

## Report by the Administrative Board

Dear Shareholders,

In the financial year 2018, RIB Software SE continued its successful development and achieved excellent results. In the coming years, software distribution will change from pure "on-premise" offers to "SaaS" (software as a service). This change is associated with a strategic reorientation of RIB Software SE. In addition to the license model iTWO 4.0 and the transaction model Y TWO, MTWO, as a subscription model, will play an important role in the further development of the Company. In February 2018, a pioneering strategic partnership with Microsoft was announced, with a view to developing a vertical Cloud for the international construction industry. The MTWO Cloud Service comprises three components: SaaS (Software as a Service), PaaS (Platform as a Service) and IaaS (Infrastructure as a Service). Our objective is to steadily increase the number of users.

The Administrative Board of RIB Software SE fully performed its duties arising from legal provisions, the Articles of Association and the Rules of Procedure. The body advised and supervised the Managing Directors in the management of the Company and assisted them with decisions and questions regarding the further development of the Company. The cooperation within the Administrative Board was always constructive and based on trust. Decisions which were important for the Company were made in the Administrative Board based on an open culture of discussion. The Managing Directors informed the Administrative Board in a regular, timely and comprehensive manner, both in writing and verbally, about the development of the Company, the course of business and the strategic development of RIB Software SE and the Group. Based on these reports, the business development, as well as important corporate decisions and events, were discussed in detail and decisions on measures requiring approval were taken. Outside Administrative Board meetings, its members were also in regular contact. The Managing Directors provided real-time information about current developments and significant individual issues in conversations, by telephone and in writing by e-mail. Whenever decisions of material importance were taken, the Administrative Board as a whole was involved comprehensively and at an early stage. If, pursuant to law, the Articles of Association or the Rules of Procedure, individual measures taken by the Managing Directors required resolutions by the Administrative Board, these were passed in accordance with the law and in an appropriate manner. In the financial year 2018, such resolutions included:

- resolution on the capital increase from the "Authorized Capital 2015" subject to exclusion of subscription rights
- resolutions on acquisitions and investments in companies (DATENGUT - Leipzig, IMS - Dinslaken, ICS - USA, A2K - Australia and New Zealand, SaaSplaza - Amsterdam)
- resolution on the takeover of shares in Y TWO from FLEX
- resolution on the 2018 Share Buyback Program.

## Composition of the Administrative Board

According to Section 6 (1) of the Articles of Association, the Administrative Board of RIB Software SE is composed of eight members. In the financial year 2018, the Administrative Board comprised the following members: Mr Mads Bording (from 15 May 2018), Prof. Martin Fischer, Prof. Dr Rüdiger Grube (from 23 November 2018), Klaus Hirschle, Sandy Möser (Deputy Chairwoman), Dr Matthias Rumpelhardt, Michael Sauer, Helmut Schmid (until 31 March 2018), Steve Swant (until 13 August 2018), Thomas Wolf (Chairman).

The members of the Administrative Board wish to express their gratitude to the colleagues who left in the financial year 2018 for their very good cooperation.

## **Meetings of the Administrative Board and main areas of focus**

The Administrative Board held six meetings in the financial year 2018. There were three meetings (14 February 2018, 2 August 2018 and 12 December 2018) at which one of the members of the Administrative Board was prevented from attending; All other meetings were attended by all members of the Administrative Board. No member of the Administrative Board attended only half or fewer of the meetings of the Administrative Board or of the committees on which they serve. Mr Mads Bording regularly attended the meetings of the Administrative Board as a guest until his election to the Administrative Board by the Annual General Meeting of 15 May 2018.

Whenever personnel matters of the Managing Directors were discussed, this was done without their participation.

The members of the Administrative Board regularly prepared for upcoming resolutions by consulting documentation provided in advance by the Managing Directors.

A key component of all Administrative Board meetings in the financial year 2018 constituted the reports provided by the Managing Directors on the business situation, with detailed information on sales and earnings development, opportunities and risks of business development, financial and liquidity position, the status of business units with strategic partners (MTWO and YTWO), planned and implemented acquisition projects, as well as the current status of R&D projects.

At the meeting on 14 February 2018, the Administrative Board discussed the acquisition of DATENGUT, Leipzig, and approved the transaction structure proposed by the Managing Directors. Another resolution passed concerned the redefinition of targets for the proportion of women on the Administrative Board, at the Managing Directors level and at the management level below the Managing Directors, in accordance with Section 22 (6) of the German Act Implementing the SE Regulation (SEAG) in conjunction with Section 111 (5) of the German Stock Corporation Act (AktG). For the Administrative Board, a target for the proportion of women in accordance with Section 22 (6) of the SEAG in conjunction with Section 111 (5) of the German Stock Corporation Act (AktG) was set at 16.67%, to be achieved by 14 February 2023; at the Managing Directors level and the management level below the Managing Directors, the adopted targets are 0% each. Mr Schmid also explained the reasons for his premature departure from the Administrative Board and as a Managing Director of RIB Software SE as of 31 March 2018, and the Administrative Board approved the contractual arrangements regarding the termination of Mr Schmid's employment.

The focus of the meeting on 21 March 2018 was on the discussions and resolutions related to the Annual Financial Statements and the Consolidated Financial Statements as at 31 December 2017, the Consolidated Management Report for RIB Software SE and the RIB Group, as well as the proposal of the Managing Directors regarding the appropriation of retained earnings. The Annual Financial Statements of RIB Software SE as at 31 December 2017 were approved and thus adopted. The Consolidated Financial Statements for the financial year 2017 were endorsed by the Administrative Board. In addition, the Report by the Administrative Board for 2017, the agenda and proposed resolutions for the 2018 Annual General Meeting were adopted. The consultation and resolutions passed also concerned the personnel matters of the Managing Directors, as well as issuing an updated version of the Declaration of Compliance with the German Corporate Governance Code.

At the Administrative Board meeting on 15 May 2018, the Managing Directors outlined the key financial indicators for the financial year 2017 and for the first quarter of 2018. The discussions also concerned the report to the Annual General Meeting on the significant events in the financial year 2017 and the explanations relating to the individual items of the agenda. At this meeting, the Administrative Board also passed a resolution on the allocation of stock options to Managing Directors, management staff and employees of the Group as part of the 2015 Stock Option Plan.

At the meeting on 2 August 2018, the Administrative Board was informed of the resignation of its member, Steve Swant, with effect from 13 August 2018 and the reasons for this. The Managing Directors reported on the current business development and the results achieved in the second quarter

of 2018. The Administrative Board authorized the Managing Directors to take all necessary steps to enter into a purchase agreement for shares in Integrated Computer Systems Support, Inc. (ICS, Redmond, Washington, USA) within the framework of a transaction structure described by the Managing Directors.

In addition to reports on the current position of RIB Software SE and the Group, the Managing Directors informed in the meeting on 17 October 2018 about the negotiations with FLEX regarding the different possibilities of reorganizing the shareholding structure of the joint venture Y TWO. Another matter which was reported and discussed was the revision of RIB Software SE's global Code of Conduct as a set of rules for employees and management staff worldwide. The Managing Directors also proposed an investment in SaaS Plaza International B.V., headquartered in Amsterdam, with several offices worldwide. The investment, within the framework of a transaction structure described by the Managing Directors, was approved by the Administrative Board. In addition, due to a court decision in proceedings under section 30 (2) of the SEAG, the Administrative Board dealt with filling in the vacancy on the Administrative Board and decided to propose to the court that Prof. Dr. Rüdiger Grube be appointed as a new member. Other discussions and resolutions at this meeting concerned the establishment and execution of the 2018 Share Buyback Program based on the authorization granted by the Annual General Meeting of 15 May 2018, a capital increase at RIB Ltd., Hong Kong, the further financing of the development of RIB Software SE's international business and the acquisitions related to this development.

On 12 December 2018, the Administrative Board of RIB Software SE convened for its last ordinary meeting in the financial year 2018. The discussions focused on the budget submitted by the Managing Directors for 2019. The budget was explained in detail, discussed, and subsequently adopted. Among other things, the 2019 budget includes detailed sales, earnings, financial and investment planning. A resolution was passed to amend the Articles of Association due to the issuance of shares from the conditional capital, and another resolution concerning the establishment of SGTWO - an innovative e-commerce platform for building materials, which is intended as a 50/50 joint venture with a strategic partner.

Between the meetings of the Administrative Board, necessary resolutions were passed by a written circulation procedure. In each case, such resolutions were adopted based on detailed information provided by the Managing Directors regarding the respective subject of the resolution. Circular resolutions in the financial year 2018 concerned:

- the acquisition of the remaining 25% of the shares in EXACTAL Group Ltd.,
- the investment in DATENGUT GmbH, Leipzig,
- the capital increase against cash contribution from the Authorized Capital 2015,
- the investment in IMS Gesellschaft für Informations- und Managementsysteme mbH, Dinslaken,
- the investments in A2K Technologies Pty Ltd. (Australia), A2K Technologies Ltd. (New Zealand) and Phoenix PLM Pty Ltd. (Australia),
- the increase in shares in Y TWO, and
- the increase of the 2018 Share Buyback Program.

### **Committees of the Administrative Board**

The Administrative Board has formed two committees, the Audit Committee and the Nomination and Remuneration Committee. They prepare resolutions and issues to be considered in the Administrative Board's plenary sessions.

The **Audit Committee** deals, in particular, with the monitoring of the accounting and the accounting process, the effectiveness of the internal control system, the risk management system and the audit. The Chairperson of the Audit Committee, Dr Matthias Rumpelhardt, as an independent member of the Administrative Board, has expertise in the areas of accounting and auditing in accordance with Section 107 (4) and Section 100 (5) of the German Stock Corporation Act (AktG). Other members of the Audit Committee are Mr Klaus Hirschle and Ms Sandy Möser.

The Audit Committee met twice in 2018 - on 20 March and 11 December 2018. Both meetings were attended by all Committee members.

At the Committee meeting on 20 March 2018, the statutory auditor reported in detail on its audit of the Individual and Consolidated Financial Statements of RIB Software SE for the financial year 2017, including the Consolidated Management Report, in particular, explaining the main areas of focus and results of its audit, and discussing them with the Audit Committee. The statutory auditor's report also included the results of the audit of the internal control system and the early risk detection system, which it considers appropriate for the timely identification of developments that could jeopardize the continued existence of the Company.

In the year under review, following its election by the Annual General Meeting, BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (hereinafter: BW PARTNER), Stuttgart, was commissioned to audit the Individual Financial Statements of RIB Software SE and the Consolidated Financial Statements as at 31 December 2018 and was thus appointed as the statutory auditor. The main areas of focus of the audit, including key audit matters and audit content, were discussed with BW PARTNER and determined by the Audit Committee at its meeting on 11 December 2018.

The **Nomination and Remuneration Committee** is composed of the following members: Ms Sandy Möser (Chairperson), Mr Klaus Hirschle and Dr Matthias Rumpelhardt.

The Nomination and Remuneration Committee met twice in the financial year 2018 - on 21 March and 14 May 2018. Both meetings were attended by all Committee members.

At its meeting on 21 March 2018, the Committee discussed and adopted a resolution with recommendations for adoption by the Administrative Board regarding the nomination of Mr Mads Bording for election by the Annual General Meeting as a member of the Administrative Board, and another resolution concerning the determination of bonuses to be paid to the Managing Directors for the financial year 2017. In addition, the Commission defined targets for the variable remuneration of the Managing Directors for the financial year 2018, to be adopted by the Administrative Board.

The subject of the Committee meeting on 14 May 2018 was the preparation and adoption of a recommendation to be approved by the Administrative Board regarding the annual allocation of stock options to the Managing Directors, management staff and employees of RIB Software SE and its affiliates.

## **Corporate governance and Declaration of Compliance**

The Administrative Board attaches great importance to ensuring good corporate governance. In March 2018, it therefore dealt with the implementation of the recommendations and suggestions of the revised German Corporate Governance Code (version dated 7 February 2017) and, in its meeting on 21 March 2018, the Administrative Board resolved to update its Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG). RIB Software SE complies with the recommendations of the German Corporate Governance Code to the greatest possible extent. The complete Declaration of Compliance is published on the Company's website at

<https://www.rib-software.com/en/group/home/> - Investor Relations – Corporate Governance

An important part of good corporate governance is the independence of the non-executive members of the Administrative Board and their freedom from conflicts of interest. In the opinion of the Administrative Board, four out of five of its non-executive members are classified as "independent" within the meaning of the German Corporate Governance Code.

In the financial year 2018, there were no conflicts of interest of the Managing Directors or members of the Administrative Board which required immediate disclosure during the plenary sessions and notification to the Annual General Meeting.

## Annual and Consolidated Financial Statements 2018

The Annual General Meeting of 15/05/2018 elected BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart (hereinafter: BW PARTNER), as the statutory auditor and the Group's statutory auditor. Prior to this, BW PARTNER had issued a declaration of independence and explained the scope of non-audit services provided for the Group in the previous financial year or of those contractually agreed for the following year. It was agreed with the auditor that they would promptly inform the Audit Committee and the Administrative Board of any reasons for exclusion or prejudice arising during the audit, as well as any findings and events of material significance to the duties of the Administrative Board, which may arise during the audit. Furthermore, it was agreed that the auditor should inform of any facts discovered during the audit which rendered incorrect the Declaration of Compliance with the GCGC issued by the Administrative Board and record this fact in the audit report. Having audited the Annual Financial Statements of RIB Software SE prepared in accordance with the rules of the German Commercial Code (HGB), the Consolidated Financial Statements prepared in accordance with IFRS pursuant to Section 315e of the German Commercial Code (HGB) and the Consolidated Management Report and Management Report of RIB Software SE, BW PARTNER issued them with unqualified audit opinions. Thereby, the auditor confirmed that in its opinion and based on the findings made during the audit, the Annual Financial Statements and the Consolidated Financial Statements for the financial year 2018, taking into account the applicable financial reporting framework, represented a true and fair reflection of the net assets, financial position and results of operations of RIB Software SE and the Group. Furthermore, the auditor confirmed that the Consolidated Management Report and the Management Report were consistent with the Annual / Consolidated Financial Statements and that they gave a true and fair view of the position of RIB Software SE and the Group, while appropriately presenting the opportunities and risks.

The Annual and Consolidated Financial Statements, including the Consolidated Management Report and the Management Report, which were issued with the auditor's certificates on 15 March 2019, were submitted to the Administrative Board for the purposes of their own audit.

During the meeting of the Audit Committee on 27 March 2019, the aforementioned documents and the Managing Directors' proposal regarding the appropriation of retained earnings were examined in detail. The competent statutory auditor provided a detailed report on the audit and its results and explained the audit report. The auditor also informed that its audit of the internal control system and early risk detection systems had revealed that the Administrative Board had taken the appropriate measures required by Section 22 (3) sentence 2 of the SEAG (in particular, regarding the establishment of a monitoring system), and that the monitoring system is suitable to ensure the early detection of any developments that could jeopardize the continued existence of the Group. The questions of the Committee members were answered in full.

The audit reports of the statutory auditor were submitted to all members of the Administrative Board and were discussed in detail during the financial statements meeting of the Administrative Board on 28 March 2019. The Chairperson of the Audit Committee provided a full report on the Committee's audit of the Annual and Consolidated Financial Statement, the Consolidated Management Report and Management Report, including the non-financial statement contained therein, and the audit of the proposal for the appropriation of retained earnings. The auditor was available to provide explanations and answer questions.

The Audit Committee also informed the Administrative Board that there were no indications whatsoever of any prejudice of the statutory auditor and it informed the Administrative Board of non-audit services provided by BW PARTNER. In accordance with § 321 (4a) of the German Commercial Code (HGB), the auditor confirmed that it had complied with the applicable independence requirements in its audit. It also stated, in accordance with Article 6 (2) (a) of the "EU Regulation on specific requirements regarding statutory audit of public-interest entities", that the audit firm and partners, senior managers and managers, conducting the statutory audit, were independent from the audited entity.

The Administrative Board approved the results of the audit of the Financial Statements based on the report and recommendation of the Audit Committee, and since it had no objections to raise after the result of its own audit, the Administrative Board endorsed the Annual Financial Statements and

Consolidated Financial Statement as at 31 December 2018, as well as the Consolidated Management Report and Management Report. The Annual Financial Statements were thus adopted.

The Managing Directors proposed that the earnings retained as at 31/12/2018 be used to pay a dividend of € 0.18 per eligible share, and that the remaining amount be carried forward to new account. The Administrative Board approved this proposal.

The Administrative Board would like to sincerely thank all employees of the RIB Group worldwide for their motivation, loyalty and for their joint efforts and services performed to the benefit of the Company and its shareholders.

Stuttgart, 28 March 2019

On behalf of the Administrative Board

Tom Wolf  
Chairman