Digitalize Now

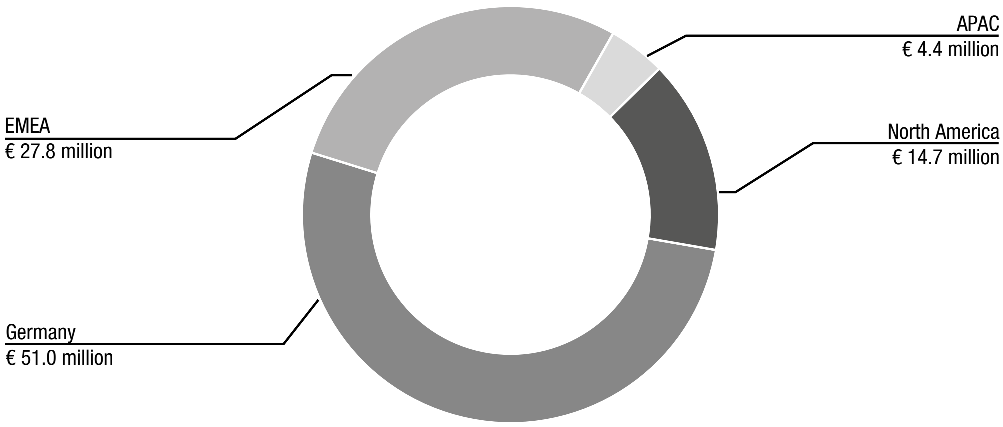
Annual Report 2016

Scan to learn more about YTWO Formative

RIB
running together

RIB OVERVIEW

REGIONAL REVENUE BREAKDOWN 2016

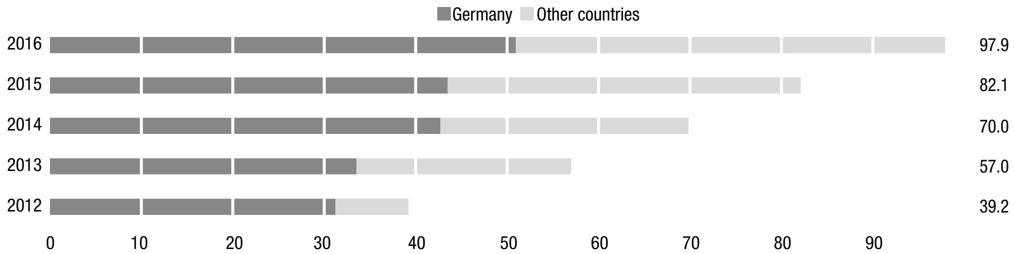


APAC (Asia and Pacific Region)

EMEA (Europe excl. Germany, Middle East and Africa)

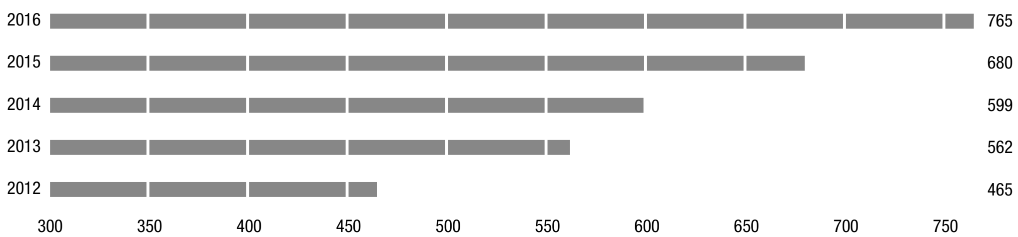
DEVELOPMENT IN REVENUES FIVE-YEAR COMPARISON

Figures in € million



AVERAGE NUMBER OF EMPLOYEES

Annual average



COMPANY PROFILE

RIB Software AG is an innovator in construction business. The company creates, develops, and offers iTWO³ – new thinking, new working method and new technology - for construction projects across various industries worldwide. iTWO today is the world's first Cloud / License based Big Data 5D BIM enterprise solution for construction companies, industrial companies, developers and investors.

Since its inception in 1961, RIB Software AG has been the pioneer in construction innovation, exploring and bringing in new thinking, new working method and new technology to enhance construction productivity, and transforming the construction industry into the most advanced and digitalized industry in the 21st century.

RIB is headquartered in Stuttgart, Germany, and listed in Prime Standard Frankfurt Stock Exchange since 2011. With about 700 talents located in over 30 offices worldwide, RIB is serving 100,000 clients including construction contractors, sub-contractors, developers, owners, investors and governments, in the field of building construction, infrastructure, EPC sector and more.

For more information visit **www.rib-software.com**

CONSOLIDATED FIGURES - OVERVIEW

€ million unless otherwise indicated	**2016**	**2015**	**2014**	**2013**
Revenue	97.9	82.1	70.0	57.0
Software licences	28.9	20.1	23.1	16.2
Software as a Service / Cloud	12.5	12.0	8.7	6.7
Maintenance	27.1	23.8	21.7	19.1
Consulting	22.7	20.0	15.8	15.1
e-commerce	6.6	6.2	0.7	-
Operating EBITDA*	**33.0**	**20.9**	**25.7**	**18.5**
as % of revenue	33.7%	25.5%	36.7%	32.5%
Operating EBT*	**23.2**	**12.4**	**19.3**	**12.7**
as % of revenue	23.7%	15.1%	27.6%	22.3%
Consolidated net profit of the year	14.4	10.5	20.8	9.1
Cash flow from operating activities	**51.5**	**19.4**	**20.7**	**16.4**
Average number of employees	765	680	599	562
Liquid funds and available-for-sale securities	135.4	177.0	137.9	82.1
Equity ratio	82.1%	86.3%	85.0%	80.2%
Research and development expenses	18.8	17.0	14,6	12.5
R&D ratio - iTWO segment	20.6%	22.3%	21.0%	21.9%
Annual average number of R&D-employees	307	269	243	217

* EBITDA and EBT adjusted by: Currency effects (2016: -0.4; 2015: +3.8; 2014: +3.7; 2013: -1.5) and one-off / special effects (2016: +0.1; 2015: +0.2; 2014: +5.9; 2013: +1.8).

HIGHLIGHTS 2016

Q1

In the first quarter, RIB Software AG successfully starts the year 2016 with three completed Phase II assignments. At the end of the quarter, the successful year 2015 is reported with the 17.3% sales increase which generate € 82.1 million. RIB and Mittelhessen University of Applied Sciences cooperate to establish the first iTWO 5D Tec Institute for integrated planning and construction worldwide.

Q2

RIB Software AG paves the way for the transformation of a European corporation (SE) which reflects RIB's international orientation. The figures for the first quarter of 2016 are announced. Software licence sales increase by 54.0%. RIB and Wipro Limited agree on a global alliance for delivery of an "end-to-end advanced Enterprise 5D BIM Construction Management Solution" for energy, public utility, infrastructure and E&C industries.

Q3

RIB opens another iTWO Lab in Stuttgart. Those who are interested in the subject can directly experience the iTWO 5D technology with all technical, time and financial parameters over about 600 square metres. The figures for the first half of the year 2016 are published. The software licence sales increase by 70.1%, at the end of the first half of the year 2016 the operating EBITDA grows by 25.9% to reach €13.6 million. Next two Phase II assignments can be reported.

Q4

RIB organizes the iTWO World conference in Guangzhou, China for the fourth time. Next twenty large assignments are concluded, including the strategic partnership with Flex to establish the joint venture YTWO Formative, and the Phase III assignment with Besix, the largest Belgian construction group. 25% of shares in Exactal Group Limited, a Hongkong-based software producer for the construction industry are taken over. RIB and Autodesk cooperate to expand the 3D BIM models of 5D technology.

CONTENT


DIGITALIZE
NOW

PLANNING AND CONSTRUCTION IS A KEY GERMAN COMPETENCE

"Our construction and real property sectors successfully complete thousands of projects year after year, and enjoy an excellent reputation on a national and international scale. They supply most of the patents in Europe, seriously contribute to the added value in our country and form a stronger base for our prosperity. "Made in Germany" means efficiency, speed and the highest quality.

Thanks to digitalization we are now experiencing a substantial revolution in the economy and society which challenges everything that has been achieved so far. Nothing is actually carved in stone, but one thing is certain: if you are not fully digitalized, you will be the loser. All this development has started by networking people. What follows is networking of all things, a leap into the internet of everything. For this reason digitalization helps to consolidate our strengths. As a leading industrial nation, world leader on machine and motor markets which sets standards for infrastructure and construction, our country is the measure of all things. Now it is all about strategically playing out our strengths.

The construction and real property sectors are therefore the genuine key sectors. Digital technologies provide an enormous potential for the quality in planning, construction and production, efficiency and speed. With your commitment, we could ensure early networking, close cooperation and intensive communication between all those participating in the construction of large-scale projects. We could visualise various planning variants at an early stage, standardise processes, create transparency, obtain realistic risk calculations, and as a result, seriously reduce the construction periods and costs.

To raise this potential in Germany, we need a new, digital planning and construction culture. An important element of the above is Building Information Modelling (BIM). As a digital platform, BIM combines all relevant data, planning and construction stages, and it virtually represents the entire life cycle of the construction project: from the design of a building structure throughout all operations. The planning and construction gain an absolutely new dimension thanks to BIM and the building site becomes a cooperative, intelligent data cloud, with enhanced data quality, a closer and earlier networking of all participants, more transparency, more efficiency and project controlling in real time. This is how we significantly minimise the risks, save valuable time and reduce the building costs. We would like to make the digital planning and construction a standard in Germany. For this purpose, the public sector as a large builder must lead the way and make the cultural change. Therefore, we have started a global digital initiative together with the private sector.

In 2013, we created the reform commission for large scale construction projects and formulated the basic principle together in our 10 point action plan: "Build digitally first and for real next". We have already tested BIM in four pilot projects for road and rail networks and we can see that we are faster, more efficient and cost-effective. Afterwards we have developed a bottom-up step-by-step plan which will help us to make BIM a standard for infrastructure large scale projects in three phases until 2020.

(...)

Until 2020, all new federal transport infrastructure projects should be planned, built and implemented by means of BIM. This means: all services must be provided on the basis of 3D models in a digital form. Moreover, the employer can additionally request another dimension, for example the integration of time and costs (5D model).

My objective is for others to take the example and use BIM also for smaller projects and undertakings of federal states and communes. I am convinced that we will succeed in closer partnership between business and politics to keep planning and construction a German key competence also in the global and digital age and together, we can take a leap into a digital economic miracle for Germany with innovation power and competence, structural steel and concrete, data and algorithms."*

*) Source: Dobrindt, Alexander, Federal Minister for Transport and Digital Infrastructure, Deutschland setzt Maßstäbe beim digitalen Planen und Bauen, in: Handelsblatt Journal, November 2016

REVOLUTION IN THE HOUSING SECTOR

The joint venture under the name of "YTWO Formative" provides an open, cloud-based software solution which combines the strong points of RIB's 5D BIM iTWO Software with Flex' competence in production, supply chain management and logistics. Thanks to grouping key competences of the joint venture partners, YTWO merges visualisation, including time, costs, materials and a 3D model with a supply chain until project completion on a fully integrated enterprise software platform.

YTWO Formative manages an integrated, intelligent platform which does not require any high investment in IT systems and software licences. The platform helps users to plan the construction projects based on a product catalogue of house and module building products in a detailed and precise way. Thus, platform users obtain a full insight into the prices and lead times already during the planning phase. The joint venture plans to revolutionise the architecture, engineering and construction industries.


World 2016

iTWO WORLD 2016

RIB Software AG has successfully held the 4th World Conference – iTWO World 2016 from 16th to 18th November. The conference included the knowledge of iTWO community on Construction 4.0, full insight into the Internet of Things, digitalisation of construction industry by iTWO 5D BIM, supply chain management for the construction industry, iTWO global education and company management in the innovation transformation area. The first cloud-based 5D BIM IoT enterprise solution in the world - iTWO 4.0 which represents a new perspective for the digital enterprise management in construction industry was introduced.

The iTWO World took place in mainland China for the first time. 300 visionaries from 21 countries were invited, among others, top executives of RIB, flex, McKinsey and Autodesk. As many as 24 of the leading world companies provided insight into their success story and the comprehensive enterprise management of iTWO 5D BIM, as well as the relevant integration by advanced 3D BIM design and supply chain management. Three renowned universities from Germany, America and Hongkong presented their cooperation and achievements with RIB regarding the development of the BIM talents of the next generation.

iTWO 4.0

AT THE PEAK OF INDUSTRY 4.0

During the iTWO World 2016, RIB published its new flag ship product, iTWO 4.0, the first cloud-based 5D BIM enterprise platform in the world. Thanks to the integration with the emerging technologies in the age of Industry 4.0, such as cloud computing, 5D BIM, Internet of Things (IoT) and big data technologies, iTWO 4.0 offers an enterprise platform which requires digitalisation of construction companies and helps them to stand on the peak of Industry 4.0.

FLEXIBLE

INTEGRATIVE

TRUSTED

MEMBERS OF THE EXECUTIVE BOARD

Thomas Wolf, CEO
Corporate Strategy

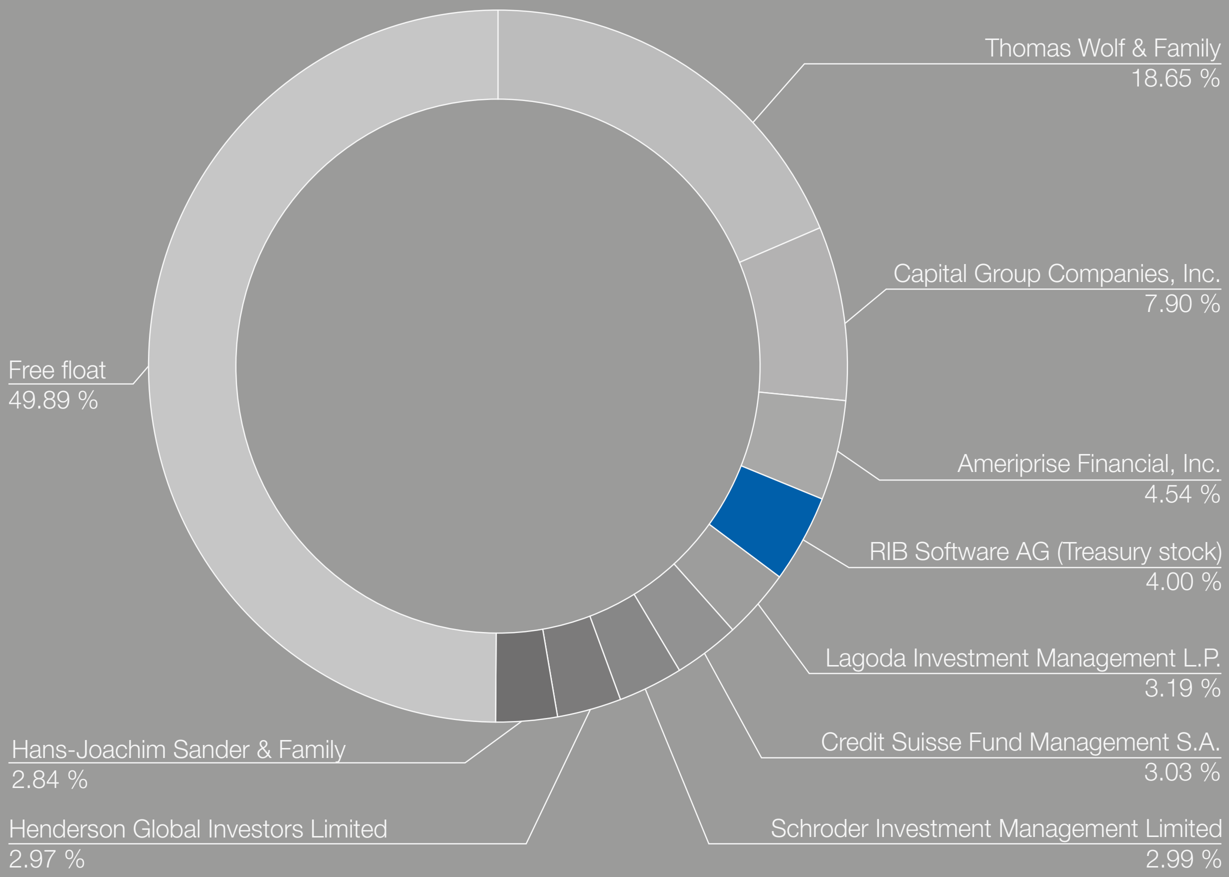
Michael Sauer, CFO
Corporate Finance, M&A, Sales Germany

Helmut Schmid, CTO
Corporate R&D, Technology & Innovation

TO OUR SHAREHOLDERS

SHAREHOLDER STRUCTURE

as of 30 March 2017



LETTER TO OUR SHAREHOLDERS

Thomas Wolf, Chairman of the executive board

DEAR SHAREHOLDERS,
DEAR FRIENDS OF RIB SOFTWARE AG,

In recent years, from 2011 to 2016, our iTWO community and iTWO brand have reached a high level. For the new five year plan from 2017 to 2021, and the years thereafter until 2026, the outlook is positive throughout. Governments worldwide, the IT industry and clients are discovering the benefits of integrating two (iTWO) worlds, the virtual into the physical. iTWO stands for this MR (Mixed Reality) process in the construction industry.

1. **We are on a strong path** to reach our 2021 – 2026 targets: building up a community of 1,000 iTWO 5D technology partners and iTWO key account clients as the engine to transform the traditional building and infrastructure industry into one of the most advanced industries on the planet, keeping a **steady EBITDA margin of approx. 30%** in the software business.

2. **We are on a strong path** to support with iTWO³ - New Thinking, New Working, New IT Technology - and the iTWO City Technology the development of the 21st century City and Infrastructure, also known as "Smart Cities".

3. **We are on a strong path** to support with iTWO 4.0 the next generation of IT, the Internet of Things (IoT). With the new iTWO 4.0 platform **and YTWO platform**, iTWO SP (smart production) and the xTWO platform, we have developed exactly those solutions that the market is demanding and requiring for the digitalization and industrialization.

The global building and construction industry has reached a size of almost USD 9 trillion and will grow to USD 15 trillion by 2025. The IT spending can grow from around USD

90 billion (1%) today to around USD 500 billion (3.3%). **To position ourselves as a leading supplier tapping into this USD 500 billion market**, we will work hard on our organizational foundation.

Following RIB's philosophy, we consider ourselves an IT partner and enabler, which creates value to our clients, rather than just a software vendor. To achieve this goal, we have trained world-leading experts in the areas of business process management, technical enterprise resource planning & controlling. Our RIB top experts have deep practical knowledge in the macro- and micro-economic dynamics in the global made-to-order and process industry. Together with our clients, **we are determined** to halve their current and future risks and double their profits. **We are determined** to reduce up to 50% waste in different sectors and to achieve 30% benefits for the whole iTWO community, as well as a contribution to the greater society. **We are also determined** to support our industry by developing the next generation of talents together with the leading technology universities in the world, such as Georgia Institute of Technology in Atlanta, USA.

In 2016, we have completed the R&D work on the iTWO 4.0 Release 1.0, the next generation platform which will be the main RIB technology in 2017 - 2021. Consequently we are continuing the shift, which we started in the last year, from a more R&D driven organization into a stronger marketing driven organization. We are now able to offer standardized IT solutions based on global "best practices", which include industry-specific content. In 2016, we have also positioned YTWO in the market, the perfect IT platform and supply chain solution for real estate developers and construction materials suppliers.

In summary, with iTWO³, iTWO 4.0, YTWO Formative (SCM), iTWO SP (PPS and smart production), iTWO PCI (project cost insurance), iTWOtx (tender exchange platform), iTWO FM (facility management), iTWO City (project developer platform), iTWO World (communication platform), xTWOstore (e-commerce platform for sanitaryware), iTWOscm, iTWOcx (Collaboration Platform) and iTWO LAB (conceptual working environment), **we are working with maximum speed on the end-to-end construction process**.

The iTWO Technology development is done in close partnership and cooperation with our key iTWO Technology Partners, such as clients, enablers and universities. Here we have formed **together with our investors** one of the **strongest IT teams in the world**.

The world economy has slowed down in the last months and some sectors like Oil & Gas and regions like China have reduced their growth outlook for the next 12 months. But, based on the 4.0 (IoT) and mass customization opportunity for the process and made-to-order industry and on the infrastructure needs of a 4 billion strong middle class of consumers (today: 2 billion) in the next years, the fundamentals are extremely supportive for a strong business development in 2017 - 2026. Moreover, RIB also has a strong financial foundation, which enables it to win a significant stake of the expected USD 500 billion market opportunity in the future.

Thanks for your trust and support. I can promise the RIB team will not rest and work hard to reach the next record level and reach a real break-through for our technology, for our management and for our investors.

Kind regards

Thomas Wolf

REPORT OF THE SUPERVISORY BOARD

ON THE 2016 FINANCIAL YEAR TO THE ANNUAL GENERAL MEETING OF RIB SOFTWARE AG ON 30 MAY 2017

Sandy Möser, Chairwoman of the Supervisory Board

DEAR SHAREHOLDERS,

The 2016 financial year of RIB Software AG was marked by the continuing sustained and successful marketing of iTWO globally. In this way, the company has succeeded in opening up new potentials both on the customer side and on the strategic partner side.

After several years of negotiations, the Management Board was able to conclude a contract with Autodesk, which allows the optional integration of Revit 3D Kernel in iTWO for customers. The newly developed, Web-based cloud solution iTWO 4.0 was installed for the first customer. The growing strength of the iTWO community was clear at the fourth iTWO World Conference in November 2016 in Guangzhou, with 366 participants from 21 countries. A total of 39 speakers from 12 countries shared their experiences with iTWO and exchanged in discussions on future challenges to their business and the associated software, in particular iTWO 4.0.

Of outstanding strategic importance for the future in the mid- and long-term development, was the joint venture established in September 2016 together with Flex (USA). The joint venture named “YTWO Formative” to provide an open, cloud-based software solution that combines the strengths of iTWO (RIB) with the manufacturing, supply chain management and logistics expertise of Flex. By combining the core competencies of the joint venture partners, YTWO Formative combines the linking of the 3D model with the materials, time and cost planning with the supply chain up to the completion of the project on a fully integrated enterprise software platform. With YTWO Formative an integrated, intelligent platform will be created that will allow users to plan projects based on a product catalogue of houses and module construction in detail and to organize procurement processes. The users of the platform not only take complete insight in prices and lead times during the planning phase, but in the implementation phase of their construction projects, Flex also ensures the delivery of ordered construction products and prefabricated construction elements to the construction site Just in Time. With this joint venture, the operation in the fields of architecture, engineering and construction shall be revolutionized.

The basis for the successful development in the 2016 financial year were again the extremely high commitment and high level of loyalty of the Management Board members and the Group's employees worldwide. The Supervisory Board thanks all for the contributions made.

The Supervisory Board also advised the Management Board in the past financial year and supervised the Management based on written and oral management reports within the framework of Supervisory Board meetings. The Chairwoman of the Supervisory Board and the Chairman of the audit committee have also stood between the committee meetings in close and regular information and on ideas with the Management Board and were informed of significant developments. The other Supervisory Board members have intermediately been involved in writing via e-mail in the information exchange or on important discoveries and developments in the following Supervisory Board meetings.

The Management Board regularly reported on all relevant economic indicators of RIB Software AG and the Group, the business segments, on the general economic situation, opportunities and risks of doing business as well as business performance deviated from the plans. The report was carried out both on an ad hoc basis to specific requests of the Supervisory Board and regularly in accordance with the Rules of Procedure adopted by the Supervisory Board. The Supervisory Board members were able to employ both in committees and in plenary in detail on the reports and proposals submitted by the Board, to discuss these and incorporate individual ideas. All important transactions for the company have been widely discussed based on written and oral reports from the Board and have plausibility checked. For individual transactions, the Supervisory Board has given its approval, where required by law, statutes or rules of procedure for the Management Board. This concerned, in particular:

- the acquisition of the remaining shares (20%) on the RIB Cosinus GmbH, Freiburg;
- the capital increases of RIB Limited, Hong Kong;
- the issue of subscription rights / share options to members of management of affiliated companies and for workers of RIB Software AG and its affiliated companies for the year 2016 based on the stock option program 2015;
- the acquisition of 25% of the shares of Dimensioneering Limited (Exactal) Hong Kong;
- the foundation and capitalization of YTWO Formative;
- the sale of 100% stake in the MAC Group to YTWO Formative;
- the inclusion of a real estate loan to partly finance the office building of RIB in Stuttgart.

Meetings of the Supervisory Board and Focus

During the Report year, four regular meetings of the Supervisory Board were held. Attendance at the meetings of the Supervisory Board and its committees was a total of 88%. No member of the Supervisory Board had participated in only half or less of the meetings of the Supervisory Board and the committees to which it belongs. The members of the Management Board have regularly participated in the Supervisory Board meetings; except for agenda items on the Board of Management‘s personnel matters, which were not discussed by the Management Board members. Between the regular board meetings, necessary resolutions were passed by written circulation.

An essential component of the Supervisory Board meetings was the reporting of the Management Board on the current business situation with detailed information on the sales and earnings performance, financial position and assets, planned acquisitions and investments and the development of research and development projects, in particular iTWO 4.0.

In its first meeting in the reporting period, on *17 March 2016*, the Supervisory Board reviewed the yearly financial statements submitted by the Management Board, the consolidated financial statements, the combined management report for RIB Software AG and the Group and the Management Board‘s proposal for the appropriation of profits and has determined the yearly financial statements. The Supervisory Board‘s report on its activities in the 2015 financial year was discussed and adopted. In addition, Management Board personnel matters were dealt with at this meeting. Based on the recommendations of the Nomination and Remuneration Committee, the objectives agreed for 2015 and the long-term compensation component were settled and the targets decided for the Management Board for 2016.

The meeting on *31 May 2016* served to prepare the annual general meeting. In addition, a decision on the proposed rights issue / stock options for the year 2016 was adopted based on the stock option program 2015. Discussed and approved was a capital increase at RIB Limited, Hong Kong.

At the meeting on *24 October 2016* the Management Board reported on the objectives of the joint venture concluded with Flex and informed the Supervisory Board on the signing of the contract with Autodesk. The Supervisory Board was informed on the purchase agreement for the office building of the RIB in Stuttgart and the planned partial financing on a mortgage. This was agreed.

The main subject of the meeting on *6 December 2016* was the corporate planning for the 2017 financial year. Based upon the recommendation of the Audit Committee on the basis of the resolution from the Annual General Meeting on 31 May 2016, BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart was appointed auditor and Group auditor for the financial year 2016

Committees of the Supervisory Board

The two Supervisory Board committees are primarily responsible for preparing the decisions and topics for the plenary meetings. The powers of the committees and the demands on their activities are laid down in the respective rules of procedure. The Chairmen of the Committees of the Supervisory Board shall report regularly on the committees. Membership of the committees has not changed in the reporting year, even after the election of the Supervisory Board by the AGM on 31 May 2016:

Members in **Audit Committee** were and are by re-election, Dr. Matthias Rumpelhardt (Chairperson), Mr. Klaus Hirschle and Ms. Sandy Möser.

The **Nomination and Remuneration Committee** consists of Ms. Sandy Möser (Chairperson), Mr. Klaus Hirschle and Dr. Matthias Rumpelhardt.

In the 2016 financial year, two meetings of the Audit Committee and the Nomination and Remuneration Committee were held, at which each were attended by all members.

Focus of the committee‘s work of the **Audit Committee** was the auditing of the annual and consolidated financial statements as at 31 December 2015 together with the combined management report, profit distribution proposal and the report by the auditor. Meeting topics of the Committee meeting on *16 March 2016* were the the auditor‘s report on the audits of the annual and consolidated financial statements as at 31 December 2015 as well as the recommendations to the Supervisory Board to be adopted. On *5 December 2016*, the Audit Committee was constituted after its re-election. The main focus of the appointment in December was the preparation of the audits of the annual and consolidated financial statements as of 31 December 2016, the review of the internal control system and the risk management system, the monitoring of the independence of the auditor, the determination of the audit priorities for the financial statements 2016 as well as the agreement on the auditors' fees. The Chairperson of the Audit Committee has also been in demand between sessions in an exchange of information with the auditors. In accordance with legal requirements, at least one independent member of the Audit Committee, in particular it's Chairperson, Dr. Matthias Rumpelhardt, has expertise in accounting, internal control procedures and the final audit.

The deliberations of the **Nomination and Remuneration Committee** focused on the remuneration system of the Management Board on *16 March* and *30 May 2016*, the recommendation to the Supervisory Board for its nominations to the Annual General Meeting on 31 May 2016 for the election of the Supervisory Board as well as the allocation of options to the members of the Management Board and employees of RIB Software AG and its affiliates.

Personnel Changes in the Supervisory Board and Management Board

The Supervisory Board was newly elected to the expiration of its term by the General Meeting on 31 May 2016. After the re-election, the Supervisory Board is composed as follows until the conversion of RIB Software AG into an SE and the implementation of the organizational changes envisaged is completed: Ms. Sandy Moser (Chairperson), Dr. Matthias Rumpelhardt (Deputy Chairperson), Prof. Martin Fischer, Mr. Klaus Hirschle and Mr. Steve Swant. Prof. Achim Preis resigned from the Supervisory Board. We would like to thank him for the work done on the Supervisory Board.

As of 31 December 2016, Dr. Engr. Hans-Peter Sanio resigned from the Management Board. Dr. Sanio has influenced the successful development of RIB Software AG for decades in positions of responsibility. We thank Dr. Sanio very much for this and for the work performed.

Corporate Governance and Declaration

In accordance with the unchanged version of the German Corporate Governance Code (as of 5 May 2015), the Management Board and the Supervisory Board issued a declaration of conformity, which was published and made available in April 2016 at **http://group.rib-software.com/de/investor-relations/corporate-governance/declaration-of-compliance**.

Conflicts of interest of members of the Management Board or the Supervisory Board which are to be disclosed immediately to the plenary session and to be informed of in the General Meeting, did not occur in the 2016 financial year.

Annual and Consolidated Financial Statements 2016

The annual financial statements of RIB Software AG and the Consolidated Financial Statements as well as the combined management report were each checked and approved at the Annual General Meeting on 31 May 2016, as the auditor and auditor chosen for the 2016 financial year for the Company and the Group, BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, each issued an unrestricted audit opinion. The consolidated financial statements of RIB Software AG were created in accordance with IFRS accounting principles, as adopted by the EU, while the annual financial statements were compiled according to the regulations of the German Commercial Code (Handelsgesetzbuch [HGB]). The audits also focused on the monitoring system to be introduced by the Executive Board for the early detection of risk, as well as the internal control system with regard to the process of financial accounting. The auditor has confirmed that the installed systems are capable of recognizing developments at an early stage which endanger the company's and the Group's continued existence.

The financial statements and the audit reports for the 2016 financial year were discussed extensively in the meetings of the Audit Committee on 21 March 2017 and the Supervisory Board on 22 March 2017. The auditor reported on the key findings of his audit and was available to answer questions and provide additional information. The Chairperson of the Audit Committee reported to the plenary session on the audit of the annual and consolidated financial statements by the Audit Committee.

The Supervisory Board approved the results of the audit by the auditor based on the report and the recommendations of the Audit Committee and the independent audit of the annual financial statements, the consolidated financial statements and the combined management report for the company and the Group. No objections were raised. At the meeting on 22 March 2017, the Supervisory Board approved the annual financial statements in accordance with Art. 172 Clause 1 of the German Stock Corporation Act (*AktG*) and approved the consolidated financial statements. The proposal of the Board for appropriation of retained earnings with the distribution of a dividend of € 0.16 per share entitled to the right of Supervisory Board.

On behalf of the Board, I thank the members of the Management Board and the employees of the RIB Software AG and all Group companies for their highly motivated work and the results achieved for the benefit of the company and its owners.

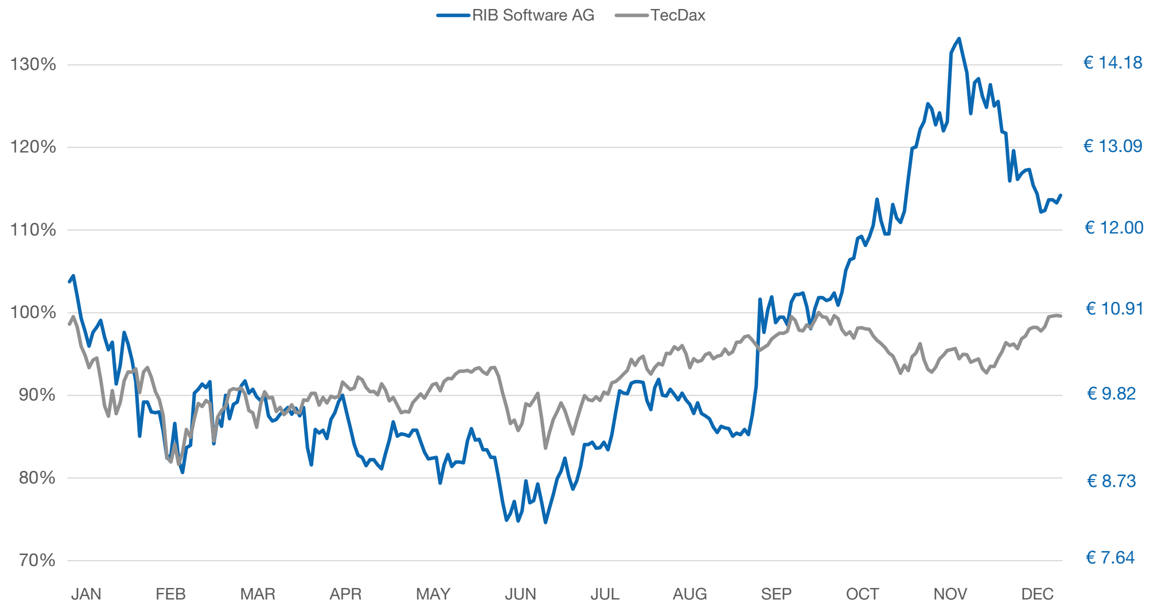
Stuttgart, 22 March 2017

For the Supervisory Board

Sandy Möser
Chairwoman

RIB ON THE CAPITAL MARKET

SHARE PRICE PERFORMANCE 2016



RIB Software AG started the financial year in 2016 on 04 January with a share price of € 10.91. Subsequently, the price developed in the first nine months of the financial year 2016 with some deviations mid-year on the TecDax level. In the fourth quarter, the share price clearly decoupled from the leading TecDAX index and reached the year's high of € 14.86 per share at the end of November.

RIB Software AG ended the financial year on 30 December 2016 with a closing share price of € 12.46, which corresponds to a significant price gain of 14.21% on the year. The market capitalisation at the end of the year 2016 stood at € 583.7 million.

Shares in RIB have received a buy recommendation from the analysts Berenberg, Kepler Cheuvreux, Hauck & Aufhäuser and Equinet, while the share was assessed as a "hold" by Warburg Research and as "neutral" by UBS. Experts and analysts have allocated shares in RIB a target price of between €11.00 and € 16.50.

DIVIDEND PAYMENT OF € 0.16 PER SHARE

We strive to achieve the objective of a result-oriented and continual dividend policy. At the Annual General Meeting to be held this year on 30 May 2017, the Executive Board will suggest that in the financial year of 2017, the shareholders are paid a dividend of € 0.16 per share for the previous financial year. This would correspond to a payout sum of €7.2 million. A dividend of € 0.16 (2014: € 0.16) was paid per share for the financial year 2015.

SHARE FACTS

Figures in €, if not otherwise indicated	2016	2015
Earnings per share	0.32	0.24
Dividend per share*	0.16	0.16
Share price at the beginning of the report period	10.91	10.94
52-week high	14.86	16.94
52-week low	8.00	8.80
Share price at the end of the report period	12.46	11.30
Authorised capital at the end of the reporting period	46,845,657.00	46,845,657.00
Issued shares in circulation at the end of the reporting period	44,973,371	45,645,347
Share price increase at end of reporting period	14.21%	3.29%

* Suggestion by the Executive Board to the annual general meeting of RIB Software AG on 30 May 2017

RIB Software AG is registered with the commercial register of the District Court of Stuttgart (Amtsgericht Stuttgart), Germany under registration number HRB 20490. Since 07 January 2016 RIB Software AG has been listed under the ticker symbol RIB (formerly RSTA).

Share capital on 07 September 2015	€ 46,845,657.00
Number of shares on 07 September 2015	46,845,657
Class of shares	Ordinary shares
Initial trading	08 February 2011
International Securities Identification Number ISIN:	DE000A0Z2XN6
German Securities Identification Number WKN	A0Z2XN
Ticker symbol	
Ticker symbol Reuters	RIB
Ticker symbol Bloomberg	RIB.DE
Transparency level	RIB:GR
Market segment	Prime Standard / Regulated Market

Specialist information concerning the shares can be found on our website **www.rib-software.com/investors/**. You can also find Annual and interim reports as well as other information on RIB Software AG. Furthermore, current announcements, presentations and information on the share price can be retrieved from this internet site.

CORPORATE GOVERNANCE

A. CORPORATE GOVERNANCE REPORT

In accordance with the recommendations of section 3.10 of the German Corporate Governance Code, the Executive Board and the Supervisory Board of RIB Software AG herewith present their Corporate Governance Report:

Responsible corporate governance

RIB Software AG is committed to the principles of good and responsible corporate governance. These include in particular close, constructive and faithful cooperation between the Supervisory Board and the Executive Board; this cooperation is characterised by the creation of long-term added value and by a culture of open corporate communication and intensive customer care.

The Executive Board and Supervisory Board of RIB Software AG largely comply with the principles of good corporate governance as expressed in the recommendations of the German Corporate Governance Code, this compliance being voluntary and a matter of conviction. Insofar as the Executive Board and the Supervisory Board have decided to depart from the recommendations of the German Corporate Governance Code, reference is herewith made to the Declaration of Compliance of RIB Software AG and the explanations contained therein.

Furthermore, the German Corporate Governance Code contains suggestions in relation to whose observance no declaration is required. Neither these nor the recommendations contained in the Code are binding. The Company's Executive Board and Supervisory Board comply with the suggestions of the German Corporate Governance Code to the extent that this appears to them to be expedient and in the interests of the Company and its shareholders. The German Corporate Governance Code in the version of 05 May 2015 applicable at the time of writing this report was circularised by the Federal German Ministry of Justice on 12 June 2015 in the Federal Gazette and is published on the website **www.dcgk.de**.

Avoidance of conflicts of interest

The Supervisory Board has – in its opinion – a sufficient number of independent members who do not have a business or personal relationship with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. No former members of the Executive Board belong to the Supervisory Board. No Supervisory Board member exercises directorships or similar positions or advisory tasks for important competitors of RIB Software AG or of the Group. No advisory or other service agreements or contracts were in existence between members of the Supervisory Board and the Company.

Deductible for D&O insurance

RIB Software AG has taken out financial loss liability insurance cover ("D&O insurance") for the members of the Executive Board, thereby taking into account the statutory requirements with respect to a deductible. D&O insurance cover has also been arranged for the members of the Supervisory Board. However, no deductible is provided for in connection with the latter, for the reasons stated in the Declaration of Conformity.

Composition and remuneration of the Executive Board

The Supervisory Board together with the Executive Board ensures that there is a long-term succession planning. When changes to the Executive Board are imminent, the Supervisory Board pays due attention to diversity in the appointment of replacements and, in particular, aims for an appropriate consideration of women. The Supervisory Board is nonetheless aware that to date extremely few women have obtained senior management positions in German companies. Against this background, the Supervisory Board has set a target figure for the quota of women on the Executive Board of 0%, to be achieved by 30 June 2017.

The remuneration of the members of the Executive Board – as explained in the Declaration of Compliance – is disclosed in accordance with statutory provisions.

Election to the Supervisory Board and objectives for its composition

Elections to the Supervisory Board are made on an individual basis. Proposed candidates for the Supervisory Board chair are announced to the shareholders.

For proposals for the election of Supervisory Board members, attention is paid to the composition of the Supervisory Board to ensure that its members as a group possess the knowledge, abilities and expert experience required to duly perform its duties. In the selection of candidates, special attention is paid to the specific situation of the company, its international activities, potential conflicts of interests, diversity and an appropriate representation of women. The Supervisory Board has set a target figure for the quota of women on the Supervisory Board of 16.67%, to be achieved by 30 June 2017.

Annual General Meeting

The shareholders may exercise their rights before or during the Annual General Meeting, which takes place annually, and may there, within the framework of the Articles of Association, speak to all items on the agenda as well as raise questions relating to the Company's affairs and propose relevant motions. The Annual General Meeting decides on all matters provided for under law with binding effect on all shareholders and the Company. The Executive Board presents the annual financial statements, the consolidated financial statements and other reports and documents prescribed by law to the Annual General Meeting. The Annual General Meeting resolves on the appropriation of profits and on the formal approval of the actions of the Executive Board and the Supervisory Board. It principally elects the members of the Supervisory Board and the auditor. Furthermore, the Annual General Meeting resolves, in particular, on amendments to the Articles of Association and on major corporate measures such as inter-company agreements and transformations, on the issue of new shares and of convertible bonds and warrants as well as the authorisation to purchase treasury shares. Shareholders in principle have a pre-emption right over new shares in proportion to their share of the share capital.

Each share in the company entitles to one vote. Every shareholder who has been entered in the share register on the date of the Annual General Meeting and who has given notice of attendance in due time is entitled to participate in the Annual General Meeting. Shareholders who are not able to participate in person have the option of exercising their voting rights via a credit institution, a shareholders' association, the proxy appointed by the Company who is bound by voting instructions or by any other person of their choice.

The Annual General Meeting is in principle chaired by the Chairman of the Supervisory Board. The latter ensures that the Annual General Meeting is conducted in an expeditious fashion and is guided by the suggestion of section 2.2.4 of the German Corporate Governance Code, whereby an Ordinary General Meeting should be concluded after no more than four to six hours.

The invitation to the Annual General Meeting and the reports and documents to be made accessible to the Annual General Meeting are published in accordance with the provisions of the German Stock Corporation Act (AktG) and, including the Annual Report, are made available on the Company website.

Risk management

The responsible handling of business related risks is one of the basic principles of good corporate governance. The Executive Board provides for adequate risk management and risk controlling in the enterprise and regularly reports to the Supervisory Board about existing risks and their development.

Detailed information about risk management is provided in the Risk Report on *pages 63 to 66* of the Annual Report. This also contains the report on the accounts-based internal control and risk management system.

Transparency

Shareholders, analysts, investors and the public are regularly and topically informed by RIB Software AG about the status of the enterprise and about significant changes to the business. The Annual Report, the half-yearly financial report and the quarterly reports are published timely. Information about current events and new developments is provided by means of press reports and, where appropriate, publications of insider information (ad hoc notices) pursuant to Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("**Market Abuse Regulation**").

The website **http://group.rib-software.com** serves as a central information platform. In addition to the Articles of Association and information on the Executive Board and the Supervisory Board, in particular documents for the Annual General Meeting, financial reports and details on the business activities are made accessible on this website. The dates for publication of regular financial reports are contained in the Annual Report, posted sufficiently in advance on the Company's website (**http://group.rib-software.com** – Investor Relations – Financial Calendar) and forwarded to the Frankfurt Stock Exchange as well as a selection of national and international media.

Events that were not previously known to the public and that could significantly influence the stock price of RIB shares will be disclosed without undue delay by ad hoc notices, unless in individual cases the company is exempted from its duty of disclosure. All persons who work for the enterprise and have due access to insider information are and will be informed about the obligations resulting from the insider law. If the Company is notified that a party has obtained, exceed or fallen below one or more thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 per cent of the voting rights in the Company by purchase, sale or in another way, the Company will, without undue delay, disclose this information. The same applies if the Company receives notifications from holders of instruments that grant (1.) the holder either (a) an unconditional right to acquire the Company‘s shares when due, or (b) discretion in respect of their right to acquire these shares, or (2.) refer to the Company‘s shares and have a similar economic effect as the instruments mentioned under (1.) and by means of which the holder reaches, exceeds or falls short of the thresholds of 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in the Company.

Directors’ dealings

In accordance with Article 19 of the Market Abuse Regulation, persons performing management duties (in particular members of the Executive Board and the Supervisory Board), as well as persons who have a close personal relationship to one or more of them, are obliged to report proprietary transactions with financial instruments of RIB Software AG to the company and BaFin. This obligation shall apply irrespective of the remuneration and the nature of the acquisition as soon as an amount of € 5,000 per calendar year is reached or exceeded. Insofar as the Company has been notified of such transactions, this information has been duly published in the company register.

The member of the Executive Board, Thomas Wolf, directly and indirectly holds approx. 18.65% of the shares in the Company. In fiscal year 2016, the members of the Executive Board, Thomas Wolf and Michael Sauer, each received 25,000 stock options under the 2015 stock option plan. In addition, the Board member Helmut Schmid has received 20,000 stock options under this stock option plan. According to the stock option plan 2015, the stock options entitle the holders for subscripe equal shares of the company. Apart from this, the members of the Executive Board and of the Supervisory Board do not own, either individually or jointly, shares in the Company or related financial instruments equivalent to more than 1% of the shares issued by the Company.

Accounting and audit of the financial statements

The accounting of the RIB Group follows the international financial reporting standards (IFRS) as these are to be applied in the European Union. The annual financial statements (individual financial statements) of RIB Software AG are drawn up in compliance with the provisions of the German Commercial Code (HGB). The individual financial statements and consolidated financial statements are prepared by the Executive Board and reviewed by the auditor and the Supervisory Board. The quarterly reports and the half-yearly financial report are discussed by the audit committee with the Executive Board before publication. The consolidated financial statements are published within 90 days of the end of the respective financial year, the interim reports are made accessible within 45 days of the end of the respective reporting periods.

BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, has audited the consolidated and individual annual financial statements. The auditor is independent. The focal points of the audit were determined in consultation with the auditor and among other things it was agreed that potential grounds for disqualification or lack of impartiality during the audit would be eliminated or reported without undue delay. The Supervisory Board has also agreed that the auditor report, without undue delay, all findings and events uncovered during the performance of the audit of the annual financial statements that could have a significant influence on the duties of the Supervisory Board and that the auditor is to inform the Supervisory Board or note in the audit report if circumstances that render the Declaration of Compliance with the German Corporate Governance Code issued by the Executive Board and the Supervisory Board incorrect are revealed when the audit of the annual financial statements is carried out.

Conversion into a European Stock Company

The Annual General Meeting of RIB Software AG of May 31, 2016 has decided to convert RIB Software AG into a European company (*societas europeae - SE*). The change of form has not yet taken effect at the time this report was drawn up, since its entry into the commercial register is still pending.

The corporate governance structure of the company will change as a result of the change of form because the RIB Software SE will have a monistic management system with a board of directors and managing directors. The Board of Directors of RIB Software SE will consist of eight members, five of which are members of the Supervisory Board and three members of the Executive Board up to now.

Despite the formal change in the corporate governance structure, the Executive Board and the Supervisory Board of RIB Software AG also believe that as a result of personnel continuity in the corporate bodies, RIB Software SE‘s application of the principles as laid down in this report will also be applied by RIB Software SE, unless otherwise stated on the basis of the legal form differences.

B. DECLARATION OF COMPLIANCE PURSUANT TO §161 GERMAN STOCK CORPORATION ACT (AKTG)

The “Government Commission on the German Corporate Governance Code” has approved a revised version of the German Corporate Governance Code in its general meeting on 5 May 2015 which was published in the Federal Gazette on 12 June 2015 (the “**GCGC**”). The Board of Directors and the Supervisory Board of RIB Software AG declare that the recommendations of the GCGC have been and will be complied with in the period of time which started with the issuance of the previous declaration of compliance, in each case with the following exceptions:

1. Section 3.8 para. 3 GCGC: The D&O insurance for the Supervisory Board does not include a deductible. In the opinion of the Board of Directors and Supervisory Board, the agreement of a voluntary deductible is neither suitable nor necessary in order to ensure that the members of the Supervisory Board duly perform the duties incumbent upon them.

2. Section 4.2.2 para. 2 GCGC: The Supervisory Board does not consider, as for which compensation of the Board of Directors is appropriate, the relationship between the compensation of the Board of Directors and that of senior management and the staff overall, nor in terms of its development over time. The Supervisory Board does consequently not determine how senior managers and the relevant staff are to be differentiated. The corresponding recommendation of the Code appears to be impracticable and, in addition, not suitable to ensure that the compensation of the Board of Directors is appropriate in each case.

3. Section 4.2.3 para. 2 GCGC: The variable remuneration for the Board of Directors does not reflect potential negative developments in such a way that the income might also be subject to real losses. This does not appear necessary in view of the Board‘s compensation structure in order to ensure that the Board of Directors does not take any undue risks when managing the company. To the extent members of the Board of Directors receive share options as a variable component of their remuneration, such component is limited with respect to the number of options but not according to amount. Since the exercisability and the value of the options depend on the achievement of ambitious performance targets, a maximum limit according to amount would run contrary to the purpose of this remuneration component to provide a special performance incentive.

   Section 4.2.3 para. 4 GCGC: The management contracts do not provide for a severance cap in the event of early termination. Such an arrangement does not appear necessary in addition to the statutory provisions applicable in cases of early termination in order to protect the interests of the company and its shareholders.

4. Section 4.2.5 GCGC: The remuneration of the Board of Directors is disclosed in accordance with the statutory provisions. More comprehensive disclosure in a remuneration report, which outlines or itemises the remuneration system for Board members and the nature of any fringe benefits provided by the company in a manner that goes beyond the statutory requirements does not appear necessary to satisfy the justified information interest of the shareholders and investors to the due extent.

5. Section 5.1.2 para. 2 GCGC: The Supervisory Board has not fixed an age limit for Board members. Setting an age limit is not in the interests of the company and its shareholders, since there is no compelling connection between a Board member‘s age and his performance.

6. Section 5.4.1 paras. 2 and 3 GCGC: With the exception of the determination of target quotas for the portion of women among the members of the Supervisory Board, the Supervisory Board does not specify concrete goals for its composition and does not publish them and the status of their implementation in the Corporate Governance report. The Supervisory Board is of the opinion that in its composition, due attention should be paid in particular to the company-specific situation, the company‘s international activity, potential conflicts of interest, diversity and an adequate involvement of women and shall also bear this in mind in its proposals to the responsible electoral bodies. However, the Supervisory Board should in each case be optimally staffed. The specification of concrete goals for its composition, further to those required under mandatory law, would appear neither suitable nor expedient to achieve this.

   The Supervisory Board does not set a general limit for the length of membership in the Supervisory Board. Setting a limit for the length of membership in the Supervisory Board is not in the interest of the company and its shareholders, since there is no compelling connection between the term of service on the Supervisory Board and the occurrence of conflicts of interests or the independence of the board members.

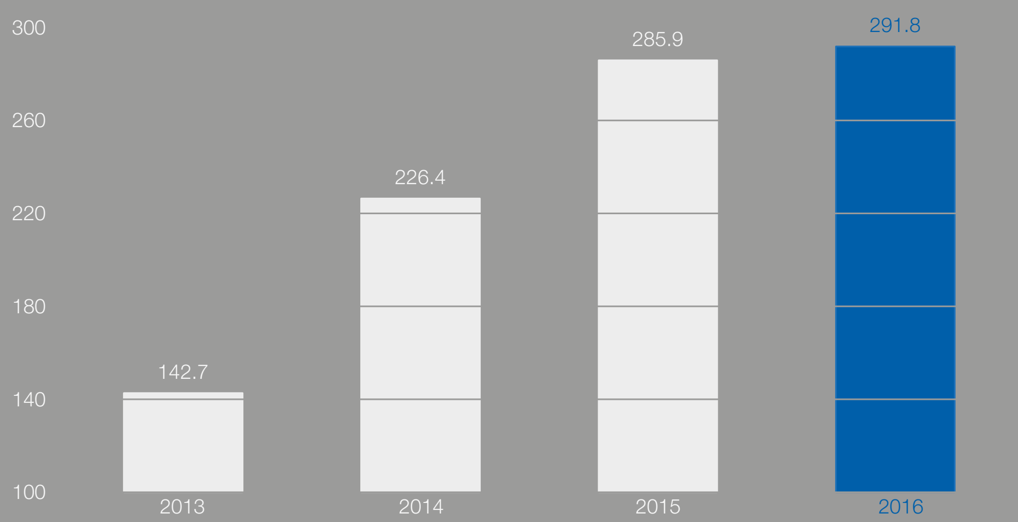
Section 5.4.1 para. 4 GCGC: The Supervisory Board does not disclose the personal and business relations of each candidate with the enterprise, the bodies of the company and any shareholder having a significant share in the company when making its election proposals. The recommendation of the Code implies more than merely insignificant legal risks; hence, to comply with it, is not in the interest of the company.

Stuttgart, March 2017

The Executive Board **The Supervisory Board**

CHANGES IN EQUITY 2013 - 2016

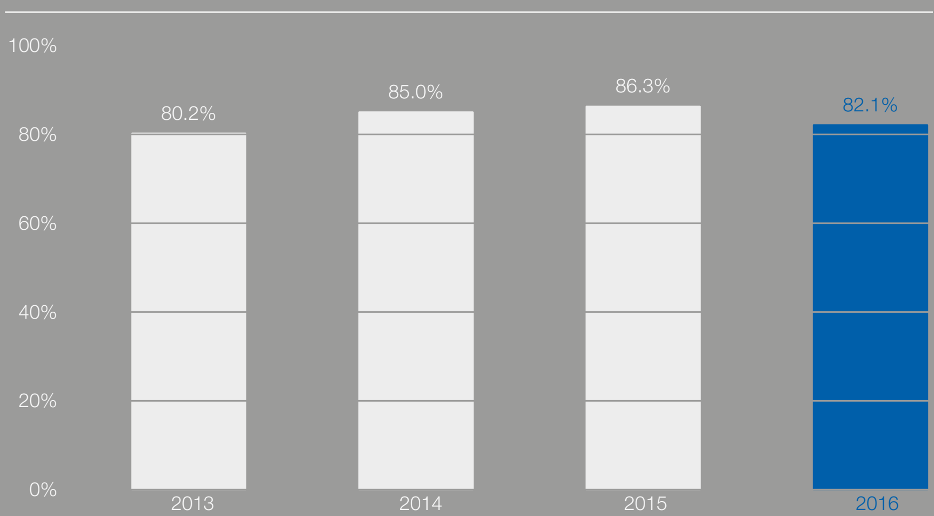
Figures in € million



CONSOLIDATED GROUP MANAGEMENT REPORT

AND MANAGEMENT REPORT FOR FINANCIAL YEAR 2016

EQUITY RATIO 2013 - 2016



A. BUSINESS AND GENERAL ENVIRONMENT

A.1 OVERVIEW

The RIB Group is active in the software market for civil engineering, plant construction, and infrastructure management and has great global success. The headquarters of the parent company RIB Software AG (hereafter RIB AG) are in Stuttgart. The RIB AG has subsidiaries in Germany, Europe, the US, Australia, and Asia. The core activities of the RIB Group include the production and sale of software, provision of consulting and training services for implementation projects, and e-commerce.

Our software is designed to simplify the planning of construction projects, increase the efficiency of project management, minimize cost and deadline risks, and increase construction quality. Our software affords our customers the possibility to plan and manage essential cost- and revenue-relevant processes over the entire project life cycle, end-to-end, in a model-based manner.

Customers can implement electronic purchase processes over our digital platforms and manage and monitor supply chains. For this purpose, they can determine needs from 5D building models. Our software and e-commerce solutions form an integrated and comprehensive B2B platform over which our customers can plan, implement, and manage acquisition processes together with their business partners.

With more than 100,000 customers all over the world, we are one of the leading providers for business software for the construction industry. Our customers include approximately 6,000 major construction companies and medium-sized construction businesses. We have about 9,000 customers in the public sector, architecture and engineering companies, and major industrial and plant construction companies. More than 85,000 customers use our online services such as iTWOtx or our collaboration and project management platform iTWO cx to communicate with all project participants on the basis of an industry-specific internet forum.

For the purpose of corporate management, the Group is also structured into reporting segments:

In the **reporting segment iTWO**, we grant our customers non-exclusive, open-ended software usage rights based on licensing agreements. As an alternative, we also provide our software in customer-owned IT infrastructures (private clouds) or computer centers operated by third parties (public clouds) for a fee and with a time limit. Independent of the chosen utilization model, our customers can also conclude contracts for additional hotline services and the provision of the latest software versions (maintenance) or hire consulting and training services in connection with the software implementation.

In the **reporting segment xTWO**, we offer our customers web-based platforms for the electronic representation of processes. In the fiscal year 2016, we expanded our strategic focus in this segment by the YTWO (SCM) division by participating in the joint venture YTWO Ltd. (hereafter YTWO). In the future, YTWO will provide customers with iTWO 4.0 technology for the model-based planning and implementation of construction projects if they organize their supply chain management (SCM) completely or at least partially via the YTWO platform and pay a corresponding transaction fee depending on the acquisition volume. The USP of this approach is that, for the first time, customers can organize bundled acquisition processes consolidated from building models and linked project schedules via their own end-to-end business software -provided by YTWO as a software service (SaaS). Our joint venture partner Flex, one of the leading providers of electronic manufacturing services in the world, organizes “just-in-time” delivery right to the construction site.

In the reporting segment iTWO, the business model of the RIB Group has revenue arising from the sale / grant of software licenses and the provision of maintenance services to YTWO. In the segment xTWO, we also expect revenue from transaction fees obtained by YTWO corresponding to our participation rate of 50%.

We currently organize our research and development activities in a decentralized manner. The RIB Group has development locations in Stuttgart, Vienna, Copenhagen, Madrid, Atlanta, Memphis, Sydney, and Guangzhou. The German versions of iTWO 5D and iTWO 4.0 are developed under the leadership of RIB AG and the international versions under the leadership of RIB Limited, Hong Kong. The companies use the development capacities of the RIB Information Technologies AG and a Chinese subsidiary as well as other subsidiaries in the US, Denmark, Austria, Spain, and Australia.

In German-speaking countries (D/A/Ch), we organize product sales under the RIB AG via two German subsidiaries, the RIB Engineering GmbH and the RIB Deutschland GmbH. International sales are managed under RIB Limited via subsidiaries in Asia, India, Australia, the near East, and the US.

A.2 BUSINESS DEVELOPMENT AND POSITION OF THE RIB GROUP

A.2.1 Market conditions

Increasing globalization, increasing mobility, and the growing significance of virtual communities force businesses today to face the challenge of making fundamental organizational changes and restructuring their cooperation with business partners. The new basis for competitiveness is Web 2.0 through which open, networked businesses not only communicate digitally with their business partners but work on business processes together in a fully integrated and interactive manner. Web 2.0 has created a new generation of people and precipitated a social and economic revolution with a significant impact on the world economy. Web 2.0 not only means exponentially growing digital availability of data with business-relevant content but has also led to a variety of new access devices and possibilities of connecting to digital networks.

Increasing migration to Europe, an aging society, and low interest rates have resulted in a great increase of demand for affordable housing and residences adapted for senior citizens. This development and the increasing significance of digitized construction processes have led to the new construction sector megatrend of virtually preplanned industrialized construction with a high degree of prefabrication and digitally networked business processes.

With our new product iTWO 4.0, we offer a solution which completely rides this trend. We believe that digitally networked, integrated virtual planning, production, and operating processes and the industrial prefabrication of components have the potential to impact the future development of the construction sector significantly and expect an increasing willingness to invest into web-based digital software platforms in this area in order to facilitate the quick utilization of such processes.

In addition to these favorable framework conditions, our target group‘s willingness to invest also depends on the general economic conditions. According to the OECD Economic Outlook 2016, the world economy has remained at a low level of economic growth of about 3% for the last 5 years. According to the study, global trade and investment activity remains weak, which limits the growth of work productivity and salaries which would be necessary for a sustained growth of consumption. If the new US government really were to implement a meaningful and effective fiscal initiative to stimulate domestic investment and consumer activity, this would not only boost the construction sector in the US but, according to the OECD study, could also boost the growth of the world economy by 0.1 in 2017 and 0.3 percentage points in 2018. According to the study, the current economic impulses in China could also boost the growth of the world economy by 0.2 percentage points in 2017 and 2018. On the other side, the study expects that increasing protectionism and impending retaliatory trade policy measures could negate a majority of these effects on the growth of the domestic and world economy, with the consequence that the budget situation of the countries will deteriorate. New challenges are also seen in the 'Brexit' referendum of the UK for leaving the EU, which would increase the probability of a long phase of uncertainty until the future of the trade relations with the rest of the EU have been clarified. In view of this, the willingness to invest of our target groups and markets might develop somewhat cautiously despite a positive trend in digitizing processes in the construction sector and making the associated IT investments.

A.2.2 Business development

Favorable business development in the reporting period

As in previous years, the business development was again favorable in the reporting period. Total sales increased by 19.2% to € 97.9 million (previous year € 82.1 million). Of this, € 46.9 million came from abroad (previous year € 38.6 million) and € 51.0 million from Germany (previous year € 43.5 million). Sales of software licenses and software as a service / cloud of € 41.4 million were 29.0% higher than the previous year (€ 32.1 million). Maintenance revenue increased by 13.9% to € 27.1 million (previous year: € 23.8 million). Consulting revenue increased by 13.5% to € 22.7 million (previous year: € 20.0 million). The only moderate increase of e-commerce revenue of € 6.2 million to € 6.6 million (+6.5%) is due to restructuring measures.

A.2.3 Key performance indicators of RIB AG

Sales of RIB AG increases by 24.5%

Sales of € 48.3 million were 24.5% higher than in the previous year (€ 38.8 million). Sales of software licenses and software as a service / cloud increased by 25.4% to € 21.7 million (previous year: € 17.3 million). Maintenance revenue increased by 10.1% to € 18.5 million (previous year € 16.8 million) and consulting revenue by 10.6% to € 5.2 million (previous year € 4.7 million). The operative EBITDA* of € 15.2 million was 38.2% higher than in the previous year (€ 11.0 million). The annual profit of € 8.4 million was 3.7% higher than in the previous year (€ 8.1 million). The operating cash flow of € 5.3 million was € 2.2 million higher than in the previous year (€ 3.1 million).

A.2.4 Key performance indicators of RIB Group

Group sales increases to € 97.9 million (+19.2%)

Group sales increased clearly by 19.2% to € 97.9 million (previous year € 82.1 million). The operative EBITDA** increased by 57.9% to € 33.0 million (previous year: € 20.9 million). The operative EBITDA margin reached 33.7% (previous year: 25.5%).

In the high-margin reporting segment iTWO, the operative EBITDA increased by 57.9% to € 34.9 million (previous year: € 22.1 million). The operative EBITDA margin increased accordingly from 29.1% in the previous year to 38.3%.

The still developing business in the reporting segment xTWO saw an operative EBITDA of € -1.9 million (previous year € -1.2 million) due to the still low-margin xTWO business and restructuring.

*) Currency effects (2016: expenditures € 0.6 million / 2015: income € 4.2 million); Special effects (2016: transaction costs from cash capital increase € 0 million / 2015: € 1.6 million)

**) Currency effects (2016: expenditures € 0.4 million / 2015: income € 3.8 million); Special effects: income from adjustment of purchase price liabilities (2016: income € 0.1 million / 2015: income € 0.2 million)

A.3 KEY EVENTS IN THE REPORTING PERIOD

A.3.1 Joint venture between the RIB Group and Flex

Development of a SCM platform for the construction sector under the trademark YTWO

In September 2016, the RIB Group and Flextronics International Ltd. (hereafter Flex) entered into a strategic cooperation in terms of the development and operation of a supply chain management platform for the construction sector under the trademark YTWO. For this purpose, RIB Ltd. and Flex each acquired 50% of the newly founded YTWO Ltd. and made deposits of about € 55.0 million each (USD 60.0 million) by means of a cash capital increase.

The business model of the YTWO is based on generating added value for its customers by reorganizing their supply chain via the joint venture partner. The YTWO serves as digital transaction platform for this. YTWO receives a transaction fee depending on the acquisition volume for the provision of the transaction platform (connection of customer to platform) and the management of the order.

The joint venture uses iTWO 4.0 software as technical platform for determining the acquisition needs of YTWO customers and for bundling and organizing the physical characteristics. For this purpose, YTWO has acquired iTWO 4.0 licenses from the RIB Ltd. for a total purchase price of € 42.7 million (USD 45.0 million). In the reporting year a part of these licenses was already delivered to YTWO. The software enables YTWO to allow up to 100 residential construction companies to use iTWO 4.0 to organize the acquisition of the construction materials necessary for their renovation or new construction projects via the platform.

Starting in 2017, RIB will take on the maintenance of the iTWO 4.0 software used by YTWO and shall initially receive a fixed annual fee of approximately € 4.2 million (USD 4.5 million). If the acquisition volume organized through the YTWO platform exceeds a contractual maximum, the software use changes from a license to a SaaS model. RIB then receives a variable fee for the software use which depends on the annual acquisition volume organized through the platform.

On behalf of the YTWO customers, Flex ensures the acquisition of the construction materials ordered through the YTWO platform, produces them itself if necessary, and organizes the supply chain all the way to the just-in-time delivery at the construction sites of the YTWO customers. For this purpose, Flex receives a staggered transaction fee depending on the volume of the performed acquisition services.

With this new business model, the RIB Group intends to participate in the enormous acquisition volume of the building and housing industry.

A.3.2 Conversion of RIB software AG into a SE

SE-Conversion is expected in the short term

On 20 April 2016, the RIB software AG announced in a business memo that the Executive Board and Board of Supervisors will propose to the shareholders during the regular shareholder meeting on 31 May 2016 to convert the company into a European Stock Corporation (Societas Europaea - SE). The conversion to the supranational legal form of an SE is to account for the international business activities and orientation of the company.

The shareholders agreed to the proposal of the Executive Board and Board of Supervisors per resolution of the shareholder meeting on 31 May 2016.

After the SE agreement was signed in February 2017 and all relevant documentation has been compiled, it will now be submitted to the commercial register for registration. We thus expect the conversion will be registered soon.

A.4 MANAGEMENT SYSTEM

A.4.1 Corporate management

The corporate management of the RIB Group is based on a business strategy coordinated between Executive Board and Board of Supervisors. It covers the make-up of the product portfolio, the target markets and target groups, and medium-term sales and earnings expectations.

Based on the strategic goals, specific quantitative and qualitative targets are derived for product development and sales of our products and broken down to the profit center level of the operative Group companies. The consolidated annual planning is coordinated together with the Board of Supervisors in a special meeting.

The business targets and Group companies are monitored and managed during the year based on indicators and a detailed report on the sales, cost, and revenue situation.

The essential revenue indicators at the Group and business level are licensing revenue, cloud revenue, maintenance and consulting revenue, and trade revenue, each structured by reporting segment, region, and target group. The essential cost indicators at the Group, business, and profit center level are the production costs for the services used to achieve the sales revenue and the costs for research and development, each structured by reporting segment. The most significant revenue indicator at the Group, business, and segment level is the operative EBITDA adjusted for currency effects.

We also use additional indicators to control and monitor our profit centers in the areas of sales, development, and consulting. They are derived from the essential indicators and compared to quantitative and qualitative targets resulting from our strategic business goals.

A.4.2 Sales management

The sales management is based on detailed market and target group analysis both in national and international sales regions. Based on the specified sales strategies for the individual markets, we derive annual, quarterly, and monthly plans for the defined market and target group segments. We distinguish by sales processes in the areas of key account, mid-size, and mass market as well as the areas between activities for new customers and existing customers.

Potential and existing customers are represented in a central CRM system that creates the necessary transparency at all business levels. The management of the company has access to all historical data and the agreed annual, quarterly, and monthly targets for each sales segment / region for a continuous TARGET / ACTUAL comparison. This helps manage the achieved sales, as well as the supply forecast and individual sales activities. In key account sales, the CRM system documents sales processes which provide detailed information about the current status of the ongoing sales processes, the planned next steps, and the target data for contract negotiations / closings.

Clear signature and release regulations for quotes, contracts, and orders ensure that the specified sales and price strategies of the company are followed and documented. All sales employees have significant success-dependent income components which ensure the short-, medium-, and long-term goals of the company.

A.4.3 Development management

When developing technical concepts for new software solutions, the RIB Group consults its national and international major customers. Together with the customers, specifications are created for existing market requirements, which clearly describe the required functionalities and the resulting development goals. This allows the RIB Group to determine the required time and resources for developing new software solutions appropriately. The annual business planning coordinates the software projects which can be implemented with the available development resources and have the greatest market potential. If not all planned projects can be implemented, we either budget the costs for additional development resources and any additional technical equipment needed and included in the business planning or projects with lower sales potential are not released for implementation and/or are deferred to a later time. With these measures, the RIB Group ensures that adequate technical, financial, and other resources exist to complete the development.

In order to monitor and manage the development projects, the RIB Group uses professional electronic planning and monitoring systems. The development services provided are recorded in man-days at the project level. Based on this, the RIB Group is able to reliably assess the immaterial assets during the development phase. The incurred costs of the development areas are assigned to the respective cost centers.

A.5 RESEARCH AND DEVELOPMENT

The number of employees in the research and development centers of the RIB Group averaged 307 for the year (previous year: 269).

Since the e-commerce platforms in the reporting segment xTWO are operated on the basis of a standard software ("Magento"), this segment does not incur software development costs.

R&D expenditures (total of capitalized and R&D costs recorded as expenditure) in the reporting period increased from € 17.0 million by € 1.8 million to € 18.8 million (+10.6%). This was due to personnel increases, mainly in the iTWO 4.0 team, and an increase of personnel costs for the development team in China and the full-year effect from the acquisition of the RIB SAA in the previous year.

The capitalized development costs of € 7.1 million were € 1.9 million below the previous year (€ 9.0 million), which led to a corresponding increase in R&D expenditures in the P&L. The capitalization rate (share of capitalized R&D costs in total R&D costs) in the reporting year was 37.4% and was thus clearly below the level of the previous year (52.9%). The reason for this drop is in particular that more maintenance projects were implemented in Q4 which are excluded from capitalization. Due to the increases of sales revenue of 20.6%, the R&D rate (total of R&D costs capitalized and recorded as expenditure in relation to the sales revenue in the reporting segment iTWO) lies slightly below the level of the previous year (22.3%) but still at a high level.

The depreciation of capitalized development costs was € 4.5 million in the reporting period and thus at the same level as in the previous year (€ 4.3 million).

A.5.1 Further development of iTWO 5D

Consistent use of the iTWO 5D technology on the customer side.

The focus for the iTWO 5D development in 2016 is placed especially on optimization measures which were helpful in improving the processing of major projects. They were necessary since more and more customers use the 5D technology consistently from the early phases of project planning all the way to the project implementation and thus the BIM models and all information and calculations gained from them are becoming increasingly detailed and sophisticated. In particular in Q4, there was an enhanced quality offensive in order to keep iTWO 5D performing in particular when using ever larger 5D models.

This process included creating the possibility to run long-running processes like the analysis of voluminous project data in the background.

Extensive measures were used to restructure CAD data before transferring it into the actual iTWO process. This resulted in significant increases in processing speed which have a positive effect on the entire front-to-end workflow.

In addition to these optimization measures, another development focus lay on completing and optimizing important workflows in the following areas:

- Supplement administration and supplement workflow
- Implementation of ÖNORM Edition 2015
- 2D quantity determination with optimized acquisition function
- Risk management in cost determination
- Dynamic cost adjustment for calculation of currency risks
- Currency analyses
- Settlement of positions with variable prices
- Flexible account assignment options with transfer of the data to commercial systems (such as SAP)
- Subcontractor analyses and extended currency management in enterprise controlling
- Updating of international standards, such as IFC.

A.5.2 iTWO 4.0

Digitization of the entire value chain by using iTWO 4.0

The main development focus in the reporting period was on the completion of iTWO 4.0 in December 2016. iTWO 4.0 stands for the digitization of the entire value-added chain of a construction measure by networking virtual and real construction with the goal of preventing cost and schedule overruns and making construction more sustainable. Following the model of "Industry 4.0", construction factories are soon to be equipped with "smart" production of intelligent components ("smart factory") which receives its production targets directly from 5D models.

Together with technology partners from the construction industry we created new solutions for the (process) planning and management of resources in all construction phases which at the same time for the basis for a new form of work calculation with real resources.

They are supplemented by additional modules like construction simulation which allows for the virtual implementation of the construction process still during the planning phase. It combines 3D elements, costs (from accounting), and time (from scheduling) and represents them together.

Users also have access to a new project-spanning purchasing solution for construction material and construction services which, together and fully integrated with YTWO, represents an attractive supply chain management solution for the construction sector.

Further focus points in the development of iTWO 4.0 were:

- The development of mobility components which will make the use of the technology at construction sites possible starting in the middle of 2017. Various apps give construction foremen, buyers, project managers, and controllers an easy way to use iTWO 4.0 on mobile devices.
- The development of initial portal functions, such as the purchasing portal, over which general contractors or large construction companies can management all of their subcontractors.

- The integration of the SAA control technology in the iTWO 4.0 platform which in the future will permit the simulation and optimization of production and logistics processes for prefabricated construction elements (industrial prefabrication) already in the planning phase.

- The development of new construction equipment logistics which will become available some time in 2017.

- The integration of new technologies like virtual or augmented reality, for which the first solutions will probably also become available in 2017.

Building on the standardized calculation core of iTWO 4.0, we will continue the development of region-specific content for important target markets like the US, the Latin-American markets, and China. This is accomplished through the development of country-specific functions as well as of market-specific sample data (3D content), reports, and user interfaces.

B. EARNINGS, FINANCIAL AND ASSETS POSITION OF THE RIB GROUP

B.1 REVENUE SITUATION

Total sales increase by 19.2% to € 97.9 million (previous year € 82.1 million)

Software license sales rises by 43.8%

Software license sales increased by 43.8% to € 28.9 million (previous year € 20.1 million) and SaaS/Cloud sales by 4.2% to € 12.5 million (previous year: € 12.0 million). In the key account area, the software revenue with iTWO increased by 73.4% to € 11.1 million (previous year € 6.4 million). After a clear sales growth of Phase II orders in the German-speaking region, this was also aided by a Phase III order from a Belgian customer recognized in sales in December 2016. In the mass market, the software sales with iTWO increased by 16.3% to € 11.4 million (previous year: € 9.8 million). Software sales from the other product lines increased from € 3.9 million to € 6.3 million, mainly from the initial full consolidation of the businesses acquired in 2015, RIB Spain SA and RIB SAA.

Recurring maintenance revenue from annual contracts increased by 13.9% to € 27.1 million (previous year: € 23.8 million). Consulting revenue increased by 13.5% to € 22.7 million (previous year: € 20.0 million). E-commerce sales increased from € 6.2 million to € 6.6 million (+6.5%).

Distribution of sales by region

Strong domestic as well as international sales growth

- **DACH Region:** Sales in the German-speaking market increased by 17.2% to € 51.0 million (previous year: € 43.5 million) due to the continuing strong demand for iTWO. After the foreign share of total sales increased greatly in the previous year, this development continued in the reporting year at a lower level. In the reporting year, the RIB Group achieved about half of its sales revenue (47.9%) outside of the German-speaking market (previous year: 47.0%).

- **Abroad:** The sales revenue abroad increased disproportionally in the reporting year by 21.5% to € 46.9 million (previous year: € 38.6 million).

Distribution of sales by customer groups

- **Key accounts:** Sales with national and international major customers continued to develop very positively in 2016. In particular, the Phase III order with a Belgian customer increased the software revenue with iTWO from € 6.4 million by 73.4% to € 11.1 million.

- **Mass market:** The iTWO sales with small customers in the mass market were again very positive in the reporting period and increased by 16.3% to € 11.4 million (previous year: € 9.8 million).

The gross profits in the reporting period of € 55.0 million were € 10.4 million above the previous year (previous year: € 44.6 million). The gross margin increased compared to the previous year by about 2 percentage points to 56.2% (previous year: 54.3%). The gross margin in our high-margin business areas software licensing and SaaS/Cloud software of 71.7% was at the same level as in the previous year (72.3%). In the consulting area, the gross margin of 25.1% was about 6.2 percentage points above the previous year (18.9%). This increase is essentially due to the fact that in the previous year a major Phase III implementation project was performed with below-average daily rates. The gross margin in the still developing e-commerce segment of approx. 2.5% (previous year: approx. 6.1%) still lies clearly below the gross margin in the other segments of the Group.

The other operating income of € 9.5 million lies clearly above that of the previous year (€ 6.1 million). This increase is due in particular to the income from the sale of software licenses to the joint venture YTWO (€ 7.7 million). The sale of the software licenses occurred in the economic and contractual connection with the RIB Group‘s participation in the joint venture. The resulting income is thus not listed under sales income with customers in the Profit and Loss Statement but represents another operating income. A comparison must also consider that the other operating income in the previous year includes unusually large currency profits from exchange rate differences (€ 0.6 million in the reporting period, € 4.4 million in the previous year). Adjusted for these special events, the other operating income comes to € 1.3 million and lies slightly below the previous year (€ 1.6 million).

Expenditures for sales and marketing in relation to the sales development increased slightly less by 10.8% to € 18.4 million (previous year: € 16.6 million).

Due to the increased volume of business activity, administration expenditures increased from € 8.5 million to € 9.7 million (+ 14.1%).

R&D expenditures increased by 47.5% to € 11.8 million (previous year: € 8.0 million). When capitalized expenditures for internally generated software is considered, the R&D expenditures of € 18.8 million (previous year: € 17.0 million) are 10.6% higher than in the previous year. This increase is mainly due to the scheduled increase of personnel development capacities.

The other operating expenditures increased by approx. € 0.5 million to € 1.7 million (previous year: € 1.2 million). The item contains foreign currency expenditures of € 1.0 million (previous year: € 0.6 million), mainly due to exchange rate fluctuations in the Euro/USD.

Operative EBITDA increases by 57.9% to € 33.0 million (previous year: € 20.9 million)
The operative EBITDA increased by 57.9% to € 33.0 million (previous year: € 20.9 million). The operative EBITDA margin reached 33.7% (previous year: 25.5%).

The Group‘s annual profit of € 14.4 million was 37.1% higher than the previous year (€ 10.5 million).

Development of reporting segments

Reporting segment iTWO

iTWO software revenue increases by 39% to € 22.6 million
In the high-margin reporting segment iTWO, sales in the reporting period increased by € 15.3 million (+ 20.2%) to € 91.2 million (previous year: € 75.9 million). In particular the iTWO software revenue increased significantly by 39% to € 22.6 million (previous year: € 16.2 million).

The gross margin of 60.1% was again at a high level (previous year 58.2%). Sales and marketing costs increased by € 1.3 million to € 16.9 million (previous year: € 15.6 million) and administration expenditures by € 1.1 million to € 8.8 million (previous year: € 7.7 million). Both are mainly due to hiring and the initial complete consolidation of the companies purchased in the previous year.

The balance of other operating income and expenditures increased from € 4.9 million to € 7.8 million. It includes income of € 7.7 million from the sale of the iTWO 4.0 licenses to YTWO. A comparison must consider that the other operating income in the reporting year includes significantly lower currency profits from exchange rate differences (€ 0.6 million in the reporting period, € 4.4 million in the previous year).

The overall very positive sales development increased the operative EBITDA of the reporting segment by 57.9% to € 34.9 million in the reporting period (previous year: € 22.1 million). The operative EBITDA margin increased accordingly from 29.1% in the previous year to 38.3%.

Reporting segment xTWO
As planned, the still developing e-commerce business in the reporting segment xTWO saw an operative EBIT-DA of € -1.9 million (previous year: € -1.2 million). No essential results from the participation in the YTWO joint venture have arisen yet in the reporting period.

B.2 FINANCIAL SITUATION

Capital structure

Equity capital share of 82.1%

The capital structure of the RIB Group is still defined by a very high equity capital share of 82.1% of the balance sheet total (previous year: 86.3%). The equity capital increased by € 5.9 million to € 291.8 million in the reporting period (previous year: € 285.9 million).

The investments in the fixed assets explained below and in the holding assets have clearly increased the share of long-term fixed assets in the total assets. The long-term fixed assets on the balance sheet effective date were € 193.4 million (previous year: € 133.1 million), i.e. 54.4% (previous year: 40.2%) of the balance sheet total. The investments were almost completely self-financed. Concerning the partial external financing of real estate investments made in the reporting year, we refer to the following explanation on investments.

Investments

The cash flow from investment activities was € -77.2 million (previous year: € -22.4 million), not including payments made and received from the maturity / sale of securities. The item includes in particular payments received to the joint venture YTWO of € 55.0 million (USD 60 million) in connection with the acquisition of 50% of the business shares and a purchase price payment of € 2.8 million for the purchase of 25% of the business shares in the Exactal Group Limited, Hong Kong.

The payments made for investments in internally generated software totaled € 7.1 million (previous year: € 9.0 million). In particular it went to the development of the products iTWO 5D (€ 2.1 million) and iTWO 4.0 (€ 3.1 million).

RIB purchases the previously rented office bulding at its headquarters in Stuttgart

Furthermore, at the end of the reporting year the RIB AG purchased the office building in Stuttgart used as main headquarters (previously rented) for a purchase price of € 8.5 million incl. ancillary costs. The purchase price was paid at the end of 2016. The investment was partially financed with a bank loan of € 6.0 million. However, the loan was only paid in the beginning of January 2017, so that, on the balance sheet effective date, the bank financing does not have an impact on the cash flow / financial resource fund.

Cash flow from operating activities

The operating cash flow of € 51.5 million was significantly (€ 32.1 million) above the previous year (€ 19.4 million).

The sale of software licenses to the YTWO, which in the reporting year led to a fund influx totaling € 37.9 million, had an essential impact on the operating cash flow. A € 16.6 million share of this comes from installments which the YTWO paid in accordance with contractual agreements.

Income tax payments of € 13.5 million, which are clearly higher than in the previous year (€ 4.0 million) have a negative impact. This includes payments for the years 2014 and 2015 as well as higher prepayments made in 2016 totaling approx. € 10.5 million. The income tax payments for 2014 and 2015 were fully accrued in the balance sheet for 31 December 2015.

Cash flow from financing activities

The cash flow from financing activities was € -15.9 million (previous year: € 37.2 million). The difference to the previous year of € 53.1 million is mainly due to the fact that in the fiscal year 2015 a cash capital increase was performed at the RIB software AG with net issue proceeds of € 46.6 million. Furthermore, in the reporting period about € 5.8 million were recorded as payment made for the acquisition of treasury shares (previous year: € 0.0 million). The dividend payments to the shareholders of the RIB software AG of € 7.3 million were slightly higher than in the previous year (€ 6.8 million).

The bank loan of € 6.0 million taken out by the RIB Group for the partial financing of the real estate investment mentioned above was only paid to the company after the balance sheet effective date and thus does not have an impact on the cash flow of this fiscal year.

Financial resource fund at end of period

At the end of the reporting period, the RIB Group had a financial resource fund of € 135.3 million (previous year: € 174.3 million). Lines of credit were not utilized during the reporting year. The RIB Group was always able to meet its payment requirements.

Financial resource fund of € 135.3 million

For the description of the principles and goals of the financial management of the Group we refer to the Group Appendix, **note (43)**.

B.3 ASSET SITUATION

The balance sheet total on the balance sheet effective date is € 355.4 million and has thus increased by € 24.1 million (previous year: € 331.3 million).

In particular due to an effective-date-related change of the local currency of the Group companies in Hong Kong, we recorded positive currency conversion differences of € 3.6 million in the consolidated income statement for the reporting period (previous year: € 5.6 million). The cumulated Group result recorded in the Group equity capital increased by a total of € 3.5 million to € 11.4 million (previous year: € 7.9 million).

The non-current assets of the Group increased clearly, in particular the holdings accounted for by the equity method (+ € 52.1 million) which is mainly due to the holdings in the joint venture YTWO and in the associated company Exactal Group Limited.

The book values of the goodwill and other intangible assets totaling € 117.2 million are at the level of the previous year (previous year: € 118.1 million) and thus 33.0% of the balance sheet total (previous year: 35.6%).

The book value of the other intangible assets decreased slightly compared to the previous year and was € 50.0 million on the balance sheet effective date (previous year: € 51.3 million). The item includes internally generated software of € 36.8 million (previous year: € 34.3 million), followed by customer relationships with € 7.2 million (previous year: € 8.7 million), and acquired technology with € 5.6 million (previous year: € 7.8 million). The increase of the internally generated software by € 2.5 million results from capitalizations during the reporting period (€ 7.1 million) minus current, scheduled depreciation (€ 4.5 million).

The fixed assets have increased by € 9.0 million, mainly due to the acquisition of the administration building at the headquarters of the RIB AG in Stuttgart (€ 8.5 million). The fixed assets also include the EOC II property in China, which is used by the local development company of the Group. It has been used by the Group itself since 01 July 2016 and due to the change of use in the reporting period was reallocated from real estate held as financial investment to fixed assets.

The real estate held as financial investment is the EOC I building in the same neighborhood as EOC II.

The trade account receivables increased from € 16.2 million to € 18.4 million. According to the insights garnered during the creation of the consolidated financial report, there were no indications that the overdue but non-value-adjusted receivables are not redeemed in the amount of their book value.

The portfolio of securities available for sale reduced in the reporting period from € 2.7 million to € 0.1 million. These securities are mainly shares in low-risk money market and investment funds in €.

C. EARNINGS, FINANCIAL AND ASSETS POSITION OF RIB SOFTWARE AG

C.1 REVENUE SITUATION

The sales revenue of € 48.3 million was 24.5% / € 9.5 million above that of the previous year (€ 38.8 million). Adjusted for licensing fees from affiliated companies (reporting year: € 2.0 million; previous year: € 0.0 million) and revenue from intra-group allocations of € 0.9 million (which were listed under sales for the first time due to the changed definition of sales revenue in the European Accounting Directive Implementation Act (BilRUG)), the sales revenue increased by 17.1% to € 45.4 million compared to the previous year (€ 38.8 million).

Software revenue increased by 25.4% from € 17.3 million to € 21.7 million, mainly due to strong growth of the main product iTWO. Especially in the key account area, software sales with iTWO were clearly increased by € 2.8 million to € 6.0 million. In the mass market, the sales revenue with iTWO increased by approx. 16% to € 10.8 million (previous year: € 9.3 million). Maintenance revenue increased from € 16.8 million by € 1.7 million to € 18.5 million (+ 10.0%). Consulting revenue increased by € 0.5 million / 10.6% to € 5.2 million (previous year: € 4.7 million).

iTWO ensures strong growth in software revenues

Total sales with iTWO increased by 32.8% to € 33.2 million (previous year: € 25.0 million).

The other operating income of € 2.5 million was clearly lower than in the previous year (€ 7.2 million). This is mainly due to the fact that the previous year contained income from exchange rate fluctuations in the Euro/USD of € 4.2 million, while in the reporting period the income from currency conversions was only € 0.4 million. The income listed in the previous year under other operating income from intra-group allocations of € 0.8 million was listed under sales revenue in the reporting year due to changed BilRUG rules.

Compared to the previous year, material expenditures increased by 3.3% to € 12.4 million (previous year: € 12.0 million). The item includes in particular expenditures for software development services used by subsidiaries of € 10.4 million (previous year: € 9.7 million).

Personnel expenditures increased by € 0.5 million in the reporting period to € 3.2 million (previous year: € 2.7 million). € 0.4 million (previous year: € 0.2 million) of the personnel expenditures resulted from granting stock options to employees of the RIB AG a part of stock option programs.

The other operating expenditures increased by € 2.8 million from € 17.7 million to € 20.5 million. This item mainly includes sales provisions of € 14.7 million in the reporting period which was paid to the subsidiaries responsible for sales in the German-speaking market (previous year: € 11.6 million). Also included are expenditures from currency conversions of € 0.9 million (previous year: € 0.1 million). In the previous year, the item included costs for a cash capital increase of € 1.6 million, which was not the case in the reporting period.

The financial result of € 0.4 million is € 0.1 million higher than in the previous year (€ 0.3 million). It includes profit disbursements of subsidiaries of € 0.9 million (previous year: € 0.3 million) and unscheduled depreciation of financial investments of € 0.5 million (previous year: € 0.1 million).

The operative EBITDA increased by 38.2% to € 15.2 million (previous year: € 11.0 million).

Operative EBITDA increases by 38.2%

The annual profit was € 8.4 million (previous year: € 8.0 million).

The RIB AG acquired treasury shares for a purchase price of € 5.8 million in the reporting period. The purchase price in excess of the nominal value of the stock (€ 5.1 million) was offset with the balance sheet profit. When including the profit carried forward from the previous year (€ 5.0 million) the balance sheet profit as of the balance sheet effective date is € 8.4 million.

C.2 FINANCIAL AND ASSET SITUATION

Capital structure

Almost complete self-financing of the company

The capital structure of the RIB AG is still defined by a very high equity capital share of 96.8% of the balance sheet total (previous year: 95.5%). The company is thus almost completely self-financed.

The balance sheet total on the balance sheet effective date 31 December 2016 was € 245.8 million and thus at the level of the previous year (previous year: € 253.8 million).

The investments in the fixed assets explained below and in particular in the financial assets have clearly increased the share of long-term fixed assets in the total assets. The long-term fixed assets on the balance sheet effective date were € 174.6 million (previous year: € 102.2 million), i.e. 71.1% (previous year: 40.3%) of the balance sheet total. The investments were almost completely self-financed. Concerning the partial external financing of real estate investments made in the reporting year, we refer to the following explanation on investments.

Investments

The investment activity of the company was (as in previous years) mainly focused on financial investments. In the reporting year, there were financial investments of € 67.4 million (previous year: € 4.8 million). € 59.6 million of this was in particular for payments made to the subsidiary RIB Ltd. as part of two cash capital increases. The cash capital increases served to finance the further expansion of the international business of the RIB Group, in particular to finance the holdings of RIB Ltd. in the joint venture YTWO.

In addition, in December 2016 the company acquired the office building at its headquarters in Stuttgart (previously rented) for a purchase price of € 8.0 million plus ancillary costs of € 0.5 million. The purchase price was paid in full in December 2016. The company financed € 6.0 million of the price by taking a loan. The loan was paid out in January 2017.

Liquidity

Cash flow from operating activities increases by 71.0%

The operating cash flow of € 5.3 million was 71.0% higher than in the previous year (€ 3.1 million).

Due to the investments described above, the cash flow from investment activities was clearly negative at -75.8 Mio. (previous year: € -2.4 million).

The cash flow from financing activities was € -13.1 million. This includes € 5.8 million in payments made for the acquisition of treasury shares (previous year: € 0.0) and dividend payments to the company shareholders of € 7.3 million (previous year: € 6.8 million). The € 39.8 million of the previous year included payments received from the net issue proceeds of € 46.6 million as part of the cash capital increase performed in fiscal year 2015.

Financial resource fund

The financial resource fund on the balance sheet effective date was € 59.8 million (previous year: € 143.0 million). This includes € 54.8 million cash balance and credit with credit institutions (previous year: 138.0 Mio.) and € 5.0 million cash equivalents (previous year: € 5.0 million).

The clear reduction of the financial resource fund is due in particular to the extensive investment activity in the reporting year.

In connection with the purchase of the office building in Stuttgart we took out a bank loan of € 6.0 million which was, however, only paid out in January 2017. No other lines of credit were used in the reporting year. The RIB AG was always able to meet its payment requirements.

Other information on net assets

The intangible assets include in particular the goodwill from the 2003 merger of the RIB Bausoftware GmbH with the company of € 1.4 million (previous year: € 2.9 million).

The current assets decreased by € 80.7 million to € 70.4 million (previous year: € 151.1 million), in particular due to the payments made in the reporting period for investments in financial and fixed assets.

The trade account receivables of € 6.2 million on the balance sheet effective date were at the same level as in the previous year (€ 6.4 million).

The company has hidden reserves in form of non-capitalized internally generated software.

The liabilities decreased from € 4.1 million to € 3.0 million, mainly due to the € 2.0 million lower tax liabilities. This is offset by the increase of liabilities to affiliated companies by € 1.2 million on the balance sheet effective date.

D. GENERAL STATEMENT ON THE BUSINESS PERFORMANCE AND POSITION OF THE RIB GROUP AND RIB AG

The Management of the RIB Group assumes that the RIB AG and the companies of the RIB Group are still positioned very well in the market with their solution and service range, based on their high level of innovation, business, and financial strength. With iTWO, the RIB Group was again able to clearly extend its market position in Germany and internationally. In addition to the continued success in developing iTWO sales, the Management of the RIB Group also views the positive market resonance to the new web-based product generation iTWO 4.0 in a very good light. In the field of digital platforms, in particular with the holdings in the YTWO joint venture, the RIB Group is positioned very well for offering solutions for the increasingly important digitization and industrialization of the construction sector. With a continued high level of liquidity, the RIB Group has the necessary financial reserves to finance its further growth.

E. TAKEOVER-RELEVANT INFORMATION AND EXPLANATORY REPORT

E.1 INFORMATION ABOUT THE CAPITAL OF THE RIB AG

The capital stock of the RIB AG is € 46,845,657.00 and is distributed in 46,845,657 common shares with a nominal value of € 1.00 each. The shares are issued to the owners. Each share grants one vote and is imbued with the same rights and duties. Claims of the shareholders for certification of their shares and any profit share certificates and renewal certificates are excluded.

On the balance sheet effective date, the company has civil law ownership of 1,872,286 of its treasury shares. According to § 71b AktG it does not have any voting rights associated with these shares. This includes 107,143 shares to which the economic ownership has already been transferred in connection with the acquisition of the RIB Spain SA completed in the fiscal year 2015, so that on 31 December 2016 only 1,765,143 treasury shares are recorded on the balance sheet. Apart from that there are no restrictions concerning voting rights or the transfer of stock. There are no shares with special rights which grant controlling powers or voting control for employee shareholders.

As far as we know based on the information we have received pursuant to WpHG, on the balance sheet effective date only the Chairman of the Executive Board of the RIB AG, Thomas Wolf, Hong Kong, directly or indirectly held a share of the capital which exceeds 10% of the votes.

Following § 160 Para. 1 AktG, shares of the capital which exceed 10% of the votes are listed in the Annex to the Annual Financial Report of the RIB AG in **Section F.5** “Notifications pursuant to the Securities Trading Act WPHG”.

Pursuant to the resolution of the shareholder meeting on 10 June 2015, the Executive Board is authorized to increase the capital stock of the company with the consent of the Board of Supervisors by 09 June 2020 once or several times by a total of € 21,733,480.00 by issuing up to 21,733,480 new shares made out to the owner with a nominal value of € 1.00 per share against cash deposits or investment in kind (authorized capital 2015). This authorization was used in the fiscal year 2015 for a cash capital increase. A total of 3,378,696 shares were issued, so that 18,345,784 can still be issued based on the authorization.

The new shares shall generally be offered to the shareholders for acquisition; they can also be adopted by a credit institute with the obligation to offer them to shareholders for acquisition. However, the Executive Board is authorized to exclude the legal acquisition right of the shareholders with the consent of the Board of Supervisors

(1) if this is necessary to offset peak amounts;

(2) in order to acquire companies, business parts, or holdings in companies or other economic goods, including receivables, in appropriate cases in return for the transfer of shares;

(3) if, in a cash capital increase, the share of the capital stock of the new shares for which the acquisition right is excluded does not exceed a total of 10% of the capital stock, both at the time it becomes effective and the time the authorization is exercised and if the issue value of the new shares does not significantly fall below the market price of identical company stock as defined in §§ 203 Para. 1 and 2, 186 Para. 3 Clause 4 AktG; this 10% limit includes the share of the capital stock of treasury shares which are sold from the time this authorization becomes effective in direct and/or analogous application of § 186 Para. 3 Clause 4 AktG, and

the share of the capital stock to which conversion rights / option rights or conversion obligations from bonds and other instruments covered by § 221 AktG refer, which are issued under exclusion of the acquisition right pursuant to § 186 Para. 3 Clause 4 AktG.

The share of the capital stock of new shares for which the acquisition right is excluded according to above Nos. (1) to (3) may not exceed a total of 20% of the capital stocks of the company, both at the time the authorization becomes effective and at which it is exercised. This 20% limit for all possibilities of excluding the acquisition right according to the above Nos. (1) to (3) includes shares which are used starting on 10 June 2015 based on the authorization to use treasury shares pursuant to §§ 71 Para. 1 No. 8 Clause 5, 186 Para. 2 Clause 4 AktG under exclusion of an acquisition right, i.e. other than sale via the stock exchange or via an offer directed at all shareholders.

Other than that, the Executive Board decides on the issue of new shares, the content of the share rights, and the conditions at which the shares are issued with the consent of the Board of Supervisors.

The Board of Supervisors is authorized to adjust the wording of the Articles of Incorporation according to the extent of the capital increase from the authorized capital;

The capital stock of the company is conditionally increased by up to € 1,548,616.00 by issuing up to 1,548,616 new shares made out to the owner with a nominal value of € 1.00 per share (“conditional capital 2015/I”). The conditional capital increase is only performed if, according to the stock option program 2011 based on the resolution of the shareholder meeting on 20 May 2011 (version of resolution of shareholder meeting on 04 June 2013) or the stock option program 2015 based on the resolution of the shareholder meeting on 10 June 2015, acquisition rights were issued, the owners of the acquisition rights exercise them, and the company does not issue treasury shares to fulfill the acquisition rights. The Board of Supervisors is exclusively responsible for granting and implementing acquisition rights to members of the Executive Board. The new shares participate in profits from the start of the previous fiscal year if they are created by the start of the regular company shareholder meeting, otherwise from the start of the fiscal year in which they are created.

The resolution of the shareholder meeting on 24 May 2012 authorizes the company to acquire treasury shares up to 10% of the capital stock existing at the time of the resolution until 23 May 2017 and use it under exclusion of the shareholder acquisition right. The details are specified in the resolution proposals published under TOP 7 in the Federal Gazette from 12 April 2012.

E.2 INFORMATION ABOUT APPOINTMENT OR RECALL OF THE EXECUTIVE BOARD AND CHANGES TO THE ARTICLES OF INCORPORATION

The appointment and recall of Executive Board members is regulated in §§ 84 and 85 AktG in conjunction with § 5 of the Articles of Incorporation of the RIB AG. According to this, Executive Board members are appointed by the Board of Supervisors for a maximum of five years. A repeat appointment or term extension is possible for at most five years at a time.

The legal regulations apply to changing the Articles of Incorporation (§§ 119 Para. 1 No. 5, 133, 179 Para. 1 and 2 AktG). According to § 11 of the Articles of Incorporation, the Board of Supervisors is entitled to decide such changes to the Articles of Incorporation which only concern the version.

F. STATEMENT ON BUSINESS MANAGEMENT

F.1 STATEMENT OF COMPLIANCE PURSUANT TO § 161 AKTG

Executive Board and Board of Supervisors have most recently issued the following statement of compliance:

The "Government Commission on the German Corporate Governance Code" has approved a revised version of the German Corporate Governance Code in its general meeting on 5 May 2015 which was published in the Federal Gazette on 12 June 2015 (the "**GCGC**"). The Board of Directors and the Supervisory Board of RIB Software AG declare that the recommendations of the GCGC have been and will be complied with in the period of time which started with the issuance of the previous declaration of compliance, in each case with the following exceptions:

1. No 3.8 para. 3 GCGC: The D&O insurance for the Supervisory Board does not include a deductible. In the opinion of the Board of Directors and Supervisory Board, the agreement of a voluntary deductible is neither suitable nor necessary in order to ensure that the members of the Supervisory Board duly perform the duties incumbent upon them.

2. No. 4.2.2 para. 2 GCGC: The Supervisory Board does not consider, as for which compensation of the Board of Directors is appropriate, the relationship between the compensation of the Board of Directors and that of senior management and the staff overall, nor in terms of its development over time. The Supervisory Board does consequently not determine how senior managers and the relevant staff are to be differentiated. The corresponding recommendation of the Code appears to be impracticable and, in addition, not suitable to ensure that the compensation of the Board of Directors is appropriate in each case.

   No. 4.2.3 para. 2 GCGC: The variable remuneration for the Board of Directors does not reflect potential negative developments in such a way that the income might also be subject to real losses. This does not appear necessary in view of the Board's compensation structure in order to ensure that the Board of Directors does not take any undue risks when managing the company.

   To the extent members of the Board of Directors receive share options as a variable component of their remuneration, such component is limited with respect to the number of options but not according to amount. Since the exercisability and the value of the options depend on the achievement of ambitious performance targets, a maximum limit according to amount would run contrary to the purpose of this remuneration component to provide a special performance incentive.

3. No. 4.2.3 para. 4 GCGC: The management contracts do not provide for a severance cap in the event of early termination. Such an arrangement does not appear necessary in addition to the statutory provisions applicable in cases of early termination in order to protect the interests of the company and its shareholders.

4. No. 4.2.5 GCGC: The remuneration of the Board of Directors is disclosed in accordance with the statutory provisions. More comprehensive disclosure in a remuneration report, which outlines or itemises the remuneration system for Board members and the nature of any fringe benefits provided by the company in a manner that goes beyond the statutory requirements does not appear necessary to satisfy the justified information interest of the shareholders and investors to the due extent.

5. No. 5.1.2 para. 2 GCGC: The Supervisory Board has not fixed an age limit for Board members. Setting an age limit is not in the interests of the company and its shareholders, since there is no compelling connection between a Board member's age and his performance.

6. No. 5.4.1 para. 2 and 3 GCGC: With the exception of the determination of target quotas for the portion of women among the members of the Supervisory Board, the Supervisory Board does not specify concrete goals for its composition and does not publish them and the status of their implementation in the Corporate Governance report. The Supervisory Board is of the opinion that in its composition, due attention should be paid in particular to the company-specific situation, the company's international activity, potential conflicts of interest, diversity and an adequate involvement of women and shall also bear this in mind in its proposals to the responsible electoral bodies. However, the Supervisory Board should in each case be optimally staffed. The specification of concrete goals for its composition, further to those required under mandatory law, would appear neither suitable nor expedient to achieve this.

   The Supervisory Board does not set a general limit for the length of membership in the Supervisory Board. Setting a limit for the length of membership in the Supervisory Board is not in the interest of the company and its shareholders, since there is no compelling connection between the term of service on the Supervisory Board and the occurrence of conflicts of interests or the independence of the board members.

   No. 5.4.1 para. 4 GCGC: The Supervisory Board does not disclose the personal and business relations of each candidate with the enterprise, the bodies of the company and any shareholder having a significant share in the company when making its election proposals. The recommendation of the Code implies more than merely insignificant legal risks; hence, to comply with it, is not in the interest of the company.

F.2 INFORMATION ON BUSINESS MANAGEMENT PRACTICES

The trust of our business partners and shareholders in our company and our image is significantly determined by the conduct our employees who work for us all over the world. Every employee contributes to our company living up to its responsibilities and values as described here and that the positive expectations associated with the RIB brand are fulfilled completely.

In order to give our employees guidelines for meeting these criteria, we have defined conduct guidelines in our Code of Conduct which are binding for every employee of our company everywhere in the world. They are supposed to help manage legal and ethical challenges in daily work, create a sense of orientation, and thus promote trust in the performance and integrity of our company. We expect that all of our leadership implements all transactions efficiently and within the framework of the Code of Conduct. For this purpose they create the necessary working conditions for employees and ensure that the Code of Conduct is followed.

F.3 DESCRIPTION OF THE WORKING METHODS OF EXECUTIVE BOARD AND BOARD OF SUPERVISORS

The business management of the RIB AG as publicly traded German stock corporation (AG) is defined by the Stock Corporation Act and the Articles of Incorporation of the company. Based on the legally prescribed dual management system in which the organs Executive Board and Board of Supervisors have separate staff and independent duties and competences, the Executive Board and Board of Supervisors work closely together in the management and monitoring of the company.

The management of the RIB AG is oriented to the business strategy coordinated between Executive Board and Board of Supervisors. It includes the product positioning, customer segments, target markets, and short and medium-term sales and revenue expectations. Based on the strategic business targets, specific annual targets for product development and sales are derived and coordinated with the holding companies in an annual planning process at the profit center level. Based on this, the operative annual targets for development and sales teams are specified qualitatively and quantitatively. The Board of Supervisors approves the annual and medium-term planning. The business targets are monitored and controlled during the year based on a detailed reporting system for the sales, cost, and revenue situation and via the progress of the development projects. The essential management dimensions for the RIB AG are the sales revenue per product line and the operating results of the individual profit centers.

F.3.1 Principles of cooperation of Executive Board and Board of Supervisors

F.3.1.1 Bylaws of the Executive Board

The bylaws of the Executive Board of the RIB AG mainly regulate the foundation of business management, cooperation with the Board of Supervisors, in particular transactions requiring consent, and the cooperation inside the Executive Board. The Executive Board of the company consists of one or several persons. The number of Executive Board members is determined by the Board of Supervisors. Decisions of the Executive Board are passed with a simple majority of the Executive Board members. In case of tied votes, the vote of the Chairman carries the vote if legally permissible. The company is legally represented by two Executive Board members or by a Board member together with an authorized signatory. If only one member of the Executive Board is appointed, he represents the company himself. The Board of Supervisors can assign sole representation rights to individual members of the Executive Board. Executive Board members can be released from the restrictions of § 181, 2. Alternative BGB. The Board of Supervisors can appoint a member of the Executive Board as Chairman and representative of the Executive Board. The Chairman is responsible for the coordination of the Executive Board and shall ensure the uniform orientation of the Executive Board towards specified targets.

F.3.1.2 Bylaws of the Supervisory Board

The bylaws of the Board of Supervisors of the RIB AG mainly regulate the working method of this commission. Its members have equal rights and duties. They are not beholden to assignments or instructions. The Chairman convenes meetings of the Board of Supervisors. He determines the order in which the items on the agenda are addressed as well as the type and order of the votes. If not member of the Board of Supervisors objects, written and verbal telecommunication, or telegraphic decisions are permitted. The decisions of the Board of Supervisors generally require a majority of the cast votes unless other legal majorities are required. In case of tied votes, the vote of the Chairman or, if the Chairman is not present for the vote, the Deputy Chairman carries the vote. The Board of Supervisors has quorum if all members have been properly invited using their last known address and one half of the members are present for the vote. In any case, at least three of its members (including the Chairman or, if the Chairman is not present, the Deputy Chairman) must participate in the vote.

The bylaws of the Board of Supervisors provide that the Board of Supervisors forms a nomination and remuneration committee, an audit committee, and additional committees corresponding to the specific circumstances of the company if necessary. The term of the members of the committees corresponds to their term as member of the Board of Supervisors, unless a shorter term was specified at the time of their appointment by Board of Supervisors. The respective committee elects a member of the committee as Chairman and another member as his Deputy, unless otherwise specified by law or the bylaws of the committee. The committee have quorum if all members participate in the vote. Quorum is also given if one or several members participate in the vote per phone or video conference. Beyond this, the description of the working methods of the Board of Supervisors applies accordingly.

The committee currently has the following members:

Remuneration and nomination committee

- Sandy Möser (Chairwoman)
- Klaus Hirschle
- Dr. Matthias Rumpelhardt

Audit committee

- Dr. Matthias Rumpelhardt (Chairman)
- Klaus Hirschle
- Sandy Möser

F.4 INFORMATION ON THE STAFFING OF EXECUTIVE BOARD AND BOARD OF SUPERVISORS WITH WOMEN AND MEN

Corresponding to § 111 Para. 5 AktG, the Board of Supervisors has passed a target for the proportion of women in the Executive Board and the Board of Supervisors on 09 June 2015 as well as deadlines to achieve the respective proportion of women as follows:

1. For the Executive Board a target for the proportion of women pursuant to § 111 Para. 5 AktG of 0% is specified, to be achieved by 30 June 2017.
2. For the Board of Supervisors a target for the proportion of women pursuant to § 111 Para. 5 AktG of 16.67% is specified, to be achieved by 30 June 2017.

In the fiscal year 2015 and in the reporting period, the Executive Board of the RIB Software AG consisted exclusively of men, so that the current proportion of women in this is organ lies at 0%. One women is currently a member of the Board of Supervisors of the RIB Software AG, Ms. Sandy Möser, the Chairman. This represents a share of 16.67% in reference to number of members of the Board of Supervisors according to the Articles of Incorporation. Therefore, the RIB Software AG has complied with the targets for the staffing of the Executive Board and Board of Supervisors in the reference period.

F.5 INFORMATION ON THE PROPORTION OF WOMEN AT THE MANAGEMENT LEVEL BELOW THE EXECUTIVE BOARD

Pursuant to § 76 Para. 4 AktG, the Executive Board of a publicly traded company must specify target numbers for the proportion of women for the first two management levels below the Executive Board along with deadlines for achieving these targets. Since the RIB Software AG itself has a small number of employees and a flat management structure, there is only one management level below the Executive Board, so that only one target was specified for this management level.

Accordingly, on 09 June 2015 the Executive Board specified a target for the proportion of women in the management level below the Executive Board pursuant to § 76 Para. 4 AktG of 0% which must be achieved by 30 June 2017.

At the end of the reporting period there were 0 women and 2 men in the management level below the Executive Board, so that the current proportion of women lies at 0%.

G. REMUNERATION REPORT

G.1 REMUNERATION REGULATIONS OF THE SUPERVISORY BOARD

The members of the Board of Supervisors receive a fixed annual remuneration (remuneration 1). The Chairman of the Board of Supervisors receives the double amount and his Deputy one and one half times this remuneration. The members of a committee of the Board of Supervisors receive an additional annual bonus remuneration (remuneration 2) if the committee has met at least once in the fiscal year. The Chairman of one of the committees receives one and a half times the remuneration stated above. Members of the Board of Supervisors who are members of Board of Supervisors or one of its committees for only part of the fiscal year, receive remuneration corresponding to the relation of the membership duration to the entire fiscal year.

The remuneration for the Supervisory Board is comprised of the following:

2016 (figures in € thousands)	Remuneration 1	Remuneration 2	Total remuneration
Sandy Möser	24.0	5.0	29.0
Dr. Matthias Rumpelhardt	18.0	5.0	23.0
Klaus Hirschle	12.0	4.0	16.0
Prof. Martin Fischer	12.0	0.0	12.0
Steve Swant	12.0	0.0	12.0
Prof. Dr. Achim Preiß (until 31 May 2016)	5.0	0.0	5.0
Total Remuneration	**83.0**	**14.0**	**97.0**

2015 (figures in € thousands)	Remuneration 1	Remuneration 2	Total remuneration
Sandy Möser	24.0	5.0	29.0
Dr. Matthias Rumpelhardt	18.0	5.0	23.0
Klaus Hirschle	12.0	4.0	16.0
Hans-Peter Lützow (until 07 April 2015)	3.2	0.0	3.2
Prof. Martin Fischer	12.0	0.0	12.0
Steve Swant (from 10 June 2015)	6.7	0.0	6.7
Prof. Dr. Achim Preiß	12.0	0.0	12.0
Total Remuneration	**87.9**	**14.0**	**101.9**

G.2 REMUNERATION REGULATION OF THE EXECUTIVE BOARD

The remuneration of the Executive Board of the parent company consists of a fixed portion (“Fixum” or remuneration 1), a success-dependent portion (remuneration 2), and a stock-oriented portion (remuneration 3). The Fixum contains the basic salary and other taxable salary components such as a business car. The success-dependent portion depends on reaching targets. These targets include both short-term and medium-term components. The amount of the success-dependent portion depends in particular on the operative EBITDA of the RIB Group, the development of Group sales, the use of iTWO 5D by reference customers, the realization of acquisitions, and the der development of the stock price. The short-term targets are settled after presentation of the certified consolidated financial report for the respective fiscal year. The target bonuses are added when several targets have been reached. The long-term targets are settled after presentation of the certified consolidated financial report for the individual fiscal years of a 3-year period, initially after the presentation of the consolidated financial report for the fiscal year 2016.

In terms of the structure of the stock-based remuneration program for fiscal year 2013, we refer to the explanations in **section D.5** of the Annex to the annual financial report of the RIB AG and/or **note (30)** of the Annex to the consolidated financial report. As part of this program, the Executive Board members were offered acquisition rights pursuant to the conditions of the existing stock option plan, which all Executive Board members accepted.

The Executive Board remuneration is structured as follows:

2016 (figures in € thousands)	**Remune-ration 1**	**Remune-ration 2**	**Remune-ration 3**	**Total remuneration**
Thomas Wolf*	364.0	140.0	39.8	543.8
Dr. Hans-Peter Sanio	146.9	60.0	0	206.9
Michael Sauer	239.7	140.0	39.8	419.5
Helmut Schmid	210.9	68.9	31.8	311.6
Total remuneration	**961.5**	**408.9**	**111.3**	**1,481.7**

2015 (figures in € thousands)	**Remune-ration 1**	**Remune-ration 2**	**Remune-ration 3**	**Total remuneration**
Thomas Wolf*	324.0	54.0	337.3	715.3
Dr. Hans-Peter Sanio	146.8	27.0	134.9	308.7
Michael Sauer	219.7	54.0	337.3	611.0
Helmut Schmid (since 01 September 2015)	70.1	10.0	337.3	417.4
Total remuneration	**760.6**	**145.0**	**1,146.7**	**2,052.3**

* Mr. Thomas Wolf received his remuneration in fiscal year 2015 and 2016 until his change of residence to Hong Kong from RIB PTE, Singapore, then from RIB Ltd., Hong Kong

The share-based remuneration of the Executive Board is presented as follows:

	Thomas Wolf	**Dr. Hans-Peter Sanio**	**Michael Sauer**	**Helmut Schmid**
Options granted in the reporting period (units)	25,000	0	25,000	20,000
Options outstanding at the end of the reporting period (units)	95,000	35,000	95,000	45,000
Share in the recognised total cost of the share-based remuneration (€ thousand)	172.1	79.8	172.1	74.0

H. FORECAST, OPPORTUNITY AND RISK REPORT

H.1 TARGET ACHIEVEMENT OF FORECASTS FOR FISCAL YEAR 2016

Due to the clearly increased demand for our software and SaaS/Cloud solutions in the iTWO segment in the last three years, we had also forecast good growth opportunities for 2016 for the RIB Group. With a sales growth from € 75.9 million to € 91.2 million (+ 20.2%) we achieved this goal as planned in the segment iTWO.

In the e-commerce area with xTWO, we had also expected further growth at a high level. The sales growth from € 6.2 million to € 6.6 million (+ 6.5%) was below our expectations.

In the mass market, we expected software sales with iTWO at the same level as in the previous year. With an increase of iTWO software sales from € 9.8 million to € 11.4 million (+ 16.3%) we clearly exceeded our expectations.

iTWO software sales rises by 73.4%

After a drop in the previous year, for the key account area we expected increasing software sales with iTWO for 2016. With an increase of iTWO software sales from € 6.4 million to € 11.1 million (+ 73.4%) we clearly exceeded this goal, which is mainly due to the Phase III order of a Belgian customer which was realized and recognized in sales in the reporting period.

For consulting revenue we expected a sales development corresponding to the growth of the software revenue. Our sales growth from € 20.0 million to € 22.7 million (+ 13.5%) was smaller than the growth of the software revenue. This is mainly connected to the fact that the first extensive consulting services from the Phase III order in Belgium will only be provided in Q1 2017.

For the maintenance revenue we had expected the continued stable growth of the previous years. The growth of the maintenance from € 23.8 million to € 27.1 million (+ 13.9%) corresponds to our expectations.

Assuming otherwise stable framework conditions in the market and based on the above planning assumptions, we had expected sales between € 90 million and € 100 million for the RIB Group. The increase of sales from € 82.1 million to € 97.9 million lie in the upper range of our expectations.

For the research and development area, we had again planned to focus our essential development on iTWO 4.0 in 2016. In this connection and just as in the consulting area, we had planned new hiring with a corresponding increase of development and consulting costs in the Group. In the research and development area, we increased the annual average number of employees, mainly in the area iTWO 4.0, as planned from 269 to 307 (+ 14.1%) and in the consulting area from 195 to 223 (+ 14.4%). Accordingly, the R&D costs before capitalization and depreciation grew by 10.6% as expected and consulting costs by 5.1%.

We had also planned production costs for the services required to achieve the sales revenue to grow slightly faster than the sales growth in order to create a solid basis for further growth starting in 2017. The growth of production costs from € 37.5 million to € 42.9 million (+ 14.4%) was smaller than the sales growth (+ 19.3%). This deviation from expectations is also mainly due to the Phase III order from Belgium recorded in sales in December 2016.

In the area xTWO, due to the necessary investment in the further expansion of this business area we had another negative EBITDA for 2016 with a bandwidth between € 1.0 and € 2.0 million. The achieved EBITDA of € -1.9 million lies in the lower range of our expectations.

Considering the above assumptions, we had initially forecast an EBITDA between € 20 and € 25 million for the RIB Group in 2016. In connection with the establishment of the YTWO joint venture, on 12 September 2016 we increased the EBITDA forecast for 2016 from € 20-25 million to € 27-32 million in an ad hoc report. The achieved EBITDA of € 32.7 million lies towards the top of our expectations.

For the RIB AG, we expected sales and an EBITDA at the same level as last year. The sales revenue of € 48.3 million was 24.5% above the previous year (€ 38.8 million) and thus exceeded our expectations significantly. The operative EBITDA of € 15.2 million was 38.2% above the previous year (€ 11.0 million) and thus also exceeded our expectations.

H.2 FORECAST REPORT FOR THE FISCAL YEAR 2017

Good growth opportunities for the RIB Group in 2017

Due to the clearly increased demand for our software and SaaS/Cloud solutions in the last few years, we continue to see good growth opportunities for 2017 for the RIB Group. The market roll-out of our new cloud-based iTWO 4.0 software platform opens the possibility of opening new markets outside the DACH region significantly more efficiently and addressing individual customer wishes without significant development expenditures.

The new area YTWO (SCM) offers a fully integrated cloud-based supply chain management solution, based on the iTWO 4.0 software platform, with which we will tap into new customer segments and give existing customers the possibility to digitally plan, manage, and monitor their complete material and service needs.

In the e-commerce area xTWO, we only expect moderate sales increases since we will focus more on improving the earnings situation.

In the iTWO segment, with iTWO 5D we continue to expect strong software sales for the mass market area in the DACH region, driven by the efforts of our major customer to integrate partners, subcontractors, and suppliers into the digital value-added chain. For the key account area we plan for continued increasing world-wide software sales in the fiscal year 2017, in particular through the step-wise market roll-out of iTWO 4.0. We only expect moderate sales increases in consulting revenue. For the maintenance revenue we expect the continued stable growth of the previous years.

Planned sales between € 98 million and € 108 million in 2017

Based on these foundations and assuming otherwise stable framework conditions in the market, we expect sales between € 98 million and € 108 million for the RIB Group.

Focus of development further on iTWO 4.0

For the research and development area, we again will focus our essential development on iTWO 4.0 in 2017. In this area and in the consulting area, we plan further new hiring in 2017 to ensure the successful roll-out of iTWO 4.0. This will lead to increased development and consulting costs in the Group.

In the e-commerce area with xTWO, we again expect a negative EBITDA of up to € 1 million for 2017.

In the YTWO (SCM) area, we expect a negative investment result of up to € 5 million for 2017 due to the planned development of resources.

Considering the above assumptions, we expect an EBITDA between € 28 million and € 38 million for the RIB Group in 2017. The negative investment result mentioned above is not included in the EBITDA.

For the RIB AG, we expect sales and an EBITDA at the same level as last year.

H.3 OPPORTUNITY REPORT

The RIB Group sees the opportunities for a positive business development and the expansion of our market position as leading providers of integrated technical ERP solutions in the continued increase of internationalization and further targeted acquisitions. In addition, the growth of the RIB Group is to be increased sustainably in existing and new markets with iTWO 5D and new products, in particular iTWO 4.0 for model-based planning and construction in a fully integrated web-based end-to-end business platform and our new Cloud platforms. We see the following focus points:

Migration of existing customers to RIB iTWO. The still incomplete transition of our existing ARRIBA customers to iTWO 5D means that there is still potential in the DACH region. Since model-based working methods and iTWO 5D have found wide market acceptance in the meantime, the RIB Group sees a good opportunity in converting existing ARRIBA customers to iTWO 5D faster than up to now.

Internationalization. A major strategic goal of the RIB Group is to deepen its existing foreign business relationships, establishing itself in existing foreign markets, and entering into new markets, e.g. Spain and Latin-America. The RIB Group follows a key account strategy which plans to win especially major construction companies, general contractors, investors, and consultants from the top 1000 of the respective target group as customers. This could lead to the secondary introduction of many subcontractors and smaller service providers as business partners of these major companies to the software products of the RIB Group in order to ensure smooth cooperation.

Innovations. The RIB Group has very modern and innovative software solutions, in particular for technical and business management processes in the construction sector and plant construction. With iTWO 4.0, we offer a solution which supports digitally networked integrated virtual planning, production, and operating processes and the industrial prefabrication of components with great process depth. In this area, we expect an increasing willingness of our customers to invest. With iTWO 4.0 and the already existing cloud software solutions, we have a comprehensive and modern solution package in our product portfolio which meets the current technology trends 5D and cloud computing very well.

Strategic acquisitions. The RIB Group also intends to gain access to regional markets through targeted strategic acquisitions and expand its international customer basis. The focus is less on the acquisition of competing technologies and more on opening new customer groups and thus implementing the software of the RIB Group as standard in further markets. Our goals for 2017 include integrating the companies and holdings acquired in the last two fiscal years into the Group and gaining new major customer orders for iTWO 5D, iTWO 4.0, and the YTWO joint venture through these companies, in particular in the US, Australia, the D/A/Ch region, Spain, and in Scandinavia.

Reporting-segment-specific opportunities. Due to the increasing acceptance of model-based working methods in the construction sector, which is also supported by an increasing number of corresponding government initiatives, we see good opportunities for continued growth in our markets in the reporting segment iTWO with our iTWO 5D and iTWO 4.0 technology. In the reporting segment xTWO we expect in particular good medium- to long-term growth opportunities due to the new strategic focus on the YTWO (SCM) area.

Overall picture of opportunity situation. The RIB Group is very well positioned in its markets with its comprehensive range of solutions based on modern technology. The RIB Group has positioned itself as a trailblazer in the construction industry with the 5D and Cloud softwares. In view of this, we rate the chances of the RIB Group of expanding its market position as very good.

H.4 RISK REPORT

H.4.1 Risk management and internal control system

The RIB Group uses a risk management system for the early recognition, assessment, and targeted management of risks. The basis of this system is the die Group-wide definition that a risk exists when a situation can prevent the RIB Group from achieving its business targets or mission now or in the future.

The general responsibility for the early recognition of risks and if necessary the initiation of countermeasures lies with the Executive Board. The senior management supports the Executive Board in meeting this responsibility.

The risk fields defined by the Executive Board are explained in detail in the following section. The individual risks identified in the respective risk fields are classified in a quantitative and qualitative risk analysis as follows:

Severity of loss	Amount of loss (€ thousand)	Probability of occurrence
Severe	>= 1,000	>= 90%
Significant	>= 250 and < 1,000	>= 65% and < 90%
Medium	>= 100 and < 250	>=35% and < 65%
Minor	< 100	<35%

The functionality of the early risk recognition system is continuously monitored. The Executive Board receives a quarterly report on the identified risks in form of accumulated risk overviews. The Executive Board and Board of Supervisors discuss the risk situation of the company and Group in regular intervals and continuously guide the development of the control and early risk recognition system. If the risks are not to be accepted, an attempt is made to counteract the risks by means of suitable countermeasures.

The implemented risk management system and the internal control system also include risks which could have an impact on the accounting process and thus the propriety of the financial reports of the RIB Group. These risks are in particular those of errors and violations, risks in data collection and security, risks of the circumvention of internal controls, and the incorrect assessment of facts and discretionary powers.

The essential rules and measures for managing accounting-related risks consists in the clear assignment of responsibilities when creating quarterly and annual financial reports, the prescription of mandatory guidelines for the accounting of business transactions, and the use of a consolidation software which support a monthly analysis and control of the figures of all reporting units.

In particular the process of sales realization is already strictly controlled in the contract initiation phase. All customer contracts go through an approval process. Deviations from standardized regulations must be authorized ahead of time by the Executive Board of the parent company if specified thresholds are exceeded.

H.4.2 Overview of individual risks

As part of our risk management system, we defined the following risk fields:

- Sales risks
- Development risks
- Financial risks
- Acquisition risks
- Cooperation risks

Sales risks

Essential risks which can trigger a clear deterioration of the economic situation of the RIB Group lie in the market- and industry-related field. The success of the RIB Group depends partly on the economic development of its target industries.

The RIB Group has achieved about half of its sales in the German-speaking market in fiscal year 2016. Up to now we have been able to fulfill the expectations of our customers in terms of extent and completeness of our services.

In addition to the German-speaking market, in the last few years we focused especially on the development of the Scandinavian, US, and Asia-Pacific markets. A significant development of know-how has taken place in these regions, so that qualified consulting and other services can be provided regionally by local employees and with localized software products.

In markets outside these regions, there is the basic risk that the quality and availability of consulting services and hotline services as well as functionality of the software may not yet be met completely in terms of international requirements.

The introduction of the new software platform iTWO 4.0 in 2016 increased the basic sales risks since the roll-out of the new technology necessitates significant internal training measures to qualify all affected employees accordingly.

With iTWO 5D and iTWO 4.0, the RIB Group has solutions which permit the complete virtual planning and management of construction processes based on a 5D building model – from the initial planning to the completion of construction projects. We assume that model-based working methods will result in clear changes to essential construction processes. It is possible that the transition of the industry to this new technology may take longer than expected. It is also possible that potential customers may still have reservations in terms of the (data) security of cloud-based solutions like the iTWO 4.0 platform. This could have a negative effect on future sales and revenue.

Development risks

The RIB Group is exposed to strong competition during the development and market roll-out times. In order to maintain the competitive edge of the RIB Group, it is necessary to utilize a great deal of personnel and financial resources, in particular for product development and product roll-out. This creates the risk that functions of the software may need to be adjusted at great cost due to legal framework conditions. In addition, there is the possibility that individual customer requirements may tie up development capacities, which could delay the delivery of new products. This could prevent our software from achieving the expected acceptance in the markets.

The economic success of the RIB Group depends significantly on the success of our strongest-selling products iTWO 5D and our new product iTWO 4.0. If iTWO 5D fails to continue to have a high market acceptance or the new cloud-based iTWO 4.0 platform fails to establish itself on the market, this could have significant adverse effects on our business activities.

The development companies working for the RIB Group mainly employ highly qualified engineers and computer scientists. We expect that the loss of individual employees in this area would not have a significant impact on the business activity of the RIB Group. However, such an impact could arise if several employees leave the development area of the RIB Group at the same time or within a short period, e.g. due to head-hunting by individual competitors or self-employment as competitor on the markets on which the RIB Group is focused. This could result in project and delivery delays and endanger contract fulfillment with our customers.

Financial risks

The RIB Group continues to have a great resource of liquid assets. They are invested at low risk in the short and medium term in form of time deposits and fixed-interest securities. Some of the liquid assets and securities are in foreign currency. The resulting exchange rate risk is usually not hedged. These risks are accounted for by continuously monitoring exchange rate developments and conditions.

In the receivables area, active debtor management is used to prevent default risks.

A sustained financial crisis, in particular the excess debt of some EU countries, could lead to a crisis in the world or European economy. This could result in payment default risks in terms of our securities and liquid assets invested at various banks. Additional risks may arise in terms of the attributable current market value of the fixed-interest securities, in particular due to interest rate changes. This could have a negative effect on our financial and asset situation.

The RIB Group has international subsidiaries and holding companies whose customer base is still being developed. Should the number of new customers of these companies not develop as expected, this could also have a negative impact on our financial and asset situation.

In terms of further explanations on the financial risk management and policies of the RIB Group, we refer to the corresponding explanations in the Group Appendix.

Acquisition risks

Expansion is an important strategic goal of the RIB Group. For this reason, we plan acquiring further companies in the software industry or forming industry partnerships. This is to serve in particular the further development of the international orientation of our business activities. Should no suitable acquisition possibilities or strategic partnerships offer themselves or should we lose key personnel or customers after an acquisition, this could have a detrimental effect on our expected returns.

Cooperation risks

If the joint venture (YTWO) we entered into with the company Flex in Q3 does not develop correspondingly positive over the coming years against all expectations, this may have a detrimental effect on future expected returns.

H.4.3 Summary of risk situation

The risk situation in 2016 has changed little compared to 2015. Individual risks were reassessed in the reporting period. The probability of a moderate development risk (in terms of damage severity) of contractual penalties due to the late delivery of software was upgraded from "unlikely" to "possible".

The severity of the financial risks 'exchange rate risk of reported assets and liabilities' and 'interest rate change risk' was downgraded from "severe" to "moderate" and/or upgraded from "insignificant" to "moderate", both with an unchanged probability of "possible". In addition, the damage severity of the financial risk, which refers to the securities price risk for the attributable value of securities was downgraded from "significant" to "insignificant", with a constant probability of "unlikely". The reassessment of all financial risks slightly reduced the quantifiable total damage amount compared to the last risk assessment.

At the moment there are no severe risks whose probability is likely or very likely. There are significant risks where probability is likely or very likely due to the need to perform product adaptations due to changing legal framework conditions or due to individual requirements by individual customers. This has not changed from the previous year. This could make costly product adaptations necessary and tie up capacities to the point of delaying the completion of planned new software components.

The risks were updated and countermeasures controlled continuously. The countermeasures listed in the risk reports were checked for compliance and implemented. Due to the small changes compared to the previous year, the risks were formally logged and summarized at the end of the fiscal year 2016. We currently do not see any existential risks.

Notes on forecasts

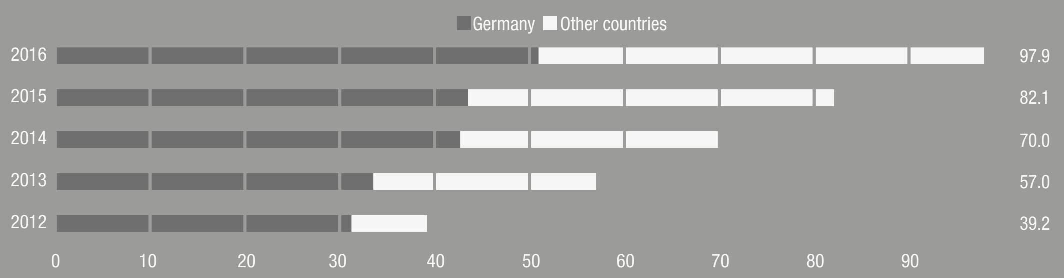
This section of the management report contains future-oriented statements and information - i.e. statements on processes which lie in the future. These future-oriented statements can be recognized by formulations such as "should", "will", "expect", "intend", "plan", "estimate", "in the opinion of the RIB Group" or similar expressions. Such future-oriented statements are based on current expectations and certain assumptions. They are thus subject to a number of risks and uncertainties. A large number of factors, many of which beyond the control of the RIB Group, influence the business activities, success, business strategy, and results of the RIB Group. These factors can lead to significant deviations of the actual results, success, and services of the RIB Group from the future results, success, and services expressed explicitly or implicitly in the future-oriented statements.

Stuttgart, 10 March 2017

Thomas Wolf   Michael Sauer   Helmut Schmid

DEVELOPMENT IN REVENUES FIVE-YEAR COMPARISON

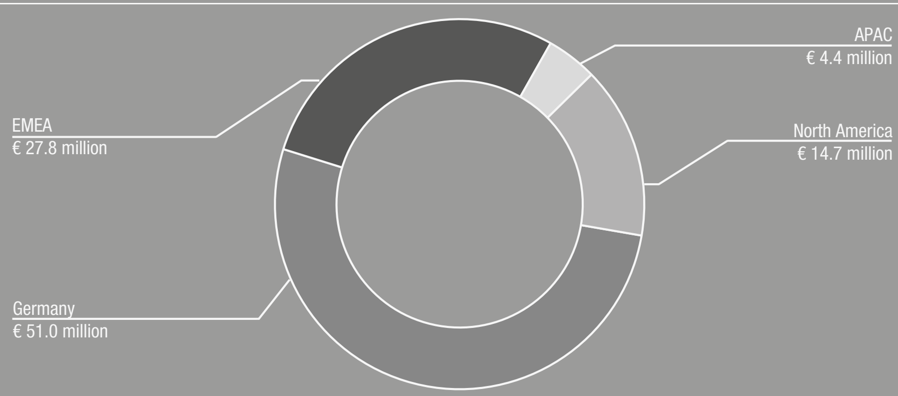
Figures in € million



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

REGIONAL REVENUE BREAKDOWN



CONSOLIDATED INCOME STATEMENT FOR THE 2016 FINANCIAL YEAR

€ thousand unless otherwise indicated	Notes	2016	2015
Revenue	**(8)**	**97,884**	**82,079**
The production costs of services for revenue generation	(9)	-42,923	-37,505
Gross profit		**54,961**	**44,574**
Other operating income	(10)	9,536	6,066
Marketing and distribution costs		-18,362	-16,554
General administrative expenses		-9,650	-8,480
Research and development expenses		-11,792	-7,955
Other operating expenses	(11)	-1,697	-1,170
Financial income	(13)	384	237
Finance costs	(13)	-446	-224
Share of profit and losses of associates		0	-9
Profit before tax		**22,934**	**16,485**
Income taxes	(14)	-8,507	-5,949
Consolidated net profit for the year		**14,427**	**10,536**
Losses attributable to non-controlling interests		-133	-43
Profit attributable to owners of the parent company		14,560	10,579
Result per share on the basis of the share of earnings of the shareholders of RIB Software AG:			
basic	**(15)**	**0.32 €**	**€ 0.24**
diluted	**(15)**	**0.32 €**	**€ 0.24**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2016 FINANCIAL YEAR

Figures in € thousand	2016	2015
Consolidated net profit for the year	**14,427**	**10,536**
Components reclassified with no effect on profit and loss:		
Revaluations	-183	31
Other consolidated comprehensive income after taxes for components reclassified with no effect on profit and loss	**-183**	**31**
Components reclassified in subsequent periods with an effect on profit and loss:		
Exchange differences	3,593	5,574
Changes in value of available-for-sale securities	-1	-4
Other consolidated comprehensive income after taxes for components reclassified with an effect on profit and loss	**3,592**	**5,570**
Other consolidated comprehensive income after taxes	**3,409**	**5,601**
Total comprehensive income for the year	**17,836**	**16,137**
of which attributable to non-controlling interests	-133	-43
of which attributable to owners of the parent company	**17,969**	**16,180**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

Figures in € thousand	Notes	31 December 2016	31 December 2015
Goodwill	(16)	67,166	66,878
Other intangible assets	(17, 18)	50,005	51,257
Property, plant and equipment	(17)	16,185	7,199
Investment properties	(17, 20)	5,272	5,969
Investments accounted for using the equity method	(19)	52,166	88
Prepaid land use lease payments	(21)	1,006	1,063
Other assets	(22)	16	118
Deferred tax assets	(23)	1,541	495
Total non-current assets		**193,358**	**133,067**
Inventories	(24)	1,432	983
Trade receivables	(25)	18,420	16,203
Gross amounts due from customers for contract work	(26)	136	165
Available-for-sale securities	(27)	98	2,686
Other assets	(22)	6,650	3,880
Cash and cash equivalents	(28)	135,323	174,335
Total current assets		**162,059**	**198,252**
Total assets		**355,417**	**331,319**

Figures in € thousand	Notes	31 December 2016	31 December 2015
Subscribed capital	(29)	46,846	46,846
Treasury shares	(29)	-10,597	-4,828
Capital reserves	(29)	182,284	181,396
Legal reserve	(29)	95	95
Accumulated other comprehensive income	(31)	11,352	7,943
Retained earnings		61,926	54,657
Equity attributable to owners of the parent company		**291,906**	**286,109**
Non-controlling interests		-123	-167
Total equity		**291,783**	**285,942**
Pension provisions	(33)	3,840	3,609
Other provisions	(35)	286	238
Other financial liabilities	(38)	1,882	2,499
Deferred tax liabilities	(23)	12,116	13,024
Total non-current liabilities		**18,124**	**19,370**
Trade payables	(34)	2,456	2,206
Provisions for income taxes		4,337	4,297
Other provisions	(35)	1,153	929
Deferred liabilities	(36)	4,496	4,432
Deferred revenue	(37)	12,817	5,152
Other financial liabilities	(38)	579	2,579
Other liabilities	(39)	19,672	6,412
Total current liabilities		**45,510**	**26,007**
Total liabilities		**63,634**	**45,377**
Total equity and liabilities		**355,417**	**331,319**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2016 FINANCIAL YEAR

Figures in € thousand	Subscribed capital	Capital reserves	Legal reserve
Notes	(29)	(29)	(29)
As of 01 January 2015	**43,467**	**135,157**	**60**
Consolidated net profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**0**	**0**	**0**
Disposal of treasury shares	-	1,985	-
Dividend payment	-	-	-
Capital increases	3,379	43,681	-
Transactions with non-controlling interests	-	-	-
Other changes	-	-4	35
Share-based remuneration	-	577	-
As of 31 December 2015 and 01 January 2016	**46,846**	**181,396**	**95**
Consolidated net profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**0**	**0**	**0**
Acquisition of treasury shares	-	-	-
Dividend payment	-	-	-
Transactions with non-controlling interests	-	-177	-
Other changes	-	-	-
Share-based remuneration	-	1,065	-
As of 31 December 2016	**46,846**	**182,284**	**95**

Accumulated other comprehensive income							
Changes in value of available-for-sale securities	Foreign currency translation reserve	Revaluations	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Equity according to consolidated statement of financial position
(31)	(31)	(31)	(29)				
5	**2,758**	**-421**	**-5,543**	**50,963**	**226,446**	**0**	**226,446**
-	-	-	-	10,579	10,579	-43	10,536
-4	5,574	31	-	-	5,601	-	5,601
-4	**5,574**	**31**	**0**	**10,579**	**16,180**	**-43**	**16,137**
-	-	-	715	-	2,700	-	2,700
-	-	-	-	-6,754	-6,754	-	-6,754
-	-	-	-	-	47,060	-	47,060
-	-	-	-	-	0	-124	-124
-	-	-	-	-131	-100	-	-100
-	-	-	-	-	577	-	577
1	**8,332**	**-390**	**-4,828**	**54,657**	**286,109**	**-167**	**285,942**
	-	-	-	14,560	14,560	-133	14,427
-1	3,593	-183	-	-	3,409		3,409
-1	**3,593**	**-183**	**0**	**14,560**	**17,969**	**-133**	**17,836**
-	-	-	-5,769	-	-5,769	-	-5,769
-	-	-		-7,291	-7,291	-	-7,291
-	-	-		-	-177	177	0
-	-	-		-	-	-	-
-	-	-		-	1,065	-	1,065
0	**11,925**	**-573**	**-10,597**	**61,926**	**291,906**	**-123**	**291,783**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2016 FINANCIAL YEAR

Figures in € thousand	Notes	2016	2015
Cash flow from operating activities:			
Profit before tax		**22,934**	**16,485**
Adjustments for:			
Depreciation of property, plant and equipment	(12)	1,007	772
Amortisation / adjustments of intangible assets	(12)	8,546	7,592
Depreciation of investment property	(12)	144	151
Changes in valuation allowances for trade receivables		-91	168
Other non-cash items		8,727	351
Profit(-)/loss from disposal of property, plant and equipment		-5	23
Interest expense and other finance costs	(13)	446	224
Financial income	(13)	-384	-237
		41,324	**25,529**
Working capital adjustments:			
Increase/decrease(-) in provisions and deferred liabilities		2,296	479
Increase(-)/decrease in receivables and other assets		-2,384	-2,568
Increase/decrease(-) in received payments	(39)	16,070	786
Increase/decrease(-) in liabilities from trade payables and other liabilities		7,529	-922
Cash generated from operations		**64,835**	**23,304**
Interest paid		-12	-14
Interest received		170	125
Income taxes paid		-13,469	-4,028
Net cash flow from operating activities		**51,524**	**19,387**
Purchase of property, plant and equipment	(12)	-9,209	-646
Purchase/production of intangible assets		-7,251	-9,417
Payments made for investment properties		0	-85
Payments made for the acquisition of at equity consolidated companies	(19)	-57,794	0
Payments made for the acquisition of consolidated companies less cash acquired		0	-12,286
Disposal of consolidated companies less cash disposed	(12)	-2,989	0
Purchase(-)/sale of available-for-sale securities		2,588	-169
Net cash flow from investing activities		**-74,655**	**-22,603**
Payments received from capital increase		0	48,147
Payments made for capital increase expenses		0	-1,565
Dividends paid		-7,291	-6,754
Payments made to non-controlling shareholders		-200	-60
Payments made for the acquisition of non-controlling interests		0	0
Payments made for redeeming other financial liabilities		-2,669	-2,580
Payments made for the acquisition of treasury shares		-5,769	0
Net cash flow from financing activities		**-15,929**	**37,188**
Change in cash and cash equivalents impacting cash flow		**-39,060**	**33,972**
Cash and cash equivalents at the beginning of the period		174,335	137,621
Currency-related change in cash and cash equivalents		48	2,742
Cash and cash equivalents at the end of the period		**135,323**	**174,335**
Composition of cash and cash equivalents:			
Liquid funds, unrestricted	(28)	132,566	171,775
Liquid funds, restricted	(28)	2,757	2,560

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

RIB Software AG (the "Company") and its subsidiaries (together the "Group") are principally engaged in the design, development and sale of software solutions for the construction industry, software maintenance and the provision of consulting and support services for its customers.

The Company was incorporated in Germany on 07 October 1999 as a stock corporation and has been listed on the regulated market of the Frankfurt am Main Stock Exchange since February 2011. The Company was added to TecDAX, the stock index for the technology sector, on 22 September 2014.

The Company is entered in commercial register B (local court of Stuttgart) under the number HRB 20490. The Company's registered address is Vaihinger Strasse 151, D-70567 Stuttgart, Germany.

The Company's financial year is the same as the calendar year. The consolidated financial statements were drawn up in euro. In the absence of any note to the contrary, the amounts are rounded to the nearest thousand euro (€ thousand) and stated as such. Rounding differences may arise for individual items due to the fact that the figures are presented in € thousand.

The consolidated financial statements and group management report of RIB Software AG were released to the Supervisory Board by the Executive Board on 10 March 2017.

2. BASIS OF PREPARATION

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union during the financial years under review.

The additional disclosures required pursuant to § 315a HGB (German Commercial Code) are included in the notes to the consolidated financial statements with references to the corresponding paragraphs.

The IASB has issued several new or revised standards that are binding for financial years commencing on or after 01 January 2016. These new or revised IFRS have had no material impact on the consolidated financial statements during the relevant periods. The Group has applied uniform accounting standards for preparing and presenting its financial reporting for the periods under review. All accounting policies explained under Section 4 (see below) were applied consistently during the entire period under review. Unless explained explicitly otherwise, the consolidated financial statements were drawn up on the basis of the historical cost convention.

3. EFFECT OF NEW OR REVISED IFRS

The following standards and interpretations, which have already been published, may have an impact on our consolidated financial statements in the future. The standards and interpretations have not yet been applied in these consolidated financial statements, as their application is not yet mandatory or is still to be recognized in the EU:

- **IFRS 15 "Revenue from Contracts with Customers"**
  IFRS 15 replaces the previous standards IAS 18 and IAS 11 as well as a series of revenue-related interpretations. The standard contains a five-step model whereby the revenue to be recorded is the amount that is expected in return for goods or services to the customer. The standard is mandatory for financial years beginning on or after 01 January 2018. Early application is permitted. A transfer to EU law took place on 22 September 2016. Significant for the RIB consolidated financial statements are, in particular, the provisions for the realization of sales for multi-component contracts, which are contained in IFRS 15, i. e. for the sale of software solutions in combination with the provision of training and maintenance services or other services. On the basis of our analysis of the new regulations so far, we assume that no significant changes will occur in this area which is significant for the RIB group when applying IFRS 15 for the first time. On the other hand, changes could occur in the sales realization of customer-specific production orders, which were previously recorded in accordance with IAS 11. In individual cases, the relevant provisions of IFRS 15 according to our analyses can lead to the fact that sales revenues are recorded later than previously. However, this area is of minor significance for the RIB group, so we have not yet conclusively reviewed whether we will react to the changed accounting conditions by adapting our standard contracts.

- **IFRS 9 Amendment (2009, 2010, 2011, 2013 and 2014) "Classification and Measurement"**
  IFRS 9 "Financial Instruments" reflects the first and third phases of the IASB project on the replacement of IAS 39 and, in addition to the classification and assessment of financial assets and financial liabilities, also deals with regulations for "General hedge accounting". Financial assets are subsequently classified and assessed either at amortized cost or at fair value. The provisions for financial liabilities are generally taken over from IAS 39. The amendment to IFRS 9, published in November 2013, repealed the mandatory initial application from 01 January 2015. On 24 July 2014, the IASB published a fourth and final version of IFRS 9. IAS 39 will therefore be replaced with the initial adoption date of IFRS 9. For the first time, this version contains provisions for the depreciation of financial instruments as well as changed regulations for valuation categories for financial assets. The standard is mandatory for financial years beginning on or after 01 January 2018. However, earlier application is permitted. A takeover of EU law took place on 22 November 2016. The company is currently examining the effects of applying IFRS 9 to the RIB consolidated financial statements.

- **IFRS 16 "Leasing"**
  The IASB published an amendment to IFRS 16 on 13 January 2016. IFRS 16 governs the accounting for leases and replaces IAS 17 valid up to this time as well as three leasing-related interpretations. Application is mandatory for all IFRS adopters and, in principle, applies to all leasing arrangements. Exceptions are leasing arrangements that fall under IAS 38, IAS 41, IFRIC 12 or IFRS 15. The amendments are applicable for financial years commencing on or after 01 January 2019. The Company is currently investigating the impact that application of IFRS 16 will have on RIB's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are fully consolidated as of the date of acquisition, being the date on which control is obtained, and continue to be consolidated until the date when such control ceases. For financial reporting purposes, the financial statements of the subsidiaries are prepared uniformly in accordance with the accounting policies used by the parent company. All income, expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in the context of the consolidation.

A change in the ownership interest of a subsidiary without involving the loss of control is accounted for as an equity transaction.

Subsidiaries

A subsidiary is an entity over which RIB Software AG has control. The Company is considered to have control of a subsidiary if it has power of disposition over it. In other words, the Company has rights that grant it a current ability to steer and control the subsidiary's key activities. Such activities are those that have a significant impact on the subsidiary's returns. Furthermore, the Company is exposed to fluctuations in returns resulting from its involvement in the subsidiary, or is entitled to such returns, and has the ability to influence these returns by exercising its power of disposition over the subsidiary.

Joint ventures and associated companies

A joint venture is a joint agreement whereby the parties that jointly exercise control have rights to the net assets of the agreement. Joint management is the contractually agreed jointly exercised management of an agreement. This is only possible if decisions on the relevant activities require the unanimous consent of the parties involved in the joint management.

An associate is an entity over which RIB Software AG has significant control. Significant control means the ability to influence the financial and business policy decisions of the company in which the interest is held. In doing so, there is neither control nor joint control over the decision-making processes.

The results, assets and liabilities of joint ventures and associates are presented in these annual financial statements in accordance with the equity method. According to this method, shares in joint ventures and associates must be included in the consolidated statement of financial position at their acquisition costs that are carried forward by the changes in the share of the Group in the gains and losses in the other income of the associate or the joint venture.

The regulations of IAS 39 are used in order to determine whether there are indications that the value of the shares in associates or joint ventures has reduced. If an impairment test is to be undertaken, the carrying amount of the investment is tested for impairment in accordance with the regulations of IAS 36. For this purpose, the recoverable amount, i.e. the higher amount of the value in use and fair value less selling costs is compared with the carrying amount of the investment. The resulting amount of the impairment is offset against the carrying amount of the investment.

Consolidated group

The consolidated financial statements are based on the separate financial statements pursuant to national commercial law of all consolidated entities, which have been adjusted to comply with IFRS. Taking these adjustments into consideration, the financial statements of all consolidated entities have been prepared in line with uniform accounting policies.

The reporting date of all of the consolidated entities was 31 December 2016.

Besides RIB Software AG as the parent company, the consolidated group comprises twenty-nine fully consolidated entities, of which seven are German and twenty-two are foreign entities.

Goodwill

Goodwill generated by the acquisition of entities represents the difference between the purchase price and the pro rata Group's interest in the net fair value of the available assets, liabilities and contingent liabilities as of the date of the acquisition.

Goodwill arising on acquisition of an entity is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any impairment losses due to losses in value.

The carrying amounts of all goodwill are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amounts may be impaired. The Group performs its annual impairment tests of goodwill in the fourth quarter of each financial year. For the purpose of impairment testing, the respective goodwill acquired at the time of acquisition of an enterprise, from the acquisition date, is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from synergy effects, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the (group of) cash-generating unit(s) to which the goodwill has been allocated. If the recoverable amount of the cash-generating unit or group of cash-generating units falls short of its carrying amount, an impairment loss is recognised. Any impairment losses recognised as goodwill are not reversed in subsequent periods.

If goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment testing of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (for assets other than goodwill, financial assets and deferred tax assets), the asset's recoverable amount is determined. The recoverable amount of an asset is the higher of value in use or fair value less costs to sell. If an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the fair value is to be determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market risks, the inflation rate and risks specific to the asset. An unscheduled impairment loss is charged to the income statement in the financial year in which it arises.

An assessment is also made at the end of each financial year as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is only reversed if there has been a change in the factors applied to determine the recoverable amount of that asset. The upward appreciation in value is limited to the carrying amount that would have been determined (net of any depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. Reversals of such impairment losses are recognised in profit or loss in the financial year in which they arise.

Related companies and persons

A company or a person is treated as related if the following conditions are met:

a) If the party is directly or indirectly controlled by one or more intermediaries, (i) the reporting company is controlled by him, or is under common control; (Ii) owns a share of the reporting company that has a significant influence on the company; Or (iii) is involved in the joint management of the enterprise;

b) If the party is an associated company or a joint venture;

c) If the party has a key position in the reporting company or its parent company;

d) If the party is a close relative of a natural person according to (a) or (c);

e) If the party is a company controlled by a natural person referred to under (c) or (d), the party is subject to, is significantly influenced by, or directly or indirectly holds a majority of the voting rights in that company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is recognised in the consolidated income statement in the financial year in which it is incurred. If significant parts of property, plant and equipment must be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Items of property, plant and equipment, other than assets under construction, are depreciated on a straight-line basis over their estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Land and buildings	25 - 50 years
Furniture, fixtures and fittings	2 - 20 years
Office and technical equipment	2 - 20 years
Vehicles	3 - 6 years

Fully depreciated assets are retained in asset accounting until they are disposed of. No further depreciation is charged on these assets.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods used are reviewed and adjusted as necessary at least as of each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from disposal or scrapping (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year when the asset is derecognised.

Intangible assets (other than goodwill)

All of the Group's intangible assets have useful lives that are limited in time. Intangible assets are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year end at the latest.

Capitalised development costs

Research costs are recognised through profit or loss. Expenditure incurred on projects to develop new software is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of technical and financial resources to complete and the ability to measure reliably the expenditure during the development phase. Development costs which do not meet these criteria are expensed.

The capitalised software development costs are amortised on a straight-line basis over the estimated economic life of the software of five or ten years, commencing from the date on which the product is commercially released.

The carrying amount of internally created software is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impairment indications arise, the recoverable amount is estimated and an impairment loss is recognised through profit or loss if the recoverable amount is lower than the carrying amount. Impairment testing is performed annually for internally created software that is not yet ready for use.

Gains or losses arising from the disposal of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset, are recognised in the income statement on disposal of the asset.

Purchased technology

Technology purchased as part of a business combination are amortised over their estimated useful life of five years on a straight-line basis.

Purchased software

Purchased software reflects the cost of computing software used by the Group internally and not to generate revenue; It is capitalised at the costs incurred to acquire and commission the purchased software and amortised over its estimated useful life of three to five years on a straight-line basis.

The cost of maintaining computer software programs is expensed as incurred.

Customer relationships

Customer relationships acquired in business combinations are amortised over their estimated useful lives of eight to nine years on a straight-line basis.

Lease agreements

Leases that transfer all the substantial risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under finance lease relationships are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases are accounted for as operating leases where all substantial rewards and risks of ownership of assets remain with the lessor. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to the consolidated income statement on a straight-line basis over the lease term.

Costs for prepaid land lease payments under operating leases are deferred and subsequently recognised on a straight-line basis over the respective lease term.

Investment properties

Land and buildings not used, or only used to a minor extent, for commercial or administrative purposes which are owned to generate rental income and/or capital gains are classified as “Investment Property” under IAS 40. This also applies to properties for which the future usage is presently uncertain. Not included are properties under operating leases.

Investment property per IAS 40 is measured at cost on addition. Any directly attributable transaction costs are capitalised with same. Upon acquisition, property cost is broken down into land and buildings respectively. Subsequent costs are capitalised if they give rise to additional future benefit; maintenance expenses are immediately recorded in consolidated profit and loss.

The subsequent measurement of investment property is done uniformly, applying the cost model. Scheduled depreciation of investment property begins from the date the property in question is in the operational condition intended by management. Impairment testing is performed for investment property given concrete indications of impairment. If the recoverable amount is less than the carrying value, an unscheduled impairment is recorded.

Inventories

Merchandise listed as inventories is recognised at the cost of acquisition as per IAS 2. On the balance sheet date, merchandise is measured at the cost of acquisition or the net realisable value, whichever is lower. The net realisable value is the revenue expected to be earned from the sale, less directly attributable costs to sell incurred up until the point of sale. If the net realisable value is lower than the cost of acquisition, the inventories are devalued. If the reasons that led to the devaluation no longer apply, the devaluation is reversed accordingly.

Contract work

Contract work is recognised according to the percentage-of-completion method (POC method) in accordance with IAS 11. The degree of completion to be recognised as determined in accordance with the cost-to-cost method. Contract work is recognised on the asset side and the balance sheet item “Gross amounts due from customers for contract work” or, if there is an impending loss, on the liabilities side under the item “Gross amounts due to customers for contract work”. If the advance payments exceed the accumulated payments, the amount is recognised on the liabilities side under trade payables. Hardware accrued pro rata according to degree of completion is recognised under inventories.

Financial and other assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as (i) financial assets measured at fair value through profit or loss, (ii) held-to-maturity investments, (iii) loans and receivables, (iv) available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value at the trade date; for financial assets not measured at fair value through profit or loss, the directly attributable transaction costs are taken into account.

The Group’s financial assets include liquid funds and bank balances, trade and other receivables, available-for-sale securities and investments in associates and joint ventures accounted for according to the equity method.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Upon initial recognition, such assets are measured in accordance with the effective interest method at amortised cost less impairments. Amortised costs are calculated under consideration of discounts or premiums upon acquisition, additional charges or costs that are incurred and that constitute an integral part of the effective interest rate, and transaction costs. The effective interest rate is presented under financial result on the income statement. Impairment expenses are recognised through profit or loss on the income statement.

Impairment of financial assets

At the end of each financial year, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (with the exception of future credit defaults not yet occurred) discounted at the original effective interest rate of the financial asset (i.e., the interest rate determined upon initial recognition). The carrying value of the asset is reduced with the help of an impairment account. Impairment losses are recorded affecting net income in the income statement. Loans and receivables, together with any associated allowances, are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognised in the income statement, only to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

With regard to trade receivables and other assets, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. An impairment account is used to reduce the carrying amount of the receivables. Impaired receivables are derecognised when they are assessed as uncollectable.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets. Assets classified as available for sale are those which are neither held for trading nor assessed at fair value through profit or loss. Securities in this category are those that are to be held for an indefinite period and which can be sold for liquidity requirements or in response to changed market conditions. After the initial recognition, financial assets classified as available for sale are assessed at fair value. Unrealized profits and losses are recognized as other group result in the reserve for value adjustments of securities held for sale up to their disposal. At the date of the disposal of the financial assets, the cumulative gains or losses are recognized in profit or loss through the income statement.

For available-for-sale financial assets, the Group assesses at the end of each financial year whether there is objective evidence of impairment. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost.

The determination of what is “significant” or “prolonged” requires discretionary judgement.

The Group generally refers to a value change of 20% or more as significant and regards a period of more than twelve months as prolonged. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement for this capital participation is removed from other comprehensive income and recognised in the income statement. Unscheduled impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairments are recognised directly in other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar assets) is derecognised if:

- the rights to receive cash flows from the financial asset expire; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Group has transferred all the substantial risks and rewards of the asset, or (b) the Group has neither transferred nor retained all the substantial rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as either (i) financial liabilities measured at fair value through profit or loss, (ii) loans and borrowings or (iii) derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are measured at their fair value on initial recognition. Loans and borrowings are recognised plus directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are liabilities classified as held for trading. Liabilities held for trading are liabilities (i) purchased or incurred principally for short-term sale or buyback, (ii) which at initial recognition are part of a portfolio of clearly identified and jointly managed financial instruments, which in the recent past have verifiably generated short-term trading profits, or (iii) derivatives. Liabilities assigned to this category by a company upon initial recognition in line with other requirements also fall into this category.

The Group's liabilities measured at fair value through profit or loss consist exclusively of liabilities held for trading in the derivatives category. These liabilities are measured at fair value through profit or loss after initial recognition.

Loans and credits

Loans and credits include accounts payable trade and other liabilities, mainly tax liabilities and advance payments received on orders. After initial recording, the loans and credits are valued at amortized cost using the effective interest rate method, unless the discounting effect is insignificant; in this case, the assessment is carried out at fair value. The associated interest expense is recognized in the profit and loss account as “financial expenses”. Income and expenses are recognized when the liabilities are de-recognized and when the effective interest method is applied.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows and consolidated statement of financial position, cash and cash equivalents comprise cash on hand and demand deposits, including term deposits and securities maturing in less than three months.

Equity

An equity instrument is a contract that establishes a residual claim to the assets of a company after deduction of all the related liabilities. Equity instruments are recognised in the amount of the issue proceeds received less directly attributable issuing costs.

Third-party and equity instruments issued by a Group company are classified as financial liabilities or equity according to the economic content of the contractual agreement. For the RIB Group, this classification is of significance in particular when transferring treasury shares in the context of company acquisitions. Taking into account the regulations of IAS 32.21 et. seq., contractual obligations are classified as equity instruments if the Group is obligated to deliver a fixed number of treasury shares in fulfilment of an obligation. If the obligation is to deliver a variable number of treasury shares the amount of which is measured such that the fair value of the Group’s equity instruments to be delivered corresponds to the amount set out in the contractual obligation, the agreement is recognised as a financial liability.

Treasury shares

Treasury shares are not shown as assets, and instead are deducted from equity. This is done by showing the item separately in the amount of total cost (one-line adjustment). The purchase, sale, issuance and redemption of treasury shares is accounted for without effect on profit or loss. The subsequent re-issuance of treasury shares is treated as a new issue of shares. Proceeds from the re-issuance of treasury shares are recorded in the previous cost amount, offsetting the deduction from equity. Any additional proceeds are allocated to capital reserves. If proceeds of the re-issuance are less than the previous cost, capital reserves are reversed proportionately. The Group cannot exercise voting rights on treasury shares. Nor do any dividends accrue on these.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the present value of the provision due to the passage of time is recognised in the income statement.

Income taxes

Income tax expense comprises current and deferred tax. Income tax in connection with items recognised outside profit or loss is also recognised outside profit or loss, either in other comprehensive income or directly in equity.

Actual tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is recognised using the SFP-oriented temporary concept on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability and affects neither the accounting profit nor taxable profit or loss at the time of the transaction; and

- in respect of deferred tax liabilities associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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 deferred tax asset to be utilised. Unrecognised deferred taxes are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Tax rates (and tax laws) are applied that are effective or announced as effective as of the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Revenue, expenses and assets are recognised net of the amount of VAT except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority. In such a case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, or

- receivables and payables that are stated with the amount of VAT included.

The net amount of the value added tax to be refunded by or to be paid to the tax authorities is presented under assets or liabilities in the consolidated statement of financial position.

Revenue realization

The group records revenues from the sale or transfer of goods and the provision of services to customers when it is probable that the economic benefit will flow to the group and if the amount of the revenue can be reliably determined. Revenues from sales are assessed at the fair value of the received consideration or claim received after deduction of price discounts, rebates and charges.

Revenue from the sale of software solutions often includes combinations of the sale of software and the provision of training and maintenance services or other services. If the sales price of a software solution includes an identifiable amount for services not yet rendered, this amount is deferred and recognised as revenue over the period during which the services are rendered. The amount to be deferred is calculated by allocating the transaction price to the identified service obligations in relation to their individual sales prices. If acceptance by the customer is required, revenue is recognised upon customer acceptance or the prior expiry of the acceptance period.

In addition to these basic criteria, there are specific revenue recognition policies for each of the major sales streams, namely, the sale of software, including security and user software and office applications in the form of software licences and software as a service/cloud, the provision of maintenance services, and the provision of consultancy and support services as well as e-commerce.

(a) Sale of software solutions

The Group sells software solutions for customers active in the construction industry. The proceeds result from the licence fees generated from the sale of software to the customer. Revenue is recognised when the price can be reliably measured, provided that all other basic criteria for revenue recognition are satisfied.

(b) Sale of software as a service/cloud

The Group realises revenues with enterprises in the construction industry from the provision of cloud software and related services. These allow customers to use software functions during the licence term, but not to operate the software permanently on their own systems. Revenues from cloud software sales are recognised pro rata over the licence term.

(c) Provision of maintenance services

The Group earns revenue from the provision of maintenance services to customers who have purchased the Group’s software solutions. The Group recognises revenue from the provision of maintenance services pro rata over the term of the maintenance agreements.

(d) Software consultancy and support services

The Group provides consultancy and support services to assist customers with software implementation. These consultancy and support services are typically based on project agreements with customers that prescribe the price structure and timeframe of deliverables. The Group also provides consulting services for the planning and management of construction and infrastructure projects. The Group recognises revenues from software consulting and support services after the services have been rendered.

Any work contracts concluded with customers are recorded applying the percentage of completion method. This is the percentage of accrued contract costs relative to total estimated costs required to complete development. If it becomes likely that total contract costs will exceed total revenues, the expected loss is immediately recorded as an expense.

(e) Sale of merchandise

In the xTWO (e-commerce) segment, the Group generated revenues due to trade in construction materials, in particular for sanitary facilities. These proceeds are recognised after the ordered goods have been delivered. Customers' rights of return are taken into account in that the revenues are reduced by an estimated return ratio based on historical values.

(f) Interest income

Interest income is recognised pro rata temporis using the effective interest rate method.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss as an expense on a systematic basis over the periods necessary to match the grant to the Company's costs that it is intended to compensate.

Foreign currencies

The consolidated financial statements have been prepared in euro (€), the functional and presentation currency of the Group. Each entity in the Group (Group company) determines its own functional currency. In the annual financial statements of the Group companies, transactions in currencies other than the functional currency of the Group company (foreign currency) are translated at the exchange rate valid on the date of the transaction. At the end of the reporting period, monetary items in foreign currency are translated to the functional currency at the exchange rate on the reporting date. Any resulting translation differences are recognised through profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

The functional currencies of some foreign Group companies and associates are currencies other than the euro. As of the end of the financial year, the assets and liabilities of the Group companies are translated to the Company's reporting currency at the exchange rates on the reporting date. Income and expenses are translated at the weighted average exchange rate of the financial year. The resulting translation differences are recognised in other comprehensive income and accumulated in the reserve for exchange differences.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is reclassified in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the fair value of identifiable assets and liabilities are treated as assets and liabilities of the foreign operation and translated at the closing rate. Any resulting translation differences are recognised in other comprehensive income and accumulated in the reserve for exchange differences.

Employee benefits

(a) Pensions and similar obligations
The Group has both defined benefit and defined contribution plans for its employees.

The provisions recognised in the consolidated statement of financial position in respect of defined benefit pension plans are recognised at the present value of the defined benefit obligation at the balance sheet date.

The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality fixed interest-bearing securities/corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that match the terms of the related pension liability. In accordance with IAS 19, “remeasurements” are recognised immediately in other comprehensive income. Remeasurements include all actuarial gains/losses from changes in the obligation. Also included are routine settlements originally provided for in the benefits plan which are different from the projected amounts calculated.

According to IAS 19, the “remeasurements” item consists of:

- actuarial gains/losses, plus
- the portion of actual returns on plan assets exceeding the assumed interest rate of the plan assets, plus
- the change in an asset ceiling, to the extent different from the assumed interest rate.

Under the rules of IAS 19, the defined benefit expense in profit or loss is broken down into (i) service cost and (ii) net financing expense or income.

Service cost here includes current service cost, i.e. the cost of new benefits accruing in the reporting period, all plan changes affecting past service cost and all plan curtailment effects (curtailments).

The term ‚plan curtailments’ per IAS 19 means reductions in the number of plan participants. Also included in service cost are gains/losses from settlements which were not provided for in the plan or assumptions.

Net interest is calculated by applying the discounting interest rate used for measuring the pension obligation to the carrying value (generally the difference between obligation and plan assets), adjusted for payments made during the year.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a refund or a reduction in the future payments is available.

(b) Other post-employment benefits

These post-employment benefits concern defined benefit plans according to which employees receive fixed-rate compensation payments after the end of the employment relationship. The amount of the compensation payments depends on the length of service, as well as on whether the employment relationship was terminated by the employee or the employer.

A reserve is recognised for obligations from defined benefit plans as soon as the employee is granted an entitlement from which the Group cannot then withdraw. Measurement of the obligations is based on short-term fulfilment. The reserves are therefore recognised in the amount of the estimated cash outflows not discounted. The change in reserves recorded during the reporting period was fully recognised as service cost.

c) Other non-current employee benefits

Other non-current employees benefits relate to severance obligations as a part of employee dismissals or redundancies and exits. The amount of the obligation depends on the duration of the employment relationship and after a three-year service period amounts to two months' salary, after a five-year service period three months' salary up to a maximum 12 months' salary for 25 years of service. The payment is due immediately upon termination of the employment relationship in the amount of a maximum of three months' salary. Any further employee claims, i.e. from the fourth months' salary, is payable in monthly instalments from the first day of the fourth month after the end of the employment relationship.

The severance obligations were measured on the basis of actuarial methods using the PUC method (projected unit credit method). The respective age of the employee, the remaining service period, the commencement date and the amount of the salary were taken into account as the basic parameters in the measurement.

Reinsurance policies were concluded for covering the severance obligations. The resulting claims are measured at the repurchase of value as of the closing date. If insurance policies are pledged in favour of the beneficiaries, the obligations are offset against the claims.

(d) Employee leave entitlements

Employee leave entitlements are recognised in the period they accrue to employees. A leave provision is recognised for the estimated liability for leave accrued but not taken by employees up to the end of the financial year.

(e) Share-based remuneration

Share-based remuneration includes remuneration plans paid out in cash as well as remuneration plans paid out with equity instruments. The fair value for both types of remuneration plans is determined on the day the remuneration is granted using a Monte Carlo simulation. A revaluation of the fair value for remuneration plans paid out with equity instruments does not take place in the subsequent periods. The value of the share-based remuneration paid out with equity instruments on issue is recognised with a corresponding increase in the capital reserve through profit and loss as a personnel expense over the period in which the entitlement of the employee to the rights vests. The amount recognised as an expense is adjusted to reflect the actual number of equity instruments that can ultimately be exercised by the employees.

We create provisions for share-based remuneration serviced by cash payments and not shares. The amount of the provision reflects the accrued portion of the fair value of the respective rights as of the reporting date. We recognise personnel expenses over the period in which the employees performed the relevant services (vesting period). The provision is adjusted accordingly. Share-based remuneration paid out in cash is measured at the current fair value until its servicing as of the respective balance sheet date. We recognise each change to the fair value of the provision in personnel expenses through profit or loss. The amount of personnel expenses for unvested purchase rights from remuneration paid out in cash not yet recognised through profit or loss is in line with the intrinsic value of the purchase rights as of the date of exercise. As the amount depends on future changes in the share price, it cannot be reliably forecast.

Please see **note (30)** for further details on our share-based remuneration.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders and announced at the Annual General Meeting.

5. SIGNIFICANT DISCRETIONARY JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial reporting requires the Executive Board to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, the inherent uncertainty about these assumptions and estimates could result in outcomes that may require a material future adjustment to the carrying amounts of the assets and liabilities affected.

Discretionary judgements

In the process of applying the Group's accounting policies, the Executive Board has made the following discretionary judgements which, besides the determination of estimates, had a significant effect on the amounts recognised:

Capitalised development costs

The Executive Board uses its judgement when deciding whether the capitalisation requirements for development costs have been satisfied. This is necessary as the future economic success of any product development is uncertain and it is not possible to preclude the occurrence of technical problems in the future at the time of capitalisation. Judgement is exercised based on the best information available at the time of preparing the consolidated financial statements. In addition, all internal activities related to the research and development of new products are continuously monitored by the Executive Board.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming financial years are discussed below:

(a) Accounting for business combinations

The initial measurement of assets and liabilities recognised in the context of initial consolidations as well as the subsequent measurement are largely based on estimated amounts derived from assumptions regarding uncertain future developments.

Discretionary judgements are made here in particular in the measurement of intangible assets, such as customer relationships or purchased technologies, that are identified and recognised for the first time in the context of accounting for the company acquisitions. The fair values of these assets are generally determined using procedures based on net present value. Future cash flow is forecast and discounted at appropriate interest rates as of the measurement date in the context of the measurement. If the actual future development differs from the expectations and assumptions underlying the measurement, charges to the income statement due to depreciation may arise.

(b) Impairment of non-financial assets
The Group tests goodwill and internally created software that is not yet ready for use for impairment once a year. Other non-financial assets are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The calculation of these amounts is based on discretionary judgements and estimates. We refer to **note (16)** for details of key assumptions and estimates used in testing goodwill for impairment.

The Executive Board must exercise judgement with regard to the impairment of assets particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may no longer be recoverable; (ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and the value in use which is estimated based upon the continued use of the asset in the business; and (iii) whether the appropriate key assumptions were applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by the Executive Board in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and, as a result, affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to make an impairment charge to the income statement.

(c) Impairment of receivables
Impairment losses are charged on receivables based on an assessment of their recoverability. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful receivables is made when the collection of the full amount invoiced is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Uncollectable receivables are written off through profit or loss. Where the actual outcome or expectation in the future is different from the original estimates, such differences may affect the carrying amount of receivables and thus the impairment loss in the financial year in which such estimates are changed.

(d) Measurement of derivative financial liabilities from company acquisitions
As the amount of the consideration depends on what will happen in the future, the valuation of the fair value of derivative financial liabilities is inextricably linked to discretionary judgements and estimation uncertainties. Please refer to the explanations in **notes (38)** and (**43)** regarding measurement.

(e) Income tax
The Group is subject to income taxes in various jurisdictions. Determining the income tax expense arising during the reporting period requires taking into account international tax regulations and includes significant discretionary judgements. There are many transactions and calculations for which the final tax determination is uncertain. The Group recognises liabilities on the basis of an estimation whether tax payments are expected after evaluating the respective tax administrations and finance courts. If the prospective final tax expense diverges from the calculated amounts that were initially recorded, such differences will impact the tax expense and tax provisions or tax refunds in the periods concerned.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the Executive Board considers it to be probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. If the actual results are different from the original estimates, such differences will impact the recognition of deferred tax assets and tax expense in the period in which such estimates have been changed.

(f) Revenue and income realization

When recording revenue from contracts with customers and - in individual cases - from other income from the group‘s services, it is necessary to determine the respective transaction price and to divide it into the individual service obligations. Discretionary decisions are to be made both in the determination of the transaction price and in its allocation. This concerns in particular, cases in which the transaction price is to be estimated because variable consideration has been agreed. Such circumstances arise in the case of the sale of software licenses in individual cases where the group is contractually obliged to deliver a certain number of licenses, but also grants the customer the right, under certain conditions, to obtain additional licenses or services free of charge or with a discount. In such cases, the transaction price is estimated using the expected value method or the most probable amount method. In this decision, we choose the approach by which the group‘s consideration is most reliably estimated.

The impact on the profit and loss income statement of future periods may result in this context, in particular, as a result of the sale of software licenses to the joint venture company YTWO during the reporting year. In addition to the contractually agreed number of software licenses, the group has undertaken to provide additional licenses free of charge under certain conditions. The total number of licenses to be delivered was estimated according to the expected value method to determine the transaction price per license on that basis. This transaction price was taken as the basis for the income realization of the licenses delivered by the balance sheet date. If the actual events or future expectations deviate from the original estimates, these differences may affect the book values of the revenue depreciation item, and thus affect the profit or loss account in the fiscal year in which the estimate is changed.

6. CHANGES TO THE CONSOLIDATED GROUP

As of 31 December 2016, the consolidated financial statements of 31 December 2015, also includes the following companies, which were established in the reporting year:

- RIB Software DMCC - Dubai, UAE
- TWO.ex Limited, Hong Kong
- CTWO Limited, Hong Kong
- 5D BIM Prodigy Technology Inc., Philippines
- Guangzhou Prodigy 5D Company Limited, China

In addition, in the reporting year, additional shares were acquired in the associated company, 3D Prodigy Pte Ltd., Singapore, which was included in the consolidated financial statements in the previous year. As of the balance sheet date, the group held 51% of the shares in the 3D Prodigy. The RIB DMCC was included in the consolidated financial statements for the first time in accordance with the full consolidation method. The companies of TWO.ex, CTWO, 5D BIM, GZ Prodigy 5D and the 3D Prodigy were of minor significance for the reporting period of the RIB group's assets, financial and earnings position and cash flows and were therefore not included in the consolidated financial statements.

In the reporting year, the group acquired 50% of the shares of the newly established joint venture company YTWO Limited, Cayman Islands. In addition, the joint venture iTWO 5D Tec GmbH, Giessen, was founded, in which the group also holds 50% of the shares. In addition, the group acquired 25% of the shares in the associated company Exactal group Limited, Hong Kong.

The joint ventures and associated companies were included in the consolidated financial statements for the first time using the equity method. For further explanations on the investments accounted for using the equity method and the resulting impact on the consolidated financial statements, please refer to **note (19)**.

With regard to the group's shareholdings in companies that were already included in the consolidated financial statements as of 31 December 2015, the following changes occurred during the reporting period compared to the previous year:

- The group's stake in xTWO GmbH, Hungen, was boosted from 75% to 100%. In addition, the group has acquired a further 20% interest in RIB Cosinus GmbH, Freiburg, and then holds 100% of the shares. For additional explanations on these acquisitions, please refer to **note (38)**.

- In the reporting year, RIB SAA Software Engineering GmbH, Vienna/Austria, acquired a further 26% share in i-PBS Production Business Solutions GmbH, Vienna, Austria, and holds 100% of the shares. The transaction is of minor significance for the consolidated financial statements and only leads to a shift between the non-controlling shares and the reserves attributable to the shareholders of the parent company within the group's equity capital.

- RIB Research & Development AG, Stuttgart, was renamed RIB iTWOcity AG in the reporting period. In addition, Guangzhou TWO Consulting Company Limited, Guangzhou / People's Republic of China, was dissolved and deleted in the relevant company register.

Concerning the companies included in the consolidated financial statements, refer to the information on share ownership in **note (47)**.

By contract dated 23 December 2016, the group sold all shares in MAC International Company Limited (MAC International), Hong Kong/People's Republic of China, including the shares held by MAC International in the subsidiaries MAC II Limited, Hong Kong/People's Republic of China, MAC (Guangdong) Industrial Company Limited, Foshan/People's Republic of China, and MAC Europe GmbH, Hungen. The purchase price amounts to 2,879 thousand €. The companies were therefore de-consolidated. For reasons of simplification, de-consolidation was based on the value ratios as at 30 November 2016. The transactions between 30 November and 23 December 2016 were of minor significance. Furthermore, there were no material changes in the value ratios during this period.

The value ratios as of 30 November 2016 are as follows:

Figures in € thousand	Carrying amount 30 Nov 2016
Goodwill	268
Property, plant and equipment	29
Trade receivables	29
Cash and cash equivalents	2,989
	3,315
Liabilities from goods and services	73
Net assets	**3,242**
Purchase price in cash or other monetary assets	2,879
Disposal of cash and cash equivalents	2,989
Net outflows of cash and cash equivalent	-110

The purchase price in the amount of € 2,879 thousand was not yet paid as of 31 December 2016 and is therefore reported under other assets. The sale of the shares in MAC International and its subsidiaries resulted in a loss of a total of € 250 thousand. The loss results from an expense from the de-consolidation of € 362 thousand, reported under other operating expenses as well as income from the reclassification of profits previously recognized in other group result of € 112 thousand, reported under other operating income.

7. SEGMENT REPORTING

For internal management purposes, the group is organized according to its products and services in business units.

The group reports the following segments:

1. The iTWO reporting segment comprises the following business segments:

   - License/Software, which focuses on the sale of software solutions for installation on the customer's hardware, as well as on maintenance and support services for customers who purchased software solutions from the group;

   - Software as a Service (SaaS)/Cloud, which includes our solution offers in the areas of online platforms for tendering and distribution services, project collaboration, new web services and iTWO Success; and

   - Consulting, which includes consultancy and support services to assist customers in the implementation of software and consultancy services related to the planning and control of construction and infrastructure projects.

2. The group participated in the YTWO joint venture during the reporting year. In addition to the previous activities in the xTWO reporting segment, the participation in the joint venture is an independent business segment. The xTWO report segment stands for digital platforms and comprises the following business segments:

   - xTWO (e-commerce), which focuses on the operation of web shops and other activities related to the e-commerce sector.

   - YTWO (SCM), which will provide customers with the iTWO 4.0 technology on the YTWO platform in the future to bundle the model-based planning and execution of construction projects with the provision of a comprehensive supply chain management (SCM), thus offering a solution to procurement processes of building materials just-in-time.

The management board monitors the results of the group's operating segments both for the decision on resource allocation as well as for performance appraisal. The performance of a segment is assessed on the basis of segment profits and segment results.

The revenues shown are primarily sales revenues with external customers. Other operating income in the iTWO reporting segment includes income from the sale of software licenses to the joint venture company YTWO in the amount of € 7,653 thousand. This amount is calculated on the basis of the elimination of the net profit accruing to the group in accordance with IAS 28.28. There were no other reportable transactions between the segments.

The accounting and valuation methods of the reporting segments correspond to the group accounting principles described in **note (4)**.

The following table shows the revenues and results of the group‘s reporting and business segments:

2016

Figures in € thousand	iTWO	xTWO	Total
Revenue, external	**91,241**	**6,643**	**97,884**
Licence/software	56,003	-	56,003
SaaS/Cloud	12,506	-	12,506
Consulting	22,732	-	22,732
xTWO (e-commerce)	-	6,643	6,643
Production costs	**-36,447**	**-6,476**	**-42,923**
Licence/software	-17,582	-	-17,582
SaaS/Cloud	-1,832	-	-1,832
Consulting	-17,033	-	-17,033
xTWO (e-commerce)	-	-6,476	-6,476
Research and development expenses	**-11,729**	**-63**	**-11,792**
Licence/software	-8,220	-	-8,220
SaaS/Cloud	-3,509	-	-3,509
Consulting	-	-	-
xTWO (e-commerce)	-	-63	-63
Distribution and marketing costs	**-16,894**	**-1,468**	**-18,362**
General administrative expenses	**-8,778**	**-872**	**-9,650**
Other operating income und expenses	**7,648**	**191**	**7,839**
EBIT segment	**25,041**	**-2,045**	**22,996**
Financial result			-62
thereof profit shares from investments accounted for using the equity method	54	-54	0
Income taxes			-8,507
Consolidated net profit for the year			**14,427**
EBITDA segment	**34,625**	**-1,932**	**32,693**
EBITDA-margin	37.9%	-29.1%	33.4%
Other segment information:			
Segment amortisation and adjustments	**-9,584**	**-113**	**-9,697**
Carrying amount of participation in the joint venture YTWO accounted for using the equity method	**-**	**49,170**	**49,170**

2015

Figures in € thousand	iTWO	xTWO	Total
Revenue, external	**75,909**	**6,170**	**82,079**
Licence/software	43,934	-	43,934
SaaS/Cloud	11,987	-	11,987
Consulting	19,988	-	19,988
xTWO (e-commerce)	-	6,170	6,170
Production costs	**-31,709**	**-5,796**	**-37,505**
Licence/software	-14,673	-	-14,673
SaaS/Cloud	-828	-	-828
Consulting	-16,208	-	-16,208
xTWO (e-commerce)	-	-5,796	-5,796
Research and development expenses	**-7,941**	**-14**	**-7,955**
Licence/software	-5,477	-	-5,477
SaaS/Cloud	-2,464	-	-2,464
Consulting	-	-	-
xTWO (e-commerce)	-	-14	-14
Distribution and marketing costs	**-15,635**	**-919**	**-16,554**
General administrative expenses	**-7,705**	**-775**	**-8,480**
Other operating income und expenses	**4,820**	**76**	**4,896**
EBIT segment	**17,739**	**-1,258**	**16,481**
Financial result			4
thereof profit shares from investments accounted for using the equity method	-9	-	-9
Income taxes			-5,949
Consolidated net profit for the year			**10,536**
EBITDA segment	**26,191**	**-1,195**	**24,996**
EBITDA-margin	34.5%	-19.4%	30.5%
Other segment information:			
Segment amortisation and depreciation	**-8,452**	**-63**	**-8,515**

The Executive Board as the chief operating decision-maker does not request submission of any regular details of segment assets and segment liabilities.

Geographic information

The Company is domiciled in Germany. The Group's revenue from external customers according to regions (based on the customer locations) for the financial years presented and the total of non-current assets as of the end of each of the financial years presented are analysed in the following:

Figures in € thousand	2016	2015
Germany	50,967	43,488
EMEA (Europe, Middle East and Africa)	27,827	18,235
Asia Pacific	4,356	5,135
North America	14,734	15,221
Total revenue	**97,884**	**82,079**

The non-current assets divided according to regions are as follows:

Figures in € thousand	31 December 2016	31 December 2016
Germany	58,996	48,389
EMEA	34,107	36,247
Asia Pacific	82,425	30,366
North America	17,830	18,065
Total	**193,358**	**133,067**

Information on important customers

No individual customer accounts for more than 10% of the Group's total revenue during the reporting period.

8. REVENUE

Revenue breaks down as follows:

Figures in € thousand	2016	2015
Software licences	28,856	20,108
Software as a service/cloud	12,506	11,987
Total software licences and software as a service/cloud	**41,362**	**32,095**
Maintenance	27,147	23,826
Consulting	22,732	19,988
e-commerce	6,643	6,170
Total revenue	**97,884**	**82,079**

The total software revenue (licence revenue incl. software as a service/cloud) is subdivided as follows:

Figures in € thousand	2016	2015
iTWO key account	11,121	6,397
iTWO mass market	11,431	9,829
SaaS/Cloud	12,506	11,987
Other product lines	6,304	3,882
Total software licences and software as a service/cloud	**41,362**	**32,095**

9. THE PRODUCTION COSTS OF SERVICES FOR REVENUE GENERATION

Production costs of services for revenue generation mainly includes cost of purchased goods, personnel expenses and non-personnel expenses of the support and consulting business units as well as depreciation of self-created software and purchased technology. The write-downs on self-created software amount to € 4,548 thousand (previous year: € 4,295 thousand) in the reporting year. The write-downs on purchased technology amount to € 2,266 thousand (previous year: € 1,836 thousand) in the reporting year.

10. OTHER OPERATING INCOME

Other operating income breaks down as follows:

Figures in € thousand	2016	2015
Income from purchase price liabilities adjustments	137	550
Income from the reclassification of profits previously recognised in other income	112	0
Income from the release of provisions and liability accruals	193	267
Grant income in respect of research and development work*	96	106
Exchange rate gains	586	4,421
Income from the software delivery to YTWO	7,653	0
Other	759	722
Total	**9,536**	**6,066**

* The amount represents subsidies granted by the European Union for financing research and development projects. There are no unfulfilled contractual conditions or contingent liabilities relating to these subsidies.

11. OTHER OPERATING EXPENSES

The other operating expenses break down as follows:

Figures in € thousand	2016	2015
Foreign exchange expenses arising from cash and cash equivalents	1,004	580
Expenses from purchase price liabilities adjustments	0	341
Expenses from the deconsolidation of fully consolidated companies to date	362	0
Other	331	249
Total	**1,697**	**1,170**

12. OTHER FINANCIAL INFORMATION

Figures in € thousand	2016	2015
Personnel expenses:		
Wages and salaries	39,448	34,964
Social security and pension costs	6,759	6,022
Total	**46,207**	**40,986**
Minimum lease payments under operating leases:		
Office buildings	2,475	2,357
Equipment	688	740
Total	**3,163**	**3,097**
Scheduled Amortisation and depreciation:		
of intangible assets	8,457	7,592
of property, plant and equipment	1,007	772
of investment property	144	151
Total	**9,608**	**8,515**
Disclosure of the amortisation and depreciation of intangible assets in the income statement:		
The production costs of services for revenue generation	6,820	6,133
General administrative expenses	38	47
Marketing and distribution costs	1,571	1,379
Research and development expenses	28	33
Total	**8,457**	**7,592**
Product warranty provision:		
Additional provision	232	127
Unused amounts reversed	19	11
Total research and development expenses		
Research and development expenses	18,843	16,962

Explanations of the cash flow statement - non-cash transactions

By contract dated 23 December 2016, the group sold all shares in MAC International Company Limited (MAC International) and its subsidiaries. The purchase price is approx. € 2.9 million and was not yet paid as of 31 December 2016.

In addition, at the end of the reporting year, RIB AG acquired its business premises, which it had hitherto rented, at its headquarters in Stuttgart for a purchase price including an acquisition cost of € 8.5 million. Of this amount, a partial amount of € 8.1 million was paid in 2016. The investment was financed with a partial amount of € 6.0 million by taking up a bank loan. However, the loan was only paid out at the beginning of January 2017 so that the bank financing as of the balance sheet date had no effect on cash flows or financial resources.

13. FINANCE INCOME AND COSTS

Finance income and costs break down as follows:

Figures in € thousand	2016	2015
Finance income:		
Bank interest income	177	108
Income from interest compounding of receivables measured using the effective interest method	122	129
Other	85	0
Total	**384**	**237**
Finance costs:		
Payments made to non-controlling shareholders	-200	-60
Accumulated interest on financial liabilities	-65	-35
Other	-181	-129
Total	**-446**	**-224**

14. INCOME TAXES

The parent company RIB Software AG is subject to German corporate income tax including solidarity surcharge and trade tax. The applicable tax rates for the Company were unchanged compared to the previous year at 30.53%.

The provision for income tax for the Group's subsidiaries is based on the respective tax rates applicable to them as determined in accordance with the relevant income tax rules and regulations for the countries in which they are domiciled during the periods presented.

The major components of the income tax expense break down as follows:

Figures in € thousand	2016	2015
Actual income tax	10,449	5,896
Deferred income tax	-1,942	53
Total tax expense	**8,507**	**5,949**

A reconciliation of the expected tax expense arising from the profit before tax multiplied by the income tax rate of the parent company of 30.53% (previous year: 30.53%) and the income tax expense according to the income statement is provided in the following:

Figures in € thousand	2016	2015
Profit before tax	**22,934**	**16,485**
Expected tax expense	7,002	5,033
Non-deductible expenses and tax-exempt income	307	51
Tax profits/losses for which no deferred taxes were/are recognised	85	704
First-time capitalisation of tax loss carryforwards	0	-90
Change in the ability to realise deferred tax assets	0	-141
Differences in tax rate for foreign subsidiaries	-713	325
Tax effect from at equity-valuation	1,262	0
Taxes relating to other reporting periods	401	17
Other	163	50
Tax expense according to income statement	**8,507**	**5,949**

15. EARNINGS PER SHARE – BASIC AND DILUTED

Earnings per share are calculated on the basis of the profit share of the shareholders in RIB Software AG as shown in the following table:

Figures in € thousand	2016	2015
Profit share of the shareholders of RIB Software AG – diluted and basic	14,560	10,579

Figures in thousand shares	2016	2015
Weighted average of shares in circulation - basic	45,256	43,366
Dilution effect	473	335
Weighted average of shares in circulation - diluted	45,729	43,701

The average market value of the Company's shares used to calculate the dilution effect of existing share options is based on the listed market prices for the period in which the options were in circulation.

16. GOODWILL

For the purposes of impairment testing, we allocate goodwill acquired in the event of a business combination to cash-generating units or groups of cash-generating units from the takeover date. The following overview shows how the carrying amount of the goodwill was allocated to the business segments, or, in the case of allocation to lower levels, to the cash-generating units or groups of cash generating units:

Figures in € thousand	31 December 2016	31 December 2015
Licence/software business segment	*43,730*	*43,307*
SaaS/Cloud business segment	*12,770*	*12,851*
Consulting business segment	*5,815*	*5,749*
iTWO reporting segment	**62,315**	**61,907**
YTWO (SCM) business segment	*-*	*-*
xTWO (e-commerce) business segment	*689*	*689*
xTWO reporting segment	**689**	**689**
GZ TWO development entity	**3,268**	**3,388**
Arriba Finance	**894**	**894**
Total	**67,166**	**66,878**

Goodwill was allocated on the basis of the respective business activities of the acquired companies, the related strategic objectives of the group and taking into account the expected benefits for the segments of the group. The development of goodwill in the reporting year is shown in **note (17)**. As part of the de-consolidation of MAC International (see **note 6**), goodwill in the reporting year was € 268 thousand. The disposal relates to the business segment SaaS/Cloud. The other changes in book values are due to currency adjustments of the goodwill in the local currency of the acquired companies. The xTWO reporting segment was split up into the business segments YTWO (SCM) and xTWO (e-commerce) in the reporting period due to the group‘s participation in the joint venture YTWO.

Impairment testing of goodwill

The recoverable amounts of the cash-generating units were determined as their use values. For the business segments license/software, SaaS/Cloud and consulting, cash flow plans were used for a five-year detailed planning period on the basis of the financial planning, after which a growth rate of 1% was earmarked for an eternal pension. In the business segment xTWO (e-commerce), a five-year detailed planning period was also used to determine the achievable income in the cash flow planning. There is no growth rate in the eternal pension. No goodwill was allocated to the business segment YTWO (SCM).

In the case of the GZ TWO development entity, cash flow projections based on financial budgets were used, covering a four-year period. No sustained growth is assumed in the perpetual annuity.

The product iTWO Finance was placed on the market in the 2014 financial year, and will replace Arriba Finance in the medium term. This was taken into account in determining the recoverable amount, and cash flow projections were used for the remaining marketing period. No perpetual annuity was considered.

The discount rates applied to the cash flow projections are as follows:

Figures in %	2016	2015
Licence/software business segment	6.86	8.08
SaaS/Cloud business segment	7.57	8.70
Consulting business segment	7.37	8.31
xTWO (e-commerce) reporting segment	6.23	7.94
GZ TWO development entity	8.11	8.80
Arriba Finance	21.53	22.52

Below is a description of each key assumption on which the Executive Board has based its cash flow projections to undertake impairment testing of goodwill:

Revenue and expenses

The sales forecast in the license/software segment includes the revenues generated by the sale of the licenses and support of the products. Excluding a detailed revenue and expense planning for the 2017 financial year, the license/software business segment generates annual revenue growth in a range of approx. 5% to approx. 10% over the detailed planning period.

The sales forecast in the SaaS/Cloud business segment contains significant parts of the RIB CADX sales as well as a large portion of RIB A/S's sales. The planned sales of the product lines iTWO tx, iTWO cx and iTWO 4.0 are mainly included here. The planned segment sales includes the revenues generated by the use and maintenance of the cloud solutions. Excluding a detailed revenue and expense planning for fiscal year 2017, the SaaS/Cloud business segment generates annual revenue growth in a range of approx. 4% to approx. 23% over the detailed planning period. The product generation iTWO 4.0 has been marketed since December 2016. With a growth rate of 4%, the planned sales in 2017 contains the expected revenue from the new product generation. In the following years growth rates are expected to increase after the start-up phase in 2017.

The sales forecast in the consulting business segment contains revenues from the provision of training and consulting services. Starting from a detailed planning for the 2017 financial year, the consulting department will generate an annual growth in sales of approx. 1% to approx. 3% over the planning period.

The sales forecast for the xTWO (e-commerce) business segment includes the sales of the company xTWO acquired in the 2014 financial year. The segment sales includes revenues generated by the online platform xTWOstore from the sale of building materials. Excluding a detailed revenue and expense planning for fiscal year 2017, the business segment xTWO (e-commerce) is expected to generate annual sales growth in a range of approx. 7% to approx. 25% over the planning period.

For the GZ TWO development entity, the revenue from the development man-days rendered was calculated by multiplying the budgeted capacity in man-days by the daily rate expected in the future.

Due to the replacement of Arriba Finance with iTWO finance, the cash flow projections were made for a restricted period of eight years. This period was estimated based on experience gained from replacing other products in the Arriba division with iTWO. The revenue projections surrounding Arriba Finance include revenues from the sale of licences and maintenance and the provision of training and consulting services. Starting from a detailed budget for the 2017 financial year, an annual decrease in licence and consulting revenues is planned up until the phase-out of the product, as is a subsequent decrease in maintenance revenues.

In all areas, cost of materials and third-party services projections were matched to revenue growth. Personnel expenses and non-personnel expenses are likewise aligned to revenue growth. Capital expenditures, development costs and other operating expenses are projected based on historical data and the Executive Board's experience. They were supplemented by effects resulting from company acquisitions. The segment-specific manifestations in the cost structure were taken into account.

The planning of the segments takes into account the Group's strategy – achieving above-average growth with new, innovative products and tapping into new market segments and winning new customers. The assumptions of revenue growth in the above-mentioned segments reflect past values and a planned expansion of the sales market that can be addressed.

In our view, no realistic change to the above-mentioned significant assumptions and estimates will result in the carrying amounts of the segments exceeding the respective recoverable amounts.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant units.

17. DEVELOPMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY IN THE 2016 FINANCIAL YEAR

	Acquisition or manufacturing costs					
Figures in € thousand	As of 01 January 2016	Additions	Disposals	Reclassifications	Currency adjustments	As of 31 December 2016
1. Goodwill	**75,175**	**0**	**268**	**0**	**556**	**75,463**
2. Other intangible assets						
a) Self-created software	56,410	7,050	0	0	0	63,460
b) Customer relationships	11,898	0	0	0	28	11,926
c) Purchased technology	12,381	0	0	0	49	12,430
d) Purchased software	1,026	193	37	29	-8	1,203
e) Other	47	8	0	-29	0	26
	81,762	**7,251**	**37**	**0**	**69**	**89,045**
3. Property, plant and equipment						
a) Land and buildings	5,950	8,462	0	349	-156	14,605
b) Furniture and fixtures	4,456	1,321	73	0	-28	5,676
	10,406	**9,783**	**73**	**349**	**-184**	**20,281**
4. Investment properties	**6,316**	**0**	**0**	**-349**	**-246**	**5,721**

17. DEVELOPMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY IN THE 2015 FINANCIAL YEAR

	Acquisition or manufacturing costs					
Figures in € thousand	As of 01 January 2015	Additions from initial consolidation	Additions	Currency adjustments	Disposals	As of 31 December 2015
1. Goodwill	**61,248**	**12,279**	**0**	**1,648**	**0**	**75,175**
2. Other intangible assets						
a) Self-created software	47,403	0	9,007	0	0	56,410
b) Customer relationships	10,157	1,483	0	258	0	11,898
c) Purchased technology	9,256	3,045	0	80	0	12,381
d) Purchased software	638	8	381	-1	0	1,026
e) Other	18	0	29	0	0	47
	67,472	**4,536**	**9,417**	**337**	**0**	**81,762**
3. Property, plant and equipment						
a) Land and buildings	5,549	22	24	355	0	5,950
b) Furniture and fixtures	3,711	93	622	89	59	4,456
	9,260	**115**	**646**	**444**	**59**	**10,406**
4. Investment properties	**5,928**	**0**	**0**	**388**	**0**	**6,316**

Amortisation and depreciation (cumulative)							Carrying amounts	
As of 01 January 2016	Additions	Impairment losses	Disposals	Reclassifications	Currency adjustments	As of 31 December 2016	As of 31 December 2016	As of 31 December 2015
8,297	**0**	**0**	**0**	**0**	**0**	**8,297**	**67,166**	**66,878**
22,095	4,548	0	0	0	0	26,643	36,817	34,315
3,227	1,447	0	0	0	6	4,680	7,246	8,671
4,575	2,266	0	0	0	0	6,841	5,589	7,806
590	196	89	5	0	-12	858	345	436
18	0	0	0	0	0	18	8	29
30,505	**8,457**	**89**	**5**	**0**	**-6**	**39,040**	**50,005**	**51,257**
332	167	0	0	42	-17	524	14,081	5,618
2,875	840	0	73	0	-70	3,572	2,104	1,581
3,207	**1,007**	**0**	**73**	**42**	**-87**	**4,096**	**16,185**	**7,199**
347	**144**	**0**	**0**	**-42**	**0**	**449**	**5,272**	**5,969**

Amortisation and depreciation (cumulative)					Carrying amounts	
As of 01 January 2015	Additions	Currency adjustments	Disposals	As of 31 December 2015	As of 31 December 2015	As of 31 December 2014
8,297	**0**	**0**	**0**	**8,297**	**66,878**	**52,951**
17,800	4,295	0	0	22,095	34,315	29,603
1,870	1,343	14	0	3,227	8,671	8,287
2,739	1,836	0	0	4,575	7,806	6,517
470	118	2	0	590	436	168
18	0	0	0	18	29	0
22,897	**7,592**	**16**	**0**	**30,505**	**51,257**	**44,575**
183	136	13	0	332	5,618	5,366
2,241	636	34	36	2,875	1,581	1,470
2,424	**772**	**47**	**36**	**3,207**	**7,199**	**6,836**
196	**151**	**0**	**0**	**347**	**5,969**	**5,732**

18. OTHER INTANGIBLE ASSETS

A. Self-made software

The self-made software iTWO 5D and iTWO 4.0 is essential for the group. iTWO 5D is a fully integrated software solution for digital planning and building (ERP 5D). The iTWO 4.0 solution, which has been developed from scratch, stands for the digitization of the entire value-added chain of a construction project by networking virtual and real building on the model "industry 4.0". Please also refer to **sections A.5.1** and **A.5.2** of the group management report.

Of the carrying amount for the self-created software of € 36,817 thousand (previous year: € 34,315 thousand), the following amounts are attributable to iTWO 5D/iTWO 4.0:

Figures in € thousand unless otherwise indicated	31 Dec 2016	iTWO 5D	iTWO 4.0	Others	31 Dec 2015	iTWO 5D	iTWO 4.0	Others
Carrying amount	36,817	18,370	9,401	9,046	34,315	19,161	6,342	8,812
of which uncompleted portion at the reporting date	1,466	426	365	675	8,283	1,149	6,342	792
Remaining amortisation period of the modules completed by the reporting date	5 to 10 years				6 to 10 years			

The uncompleted portion involves newly developed additional modules, which will not be completed, marketed and amortised until subsequent years.

B. Purchased software

In the reporting year, a depreciation loss of € 89 thousand was recorded for an acquired web shop software, as this will not be of any further benefit to the group in the future.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Figures in € thousand	Notes	31 Dec 2016	31 Dec 2015
Shares in a joint venture	(A)	49,170	-
Shares in associated companies	(B)	2,996	88
Total		**52,166**	**88**

A. Joint ventures

The company has jointly established Flextronics International Ltd., Singapore (hereinafter referred to as Flex), the joint venture company YTWO Limited, Cayman Islands, with a contract dated 11 September 2016. The two partner companies each hold a 50% share in the non-listed joint venture and exercise joint management.

YTWO was founded by the group and Flex within the framework of a strategic partnership for the construction and operation of a Supply Chain Management (SCM) platform for the construction industry. YTWO's business model is based on the idea of organizing cost-optimized procurement of building materials for its customers and collecting a transaction fee dependent on the procurement volume for it. The group has classified YTWO as a joint venture and is accounted for according to the equity method.

This is followed by a reconciliation of YTWO‘s consolidated financial information to the book value of the group‘s share.

Figures in € thousand	31 Dec 2016	31 Dec 2015
Assets and liabilities of the joint venture		
Short-term assets*	78,542	-
Long-term assets	38,006	-
Short-term liabilities**	-2,903	-
Long-term liabilities	-	-
Equity (100%)	**113,645**	**-**
Thereof attributable to the group (50%)	56,823	-
Elimination of unrealized profits from “downstream sales”	-7,653	-
Carrying amount of the invesmtment in the joint venture	**49,170**	**-**

* Includes cash and cash equivalents of € 78,535 thousand.

** Contains short-term financial liabilities (with the exception of trade payables as well as other liabilities and provisions) of € 2,890 thousand.

Figures in € thousand	2016	2015
Revenues	-	-
Comprehensive income (100%)* **	**-107**	**-**
Thereof attributable to the group (50%)	-54	**-**

*** This includes previously unessential depreciation and interest expenses.

Obligations from joint venture

There is an agreement between the partners, according to which Flex has a right of return with respect to its share of YTWO, which can be exercised, provided that no contractually defined target is achieved by 01 February 2018 in connection with the operation of the platform. The exercise of the right of termination by Flex may, under certain conditions, lead to the creation of payment obligations for the group.

B. Associated companies

By contract dated 14 November 2016/28 November 2016, the group acquired 25% of the shares of Exactal group Limited, Hong Kong. The group is a strategic investment with the aim of promoting and creating synergy effects. The Exactal group develops and distributes software for the planning, surveying and cost calculation of construction projects. The share is accounted for using the equity method.

This is followed by a reconciliation of Exactal Group's consolidated financial information to the book value of the group's share.

Figures in € thousand	31 Dec 2016	31 Dec 2015
Assets and liabilities of the associated company		
Short-term assets	2,861	2,877
Long-term assets	377	205
Short-term liabilities	-2,245	-2,105
Long-term liabilities	-55	-66
Equity (100%)	**938**	**911**
Thereof attributable to the group (50%)	234	-
Acquired goodwill recognized on acquisition	2,127	-
Hidden reserves in other assets recognized on acquisition	538	-
Depreciation on hidden reserves	-7	-
Carrying amount of the invesmtment in the associated company	**2,892**	**-**

Figures in € thousand	2016	2015
Revenues	864	-
Comprehensive income (100%)	**256**	**-**
Thereof attributable to the group (25%)	64	-

This is the pro rata turnover as well as the pro rata total earnings for the period from 28 November 2016 to 31 December 2016.

The group also holds shares in the associated companies iTWO BF and iTWO 5D Tec. The impact of these shares on the group's net assets, financial and earnings position as well as the cash flows of the group were of minor significance in the reporting period, both as regards the individual holdings and overall. Investments in associated companies are accounted for using the equity method. There are no price quotations for the companies in an active market so that the fair values are not disclosed.

20. INVESTMENT PROPERTIES

The property, which was previously held as a financial investment, has been used itself since 01 July 2016 and was reclassified to property, plant and equipment as a result of the change in use during the reporting period. In addition, a building which has previously been listed in property, plant and equipment has been rented out since 2016 and has been reclassified accordingly to investment property.

The property is assessed according to the cost model. The building was completed in September 2013 and is depreciated according to plan. The depreciation is based on the component approach. Here, the building was divided into the components building envelope and technical equipment. The useful lives are 50 years for the building envelope and 25 years for the technical equipment. This results in an average useful life of approx. 37 years. The monthly depreciation is approx. € 11 thousand. In the reporting period, rental income from property was in the amount of € 173 thousand and was included in other operating income. The operating expenses directly attributable to the property held as a financial investment during the reporting period amount to € 129 thousand.

As of the balance sheet date, the recoverable amount of the building was € 7,025 thousand. The fair value is generally determined at level 2 (the hierarchy of fair values). The recoverable amount of the building was determined on the basis of a report by property expert Jones Lang LaSalle, Hong Kong, taking into account the respective market conditions. The assessment was made using the income-value method, taking into account the rental income to be realized on the market as well as a market-specific capitalization rate.

The development of the carrying amounts as of the balance sheet dates is composed as follows:

Figures in € thousand	2016	2015
Opening balance	5,969	5,732
Acquisition or production costs		
Reclassification of previously property held as a financial investment	-5,406	-
Reclassification of previously owner occupied property	5,057	-
Amortisation and depreciation	-144	-151
Amortisation and depreciation (cumulative)		
Reclassification of previously property held as a financial investment	429	-
Reclassification of previously owner occupied property	-387	-
Change resulting from foreign currency conversion	-246	388
Closing balance	**5,272**	**5,969**

21. PREPAID LAND USE LEASE PAYMENTS

The land usage right was recorded at the amortised carrying amount of € 1,006 thousand.

The leasehold land is held under a 50-year lease and the prepaid rents are accordingly reversed over this period on a straight-line basis at € 21 thousand p.a. and recognised in the income statement. A total of € 65 thousand are attributed to foreign currency differences from the translation recognised as of the balance sheet date with no effect on profit and loss.

22. OTHER ASSETS

Other assets of the Group break down as follows:

	31 December 2016		31 December 2015	
Figures in € thousand	Non-current	Current	Non-current	Current
Purchase price claim YTWO	-	2,879	-	-
Prepaid expenses	-	1,959	-	1,796
Other receivables	-	1,811	-	1,511
Income tax refund claims	-	1	-	32
Other tax refund claims	-	-	-	151
Orders on hand	-	-	-	390
Other	16	-	118	-
Total	**16**	**6,650**	**118**	**3,880**

23. DEFERRED TAXES

The movements in deferred income tax assets and liabilities of the Group during the periods presented are as follows:

Deferred tax assets

Figures in € thousand	Tax loss carryforwards	Pension provisions	Deferred sales	Other	Total
As of 01 January 2015	**835**	**530**	**162**	**91**	**1,618**
Addition from initial consolidation (with no effect on profit or loss)	-	-	-	82	82
Deferred tax recognised in the consolidated income statement as income/expense during the year	-44	-7	51	449	449
Deferred tax recognised in other comprehensive income during the year	57	-14	0	8	51
As of 31 December 2015 and 01 January 2016	**848**	**509**	**213**	**630**	**2,200**
Deferred tax recognised in the consolidated income statement as income/expense during the year	304	49	946	-59	1,240
Deferred tax recognised in other comprehensive income during the year	6	80	3	12	101
As of 31 December 2016	**1,158**	**638**	**1,162**	**583**	**3,541**

Deferred tax from tax loss carryforwards relate to the subsidiaries RIB CADX (€ 598 thousand), RIB MC² (€ 503 thousand) and RIB UK (€ 57 thousand). We also assume that the realization of the deferred tax assets of the RIB CADX is accompanied by the expected sustained growth in the cloud area and the deferred taxes are fully realizable. As part of our international sales strategy, we have bundled our sales activities for the US market with RIB MC². Although the RIB MC² generated a tax loss of € 582 thousand in the reporting year, we continue to assume that we will bring our software successfully to the US market and achieve sustainably positive results. On the basis of the above explanations, we assume that the estimated benefits from the deferred tax assets can be realized. The tax loss carryforward of the RIB MC² expires in the years after 2026.

At the subsidiary RIB Ltd. existing as of 31 December 2015 on the basis of the tax returns submitted, loss carryforwards amounting to € 8,958 thousand. No deferred tax assets were recognized for this at the last balance sheet date as we were not able to assume with sufficient certainty that the loss carryforwards will be taxable in the future. In the 2016 financial year, RIB Ltd. offset the declared loss carryforwards fully against taxable profits. Due to unchanged uncertainties in the design of the tax regulations, we cannot assume with sufficient certainty that the financial authorities will follow the tax declaration. We have estimated the risk of a tax different from the declaration according to the most probable method and have taken this consolidated financial statement into account by establishing an income tax reserve.

On the loss carryforwards of xTWO in the amount of € 2,753 thousand as well as the xTWOmarket in the amount of € 519 thousand no deferred taxes have been capitalized since we cannot assume with sufficient certainty that a taxable profit will be available in the foreseeable future against which the deductible temporary differences can be used. The loss carryforwards can be used indefinitely.

Deferred tax liabilities

Figures in € thousand	Other intangible assets	Pro-perty	Investment property	Consolidation adjustments	Other	Total
As of 01 January 2015	**7,388**	**496**	**438**	**4,603**	**97**	**13,022**
Addition from initial consolidation (with no effect on profit or loss)	-	-	-	1,171	-	1,171
Deferred tax recognised in the consolidated income statement during the year as an expense/ (income)	891	15	17	-1,129	230	24
Deferred tax debited/ (credited) in other comprehensive income during the year	-	-	-	457	55	512
As of 31 December 2015 and 01 January 2016	**8,279**	**511**	**455**	**5,102**	**382**	**14,729**
Adjustments	-	-56	56	-	-	0
Deferred tax recognised in the consolidated income statement during the year as an expense/ (income)	384	34	-91	-1,065	36	-702
Deferred tax debited/ (credited) in other comprehensive income during the year	-	-	-	86	3	89
As of 31 December 2016	**8,663**	**489**	**420**	**4,123**	**421**	**14,116**

The Group's consolidated statement of comprehensive income includes € 80 thousand for deferred tax expenses (previous year: deferred tax income in the amount of € 14 thousand) in the pension provisions item. In addition, other total consolidated comprehensive income for the year includes deferred tax expenses from exchange differences of a total of € 68 thousand (previous year: € 512 thousand).

The following amounts are disclosed in the consolidated statement of financial position after the country-specific netting of deferred tax balances:

Figures in € thousand	31 December 2016	31 December 2015
Deferred tax assets	1,541	495
Deferred tax liabilities	12,116	13,024

Deferred tax liabilities of € 9,843 thousand are not expected to be realised before twelve months have passed.

24. INVENTORIES

Inventories break down as follows:

Figures in € thousand	31 Dec 2016	31 Dec 2015
Merchandise	1,440	874
Work in progress	253	212
Total inventories, gross	**1,693**	**1,086**
Allowance for impairments	261	103
Total inventories, net	**1,432**	**983**

The cost of goods for inventories recorded as an expense in the reporting period amounts to € 6,615 thousand, including € 37 thousand of expenses for services purchased. The allowance for impairments of € 261 thousand relate exclusively to merchandise.

25. TRADE RECEIVABLES

Movements in trade receivables were as follows:

Figures in € thousand			Due in more than one year	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade receivables (gross)	18,830	16,704	4,448	-
Allowance for impairments	410	501	-	-
Trade receivables (net)	**18,420**	**16,203**	**4,448**	**0**

The carrying amount of the Group's trade receivables approximates their fair value.

The aging analysis of trade receivables that are past due but not impaired is as follows:

Figures in € thousand	Total	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
31 December 2016	4,234	1,760	1,316	159	375	624
31 December 2015	6,296	3,883	1,026	421	311	655

Based on the information available when the consolidated financial statements were prepared, there were no indications that the past-due but not impaired receivables would not be settled.

Movements in the allowance for the impairment of trade receivables were as follows:

Figures in € thousand	2016	2015
Opening balance	501	332
Additions	286	352
Utilised	-267	-83
Unused amounts reversed	-113	-101
Change resulting from foreign currency conversion	3	1
Closing balance	**410**	**501**

The valuation of trade receivables results in expenses of € 176 thousand (previous year: € 252 thousand), which were recognised under other operating expenses in the income statement through profit or loss.

The allowances recognised on receivables concern customers who were in financial difficulties or who were in arrears. The Group has not obtained collateral or taken out credit insurance for these balances. If there is evidence that a debtor is experiencing financial difficulty, the receivables are immediately impaired by 100%. Before the Group enters into contracts with new customers that exceed certain internally defined limits, it reviews the customers' credit standing to mitigate credit risk.

26. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

The total of the expenses incurred in and gains recognised for contract work not yet completed, less the losses recognised, amounted to € 1,173 thousand as of the balance sheet date.

If the advance payments received of € 1,037 thousand are deducted, the gross amounts due from customers amounts to € 136 thousand. The contract revenue recognised in the reporting period amounts to € 2,761 thousand.

27. AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities comprise corporate bonds of foreign companies in US dollars and shares in money market and investment funds denominated in EUR. The fair values of the securities are based on quoted prices on an active market.

Movements in available-for-sale securities were as follows:

Figures in € thousand	2016	2015
Opening balance	2,686	273
Additions (cash item)	0	410
Additions from initial consolidation	0	2,235
Disposals	-2,589	-241
Change resulting from interest rate effects	0	7
Change resulting from price effects	1	4
Expenses from the reclassification of profits and losses previously recognised in other income	0	-5
Change resulting from foreign currency conversion	0	3
Closing balance	**98**	**2,686**

28. CASH AND CASH EQUIVALENTS

Figures in € thousand	31 December 2016	31 December 2015
Cash on hand	41	41
Bank balances	130,285	169,297
Cash equivalents	4,997	4,997
Liquid funds	**135,323**	**174,335**
Of which unrestricted	132,566	171,775
Of which restricted	2,757	2,560

Cash equivalents are defined as short-term highly liquid financial resources, which can be converted to cash at any time and which are subject to only low volatility. In this report, German Government Day-Bonds are reported under cash equivalents.

In the 2016 financial year, bank balances accrued interest at floating interest rates (based on call money rates and time deposit rates) ranging between 0.00% and 1.5% (financial year 2015: between 0.01% and 0.4%). The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amount of the Group's cash and cash equivalents approximates their fair value.

Liquid funds available on a restricted basis

Some of the Group's subsidiaries have their headquarters in countries in which foreign exchange controls or other legal restrictions apply. In particular, this involves the Group companies domiciled in the People's Republic of China. As of the balance sheet date, the companies held cash amounting to € 2,757 thousand (previous year: € 2,560 thousand). The Executive Board believes that this will not cause any disadvantages for the Group, as the cash is used for financing operations in the respective countries or cash transfers are approved if this should become commercially viable.

29. EQUITY

Issued capital/treasury shares

Number	2016	2015
Issued shares in circulation:		
As of 01 January	**45,645,347**	**42,209,508**
Cash capital increase	0	3,378,696
Disposal of treasury shares	0	57,143
Acquisition of treasury shares	-671,976	0
As of 31 December	**44,973,371**	**45,645,347**

All issued shares are fully paid. The nominal value of the registered shares is € 1.00 each. 671,976 treasury shares were acquired in the reporting year. As a result, the number of shares in circulation as in the balance sheet date of 31 December 2016 was reduced to 44,973,371. No treasury shares were sold in the year under review.

Treasury shares

By resolution of 24th May, 2012, the annual general meeting authorized the management board of RIB Software AG to acquire treasury stock up to a total of 10% of the capital stock at the time of the resolution, pursuant to section 71 (1) No. 8 AktG of the company. This corresponds to a volume of 3,871,542 shares. The exercise may also be carried out by group companies or by third parties, in compliance with § 71d AktG.

On this basis, the company acquired a total of 2,388,741 treasury shares in the 2012, 2013 and 2016 financial years. A total of 632,598 treasury shares were used in connection with company acquisitions. 57,143 shares were transferred to RIB Spain sellers in the previous year and are thus again in circulation. In addition, the group had committed to transfer another 107,143 shares under certain conditions. This obligation was accounted for according to IAS 32.22 as equity instruments, whereby the book value of own shares had increased by the cost of these shares.

The average acquisition costs of the shares acquired during the reporting year amounted to € 8.59 per share.

This results in the following development in the stock of treasury shares:

	Number of shares	Date of use	Pro rata amount in the share capital	Share in the share capital	Acquisition costs
	Number		€ thousand	%	€ thousand
Balance as of 01 January 2015	**1,257,453**		**1,257**	**2.89**	**5,543**
Disposals in 2015	164,286	August 2015	164	0.35	715
Balance as of 31 December 2015	**1,093,167**		**1,093**	**2.33**	**4,828**
Additions in 2016	671,976	May-July 2016	672	1.43	5,769
Balance as of 31 December 2016	**1,765,143**		**1,765**	**3.77**	**10,597**

Authorised capital

By resolution of the Annual General Meeting of 10 June 2015, the Executive Board of RIB Software AG is authorised, with the approval of the Supervisory Board, to increase the capital stock of the Company once or in several instalments by a total amount of up to € 21,733 thousand up until 09 June 2020 by issuing new par-value registered shares in return for contributions in cash or in kind, and to determine a commencement date for profit participation that deviates from the law, in accordance with § 7 of the Articles of Association. The new shares must be offered to the shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription rights.

The management board did not make use of its authorizations in the reporting year.

Conditional capital

By means of the resolution dated 10 June 2015, the Annual General Meeting resolved the 2015 share option plan and for this purpose, re-recognised the existing conditional capital in the amount of € 1,549 thousand. At the same time, the cancellation of the 2011/2013 share option plan was decided.

The management board is then authorized to issue up to 1,548,616 subscription rights by 09 June 2020. The shares - provided that they arise up to the beginning of the annual general meeting of the company - take part in the profit from the beginning of the previous financial year, otherwise from the beginning of the financial year in which they arise. To the extent that the members of the management board are affected, the supervisory board has been authorized to do so alone. The contingent capital increase is only implemented to the extent that the holders of the subscription rights exercised exercise their right to purchase shares of the company and the company does not grant own shares to fulfil the subscription rights.

The term of the subscription rights is seven years. The subscription rights can only be exercised after four years if the beneficiary is employed at this time and the listed price of the share exceeds a certain amount within a period of 12 months after the issue on a total of 60 trading days, namely:

At the end of the reporting period, there were a total of 612,852 subscription rights to be exercised (see **note 30**).

Capital reserves

The movement in capital reserves during the reporting period breaks down as follows:

Figures in € thousand	2016
As of 01 January 2016	**181,396**
Transactions with non-controlling interests	-177
Share-based remuneration	1,065
As of 31 December 2016	**182,284**

Legal reserve

In the reporting year, in accordance with the applicable statutory provisions, there was no adjustment to a legal reserve. In the previous year, the subsidiary RIB Cosinus AG, Lucerne/Switzerland adjusted € 35 thousand.

30. SHARE OPTION PLAN

By resolutions of 20 May 2011 and 04 June 2013, the Annual General Meeting adopted the 2011/2013 share option plan and authorised the Executive Board to grant 1,548,616 subscription rights until 19 May 2016. The term of the subscription rights is seven years. The subscription rights can only be exercised after the expiry of a waiting period of four years if the beneficiary is employed at this time and the listed price of the share exceeds a certain amount within a period of 12 months after granting on a total of 60 trading days, as follows

- in the period from 01 July 2015 to 30 June 2016, an amount of € 9.88

- in the period from 01 July 2016 to 30 June 2017, an amount of € 11.88

The strike price of a subscription right amounts to € 1.00. If the performance target is not reached in a particular year, it may be compensated for in the following year by reaching the performance target applicable to this period. Subscription rights for which the performance target is not reached and cannot be compensated for in the following year lapse.

From the 2011/2013 share option plan, 260,688 share options settled in equity instruments and 15,500 phantom shares settled in cash were granted in prior years.

By resolution of 10 June 2015, the Annual General Meeting adopted the 2015 share option plan and authorised the Executive Board to grant 1,548,616 subscription rights until 09 June 2020. At the same time, the cancellation of the 2011/2013 share option plan was decided. The term of the subscription rights is seven years. The subscription rights can only be exercised after the expiry of a waiting period of four years if the beneficiary is employed at this time and the listed price of the share exceeds a certain amount within a period of 12 months after granting on a total of 60 trading days, as follows

- in the period from 01 July 2015 to 30 June 2016, an amount of € 11.88;
- in the period from 01 July 2016 to 30 June 2017, an amount of € 13.88;
- in the period from 01 July 2017 to 30 June 2018, an amount of € 15.88;
- in the period from 01 July 2018 to 30 June 2019, an amount of € 17.88;
- in the period from 01 July 2019 to 30 June 2020, an amount of € 19.88;
- in the period from 01 July 2020 to 30 June 2021, an amount of € 21.88;
- in the period from 01 July 2021 to 30 June 2022, an amount of € 23.88;
- in the period from 01 July 2022 to 30 June 2023, an amount of € 25.88;
- in the period from 01 July 2023 to 30 June 2024, an amount of € 27.88.

The strike price of a subscription right amounts to € 1.00. If the performance target is not reached in a particular year, it may be compensated for in the following year by reaching the performance target applicable to this period. Subscription rights for which the performance target is not reached and cannot be compensated for in the following year lapse.

On 13 August 2015, 210,026 stock options were granted for the first time in the 2015 Stock Option Program. On 04 July 2016, a further 206,888 stock options were granted.

Movement of subscription rights	**Share options**		**Phantom shares**	
	2016	**2015**	**2016**	**2015**
Balance at the beginning of the reporting period	438,914	252,688	12,500	12,500
Granted in the reporting period	206,888	210,026	0	0
Forfeited in the reporting period	32,950	23,800	0	0
Exercised in the reporting period	0	0	0	0
Lapsed in the reporting period	0	0	0	0
Balance at the end of the reporting period	612,852	438,914	12,500	12,500
To be exercised at the end of the reporting period	0	0	0	0

The weighted average remaining period of the outstanding share options is 5.07 years as of the balance sheet date.

The subscription rights were valued by means of a Monte Carlo simulation taking into account the absolute performance target. The following parameters were included in the valuation of the subscription rights:

	Share options	**Phantom shares**
Valuation date	04 July 2016	30 December 2016
Strike price	€ 1.00 €	€ 1.00
Share price	€ 8.988	€ 12.455
Risk-free interest rate	-0.52%	-0.67%
Dividend yield	2.35%	1.68%
Expected volatility	40.14%	40.09%
Term	6.4 years	3.9 years
Fair values	**1.59 €**	**11.07 €**

The estimates for the expected volatility were derived from the historical share price movements of RIB Software AG. The available history since the first listing on 08 February 2011 was used as a time window.

The recorded personnel expense in the financial year amounts to € 1,07 million from the granting of share options and € 25 thousand from the granting of phantom shares. The carrying amount of the liabilities from the phantom shares amounts to € 93 thousand and the intrinsic value of vested benefits is € 0 thousand.

31. ACCUMULATED OTHER CONSOLIDATED COMPREHENSIVE INCOME

Accumulated other comprehensive income breaks down as follows:

Figures in € thousand	31 December 2016	31 December 2015
Reserve for changes in value of available-for-sale securities	0	1
Foreign currency translation reserve	11,925	8,332
Reserve for revaluations	-573	-390
Total	**11,352**	**7,943**

The reserve for exchange differences includes differences arising from the currency translation of the annual financial statements of foreign subsidiaries. The strong rise is mainly due to the Hong Kong dollar‘s development against the euro in the period under review.

32. DIVIDENDS

The balance sheet profit of RIB Software AG amounted to € 8,371 thousand as of 31 December 2016. Of this, a partial amount of € 167 thousand is payout block. As a result, the balance sheet profit available to the shareholders for payout as of 31 December 2016 amounts to € 8,204 thousand.

For the past financial year, the management board proposes to pay a dividend of € 0.16 per share in fiscal year 2017, totalling € 7,196 thousand € to the shareholders. This dividend has yet to be decided upon at the annual general meeting and has therefore not been recognized as a liability in this financial statements.

For the financial year 2016, a dividend of € 0.16 per share was paid out.

33. PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions and similar obligations covers the pension fund scheme of the Group. These schemes are only valid for employees who joined the Group prior to May 1995.

The occupational pension plans define pension plans which cover age, disability and survivors‘ dependants‘ rights for employees. The amount of the pension depends on the length of service and the amount of the worker‘s allowance. The pension obligations are not covered and are covered by assets of the group. All risks have been adequately taken into account in the context of the actuarial report.

In addition to the company pension plans, the Group made contributions to statutory pension insurance funds which fall under the definition of defined contribution plans. The Group's contributions to these defined contribution plans came to € 1,144 thousand in the 2016 financial year and € 1,079 thousand in the 2015 financial year.

The following actuarial methods and assumptions were used to calculate the pension provisions:

- Calculation basis: actuarial 2005 G mortality tables
- Notional interest rate: 1.65% p.a. (2015: 2.23 % p.a.)
- Pension growth trend: 1.50% p.a. (2014: 1.50% p.a.)
- Employee turnover: 2.50% p.a. (2014: 2.50% p.a.)

(a) Present value of the defined benefit pension plans and fair value of the plan asset:

Figures in € thousand	2016	2015
Present value of the defined benefit pension plan	3,840	3,732
Less fair value of the plan asset	-	-123
Net debt from the defined benefit pension plans	**3,840**	**3,609**

(b) The development of the net debt from defined benefit pension plans is composed as follows:

Figures in € thousand	2016	2015
Pension obligations as of 01 January	3,609	3,579
Current service cost	13	12
Service cost for prior years	-	283
Addition/reversal	-66	3
Net interest expense	80	72
Revaluation - actuarial profit/loss	263	-45
Therefore: from changes in financial assumptions	262	-55
Therefore: experience adjustments	1	10
Return on plan assets	-	-123
Pension payments	-182	-172
Other changes	123	-
Pension obligations as of 31 December	**3,840**	**3,609**

Actuarial gains and losses are recognised immediately in accumulated other comprehensive income.

(c) The amounts recognised in the income statement are as follows:

Figures in € thousand	2016	2015
Service cost	13	295
Net interest expense	80	72
Total cost	**93**	**367**
Income from the reversal	66	-
Income from plan assets	-	123
Total revenues	**66**	**123**

In addition, the Group has incurred costs for defined contribution plans operated by public authorities that are also recognised in the income statement.

(d) The provisions for pensions and similar obligations break down as follows:

Figures in € thousand	2015	2014
Long-term pension provisions	3,658	3,437
Short-term pension provisions	182	172
Total pension provisions	**3,840**	**3,609**

The contributions payable in relation to pension obligations in the 2017 financial year are expected to amount to € 200 thousand.

Material valuation parameters were subjected to a sensitivity analysis for measuring the pension provisions. The calculations carried out for this purpose by the actuaries were undertaken separately for the valuation parameters classified as material. An increase or decrease in the material actuarial assumptions would have had the following effects on the present value of the pensions as well as the defined benefit obligations.

Figures in € thousand

Valuation parameter	Sensitivity in % points	Pension provisions
Notional interest rate	+ 0.75	3,507
Notional interest rate	- 0.75	4,229
Pension growth trend	+ 0.5	4,051
Pension growth trend	- 0.5	3,645
Fluctuation rate	+ 0.5	3,840
Fluctuation rate	- 0.5	3,840

The weighted average term of the performance-based obligations as of 31 December 2016 is 13 years (previous year: 13 years).

34. TRADE PAYABLES

The carrying amounts of trade payables closely approximate their fair value. The trade payables are non-interest-bearing and fall due for payment within one year.

35. OTHER PROVISIONS

The movements of other provisions are as follows:

Figures in € thousand	Warranty provisions	Post-employ-ment benefits	Other non-current employee benefits	Other	Total
As of 01 January 2015	**249**	**459**	**0**	**348**	**1,056**
Utilised	-	108	-	221	329
Unused amounts reversed	11	-	-	87	98
Arising during the year	127	-	238	173	538
As of 31 December 2015 and 01 January 2016	**365**	**351**	**238**	**213**	**1,167**
Utilised	222	-	-	154	376
Unused amounts reversed	19	-	-	-	19
Arising during the year	232	16	48	371	667
As of 31 December 2016	**356**	**367**	**286**	**430**	**1,439**

The group grants its customers guarantees for the functionality of its products. The amount of the warranty provisions is estimated on the basis of the volume of sales and the experience of the actual proportion of complaints. The basis for the estimation is continuously reviewed and adjusted if necessary.

Provisions for other long-term benefits result from severance obligations in the context of employee dismissals and resignations. The assessment of provisions was carried out according to actuarial principles using the Projected Unit Credit Method (PUC) method. In the financial year 2016, a discount rate of 1.65% p.a. (2015: 2.23% p.a.) and a pay grade of 3.0% p.a. (2015: 3.0% p.a.) was taken as basis.

The addition to other provisions in the financial year 2016 includes an amount of 350 thousand € for litigation risks, since a subsidiary of the group was sued at the end of the 2016 financial year. The dispute amount determined by the court amounts to approx. € 300 thousand.

36. DEFERRED LIABILITIES

The accruals break down as follows:

Figures in € thousand	31 December 2016	31 December 2015
Accrued payroll and social security expenses	3,263	2,833
Licence obligations	24	99
Commission	223	370
Accrual for outstanding invoices	240	205
Other	746	925
Total	**4,496**	**4,432**

37. DEFERRED REVENUE

The amounts disclosed comprise revenue billed to or received from customers with regard to the provision of maintenance services which had not yet been recognised by the Group as the services had not yet been provided at the end of the reporting periods.

38. OTHER FINANCIAL LIABILITIES

The majority of these relate to derivative financial liabilities from company acquisitions, which are classified at fair value through profit or loss. In the reporting period, the fair value of the financial liability arising from the acquisition of the shares of RIB SAA in 2015 was reviewed. A reassessment was therefore not to be made in 2016.

Other financial liabilities break down as follows:

	31 December 2016		31 December 2015	
Figures in € thousand	Non-current	Current	Non-current	Current
Liability from the acquisition of RIB Cosinus	-	-	-	1,877
Liability from the acquisition of RIB SAA	1,860	-	1,638	500
Liability from the acquisition of RIB US Cost	-	379	422	61
Liability from the acquisition of xTWO	-	200	334	-
Liability from the acquisition of RIB Spain	-	-	70	-
Other	22	-	35	141
Total	**1,882**	**579**	**2,499**	**2,579**

The financial liability resulting from the acquisition of the company **RIB Cosinus** resulted from the purchase and sale options mutually agreed upon for the transfer of additional 20% shares in this company. The options could be exercised in accordance with the contractual arrangements as of 01 August 2016. In April 2016, a mutually agreeable early exercise of the sale option was agreed upon, which in the meantime has been done. On this basis, in May 2016, the group paid a price of € 1,900 thousand for the 20% shares and has thereby staked his shares in the RIB Cosinus to 100%.

The adjustment or compounding of the financial liability during the reporting period resulted in a financial expense of € 23 thousand.

In the 2015 financial year, the group acquired 75% of the shares in **RIB SAA**. At the same time, purchase and sale options for the transfer of outstanding shares of 25% were concluded with the sellers. From the holding position within the scope of the sale option agreement, the group has a financial liability for which an amortized fair value of € 2,632 thousand was calculated. Of this, a partial amount of € 1,582 thousand was assigned to the company acquisition and a partial amount in the amount of € 1,050 thousand in a separate transaction in the form of a pay agreement.

The financial liability attributable to the acquisition of companies was estimated in full in the context of the accounting for the acquisition of the company. The financial liability assigned to the separate transaction is accrued over a period of 66 months at the charge of personnel expenses and is recognized as of the balance sheet date with an amount of € 255 thousand in the financial liabilities. The personnel expenses attributable to the reporting period amount to € 190 thousand. The interest on financial liabilities resulted in an interest expense of € 32 thousand.

The options can be exercised by both parties in principle from 01 January 2021 to 31 March 2021. The option prices are based on the pro rata company value of RIB SAA, which must be calculated using an assessment procedure laid down in the contract. The assessment is carried out by means of a multiplier method based on the operating results of RIB SAA in the two financial years prior to the exercise of the option, whereby minimum and maximum contractual values limit the respective option price upwards and downwards. The minimum price for the outstanding 25% is € 1,750 thousand, the maximum price € 4,000 thousand.

The assessment-relevant planning period covers the 2019 and 2020 financial years. In the case of the result planning, the growth in sales was between approx. 6% p.a. and 8% p.a., unchanged from the previous year, combined with corresponding improvements in results based on the base year 2015.

On the basis of our calculations, we also assume that the operating result after tax of RIB SAA at the time of the option is within a range of approx. € 0.4 million and approx. € 1.2 million. Taking into account the estimated probability of occurrence of the alternative future scenarios as well as the contractual prices above and below the limits, we continue to assume from the previous year that a purchase price of € 2,810 thousand will be charged for the currently outstanding share of 25% at the option date, The financial liability is assessed by discounting this purchase price on the balance sheet date using a floating rate, interest rate of 1.25%.

Due to the future reference, the assessment of the financial liability is indispensable to discretionary decisions and estimation uncertainties. In the period up to the maturity of the financial liability, expenses of max. € 2,140 thousand arise.

In addition, RIB SAA acquired a short-term financial liability in the amount of € 500 thousand, resulting from a conditional purchase price payment, which was due for payment within one year. This so-called earn-out component was paid in June 2016.

With contracts dated 30 April 2014 and 08 October 2014, the group acquired the outstanding shares of 38.325% in the **RIB US Cost**. A partial sum of € 379 thousand of the purchase price still to be made constitutes a contingent consideration, the amount of which is dependent in particular on the future price development of the share of RIB Software AG. We continue to assume that this condition will occur and continue to apply the financial liability unchanged from the previous year with the maximum amount. The total amount of the outstanding liability is due within one year. The interest on the purchase price liability in the reporting year resulted in an interest expense of 6 thousand €. In the reporting year, a partial amount of the purchase price liability in the amount of € 125 thousand has been repaid, € 17 thousand change results from currency exchange differences.

Due to the dependency of the contingent consideration on the share price development of RIB Software AG, the fulfilment of the financial liability is associated with uncertainties. In the period up to the maturity date of the financial liability, a maximum income of € 379 thousand can arise.

In the 2014 financial year, the RIB group acquired 75% of the shares in the **xTWO**. At the same time, a put option agreement was concluded to transfer the 25% outstanding shares, which led to the recognition of a derivative financial liability. If the option to sell is exercised, the RIB group was obliged to pay a fixed purchase price of € 500 thousand. This amount, however, was partly attributable to a fee agreement classified as a separate transaction. Excluding a fair value of the total option obligation in the amount of € 474 thousand in the context of the access assessment, a partial amount of € 158 thousand was assigned to the company acquisition and a partial amount of € 316 thousand to the separate transaction. From the follow-up assessment, personnel expenses in the reporting period totalled € 73 thousand. The financial liability was assessed by applying an interest rate of 1.25%, which is adequate in terms of maturity and risk. The interest on financial liabilities in the reporting period resulted in an interest expense of € 5 thousand.

With a notarial agreement dated 08 June 2016 the premature takeover of the still outstanding shares of 25% was agreed. The fixed purchase price is € 344 thousand. Of this, € 144 thousand were paid in the reporting year. The remaining amount of € 200 thousand is shown in current financial liabilities. The previous employment contract with the option holder was also ended as of 30 June 2016. From the following reassessment of the financial liability, other operating income in the reporting period amounted to € 67 thousand.

As of 31 December 2015, a book value of € 70 thousand reported liabilities from the acquisition of the subsidiary **RIB Spain** was written off in the income statement to the same extent in the reporting period as a result of the non-incurred condition.

39. OTHER LIABILITIES

Other liabilities break down as follows:

Figures in € thousand	31 December 2016	31 December 2015
Advance payments received from customers	17,150	1,079
Tax liabilities	551	4,062
Social security liabilities	498	423
Liabilities due to employees	315	232
Other	1,158	616
Total	**19,672**	**6,412**

The Group's other liabilities are non-interest-bearing. The carrying amounts of other liabilities closely approximate their fair values.

Advance payments received on orders amount to € 16,590 thousand mainly from the sale of iTWO licenses to YTWO Ltd.

40. FINANCIAL COMMITMENTS

(a) Operating lease agreements

The Group leases certain office buildings and technical equipment in the scope of operating lease agreements. Contracts with terms of one to five years were concluded for this purpose.

At the end of each of the financial years presented, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Figures in € thousand	31 December 2016	31 December 2015
Due within one year	2,306	2,489
Due in between two and five years	4,637	4,072
Total	**6,943**	**6,561**

(b) Other

As of 31 December 2016, other financial obligations resulting from the agreement on a strategic business alliance with a customer totalled € 102 thousand with a remaining term of four years.

The company acquisition of xTWO in 2014 results in a financial liability of € 316 thousand that is accumulated on a scheduled basis through profit and loss until the settlement date. This obligation no longer exists as of the balance sheet date of 31 December 2016. Please also see our explanations in **note (38)**.

The company acquisition of SAA results in a financial liability of € 1,050 thousand that is accumulated on a scheduled basis through profit and loss until the settlement date. An amount of € 811 thousand was not yet recognised as of the balance sheet date of 31 December 2016. Please also see our explanations in **note (38)**.

41. CONTINGENT LIABILITIES

There were no material contingent liabilities as of 31 December 2016 and 31 December 2015.

42. RELATED PARTY TRANSACTIONS

During the reporting period, the group acquired shares in a joint venture, YTWO Limited, as well as shares in an associated company, Exactal group. We also refer to **note (19)**.

a) The transactions with related parties are shown in the following table:

Figures in € thousand	Notes	2016	2015
Joint Venture:			
Sale of software	(1)	7,653	-
Sale of shares in a subsidiary	(2)	2,879	-
Associated company:			
Acquisition of inventories	(3)	474	-
Total		**8,127**	**-**

b) Outstanding balances in connection with related parties are shown in the following table:

Figures in € thousand	Notes	31 Dec 2016	31 Dec 2015
Receivables from joint venture:			
YTWO	(2)	2,879	-
Payables from and to joint venture:			
Received payments of YTWO	(1)	16,590	-
Payables from and to associated company:			
Exactal Group	(3)	237	-

Remarks:

1) In the reporting period, the group sold software licenses to YTWO for a total of € 42.7 million. Of this figure, in the consolidated financial statement, € 7,653 thousand were recognized as income (see also **note 10)** and **section A.3.1** of the group management report). From the sale, the group received payments of € 37.9 million in the reporting period, as of 31 December 2016, of which € 16,590 thousand were received as advance payments.

(2) With a contract dated 23 December 2016, the group sold all shares in MAC International to YTWO. The purchase price amounted to € 2,879 thousand. The entire purchase price is still outstanding on the balance sheet date 31 December 2016, see also **note (6)**.

(3) The group has acquired software from the associated company Exactal group at a price of € 474 thousand, which is still in full amount as of 31 December 2016 in the reserve capacity. As of the balance sheet date, this purchase includes € 237 thousand liabilities against the Exactal group.

All business transactions described above are based on market conditions.

c) Remuneration of persons in key positions of the group:

The salaries of persons in key positions are the salaries of the management board and the remuneration paid to the supervisory board of the parent company. For this purpose, we refer to **note (45)**.

43. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

A. Classifications and fair values

The following table shows the book values and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not contain any information on the fair value of financial assets and financial debts that are not assessed at fair value if the book value is an appropriate approximation of the fair value.

		Carrying amount		Fair value			
Figures in € thousand	Notes	Available for sale	Loans and receivables	Level 1	Level 2	Level 3	Total
As of 31 December 2016							
Financial assets at fair value							
Cash market and investment funds	(27)	86	-	86	-	-	**86**
Corporate Bonds	(27)	12	-	12	-	-	**12**
Total		**98**	**-**	**98**	**-**	**-**	**98**
Financial assets not measured at fair value							
Accounts receivable trade	(25)	-	18,420	-	-	-	-
Other Assets*	(22)		4,594				
Cash and cash equivalents	(28)	-	135,323	-	-	-	-
Total		**-**	**158,337**	**-**	**-**	**-**	**-**

	Notes	Held for trading	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value							
Derivates	(38)	2,239	-	-	379	1,860	**2,239**
Financial liabilities not measured at fair value							
Accounts payable trade		-	2,456	-	-	-	-
Other financial liabilities	(38)	-	222	-	-	-	-
Other liabilities**	(39)	-	1,455	-	-	-	-
Total		**2,239**	**4,133**	**-**	**379**	**1,860**	**2,239**

* This item does not include other assets in the amount of € 2,072 thousand, which are not financial assets.

** This item does not include other liabilities in the amount of € 18,217 thousand, which are not financial liabilities.

		Carrying amount		Fair value			
Figures in € thousand	Notes	Available for sale	Loans and receivables	Level 1	Level 2	Level 3	Total
As of 31 December 2015							
Financial assets at fair value							
Cash market and investment funds	(27)	2,651	-	2,651	-	-	**2,651**
Corporate Bonds	(27)	35	-	35	-	-	**35**
Total		**2,686**	**-**	**2,686**	**-**	**-**	**2,686**
Financial assets not measured at fair value							
Accounts receivable trade	(25)	-	16,203	-	-	-	-
Other Assets*	(22)		1,385				
Cash and cash equivalents	(28)	-	174,335	-	-	-	-
Total		**-**	**191,923**	**-**	**-**	**-**	**-**

	Notes	Held for trading	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value							
Derivates	(38)	4,401	-	-	552	3,849	**4,401**
Financial liabilities not measured at fair value							
Accounts payable trade		-	2,206	-	-	-	-
Other financial liabilities	(38)	-	677	-	-	-	-
Other liabilities**	(39)	-	840	-	-	-	-
Total		**4,401**	**3,723**	**-**	**552**	**3,849**	**4,401**

* This item does not include other assets in the amount of € 2,613 thousand, which are not financial assets.

** This item does not include other liabilities in the amount of € 5,572 thousand, which are not financial liabilities.

B. Determination of the fair values

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- **Level1:**
  fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- **Level2:**
  fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

- **Level3:**
  fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not observable, either directly or indirectly

In determining the time when re-groupings are to be deemed to have occurred between different levels, we refer to the date of the event or the change in the circumstances that caused the regrouping.

Financial liabilities assessed at fair value as of 31 December 2016 are derivative financial liabilities from company acquisitions. For this purpose, as well as the changes in the fair value of the financial liabilities, we refer to the **note (38)**.

Derivatives assigned to level 2 are liabilities whose amount depends in particular on the future share price development of the RIB Software AG. The amount of € 379 thousand is attributable to liabilities from the acquisition of the subsidiary RIB US Cost. If the share exceeds an agreed minimum price during the period up to April 2017 for a certain period, this liability increases up to an agreed maximum amount. If the price targets are not reached, a fixed minimum amount must be paid. We assume that the share price targets will be achieved and have therefore assessed the liabilities at the present value of the agreed maximum amount.

The derivatives assigned to level 3 are the liability under the option agreement in connection with the acquisition of the company RIB SAA. For a description of the techniques used in the assessment of this liability as well as the input factors used in the calculation of the fair value, please refer to our explanations in **note (38)**.

There were no reclassifications between levels 1 and 2 in the reporting periods. From level 3, a reclassification of € 200 thousand was made in the reporting year relating to the residual purchase price liability arising from the acquisition of xTWO in fiscal year 2015. The residual purchase price liability is reported under other financial liabilities after reclassification.

The financial liabilities assessed at fair value developed as follows during the reporting year:

Figures in € thousand	2016	2015
As of 01 January	**4,401**	**2,245**
Changes without effect on profits		
Acquisition of company shares	-	2,202
Repayments	-2,170	-81
Reclassifications	-200	-
Other changes	17	16
	-2,353	**2,137**
Changes with effect on profits		
Income from the subsequent valuation of purchase price liabilities (other operating income)	-137	-550
Expenses from the subsequent valuation of purchase price liabilities (other operating expenses)	-	341
Personnel expenses from the accumulation of purchase price liabilities (marketing and distribution costs)	73	146
Personnel expenses from the accumulation of purchase price liabilities (production costs)	190	47
Expenses from the interest accrued on purchase price liabilities (finance expenses)	65	35
	191	**19**
As of 31 December	**2,239**	**4,401**
Gains/losses(-) from the valuation of financial liabilities	-191	-19

The changes with effect on profits include unrealised expenses from the valuation of financial liabilities held at the end of the reporting period amounting to € 263 thousand (prior year: € 534 thousand) (listed under other operating expenses, expenses for distribution and marketing and production costs).

Material valuation parameters were subjected to a sensitivity analysis for measuring the purchase price liabilities on level three. The calculations carried out for this purpose by the Group were undertaken separately for the valuation parameters classified as material. An increase or decrease in the material assumptions would have had the following effects on the carrying amounts of the purchase price liabilities on level three of € 1,860 thousand:

Figures in € thousand

Valuation parameter	Sensitivity	Carrying amount
Discounting interest rate used for the discounting period	+ 1%-point	1,755
Discounting interest rate used for the discounting period	- 1%-point	1,892
Growth rate in the budgeted revenues in the budget period	+ 10.0%	2,049
Growth rate in the budgeted revenues in the budget period	- 10.0%	1,510

C. Financial risk management and policy

The Group continues to operate primarily in Europe but is increasing its activities in North America and Asia. Through its ordinary operating activities, the Group is exposed to a variety of financial risks. The Group‘s overarching risk management system seeks to mitigate potential adverse effects on the Group‘s financial performance. The Group does not use derivative financial instruments to hedge its risk exposures. No economic hedging relationships were recognised in the consolidated financial statements as balance sheet hedging relationships.

The Group is exposed to the following risks from the use of financial instruments:

(i) Market risk

Market risk can be broken down into foreign currency risk, interest rate fluctuation risk and other price risks.

(a) Foreign currency risk
Recognised assets and liabilities may be exposed to exchange rate risk arising from future commercial transactions both on the procurement side, from the purchase of services, as well as on the sales side, from the sale of software solutions and the provision of services.

The majority of the Group‘s subsidiaries conduct the majority of their transactions in their respective local currencies. The Group‘s operations in Europe are located in the euro zone and in North America and the majority of the sales and purchase transactions are denominated in euro.

The Group conducts its transactions in the regions outside the euro zone in the following currencies:

- Pound sterling (GBP)
- US dollar (USD)
- Hong Kong dollar (HKD)
- Singapore dollar (SGD)
- Czech koruna (CZK)
- Australian dollar (AUD)
- Indian rupee (INR)
- Chinese yuan (CNY)
- United Arab Emirates dirham (AED)
- Swiss francs (CHF)
- Danish krone (DKK)
- Philippine peso (PHP)
- Cayman Islands dollar (KYD)
- New Zealand dollar (NZD)

The assets and liabilities are recognised in the above currencies and converted into the presentation currency (euro) for the consolidated financial statements.

The Group does not use any forward exchange contracts to hedge against currency risks from procurement and sales transactions.

If the euro had been 10% stronger against the currencies listed above as of 31 December 2016, the consolidated net profit for the year would have included an additional expense of € 683 thousand and € 5,349 thousand in consolidated comprehensive income for the year. If the euro had been 10% weaker against the currencies listed above as of 31 December 2016, the consolidated net profit for the year would have included additional income of € 683 thousand and € 5,349 thousand in consolidated comprehensive income for the year.

(b) Interest rate fluctuation risk
The Group's interest rate fluctuation risk is the risk that the fair values of available-for-sale securities fall (rise) as a result of interest rate changes. The corporate bonds still held in foreign companies in US dollars as of 31 December 2016 are not expected to have any significant effects on the consolidated financial statements if there are any realistic changes in the market rate.

(c) Other price risks
Price risks due to hypothetical changes in prices with an effect on financial instruments did exist as of 31 December 2016 and did not exist as of 31 December 2015.

(ii) Liquidity risk

Liquidity risk is monitored on the basis of cash flow planning and projections. The Group monitors its liquidity requirements arising from operating activities, investing activities and financing activities. Prudent liquidity management entails maintaining sufficient cash and ensuring the availability of funding through an adequate level of credit facilities.

During the period presented, the Group had no material interest-bearing bank borrowings.

The contractual maturity of financial liabilities in the form of trade payables is disclosed in **note (34)**. Other financial liabilities, which are included under deferred liabilities and other current liabilities, are generally not subject to contractually fixed terms. They are paid on a regular basis or in line with the general terms and conditions of the contractual party.

Please see **note (38)** with respect to the due dates of the financial liabilities from company acquisitions.

(iii) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets concerns the possibility that counterparties may be unable to meet their contractual obligations and corresponds to the carrying amount of those assets as stated in the consolidated statement of financial position.

a) Accounts receivable trade
As of 31 December 2016, the carrying amount of trade receivables amounted to € 18,420 thousand (previous year: € 16,203 thousand), thus representing the maximum default risk relating to these assets.

Credit risk is managed by reviewing the creditworthiness of customers before entering into transactions. The Group makes references to credit ratings from external credit agencies, if available.

Payment terms and conditions are modified appropriately in response to any deterioration of the credit ratings of the customers.

The Group has established different credit terms for different customers. The average credit period granted is 14 to 30 days. In individual cases, certain customers enjoy a longer credit period. The Group reviews the recoverable amount of each individual receivable at the end of each reporting period. The customer's financial position, past experience and other factors are taken into account to ensure that adequate impairment losses are recognised for uncollectable amounts.

The Group does not have significant exposure to any individual debtors or contractual counterparties.

Occasionally, customers will settle payment only after the credit period given. In such cases, management considers various ways to handle the situation, including suspension of supplies and services until settlement is made, taking legal action or requesting collateral.

b) Cash and cash equivalents
As of 31 December 2016, the Group holds cash and cash equivalents in the amount of € 135,323 thousand (previous year: € 174,335 thousand). This sum represents the maximum default risk with regard to these assets.

The Group's cash and cash equivalents are mainly deposited with reputable banks. The Group has no other financial assets which carry significant exposure to credit risk.

(iv) Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group is currently funding its capital expenditures through internally generated funds from its operations and from available liquid funds. The Group manages capital based on the gearing ratio, defined as net debt divided by capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. Net debt is defined as interest-bearing liabilities, net of liquid funds, and excludes liabilities incurred for the financing of working capital purposes. Capital includes equity attributable to the shareholders of the Company.

The Group's gearing ratio was zero throughout the periods presented.

Fair values

The carrying amounts of the Group's financial instruments approximate their fair values, due to the short term to maturity at the end of each of the periods presented.

44. AUDITOR'S FEES

The auditor's fees for the auditor BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, in accordance with § 314 (1) No. 9 HGB, break down as follows:

Figures in € thousand	2016
Audit of the financial statements	189
of which for the previous year	10
Other assurance services	20
Tax advice	56
Other services	53
Total	**318**

45. REMUNERATION OF THE COMPANY'S SUPERVISORY BOARD AND THE EXECUTIVE BOARD

The total remuneration of the members of the management board for the financial year 2016 amounts to € 1,482 thousand (previous year: € 2,052 thousand). The management board members received a basic remuneration ("remuneration 1") of € 962 thousand for their activities in the 2016 financial year, (previous year: € 761 thousand). The remuneration of the management board also includes a performance-related remuneration ("remuneration 2") for the financial year 2016 amounting to € 359 thousand (previous year: € 145 thousand). Under "remuneration 2", an amount of € 50 thousand is also included for the activity in the previous year. In fiscal year 2016, a share-based compensation ("remuneration 3") of € 111 thousand (previous year: € 1,147 thousand) was granted. As of 31 December 2016, there are unpaid balances from the remuneration of the management board in the amount of € 359 thousand (previous year: € 210 thousand) for the portion of "remuneration 2" as deferred liabilities for the financial year 2016.

For former members of the management board in 2016, retirement pensions of € 25 thousand (previous year: € 24 thousand) were granted.

The total remuneration of the supervisory board for the 2016 financial year amounts to € 97 thousand (previous year: € 102 thousand). The remuneration of the supervisory board for the financial year of 2016 is reported as current liabilities as of 31 December 2016.

There are, furthermore, no further obligations to members of the supervisory board and the management board.

For further information, please refer to the remuneration report contained in the group management report under **section G**.

46. AVERAGE HEADCOUNT FOR THE YEAR

Employees within the meaning of § 314 (1) no. 4 HGB

Number	2016	2015
General administration	95	93
Research and development	307	269
Marketing/distribution	140	123
Support/consulting	223	195
Total	**765**	**680**

47. DISCLOSURE ON SHAREHOLDINGS PURSUANT TO § 313 (2) HGB

Figures in %	Abbreviations	Share in capital
Fully consolidated entities:		
Germany:		
RIB Deutschland GmbH, Stuttgart	RIB Deutschland	100.00
RIB Engineering GmbH, Stuttgart	RIB Engineering	100.00
RIB Information Technologies AG, Stuttgart	RIB IT	100.00
RIB iTWOcity AG (formerly: RIB Research & Development AG, Stuttgart)	RIB iTWOcity	100.00
RIB Cosinus GmbH, Freiburg	RIB Cosinus	100.00
xTWO GmbH, Hungen	xTWO	100.00
xTWOmarket GmbH, Hungen	xTWOmarket	75.00
Other countries:		
Guangzhou RIB Software Company Limited, Guangzhou, People's Republic of China	RIB China	100.00
Guangzhou TWO Information Technology Company Limited, Guangzhou, People's Republic of China	GZ TWO	100.00
i-PBS Production Business Solutions GmbH, Vienna, Austria	i-PBS	100.00
RIB A/S, Copenhagen, Denmark	RIB A/S	100.00
RIB Asia Ltd., Hong Kong, People's Republic of China	RIB Asia	100.00
RIB Cosinus AG, Lucerne, Switzerland	RIB CCH	100.00
RIB ware Private Limited, Mumbai, India	RIB India	100.00
RIB Limited, Hong Kong, People's Republic of China	RIB Ltd.	100.00
RIB Management Computer Controls, Incorporated, Memphis/USA	RIB MC²	100.00
RIB PTE. Limited, Singapore	RIB Singapur	100.00
RIB Software (Americas) Inc., Wilmington/USA	RIB USA	100.00
RIB stavebni Software s.r.o., Prague, Czech Republic	RIB Prag	100.00
RIB SAA Software Engineering GmbH, Vienna, Austria	RIB SAA	75.00
RIB Software (UK) Limited, London, England	RIB UK	100.00
RIB Software PTY Ltd., Sydney, Australia	RIB PTY	100.00
RIB Spain SA, Madrid, Spain	RIB Spain	100.00
RIB U.S. Cost Incorporated, Atlanta, USA	RIB US Cost	100.00
TWO Hong Kong Limited, Hong Kong, People's Republic of China	TWO HK Ltd.	100.00
Williams International Group LLC, Dubai, United Arab Emirates	RIB Williams	100.00
RIB Software DMCC - Dubai, UAE	RIB DMCC	100.00
3D Prodigy PTE Limited, Singapore	3D Prodigy	51.00
Joint venture		
YTWO Limited, Cayman Islands	YTWO Ltd.	50.00
Associated company:		
Exactal Group Limited, Hong Kong	Exactal Group	25.00

Stuttgart, 10 March 2017

RIB Software AG

The Executive Board

Thomas Wolf　　Michael Sauer　　Helmut Schmid

DECLARATION OF THE LEGAL REPRESENTATIVES

We hereby confirm that to the best of our knowledge, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the interim Group management report gives a true and fair view of the business performance, including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group in the remaining financial year, in accordance with the applicable framework for interim financial reporting.

Stuttgart, 10 March 2017

RIB Software AG

The Executive Board

Thomas Wolf | Michael Sauer | Helmut Schmid

AUDIT OPINION

We duly conducted a financial audit of the group final annual accounts prepared by RIB Software AG, Stuttgart, Germany for the financial year: 01 January 2016 to 31 December 2016 – consisting of the balance sheet, the overall profit and loss account, the statement of the change in equity capital, the capital flow statement and annexe – as well as the group annual report, which is included together with the situation annual report of the parent company. The preparation of the group final annual accounts and the group annual report in accordance with 'IFRS–International Financial Reporting Standards', as employed within the European Union, and the additionally employable statutory requirements of Art. 315a, Para. 1 of the German Federal 'HGB-Handelsgesetzbuch' (Commercial Law Code), are the statutory responsibility of the corporate legal representatives of the company. It is the statutory requirement of the financial auditors, to give a professional opinion of the group final annual accounts and the included annual report, by way of a financial audit.

We duly conducted an orderly financial audit of the group final annual accounts in accordance with Art. 317 of the forementioned 'HGB'-Commercial Law Code, by observing the accounting rules of the 'IDW – Institut der Wirtschaftspruefer' (Institute of German Accountants and Financial Auditors). The accounting rules require a financial audit to be planned and executed, so that any statutory irregularities and infringements in the accounts can be recognised with sufficient certainty, which might have an essential effect on the group. The financial audit is also to include an assessment of the picture provided by the presentation of the group final annual accounts under observation of the applicatory financial accounting statutory requirements, as well by the group annual report of the assets'-, financial- and profitability –situation of the business. When planning the financial auditing activities, the financial auditors take into consideration their knowledge of the business activities and the economic and legal background of the group, as well as the expectations of possible errors. During the financial audit, the efficiency of the bookkeeping and accounts and the internal controlling system are assessed, as well as the evidence inspected for the items shown in the final annual accounts of the group and the group annual report, predominantly on the basis of random sampling. The financial audit also includes the assessment of the final annual accounts of the enterprises consolidated in the group final annual accounts, the delineation of the consolidated corporate entities, the accounting principles applied for the preparation of the various final annual accounts, and an essential appraisal of the corporate legal representatives, and the presentation of an opinion on the overall presentation of the group final annual accounts and the group annual report. We are also of the opinion, that our financial audit provided a sufficient basis for our various assessments.

Our audit has not led to any reservations.

In our opinion, on the basis of the knowledge gained through the financial audit, the group final annual accounts correspond with the legal accounting rules of the 'IFRS–International Financial Reporting Standards', as employed within the European Union and the additionally employable statutory requirements of Art. 315a, Para. 1 of the German Federal 'HGB-Handelsgesetzbuch' (Commercial Law Code), in order to provide an actual picture of the assets'-, financial- and profitability –situation of the business, under observation of the foregoing rules and requirements. The group annual report also accords with the group final annual accounts, follows the relative statutory requirements, and overall provides an appropriate picture of the financial and economic situation of the group, as well as indicating the opportunities and risks of future developments.

Stuttgart, 10 March 2017

BW PARTNER
Bauer Schätz Hasenclever Partnerschaft mbB
Financial Auditors and Tax Consultants

Philipp Hasenclever	Olaf Brank
Financial Auditor	Financial Auditor

FINANCIAL STATEMENTS OF RIB SOFTWARE AG

FOR THE FINANCIAL YEAR 2016 (HGB) (EXCERPT)

BALANCE SHEET AS OF 31 DECEMBER 2016

RIB Software AG, Stuttgart

ASSETS

	Figures in € thousand	31 December 2016	31 December 2015
A.	**Non-current assets**		
	I. Intangible assets		
	1. Commercial and industrial property rights and similar rights and values as well as licenses to such acquired for a consideration	27,517.13	192,079.37
	2. Goodwill	1,378,594.28	2,757,188.57
		1,406,111.41	2,949,267.94
	II. Property, plant and equipment		
	1. Land and buildings	8,450,245.91	0.00
	2. Furniture and fixtures	550,907.67	217,332.05
		9,001,153.58	217,332.05
	III. Financial assets		
	1. Investments in affiliated companies	164,186,010.09	99,008,668.38
	2. Interests in companies	24,950.00	12,450.00
		164,210,960.09	99,021,118.38
		174,618,225.08	**102,187,718.37**
B.	**Current assets**		
	I. Receivables and other assets		
	1. Trade receivables	6,169,410.91	6,361,713.43
	2. Receivables from affiliated companies	2,747,557.22	1,687,819.24
	3. Other assets	1,708,013.79	58,452.94
		10,624,981.92	8,107,985.61
	II. Securities		
	Other securities	4,997,027.80	4,997,027.80
	III. Cash on hand and bank balances	54,801,303.97	137,971,680.45
		70,423,313.69	**151,076,693.86**
C.	**Prepaid expenses**	781,229.65	544,366.35
		245,822,768.42	**253,808,778.58**

EQUITY AND LIABILITIES

	Figures in € thousand	31 December 2016	31 December 2015
A.	**Equity**		
	I. Issued capital		
	1. Subscribed capital - conditional capital: € 1,548,616.00	46,845,657.00	46,845,657.00
	2. Less nominal amount of treasury shares	-1,765,143.00	-1,093,167.00
		45,080,514.00	45,752,490.00
	II. Capital reserves	184,522,756.09	184,121,364.10
	III. Retained earnings		
	Legal reserves	47,588.47	47,588.47
	IV. Retained earnings	8,370,754.42	12,310,542.10
		238,021,612.98	**242,231,984.67**
B.	**Provisions**		
	1. Pension provisions	2,334,503.00	2,423,638.00
	2. Provisions for taxation	465,000.00	3,654,115.00
	3. Other provisions	1,416,000.00	942,100.00
		4,215,503.00	**7,019,853.00**
C.	**Liabilities**		
	1. Trade payables	473,889.30	486,887.84
	2. Liabilities to affiliated companies	1,410,815.91	238,318.64
	3. Other liabilities	1,109,249.43	3,382,374.43
	- of taxes: € 732,353.52 (prior year: € 2,728,835.29)		
	- of which social security liabilities: € 6,349.60 (prior year: € 5,376.28)		
		2,993,954.64	**4,107,580.91**
D.	**Prepaid expenses**	**591,697.80**	**449,360.00**
		245,822,768.42	**253,808,778.58**

INCOME STATEMENT FOR THE FINANCIAL YEAR 2016

	Figures in €		2016	2015
1.	Revenues		48,266,819.16	38,770,816.94
2.	Other operating income		2,500,756.13	7,197,429.10
	- of which from currency translation:	€ 368,560.00		
	(prior year:	€ 4,239,179.85)		
3.	Material costs			
	a) Expenses for goods		-1,506,264.10	-1,579,321.83
	b) Expenses for services purchased		-10,921,663.51	-10,403,362.14
			-12,427,927.61	-11,982,683.97
4.	Personnel expenses			
	a) Wages and salaries		-2,922,770.69	-2,283,316.11
	b) Social security and pension costs		-323,626.29	-427,387.41
	- Of which for pension schemes:	€ -2,221.51		
	(prior year:	€ -151,675.26)		
			-3,246,396.98	-2,710,703.52
5.	Amortisation of intangible non-current assets and depreciation on property, plant and equipment		-1,689,585.00	-1,564,990.10
6.	Other operating expenses		-20,476,921.19	-17,654,161.21
	- of which from currency translation:	€ -940,781.28		
	(prior year:	€ -78,947.08)		
7.	Income from investments		871,614.82	265,730.13
	- of which from affiliated companies	€ 871,614.82		
	(prior year:	€ 265,730.13)		
8.	Other interest and similar income		196,486.18	194,256.60
	- from affiliated companies	€ 2,382.71		
	(prior year:	€ 161,948.40)		
9.	Depreciation of financial assets		-523,789.00	-100,000.00
10.	Interest and similar expenses		-153,610.33	-105,078.98
	- of which write-ups	€ -93,810.33		
	(prior year:	€ -105,078.98)		
11.	Income tax expense		-4,849,407.99	4,255,152.09
12.	**Earnings after taxes**		**-8,468,038.19**	**8,055,462.90**
13.	Other taxes		-19,671.00	-3,475.82
14.	**Net profit for the year**		**8,448,367.19**	**8,051,987.08**
15.	Profit carried forward from the prior year		5,019,650.26	3,707,415.90
16.	Income from the sale of treasury shares		0.00	551,139.12
17.	Expenses from the acquisition of treasury shares		-5,097,263.03	0.00
18.	**Retained earnings**		**8,370,754.42**	**12,310,542.10**

FURTHER INFORMATION

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Translation of the original German version:
The English version of the Annual Report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

FINANCIAL CALENDAR

28 April 2017
Publication Interim Report (January - March 2017)
Analyst Conference Call

30 May 2017
Ordinary Annual General Meeting

31 July 2017
Publication Interim Report (January - June 2017)
Analyst Conference Call

30 October 2017
Publication Interim Report (January - September 2017)
Analyst Conference Call

CONTACT

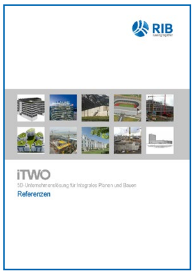
RIB Software AG
Vaihinger Straße 151
70567 Stuttgart

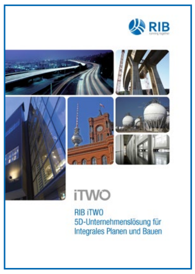
Investor Relations
Phone: +49 (0) 711 7873-191
Fax: +49 (0) 711 7873-311

E-Mail: **investor@rib-software.com**
Internet: **group.rib-software.com**

Careers
Internet: **group.rib-software.com/en/careers**

Product informationen and References





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RIB Software AG

Investor Relations
Vaihinger Straße 151
70567 Stuttgart

Phone: +49 711 7873-191
Fax: +49 711 7873-311

E-Mail: investor@rib-software.com
Internet: group.rib-software.com