turin, Italy	100.00%
France Reply Ltd	London, United Kingdom	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Polska zo.o	Katowice, Poland	100.00%
InEssence Reply GmbH	Düsseldorf, Germany	70.00%
IrisCube Reply S.p.A.	Turin, Italy	100.00%
Iriscube Reply SA	Savosa, Switzerland	100.00%
Juice Reply S.r.l.	Turin, Italy	100.00%
Lem Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Mind Services Ltda. (*)	San Paolo, Brazil	76.00%
Open Reply S.r.l.	Turin, Italy	92.50%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l. (*)	Turin, Italy	85.00%
Portaltech Reply GmbH	Gutersloh, Germany	68.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Profondo Reply GmbH	Gutersloh, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply GmbH & CO. KG.	Gutersloh, Germany	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium SA	Mont Saint Guibert, Netherlands	100.00%
Reply France Sarl	Paris, France	100.00%
Reply Luxembourg Sarl	Sandweiler, Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd	London, United Kingdom	100.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Santer Reply S.p.A.	Milano, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Solidsoft Reply S.r.l. (*)	Turin, Italy	85.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Square Reply S.r.l.	Turin, Italy	100.00%
Storm Reply S.r.l. (*)	Turin, Italy	80.00%

Storm Reply GmbH	Gutersloh, Germany	80.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Zurich, Switzerland	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Tool Reply Gmbh	Gutersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germania	100.00%
Twice Reply S.r.l.	Turin, Italy	98.00%
Twice Reply GmbH	Munich, Germany	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xpress Reply GmbH & CO. KG (**)	Gutersloh, Germany	100.00%
Xuccess Reply GmbH	Munich, Germany	100.00%

Companies held at cost		
Consorzio Reply Energy (***)	Turin, Italy	100.00%
Sensoria Inc.	Delaware, USA	19.99%

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting reflects Management's best estimate as at the closing date of the 2014 Annual Financial Report.

(**) These companies are exempt from filing statutory financial statements in Germany under the German law § 264b HGB

(***) Company not consolidates as non operating.

Information in accordance with Article 149-duodecies issued by Consob

The following table, prepared in accordance with Art. 149-duodeciesof Consob's Regulations for Issuers reports the amount of fees charged in 2014 for the audit and audit related services provided by the Independent Auditors and by entities that are part of the Independent Auditors' network.

(thousand euros)	Service provider	Group entity	Fee 2014
Audit	Reconta Ernst & Young S.p.A.	Parent company - Reply S.p.A.	31
	Reconta Ernst & Young S.p.A.	Subsidiaries	166
	Ernst & Young GmbH	Subsidiaries	198
	Ernst & Young LLP	Subsidiaries	99
	Ernst & Young Auditores Independentes S.S.	Subsidiaries	21
	Total		**515**
Audit related services	Reconta Ernst & Young S.p.A.	Parent company - Reply S.p.A.(1)	1
	Reconta Ernst & Young S.p.A.	Subsidiaries (1)	14
	Total		**15**
Other services	Ernst & Young GmbH	Subsidiaries (2)	20
	Total		**20**
Total			**550**

(1) Signed tax forms (Modello Unico, IRAP and Form 770)
(2) Limited voluntary review of interim situations for some German subsidiaries.

Attestation of the Consolidated Financial Statements in accordance with Article 154-bis of Legislative Decree 58/98

The undersigned, Mario Rizzante, in his capacity as Chairman and Chief Executive Officer, and Giuseppe Veneziano, Director responsible for drawing up Reply S.p.A.'s financial statements, hereby attest, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- → suitability with respect to the Company's structure and
- → the effective application

of the administration and accounting procedures applied in the preparation of the Consolidated financial statements for the year ended 2014.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2014 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

3.1 the Consolidated Financial Statement

- → have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated 19 July 2002 as well as the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
- → correspond to the amounts shown in the Company's accounts, books and records; and
- → provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Turin, 13 March 2015

/s/ Mario Rizzante	/s/ Giuseppe Veneziano
Chairman and Chief Executive Officer	**Director responsible of drawing up the accounting documents**
Mario Rizzante	Giuseppe Veneziano

Statutory Auditors' Report

REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING RELATED TO THE FINANCIAL CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

Dear Shareholders,

The Board of Directors is submitting the Consolidated Financial Statements as at 31 December 2012 to you prepared in conformity with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Changes in Shareholders' Equity, Consolidated Cash Flow Statement, and the Notes to the Financial Statements.

The Consolidated Financial Statements as at 31 December 2014 present a consolidated Shareholders' equity amounting to 251.908 thousand Euros, including a consolidated profit 47.91 thousand Euros.
The Report on Management adequately illustrates the financial, economic and earnings position, the trend, including at a consolidated level, of Reply S.p.A. and its subsidiaries during the financial year and after its end, as well as the sub-division of the volumes of assets of the principal business lines and the consolidated results.

The consolidation area is determined in such context, which included as at 31 December 2014 in addition to the Parent Company, eighty companies and a consortium, all consolidated on a line-by-line basis.

The controls made by the Independent Auditor Reconta Ernst & Young S.p.A. concluded that the amounts reported in the Consolidated Financial Statements as at 31 December 2014 are supported by the Parent Company's accounting records, in the financial statements for the reporting period of the subsidiaries, and in the information that they have formally communicated.

Such financial statements transmitted by the subsidiaries to the Parent Company, for purposes of the preparation of the Consolidated Financial Statements, prepared by the respective competent corporate bodies, have been reviewed by the bodies and/or persons in charge of the audit of the individual companies, according to their respective legal systems, and by the Independent Auditor in the context of the procedures followed for the audit of the Consolidated Financial Statements.

The Board of Statutory Auditors did not audit the financial statements of such companies.
Reconta Ernst & Young S.p.A., the company entrusted with the audit of Reply's Consolidated Financial Statements, has issued its report on the date set forth below, in which it confirms that, in its opinion, the Consolidated Financial Statements of the Reply Group as at 31 December 2014 conform to the International Financial Reporting Standards (IFRS) endorsed by the European Union, as well as to the measures issued to implement Article 9 of Legislative Decree 38/2005 and, therefore, they were prepared with clarity and represent a true and fair view of the financial and economic position, the economic result and the cash flows of the Reply Group as at such date, and further, the Report on Management and the information pursuant to Article 123-bis(1)(c)(d)(f)(l)(m) and (2)(b) of Legislative Decree 58/1998 presented in the Report on Corporate Governance and Ownership Structure are consistent with the Consolidated Financial Statements.

On the basis of the audits and controls carried out, we certify that:

- The consolidation area has been determined in correct manner;
- The consolidation procedures adopted conform to legal requirements and have been properly applied;
- The review oof the report on Management demonstrated that it is consistent with the consolidated Financial statements;
- All the information used for the consolidation refers to the entire administrative period represented by the financial year 2014;
- The measurement criteria are homogeneous with those used for the previous reporting period;
- Changes in the consolidation area compared to 31 December 2013 consist of the inclusion of the following companies:
  - @logistics Reply GmbH;
  - Air Reply S.r.l.;
  - Avantage Reply (Belgium) Sarl;
  - Avantage Reply (Luxembourg) Sarl;
  - Avantage Reply (Netherlands) Sarl;
  - Breed Reply Ltd;
  - Breed Reply Investment Ltd;
  - Engage Reply S.r.l.(nel 2013 iscritta al costo);
  - France Reply Ltd;
  - Macros Reply GmbH;
  - Profondo Reply GmbH;
  - Reply Belgium SA;
  - Reply France Sarl;
  - Reply Luxembourg Sarl;
  - Risk Reply Ltd;
  - Solidsoft Reply S.r.l. (recognised at cost in 2013);
  - Storm Reply GmbH;
  - Syskoplan Reply GmbH;
  - Twice Reply GmbH;
  - Xuccess Reply GmbH.

To conclude we would like to remind you that our three year mandate has expired and would like to thank you for the trust you have placed in us and would like to invite you to take the necessary actions.

THE STATUTORY AUDITORS

(Prof. Cristiano Antonelli)
(Dott.ssa Ada Alessandra Garzino Demo)
(Dott. Paolo Claretta Assandri)

Independent Auditors' Report

Reconta Ernst & Young S.p.A.
Via Confienza, 10
10121 Torino

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Fax: +39 011 5612554
ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Reply S.p.A.

1. We have audited the consolidated financial statements of Reply S.p.A. and its subsidiaries, (the "Reply Group") as of 31 December 2014 and for the year then ended, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Reply S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 24 March 2014.

3. In our opinion, the consolidated financial statements of the Reply Group at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Reply Group for the year then ended.

4. The Directors of Reply S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and Proprietary Assets in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard

001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and Proprietary Assets, are consistent with the consolidated financial statements of the Reply Group at 31 December 2014.

Turin, 27 March 2015

Reconta Ernst & Young S.p.A.

Signed by: Luigi Conti, partner

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

Financial Statements as at 31 December 2014

Income statement (*)

(Euros)	Note	2014	2013
Revenue	5	291,648,905	274,691,960
Other income	6	6,659,301	8,825,156
Purchases	7	(4,982,858)	(3,636,912)
Personnel	8	(17,702,836)	(16,080,630)
Services and other costs	9	(276,839,606)	(270,032,805)
Amortization, depreciation and write-downs	10	(671,513)	(697,944)
Other unusual operating income/(expenses)	11	(2,988,997)	249,563
Operating income		**(4,877,604)**	**(6,681,612)**
Gain/(loss) on equity investments	12	27,491,426	20,421,456
Financial income/(expenses)	13	2,526,409	442,727
Income before taxes		**25,140,231**	**14,182,571**
Income taxes	14	(1,208,521)	624,358
Net income		**23,931,709**	**14,806,929**
Net income per share	15	2.56	1.63
Diluted net income per share	15	2.56	1.62

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Income Statement are reported in the annexed Tables and further described in Note 34.

Statement of comprehensive income

(in euros)	Note	2014	2013
Profit of the period (A)		23,931,709	14,806,929
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	26	(33,636)	25,988
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		(33,636)	25,988
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	26	119,974	(50,362)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		119,974	(50,362)
Total other comprehensive income, net of tax (B) = (B1) + (B2):		86,338	(24,374)
Total comprehensive income (A)+(B)		24,018,047	14,782,555

Statement of financial position (*)

(Euros)	Note	31/12/2014	31/12/2013
Tangible assets	16	1,095,038	446,674
Goodwill	17	86,765	86,765
Other intangible assets	18	866,734	1,053,650
Equity investments	19	130,081,311	130,196,800
Other financial assets	20	42,486,824	36,251,023
Deferred tax assets	21	1,521,880	1,669,848
Non current assets		**176,138,552**	**169,704,758**
Trade receivables	22	221,291,693	196,904,149
Other receivables and current assets	23	31,666,601	28,958,870
Financial assets	24	50,808,755	43,543,322
Cash and cash equivalents	25	40,913,939	28,321,938
Current assets		**344,680,988**	**297,728,279**
TOTAL ASSETS		**520,819,540**	**467,433,037**
Share Capital		4,863,486	4,840,086
Other reserves		135,140,323	125,856,496
Net income		23,931,709	14,806,929
SHAREHOLDERS' EQUITY	26	**163,935,517**	**145,503,511**
Due to minority shareholders	27	3,686,707	14,391,089
Financial liabilities	28	29,668,015	20,162,569
Employee benefits	29	435,868	405,582
Deferred tax liabilities	30	911,232	469,153
Provisions	33	3,921,700	1,745,000
Non current liabilities		**38,623,522**	**37,173,393**
Financial liabilities	28	69,873,787	67,954,479
Trade payables	31	222,959,775	195,102,211
Other current liabilities	32	23,360,939	21,189,443
Provisions	33	2,066,000	510,000
Current liabilities		**318,260,501**	**284,756,133**
TOTAL LIABILITIES		**356,884,023**	**321,929,526**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**520,819,540**	**467,433,037**

(*)Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Statement of Financial Position are reported in the annexed Tables and further described in Note 34.

Statement of changes in equity

(in euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Cash flow hedge reserve	Reserve for actuarial gains/(losses)	Total
Balance at 1 January 2013	4,795,886	(3,605,255)	50,155,937	72,852,064	(73,224)	(4,433)	124,120,975
Share capital increase	44,200	-	1,742,845	-	-	-	1,787,045
Dividends distributed	-	-	-	(5,131,165)	-	-	(5,131,165)
Change in treasury shares	-	3,596,127	-	-	-	-	3,596,127
Total profit (loss)	-	-	-	14,806,929	(50,362)	25,988	14,782,555
Other changes	-	-	6,347,964	10	-	-	6,347,974
Balance at 31 December 2013	4,840,086	(9,128)	58,246,746	82,527,838	(123,586)	21,555	145,503,511

(in euros)	Share capital	Treasury shares	Capital reserves	Earning reserves	Cash flow hedge reserve	Reserve for actuarial gains/(losses)	Total
Balance at 1 January 2014	4,840,086	(9,127)	58,246,746	82,527,838	(123,586)	21,555	145,503,511
Share capital increase	23,400	-	936,855	-	-	-	960,255
Dividends distributed	-	-	-	(6,546,295)	-	-	(6,546,295)
Total profit (loss)	-	-	-	23,931,709	119,974	(33,636)	24,018,047
Other changes	-	-	-		-	-	-
Balance at 31 December 2014	4,863,486	(9,127)	59,183,601	99,913,252	(3,612)	(12,081)	163,935,518

Statement of cash flows

(in euros)	31/12/2014	31/12/2013
Result	23,931,709	14,806,929
Income taxes	(1,208,521)	(624,358)
Amortization and depreciation	671,513	697,944
Other non-monetary expenses/(income)	7,059,460	5,743,207
Change in trade receivables	(24,387,545)	(21,075,795)
Change in trade payables	27,857,564	13,201,668
Change in other assets and liabilities	4,039,635	2,001,535
Income tax paid	624,358	1,088,471
Interest paid	(1,476,674)	(1,242,590)
Net cash flows from operating activities (A)	37,111,500	14,597,011
Payments for tangible and intangible assets	(1,132,961)	(734,799)
Payments for financial assets	(10,123,234)	(22,160,342)
Payments for the acquisition of subsidiaries net of cash acquired	(11,922,922)	(8,620,567)
Net cash flows from investment activities (B)	(23,179,117)	(31,515,708)
Shares issued	960,255	1,787,045
Dividends paid	(6,546,295)	(5,131,165)
In payments from treasury shares	15,540,266	21,720,010
Payment of instalments	(16,206,083)	(11,261,249)
Other changes	86,337	(24,362)
Net cash flows from financing activities (C)	(6,165,520)	7,090,279
Net cash flows (D) = (A+B+C)	7,766,862	(9,828,419)
Cash and cash equivalents at the beginning of period	20,366,606	30,195,025
Cash and cash equivalents at period end	28,133,468	20,366,606
Total change in cash and cash equivalents (D)	7,766,862	(9,828,419)

Detail of cash and cash equivalents	31/12/2014	31/12/2013
(in euros)		
Cash and cash equivalents at beginning of period:	20,366,606	30,195,025
Cash and cash equivalents	28,321,938	27,741,728
Other	669,342	833,521
Transaction accounts - surplus	42,873,980	50,324,134
Transaction accounts - overdraft	(19,562,205)	(14,552,863)
Bank overdrafts	(31,936,449)	(34,151,495)
Cash and cash equivalents at the end of the year:	28,133,468	20,366,606
Cash and cash equivalents	40,913,939	28,321,938
Other	959,512	669,342
Transaction accounts - surplus	49,849,243	42,873,980
Transaction accounts - overdraft	(26,868,340)	(19,562,205)
Bank overdrafts	(36,720,886)	(31,936,449)

Notes to the financial statements

General information	NOTE 1	- General information
	NOTE 2	- Accounting principles
	NOTE 3	- Financial risk management
	NOTE 4	- Other
Income statement	NOTE 5	- Revenues
	NOTE 6	- Other revenues
	NOTE 7	- Purchases
	NOTE 8	- Personnel
	NOTE 9	- Services and other costs
	NOTE 10	- Amortization, depreciation and write-downs
	NOTE 11	- Other unusual operating income/(expenses)
	NOTE 12	- Result of equity investments
	NOTE 13	- Financial income/(expenses)
	NOTE 14	- Income taxes
	NOTE 15	- Earnings per share
Financial position- Assets	NOTE 16	- Tangible assets
	NOTE 17	- Goodwill
	NOTE 18	- Other intangible assets
	NOTE 19	- Equity Investments
	NOTE 20	- Non current financial assets
	NOTE 21	- Deferred tax assets
	NOTE 22	- Trade receivables
	NOTE 23	- Other receivables and current assets
	NOTE 24	- Current financial assets
	NOTE 25	- Cash and cash equivalents
Financial position- Liabilities and shareholders' equity	NOTE 26	- Shareholders' equity
	NOTE 27	- Payables to minority shareholders
	NOTE 28	- Financial liabilities
	NOTE 29	- Employee benefits
	NOTE 30	- Deferred tax liabilities
	NOTE 31	- Trade payables
	NOTE 32	- Other current liabilities
	NOTE 33	- Provisions
Other information	NOTE 34	- Transactions with related parties
	NOTE 35	- Additional disclosures to financial instruments and risk management policies
	NOTE 36	- Significant non-recurring transactions
	NOTE 37	- Transactions resulting from unusual and/or abnormal operations
	NOTE 38	- Guarantees, commitments and contingent liabilities
Other information	NOTE 39	- Emoluments to Directors, Statutory Auditors and Directors with Key responsibilities
	NOTE 40	-Events subsequent to 31 December 2014

NOTE 1 – General information

Reply [MTA, STAR: REY] is specialized in the implementation of solutions based on new communication and digital media. Reply, consisting of a network of specialized companies, assists important European industries belonging to Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration sectors, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply's services include: consulting, system integration, application management and Business Process Outsourcing. (www.reply.eu).

The company mainly carries out the operational coordination and technical management of the group and also the administration, financial assistance and some purchase and marketing activities.

Reply also manages business relations for some of its main clients.

NOTE 2 - Accounting principles and basis of consolidation

Compliance with International accounting principles

The 2014 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the provisions implementing Article 9 of Legislative Decree No. 38/2005.
The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

In compliance with European Regulation No. 1606 of 19 July 2002, beginning in 2005, the Reply Group adopted the International Financial Reporting Standards ("IFRS") for the preparation of its Consolidated Financial Statements. On the basis of national legislation implementing the aforementioned Regulation, those accounting standards were also used to prepare the separate Financial Statements of the Parent Company, Reply S.p.A., for the first time for the year ended 31 December 2006.
It is hereby specified that the accounting standards applied conform to those adopted for the preparation of the initial Statement of Assets and Liabilities as at 1 January 2005 according to the IFRS, as well as for the 2005 Income Statement and the Statement of Assets and Liabilities as at 31 December 2005, as re-presented according to the IFRS and published in the special section of these Financial Statements.

General principles

The Financial Statements were prepared under the historical cost convention, modified as required for the measurement of certain financial instruments. The criterion of *fair value* was adopted as defined by IAS 39.

The consolidated Financial Statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist relative to its ability to continue as a going concern.
These Financial Statements are expressed in Euros and are compared to the Financial Statements of the previous year prepared in accordance with the same principles.

These Financial Statements have been drawn up under the general principles of continuity, accrual based accounting, coherent presentation, relevancy and aggregation, prohibition of compensation and comparability of information.
The fiscal year consists of a twelve (12) month period and closes on the 31 December each year.

Financial statements

The Financial Statements include statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory notes.
The income statement format adopted by the company classifies costs according to their nature, which is deemed to properly represent the company's business.
The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.
The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.

It is further noted that, to comply with the indications provided by Consob Resolution No. 15519 of 27 July 2006 "*Provisions as to the format of Financial Statements*", in addition to mandatory tables, specific supplementary Income Statement and Balance Sheet formats have been added that report significant amounts of positions or transactions with related parties indicated separately from their respective items of reference.

Tangible assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.
Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.
In compliance with IAS 36 – Impairment of assets, the carrying value is immediately remeasured to the recoverable value, if lower.
Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Equipment	30%
Plant and machinery	40%
Hardware	40%
Furniture and fittings	24%

Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.
Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognized using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Company's interest at the time of acquisition of the fair value of the assets, liabilities and identifiable contingent liabilities attributable to the subsidiary.
Goodwill is not amortized, but is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Impairment losses are recognized immediately as expenses that cannot be recovered in the future.
Goodwill deriving from acquisitions made prior to the transition date to IFRS are maintained at amounts recognized under Italian GAAP at the time of application of such standards and are subject to impairment tests at such date.

Other intangible assets

Intangible fixed assets are those lacking an identifiable physical aspect, are controlled by the company and are capable of generating future economic benefits.
Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.
Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.
Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their *fair value* can be measured reliably.
In case of intangible fixed assets purchased for which availability for use and relevant payments are deferred beyond normal terms, the purchase value and the relevant liabilities are discounted by recording the implicit financial charges in their original price.
Expenditure on research activities is recognized as an expense in the period in which it is incurred.
Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.

An internally-generated intangible asset arising from the company's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably.

These assets are amortized when launched or when available for use. Until then, and on condition that the above terms are respected, such assets are recognized as construction in progress. Amortization is determined on a straight line basis over the relevant useful lives.
When an internally-generated intangible asset cannot be recorded at balance sheet, development costs are recognized to the statement of income in the period in which they are incurred.

Intangible assets with indefinite useful life

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, as provided by IAS 36, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired. Any impairment losses are not subject to subsequent reversals.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the higher of *fair value* less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, (the so-called *Cash generating unit*). With reference to goodwill, Management assesses return on investment with reference to the smallest cash generating unit including goodwill.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. When the recognition value of the *Cash generating unit*, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the *Cash generating unit*.

Where an impairment loss subsequently reverses, the carrying amount of the asset, (or cash-generating unit), with the exception of goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Equity investments

Investments in subsidiaries and associated companies are valued using the cost method. As implementation of such method, they are subject to an impairment test if there is any objective evidence that these investments have been impaired, due to one or more events that occurred after the initial measurement if such events have had an impact on future cash flows, thus inhibiting the distribution of dividends. Such evidence exists when the subsidiary's and associate's operating margins are repetitively and significantly negative. If such is the case, impairment is recognized as the difference between the carrying value and the recoverable value, normally determined on the basis of fair value less disposal costs.
At each reporting period, the Company assesses whether there is objective evidence that a write-down due to *impairment* of an equity investment recognized in previous periods may be reduced or derecognized. Such evidence exists when the subsidiary's and associate's operating margins are repetitively and significantly positive. In this case, the recoverable value is re-measured and eventually the investment is restated at initial cost.

Equity investments in other companies, comprising non current financial assets not held for trading, are measured at *fair value,* if it can be determined. Any subsequent gains and losses resulting from changes in *fair value* are recognized directly in Shareholders' equity until the investment is sold or impaired; the total recognized in equity up to that date are recognized in the Income Statement for the period.

Minor investments in other companies for which *fair value* is not available are measured at cost, and adjusted for any impairment losses.

Dividends are recognized as financial income from investments when the right to collect them is established, which generally coincides with the shareholders' resolution. If such dividends arise from the distribution of reserves prior to the acquisition, these dividends reduce the initial acquisition cost.

Current and non current financial assets

Financial assets are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.
Investments are recognized and written-off the balance sheet on a trade-date basis and are initially measured at cost, including transaction costs.
At subsequent reporting dates, financial assets that the Company has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortized cost according to the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts, and are classified among non current financial assets.
Investments other than held-to maturity securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where financial assets are held for trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period. This item is stated in the current financial assets.

Transfer of financial assets

The Company derecognizes financial assets from its Financial Statements when, and only when, the contractual rights to the cash flows deriving from the assets expire or the Company transfers the financial asset. In the case of transfer of the financial asset:

- → If the entity substantially transfers all of the risks and benefits of ownership associated with the financial asset, the Company derecognizes the financial asset from the Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
- → If the Company maintains substantially all of the risks and benefits of ownership associated with the financial assets, it continues to recognize it;
- → If the Company does not transfer or maintain substantially all of the risks and benefits of ownership associated with the financial asset, it determines whether or not it has maintained control of the financial asset. In this case;
- → If the Company has not maintained control, it derecognizes the financial asset from its Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
- → If the Company has maintained control, it continues to recognize the financial asset to the extent of its residual involvement with such financial asset.

At the time of removal of financial assets from the balance sheet, the difference between the carrying value of assets and the fees received or receivable for the transfer of the asset is recognized in the income statement.

Trade payables and receivables and other current assets and liabilities

Trade payables and receivables and other current assets and liabilities are measured at nominal value and eventually written down to reflect their recoverable amount.
Write-downs are determined to the extent of the difference of the carrying value of the receivables and the present value of the estimated future cash flows.
Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

Cash and cash equivalents

The item cash and cash equivalents includes cash, banks and reimbursable deposits on demand and other short term financial investments readily convertible in cash and are not subject to significant risks in terms of change in value.

Treasury shares

Treasury shares are presented as a deduction from equity. All gains and losses from the sale of treasury shares are recorded in a special Shareholders' equity reserve.

Financial liabilities and equity investments

Financial liabilities and equity instruments issued by the Company are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Company's assets after having deducted its liabilities.
The accounting standards adopted for specific financial liabilities or equity instruments are outlined below:

- → Bank borrowings
- → Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently stated at its amortized cost, using the prevailing market interest rate method.

- → Equity instruments
- → Equity instruments issued by the Group are stated at the proceeds received, net of direct issuance costs.

- → Non current financial liabilities
- → Liabilities are stated according to the amortization cost.

Derivative financial instruments and other hedging transactions

The Company's activities are primarily subject to financial risks associated with fluctuations in interest rates. Such interest rate risks arise from bank borrowings; In order to hedge such risks the Company's policy consists of converting fluctuating rate liabilities in constant rate liabilities and treating them as *cash flow hedges*. The use of such instruments is disciplined by written procedures in line with the Company risk strategies that do not contemplate derivative financial instruments for trading purposes.

In accordance with IAS 39, derivative financial instruments qualify for *hedge accounting* only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.
All derivative financial instruments are measured in accordance with IAS 39 at *fair value*.
Changes in the *fair value* of derivative financial instruments that are designated and effective as hedges of future cash flows relating to Company commitments and forecasted transactions are recognized directly in Shareholder's equity, while the ineffective portion is immediately recorded in the Income Statement. If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.
For effective hedging against a change in *fair value*, the hedged item is adjusted by the changes in *fair value* attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.
Changes in the *fair value* of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction is no longer expected to occur; the net cumulative gain or loss recognized in equity is transferred to the net profit or loss for the period.
Embedded derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not closely related to those of the financial instrument that houses them and the latter are not measured at fair value with recognition of the relative gains and losses in the Income Statement.

Employee benefits

The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Financial Statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.
Employee termination indemnities ("TFR") are classified as a "*post-employment benefit*", falling under the category of a "*defined benefit plan*"; the amount already accrued must be projected in order to

estimate the payable amount at the time of employee termination and subsequently be discounted through the "*projected unit credit method*", an actuarial method based on demographic and finance data that allows the reasonable estimate of the extent of benefits that each employee has matured in relation to the time worked. Through actuarial measurement, *interest cost* is recognized as financial gains or losses and represents the figurative expenditure that the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities ("TFR").
Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders' equity.

Share-based payment plans

The Company has applied the standard set out by IFRS 2 "Share-based payment".
Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders' equity, on a straight-line basis and over the (vesting period). The fair value of the option, measured at the granting date, is assessed through actuarial calculations, taking into account the terms and conditions of the options granted.
The stock options resolved in the previous financial years have been exercised and therefore the Company does not have existing stock option plans.

Provisions and reserves for risks

Provisions for risks and liabilities are costs and liabilities having an established nature and the existence of which is certain or probable that at the reporting date the amount cannot be determined or the occurrence of which is uncertain. Such provisions are recognized when a commitment actually exists arising from past events of legal or contractual nature or arising from statements or company conduct that determine valid expectations from the persons involved (implicit obligations).
Provisions are recognized when the Company has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

Revenue recognition

Revenue is recognized if it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably.

Revenue from sales and services is recognized when the transfer of all the risks and benefits arising from the passage of title takes place or upon execution of a service.
Revenues from services include the activities the Company carries out directly with respect to some of its major clients in relation to their businesses. These activities are also carried out in exchange for services provided by other Group companies, and the costs for such services are recognized as Services and other costs.
Revenues from sales of products are recognized when the risks and rewards of ownership of goods are transferred to the customer. Revenues are recorded net of discounts, allowances, settlement discounts and rebates and charged against profit for the period in which the corresponding sales are recognized.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable that represents the discounted interest rate of the future estimated proceeds estimated over the expected life of the financial asset in order to bring them to the accounting value of the same asset.

Dividends from investments is recognized when the shareholders' rights to receive payment has been established.

Financial income and expenses

Financial income and expenses are recognized and measured in the income statement on an accrual basis.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests arising in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

Earnings per share

Basic earnings per share is calculated with reference to the profit for the period of the Group and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.
Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

Use of estimations

The preparation of the Financial Statements and relative notes under IFRS requires that management makes estimates and assumptions that have effect on the measurement of assets and liabilities and on disclosures related to contingent assets and liabilities at the reporting date. The actual results could differ from such estimates. Estimates are used to accrue provisions for risks on receivables, to measure development costs, to measure contract work in progress, employee benefits, income taxes and other provisions. The estimations and assumptions are reviewed periodically and the effects of any changes are recognized immediately in income.

Changes in estimations and reclassifications

There were no changes of estimates or reclassifications during the 2014 reporting period.

Accounting principles, amendments and interpretations adopted from 1 January 2014

IFRS 12 Disclosures of Interests in Other Entities

L'IFRS 12 provides the disclosures requirements for an entity's interest in subsidiaries, joint ventures, associates and special purpose vehicles. The required disclosures of IFRS 12 in such entities have been significantly expanded regarding subsidiaries. For example, disclosures related to when a subsidiary was consolidated and the parent owned less than a majority of voting rights. The IFRS 12 had little effect on the company's financial statements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

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

Novation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39

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

Additional disclosures on the recoverable value of non financial assets – Amendment to IAS 36

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

NOTE 3 – Risk management

Reply S.p.A. operates at a world-wide level and for this reason its activities are exposed to various types of financial risks: market risk (broken down in exchange risk, interest rate risk on financial flows and on "fair value", price risk), credit risk and liquidity risk.
To minimize risks Reply utilizes derivative financial instruments. At a central level it manages the hedging of principle operations. Reply S.p.A. does not detain derivate financial instruments for negotiating purposes.

Credit Risk

For business purposes, specific policies are adopted in order to guarantee that clients honor payments.
With regards to financial counterparty risk, the company does not present significant risk in credit-worthiness or solvency. For newly acquired clients, the Company accurately verifies their capability in terms of facing financial commitments. Transactions of a financial nature are undersigned only with primary financial institutions.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of Group companies are monitored and managed on a centralized basis through the Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's current and future capital resources (maintaining an adequate level of cash and cash equivalents and the availability of reserves of liquidity that are readily convertible to cash and *committed* credit).
The difficulties both in the markets and in the financial markets require special attention to the management of liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and on maintaining an adequate level of available liquidity. The Company therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Risks associated with fluctuations in currency and interest rates

As the company operates mainly in a "Euros area" the exposure to currency risks is limited.
The exposure to interest rate risk arises from the need to fund operating activities and the necessity to deploy surplus. Changes in market interest rates may have the effect of either increasing or decreasing the company's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Company's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Company is exposed derives from bank loans; to mitigate such risks, Reply S.p.A. uses derivative financial instruments designated as "cash flow hedges". The use of such instruments is disciplined by written procedures in line with the Company's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

NOTE 4 – Other information

Exception allowed under paragraph 4 of Article 2423 of the Italian Civil Code

No exceptions allowed under Article 2423, paragraph 4, of the Italian Civil Code were used in drawing up the annexed Financial Statements.

Fiscal consolidation

The Company has decided to enter into the National Fiscal Consolidation pursuant to articles 117/129 of the TUIR.
Reply S.p.A., Parent Company, acts as the consolidating company and determines just one taxable income for the Group companies that adhere to the Fiscal Consolidation, and will benefit from the possibility of compensating taxable income having fiscal losses in just one tax return.
Each company adhering to the Fiscal Consolidation transfers to Reply S.p.A. its entire taxable income, recognizing a liability with respect to the Company corresponding to the payable IRES; The companies that transfer fiscal losses can register a receivable with Reply, corresponding to IRES on the part of the loss off-set at a Group level and remunerated according to the terms established in the consolidation agreement stipulated among the Group companies.

NOTE 5 - Revenue

Revenues amounted to 291,648,905 Euros and are detailed as follows:

(Euros)	2014	2013	Change
Revenues from services	250,782,488	239,159,847	11,622,641
Royalties on "Reply" trademark	14,751,519	13,275,839	1,475,680
Intercompany services	17,837,146	15,408,671	2,428,476
Other intercompany revenues	8,277,751	6,847,603	1,430,148
Total	**291,648,905**	**274,691,960**	**16,956,945**

Reply manages business relationships on behalf of some of its major clients. Such activities were recorded in the item Revenues from services to third parties which increased by 11,622,641 Euros.

Revenues from Royalties on the “Reply” trademark refer to charges to subsidiaries, corresponding to 3% of the subsidiaries’ turnover with respect to third parties.

Revenues from Intercompany services and Other intercompany charges refer to activities that Reply S.p.A. carries out for the subsidiaries, and more specifically:

- → Operational, co-ordination, technical and quality management;
- → Administration, personnel and marketing activities;
- → Strategic management services.

NOTE 6- Other income

Other revenues that as at 31 December 2014 amounted to 6,659,301 Euros (8,825,156 Euros at 31 December 2013) mainly refer to expenses incurred by Reply S.p.A. and recharged to the Group companies, and include expenses for social events, telephone and training courses.

NOTE 7 - Purchases

Detail is as follows:

(Euros)	2014	2013	Change
Software licenses for resale	2,357,017	2,099,411	257,606
Hardware for resale	2,164,421	1,060,466	1,103,955
Other	461,421	477,035	(15,614)
Total	**4,982,858**	**3,636,912**	**1,345,946**

The items Software and Hardware licenses for resale refer to the costs incurred for software licenses for resale to third parties carried out for the Group companies.
The item Other includes the purchase of supplies, stationary, and printed materials (219,291 thousand Euros) and fuel (222,854 thousand Euros).

NOTE 8 – Personnel expenses

Personnel costs amounted to 17,702,836 Euros, with an increase of 1,622,206 Euros and are detailed in the following table:

(Euros)	2014	2013	Change
Payroll employees	13,215,794	11,412,782	1,803,012
Directors	4,487,042	4,607,536	(120,494)
Project collaborators		60,313	(60,313)
Total	**17,702,836**	**16,080,630**	**1,622,206**

Detail of personnel by category is provided below:

(number)	2014	2013	Change
Directors	52	45	7
Managers	10	10	-
Staff	34	34	-
Total	**96**	**89**	**7**

The average number of employees in 2014 was 93 (in 2013 92).

NOTE 9 – Services and other costs

Service and other costs comprised the following:

(Euros)	2014	2013	Change
Commercial and technical consulting	2,623,211	3,825,394	(1,202,183)
Travelling and training expenses	1,625,197	1,058,859	566,339
Professional services from group companies	252,871,116	240,795,014	12,076,101
Marketing expenses	1,555,958	1,557,200	(1,242)
Administrative and legal services	987,618	2,001,819	(1,014,201)
Statutory auditors and Independent auditors fees	148,012	143,240	4,773
Leases and rentals	874,837	866,961	7,876
Office expenses	3,497,085	3,147,756	349,329
Other services from group companies	3,361,047	5,515,137	(2,154,090)
Expenses incurred on behalf of group companies	4,640,689	4,264,279	376,410
Other	4,654,836	6,857,147	(2,202,311)
Total	**276,839,606**	**270,032,805**	**6,806,802**

Professional Services from Group companies, which changed during the year by 12,076,101 Euros, relate to revenues from services to third parties.
Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.

Office expenses include services rendered by related parties in connection with service contracts for the use of premises, legal domicile and secretarial services, as well as utility costs.

NOTE 10 – Amortization, depreciation and write-downs

Depreciation of tangible assets was calculated on the basis of technical-economic rates determined in relation to the residual useful lives of the assets, and which amounted in 2014 to an overall cost of 268,415 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2014 to an overall cost of 403,098 Euros. Details of depreciation are provided at the notes to intangible assets.

NOTE 11 – Other unusual operating income/(expenses)

Other unusual operating income/(expenses) amounted to 2,988,997 Euros and refer to accruals to risk and expense provisions (2,000 thousand Euros), and to the fair value adjustment of liabilities to minority shareholders (989 thousand Euros).

NOTE 12 – Gain/(losses) on equity investments

Detail is a follows:

(Euros)	2014	2013	Change
Dividends	34,951,226	28,814,456	6,136,770
Loss on equity investments	(7,459,800)	(8,393,000)	933,200
Total	**27,491,426**	**20,421,456**	**7,069,970**

Dividends include proceeds from dividends received by Reply S.p.A. from subsidiary companies during the year.

Detail is as follows:

(Euros)	31/12/2014
@logistics Reply S.r.l.	905,000
Arlanis Reply S.r.l.	110,000
Aktive Reply S.r.l.	810,000
Atlas Reply S.r.l.	830,000
Blue Reply S.r.l.	3,715,000
Bridge Reply S.r.l.	66,000
Business Reply S.r.l.	40,000
Cluster Reply S.r.l.	5,260,000
Reply Consulting S.r.l.	370,000
Discovery Reply S.r.l.	480,000
Eos Reply S.r.l.	96,852
E*finance Consulting S.r.l.	415,000
Hermes Reply S.r.l.	1,125,000
Iriscube Reply S.p.A.	840,000
Power Reply S.r.l.	2,345,000
Ringmaster S.r.l.	650,000
Santer Reply S.p.A.	2,275,000
Syskopan Reply S.r.l.	650,000
Sytel Reply Roma S.r.l.	4,360,000
Sytel Reply S.r.l	2,530,000
Target Reply S.r.l.	980,000
Technology Reply S.r.l.	2,445,000
Whitehall Reply S.r.l.	1,045,000
Reply GmbH & Co. KG	2,608,374
Total	**34,951,226**

Losses on equity investments refer to write-downs and the year-end losses of several subsidiary companies that were prudentially deemed as non recoverable with respect to the value of the investment. For further details see Note 19 herein.

NOTE 13 – Financial income/(expenses)

Detail is as follows:

(Euros)	2014	2013	Change
Interest income from subsidiaries	2,673,846	1,791,820	882,026
Interest income on bank accounts	15,288	31,652	(16,364)
Interest expenses	(1,538,137)	(1,325,442)	(212,695)
Other	1,375,412	(55,303)	1,430,715
Total	**2,526,409**	**442,727**	**2,083,682**

Interest income from subsidiaries refers to the interest yielding cash pooling accounts of the Group companies included in the centralized pooling system.

Interest expenses refer to the interest expenses on the use of credit facilities with Intesa Sanpaolo and Unicredit.

The item Other includes a loss on exchange rate differences amounting to 367 thousand Euros and a gain on exchange rate differences amounting to 1,880 thousand Euros arising from the translation of balance sheet items not recorded in Euros.

NOTE 14 – Income taxes

The details are provided below:

(Euros)	2014	2013	Change
IRES	231,541	329,733	(98,192)
IRAP	520,000	425,000	95,000
Current taxes	**751,541**	**754,733**	**(3,192)**
Deferred tax liabilities	442,079	(29,803)	471,882
Deferred tax assets	14,902	(1,349,288)	1,364,190
Deferred taxes	**456,981**	**(1,379,091)**	**1,836,072**
Total income taxes	**1,208,521**	**(624,358)**	**1,832,880**

The item IRES and other taxes includes the positive tax effect deriving from the domestic tax consolidation and the German tax (Kst) arising from the profits in the subsidiary company Reply GmbH & Co. KG. owed by Reply S.p.A. as shareholder of the company in compliance to the fiscal transparency system applicable in Germany.

IRES theoretical rate

The following table provides the reconciliation between the IRES theoretical rate and the fiscal theoretical rate:

(Euros)	Amount	Taxation
Result before taxes	**25,140,230**	
Theoretical tax rate	**27.5 %**	**6,913,563**
Temporary differences, net	(24,438,932)	
Taxable income	**701,298**	**192,857**
Total IRES		**198,000**

Temporary differences, net refer to:

- Deductible differences amounting to 40,702 thousand Euros arising mainly from the non taxable share of the dividends received in the financial year (30,726 thousand Euros);
- Non deductible differences amounting to 16,263 thousand Euros owing mainly to the write-down of equity investments (7,436 thousand Euros) and Directors' fees to be paid (2,600 thousand Euros) and non deductible provision for risks (2,672 thousand Euros).

Calculation of taxable IRAP

(Euros)	Amount	Taxation
Difference between value and cost of production	**(4,877,604)**	
IRAP net	17,119,073	
Taxable IRAP	**12,241,469**	
Total IRAP		**520,000**

Temporary differences, net refer to:

- Non deductible differences amounting to 22,953 thousand Euros mainly due to personnel expenses;
- Deductible differences amounting to 1,499 thousand Euros due to income components not relevant for tax purposes;
- Deductions amounting to 4,335 thousand Euros mainly related to tax wedge and extra deductions

NOTE 15 – Earnings per share

Basic earnings per share

Basic earnings per share as at 31 December 2014 was calculated with reference to the net profit which amounted to 23,931,709 Euros (14,806,929 Euros at 31 December 2013) divided by the weighted average number of shares outstanding as at 31 December 2014 which amounted to 9,350,986 (9,092,021 at 31 December 2013).

(Euros)	2014	2013
Net profit for the year	23,931,709	14,806,929
Weighted number of shares	9,350,986	9,092,021
Basic earnings per share	2.56	1.63

Diluted earnings per share

Diluted earnings per share as at 31 December 2014 were calculated with reference to the net profit which amounted to 23,931,709 Euros divided by the weighted average number of shares outstanding as at 31 December 2014, considering the future diluting effect which could derive from the hypothetical exercising of financial instruments potentially convertible in shares (*stock options*).

(Euros)	2014	2013
Net profit for the year	23,931,709	14,806,929
Weighted number of shares	9,350,986	9,092,021
Diluting effect	-	45,000
Weighted number of diluted shares	9,350,986	9,137,021
Diluted shares per earnings	2.56	1.62

NOTE 16 – Tangible assets

Tangible assets as at 31 December 2014 amounted to 1,095,038 Euros are detailed as follows:

(Euros)	31/12/2014	31/12/2013	Change
Plant and machinery	378,995	128,375	250,619
Hardware	110,165	66,984	43,180
Other tangible assets	605,878	251,314	354,564
Total	**1,095,038**	**446,674**	**648,364**

The item Other mainly includes office equipment, furniture, and costs for improvements to leased assets.

Change in Tangible assets during 2014 is summarized below:

(Euros)	-	-	-	-
Historical cost	1,311,847	1,377,124	1,911,627	4,600,599
Accumulated depreciation	(1,183,472)	(1,310,140)	(1,660,313)	(4,153,925)
31/12/2013	**128,375**	**66,984**	**251,314**	**446,674**
Historical cost				
Purchases	318,100	105,147	643,491	1,066,738
Disposals	-	(19,111)	(162,089)	(181,200)
Other				-
Accumulated depreciation				
Depreciation	(67,481)	(58,207)	(142,728)	(268,415)
Disposals	-	15,351	15,890	31,241
Other				-
Historical cost	1,629,947	1,463,161	2,393,030	5,486,137
Accumulated depreciation	(1,250,952)	(1,352,996)	(1,787,151)	(4,391,100)
31/12/2014	**378,995**	**110,165**	**605,878**	**1,095,038**

During the year under review the Company made investments amounting to 1,066,738 Euros, which mainly refer to improvements to third party assets, to office furniture and plants for the new office located in Via del Giorgione 59 in Rome.

NOTE 17 - Goodwill

Goodwill as at 31 December 2014 amounted to 86,765 Euros and refers to the value of business branches (consulting activities related to Information Technology and management support acquired in July 2000.

Goodwill recognized is deemed adequately supported in terms of expected financial results and related cash flows.

NOTE 18 – Other intangible assets

Intangible assets as at 31 December 2014 amounted to 866,734 Euros (1,053,650 Euros at 31 December 2013) and are detailed as follows::

(Euros)	Historical cost	Accumulated depreciation	Net book value at 31/12/2014
Software	4,672,006	(4,341,336)	330,670
Trademark	536,064	-	536,064
Total	**5,208,070**	**(4,341,336)**	**866,734**

Change in intangible assets in 2014 is summarized in the table below:

	Net book value				Net book value
(Euros)	31/12/2013	Increases	Disposals	Depreciation	31/12/2014
Software	517,586	216,182	-	(403,098)	330,670
Trademark	536,064	-	-	-	536,064
Total	**1,053,650**	**216,182**	**-**	**(403,098)**	**866,734**

The item Software is related mainly to software licenses purchased and used internally by the company.
The item Trademarks expresses the value of the "Reply" trademark granted to the Parent Company Reply S.p.A. (before Reply Europe Sàrl) on 9 June, 2000, in connection to the Company's share capital increase that was resolved and undersigned by the Parent Company Alister Holding SA. Such amount is not subject to systematic amortisation, and the expected future cash flows are deemed adequate.

NOTE 19 – Equity investments

The item Equity investments at 31 December 2014 amounted to 130,081,311 Euros, with a decrease of 115,489 Euros compared to 31 December 2013.

(Euros)	Balance at 31/12/2013	Acquisitions and subscriptions	Disposals	Write downs	Balance at 31/12/2014	Interest
@logistics Reply S.r.l.	1,049,167				1,049,167	100.0 %
Air Reply S.r.l.(*)	-	8,500	90,000		98,500	85.0 %
Aktive Reply S.r.l.	512,696				512,696	100.0 %
Arlanis Reply AG	2,435,000			(1,430,000)	1,005,000	100.0 %
Arlanis Reply GmbH	25,000				25,000	100.0 %
Arlanis Reply S.r.l.	588,000				588,000	100.0 %
Atlas Reply S.r.l.	356,575				356,575	100.0 %
Avantage Ltd.	12,626,484			(3,143,000)	9,483,484	100.0 %
Bitmama S.r.l.	217,019		40,800	(40,800)	217,019	51.0 %
Blue Reply S.r.l.	527,892				527,892	100.0 %
Breed Reply Ltd	-	12,477			12,477	100.0 %
Breed Reply Investments Ltd		103			103	80.0 %
Bridge Reply S.r.l.	6,000				6,000	60.0 %
Business Reply S.r.l.	268,602				268,602	100.0 %
Cluster Reply S.r.l.	2,610,032				2,610,032	100.0 %
Concept Reply GMBH	25,000				25,000	90.0 %
Consorzio Reply Public Sector	32,500				32,500	41.4 %
Consorzio Reply Energy	-	1,000			1,000	25.0 %
Discovery Reply S.r.l.	1,311,669				1,311,669	100.0 %
e*finance Consulting Reply S.r.l.	3,076,385				3,076,385	100.0 %
Engage Reply S.r.l.	8,500		241,000		249,500	85.0 %
Ekip Reply S.r.l.	30,000		50,000	(50,000)	30,000	100.0 %
EOS Reply S.r.l.	155,369				155,369	80.7 %
Forge Reply S.r.l.	12,000		770,000	(770,000)	12,000	100.0 %
Hermes Reply Polska zoo	10,217				10,217	100.0 %
Hermes Reply S.r.l.	199,500				199,500	100.0 %
Inessence Reply GmbH	17,500				17,500	70.0 %
IrisCube Reply S.p.A.	6,724,952				6,724,952	100.0 %
Juice Reply S.r.l	140,000				140,000	100.0 %
Lem Reply S.r.l.	400,012		265,000	(265,000)	400,012	100.0 %
Live Reply GmbH	27,500				27,500	100.0 %
Open Reply S.r.l.(*)	1,417,750				1,417,750	92.5 %
Pay Reply S.r.l	10,000				10,000	100.0 %
Portaltech Reply S.r.l.(*)	104,500		65,000	(65,000)	104,500	85.0 %
Portaltech Reply GmbH	17,000				17,000	68.0 %
Power Reply S.r.l.	2,500,850				2,500,850	100.0 %
Reply Consulting S.r.l.	3,518,434				3,518,434	100.0 %

(Euros)	Balance at 31/12/2013	Acquisitions and subscriptions	Disposals	Write downs	Balance at 31/12/2014	Interest
Reply GmbH & CO. KG	41,302,722				41,302,722	100.0 %
Reply do Brasil Sistemas de Informatica Ltda	206,816				206,816	98.5 %
Reply Inc	40,596				40,596	100.0 %
Reply Ltd	11,657,767				11,657,767	100.0 %
Reply Services S.r.l.	10,000				10,000	100.0 %
Ringmaster S.r.l.	5,000				5,000	50.0 %
Riverland Reply GmbH	10,269,989				10,269,989	100.0 %
Santer Reply S.p.A.	11,386,966				11,386,966	100.0 %
Security Reply S.r.l.	392,866				392,866	100.0 %
Sensoria Inc.	-	3,887,432			3,887,432	20.0 %
Solidsoft Reply S.r.l.(*)	8,500		217,000		225,500	85.0 %
Square Reply S.r.l.	100,000		140,000	(140,000)	100,000	100.0 %
Storm Reply S.r.l.(*)	188,000				188,000	80.0 %
Syskoplan Reply S.r.l.	949,571				949,571	100.0 %
Sytel Reply Roma S.r.l.	894,931				894,931	100.0 %
Sytel Reply S.r.l.	4,991,829				4,991,829	100.0 %
Target Reply S.r.l.	778,000				778,000	100.0 %
Technology Reply S.r.l.	216,658				216,658	100.0 %
Triplesense Reply GmbH	5,153,070				5,153,070	100.0 %
Twice Reply S.r.l.	521,202				521,202	98.0 %
Whitehall Reply S.r.l.	160,211				160,211	100.0 %
Total	**130,196,799**	**3,909,511**	**1,878,800**	**(5,903,800)**	**130,081,310**	

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting of such options reflect management’s best estimate at the closing date.

Acquisitions and subscriptions

Air Reply S.r.l.

In July 2014 Air Reply Srl., was constituted, a company in which Reply S.p.A. holds 85% of the share capital. The company specializes in the design and integration of the NetSuite cloud-based application.

Breed Reply Ltd

In June 2014 Breed Reply, a company incorporated under English law was constituted in which Reply S.p.A. holds 100% of the share capital. The company specializes in funding and developing start-ups on the Internet of Things (IoT).

Breed Reply Investment Ltd

In December 2014 Breed Reply Investments Ltd, a company incorporated under English law was constituted in which Reply S.p.A holds 80% of the share capital. The company will acquire the shares of the start-up in the incubator Breed Reply.

Consorzio Reply Energy

In March 2014 Consorzio Reply Energy was constituted, a company in which Reply S.p.A. holds 25% of the consortium fund. At 31 December 2014 the consortium was composed by Reply S.p.A., Power Reply S.r.l., Security Reply S.r.l. and Syskoplan Reply S.r.l. The consortium will operate in the Energy market.

Sensoria Inc

In July 2014 a term sheet was signed, bound to exclusivity and confidentiality obligations, to take a 19.99% interest in Sensoria Inc., a leading wearable technology and Internet of Things developer. The investment which amounts to USD 5 million is part of Reply’s development strategy connected to the Internet of Things.

Financial loan remission

The amounts are referred to the waiver of financial loan receivables from some subsidiaries in order to increase their equity position.

Write-downs

The amounts recorded reflect losses on some equity investments that are deemed not to be recoverable.

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The list of equity investments in accordance with Consob communication no. 6064293 of 28 July 2006 is included in the attachments.
The negative differences arising between the carrying value of the investments and the corresponding portion of their shareholders’ equity are not related to permanent impairment of value, as the carrying value is supported by positive economic and financial forecasts that guarantee the recoverable amount of the investment.

NOTE 20 – Non current financial assets

Detail is as follows:

(Euros)	31/12/2014	31/12/2013	Change
Guarantee deposits	188,066	356,566	(168,500)
Loans to subsidiaries	42,298,758	35,894,456	6,404,302
Total	**42,486,824**	**36,251,023**	**6,235,802**

Guarantee deposits are mainly related to deposits on lease contracts.

Financial receivables from subsidiaries are referred to loans granted to the following companies:

Company	Amount
Arlanis Reply AG	800,000
Arlanis Reply GmbH	1,000,000
Concept Reply GmbH	200,000
Hermes Reply Polska Sp Zoo	520,410
InEssence Reply	1,550,000
Live Reply GmbH	700,000
Mind Services Informàtica LTDA	1,215,000
Open Reply S.r.l.	250,000
Portaltech Reply Gmbh	600,000
Reply do Brazil Sist. De Inf Ltda	1,724,156
Reply Inc.	453,010
Reply Ltd	32,766,182
Storm Reply S.r.l	120,000
Triplesense Reply GmbH	400,000
Total	**42,298,758**

NOTE 21 – Deferred tax assets

This item amounted to 1,521,880 Euros at 31 December 2014 (1,669,848 Euros at 31 December 2013), and included the fiscal charge corresponding to the temporary differences on statutory income and taxable income related to deferred deductible items.

Temporary deductible differences	Taxable	Tax
Total deferred tax assets at 31/12/2013	**5,940,280**	**1,669,848**
Accrued	3,847,818	1,058,150
Utilization	(3,902,008)	(1,073,052)
Utilized within fiscal consolidation	(483,876)	(133,066)
Total deferred assets at 31/12/2014	**5,402,215**	**1,521,880**
Of which:		
- Directors fees and employee bonuses accrued but not yet paid	5,201,700	1,466,738
- unrealized foreign exchange losses	43,807	12,047
- depreciation and amortization deductible in future years	156,708	43,095
Total	**5,402,215**	**1,521,880**

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

There is no deferred tax assets on losses carried forward.

NOTE 22 – Trade receivables

Trade receivables at 31 December 2014 amounted to 221,291,693 Euros and are all collectible within 12 months.

Detail is as follows:

(Euros)	31/12/2014	31/12/2013	Change
Third party trade receivables	148,040,319	145,219,321	2,820,999
Credit notes to be issued	(31,660)	(85,870)	54,210
Allowance for doubtful accounts	(262,030)	(428,375)	166,344
Third party trade receivables	**147,746,629**	**144,705,076**	**3,041,553**
Receivables from subsidiaries	73,543,421	52,193,547	21,349,874
Receivables from Parent Company	1,644	5,526	(3,882)
Trade receivables from subsidiaries and Parent Company	**73,545,065**	**52,199,073**	**21,345,992**
Total trade receivables	**221,291,693**	**196,904,149**	**24,387,545**

Reply manages business relationships on behalf of some of its major clients. This activity is reflected in the item Third Party Receivables which increased by 3,041,553 Euros.

Receivables from subsidiaries are related to services that the Parent Company Reply S.p.A. carries out in favour of the subsidiary companies at normal market conditions.

Trade receivables are all due within 12 months and do not include significant overdue balances.

In 2014 the provision for doubtful accounts was written off by 166,344 Euros following a specific risk analysis of all the trade receivables.

Assignment of receivables

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

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

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

As at 31 December 2014 the assignment of receivables through factoring operations with recourse amounted to 2,807 thousand Euros.
The book value of the assets assigned without recourse as at 31 December 2014 amounted to 17,328 thousand Euros, with an increase of available liquidity of 16,368 thousand Euros net of advances received amounting to 3,838 thousand Euros.

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

NOTE 23 – Other receivables and current assets

Detail is as follows:

(Euros)	31/12/2014	31/12/2013	Change
Tax receivables	3,848,614	5,041,342	(1,192,728)
Other receivables from subsidiaries	20,643,219	17,596,577	3,046,642
Other receivables	74,144	250,886	(176,742)
Accrued income and prepaid expenses	7,100,624	6,070,065	1,030,559
Total	**31,666,601**	**28,958,870**	**2,707,731**

The item Tax receivables includes VAT receivables net (3,097,837 Euros), withholding tax and also includes receivables from German tax authorities following the merger of Reply A.G. (659,213 Euros), and IRAP tax prepayments (32,171 Euros).

Other receivables from subsidiary companies refer to IRES receivables which are calculated on taxable income, and transferred by the Italian subsidiaries under national fiscal consolidation.

Accrued income and prepaid expenses refer to prepaid expenses arising from the execution of services, lease contracts, insurance contracts and other utility expenses, which are accounted for on an accrual basis.

The carrying value of Other receivables and current assets is deemed to be in line with its *fair value.*

NOTE 24 – Current financial assets

This item amounted to 50,808,755 Euros (43,543,322 Euros at 31 December 2013) and refers to:

→

→ The total of interest yielding cash pooling accounts of subsidiaries included in the centralised pooling system of the Parent Company Reply S.p.A for 49,849,243 Euros; the interest yield on these accounts is in line with current market conditions;

→ Receivables from factoring companies for 959,512 Euros, referring to credit for the sale of invoices without recourse net of advances received.

NOTE 25 – Cash and cash equivalents

This item amounted to 40,913,939 Euros, with an increase of 12,592,001 Euros compared to 31 December 2013, and is referred to cash at banks and on hand at year-end.

NOTE 26 – Shareholders' equity

Share capital

As at 31 December 2014 the fully subscribed paid-in share capital of Reply S.p.A., amounted to 4,863,486 Euros and is made up of no. 9,352,857 ordinary shares having a nominal value of euro 0.52 each.
The increase during the period refers to the exercise of stock options, in the amount of 45,000 option rights for a total value of 960,225 Euros, of which 23,400 Euros is by way of increase in share capital and 936,855 Euros by way of share premium.

Treasury shares

The value of the Treasury shares, amounting to 9,127 Euros, refers to the shares of Reply S.p.A. that at 31 December 2014 were equal to no. 597.

Capital reserves

At 31 December 2014 amounted to 59,183,601 Euros, and included the following:

- Share premium reserve amounting to 23,302,692 Euros.
- Treasury share reserve amounting to 9,127 Euros, relating to the shares of Reply S.p.A which at 31 December 2014 were equal to no. 597.
- Reserve for the purchase of treasury shares amounting to 29,990,873 Euros that was constituted through withdrawal from the Reserve for treasury shares on hand, following the resolution made by the General Shareholders' meeting of Reply S.p.A. on 27 April 2012 which re-authorised, pursuant to the Italian Civil Code, the purchase of a maximum of 30 million Euros of ordinary shares, corresponding to 10% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.
- Reserves arising from the merger operation of Reply Deutschland AG. in Reply S.p.A, and include:
- Share swap surplus reserve amounting to 3,445,485 Euros
- Surplus annulment reserve amounting to 2,902,479 Euros

Earnings Reserve

Earning reserves amounted to 99,913,252 Euros and were comprised as follows:

- The Legal reserve amountin972,697 Euros (960,737 Euros at 31 December 2013);
- Extraordinary reserve amounting to 72,186,144 Euros (63,937,470 Euros at 31 December 2013);
- Retained earnings amounting to 2,882,701 Euros (2,882,701 Euros at 31 December 2013);
- Net result totaling 23,931,709 Euros (14,806,929 Euros at 31 December 2013).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(Euros)	31/12/2014	31/12/2013
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	(33,636)	25,988
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**(33,636)**	**25,988**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	119,974	(50,362)
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**119,974**	**(50,362)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**86,338**	**(24,374)**

Share based payment plans

During 2014 the company no longer has stock options as they were exercised in relation to the stock option plans resolved by the Annual Shareholders' Meeting in previous years.

NOTE 27 – Payables to minority shareholders

Payables to Minority shareholders and for operations (earn-out) at 31 December 2014 amounted to 3,686,707 Euros (14,391,089 Euros at 31 December 2013) and are detailed as follows:

(Euros)	31/12/2013	Increases	Fair value adjustments	Payments	Exchange differences	31/12/2014
Avantage Reply Ltd.	10,933,221			(11,140,685)	207,463	-
Reply Deutschland AG	-					-
Riverland Reply GmbH	-					-
Other Italy	648.758		180,000			828,758
Total payables to minority shareholders	**11,581,979**	**-**	**180,000**	**(11,140,685)**	**207,463**	**828,758**
Arlanis AG	376,000		(203,003)	(172,997)		-
Riverland Reply GmbH	950,000			(300,000)		650,000
Triplesense Reply GmbH	1,483,110		1,012,000	(287,161)		2,207,949
Total payables to Earn-out	**2,809,110**	**-**	**808,997**	**(760,158)**	**-**	**2,857,949**
Total payables to minority shareholders and earn-out	**14,391,089**	**-**	**988,997**	**(11,900,843)**	**207,463**	**3,686,707**

The item Fair value adjustments in 2014 amounted to 988,997 Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 11,900,843 Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

NOTE 28 – Financial liabilities

Detail is as follows:

(Euros)	31/12/2014			31/12/2013		
	Current	Non current	Total	Current	Non current	Total
Bank overdrafts	36,720,886	-	36,720,886	31,936,449		31,936,449
Bank loans	5,966,666	29,801,215	35,767,881	13,621,144	20,420,010	34,041,154
Loans from third parties	67,872	191,445	259,317	26,145	67,203	93,348
Loans from subsidiaries	-	-	-	2,500,000	-	2,500,000
Transaction accounts	26,868,340	-	26,868,340	19,562,205	-	19,562,205
Other	250,023	(324,644)	(74,621)	308,535	(324,644)	(16,109)
Total financial liabilities	**69,873,787**	**29,668,015**	**99,541,802**	**67,954,479**	**20,162,569**	**88,117,048**

The future out payments of the financial liabilities are detailed as follows:

(Euros)	31/12/2014			31/12/2013		
	Due in 12 months	From 1 to 5 years	Over 5 years	Total	Due in 12 months	From 1 to 5 years
Bank overdrafts	36,720,886	-	36,720,886	31,936,449	-	31,936,449
M&A loans	5,966,666	29,801,215	35,767,881	13,621,144	20,420,010	34,041,154
Loan from subsidiaries	-	-	-	2,500,000	-	2,500,000
Transaction accounts	26,868,340	-	26,868,340	19,562,205	-	19,562,205
Other	317,895	(133,199)	184,696	334,681	(257,441)	77,240
Total	**69,873,787**	**29,668,015**	**99,541,802**	**67,954,479**	**20,162,569**	**88,117,048**

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

Following and summarized by main features the ongoing contracts entered into for such a purpose:

- On 31 March 2009 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for a line of credit amounting to 50,000,000 Euros. The total amount utilized was 22,963 thousand Euros.
- The loan was entirely reimbursed and the last instalment was paid on 31 December 3014.
- On 15 September 2012 Reply S.p.A signed a line of credit with Unicredit S.p.A for a total of 15,000,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expires on 31 December 2016. Such credit line was used for 13,900,000 Euros at 31 December 2014 with an outstanding balance of 9,267 thousand Euros.
- On 25 September 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 2,500,000 Euros. Instalments are paid on a half-year basis and expire on 25 September 2015. The outstanding debt amounted to 833 thousand Euros at 31 December 2014.
- On 24 December 2012 Reply S.p.A. signed a contract with Intesa Sanpaolo S.p.A. for 1,500,000 Euros. The loan will be reimbursed on a half-year basis commencing 30 June 2014 and expiring 31 December 2015. At 31 December 2014 the outstanding liability amounted to 500 thousand Euros.
- On 13 November 2013 Reply S.p.A undersigned a line of credit with Intesa Sanpaolo S.p.A for a total of 20,000,000 Euros to be used by 31 December 2015.The loan will be reimbursed on

a half-year basis deferred to commence on 30 June 2016 and will expire on 31 December 2018. On 31 December such a line of credit was used for 8,374 thousand Euros.

- On 25 November 2013 Reply S.p.A entered into a line of credit with Unicredit S.p.A for a total of 25,000,000 Euros to be used by 31 December 2015. The loan will be reimbursed on a half-year basis deferred to commence on 31 May 2016 and will expire on 30 November 2018. On 31 December such a line was used for 16,794 thousand Euros.

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

As contractually defined, such ratios are as follows:

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

At the balance sheet date, Reply fulfilled the Covenants under the various contracts.

The Loan from subsidiaries was related to an interest bearing loan from Reply GmbH & CO. KG the conditions and interest rate are in line with those of the market. This liability was entirely reimbursed in 2014.

The item Other refers to the valuation of derivative hedging instruments. The underlying IRS amounted to 3,612 thousand Euros.

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

Net financial position

In compliance with Consob regulation issued on 28 July 2006 and in accordance with CESR's *"Recommendations for the consistent implementation of the European's regulation on Prospectuses"* issued on 10 February 2005 the Net financial position at 31 December 2014 was as follows:

(Euros)	31/12/2014	31/12/2013	Change
Cash and cash equivalents	40,913,939	28,321,938	12,592,001
Transaction accounts, asset	49,849,243	42,873,980	6,975,263
Receivables from factor	959,512	669,342	290,170
Total current financial assets	**91,722,694**	**71,865,260**	19,857,434
Guarantee deposits	188,066	356,566	(168,500)
Loans to subsidiaries	42,298,758	35,894,456	6,404,302
Total non current financial assets	**42,486,824**	**36,251,023**	**6,235,802**
Total financial assets	**134,209,518**	**108,116,282**	**26,093,236**
Due to banks	(43,005,447)	(45,892,274)	2,886,827
Transaction accounts	(26,868,340)	(19,562,205)	(7,306,135)
Loans from subsidiaries		(2,500,000)	2,500,000
Current financial liabilities	**(69,873,787)**	**(67,954,479)**	**(1,919,308)**
Due to banks	(29,668,015)	(20,162,569)	(9,505,447)
Non current financial liabilities	**(29,668,015)**	**(20,162,569)**	**(9,505,447)**
Total financial liabilities	**(99,541,802)**	**(88,117,048)**	**(11,424,754)**
Total net financial position	**34,667,716**	**19,999,235**	**14,668,481**
of which related parties	*64,279,661*	*56,706,231*	*7,573,430*

For further details with regards to the above table see Notes 20, 24 and 25 as well as Note 28.

NOTE 29 – Employee benefits

The *Employee severance indemnity* represents the obligation to employees under Italian law (amended by Law no. 296/06) accrued by employees up to 31 December 2006 which will be paid when the employee leaves the company. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.
The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

→ Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
→ Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
→ Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations.

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

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

The assumptions adopted can be summarized as follows:

Demographic assumptions

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2014: 2.50% frequency of turnover in:2014 10%

Economic and financial assumptions

Annual discount rate	Constant average annual rate equal to 2.00%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. The annual discount used for 2014 was 3.17%
Annual increase in salaries	The employee severance indemnities (TFR) are revalued on an annual basis equal to 75% of the inflation rate plus a spread of one and a half percentage point.
Annual inflation rate	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

In accordance with IAS 19, Employment severance indemnities at 31 December 2014 is summarised in the table below:

31/12/2013	405,582
Actuarial gains/(losses)	33,637
Interest cost	11,199
Indemnities paid	(14,550)
31/12/2014	435,868

NOTE 30 – Deferred tax liabilities

Deferred tax liabilities at 31 December 2014 amounted to 911,232 Euros and are referred mainly to the fiscal effects arising from temporary differences between the statutory income and taxable income.

Temporary taxable differences	Taxation	Amount
Balance at 31/12/2013	1,617,680	469,153
Accruals	1,743,425	479,442
Utilization	(135,867)	(37,363)
Total at 31/12/2014	3,225,237	911,232
- On deductible items of the books	718,805	197,671
- different goodwill measurements	622,828	195,568
- gains on unrecognised differences	1,883,604	517,992
Total at 31/12/2014	3,225,237	911,232

NOTE 31 – Trade payables

Trade payables at 31 December 2014 amounted to 222,959,775 Euros with an increase of 27,857,564 Euros.

Detail is as follows:

(Euros)	31/12/2014	31/12/2013	Change
Due to suppliers	15,253,895	10,470,906	4,782,990
Due to subsidiaries	157,589,662	149,067,953	8,521,709
Advance payments from customers - asset	50,116,218	35,563,352	14,552,866
Total	222,959,775	195,102,211	27,857,564

Due to suppliers mainly refers to services from domestic suppliers (14,063,354 Euros).

Due to subsidiary companies recorded a change of 8,521,709 Euros, and refers to professional services in connection to third party agreements with Reply S.p.A. Reply S.p.A. carries out commercial *fronting* activities for some of its major clients, whereas *delivery* is carried out by the operational companies.

Advance payments from customers include advances received from customers for contracts subcontracted to subsidiary companies, which at the balance sheet date were not yet completed.

The carrying amount of Trade payables is deemed to be in line with its *fair value.*

NOTE 32 – Other current liabilities

Detail is as follows:

(Euros)	31/12/2014	31/12/2013	Change
Income tax payable	3,026,992	2,508,100	518,892
Withholding tax and other	1,922,328	1,618,336	303,992
Total payable to tax authorities	**4,949,320**	**4,126,436**	**822,884**
INPS (National Italian insurance payable)	844,069	755,414	88,655
Other	256,206	212,402	43,804
Total social security payable	**1,100,275**	**967,816**	**132,460**
Employee accruals	1,359,345	1,182,968	176,377
Payable to subsidiary companies	6,301,517	5,452,596	848,922
Miscellaneous payables	3,451,517	3,845,313	(393,795)
Accrued expenses and deferred income	6,198,965	5,614,314	584,650
Total other payables	**17,311,344**	**16,095,191**	**1,216,153**
Total other current liabilities	**23,360,939**	**21,189,443**	**2,171,497**

Due to tax authorities mainly refers to payables due for withholding tax on employees and free lancers' compensation.

Due to social security authorities is related to both Company and employees contribution payables.

Employee accruals mainly include payables to employees for remunerations due but not yet paid at year-end.

Due to subsidiary companies represents the liability on tax losses recorded by subsidiaries under national tax consolidation for 2014 and for the tax credits that subsidiaries transferred to Reply S.p.A as part of the tax consolidation.

The carrying amount of the item Other current liabilities is deemed to be in line with its *fair value.*

NOTE 33 – Provisions

The item Provisions amounting to 5,987,700 Euros is summarized as follows:

(Euros)	31/12/2013	Accruals	Utilization	Reversals	31/12/2014
Provisions	1,745,000	2,671,700	(180,000)	(315,000)	3,921,700
Provision for losses on equity investments	510,000	1,556,000	-	-	2,066,000
Total	**2,255,000**	**4,227,700**	**(180,000)**	**(315,000)**	**5,987,700**

The accrual posted in 2014 reflects the best estimate of any contingent liability deriving from ongoing legal litigations.

NOTA 34 – Transactions with related parties

With reference to CONSOB communications no. DAC/RM 97001574 of 20 February 1997 and no. DAC/RM 98015375 of 27 February 1998 concerning relations with related parties, the economic and financial effects on Reply S.p.A.'s year ended 2014 Financial Statements related to such transactions are summarised below.

Transactions carried out by Reply S.p.A. with related parties are considered ordinary business and are carried out at normal market conditions.
Financial and business transactions among the Parent Company Reply S.p.A. and its subsidiaries and associate companies are carried out at normal market conditions.

Reply S.p.A. main economic and financial transactions

(thousand Euros)	With subsidiary and associate companies	With related parties	With subsidiary and associate companies	With related parties	Nature of transaction
Financial transactions	**31/12/2014**		**31/12/2013**		
Financial receivables	42,299	-	35,894	-	Financial loans
Guarantee deposits	-	80	-	177	Guarantee deposits
Transaction accounts. net	22,981	-	23,312	-	Transaction accounts held by the Parent company
Trade receivables and other	94,187	2	69,790	6	Royalties, administration services, marketing, quality management services and office rental
Financial liabilities	-	-	2,500	-	Financial borrowings
Trade payables and other	162,689	-	154,521	3	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other payables	-	2,600	-	2,600	Compensation paid to Directors, Key Management
Economic transactions	**2014**		**2013**		
Revenues from Royalties	14,752	-	13,276	-	Licensing of the "Reply" trademark consisting in a 3% fee on third party revenues
Revenues from services	29,544	13	21,822	-	Administrations services, marketing, quality management and office rental
Revenues from management services	5,872	-	6,790	-	Strategic management services
Costs for professional services	261,162	9	249,391	76	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other services	1,010	350	604	704	Services related to office rental and office of the secretary
Personnel	-	5,461	-	5,340	Emoluments to Directors and Key Management
Interest income, net	2,674	-	1,792	-	Interest on financial loans: 3 month Euribor + spread of 3 percentage points

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, in the annexed tables herein, the Statement of income and the Statement of financial position reporting transactions with related parties separately, together with the percentage incidence with respect to each account caption has been provided.

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

NOTA 35 – Additional disclosure to financial instruments and risk management policies

Types of financial risks and corresponding hedging activities

Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximize costs and the resources Reply S.p.A. has centralized all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.
As described in the section "Risk management", Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.
The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.
The quantitative data reported in the following do not have any value of a prospective nature, in particular the *sensitivity analysis* on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit risk

The maximum credit risk to which the company is theoretically exposed at 31 December 2014 is represented by the carrying amounts stated for financial assets in the balance sheet.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. General provisions are made for receivables which are not written down on a specific basis, determined on the basis of historical experience.
Refer to the note on trade receivables for a quantative analysis.

Liquidity risk

Reply S.p.A. is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The two main factors that determine the company's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

- → Centralizing the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the company is present;
- → Maintaining an adequate level of available liquidity;
- → Monitoring future liquidity on the basis of business planning.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

Currency risk

Reply S.p.A. has a limited exposure to exchange rate risk; therefore the company does not deem necessary hedging exchange rates.

Interest rate risk

Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company.
In order to manage these risks, the Reply S.p.A uses interest rate derivative financial instruments, mainly *interest rate swaps*, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on the net result.

Sensitivity analysis

In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of *fair value*) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).
Floating rate financial instruments include principally cash and cash equivalents and part of debt.

A hypothetical, unfavourable and instantaneous change of 50 *basis points* in short-term interest rates at 31 December 2014 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 287 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 50 *basis points* in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Fair value hierarchy levels

Evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.
The levels used in the hierarchy are:

- → Level 1 inputs are prices quoted (not rectified) in markets active for identical assets and liabilities which the entity can access on the date of assessment;
- → Level 2 inputs are variable and different from the prices quoted included in Level 1 observable directly or indirectly for assets or liabilities;
- → Level 3 inputs are variable and not observable for assets or liabilities.

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2014, according to the fair value hierarchical assessment level.

(thousand euros)	Note	Level 1	Level 2	Level 3
Financial securities		-	-	-
Other assets		-	-	-
Total Assets		**-**	**-**	**-**
Derivative financial liabilities (IRS)	28	-	4	-
Liabilities to minority shareholders and earn out	27	-	-	3,687
Total Liabilities		**-**	**4**	**3,687**

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The lastly mentioned, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently for the purposes of IFRS7 the fair value used by the Group for the exploitation of hedging derivatives contracts in existence at the end of the financial year re-enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.

As at 31 December 2014, there have not been any transfers within the hierarchy levels.

NOTA 36 - Significant non-recurring transactions

Pursuant to Consob communication no. 6064293 of 28 July 2006, there were no significant non-recurring transaction during 2014..

NOTA 37 - Transactions resulting from unusual and/or abnormal operations

Pursuant to Consob communication no. 6064293 of 28 July 2006, in 2014 Reply S.p.A. has not taken part in any unusual and/or abnormal operations as defined in that Communication, under which unusual and abnormal transactions are those which because of their significance or importance, the nature of the parties involved, the object of the transaction, the means of determining the transfer price or of the timing of the event (close of the year end) may give rise to doubts regarding the accuracy/completeness of the information in the Financial Statements, conflicts of interest, the safeguarding of the entity's assets or the protection of minority interests.

NOTE 38 – Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

It is reported that:

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

Within three months from the registration of the merger in the Turin Companies Register, each minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. All shareholders of Reply Deutschland will have the right to benefit from a possible increase in the exchange ratio determined by the Judge or on the basis of an agreement between the parties, and that is to say independently of their participation in the evaluation procedure. On the contrary, from the possible increase of the corresponding amount in cash determined by the Judge or on the basis of an agreement between the parties only the shareholders who verbally annotated their disagreement in the general meeting in respect of conditions of the law can benefit.
In the case where evaluation procedures include a modification of the exchange ratio, every single difference shall be regulated in cash.
At present, some minority shareholders have commenced the aforementioned procedures.

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

Contingent liabilities

As an international company, Reply is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are

not covered, or not fully covered, by insurers' compensation payments and could affect the Company financial position and results.
Instead, when it is probable that an overflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Company recognises specific provision for this purpose.

NOTE 39 – Emoluments to Directors, Statutory Auditors and Key Management

The fees of the Directors and Statutory Auditors of Reply S.p.A. for carrying out their respective functions, including those in other consolidated companies, are fully explained in the Annual Report on Remuneration annexed herein.

Stock Option granted to members of the Board of Directors and Key Management

During the financial year under review no. 45,000 stock options were exercised.
For further information please see the Annual Report on Remuneration annexed herein.

NOTE 40 – Events subsequent to 31 December 2014

No significant events have occurred subsequent to 31 December 2014.

Annexed Tables

REPLY S.p.A.
Statement of income pursuant to Consob Resolution no. 15519 of 27 July 2006

(Euros)	2014	of which with related parties	%	2013	of which with related parties	%
Revenue	291,648,905	45,353,699	15.6 %	274,691,960	37,626,105	13.7 %
Other income	6,659,301	4,827,392	72.5 %	8,825,156	4,176,731	47.3 %
Purchases	(4,982,858)	(4,521,438)	90.7 %	(3,636,912)	(3,069,877)	84.4 %
Personnel	(17,702,836)	(5,461,000)	30.8%	(16,080,630)	(5,340,000)	33.2 %
Services and other costs	(276,839,606)	(258,009,583)	93.1%	(270,032,805)	(250,774,886)	92.9%
Amortization and depreciation	(671,513)	-	-	(697,944)	-	-
Non recurring income/(expenses)	(2,988,997)	-	-	249,563	-	-
Operating income (EBIT)	**(4,877,604)**	**-**	**-**	**(6,681,612)**	**-**	**-**
Gain/(loss) on equity investments	27,491,426		-	20,421,456	-	-
Financial income/(loss)	2,526,409	2,673,846	105.8 %	442,727	1,731,820	404.7 %
Income before taxes	**25,140,231**		**-**	**14,182,571**	**-**	**-**
Income tax	(1,208,521)		-	624,358	-	-
Net income	**23,931,709**		**-**	**14,806,929**	**-**	**-**
Earnings per share	2.56			1.63		
Diluted earnings per share	2.56			1.62		

REPLY S.p.A.
Statement of financial position pursuant to Consob Resolution no. 15519 of 27 July 2006

(in euro)	31/12/2014	of which with related parties	%	31/12/2013	of which with related parties	%
Tangible assets	1,095,038	-	-	446,674	-	-
Goodwill	86,765	-	-	86,765	-	-
Other intangible assets	866,734	-	-	1,053,650	-	-
Equity investments	130,081,311	-	-	130,196,800	-	-
Other financial assets	42,486,824	42,298,458	99.6%	36,251,023	36,071,456	99.5%
Deferred tax assets	1,521,880	-	-	1,669,848	-	-
Non current assets	**176,138,552**	-	-	**169,704,758**	-	-
Trade receivables	221,291,693	73,545,065	33.2%	196,904,149	52,199,547	26.5%
Other receivables and current assets	31,666,601	20,643,219	65.2%	28,958,870	17,596,577	60.8%
Financial assets	50,808,755	49,849,243	98.1%	43,543,322	42,873,980	98.5%
Cash and cash equivalents	40,913,939	-	-	28,321,938	-	-
Current assets	**344,680,988**	-	-	**297,728,279**	-	-
TOTAL ASSETS	**520,819,540**	-	-	**467,433,037**	-	-
Share Capital	4,863,486	-	-	4,840,086	-	-
Other reserves	135,140,323	-	-	125,856,496	-	-
Net income	23,931,709	-	-	14,806,929	-	-
SHAREHOLDERS' EQUITY	**163,935,517**	-	-	**145,503,511**	-	-
Due to minority shareholders	3,686,707	-	-	14,391,089	-	-
Financial liabilities	29,668,015	-	-	20,162,569	-	-
Employee benefits	435,868	-	-	405,582	-	-
Deferred tax liabilities	911,232	-	-	469,153	-	-
Provisions	3,921,700	-	-	1,745,000	-	-
Non current liabilities	**38,623,522**	-	-	**37,173,393**	-	-
Financial liabilities	69,873,787	26,868,340	38.5%	67,954,479	22,062,205	32.5%
null	222,959,775	157,098,852	70.7%	195,102,211	149,067,953	76.4%
Other current liabilities	23,360,939	8,189,652	35.1%	21,189,443	8,055,311	38.0%
Provisions	2,066,000	-	-	510,000	-	-
Current liabilities	**318,260,501**	-	-	**284,756,133**	-	-
TOTAL LIABILITIES	**356,884,023**	-	-	**321,929,526**	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**520,819,540**	-	-	**467,433,037**	-	-

REPLY S.p.A.

Equity investments in subsidiaries with additional information required by Consob (communication no. 6064293 of 28 July 2006)

Company	Registered office	Currency	Share capital	Total shareholders' equity	Result	Interest	Carrying value at 31/12/2014
@logistics Reply S.r.l.	Turin	EUR	78,000	1,288,015	710,398	100.0 %	1,049,167
Air Reply S.r.l.	Turin	EUR	10,000	10,861	(89,139)	85.0 %	98,500
Arlanis Reply S.r.l.	Turin	EUR	10,000	424,687	286,964	100.0 %	588,000
Arlanis Reply AG	Potsdam	EUR	70,000	59,278	(100,307)	100.0 %	1,005,000
Arlanis Reply GmbH	Munich	EUR	25,000	(938,695)	(453,745)	100.0 %	25,000
Aktive Reply S.r.l.	Turin	EUR	10,000	2,232,292	1,476,208	100.0 %	512,696
Atlas Reply S.r.l.	Turin	EUR	10,000	532,888	(182,150)	100.0 %	356,575
Avantage Reply Ltd.	London	GBP	5,086	3,351,273	(233,723)	100.0 %	9,483,484
Bitmama S.r.l.	Turin	EUR	29,407	829,965	797,160	51.0 %	217,019
Blue Reply S.r.l.	Turin	EUR	10,000	6,218,727	5,076,390	100.0 %	527,892
Breed Reply Ltd	London	GBP	10,000	(445,539)	(455,539)	100.0 %	12,477
Breed Reply Investments Ltd	London	GBP	100	-	-	80.0 %	103
Bridge Reply S.r.l.	Turin	EUR	10,000	152,458	134,552	60.0 %	6,000
Business Reply S.r.l.	Turin	EUR	78,000	1,705,698	1,122,279	100.0 %	268,602
Cluster Reply S.r.l.	Turin	EUR	139,116	5,240,227	4,165,600	100.0 %	2,610,032
Concept Reply GMBH	Munich	EUR	25,000	(1,135)	(88,354)	90.0 %	25,000
Consorzio Reply Public Sector	Turin	EUR	78,500	10,320	-	41.4 %	32,500
Consorzio Reply Energy	Turin	EUR	4,000	-	-	25.0 %	1,000
Discovery Reply S.r.l.	Turin	EUR	10,000	572,864	555,265	100.0 %	1,311,669
e*finance Consulting Reply S.r.l.	Turin	EUR	34,000	3,170,856	2,475,385	100.0 %	3,076,385
Ekip Reply S.r.l.	Turin	EUR	10,400	10,055	(51,654)	100.0 %	30,000
Engage Reply S.r.l.	Turin	EUR	10,000	10,546	(240,454)	85.0 %	249,500
Eos Reply S.r.l.	Turin	EUR	14,000	728,931	326,233	80.7 %	155,369
Forge Reply S.r.l.	Turin	EUR	10,000	11,926	(769,970)	100.0 %	12,000
Hermes Reply Polska	Katowice	ZLT	40,000	1,209,396	1,202,455	100.0 %	10,217
Hermes Reply S.r.l.	Turin	EUR	10,000	2,579,230	1,838,106	100.0 %	199,500
Inessence Reply GmbH	Düsseldorf	EUR	25,000	(1,446,306)	(1,244,226)	70.0 %	17,500
IrisCube Reply S.p.A.	Turin	EUR	651,735	3,467,099	2,558,314	100.0 %	6,724,952
Juice Reply S.r.l. (*)	Turin	EUR	10,000	208,179	197,845	100.0 %	140,000
Lem Reply S.r.l.	Turin	EUR	47,370	51,407	(261,508)	100.0 %	400,012
Live Reply GmbH	Düsseldorf	EUR	25,000	2,910,665	1,235,966	100.0 %	27,500
Open Reply S.r.l.	Turin	EUR	10,000	5,120,942	2,109,062	92.5 %	1,417,750
Pay Reply S.r.l.	Turin	EUR	10,000	536,962	524,867	100.0 %	10,000
Portaltech Reply GmbH	Gutersloh	EUR	25,000	(482,764)	(463,361)	68.0 %	17,000
Portaltech Reply S.r.l.	Turin	EUR	10,000	11,279	(64,521)	85.0 %	104,500
Power Reply S.r.l.	Turin	EUR	10,000	5,077,695	2,562,691	100.0 %	2,500,850
Reply Consulting S.r.l.	Turin	EUR	10,000	1,400,533	577,017	100.0 %	3,518,434
Reply GmbH & CO. KG.	Gutersloh	EUR	25,200	31,933,273	986,223	100.0 %	41,302,722

Company	Registered office	Currency	Share capital	Total shareholders' equity	Result 2014	Interest	Carrying value at 2014
Reply Services S.r.l.	Turin	EUR	10,000	132,359	120,706	100.0 %	10,000
Reply Inc.	Michigan	US	50,000	251,364	232,041	100.0 %	40,596
Reply Ltd.	London	GBP	54,175	107,483	1,717,664	100.0 %	11,657,767
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte	BRL	650,000	5,198,507	4,122,054	98.5 %	206,816
Ringmaster S.r.l.	Turin	EUR	10,000	1,386,165	1,330,530	50.0 %	5,000
Riverland Reply GmbH	Munich	EUR	25,000	6,259,206	1,095,046	100.0 %	10,269,989
Santer Reply S.p.A.	Milan	EUR	2,209,500	15,247,138	4,653,092	100.0 %	11,386,966
Security Reply S.r.l.	Turin	EUR	50,000	1,101,216	1,046,630	100.0 %	392,866
Sensoria Inc.	Washington	US	-	-	-	20.0 %	3,887,432
Square Reply S.r.l.	Turin	EUR	10,000	9,807	(142,927)	100.0 %	100,000
Solidsoft Reply S.r.l.	Turin	EUR	10,000	10,126	(216,874)	85.0 %	225,500
Storm Reply S.r.l.	Turin	EUR	10,000	858,409	679,853	80.0 %	188,000
Syskoplan Reply S.r.l.	Turin	EUR	32,942	430,675	319,757	100.0 %	949,571
Sytel Reply S.r.l.	Turin	EUR	115,046	7,077,172	4,744,329	100.0 %	4,991,829
Sytel Reply Roma S.r.l.	Turin	EUR	10,000	6,670,270	4,876,054	100.0 %	894,931
Target Reply S.r.l.	Turin	EUR	10,000	2,358,062	1,539,069	100.0 %	778,000
Technology Reply S.r.l.	Turin	EUR	79,743	5,548,801	4,662,372	100.0 %	216,658
Triplesense Reply GmbH	Frankfurt	EUR	51,000	1,068,077	(18,319)	100.0 %	5,153,070
Twice Reply S.r.l.	Turin	EUR	10,000	3,909,062	755,113	98.0 %	521,202
Whitehall Reply S.r.l.	Turin	EUR	21,224	699,291	590,208	100.0 %	160,211

Details of shareholders' equity stated according to origin, possibility of utilization, possibility of distribution, availability and the utilization in the previous three fiscal years.

				Summary of the amounts used in the prior three fiscal years	
Nature/description	Amount	Possibility of utilization	Available	For coverage of losses	Other
Capital	4,863,486				
Capital reserve					
Reserve for treasury shares	9,127				
Share premium	23,302,692	A,B,C	23,302,692		
Reserve for purchases of treasury shares	29,990,873	A,B,C	29,990,873		
Income reserves					
Legal reserve	972,697	B			
Extraordinary reserve	72,186,144	A,B,C	72,186,144		
Surplus merger reserve	6,347,963	A,B,C	6,347,963		
Retained earnings	674,740	A,B,C	674,740		
Total			132,502,412		
Non available amount			-		
Residual available amount			132,502,412		
Reserves from transition to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,327,634				
Reserve for cash flow hedge	(3,612)				
Treasury shares	(9,127)				
IAS reserve	(191,755)				
Accounting expenses according to IAS 32	(770,448)				
	1,656,085				

Legend
A: for share capital increase
B: for coverage of losses
C: distribution to shareholders

Disclosures pursuant to Article 149-duodecies by Consob

The following table, prepared in accordance with Art. 149-*duodecies* of the Regolamento Emittenti issued by Consob, reports the amount of fees charged in 2014 for the audit and audit related services provided by the Audit Firm and by entities that are part of the Audit Firm network. There were no services provided by entities belonging to its network.

(Euros)	Service provider	2014 fees
Audit	Reconta Ernst & Young S.p.A.	30,950
Audit related services	Reconta Ernst & Young S.p.A. (1)	1,075
Total		**32,025**

(1) Attestation of tax forms (tax return, IRAP and Form 770)

Attestation of the Financial Statements in accordance with Article 154-bis of Legislative Decree 58/98

The undersigned, Mario Rizzante, in his capacity as Chairman and Chief Executive Officer, and Giuseppe Veneziano, Director responsible for drawing up Reply S.p.A.'s financial statements, hereby attest, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- → suitability with respect to the Company's structure and
- → the effective application

of the administration and accounting procedures applied in the preparation of the financial statements for the year ended 2014.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2014 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

3.1 the Financial Statements

- → have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated 19 July 2002 as well as the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
- → correspond to the amounts shown in the Company's accounts, books and records; and
- → provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Turin, 13 March 2015

/s/ Mario Rizzante

Chairman and Chief Executive Officer

Mario Rizzante

/s/ Giuseppe Veneziano

Director in charge of drawing up the financial statements

Giuseppe Veneziano

Statutory Auditors' Report

REPORT ON THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF THE LEGISLATIVE DECREE 58/1998 ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

Dear Shareholders,
pursuant to Article 153 of Legislative Decree No. 58/1998, as well as in compliance with outstanding laws and regulations, the Board of Statutory Auditors is reporting to the Shareholders' meeting on the supervisory activity performed, and any omissions or censurable acts that emerged and can make proposals with respect to the approval of the Financial Statements.

During the course of the financial year ended 31 December 2014, we complied with the duties set forth in Article 149 of Legislative Decree No. 58/1998 and we are providing the following information with reference to the recommendations contained in the Consob communications issued up to the present day concerning the Regulations for Issuers:

1. The most significant operations from an economic, financial and earnings standpoint.

We obtained timely and adequate information from the Directors with respect to the most significant operations from an economic, financial and earnings standpoint carried out by the Company and/or by its subsidiaries in 2014 or subsequent to the end of the financial year, among which we note:

- → The acquisition in March 2014 of 49% of the share capital of the English company Avantage Reply Ltd in which Reply S.p.A holds 100% share capital (acquisition already stated in the Statutory Auditors' report of 2013);
- → The acquisition in July 2014 of the 19.99% of the share capital of the American company Sensoria Inc;
- → In the month of June 2014 the constitution of the English company Breed Reply Ltd, and in the month of December the English company Breed Reply Investments Ltd., which is the advanced incubator that funds and supports the development of start-ups on the Internet of Things. During the first months of 2015 minority shares have been acquired in the following companies:

- XMetrics Sports Ltd.,
- BrainControl S.r.l.,
- Cocoon Ltd and
- Greeniant B.V..

We can reasonably state that such operations occurred in compliance with law and the Company's by-laws.

2. Any unusual and/or atypical transactions, including intra-group or with related parties.

On the basis of meetings with the Directors and with representatives of the Independent Auditor, it did not appear that any atypical or unusual transactions occurred during the financial year, nor after it ended. With reference to intra-group transactions, we advise that:

- Reply S.p.A. obtained professional services from Group companies related to revenues connected to contracts stipulated with major clients;
- Reply S.p.A. gave bank guarantees, payable on first request, to subsidiaries;
- Reply S.p.A. granted the following subsidiaries loans without restrictions on use, aimed at supporting their activity:
  - Open Reply S.r.l. and Storm Reply S.r.l. – non-interest bearing loan;
  - Reply Ltd., Hermes Reply Polska Sp Zoo, Reply do Brasil Sistemas de Informatica Ltda, Live Reply Gmbh, Arlanis Reply GmbH, Concept Reply GmbH, Arlanis Reply AG, Portaltech Reply GmbH, InEssence Reply Gmbh, Reply Inc., Mind Services Informatica Ltda and Triplesense Reply GmbH– interest bearing loans;
- Reply S.p.A., in December 2014 has completely reimbursed the interest bearing loan with Reply & CO KG company that benefited from the hive down of Reply Deutschland AG);
- Reply S.p.A. provided subsidiaries with management, administrative, commercial and marketing services, the lease of premises, as well as services to manage the corporate internet network, electronic mail and web;
- Reply S.p.A. centrally managed the Group's treasury by means of correspondence bank accounts held by the individual subsidiaries;
- Reply S.p.A. granted Group companies the use of the "REPLY" trademark that it owns;
- Reply S.p.A. acquired "office services" (general services and the availability of office space) from Reply Services S.r.l. and from Santer Reply S.p.A..

Transactions with related parties in 2014, took place under normal market conditions, and are related to "office services", in particular to the office situated in Corso Francia, 110 Turin, provided by Alika S.r.l., Reply S.p.A.,'s direct parent company. For the above mentioned transactions the Procedures with Related Parties was not applied as the underlying transactions were insignificant, as defined by art. 4.4 of the procedures.

3. Information provided in the Report on the operation on atypical and/or unusual transactions, including intra-group transactions and those with related parties.

The information provided by the Directors in the Report on Operations accompanying the Financial Statements as at 31 December 2014 and in the Notes to the Consolidated Financial Statements of the Reply Group and to the Financial Statements as at 31 December 2014 regarding the most significant transactions from an economic, financial and earnings standpoint, as well as transactions with subsidiaries, associated companies and related parties, are adequate
The Report does not reveal that any atypical and/or unusual transactions occurred during the year or after it ended.

4. Comments and proposals on the notes and requests for information contained in the Report of the Independent Auditor.

Reconta Ernst & Young S.p.A., the company entrusted with the audit of the Financial Statements and Consolidated Financial Statements as at 31 December 2014, issued its Report on the date set forth herein, in which it confirms that the Financial Statements as at 31 December 2014 of Reply S.p.A. conform to the International Financial Reporting Standards endorsed by the European Union, as well as to the measures issued in implementation of Article 9 of Legislative Decree 38/2005, and were therefore prepared with clarity and represent in a true and fair manner the economic and financial situation, economic result and cash flows of Reply S.p.A. for the financial year ended on such date, and further the Report on Operations and the information set forth in paragraph 1, sections (c)(d)(f)(l)(m) and (2)(b) of Article 123-bis(1)(c)(d)(f)(l)(m) and (2)(b) of Legislative Decree 58/1998 presented in the Report on Corporate Governance and the Ownership Structure are consistent with the Financial Statements.

5. Complaints pursuant to Article 2408 of the Italian Civil Code.

No complaints have been acknowledged pursuant to Article 2408 of the Italian Civil Code in 2014 and at present.

6. Filed complaints/lawsuits.

The Company's Directors did not advise us of any complaints filed against them in the financial year, nor subsequent to the year ended.

7. The granting of any further appointments to the Independent Auditor and relative costs.

During the course of 2014, in addition to the appointment to audit the Financial Statements as at 31 December 2014, Reconta Ernst & Young S.p.A. received the following appointments:

- → The signing of Reply S.p.A.'s various tax forms (Modelli Unico, IRAP, 770)

The consideration for such appointment was 1.1 thousand Euros;

- → The signing of various tax forms of Reply S.p.A.'s Italian subsidiaries (Modelli Unico, IRAP, 770)

The consideration for such appointment was 14.4 thousand Euros.

8. Any appointments of parties connected to the Independent Auditor by ongoing relationships, and the relative costs.

Reconta Ernst & Young S.p.A. notified us that in 2014 professional appointments were granted to parties connected to Reconta Ernst & Young S.p.A. by ongoing relationships and/or by parties belonging to its network.
Specifically, Arlanis Reply AG and Triplesense Reply GmbH appointed Ernst & Young GmbH to conduct the voluntary statutory audit at 31 December 2014.
The consideration for such appointment was 9.8 thousand Euros, for each company.

9. Indication of whether opinions were issued in accordance with law during the financial year.

During the financial year the opinions requested by the Board of Statutory Auditors were issued as provided by law.

10. Indication of the frequency and number of meetings of the Board of Directors, Executive Committee and Board of Statutory Auditors.

During the financial year, the Board of Directors met 4 times, and the Board of Statutory Auditors 5 times.
The Internal Control and Risk Management Committee met 4 times, the Remuneration Committee met once, and the Committee for Related Party Transactions did not meet.
The Board of Statutory Auditors attended the meetings of the Board of Directors, and through its Chairman, those of the Internal Control and Risk Management Committee and the Remuneration Committee.

11. Instructions given by the Company to subsidiaries pursuant to Article 114(2) of Legislative Decree 58/1998.

The instructions given by Reply S.p.A. to subsidiaries, pursuant to the second paragraph of Article 114 of Legislative Decree 58/1998 appear to be adequate; similarly, the subsidiaries provided the Parent Company with the necessary information for its timely knowledge of the business situation.
We advise you that in order to guarantee the timely communication of the information requested, Mr. Daniele Angelucci, Executive Director and Finance and Control Manager of Reply S.p.A., also acted as advisor within all of the administrative bodies of the Italian subsidiaries, with the exclusion of the company Ringmaster S.r.l., as well as Director in numerous foreign subsidiaries.
We further advise you that the Chairman of Reply S.p.A.'s Board of Directors, Mr. Mario Rizzante, is the Director of the English subsidiaries Reply Ltd., Portaltech Reply Ltd., Avantage Reply Ltd, Breed Reply Ltd, Breed Reply Investments Ltd., and the Managing Director Tatiana Rizzante is the Management Director of the German subsidiaries Arlanis Reply GmbH, Live Reply GmbH, InEssence Reply GmbH, Portaltech Reply GmbH, Profondo Reply GmbH, Riverland Reply GmbH.

12. Significant issues that emerged during the meetings held with the Independent Auditor pursuant to Article 150(3) of Legislative Decree 58/1998.

During the meetings held with representatives of the Independent Auditor, no significant issues emerged that are worthy of mention.

13. The Company's compliance with the Corporate Governance Code of the Listed Companies' Corporate Governance Committee.

Commencing from 2000, the Company adheres to the Corporate Governance Code promoted by Borsa Italiana S.p.A., and revised in July 2014
On 14 March 2015 the Board of Directors approved the annual Report on Corporate Governance and Ownership Structure prepared pursuant to Article 123 bis of Legislative Decree 58/1998.

14. Final considerations on the supervisory activity carried out, as well as with respect to any omissions, censurable events or irregularities discovered during such activity.

The Board's supervisory activity was carried out through:

- → Activities aimed at controlling compliance with laws and the by-laws;
- → Participation at the meetings of the Company's governing bodies;
- → Acquiring information during periodic meetings with the Independent Auditor concerning both the activity it performed as well as any risks related to its independence;
- → Acquiring information during meetings with members of the Board of Statutory Auditors of the subsidiaries to exchange information on the Group's activities and coordinate control and supervisory activities;
- → Gathering additional information during meetings with the Chairman of the Company, the Director responsible for drawing up the Company's Financial Statements, the Person in charge of internal control and the Supervisory Body;
- → Participation at the meetings of the Internal Control and Risk Management Committee and the Remuneration and Nominating Committee;
- → The analysis of any new provisions of law or Consob communications of interest to the Company.

The Board confirmed that the organizational requirements were met to comply with the relevant Company by-laws, laws and regulations, in the constant evolution and search for improvement.
In particular, we advise the Shareholders that:

- → We have monitored the conformity of the Procedure for Transactions with Related Parties, approved by Reply S.p.A.'s Board of Directors on 11 November 2010 and which entered into force on 1 January 2011, according to the standards indicated in the Regulations approved by Consob by means of Resolution No. 17221 of 12 March 2010 and subsequent modifications, as well as compliance with it;
- → We controlled the correct application of the criteria adopted by the Board of Directors in evaluating the existence of the conditions of independence of the "independent Directors";
- → We monitored, when requested, compatibility with legal restrictions on services other than the audit of the annual and consolidated accounting records provided by the Independent Auditor to Reply S.p.A. and to its subsidiaries;
- → We controlled compliance with the limit on the accumulation of appointments pursuant to Article 144-terdecies of the Consob Issuers' Regulation No. 11971 as well as whether the members of the Board of Statutory Auditors possess the same pre-requisites of independence required for Directors;
- → We did not receive any reports of the Supervisory Body's violation of the Organizational and Management Model pursuant to Legislative Decree 231/01;

- We verified compliance with the laws on *"Market abuse*" and "*Protection of savings*" in matters of corporate disclosures of information and "*Internal Dealings*".

On the basis of the principles mentioned and the information acquired during the audits and participation at meetings with the persons responsible for administration and the internal control, we reached the following conclusions:

1) ADMINISTRATION

The Board of Statutory Auditors, having participated at the meetings of the Board of Directors, on the basis of the information obtained at such time, acknowledges that it has verified, with the exclusion of control of the merits of the opportunity and economic convenience of the choices made by such body, that the transactions performed and being carried out by the Company are based on principles of proper administration, conform to law and the By-laws, do not conflict with the resolutions of the Shareholders' meetings or compromise the integrity of the Company's assets.

2) ORGANISATIONAL STRUCTURE

Within the scope of the responsibilities bestowed on us by the rules set forth in Legislative Decree 58/1998 and in compliance with the Governance Rules of the Board of Statutory Auditors, we met periodically with the Directors of the Independent Auditor and the organizational department, to gather the necessary information.
This allowed the Board of Statutory Auditors to thoroughly supervise the Company's organizational structure and to arrive at a judgment of overall adequacy with respect to its size.

3) INTERNAL CONTROL SYSTEM

Within the Board of Directors there is a Committee for Internal Control and Risk Management, a Remuneration and Nominating Committee, and a Committee for Transactions with Related Parties, whose activities are carried out according to a program in line with the needs of the Company.
The participation of the Director in charge of the Internal Control, as well as our participation at the meetings of the Internal Control and Risk Management Committee, allowed us to coordinate our functions as the Internal Control and Audit Committee, assumed pursuant to Article 19 of Legislative Decree 39/2010, with the activities of the Internal Control and Risk Management Committee, and, in particular, to carry out the supervisory activities provided by Article 19 of Legislative Decree No. 39/2010.
On the basis of our analysis and the audits conducted, the overall system appears to be substantially fair and reliable.
We received from Reconta Ernst & Young S.p.A. the notice issued pursuant to Article 17(9)a) of Legislative Decree 39/2010, as well as the report set forth in Article 19(3) of Legislative Decree No. 39/2010 which states that no fundamental issues emerged during the audit, nor significant gaps in the Internal Control System in relation to the financial reporting process.

On the basis of our analysis and the audits conducted, the overall system appears to be substantially fair and reliable.

4) ADMINISTRATIVE- ACCOUNTING SYSTEM

Our assessment of the administrative-accounting procedures is positive, and they also appear to be imposed on the companies belonging to the Group.

We therefore deem that the administrative-accounting system is suitable to represent and monitor management, the presentation of the data for the reporting period, the identification, prevention and management of financial and operational risks, and any fraud that could damage the Company.
The Chairman and the Director in charge of drawing up the Company's Financial Statements have issued, pursuant to Article 81-ter of Consob Regulation No. 11971/1999 and subsequent modifications and supplements, the attestation required by Article 154-bis(5) of TUF (Legislative Decree 58/1998).

15. Any proposals to make to the Shareholders' meeting pursuant to Article 153 of Legislative Decree 58/1998.

In relation both to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998 and the general supervisory obligation pursuant to Article 149(1) of such Decree, as well as the agenda of the Shareholders' meeting which includes discussion of the Financial Statements for the reporting period, the Board of Statutory Auditors states that it has supervised compliance with the procedural rules and law with respect to their preparation.
We note that the Financial Statements as at 31 December 2012 were prepared in compliance with European Regulation No. 1606/2002 of 19 July 2002, in compliance with International Financial Reporting Standards (IAS/IFRS).
On the basis of the controls made directly and the information exchanged with the Independent Auditor, and also in view of the latter's report pursuant to Article 14 of Legislative Decree 39/2010 which expresses a judgment without reservations, the Board of Statutory Auditors has no comments or proposals with respect to the Financial Statements or Report on Operations and the proposals set forth therein, which it consequently considers, to the extent of its specific expertise, should meet your approval.
Similarly, with specific reference to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998, the Board does not have any proposals to make with respect to the other matters within its scope of expertise.
With reference to the point on the agenda concerning the purchase and disposal of treasury shares, recalling disclosures made by the Directors, the Board states that the resolution proposed is in accordance with articles 2357, 2357-ter of the Italian Civil Code, in accordance with Article 132 of Legislative Decree 58/1998, as well as those of Art. 144-bis of Consob's Issuers Regulation no. 11971 of 14 May 1999.

To conclude we would like to remind you that our three year mandate has expired and would like to thank you for the trust you have placed in us and would like to invite you to take the necessary actions.

Turin, 27 March 2015.

The Statutory Auditors
(Prof. Cristiano Antonelli)
(Dott.ssa Ada Alessandra Garzino Demo)
(Dott. Paolo Claretta Assandri)

Independent Auditors' Report

Building a better
working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Reply S.p.A.

1. We have audited the financial statements of Reply S.p.A. as of 31 December 2014 and for the year then ended, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Reply S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 24 March 2014.

3. In our opinion, the financial statements of Reply S.p.A. at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Reply S.p.A. for the year then ended.

4. The Directors of Reply S.p.A. are responsible for the preparation of the Report on Operations and the Report on Corporate Governance and Proprietary Assets in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in

compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and Proprietary Assets, are consistent with the financial statements of Reply S.p.A. at 31 December 2014.

Turin, 27 March 2015

Reconta Ernst & Young S.p.A.

Signed by: Luigi Conti, partner

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

Corporate information

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