Financial statements as of 31.12.2012

and management report

RIB Software AG

Stuttgart

CONVENIENCE TRANSLATION

Contents

Balance Sheet

RIB Software AG, Stuttgart

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ASSETS	31.12.2012	31.12.2011
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	262,605.06	346,048.89
2. Goodwill	6,892,971.42	8,271,565.71
	7,155,576.48	8,617,614.60
II. Property, plant and equipment		
Furniture and fixtures	85,720.03	80,941.30
III. Financial assets		
1. Investments in affiliated companies	44,083,633.42	18,852,217.61
2. Investments	1,058,063.75	1,058,063.75
	45,141,697.17	19,910,281.36
	52,382,993.68	28,608,837.26
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	4,311,714.65	6,235,805.21
2. Receivables from affiliated companies	5,205,473.52	4,426,598.01
3. Other assets	527,110.09	41,121.92
	10,044,298.26	10,703,525.14
II. Securities		
Other securities	43,789,337.31	3,529,916.99
III. Cash on hand		
Bank balances	26,103,150.57	91,467,453.24
	79,936,786.14	105,700,895.37
C. Prepaid expenses	619,206.61	405,358.77
	132,938,986.43	**134,715,091.40**

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			EQUITY AND LIABILITIES
		31.12.2012	**31.12.2011**
A. Equity			
I. Issued capital			
1. Subscribed capital	38,715,420.00		
2. Less nominal amount of treasury shares	-43,562.00	38,671,858.00	38,715,420.00
II. Capital reserves		81,652,577.56	81,652,577.56
III. Retained earnings			
Legal reserves		47,588.47	47,588.47
iV. Retained earnings		5,605,042.07	3,409,698.71
		125,977,066.10	123,825,284.74
B. Provisions			
1. Pension provisions		2,416,472.00	2,584,530.00
2. Provisions for taxation		1,940,659.00	911,000.00
3. Other provisions		690,470.00	634,800.00
		5,047,601.00	4,130,330.00
C. Liabilities			
1. Trade payables		503,271.87	914,225.69
2. Liabilities to affiliated companies		837,720.86	1,024,450.81
3. Other liabilities		129,504.60	4,254,533.66
- of which social security liabilities € 7,981.50			
(prior year: € 13,189.29)			
		1,470,497.33	6,193,210.16
D. Prepaid expenses		443,822.00	566,266.50
		132,938,986.43	**134,715,091.40**

Income Statement for the Financial Year 2012

RIB Software AG, Stuttgart

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				2012		2011	
1.	Revenues				33,402,765.68		32,816,331.46
2.	Other operating income				3,404,820.37		4,730,283.55
	- of which from currency translation:	€	121,085.88				
	(prior year:	€	1,712,822.87)				
3.	Material costs						
	a) Expenses for auxiliary and process materials and for purchased goods			-1,120,248.23		- 1,273,472.38	
	b) Expenses for services purchased			-9,964,719.02	-11,084,967.25	- 9,919,341.98	- 11,192,814.36
4.	Personnel expenses						
	a) Wages and salaries			-1,646,028.41		-1,618,740.77	
	b) Social security and pension costs			-247,969.11		-238,424.04	
	- Of which for pension schemes	€	19,567.87				
	(prior year:	€	5,769.48)		-1,893,997.52		-1,857,164.81
5.	Amortisation of intangible non-current assets and depreciation on property, plant and equipment				-1,545,462.32		-1,528,622.28
6.	Other operating expenses				-13,787,493.34		-13,980,429.67
	- of which from currency translation:	€	163,541.31				
	(prior year:	€	262,608.20)				
7.	Income from investments				42,121.93		36,655.82
	- of which from affiliated companies	€	42,121.93				
	(prior year:	€	36,655.82)				
8.	Other interest and similar income				1,432,749.64		869,682.18
9.	Depreciation of current assets				-1,418,258.68		0.00
10.	Interest and similar expenses				-143,079.78		-180,451.00
	- of which write-ups:	€	130,779.78				
	(prior year:	€	132,751.00)				
11.	**Net income from ordinary business activities**				**8,409,198.73**		**9,713,470.89**
12.	Extraordinary expenses			0.00		-5,252,873.17	
13.	**Extraordinary profit**				**0.00**		**-5,252,873.17**
14.	Income tax expense				-2,954,984.65		-1,949,649.93
15.	Other taxes				-3,091.00		-5,430.00
16.	**Net profit for the year**				**5,451,123.08**		**2,505,517.79**
17.	Profit carried forward from the prior year				312,465.11		904,180.92
18,	Expenses from the acquisition of treasury shares				-158,546.12		0.00
19.	**Retained earnings**				**5,605,042.07**		**3,409,698.71**

Notes for the financial year 2012

RIB Software AG, Stuttgart, Germany

A. General disclosures

The annual financial statements of the capital market-oriented RIB Software AG, Stuttgart, Germany (hereinafter also referred to as "RIB AG" or the "Company") have been prepared according to the regulations of the Third Volume of the German Commercial Code (HGB) in conjunction with special regulations of the German Stock Corporation Act (AktG) that apply to the specific legal form.

As far as permitted by law, the disclosures required to explain the balance sheet and the income statement have been adopted in the Notes.

B. Accounting and valuation principles

The acquired **intangible assets** are capitalised at cost and amortised on a straight-line basis over their prospective useful life or distributed over the term of the underlying contracts. The goodwill is amortised over the prospective useful life.

The additions **to property, plant and equipment** are measured at manufacturing cost. The movables are depreciated on a straight-line basis over their prospective useful life. Assets with individual acquisition costs of up to €150.00 are fully depreciated in the year of addition. Additions with acquisition costs of €150 to €1,000.00 are entered in a compound item and depreciated over a period of five years.

Financial assets are recognised at cost. Where necessary, unscheduled depreciation has been performed to the lower fair value.

Receivables and other assets are recognised at the nominal value under consideration of appropriate specific provisions for identifiable risks and, in the case of trade receivables, after deducting a general provision for bad debts. Receivables that do not bear interest and have a residual term of more than one year are recognised at the present value. Discounting is performed with a period and risk-oriented interest rate.

Securities are measured at the lower of their cost or fair value. Concerning the measurement of securities denominated in foreign currency, please refer to the information below on the foreign currency translation.

Cash and cash equivalents are presented at their nominal value.

The assets side presents expenses paid prior to the closing date that concern expenses for a time after this date as **prepaid expenses**.

The **pension provisions** as well as the **provisions for taxes and other provisions** take all identifiable risks and contingent liabilities into consideration.

The pension provisions are determined with the projected unit credit method using the 2005 G mortality tables of Prof. Klaus Heubeck. In the measurement of the pension provisions, annual wage and salary increases of 1.75%, annual pension increases of 1.75% and an annual fluctuation rate of 2.5% are assumed. The pension provisions are discounted in accordance with their residual term at the average market interest rate of the past seven financial years, which is based on an assumed residual term of 15 years. The interest rate is 5.04%.

Provisions for taxes and other provisions are measured at the settlement amount required on the basis of a reasonable commercial assessment. Provisions with a residual term of more than one year are discounted in accordance with their residual term at the average market interest rate of the past seven financial years.

Liabilities are recognised as expenses at their settlement value.

The liabilities side reports income received prior to the closing date that concerns income for a time after this date as **deferred income**.

Assets denominated in foreign currency are presented at the lower exchange rate at the time of their addition or the exchange rate on the balance sheet date. **Liabilities denominated in foreign currency** are measured at the higher of the daily exchange rate at the time of the business transaction or the exchange rate on the closing date. As an exception to this, assets and liabilities denominated in foreign currency with a residual term of no more than one year are translated at the spot exchange rate on the closing date.

C. Explanatory notes on the balance sheet

1. Property, plant and equipment

The development of the individual asset items in the financial year 2012 is presented in section E.

The presented goodwill is the result of the merger of RIB Bausoftware GmbH, Stuttgart, Germany, with RIB Software AG, Stuttgart, Germany, in the financial year 2003. The goodwill is amortised over a period of 15 years. At the time of the merger, RIB Bausoftware GmbH held all significant intangible assets of the RIB Group. Due to the long-standing successful activity of the RIB Group in the software market for construction, plant engineering and infrastructure management and under consideration of the expectations concerning relevant product and technology cycles, the amortisation over a useful life of more than five years is justified.

2. Ownership

The Company holds a share of at least 20% in the following companies:

	Nominal capital in local currency	Share of capital	Equity	Earnings of the financial year
		%	€ thousands	€ thousands
Germany				
RIB Deutschland GmbH, Stuttgart, Germany	EUR 154 thousand	100.00	1,367	189
RIB Engineering GmbH, Stuttgart, Germany	EUR 110 thousand	100.00	1,149	182
RIB Information Technologies AG, Stuttgart, Germany	EUR 360 thousand	100.00	2,033	263
RIB Research & Development AG, Stuttgart, Germany	EUR 50 thousand	100.00	46	-1
RIB Sales International GmbH, Stuttgart, Germany	EUR 50 thousand	100.00	47	- 1
STRAPS Bausoftware GmbH, Stuttgart, Germany	EUR 38 thousand	100.00	113	0
Other countries				
Guangzhou RIB Software Company Limited, Guangzhou, People's Republic of China [1)]	CNY 847 thousand	100.00	143	87
Guangzhou TWO Consulting Company Limited, Guangzhou, People's Republic of China	CNY 441 thousand	100.00	5	- 25
Guangzhou TWO Information Technology Company Limited, Guangzhou, People's Republic of China	CNY 52,056 thousand	100.00	6,174	830
RIB Asia Ltd., Hong Kong, People's Republic of China	HKD 26.000 thousand	49.96	2,463	-3
RIB CADX PTY LIMITED, Sydney, New South Wales, Australia [1)]	AUD 6,259 thousand	75	2,896	-150
RIB FZ Limited Liability Company, Fujairah, United Arab Emirates [1)]	AED 100 thousand	100.00	21	- 10
RIB ITWO PTY Limited, Sydney, New South Wales, Australia [1)]	AUD 1,500	100.00	- 188	- 38
RIB Limited, Hong Kong/People's Republic of China [1)]	HKD 350.000 thousand	100.00	27,726	-3,537
RIB Management Computer Controls, Incorporated, Memphis, Tennessee, USA [1)]	USD 680	100.00	1,472	79
RIB PTE. Limited, Singapore [1)]	SGD 1	100.00	- 57	31
RIB Software (Americas) Inc., Wilmington, Delaware, USA [1)]	USD 30	100.00	-623	59
RIB Software (UK) Limited, London, England [1)]	GBP 50 thousand	100.00	286	97

	Nominal capital in local currency	Share of capital	Equity	Earnings of the financial year
		%	€ thousands	€ thousands
RIB stavebni Software s.r.o., Prague, Czech Republic	CZK 1,000 thousand	100.00	114	34
RIB iTWO Software Private Ltd., Mumbai, Maharashtra, India [1)]	INR 100 thousand	100.00	62	- 24
RIB U.S. Cost Incorporated, Atlanta, Georgia, USA [1)]	USD 46 thousand	56.08	1,084	-39
TWO Hong Kong Limited Hong Kong/People's Republic of China	HKD 10 thousand	100.00	- 31	- 68

1) Indirect shareholding via RIB Limited

3. Receivables and other assets

	As of 31.12.2012	As of 31.12.2011	Residual term more than one year 31.12.2012	Residual term more than one year 31.12.2011
	€ thousands	€ thousands	€ thousands	€ thousands
Trade receivables	4,312	6,236	47	683
Receivables from affiliated companies	5,205	4,427	0	0
Other assets	527	41	0	0
	10,044	10,704	47	683

Receivables from affiliated companies comprise trade receivables amounting to € 1,082 thousand (prior year: € 284 thousand).

The other assets contain accruals and deferrals amounting to € 474 thousand (prior year: € 24 thousand). These consist of deferred interest income from fixed-interest investments.

4. Deferred taxes

Deferred tax assets result from temporary differences between the commercial and tax bases of the pension provisions and the other provisions. Deferred tax liabilities result from the temporary valuation differences of the trade receivables.

Deferred taxes are calculated on the basis of an average trade tax rate of 14.7% and a corporation tax rate including solidarity surcharge of 15.8%.

The resulting deferred tax assets and liabilities are netted against each other. The remaining asset surplus has not been capitalised.

5. Equity

The **share capital** reported as of 31 December 2012 is divided into 38,715,420 registered par-value shares (ordinary shares) of € 1.00 each.

Authorised capital: By resolution of the General Meeting of 20 May 2011, the Executive Board of RIB AG is authorised, with the approval of the Supervisory Board, to increase the share capital once or several times by a total amount of up to €19,358 thousand until 19 May 2016 by issuing new registered par-value shares against cash or in-kind contributions and to determine a profit participation commencement date that deviates from the law in accordance with Article 7 of the Articles of Association. The new shares must be offered to the shareholders for subscription. Under certain circumstances, however, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right. For further details of the authorised capital, please refer to our information in section E.1. of the Management Report.

The Executive Board made no use of this authorisation in the reporting period.

Treasury shares: By resolution of the General Meeting of 24 May 2012, the Executive Board of RIB AG is authorised pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to purchase treasury shares until 23 May 2017 up to a total of 10% of the Company's share capital that existed at the time of the resolution. The exercise may also be performed by group companies or by third parties for its account or for their account under consideration of Section 71d of the German Stock Corporation Act (AktG).

The Company's Executive Board is authorised, with the approval of the Supervisory Board, to sell treasury shares through the stock exchange or through an offer to all shareholders or to use them within the scope of a company acquisition or to fulfil obligations from or in connection with convertible bonds and/or warrants issued by the Company. In this context, the shareholders' subscription right is excluded. The Executive Board has been is authorised to retire treasury shares without any further resolution of the General Meeting.

In the financial year 2012, 43,562 treasury shares of a par value of €1.00 per share were acquired.

The treasury shares on hand developed as follows in the financial year 2012:

	Number of shares	Time of of acquisition	Pro-rata amount of share capital	Proportion of share capital	Acquisition/ sale price
			€ thousands	%	€ thousands
Balance as of 01.01.2012	0	-	-	-	-
Additions	43,562	December 2012	44	0.11	202
Balance as of 31.12.2012	43,562	-	44	0.11	-

6. Pension provisions

A former member of the Executive Board accounts for pension provisions amounting to € 244 thousand (prior year: € 312 thousand).

7. Other provisions

The other provisions mainly comprise personnel obligations and provisions for outstanding invoices.

8. Liabilities

The liabilities are broken down in section F.

The liabilities due to affiliated companies contain trade payables amounting to € 810 thousand (prior year: € 955 thousand).

9. Off-balance sheet transactions

Software development

The Company has concluded contracts with affiliated companies for the procurement of software development services. The purpose of this outsourcing of development services is to secure adequate development capacities at economic conditions. By outsourcing development services, the development costs per man-year have been reduced significantly, providing the Company with competitive advantages through shorter product cycles. Due to the outsourcing, the Company is exposed to risks related to legal protection and licence requirements in China. Moreover, certain risks result from the political, legal and economic conditions prevalent in China.

The following financial liabilities arise from the contracts:

	31.12.2012 € thousands	31.12.2011 € thousands
Due within one year	8,955	5,946
Of which due to affiliated companies	8,955	5,946

10. Other financial liabilities

Apart from the said off-balance sheet transactions, the following financial liabilities exist:

	31.12.2012 € thousands	31.12.2011 € thousands
Liabilities from leases	1,357	1,438
Order commitment from third-party services	323	620
Payment commitments from adopted capital increases	18,790	0
Others	322	394
	20,792	2,452
Of which due within one year	20,409	1,531
Of which due to affiliated companies	18,790	0

D. Explanatory notes on the income statement

1. Revenues

	2012 € thousands	2011 € thousands
Software licences	12,455	13,033
Software as a service/cloud	1,916	1,578
Software total	14,371	14,611
Maintenance	14,649	13,954
Consulting	3,807	3,488
Third-party development	576	763
	33,403	32,816

	2012 € thousands	2011 € thousands
Germany	31,210	30,131
Other countries	2,193	2,685
	33,403	32,816

2. Significant income from other accounting periods

	2012 € thousands	2011 € thousands
Income from the reversal of provisions	202	299
Income from the receipt of receivables written off (including change of specific provisions for bad debts)	90	0
Other income from other accounting periods	60	100
	352	399

3. Significant expenses from other accounting periods

	2012	2011
	€ thousands	€ thousands
Bad debts including additions to provisions for bad debts	64	71
Tax expense previous years	0	177
Other expenses from other accounting periods	1	1
	65	249

4. Total benefits of the Executive Board and Supervisory Board

	2012	2011
	€ thousands	€ thousands
Current members of the Executive Board		
- For the activity in the financial year	364	328
- Other benefits granted in the financial year, which had not been recognised in any previous annual financial statements	74	74
	438	402
Former members of the Executive Board		
- Retirement benefits	23	23
Supervisory Board		
- For the activity in the financial year	71	53
	532	478

5. Extraordinary expenses

The item presented in the prior year concerned expenses for the IPO conducted in the financial year 2011.

E. Development of assets

	Costs				Depreciation/amortisation				Residual carrying amounts	
	As of 01.01.2012	Additions	Disposals	As of 31.12.2012	As of 01.01.2012	Additions	Disposals	As of 31.12.2012	As of 31.12.2012	As of 31.12.2011
	€	€	€	€	€	€	€	€	€	€
I. Intangible assets										
1. Commercial and industrial property rights and similar rights and assets as well as licences to such acquired for a consideration	4,844,738.63	38,943.61	0.00	4,883,682.24	4,498,689.74	122,387.44	0.00	4,621,077.18	262,605.06	346,048.89
2. Goodwill	20,678,914.32	0.00	0.00	20,678,914.32	12,407,348.61	1,378,594.29	0.00	13,785,942.90	6,892,971.42	8,271,565.71
	25,523,652.95	38,943.61	0.00	25,562,596.56	16,906,038.35	1,500,981.73	0.00	18,407,020.08	7,155,576.48	8,617,614.60
II. Property, plant and equipment										
Furniture, fixtures and fittings	492,640.82	49,698.70	249,766.71	292,572.81	411,699.52	44,480.59	249,327.33	206,852.78	85,720.03	80,941.30
	492,640.82	49,698.70	249,766.71	292,572.81	411,699.52	44,480.59	249,327.33	206,852.78	85,720.03	80,941.30
III. Financial assets										
1. Interests in affiliated companies	18,852,217.61	25,231,415.81	0.00	44,083,633.42	0.00	0.00	0.00	0.00	44,083,633.42	18,852,217.61
2. Shareholdings	1,058,063.75	0.00	0.00	1,058,063.75	0.00	0.00	0.00	0.00	1,058,063.75	1,058,063.75
	19,910,281.36	25,231,415.81	0.00	45,141,697.17	0.00	0.00	0.00	0.00	45,141,697.17	19,910,281.36
Total	45,926,575.13	25,320,058.12	249,766.71	70,996,866.54	17,317,737.87	1,545,462.32	249,327.33	18,613,872.86	52,382,993.68	28,608,837.26

F. Breakdown of liabilities

		Balance sheet value		Residual term up to one year	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
		€ thousands	€ thousands	€ thousands	€ thousands
Liabilities					
1.	Trade payables	503	914	503	914
2.	Liabilities due to affiliated companies	838	1,024	838	1,024
3.	Other liabilities	130	4,255	130	4,255
Total		1,471	6,193	1,471	6,193

G. Other disclosures

1. Employee

	Annual average 2012	2011
Employees	28	30

2. Executive Board

Members of the Company's Executive Board in the financial year 2012:

Mr Thomas Wolf, CEO
Responsible for strategy, international shareholdings and investor relations

Mr Michael Sauer, CFO
Responsible for finance, M&A, marketing and sales Germany

Dr. Hans-Peter Sanio, CTO
Responsible for research, development and outsourcing

3. Supervisory Board

Members of the Company's Supervisory Board in the financial year 2012:

Ms Sandy Möser, graduate historian
Director of Mühl 24 GmbH
(Chairman of the Supervisory Board)

Dr. Matthias Rumpelhardt
Director of Dacapo Beteiligungs GmbH
(Vice-Chairman of the Supervisory Board)

Mr Eran Davidson
Director of Hasso Plattner Ventures GmbH

Mr Keith Chau Kwok Keung
CFO of Comtec Solar Systems Group Ltd.

Mr Barrie David Sheers
Vice President APJ, Quest Software Inc.

Mr Klaus Hirschle
Senior Product Manager of Robert Bosch GmbH

Memberships in other supervisory boards and other supervisory bodies:

Mr Eran Davidson is a member of the supervisory boards of the following companies:
- Smeet Communications GmbH, Berlin, Germany
- D-Labs GmbH, Potsdam, Germany
- Kenesto Corp., Massachusetts, USA
- BrightView Systems Ltd., Petach-Tikva, Israel
- Uwe Braun GmbH, Potsdam, Germany
- Venetus Beteiligungen AG, Berlin, Germany

Dr. Matthias Rumpelhardt is a member of the Supervisory Board of MBB Industries AG, Berlin, Germany.

4. Related party transactions

Until 31 July 2011, RIB AG obtained software development services from TWO Ltd., Hong Kong, People's Republic of China (hereinafter referred to as "TWO Ltd."). TWO Ltd. is a company in which Mr Thomas Wolf, the Chairman of the Executive Board of RIB Software AG, holds a majority interest. TWO Ltd. engaged its wholly owned subsidiary Guangzhou TWO Information Technology Company, Guangzhou, People's Republic of China (hereinafter referred to as "GZ TWO") to perform the development services. In the financial year 2011, RIB AG acquired all interests in GZ TWO from TWO Ltd., thereby integrating the development activities into the RIB Group.

TWO Ltd. had financed GZ TWO partly through a non-interest-bearing shareholder loan of US$5.4 million. Following the share acquisition, RIB AG acquired this loan receivable against GZ TWO by agreement dated 29 December 2011. The purchase price was agreed in euro and amounted to € 4.2 million when converted at the exchange rate applicable on the date of the conclusion of the agreement. The transfer of the loan receivable was subject to the approval of the responsible Chinese authority. This approval was granted in the financial year 2012. Subsequently, RIB AG settled its purchase price liability to TWO Ltd.

In the financial year 2012, no other major transactions were conducted with related parties as defined in Section 285 no. 21 of the German Commercial Code (HGB).

5. Disclosures on the Corporate Governance Code

The Executive Board and the Supervisory Board have issued the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) for the financial year 2012. The declaration can be accessed in the Investor Relations section on the website of RIB Software AG.

6. Notifications according to the German Securities Trading Act (WpHG)

UBS AG, Zurich, Switzerland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company exceeded the threshold of 3% on 08.02.2012 and amounts to 3.10%.

UBS AG, Zurich, Switzerland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company fell under the threshold of 3% on 09.02.2012 and amounts to 2.61 %.

Schroders Plc., London, United Kingdom of Great Britain and Northern Ireland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company exceeded the threshold of 3% on 20 March 2012 and amounts to 3.005%.

Schroders Investment Management Ltd., London, United Kingdom of Great Britain and Northern Ireland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company exceeded the threshold of 3% on 20 March 2012 and amounts to 3.005%.

Schroder Administration Ltd., London, United Kingdom of Great Britain and Northern Ireland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company exceeded the threshold of 3 % on 20 March 2012 and amounts to 3.005%.

UBS AG, Zurich, Switzerland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company exceeded the threshold of 3 % on 30 May 2012 and amounts to 3.32%.

UBS AG, Zurich, Switzerland, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company fell under the threshold of 3% on 1 June 2012 and amounts to 2.52%.

UBS Global Asset Management (Deutschland) GmbH, Frankfurt/Main, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company fell under the threshold of 5% on 3 August 2012 and amounts to 4.99 %.

RIB International Ltd., Apia, Samoa, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in our Company fell under the thresholds of 25%, 20%, 10%, 5% and 3% on 7 December 2012 and amounts to 0.00%.

Based on the notifications we received pursuant to the German Securities Trading Act (WpHG), the shares of voting rights in our Company are as follows:

Company/person	Date of publication	Reached share of voting rights	Date of change	Threshold exceeded/ fallen under
Fidelity Funds Sicav	05.07.2011	3.02 %	24.06.2011	3 %
FIL Holdings Limited	14.02.2011	4.90 %	08.02.2011	3 %
FIL Holdings Limited	04.07.2011	5.06 %	24.06.2011	5 %
FIL Holdings Limited	24.08.2011	4.99 %	15.08.2011	5 %
FIL Investment Management Limited	14.02.2011	4.90 %	08.02.2011	3 %
FIL Investments International	14.02.2011	4.90 %	08.02.2011	3 %
FIL Investments International	04.07.2011	5.06 %	24.06.2011	5 %
FIL Investments International	23.08.2011	4.99 %	15.08.2011	5 %
FIL Limited	14.02.2011	4.90 %	08.02.2011	3 %
FIL Limited	05.07.2011	5.06 %	24.07.2011	5 %
FIL Limited	24.08.2011	4.99 %	15.08.2011	5 %
Henderson Global Investors (Holdings) Plc.	14.02.2011	4.047 %	08.02.2011	3 %
Henderson Global Investors Limited	14.02.2011	4.047 %	08.02.2011	3 %
Henderson Group Plc.	14.02.2011	4.047 %	08.02.2011	3 %
Prof. Dr. Hasso Plattner	11.02.2011	5.34 %	07.02.2011	
Prof. Dr. Hasso Plattner	16.02.2011	3.86 %	10.02.2011	5 %
Hasso Plattner Ventures II GmbH & Co. KG	11.02.2011	5.34 %	07.02.2011	
Hasso Plattner Ventures II GmbH & Co. KG	16.02.2011	3.86 %	10.02.2011	5 %
Hasso Plattner Ventures Management GmbH	11.02.2011	5.34 %	07.02.2011	
Hasso Plattner Ventures Management GmbH	16.02.2011	3.86 %	10.02.2011	5 %
RIB International Ltd.	11.02.2011	36.61 %	07.02.2011	
RIB International Ltd.	14.02.2011	26.44 %	10.02.2011	30 %
RIB International Ltd.	07.12.2012	0.00 %	07.12.2012	25 % 20 % 15 % 10 % 5 % 3 %
Gisa Sander	11.02.2011	3.47 %	07.02.2011	
Hans-Joachim Sander	11.02.2011	6.38 %	07.02.2011	
Hans-Joachim Sander	11.02.2011	4.62 %	10.02.2011	5 %
Hans-Joachim Sander	16.03.2011	5.21 %	14.03.2011	5 %
SAP AG	11.02.2011	5.34 %	07.02.2011	
Schroder Administration Ltd.	21.03.2012	3.005 %	20.03.2012	
Schroders Investment Managment Ltd.	21.03.2012	3.005 %	20.03.2012	
Schroders Plc.	21.03.2012	3.005 %		

Company/person	Date of publication	Share of voting rights attained	Date of change	Threshold exceeded/ fallen short of
UBS AG	14.02.2011	20.25 %	07.02.2011	
UBS AG	14.02.2011	3.83 %	08.02.2011	20 % 15 % 10 % and 5 %
UBS AG	25.02.2011	5.03 %	18.02.2011	5 %
UBS AG	01.03.2011	4.98 %	23.02.2011	5 %
UBS AG	04.03.2011	5.04 %	25.02.2011	5 %
UBS AG	15.02.2012	3.10 %	08.02.2012	5 %
UBS AG	15.02.2012	2.61 %	09.02.2012	3 %
UBS AG	05.06.2012	3.32 %	01.06.2012	3 %
UBS AG	08.06.2012	2.52 %	02.06.2012	3 %
UBS Global Asset Management GmbH	14.02.2011	3.05 %	07.02.2011	
UBS Global Asset Management GmbH	18.07.2011	5.04 %	15.07.2011	5 %
UBS Global Asset Management GmbH	06.08.2012	4.99 %	03.08.2012	5 %
Thomas Wolf	11.02.2011	36.85 %	07.02.2011	
Thomas Wolf	14.02.2011	26.68 %	10.02.2011	30 %
Thomas Wolf	14.03.2011	30.12 %	10.03.2011	30 %

Stuttgart, 5 March 2013

RIB Software AG
The Executive Board

Thomas Wolf Michael Sauer Dr. Hans-Peter Sanio

RIB Software AG

Stuttgart

Consolidated Group Management Report and Management Report for the Financial Year 2012

A. Business and general environment

A.1. Summary

The RIB Group has operated successfully in the software market for construction, plant engineering and infrastructure management for 50 years. The parent company RIB Software AG (hereinafter referred to as “RIB AG”) is registered in Stuttgart, Germany. Our core activities comprise the development and sale of software, the provision of consulting and training services for implementation projects and professional services. Our software solutions are designed to simplify the planning process for construction projects, boost efficiency in project processing, minimise risks relating to costs and deadlines and improve construction quality. We offer our customers an end-to-end software solution to deal with the major processes related to cost and income in an integrated approach over the entire lifecycle of the project.

With over 15,000 customers worldwide in the Software Licences and Maintenance segment, we are one of the leading providers of technical ERP systems. Our customers in this segment include construction groups, the public sector, architects, engineering companies and large industrial and plant engineering companies. Our acquisition of Management Computer Controls, Inc., Memphis, Tennessee, USA, in September 2012 enabled us to expand our software offer in the field of estimating with a solution that is well established on the US market.

In the Software as a Service/Cloud segment, more than 60,000 craftsman’s businesses and medium-sized construction companies are already using our online contract award services. Thanks to the acquisition of CADX Pty Limited, Australia, in October 2012, our solution portfolio now also comprises an online collaboration and project management platform for public institutions, construction companies and general contractors.

In the Professional Services segment, we massively stepped up our capacities by acquiring U.S. Cost Incorporated, Atlanta, USA.

We had already decentralised our research and development activities as early as 2005, and have been using additional development capacities in China since then. In 2011, these were fully integrated in the RIB Group through the acquisition of GZ TWO Ltd., Guangzhou, China.

We organise the distribution of our products in German-speaking countries under the umbrella of RIB AG via two German subsidiaries, RIB Engineering GmbH and RIB Deutschland GmbH. Numerous new international distribution companies have already been set up under the umbrella of RIB Limited, Hong Kong, China. In the financial year 2012, RIB Limited acquired interests in the three above-mentioned companies. Additional sales and development sites in Atlanta, USA, Memphis, USA, and Sydney, Australia, have thus been added.

RIB Deutschland GmbH sells the German version of RIB iTWO in the German-speaking area. RIB Limited, Hong Kong, develops the international versions of RIB iTWO and sells them in the USA, Asia, India, Australia and the Middle East.

A.2. Key events in the reporting period

A.2.1. Acquisitions

In the reporting period, the RIB Group acquired controlling interests in three companies in order to expand its international market presence and product portfolio. For economic details of these interests, please refer to the respective information in the Notes to the Consolidated Financial Statements.

A.2.1.1. Acquisition of interests in Management Computer Controls, Inc., Memphis, Tennessee, USA (hereinafter referred to as “RIB MC^2”)

RIB MC² is a leading software company in the fields of construction estimating software and implementation consulting for the US construction industry. The business activity of RIB MC² comprises the delivery of software licences with high-quality content, the performance of implementation services in connection with the introduction of the software and hotline support. The sales territory of RIB MC² mainly comprises the US market. With more than 1,000 customers and a market share of 50 % among the Top 250, RIB MC² is one of the leading enterprises in this segment in the USA.

A.2.1.2. Acquisition of interests in CADX Pty Limited, Australia

CADX Pty Limited (hereinafter referred to as "RIB CADX") is a cloud software company that is well established in the market. RIB CADX sells state-of-the-art cloud-based collaboration technology that is used in the domain of online collaboration and project management in the construction industry. Customers of RIB CADX are construction companies, general contractors and public institutions that monitor and manage their large projects with the software. The main focus is on the exchange and coordination of contract-relevant project documents, such as CAD plans, specifications, billing documents and their change management. RIB CADX mainly sells in Australia and New Zealand.

A.2.1.3. Acquisition of interests in U.S. COST Incorporated, Atlanta, USA (hereinafter referred to as "RIB US Cost")

RIB US Cost is a leading company in the field of professional services and software for the US construction industry. The business activity of RIB US Cost mainly consists of the performance of consulting services in connection with the planning and management of construction and infrastructure projects. Additionally, RIB US Cost sells cloud-based software for estimating the costs of construction and infrastructure projects. The sales territory of RIB US Cost mainly covers the US market. Key customer groups include public and private investors, such as airports.

A.3. Key performance indicators

A.3.1. RIB AG

In financial year 2012, we were able to step increase our revenue by 1.8 % from € 32.8 million to € 33.4 million. Adjusted for currency effects[1], the operating earnings increased 9.6 % to € 9.1 million (prior year: € 8.3 million), owing to the revenue increase (€ 0.6 million) and a slight decline in costs (€ 0.2 million). In relation to the revenues, the operating profit margin could thus be improved to 27.2 % (2011: 25.2 %). The net profit for the year 2012 amounted to € 5.5 million, compared to € 2.5 million in 2011. The cash flow from operating activities increased € 1.9 million to € 8.9 million (prior year: € 7.0 million).

[1] In 2012, currency losses amounted to € 0.7 million, compared to currency gains of € 1.5 million in 2011.

A.3.2. RIB Group

Group revenues went up 11.7 % to € 39.2 million (prior year: € 35.1 million). This increase was caused especially by the initial consolidation of the acquired companies (€ 3.3 million) and an organic increase in service income. The adjusted earnings before taxes increased 2.7 % from € 11.3 million to € 11.6 million. The consolidated net profit for the year amounted to € 8.8 million, compared to € 5.6 million in the financial year 2011.

A.4. Management system

A.4.1. Corporate management

The corporate management of the RIB Group takes place on the basis of a corporate strategy coordinated between the Executive Board and the Supervisory Board. This strategy comprises the features of the product portfolio, the target markets and target groups as well as the medium-term revenue and earnings expectations.

Based on the strategic goals, concrete quantitative and qualitative requirements are derived for the development and sale of our products and broken down to the profit centre level of the operational Group companies. The coordination of the consolidated annual planning takes place in a separate meeting together with the Supervisory Board.

During the year, the monitoring and management of the business goals and of the Group companies takes place on the basis of indicators and detailed reporting on the revenue, cost and earnings position.

The main revenue indicators used at Group, company and profit centre level are the Licence revenues, the Software as a Service/Cloud revenues, the Maintenance revenues and the revenues with Professional Services, each broken down by segments, regions and target groups. The main cost indicators used at Group, company and profit centre level are the manufacturing costs of the services performed in order to generate the revenues and the research and development costs, each broken down by segments. The main earnings indicator used at Group, company and profit centre level is the EBT (earnings before taxes). At segment level, we also use the segment earnings, which however do not include figures such as the distribution costs.

We use further indicators to manage and monitor our profit centres in the Sales, Development and Professional Services departments. These are derived from the key indicators and are compared with quantity and quality targets based on our strategic business goals.

A.4.2. Sales management

Detailed market and target group analyses form the basis of the sales management, both in the national and in the international sales areas. Based on the defined sales strategies for the individual markets, annual, quarterly and monthly plans are prepared for the defined market and target group segments. Distinction is made between sales processes in the key account, mid-size and mass market areas and within the areas between activities for new customers and existing customers.

Potential and existing customers are managed in a central CRM system that creates the needed transparency at all company levels. For each sales segment and sales area, the company management has access to all historical data as well as to the agreed annual, quarterly and monthly targets, enabling a permanent target/as-is comparison. Apart from the achieved revenues, the offer forecast and the individual sales activities are also managed. For the key account sales, the CRM system contains documented sales processes that provide detailed information on the current status of the current sales processes, the planned next steps and the target data for contract negotiations and conclusions.

Clear signature and approval regulations for offers, contracts and orders ensure that the company's defined sales and price strategies are observed and documented. All sales employees have material performance-based income components that secure the company's short, medium and long-term goals.

A.4.3. Development management

The company involves its large national and international customers in the elaboration of functional concepts for new software solutions. Together with the customers, specifications in which the functionality to be achieved and the derived development goals are clearly described are prepared for the existing market requirements. In this way, the company is able to determine the time and resources required for the development of new software solutions in a needs-oriented manner. The software projects that can be rolled out with the available development resources and that promise the greatest market potential are coordinated within the scope of the annual business planning. If not all planned projects can be rolled out, the costs for additional development resources and any additional technical equipment that may be needed are either budgeted and included in the business plan or projects with low revenue potential are not approved for rollout or are postponed. Through these measures, the company ensures that adequate technical, financial and other resources are available in order to complete the development. The company uses professional electronic planning and monitoring systems for the monitoring and management of the development projects. The development work performed is allocated to the individual projects on the basis of man-days. Thus, the company is able to perform a reliable valuation of the intangible assets during the development phase. The accumulated costs of the development units are recorded on the respective cost centres.

A.5. Research and development

In the RIB Group, 230 highly qualified industry specialists and computer scientists are currently working on existing and new software solutions. In the reporting period, we again primarily concentrated on new products and significant expansions of our existing products.

As our R&D ratio of approximately 27 % (prior year: 31 %) is still above average, we capitalise expenses for the development of new software, provided we are able to furnish evidence especially of the technical viability and marketability of the intangible asset. In the reporting period, the capitalisation ratio was 61.5 % (prior year: 57.7 %). The intangible asset is amortised on a straight-line basis over the software's estimated economic useful life of five or ten years starting from the beginning of the commercial sale. In the reporting period, the amortisation of development projects amounted to € 3.4 million (prior year: € 3.0 million).

RIB iTWO, the world's first fully integrated software solution for digital planning and construction (ERP 5D) was again expanded considerably in 2012. This concerns regional customisation for our various target markets and product extensions, such as a component for multiple project controlling and the building specification, which enables model-based cost estimations on the basis of simplified models and parameters in early planning phases. Moreover, we have adapted the approaches used in structural engineering to road and civil engineering projects. For this purpose, the software must be capable of performing earthwork calculations on the basis of digital terrain models. As the quantity calculation methods used in structural engineering are not suitable for this task, an additional, entirely new quantity assessment method had to be developed. To be able to process digital terrain models in iTWO, additional integration components to leading CAD systems for infrastructure planning had to be developed (Autodesk Civil 3D and Bentley MX Road).

For the first time, the 5D technology of RIB iTWO enables forward-looking planning and management of construction projects on the basis of 5D construction models. The resulting high planning quality starting from early project phases and the completely transparent project management ensure high cost savings and shorter project flow times. The consistent next step is to consist of networking the digital construction processes supported by RIB iTWO locally and globally in a way reminiscent of modern social networks like Facebook, XING or Twitter. Thus, the construction parties and construction processes are to be networked with a more individual, personal, emotional and descriptive style and content on the basis of interactive 5D models.

Against this backdrop, we started developing the first business components for our new iTWO 5D cloud platform in the reporting period. The service-oriented iTWO cloud framework, which we developed in recent years on the basis of Microsoft C# and SQL Server technology, constitutes the technical fundament for this development. Using the iTWO 5D cloud platform, 5D software services are to be offered both in private clouds of large customers and in a public cloud for small and medium-sized customers. The access to the iTWO 5D cloud platform is to be possible via the Internet and in local networks. Apart from stationary computers, the platform will also support mobile clients.

The planned strategic development projects for 2013 were coordinated and approved at the last Supervisory Board meeting of the financial year 2012. Among the new products, we want to focus mainly on the further development of RIB iTWO and the new development of iTWO Cloud. The structure of the development teams in the development companies working for the RIB Group will be adjusted accordingly in 2013.

A.6. Market conditions

Our target groups continue to be highly interested in digital planning and management processes. Our RIB iTWO product is a solution that responds to this trend. In our opinion, integrated virtual planning, production and operating processes have the potential to significantly influence the future development of the construction sector; we therefore anticipate an increased willingness to invest in software which offers a rapid implementation of processes of this kind.

Although these conditions favour us, our target groups' willingness to invest nonetheless also depends on the general economic environment and the development of the industry in our target segments. In this context, the general conditions in 2012 were still shaped by the financial and economic crisis. Owing to the unsolved debt crisis, especially in Europe and the USA, and the continuing weak economic development in both economic regions, the level of uncertainty is high and the markets are very volatile. This resulted in our target groups' ongoing reluctance to invest.

A.7. Goals and strategies

Our primary aim is to take the pole position in our target markets for digital planning and construction software with RIB iTWO. We intend to achieve these goals by means of the following steps:

- Migrate existing customers to RIB iTWO
- Network existing and new customers via our cloud platforms
- Expand our international market presence
- Make strategic acquisitions
- Press ahead with innovation and development for new products

According to an analysis of the market researchers of Nielsen Media Research (http://www.nielsen-media.de/pages/default.aspx) on the global social media use, the time that Internet users worldwide spend in social networks increased 57 % within one year. The study shows that in February 2009, Internet users in 10 countries had spent, on average, about 5.5 hours in social networks, about two hours more than in the reference period 2008. At the same time, the number of social media users had increased almost one third from 244.2 million (2009) to 314.5 million. The providers of social network platforms anticipate growth rates of 50 % per year in the coming years. Should these forecasts come true, more than one third of the global population will be using the new networks in four or five years. Based on the construction share of 13.4 % in the global GDP, we expect a potential of several 100 million users the world over. With our new iTWO 5D cloud platform, we want to further expand our market-leading position in the construction segment in this area.

A.8. Changes of the management reporting compared to the prior year

To inform the recipients of the annual financial statements as comprehensively and transparently as possible, we have already prepared this management report according to the new accounting standard GAS 20 in line with the recommendation of the Accounting Standards Committee of Germany (DRSC). On this occasion, we have combined the management reports for the annual financial statements of the parent company RIB Software AG according to the German Commercial Code (HGB) and for the IFRS consolidated financial statements, which had been separate in the prior year, in one management report. Where information only concerns the parent company and not the group, it is presented separately.

B. Earnings, financial and assets position of the RIB Group

B.1. Earnings position

International revenues up 73.9 %

With a revenue increase of 74.3 % to € 8.0 million (prior year: € 4.6 million), the international area could be greatly expanded in 2012 and now accounts for 20.3 % of the total revenue (prior year: 13.0 %), comprising the following regions:

- EMEA (Europe, Middle East and Africa) : € 2.1 million (prior year: € 2.2 million)
- APAC (Asia Pacific) : € 3.2 million (prior year: € 2.2 million)
- North America : € 2.7 million (prior year: € 0.2 million)

The revenue in the German market increased 2.3 % to € 31.2 million (prior year: € 30.5 million), and total revenues increased 11.7 % from € 35.1 million to € 39.2 million.

Thanks to the growing acceptance in the German mass market, the iTWO revenue could be doubled to € 3.6 million (prior year: € 1.8 million). Due to a missing phase II deal (five of six planned phase II deals were achieved), the key account area was unable to reach the prior-year figures in 2012 and remained at € 4.1 million, missing its goal (prior year: € 6.1 million). Thus, software revenues with iTWO totalled € 7.8 million, € 0.6 million less than in the prior year (€ 8.4 million). At € 17.0 million, the total software revenues (Licence and SaaS/Cloud) improved slightly compared to the prior year (€ 16.6 million). Service revenues rose 10.1 % to € 16.3 million (prior year: € 14.8 million).

Revenue in Cloud/SaaS segment surges 75.0 %

The revenue in the Cloud/SaaS segment increased 75.0 % to € 2.8 million (prior year: € 1.6 million). The revenue in the Software Licences and Maintenance segment went up 2.3 % from € 29.8 million to € 30.5 million. In the Professional Services segment, the revenue increased 59.5 % to € 5.9 million (prior year: € 3.7 million), especially due to the initial consolidation of US Cost.

Gross margin 68.5 %

In 2012, the gross margin again reached a very high level of 68.5 % (prior year: 71.0 %). Other operating income totalled € 3.2 million, slightly less than in the prior year (€ 3.4 million). As in the prior year, this item was greatly affected by non-operating items. While the item had included currency gains, especially from the relation of the US dollar to the euro, amounting to € 1.9 million, the item included a gain of € 1.8 million from the reclassification of a property previously held as “available for sale”. Concerning the details, please refer to the information in the Notes to the Consolidated Financial Statements, Section (21).

The distribution and marketing expenses went up from € 8.8 million to € 9.5 million (+8.0 %), and administrative expenses increased from € 2.5 million to € 3.3 million (+32.0 %), especially due to the initial consolidation of the acquired companies.

R&D expenses decreased 10.9 % to € 4.1 million (prior year: € 4.6 million). This figure only comprises the expenses that have not been capitalised. Taking the capitalisation of internally developed software into consideration, R&D expenses amounted to € 10.7 million, almost the same as in the prior year (€ 10.8 million).

Other operating expenses were considerably lower than in the prior year, mainly because of the IPO costs (€ 3.9 million) that had been recognised in the prior year. The financial year 2012 was encumbered by higher currency losses from securities held as investment (€ 0.6 million, compared to € 0.3 million in the prior year) and expenses in connection with the acquisitions (€ 0.3 million).

EBITDA increases 9.3 %, EBITDA margin 39.1 %

The adjusted earnings[2] before interest, taxes, depreciation and amortisation (EBITDA) went up 9.3 % to € 15.3 million (prior year: € 14.0 million).

Due to the generally low interest rates, the financial earnings including earnings shares of associates remained at € 0.5 million, slightly less than the prior-year value of € 0.7 million. The consolidated net profit for the year climbed 57.1 % to € 8.8 million (prior year: € 5.6 million). Adjusted for special expenses[2], the earnings after taxes increased 10.8 % to € 8.2 million (prior year: € 7.4 million). Earnings per share reached € 0.23 (prior year: € 0.15).

[2] In € million: Adjusted for IPO costs (2012: 0; 2011: 3.9), FX (2012: -0.7; 2011: +1.3), reclassification gains (2012: +1.8; 2011: 0) and acquisition costs (2012: -0.3; 2011: 0)

B.2. Financial position

The capital structure of the RIB Group is characterised by a very high equity ratio of 81.8 % of the balance sheet total. Cash and cash equivalents and freely available securities amounted to € 89.1 million (prior year: € 106.8 million). As a result of the acquisitions, the goodwill increased from € 17.0 million to € 37.5 million. Other intangible assets increased to € 28.7 million (prior year: € 19.2 million), mainly due to the capitalisation of internally developed software (iTWO) (€ 6.6 million). The further development of the iTWO software solution also represents the largest investment item of the RIB Group.

Cash flow from operating activities increases to € 14.0 million (+50.5 %)

The cash flow from operating activities increased 50.5 % to € 14.0 million, compared to € 9.3 million in 2011. Without taking the payments received and made in connection with the maturity/sale of securities into consideration, the cash flow from investing activities amounted to € -22.3 million (prior year: € -10.2 million). Most of the payments made concerned the purchase of the acquired companies (netted against the cash and cash equivalents obtained) in the amount of € -15.3 million and the payments for intangible assets, mainly for capitalised internally developed software in the amount of € -6.7 million (prior year: € -6.4 million). The cash flow from financing activities totalled € -8.6 million (prior year: € +89.0 million); in 2012, this item included the payment of the dividend (€ -3.1 million), the scheduled repayment of financial liabilities within the scope of the acquisition of interests in the Chinese companies GZ TWO and TWO Consulting on 29 July 2011 (€ -4.1 million) and the repayment of a bank loan of RIB US Cost (€ -1.3 million).

Concerning the principles and goals of the Group's financial management, please refer to the Notes to the Consolidated Financial Statements, Section (45).

B.3. Assets position

In 2012, the balance sheet total increased € 18.3 million to € 181.5 million (prior year: € 163.2 million). The increase was caused by the acquisitions in the reporting period. Goodwill surged € 20.5 million to € 37.5 million (prior year: € 17.0 million). The increase is the result of the acquisition of the three companies.

Other intangible assets increased € 9.5 million to € 28.7 million (prior year: € 19.2 million). The item mainly includes internally developed software amounting to € 21.6 million (prior year: € 18.4 million), followed by customer relationships amounting to € 4.3 million (prior year: € 0.3 million) and purchased software amounting to € 2.9 million (prior year: € 0.5 million). The increase of the internally developed software by € 3.2 million is the result of the capitalisation during the reporting period (€ 6.6 million) less amortisation (€ 3.4 million). The customer relationship mainly increased due to the initial consolidation of the acquired companies by € 4.0 million.

Within the scope of the integration of the development capacities in the group, the property (EOC II) was first classified as "available for sale". In the reporting period, it was reclassified as "property held as financial investment" at a carrying amount of € 4.8 million.

Trade receivables increased from € 7.8 million to € 9.4 million. Adjusted for the added companies, the balance dropped € 1.4 million.

Due to the ongoing uncertainty on the financial markets, we shifted additional cash and cash equivalents to fixed-income securities in 2012. Securities thus increased from € 3.7 million in 2011 to € 39.8 million in 2012. The securities are all low-risk government and corporate bonds.

The balance of cash and cash equivalents in the amount of € 49.3 million (prior year: € 103.2 million) and freely available securities totalled € 89.1 million, compared to € 106.8 million in the prior year.

The equity amounted to € 148.4 million (prior year: € 144.3 million). At 81.8 %, the equity ratio remained at a very high level (prior year: 88.4 %). Non-current liabilities went up from € 8.6 million to € 22.2 million. The increase mainly resulted from financial liabilities, which totalled € 11.0 million in 2012. This item comprises the purchase price obligations for the remaining interests in the acquired companies RIB CADX and RIB US Cost.

Current liabilities amounted to € 11.0 million, compared to € 10.3 million in the prior year. This item includes the scheduled repayment of another financial liability in the amount of € 4.1 million that had been recognised in the prior year. This effect was compensated for by an increase in current liabilities due to the expansion of the scope of consolidation.

B.4. Non-financial performance indicators

To us, successful entrepreneurial action means ensuring and retaining a close and cooperative partnership between our employees and customers on a long-term basis. Only by doing so can our employees develop and successfully sell market-oriented solutions and implement these for our customers. In this way, we create added value for our customers, employees and shareholders and secure the sustainable economic success of the RIB Group.

Most of our employees are highly qualified academics, whose qualification profiles are aligned to our business activities, for example engineers, computer scientists and business administrators. On the basis of our considerable innovative, economic and financial strength, we can offer them jobs which are interesting and are secure in the long term. We offer flexible working hours, variable target-oriented remuneration structures and internal training programmes. These benefits vary from region to region and are based on the actual requirements. For example, we offer comprehensive training and further education schemes in a Centre of Excellence created especially for this purpose for the currently rapidly growing numbers of international employees through our subsidiary RIB Limited.

Our range of customers includes all partners involved in construction projects, from investors and architects and engineering companies to construction companies carrying out the work. We offer these customers target-group-oriented solutions based on a fully integrated, model-based technology platform. Our software is geared to making cooperation between the various project participants easier, increasing the efficiency of project management, reducing risks of cost overruns and delays and improving the cost-efficiency and quality of the building work carried out. As a result of the high professional and technical quality of our work, we have been able to build up long-term and stable customer relations and steadily increase our customer base nationally and internationally.

To safeguard our innovative strength on a long-term basis, we not only cooperate closely with customers, but are also involved in various sponsored research projects and maintain close contact with universities and innovative industry initiatives, such as the 5D Initiative of the ENCORD Group (http://www.5d-initiative.eu/), which aim at actively promoting model-based planning and construction in the construction industry.

B.5. General statement on the business performance and position of the RIB Group

Although the business performance in the reporting period was less positive than expected, as a phase II order that had been planned for the fourth quarter was postponed, the management of the RIB Group is confident that the companies of the RIB Group have an excellent market position on the basis of their high innovative, economic and financial strength. With a high level of cash and cash equivalents, the RIB Group has financial reserves that can be used for further growth.

C. Earnings, financial and assets position of RIB Software AG

C.1. Earnings position

Margin increases 1.9 percentage points to 27.2 %

Though the revenues only increased slightly by 1.8 % to € 33.4 million (prior year: € 32.8 million), the operating earnings (adjusted for currency affects) climbed 9.6 % to € 9.1 million (prior year: € 8.3 million). In relation to the revenues, the operating profit margin could be improved once more to 27.2 % (2011: 25.3 %).

Software revenues (Licences and Cloud) amounted to € 14.4 million, € 0.2 million less than in the prior year (€ 14.6 million). This decline was more than compensated by the increase in maintenance revenues by € 0.6 million to € 14.6 million (prior year: € 14.0 million) and the increase in consulting revenues by € 0.3 million to € 3.8 million (prior year: € 3.5 million).

EBITDA margin 30.2 %

Adjusted for currency effects, the EBITDA increased 8.2 % to € 10.1 million (prior year: € 9.1 million). Reaching 30.2 %, the EBITDA margin passed the 30 % mark for the first time (prior year: 27.6 %).

The financial earnings amounted to € -0.1 million (prior year: € +0.7 million). Apart from interest and similar income in the amount of € 1.4 million (prior year: € 0.9 million), this item especially comprised depreciation of securities held as current assets amounting to € -1.4 million, of which € 0.7 million resulted from the price development of the securities and € 0.7 million from currency differences (prior year: € 0).

In contrast to the financial year 2011 (IPO costs: € 5.3 million), no extraordinary expenses arose in 2012.

The net profit for the year amounted to € 5.5 million, 120.0 % more than in the prior year (€ 2.5 million).

C.2. Financial position

The capital structure of RIB AG is characterised by a very high equity ratio of 94.7 % (prior year: 91.8 %) of the balance sheet total. The balance sheet total declined from € 134.7 million to € 132.9 million. Cash and cash equivalents and freely available securities amounted to € 69.9 million (prior year: € 95.0 million). Due to the capital increase performed at the wholly owned subsidiary RIB Limited, Hong Kong, financial investments increased from € 19.9 million to € 45.1 million. Due to amortisation, intangible assets fell from € 8.6 million to € 7.2 million.

Cash flow from operating activities up 11.2 % to € 9.9 million

Adjusted for cash flows with affiliated companies, the cash flow from operating activities increased € 1.0 million to € 9.9 million (prior year: € 8.9 million).

Without taking the payments for the purchase of securities into consideration, the cash flow from investment activities amounted to € -29.5 million (prior year: € 8.9 million). The increase was due in particular to the two capital increases conducted by RIB Limited, Hong Kong, in the total amount of € 25.2 million. In this way, RIB Limited was furnished with the liquidity required for international acquisitions.

The cash flow from financing activities amounted to € -3.1 million (prior year: € +85.4 million) and consisted exclusively of the dividend payment to our shareholders (prior year: IPO income less IPO expenses).

As of the reporting date, cash and cash equivalents amounted to € 31.1 million (prior year: € 91.4 million). Moreover, cash and cash equivalents amounting to € 38.8 million (prior year: € 3.5 million) were invested in low-risk government and corporate bonds.

C.3. Assets position

Equity ratio climbs to 94.8 % (prior year: 91.9 %)

The balance sheet total amounted to € 132.9 million (prior year: € 134.7 million), a year-on-year decline of 1.3 %.

The equity amounted to € 126.0 million (prior year: € 123.8 million), a year-on-year increase of 1.7 %. The equity ratio climbed to 94.7 % (prior year: 91.8 %). The retained earnings increased € 2.2 million to € 5.6 million (prior year: € 3.4 million). The capital reserves remained at € 81.7 million, as previously.

As a result of the amortisation, the goodwill dropped to € 6.9 million (prior year: € 8.3 million).

The company has hidden reserves in the form of non-capitalised, internally created software.

The interests in affiliated companies went up from € 18.9 million to € 44.1 million as the result of a capital increase at RIB Limited, Hong Kong, China.

As at the balance sheet date, trade receivables dropped € 1.9 million to € 4.3 million (prior year: € 6.2 million). The average DSO in 2012 was 38.6 days (prior year: 57.8 days).

Securities increased € 40.3 million to € 43.8 million (prior year: € 3.5 million). These consist exclusively of low-risk bonds denominated in EUR, USD and SGD. As a result of the payments for securities (€ -41.7 million) and the capital increases at RIB Limited (€ -25.2 million), cash and cash equivalents dropped € 65.4 million from € 91.5 million to € 26.1 million.

D. Subsequent events

After the balance sheet date, there were no events of material significance to the assets, financial and earnings position of the RIB Group.

E. Takeover-related information and explanatory report

E.1. Disclosures on the capital of RIB AG

The share capital of RIB AG amounts to € 38,715,420.00. The share capital is divided into 38,715,420 ordinary shares of a par value of € 1.00 each. The shares are registered shares. Each share grants one vote and has the same rights and obligations. The right of shareholders to the securitisation of their shares and to any profit-sharing and renewal coupons is excluded.

In the reporting period, the company took over 43,562 treasury shares, for which, in accordance with Section 71b of the German Stock Corporation Act (AktG), it does not have any voting rights. Apart from this, there are no restrictions in terms of voting rights or the transfer of shares. There are no shares with special rights that confer controlling powers or voting right controls for employees who hold interests in the capital.

As far as we are aware, based on the notifications we have received pursuant to the German Securities Trading Act (WpHG), only Mr Thomas Wolf, Chairman of the Executive Board of RIB AG, resident in Hong Kong, held direct or indirect interests in the capital that exceeded 10 % of the voting rights as of the reporting date.

Pursuant to Section 160 (1) of the German Stock Corporation Act (AktG), interests in the capital that exceed 10 % of voting rights are disclosed in section G.6. “Disclosures According to the German Securities Trading Act” of the Notes to the Annual Financial Statements of RIB AG

By resolution of the General Meeting of 20 May 2011, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the share capital of RIB AG until 19 May 2016 once or several times by up to € 19,357,710.00 by issuing up to 19,357,710 new registered shares of a par value of € 1.00 per share against cash and/or in-kind contributions.

The new shares must be offered to the shareholders for subscription, though they may also be acquired by banks on condition that they offer them to the shareholders for subscription. However, the Executive Board is authorised, subject to the approval of the Supervisory Board, to exclude the shareholders' legal subscription right

(1) if this is required to balance fractional amounts;

(2) in order to acquire companies, operations or interests in companies or other capital assets, including receivables, in return for the transfer of shares, where this is suitable;

(3) insofar as the interest in the share capital attributable to the new shares for which the subscription right is excluded does not in total exceed 10 percent of the share capital both at the time when this authorisation enters into force and at the time when it is exercised and the issue price of the new shares is not significantly below the listed price of the shares of RIB AG of the same category as defined in Sections 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG).

The portion of the share capital that is attributable to the new shares for which the subscription right pursuant to subsections (1) to (3) above is excluded may not exceed a total of 20 percent of the share capital of RIB AG both at the time when this authorisation enters into force and at the time when it is exercised. Apart from this, the Executive Board decides on the issue of new shares, the scope of the share rights and the conditions of the share issue, subject to the approval of the Supervisory Board. The Supervisory Board is authorised to adapt the wording of the Articles of Association according to the extent of the capital increase from the authorised capital.

The share capital of RIB AG has been conditionally increased by up to € 1,548,616.00 by issue of up to 1,548,616 new registered shares of a par value of € 1.00 per share. The conditional capital increase will only be carried out to the extent that subscription rights have been issued pursuant to the 2011 stock option plan in accordance with a resolution of the General Meeting of 20 May 2011, holders of the subscription rights make use of their exercise right and RIB Software AG does not grant any treasury shares to fulfil the subscription rights, whereby only the Supervisory Board is responsible for granting and processing subscription rights to members of the Executive Board. The new shares participate in the profit from the start of the financial year in which the shares are issued. So far, no subscription rights have been issued under the 2011 stock option plan.

By resolution of the General Meeting of 24 May 2012, the company is authorised to purchase treasury shares representing up to 10 % of the share capital until 23 May 2017 and to exclude the subscription right of the shareholders for these. The details are specified under agenda item 7 of the resolution announced in the German Federal Gazette dated 12 April 2012.

E.2. Disclosures on the appointment or dismissal of Executive Board members and amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board are dealt with in Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Article 5 of the Articles of Association of RIB AG. According to these provisions, members of the Executive Board are appointed by the Supervisory Board for a maximum of five years. Repeated appointment or an extension of the office term is permitted for maximum periods of five years.

Amendments to the Articles of Association are subject to the statutory regulations (Sections 119 (1) no. 5, 133, 179 (1) and (2) of the German Stock Corporation Act (AktG)). According to Article 11 of the Articles of Association, the Supervisory Board is authorised to adopt amendments to the Articles of Association that merely concern the wording.

F. Corporate governance declaration

F.1. Declaration pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) is published in a separate section of the Annual Report of RIB AG and on the company website at http://group.rib-software.com/de/investor-relations/corporate-governance

F.2. Disclosures on corporate governance practices

The trust of our business partners and shareholders in our company and our image are directly affected by the conduct of our employees who work for us all over the world. Each employee directly contributes to the way in which our company lives up to the responsibilities and values described here and to the complete fulfilment of the positive expectations associated with the RIB brand.

In order to provide our employees with guidance in fulfilling these criteria, we have drawn up our Code of Conduct that is binding on every employee of our company worldwide. It is designed to help them to successfully deal with the legal and ethical challenges they encounter in their day-to-day work, to provide guidance and to promote confidence in the efficiency and integrity of our company. We expect our executives to conduct all transactions efficiently and in compliance with the Code of Conduct. We also expect them to create the required working conditions for employees and to ensure that the provisions of the Code of Conduct are adhered to.

F.3. Description of the mode of operation of the Executive Board and of the Supervisory Board

The corporate governance of RIB AG as a listed German stock corporation is determined by the German Stock Corporation Act (AktG) and the requirements of the German Corporate Governance Code. On the basis of the statutorily prescribed dual management system, under which the Executive Board and Supervisory Board as management bodies are strictly separated in terms of membership and have separate duties and areas of competence, the Executive Board and the Supervisory Board closely and trustingly cooperate with each other in the direction and supervision of the company.

RIB AG is managed according to the corporate strategy agreed between the Executive Board and the Supervisory Board. This strategy involves the product positioning, the customer segments, the target markets and the short and medium-term revenue and earnings targets. Specific annual objectives for product development and sales are derived from the strategic business goals and are harmonised in an annual planning process at profit centre level with the affiliates. The annual operational targets are defined on this basis for the development and sales teams in both qualitative and quantitative terms. The annual and medium term planning is approved by the Supervisory Board. The corporate targets are monitored and adjusted in the course of the year on the basis of detailed reporting on the sales, cost and earnings situation and on the progress of development projects. The key management parameters for RIB AG are the revenue per product line and the operating earnings of the individual profit centres.

F.3.1. Principles of the cooperation of the Executive Board and the Supervisory Board

F.3.1.1. Rules of procedure of the Executive Board

The rules of procedure of the Executive Board of RIB AG mainly govern the basis of the management, the representation authorisation, the cooperation with the Supervisory Board, especially the transactions that are subject to approval and the cooperation within the Executive Board. The company's Executive Board consists of one or several persons. The number of Executive Board members is determined by the Supervisory Board. Executive Board resolutions are adopted with the simple majority of the Executive Board members. In the event of a tie, the Chairman has a decisive vote, provided that this is permissible by law. The company is legally represented by two members of the Executive Board or by one member of the Executive Board together with an authorised signatory. If the Executive Board consists of only one person, this person represents the company alone. The Supervisory Board may grant individual members of the Executive Board the right to represent the company alone. The members of the Executive Board can be exempted from the restrictions of Section 181, 2nd alternative of the German Civil Code (BGB). The Supervisory Board may appoint one of the members of the Executive Board as Chairman of the Executive Board and another member as Vice-Chairman. The Chairman is responsible for the coordination in the Executive Board and shall ensure the uniform focus of the Executive Board on the defined goals. The Chairman is also responsible for the business dealings with the Supervisory Board.

F.3.1.2. Rules of procedure of the Supervisory Board

The rules of the procedure of the Supervisory Board of RIB AG mainly regulate the cooperation with the company's other management bodies. Its members have equal rights and obligations. They are not bound by any orders and instructions. The Supervisory Board meetings are convened by the Chairman. The Chairman determines the order of discussion of the agenda items and the type and order of the votes. If no Supervisory Board member objects, resolutions can be adopted in writing, by fax, phone or telegraph. As a matter of principle, resolutions of the Supervisory Board require the majority of the votes cast, unless other majorities are prescribed by law. In the event of a tie, the Chairman's vote, or, if the Chairman does not participate in the resolution process, the Vice-Chairman's vote is decisive.

According to the rules of procedure of the Supervisory Board, the Supervisory Board shall form a nomination and remuneration committee, an audit committee and, if necessary, additional committees according to the specific circumstances of the company. The office term of the committee members corresponds to their office term as members of the Supervisory Board, unless a shorter office term has been determined upon election by the Supervisory Board. The respective committee elects a committee member as chairman of the committee and another member as vice-chairman, unless the law or the rules of procedure of the committee provide otherwise. The committees have quorum when all members participate in the resolution process. Quorum is also on hand if one or several members participate in the resolution process by telephone or video conference.

Concerning the mode of operation of the Supervisory Board in the reporting period, please refer to the report of the Supervisory Board.

G. Remuneration report

The Supervisory Board members of the parent company receive an annual fixed remuneration (Remuneration 1). The members of a Supervisory Board committee also receive an annual supplementary remuneration (Remuneration 2), provided that the committee has met at least once in the financial year. Chairmanship of the Supervisory Board or one of its committees is remunerated with one and a half times the applicable aforementioned amount. Members of the Supervisory Board who belong to the Supervisory Board or one of its committees for only part of the financial year receive the remuneration in proportion to the duration of their membership to the entire financial year.

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

2012 (figures in € thousands)	Remuneration 1	Remuneration 2	Total remuneration
Sandy Möser	20.5	0.0	20.5
Dr. Matthias Rumpelhardt	15.3	0.0	15.3
Eran Davidson	0.0	0.0	0.0
Klaus Hirschle	10.3	0.0	10.3
Keith Chau Kwok Keung	12.3	0.0	12.3
Barrie David Sheers	12.3	0.0	12.3
Total remuneration	70.7	0.0	70.7

2011 (figures in € thousands)	Remuneration 1	Remuneration 2	Total remuneration
Sandy Möser	15.5	0.0	15.5
Dr. Matthias Rumpelhardt	10.3	0.0	10.3
Eran Davidson	0.0	0.0	0.0
Klaus Hirschle	6.6	0.0	6.6
Keith Chau Kwok Keung	10.3	0.0	10.3
Barrie David Sheers	10.3	0.0	10.3
Total remuneration	53.0	0.0	53.0

The remuneration of the Executive Board of the parent company comprises a fixed (Remuneration 1) and a performance-based element (Remuneration 2). The fixed element includes the basic salary and other taxable salary components such as the company car. The variable remuneration is dependent on the attainment of profit targets. Upon entry into force of the Act on Appropriateness of Management Board Remuneration (VorstAG) of 5 August 2009, a remuneration component with a long-term incentive effect was also called for by the legislators. With respect to the implementation of a suitable remuneration system, the remuneration committee informed the Supervisory Board in the first Supervisory Board meeting of the financial year 2012 that it had investigated the statutory provisions for the determination of a remuneration component for Executive Board members that is to be based on a perennial assessment basis and that it would elaborate a proposal for review and approval by the Supervisory Board. The new concept is to be applied from the financial year 2013 onwards. The remuneration structure has not yet been changed for the reporting period.

The remuneration of the Executive Board is composed as follows:

2012 (figures in € thousands)	**Remuneration 1**	**Remuneration 2**	**Total remuneration**
Thomas Wolf[3]	324.0	50.0	374.0
Dr. Hans-Peter Sanio	145.0	24.0	169.0
Michael Sauer	218.9	50.0	268.9
Total remuneration	687.9	124.0	811.9

2011 (figures in € thousands)	**Remuneration 1**	**Remuneration 2**	**Total remuneration**
Thomas Wolf[3]	300.0	50.0	350.0
Dr. Hans-Peter Sanio	133.7	24.0	157.7
Michael Sauer	194.1	50.0	244.1
Total remuneration	627.8	124.0	751.8

[3] Mr Thomas Wolf receives his remuneration from RIB Limited, Hong Kong.

H. Forecast, opportunity and risk report

H.1. Forecast report

Overall, the RIB Group expects positive conditions in financial year 2013. For instance, we expect revenue growth from the further market penetration with iTWO especially through nine additional phase II orders and the acquisitions performed in 2012. At present, it is still difficult to assess the effects of the ongoing uncertainty due to the financial market crisis and the potentially negative consequences of the still unsolved debt crisis in Europe and the USA for the global economy and our business operations. Therefore, we have determined a certain bandwidth for the attainable revenues and earnings.

We thus expect the RIB Group's revenue growth in 2013 to be 30 % higher than in the prior year. In this context, developing our existing and new international iTWO customers into reference customers is of central strategic significance. We will give this goal special priority in 2013, and we intend to build up further resources in a needs-oriented manner in the fields of development and consulting and to invest in high customer satisfaction, even if this should come at the expense of the earnings. If things develop as planned, we expected a consolidated net profit for the year in the range from € 7 million to € 13 million.

H.2. Opportunity report

The RIB Group anticipates good opportunities for positive business performance and expanding its market position as a leading supplier of integrated ERP solutions by continuing with internationalisation measures and further systematic acquisitions. Furthermore, the RIB Group's growth in existing and new products is to be increased effectively by means of new products, especially RIB iTWO for model-based planning and construction and our new cloud platforms. In this area, we have identified the following key measures:

Migration of existing customers to RIB iTWO. The migration of our existing ARRIBA customers still offers great potential in Germany, Austria and Switzerland. Based on the fact that RIB iTWO offers the full functionality of ARRIBA and enables the use of 5D construction models, the RIB Group expects to be able to migrate most of the ARRIBA customers to RIB iTWO in the next few years.

International expansion. One of the major strategic goals of the RIB Group is strengthen its existing international business relationships and expand into further foreign markets. In the process, the RIB Group will primarily pursue the strategy of targeting large construction companies, investors and consultants as new customers. This could encourage many subcontractors and smaller service providers as well to introduce the software of the RIB Group to ensure smooth cooperation with the large companies they do business with.

Innovation. The RIB Group has state-of-the-art, highly innovative software solutions, especially for technical and business administration processes in construction and plant engineering. Upon completion of the first stage of RIB iTWO® BI and with our new cloud software solutions, we have a comprehensive solution offer in our product portfolio, which effectively meets the current technology trends ERP 5D and cloud computing.

Strategic acquisitions. The RIB Group intends to continue to gain access to regional markets and to expand its international customer base through systematic strategic acquisitions. The strategy is less about acquiring technologies from these competitors than it is about gaining access to new customer groups in order to position the RIB Group's software as the standard in additional markets. Last year, the anticipated purchase prices for potential acquisition target again returned to a more realistic level, enabling us to conclude a total of three acquisitions in 2012. In the first half of 2013, we initially intend to integrate these companies in the RIB Group. Thereafter, we might move on to other acquisitions.

H.3. Risk report

H.3.1. Risk management and internal control system

The RIB Group uses a risk management system for the early detection, assessment and systematic handling of risks. This system is based on the uniform corporate definition that a risk is on hand if a condition hinders the RIB Group from attaining the business goals and fulfilling its duties or could do so in the future.

The general responsibility for identifying risks at an early stage and taking any necessary countermeasures lies with the Executive Board. The senior management supports the Executive Board in performing this task.

The risk areas determined by the Executive Board are explained in detail in the following section. The individual risks identified in the respective risk areas have been assessed within the scope of a quantitative and qualitative risk analysis. Appropriate countermeasures have been taken, except in the case of risks that are deliberately taken.

The functionality of our risk early warning system is regularly monitored. Existing risks are reported to the Executive Board on a quarterly basis in the form of cumulative risk overviews.

The risk management system which has been set up as well as the internal control system also cover risks which could have an impact on the accounting process and therefore on the truth and fairness of the financial statements of the RIB Group. In particular, these are risks relating to inaccuracies and infringements, risks in the field of data collection and security, risks of deactivation of existing internal controls as well as the inappropriate assessment of facts and scope of discretion.

The main regulations and measures for dealing with accounting-related risks comprise the clear assignment of responsibilities when preparing quarterly and annual financial statements, the implementation of binding guidelines for the accounting treatment of business transactions as well as the use of consolidation software which supports monthly analysis and monitoring of the figures of all reporting units. Especially the revenue realisation process is strictly controlled right from the contract initiation phase. All customer contracts are subjected to an approval process. Deviations from standardised regulations must be approved in advance by the Executive Board of the parent company if defined threshold values are exceeded.

H.3.2. Overview of individual risks

The following risk areas have been defined as part of our risk management system:

- Sales risks
- Development risks
- Financial risks
- Acquisition risks
- Cooperation risks
- Special segment-specific risks do not exist.

Sales risks

The main risks that could significantly impair the economic situation of the RIB Group lie in the market and industry environment. Among other things, the RIB Group's success also depends on the economic development in its target industries.

In 2012, the German market still accounted for a major portion of the RIB Group's revenue. Until now we have been able to meet the expectations of our customers on this market with regard to the scope and completeness of our services. In the financial year 2013, the proportion of revenues on other markets is to rise. This is associated with risk that the range of functions of the software in terms of international requirements as well as the quality and availability of consulting services and the hotline service cannot as yet be fully met. This could have a negative impact on the assets, financial and earnings position of the RIB Group.

In RIB iTWO, the RIB Group has a new solution that enables end-to-end virtual planning and management of construction processes on the basis of a 5D construction model – from the first planning stages to the completion of construction projects. The new model-based approaches are expected to bring about major changes to key construction processes. It is possible that the industry will take longer than anticipated to migrate to these new technologies. This could have a negative impact on our future revenue and earnings position.

Development risks

The RIB Group is exposed to strong competition in terms of development times and time to market. In order to maintain its competitive edge, the RIB Group needs to invest substantial monetary and human resources in product development and product launches, especially in the development companies working for the RIB Group. This is associated with the risk that the range of functions of the software in terms of international requirements as well as the quality and availability of consulting services and the hotline service cannot as yet be fully met.

Highly qualified engineers and computer scientists are employed at the majority of the development companies working for the RIB Group. The loss of individual employees active in this area is not likely to have a significant negative impact on the business activities of the RIB Group. However, there could be severe disadvantages if several employees were to leave the development department of the RIB Group simultaneously or in quick succession – for instance as a result of being poached by competitors or setting up as competitors in markets of relevance to the RIB Group. This could lead to project and delivery delays and put contractual performance for customers at risk.

Financial risks

As a result of the successful IPO in 2011, the RIB Group has a high balance of cash and cash equivalents. These are invested in low-risk short and medium-term time deposits and fixed-income securities. A portion of the cash and cash equivalents and the securities listed on the reporting date exist or are listed in foreign currency. The associated risk of price changes is not hedged. Furthermore, price developments and conditions are permanently monitored.

In the field of receivables, we endeavour to avoid risk of default through active accounts receivable management.

The continuing financial crisis, especially the overindebtedness of some EU countries could lead to a global economic or euro crisis. As a result, payment default risks could occur with regard to our securities and cash and cash equivalents, which are invested with various banks. In addition, other risks could occur with regard to the fair value of fixed-interest securities, especially due to changes in interest rates. This could have a negative impact on our financial and assets situation.

For further information on the financial risk management and policy of the RIB Group, please refer to the explanations in the Notes to the Consolidated Financial Statements (Section 45).

Acquisition risks

Expansion is one of the RIB Group's core strategic goals. For this reason, we intend to acquire assets from other companies in the software industry. In particular, this should serve to help our expansion efforts for an international orientation of business activities. Should no suitable acquisition opportunities present themselves or should key employees or customers be lost following an acquisition, this could have detrimental effects on profit expectations.

Cooperation risks

So far, the cooperation of the RIB Group with SAP has not developed as expected. For this reason, the development agreement was terminated by mutual agreement in the financial year 2012.

H.3.3. Summary of the risk situation

As the business of RIB did not undergo any material changes, no additional special risks arose in the reporting period. However, due to various changes of the economic situation, such as the interest rates, expanded overseas activities and acquisitions, individual risks had to be reassessed. Particularly against the background of our increasing international activities, the main risk areas pertain to the development and sales. Especially the function scope of the software with respect to the international customer requirements as well as the quality and availability of the consulting resources and of the hotline services are concerned. Suitable countermeasures have been initiated in these areas. The risks were continually updated, and the countermeasures were continually checked. The countermeasures indicated in the risk reports were reviewed for adherence and implemented. Due to the minor changes compared to the previous level, the formal recording and summary of the risks was performed in late 2012 as planned. Currently, we do not see any risks that would endanger the going concern.

Note on forecasts

This section of the management report includes forward-looking statements and information, i.e. statements about events that lie in the future. Such forward-looking statements can be recognised by the fact that they use words such as ‘should’, ‘want’, ‘expect’, ‘intend’, ‘plan’, ‘estimate’, ‘in the opinion of the RIB Group’ and similar terms. Such forward-looking statements are based on current expectations on the basis of certain assumptions, and therefore involve a number of risks and uncertainties. There are many different factors, some of which are outside the control of the RIB Group, which affect our business, success, business strategy and results of the RIB Group. Due to these factors, the actual results, success and performance of the RIB Group may differ considerably from the forward-looking statements and any implicit or explicit statements on future results, success or performance.

Stuttgart, 5 March 2013

Thomas Wolf	**Michael Sauer**	**Dr. Hans-Peter Sanio**

Declaration of the legal representatives

To the best of our knowledge we assure that, in accordance with the applicable financial reporting principles, the annual financial statements give a true and fair view of the Company's assets, financial and earnings position, and that the management report gives a true and fair view of the course of business including the business result and the position of the Company together with a description of the principal opportunities and risks associated with the Company's expected development.

Stuttgart, 5 March 2013

RIB Software AG
The Executive Board

Thomas Wolf　　　Michael Sauer　　　Dr. Hans-Peter Sanio

Audit opinion

We audited the annual financial statements, consisting of the balance sheet, income statement and notes, under consideration of the accounts and the management report of RIB Software AG, Stuttgart, Germany, which is combined with the group management report, for the financial year from 1 January 2012 to 31 December 2012. The Company's legal representatives are responsible for the accounting and for the preparation of the annual financial statements and the combined management report in accordance with the regulations of German commercial law. Our responsibility is to express an opinion on the annual financial statements under consideration of the accounting and on the combined management report on the basis of our audit.

We conducted our audit of the annual financial statements pursuant to Section 317 of the German Commercial Code (HGB) and in compliance with the accepted German principles of proper accounting as set forth by the Institute of Public Auditors in Germany (IDW). According to these, the audit shall be planned and conducted in such a way that flaws and violations that have a major impact on the presentation of the assets, financial and earnings position as conveyed through the annual financial statements under consideration of the principles of proper accounting and through the management report can be identified with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the Company as well as expectations as to possible errors are taken into account in the determination of audit procedures. Within the scope of the audit, the effectiveness of the accounting-related internal audit system and the proof of the information in the accounts, annual financial statements and management report were largely assessed on the basis of samples. The audit comprised the assessment of the applied accounting principles and significant estimates made by the legal representatives as well as an evaluation of the overall presentation of the annual financial statements and of the management report. We believe that our audit provides an adequately reliable basis for our opinion.

Our audit did not give rise to any reservations.

According to our assessment based on the insights obtained during the audit, the annual financial statements comply with the statutory regulations and, under consideration of the principles of proper accounting, give a true and fair view of the Company's assets, financial position and earnings position. The management report is in accordance with the annual financial statements and, as a whole, gives a true and fair view of the Company's position and duly presents the opportunities risks of the future development.

Stuttgart, 5 March 2013

BW PARTNER

Bauer Schätz Hasenclever Partnerschaft
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Philipp Hasenclever	Till Schätz
Wirtschaftsprüfer	Wirtschaftsprüfer