Financial Statements as of 31 December 2018

and Management Report

RIB Software SE

Stuttgart

-Convenience Translation-

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1. Financial Statements as of 31 December 2018

a. Balance Sheet as of 31 December 2018

RIB Software SE, Stuttgart

ASSETS

	Figures in €	31 December 2018	31 December 2017
A.	**Non-current assets**		
	I. Intangible assets		
	commercial and industrial property rights and similar rights and values as well as licenses to such acquired for a consideration	131,051.51	28,924.24
	II. Property, plant and equipment		
	1. Land and buildings	8,204,214.49	8,325,501.75
	2. Furniture and fixtures	434,835.40	474,823.76
		8,639,049.89	8,800,325.51
	III. Financial assets		
	1. Investments in affiliated companies	193,606,328.90	163,178,780.60
	2. Interests in companies	12,500.00	24,950.00
		193,618,828.90	163,203,730.60
		202,388,930.30	**172,032,980.35**
B.	**Current assets**		
	I. Inventories		
	Unfinished goods	135,200.00	0.00
	II. Receivables and other assets		
	1. Trade receivables	11,321,085.00	9,395,658.63
	2. Receivables from affiliated companies	48,302,002.08	1,795,010.97
	3. Other assets	3,099,550.99	1,645,497.23
		62,722,638.07	12,836,166.83
	III. Securities		
	Other securities	4,997,027.80	4,997,027.80
	IV. Cash on hand and bank balances	129,032,040.58	71,799,170.33
		196,886,906.45	**89,632,364.96**
C.	**Prepaid expenses**	**938,693.95**	**584,022.82**
		400,214,530.70	**262,249,368.13**

EQUITY AND LIABILITIES

	Figures in €	31 December 2018	31 December 2017
A.	**Equity**		
	I. Issued capital		
	1. Subscribed capital - conditional capital: € 6,490,450.00	51,741,410.00	46,845,657.00
	2. less nominal amount of treasury shares	-2,511,299.00	-1,506,941.00
		49,230,111.00	45,338,716.00
	II. Capital reserves	323,540,066.82	188,433,326.80
	III. Retained earnings		
	Legal reserves	47,588.47	47,588.47
	IV. Retained earnings	10,031,944.57	15,303,233.35
		382,849,710.86	**249,122,864.62**
B.	**Provisions**		
	1. Pension provisions	2,314,995.00	2,224,949.00
	2. Provisions for taxation	311,543.00	401,950.00
	3. Other provisions	1,461,598.75	2,157,410.00
		4,088,136.75	**4,784,309.00**
C.	**Liabilities**		
	1. Liabilities to financial institutions	5,200,000.00	5,600,000.00
	2. Trade payables	698,885.87	260,155.43
	3. Liabilities to affiliated companies	1,404,376.96	869,184.38
	4. Other liabilities	4,326,455.26	253,394.70
	- of taxes: € 401,144.90 (prior year: € 36,399.42)		
	- of which social security liabilities: € 5,018.17 (prior year: € 1,401.24)		
		11,629,718.09	**6,982,734.51**
D.	**Prepaid expenses**	**1,646,965.00**	**1,359,460.00**
		400,214,530.70	**262,249,368.13**

b. Income Statement for the Financial year 2018

RIB Software SE, Stuttgart

	Figures in €		2018	2017
1.	Revenues		55,304,304.11	54,272,431.52
2.	Increase in inventories of work in progress		135,200.00	0.00
3.	Other operating income		5,191,618.76	2,433,228.83
	- of which from currency translation:	€ 1,859,909.59		
	(prior year:	€ 4,581.80)		
4.	Material costs			
	a) Expenses for goods		-2,580,934.60	-1,535,003.45
	b) Expenses for services purchased		-16,094,405.66	-14,255,064.50
			-18,675,340.26	-15,790,067.95
5.	Personnel expenses			
	a) Wages and salaries		-2,368,571.78	-2,917,639.07
	b) Social security and pension costs		-411,633.28	-270,387.58
	- Of which for pension schemes:	€ -183,417.75		
	(prior year:	€ -10,847.65)		
			-2,780,205.06	-3,188,026.65
6.	Amortisation of intangible non-current assets and depreciation on property, plant and equipment		-315,125.36	-1,677,919.78
7.	Other operating expenses		-25,884,566.10	-21,897,056.73
	- of which from currency translation:	€ -14,994.36		
	(prior year:	€ -1,462,118.22)		
8.	Income from investments		7,128,737.00	5,039,329.34
	- of which from affiliated companies	€ 7,128,737.00		
	(prior year:	€ 5,039,329.34)		
9.	Other interest and similar income		528,629.82	102,750.32
	- from affiliated companies	€ 46,683.33		
	(prior year:	€ 6,260.00)		
10.	Depreciation of financial assets		0.00	-1,100,000.00
11.	Interest and similar expenses		-120,426.00	-210,953.56
	- of which write-ups	€ -79,451.00		
	(prior year:	€ -91,617.89)		
12.	Income tax expense		-4,310,218.32	-5,063,421.59
13.	**Earnings after taxes**		**16,202,608.59**	**12,920,293.75**
14.	Other taxes		-51,403.00	-77,921.42
15.	**Net profit for the year**		**16,151,205.59**	**12,842,372.33**
16.	Profit carried forward from the prior year		6,239,138.59	1,175,015.06
17.	Income from the sale of treasury shares		3,899,817.16	1,285,845.96
18.	Expenses from the acquisition of treasury shares		-16,258,216.77	0.00
19.	**Retained earnings**		**10,031,944.57**	**15,303,233.35**

C. Notes for the Financial Year 2018

RIB Software SE, Stuttgart

A. General information

RIB Software SE, Stuttgart (hereafter also "RIB SE" or "the Company") is registered in the commercial register of the Stuttgart District Court under HRB 760459.

The annual financial statements were compiled in accordance with the regulations of the third volume of the HGB together with legal-form-specific special regulations for the implementation of Directive (EG) No. 2157/2001 concerning the Statute of the European company (SE) (SE Implementation Law - SEAG) and the German Stock Corporation Act (AktG).

The information needed for the explanation of the balance sheet and profit and loss statement is contained in the Annex if legally permissible.

B. Accounting and valuation principles

The option to recognize **internally generated intangible assets** was not exercised.

Acquired intangible assets were capitalized at acquisition cost and subjected to linear depreciation over their expected useful life / distributed over the terms of their underlying contracts.

The additions to the **property, plant and equipment** are valued at acquisition or production costs. The depreciation for buildings is linear over the average useful life of 50 years. The movable assets are subject to scheduled linear depreciation over their expected useful life. Assets with individual acquisition costs up to € 250.00 are fully depreciated in the year of acquisition. Additions with acquisition costs between € 250.00 and € 1,000.00 are placed in a collective item and depreciated over a term of five years.

The **financial assets** are assessed at acquisition costs or with the lowest attributable value on the effective reporting date.

Work in progress in **inventories** is listed at production costs. Interest for borrowed capital is not recognized. If the valuations exceed the lower attributable value, depreciation is applied to the lower value as of the effective reporting date. The principles of loss-free valuation are followed.

Receivables and other assets are recognized at nominal value in consideration of suitable impairments for recognizable risks and, in the case of trade account receivables, after deduction of a flat allowance. If receivables do not incur interest and have a residual term of more than one year, they are applied at their present value. The discounting uses an interest rate adequate for the term and risk.

Securities are valued at their acquisition costs or their lower attributable value.

Cash and cash equivalents are listed at nominal value.

On the asset side, expenses before the effective reporting date are listed as **accrued / deferred items** if they represent expenses for a specific time after this date.

Deferred / accrued taxes are formed on temporary differences between the commercial code and tax law valuations of assets, debt, and accrued / deferred items. The resulting deferred and accrued taxes are offset and applied if there are excess accrued taxes.

Pension provisions and **tax and other provisions** take into account all recognizable risks and uncertain liabilities.

Pension provisions are determined according to the projected unit credit (PUC) method using the tables 2018 G by Prof. Klaus Heubeck. The valuation of pension provisions assumes annual pension increases of 1.5 % and an annual fluctuation rate of 2.5 %. Pension provisions are discounted at the average market interest rate of the past ten financial years published by the Bundesbank that is obtained assuming a residual term of 15 years. The interest rate is 3.25 % (previous year: 3.71 %).

Tax and other provisions are assessed at the repayment amount necessary according to a reasonable commercial appraisal. Provisions with a remaining term of more than one year are discounted at the average market interest rate over the past 7 financial years corresponding to their remaining term.

Payables are recognized in liabilities at the repayment amount.

On the liabilities side, income before the effective reporting date is listed as **accrued / deferred items** if it represents income for a specific period after this date.

Assets in foreign currency are recognized at the exchange rate at the time they were acquired or the lower exchange rate on the balance sheet effective date. **Currency payables** are assessed at the exchange rate at the time of the transaction and/or the higher spot rate. In deviation from this, assets and payables in foreign currency with a remaining term of no more than one year are translated at the average exchange rate on the effective reporting date.

The company has started a **stock-oriented remuneration program**. This includes payable-based remuneration plans that are settled through monetary payments, and equity-based remuneration plans that are settled through equity instruments. The fair value of equity-based remuneration plans at the time they are granted is determined using a Monte-Carlo simulation and determines the entire personnel expenses of the Company, which is recognized through profit and loss over the vesting period and offset with the capital reserve. The payable-based remuneration plans are assessed at their fair value on every balance sheet effective date until they are settled, and the obligation is listed as a provision. The fair value is also determined by the valuation model described above. The pro rata expenses of the period during the vesting period correspond to the change to the provision between the balance sheet effective dates. If these expenses are due to employees or management organs of subsidiaries of the RIB SE, they are charged to the respective company.

C. Explanations of the balance sheet

1. Assets

The development of the individual asset items in the 2018 financial year is presented in a separate asset analysis, which is attached to this Annex as an appendix.

2. Shareholdings

The company holds investments as defined in section 271 (1) HGB in the following companies:

	Nominal capital in local Currency		Share in capital %	Equity K€	Result of the Financial Year K€
Domestic					
Datengut GmbH, Zwenkau	K €	50	51.0	1,489	1,289
IMS Gesellschaft für Informations- und Managementsysteme mbH, Dinslaken	K €	26	80.0	1,226	1,118
IMS systems GmbH, Dinslaken 1)	K €	25	100.0	187	35
KIRUS GmbH, Dinslaken 1)	K €	25	100.0	194	89
RIB COE Europe GmbH, Stuttgart	K €	200	100.0	474	140
RIB Cosinus GmbH, Freiburg	K €	80	100.0	473	740
RIB Deutschland GmbH, Stuttgart	K €	154	100.0	580	1,951
RIB Engineering GmbH, Stuttgart	K €	110	100.0	282	167
RIB Information Technologies AG, Stuttgart	K €	360	100.0	830	129
SaaSplaza GmbH, Unterföhring 1)	K €	250	100.0	-3,013	-81
xTWO GmbH, Hungen	K €	125	100.0	1,824	-428
xTWOmarket GmbH, Hungen	K €	25	100.0	-99	223
YTWO Europe GmbH, Stuttgart 1)	K €	1,996	100.0	558	-615
Foreign					
A2K Holdings Pty Ltd., Gatton/Australia 1)	AUD	130	60.0	1,265	2
A2K Technologies Pty Ltd, Gatton/Australia 1)	AUD	120	100.0	719	1,557
A2K Technologies Limited, Newton/New Zealand 1)	K NZD	165	60.0	144	0
Dimtronix Systems Limited, Hong Kong/PR China 1)	HKD	1	100.0	3	1
Docia Ltd, London/UK 1)	GBP	1	100.0	-381	-11

		Nominal capital in local Currency	Share in capital %	Equity K€	Result of the Financial Year K€
EBS Business Solutions Pty Ltd., Gatton/Australia 1)	AUD	130	100.0	-603	-160
eMeasure Limited, Hong Kong/ PR China 1)	HKD	100	100.0	-88	0
Exactal Corporation, Austin/USA 1)	USD	100	100.0	-297	-46
Exactal Creative Australia Pty Ltd, Brisbane/Australia 1)	AUS	1	100.0	23	0
Exactal Creative Limited, Hong Kong/PR China 1)	HKD	100	100.0	477	391
Exactal Europe Limited, London/UK 1)	K GBP	1	100.0	521	727
Exactal Group Limited, Hong Kong/ PR China 1)	K HKD	2,397	100.0	350	-61
Exactal Holdings Pty Ltd, Brisbane/ Australia 1)	K AUD	250	100.0	185	0
Exactal Limited, Hong Kong/ PR China 1)	HKD	1	100.0	119	73
Exactal Malaysia Sdn, Bhd, Kuala Lumpur/Malaysia 1)	MYR	2,500	100.0	29	17
Exactal Pacific Limited, Auckland/ New Zealand 1)	NZD	1	100.0	177	75
Exactal (Singapore) Pte Ltd, Singapore 1)	K SGD	1	100.0	310	118
Exactal Technologies Pty Ltd, Brisbane/Australia 1)	K AUD	250	100.0	1,451	898
Guangzhou RIB Software Company Limited, Guangzhou/PR China 1)	K CNY	3,954	100.0	460	-17
Guangzhou TWO Information Technology Company Limited, Guangzhou/PR China	K CNY	86,575	100.0	12,918	962
Guangzhou YTWO Information Technology Co. Ltd., Guangzhou/ PR China 1)	K CNY	13,693	100.0	1,753	367
IMS Schweiz AG, Zurich/Switzerland 1)	K CHF	100	100.0	64	1
Integrated Computer Systems Support, Inc., Redmond/USA 1)	K USD	7	40.0	698	144
MTWO Holdings Limited, Cayman Islands (formerly: MTWO Limited) 1)	K HKD	215,836	100.0	24,098	-9

	Nominal capital in local Currency		Share in capital %	Equity K€	Result of the Financial Year K€
MTWO Limited, Hong Kong/PR China (formerly: CTWO Limited) 1)	K HKD	215,181	100.0	23,831	-154
Phoenx PLM Pty Ltd., Gatton/ Australia 1)	AUD	130	60.0	367	394
RIB A/S, Copenhagen/Denmark 1)	K DKK	556	100.0	4,501	1,259
RIB Asia Ltd, Hong Kong/PR China	K HKD	26,000	100.0	1,397	7
RIB Cosinus AG, Lucerne/Switzerland 1)	K CHF	100	100.0	566	31
RIB iTWO Software Private Limited, Mumbai/India 1)	K INR	100	100.0	116	91
RIB Limited, Hong Kong/PR China	K HKD	1,371,000	100.0	182,392	-2,177
RIB Management Computer Controls, Inc., Memphis/USA 1)	USD	680	100.0	3,023	-786
RIB PTE. Limited, Singapore 1)	SGD	1	100.0	1	-8
RIB SAA Software Engineering GmbH, Vienna/Austria	K €	36	75.0	3,416	1,017
RIB Software DMCC, Dubai/ UAE 1)	K AED	50	100.0	120	-52
RIB Software (UK) Limited, London/UK 1)	K GBP	50	100.0	696	46
RIB Software PTY Ltd, Sydney/ Australia 1)	K AUD	6,259	100.0	1,642	-60
RIB Software NZ Limited, Auckland/New Zealand 1)	NZD	1	100.0	-174	61
RIB Spain SA, Madrid/Spain 1)	K €	181	100.0	4,429	1,836
RIB stavebni Software s.r.o., Prague/Czech Republic	K CZK	1,000	100.0	81	38
RIB U.S. Cost Incorporated, Atlanta/USA 1)	K USD	46	100.0	4,299	847
SaaSplaza B.V., Amsterdam/ Netherlands 1)	K €	91	100.0	22,701	0
SaaSplaza Cloud Services Co. Ltd., Shanghai/China 1)	K CNY	100	100.0	-6	20
SaaSplaza Inc., Encinitas, San Diego/USA 1)	USD	0	100.0	-944	354

		Nominal capital in local Currency	Share in capital %	Equity K€	Result of the Financial Year K€
SaaSplaza Inc., Toronto/Canada 1)	CAD	0	100.0	17	7
SaaSplaza International B.V., Amsterdam/Netherlands 1)	K €	769	100.0	1,600	-177
SaaSplaza Nederland B.V., Amsterdam/ Netherlands 1)	K €	18	100.0	-720	497
SaaSplaza Pte. Ltd., Singapore 1)	K SGD	100	100.0	-1,866	-171
SaaSplaza Pty. Ltd., Sydney/Australia 1)	AUS	100	100.0	-207	54
YTWO Asia Limited, Hong Kong/ PR China 1)	K HKD	1	100.0	1,439	126
YTWO Formative, Inc., Delaware/USA 1)	K USD	1,300	100.0	279	-830
YTWO International Company Limited, Hong Kong/PR China 1)	K HKD	65,600	100.0	6,640	-6
YTWO Limited, Cayman Islands 1)	K USD	120,000	100.0	75,146	-20,945

1) indirectly held shares that are attributable to the Company pursuant to section 16 (4) AktG

3. Receivables and other assets

	As of 31/12/2018 K€	As of 31/12/2017 K€	Remaining term More than 1 year 31/12/2018 K€	Remaining term More than 1 year 31/12/2017 K€
Trade receivables	11,321	9,396	1,463	3,195
Receivables from associates	48,302	1,795	0	0
Other assets	3,100	1,645	0	0
	62,723	**12,836**	**1,463**	**3,195**

The receivables from associates include trade account receivables of € 211 thousand (previous year: € 554 thousand).

The other assets include anticipated items of € 1,754 thousand (previous year: € 0 thousand). These are creditable withholding taxes from collected profit distributions for which the claim to crediting only arises after the balance sheet effective date.

4. Deferred taxes

As in the previous year, there are deferred taxes from temporary differences between the commercial code and tax law valuation of the pension provisions and other provisions. In addition, there are differences in the application of the trade account receivables. As in the previous year, there were no accrued taxes.

The accrued/deferred taxes are determined based on an average business tax rate of 14.7 % and a corporate tax rate including solidarity surcharge of 15.8 %.

The option to capitalize the deferred taxes was not used.

5. Equity

The **subscribed capital** disclosed on 31 December 2018 corresponds to the **share capital** and is divided into 51,741,410 registered nominal shares (capital shares) of € 1.00 each.

Authorised capital

Authorised capital 2015:

The Administrative Board was authorized to increase the share capital of the Company until 9 June 2020 one or more times by up to € 18,355 thousand by issuing up to 18,354,784 new registered shares with a nominal value of € 1.00 per share against contributions in cash or in kind ("Authorized Capital 2015"). The new shares generally have to be offered to the shareholders for subscription. However, the Administrative Board was authorized to exclude the shareholders' subscription rights under certain conditions set out in the Company's Articles of Association.

In the financial year, the Administrative Board partially used the preceding authorization and decided on 22/23 March 2018 to increase the share capital of the company from € 46,846 thousand by € 4,684 thousand to € 51,530 thousand by issuing 4,684,565 new registered capital shares. The new shares will be fully entitled to dividends starting on 1 January 2018. The subscription right of the shareholders was blocked pursuant to section 4 (4) 3 c) of the Articles of Association together with sections 203 (1) and (2), 186 (3) 4 AktG. The capital increase was entered in the commercial register on 23 March 2018.

The Annual General Meeting of the company decided on 15 May 2018 to suspend the authorization granted to increase the share capital in "Authorized Capital 2015" if it was not used and create new authorized capital.

Authorized capital 2018:

The Administrative Board is authorized to increase the share capital of the company by 14 May 2023, once or several times by a total of up to € 13,670 thousand, by issuing up to 13,670,219 new registered shares with a nominal value of EUR € 1.00 per share against cash deposits or investment in kind (Authorized Capital 2018). The new shares generally have to be offered to the shareholders for subscription. However, the Administrative Board is authorized to exclude the shareholders' subscription rights under certain conditions set out in section 4 (4) of the Company's Articles of Association. The authorization was given to the Administrative Board by the Annual General Meeting of the company on 15 May 2018. This authorization was not used in the reporting year.

Conditional capital

Stock option programme 2015 ("Conditional capital 2015/1"):

The share capital of the Company may conditionally be increased by up to € 1,337,428.00 (previous year: € 1,548,616.00) by issuing up to 1,337,428 new registered shares (previous year: 1,548,616) with a nominal value of € 1.00 per share ("Conditional Capital 2015/1").

The conditional capital increase will only be carried out if, according to the stock option programme 2011 based on the resolution of the general meeting of 20 May 2011 (version of resolution of shareholder meeting on 4 June 2013) or the stock option programme 2015 based on the resolution of the general meeting of 10 June 2015, subscription rights were issued, the owners of the subscription rights exercised them, and the Company does not issue treasury shares to fulfil the subscription rights. The Administrative Board is exclusively responsible for granting and implementing subscription rights to members of the Executive Board of the former RIB Software AG and to Managing Directors. The new shares will participate in profit from the beginning of the financial year in which the issue occurs. In the reporting year, share capital was increased by € 211,188.00 by issuing 211,188 new registered shares with a nominal value of € 1.00 per share.

The term of the subscription rights is 7 years. The subscription rights can only be exercised after the expiry of 4 years if the beneficiary is employed at this time and the market price of the share exceeds a certain value within a period of 12 months after they are granted for a total of 60 stock exchange trading days, as follows:

- in the period from 1 July 2017 to 30 June 2018 an amount of € 15.88
- in the period from 1 July 2018 to 30 June 2019 an amount of € 17.88
- in the period from 1 July 2019 to 30 June 2020 an amount of € 19.88
- in the period from 1 July 2020 to 30 June 2021 an amount of € 21.88
- in the period from 1 July 2021 to 30 June 2022 an amount of € 23.88
- in the period from 1 July 2022 to 30 June 2023 an amount of € 25.88
- in the period from 1 July 2023 to 30 June 2024 an amount of € 27.88

The exercise price of a subscription right is € 1.00. If the target is not reached in one year, this can be compensated in the following year by reaching the target applicable to this period. Subscription rights lapse if the target was not reached and was also not compensated in the following year.

By the balance sheet effective date 31/12/2018, a total of 1,226,062 subscription rights were issued, to be balanced by shares of the company. Of these, 154.656 subscription rights lapsed due to termination of the employment relationship. Of the remaining subscription rights, 38,500 subscription rights were due to employees of the company, 426,738 subscription rights to Managing Directors / former members of the Executive Board of the company, and 606,168 subscription rights to employees of subsidiaries. 211,188 subscription rights were exercised in the reporting year.

Issue of bonds ("Conditional Capital 2018")

The Annual General Meeting of 15 May 2018 authorized the Administrative Board by 14 May 2020, to issue once or several times registered convertible, warrant, or profit participation bonds and/or profit participation rights (or combinations of these instruments) (jointly "**Bonds**") with or without term limitation for a total nominal value of up to € 200,000,000.00 and grant the owner / creditors of Bonds conversion / option rights for the acquisition of up to 5,153,022 registered shares of the company with a total nominal value of up to € 5,153,022.00 based on the conditions of the Bonds and/or give rise to duties to convert the respective Bonds into such shares under the conditions of the bonds.

Share capital was increased by up to € 5,153,022.00 by issuing up to 5,153,022 new registered shares with a nominal value of € 1.00 per share ("**Conditional Capital 2018**"). The conditional capital increase serves to grant registered shares to the owners / creditors of bonds that were issued based on the authorization passed by the Annual General Meeting on 15 May 2018 under agenda item 11 by the Company or its direct or indirect domestic or foreign majority holding companies and give rise to a conversion / option right or grant / give rise to a conversion duty into new registered shares of the company. The conditional capital increase will only be performed as option / conversion rights are exercised, as the owners / creditors obligated to convert fulfil their duty to convert, or as deliveries of shares due to substitution rights of the Company are made and no treasury or new shares under utilization of authorized capital are used for this purpose. The new registered shares participate in the profits from the start of the financial year in which they are created by exercising option / conversion rights, by fulfilling conversion duties, or by exercising substitution rights. The Administrative Board is authorized to determine the further details of the implementation of the conditional capital increase. In the reporting year, the authorization to issue bonds as described above was not exercised.

Treasury shares: By a resolution of 30 May 2017, the Annual General Meeting authorised the Company to acquire its own shares, amounting to no more than 10 % of the Company's share capital at the time of the resolution, by 29 May 2022. This corresponded to 4,684,565 shares. The preceding resolution was suspended in the Annual General Meeting on 15 May 2018 and replaced by a new authorization.

Based on the resolution of the Annual General Meeting on 15 May 2018, the Company is authorized to acquire treasury shares amounting to no more than 10 % of the company's share capital at the time of the resolution, by 14 May 2023. This corresponds to 5,153,022 shares. The authorization may not be used by the Company for the purpose of trading in its own shares.

The company may exercise the authorization in full or in parts, once or several times; the authorization may also be exercised by its Group companies or by third parties on their account or that of the Group companies. The acquired shares, together with the treasury shares already held by the Company or attributable to it in accordance with sections 71d and 71e AktG [Stock Corporation Act], may at no time account for more than 10 % of the respective share capital of the Company.

In addition to sale on the stock exchange or by means of an offer directed at all shareholders, the Administrative Board is authorized to proceed with the acquired treasury shares as follows, in particular: (i) to use the shares as part of a company combination or the acquisition of companies, parts of companies, holdings in companies, or other benefits in kind, (ii) to sell the treasury shares to third parties in consideration of certain conditions, (iii) to use the treasury shares to meet the subscription rights granted in 2015 by the stock option programme, and (iv) to collect the treasury shares without a further resolution by the Annual General Meeting. The subscription right of the shareholders is excluded in each case. In addition, if treasury shares are sold by an offer directed at all shareholders, the Administrative Board can block the subscription right of the shareholders for top values.

In resolutions of 17 October 2018 and 17 December 2018, the Administrative Board has exercised its authorization. As part of the **share buyback programme 2018**, a total of up to 3 million treasury shares were bought back at a total purchase price without ancillary costs of at most € 45 million in the period from 1 November 2018 to 31 October 2019. On this basis, the company bought back 1,686,000 treasury shares in the reporting year. By the time of the annual / consolidated financial report was being compiled for the reporting year, this number of 3 million treasury shares had already been reached and the share buyback programme terminated in this manner. The shares were bought back within the price range specified by the Administrative Board of between € 8.88 to € 15.00 per share.

The inventory of treasury shares developed as follows in the 2018 financial year:

	Number shares	Time of acquisition/ disposal	pro rata amount of Share capital	share in Share capital	Acquisition Costs
	Units		K€	%	K€
Inventory on 01.01.2018	1,506,941		1,507	3.21	9,015
Additions	1,686,000	Nov.-Dec.	1,686	3.26	17,944
Disposals	-681,642	2018	-682	1.32	-4,469
Inventory on 31.12.2018	2,511,299		2,511	4.85	22,490

The **additions** resulted from the acquisition of treasury shares due to the share buyback programme 2018. The acquisition price was € 17,944 thousand. The Administrative Board reserves the right to use the treasury shares for any purpose listed in the authorization of the Annual General Meeting on 15 May 2018. The acquisition of treasury shares in the reporting period led to a reduction of the balance sheet profit by € 16,258 thousand, which was recognized in the appropriation of profits accounting as "Expenditure from the acquisition of treasury shares" (Item 18 in the Profit and Loss Statement).

This amount is calculated as follows:

	K€
Acquisition price of the treasury shares	17,944
Open deduction of the nominal value of the treasury shares acquired from subscribed capital	-1,686
Reduction of balance sheet profit	**16,258**

The **disposals** resulted from the use of the treasury shares for business acquisitions.

In January 2018, 290,000 treasury shares with a nominal value of € 1.00 per share were used by RIB Limited, Hong Kong, in the context of the acquisition of further shares of Exactal Group Limited, Hong Kong. In this connection, RIB SE sold the treasury shares to RIB Limited at a purchase price at the exchange rate of € 7,685 thousand.

A further 94,442 treasury shares with a nominal value of € 1.00 per share were used in March 2018 during the acquisition of 51 % of the shares in Datengut GmbH, Zwenkau, as part of the purchase price at a price of € 2,250 thousand.

A total of 297,200 treasury shares were used in December 2018 for the acquisition of 20 % each of the shares in the companies A2K Holdings Pty. Ltd., Gatton, Australia, A2K Technologies Limited, Newton, New Zealand, and Phoenx PLM Pty Ltd., Gatton, Australia. In this connection, RIB SE sold treasury shares to the associate MTWO Limited, Hong Kong, at a purchase price at the exchange rate of € 2,838 thousand.

The transfer of treasury shares in the reporting period led to an increase of the balance sheet profit by € 3,900 thousand, which was recognized in the appropriation of profits accounting as "Income from the sale of treasury shares" (Item 17 in the Profit and Loss Statement). This amount is calculated as follows:

	K€
Income from transfer of treasury shares	12,773
Loss of open deduction of the nominal value of the treasury shares from subscribed capital	-682
Addition of the amount exceeding the original purchase price to the capital reserve	-8,191
Increase of balance sheet profit	**3,900**

The **capital reserves** developed as follows in the reporting period:

	K€
On 31.12.2017	188,433
Addition from regular capital increase	126,484
Addition from the sale of treasury shares	8,191
Addition from the issue of stock options	432
On 31.12.2018	**323,540**

The capital reserve includes amounts pursuant to section 272 (2) 1 HGB of € 321,926 thousand. These are premiums for the issue of shares and the differences as defined in section 272 (1b) 3 HGB from the use of treasury shares. The remaining value of the capital reserve of € 1,614 thousand results from additions in connection with the issue of option rights for subscription to shares (section 272 (2)) 2 HGB).

The **balance sheet profit** of € 10,032 thousand (previous year: € 15,303 thousand) recorded on 31 December 2018 includes a profit carry-forward of € 6,239 thousand (previous year: € 1,175 thousand).

Amounts blocked from disbursement: Of the balance sheet profit on 31 December 2018 a portion of € 199 thousand is blocked from distribution. The distribution block is due to the valuation of pension provisions.

6. Pension provisions

The valuation of the pension provisions is discounted at the average market interest rate of the past ten financial years. If the discounting would use the average market interest rate of the past seven financial years, the balance sheet recognition would increase by € 199 thousand (difference as defined in section 253 (6) p. 1 HGB).

The pension provisions of € 316 thousand (previous year: € 312 thousand) are due to former members of the Executive Board of the former RIB Software AG.

7. Other provisions

The other provisions mainly include personnel obligations (€ 618 thousand, previous year: € 783 thousand), provisions for legal disputes (€ 0, previous year: € 900 thousand), provisions for administrative costs (€ 370 thousand, previous year: € 247 thousand), and provisions for outstanding invoices (€ 320 thousand, previous year: € 80 thousand).

8. Payables

The segmentation of liabilities is listed in a separate payable's analysis, which it attached to this Annex as an appendix.

The payables to associates include trade account liabilities of € 1,261 thousand (previous year: € 779 thousand).

9. Off-balance transactions

Software development

The Company has concluded a contract with associates concerning the acquisition of software development services. The purpose of this outsourcing of development services is to secure sufficient development capacities at economic conditions. The outsourcing of development services helped significantly decrease development costs per man year, which gave the Company competitive advantages due to shorter product cycles. Due to the outsourcing, the Company is exposed to legal risks as well as permit requirements in China. In addition, there are certain risks resulting from the prevailing political, legal, and economic conditions in China.

The following financial obligations result from the contracts as of the balance sheet effective date 31 December 2018:

	K€
due within one year	10,702
of which to associates	10,702

10. Other financial obligations

In addition to the above off-balance sheet transactions, there are the following financial obligations on the balance sheet effective date 31 December 2018:

	K€
Obligations from company acquisitions	5,905
Obligations from licensing and maintenance contracts	4,008
Obligations from service contracts	2,616
Obligations from rental and lease agreements	1,086
Other	542
	14,157
of which due within one year	4,267
of which to associates	5,408

D. Explanations for P&L Statement

1. Sales revenue

	2018 K€	2017 K€
Software licenses	21,458	21,057
Software as a service/cloud	2,792	2,553
Software total	24,250	23,610
Maintenance	23,365	20,952
Consulting	6,512	5,697
Other	1,177	4,013
	55,304	**54,272**

	2018 K€	2017 K€
Domestic	47,814	43,873
Foreign	7,490	10,399
	55,304	**54,272**

In the reporting year, € 1,259 thousand was reallocated within sales revenue from the Software Licenses item to the Maintenance item. In order to ensure comparability, the amounts from the previous year were adjusted and a corresponding reallocation of € 1,116 thousand was performed.

2. Unusual material income

	2018 K€
Other operating income includes:	
Income from currency translation	1,860
Dissolution of provision for legal disputes	585
	2,445

3. Unusual material expenditures

	2018 K€
Other operating expenses include:	
Costs of cash capital increase	4,316
Bad debts / additions to impairments	439
Deposit fees banks	438
	5,193

4. Fee of financial report auditor

The auditor charged the following total fee for the financial year:

	2018 K€
Financial report audit services	178
Other confirmation services	0
Tax consulting services	15
Other services	78
	271

The other services mainly relate to financial due diligence studies during business transactions.

5. Total remuneration of Executive Board, Supervisory Board, Managing Directors, and Administrative Board

	2018 K€	2017 K€
a) Members of the Executive Board / Managing Directors		
- for work in the financial year		
- stock-based remuneration	494	478
- other remuneration	625	915
	1,119	1,393
b) Managing Directors that left in the financial year		
- Services promised in connection with termination		
- stock-based remuneration	467	0
c) Former members of the Executive Board		
- pensions	25	25
d) Administrative Board		
- for work in the financial year	105	82
Supervisory Board		
- for work in the financial year	0	23
	1,716	**1,523**

a) Members of the Executive Board / Managing Directors

As part of the stock-based remuneration programme, the Managing Directors were granted 33,478 (previous year: 52,608) stock options in the 2018 financial year. At the time of issue, the fair value per option was € 14.76. The stock-based remuneration granted in the reporting year therefore totalled € 494 thousand.

The preceding disclosures do not include the total remuneration of the Managing Directors Thomas Wolf and Mads Bording Rasmussen, as their remuneration was paid by RIB Limited, Hong Kong and/or RIB A/S, Copenhagen.

b) Managing Directors that left in the financial year

An agreement was reached with a Manging Director who retired in the financial year that 20,000 stock options he had been granted during his employment and which would have lapsed without further regulation should continue to be valid as remuneration for a non-competition clause. At the time of the agreement, the fair value per option was € 23.33. The share-based remuneration granted in the reporting year was thus € 467 thousand.

E. Other disclosures

Employees

	Annual average	
	2018	2017
Employees	24	29

Managing Directors

Thomas Wolf, CEO

(Chairman of the Managing Directors)

Corporate Strategy

Michael Sauer, CFO

Corporate Finance, M&A, Sales Germany

Helmut Schmid, CTO (until 31 March 2018)

Corporate F&E, Technology & Innovation

Mads Bording Rasmussen, COO

Group Sales and Operations

Administrative Board

Members of the Administrative Board	Memberships of Supervisory Boards and other controlling bodies
Thomas Wolf Chairman of the Administrative Board	*Internal memberships* YTWO Limited, Cayman Islands *External memberships* None
Sandy Möser Deputy Chairwoman of the Administrative Board Managing Director of Mühl 24 GmbH, Hungen Managing Director of Mühl 24 Baubedarf GmbH, Wetzlar Executive Board Member of the Mühl Product & Service AG, Kranichfeld	
Michael Sauer	*Internal memberships* RIB Information Technologies AG, Stuttgart (Chairman of the Supervisory Board) MTWO AG, Stuttgart (Chairman of the Supervisory Board) YTWO Limited, Cayman Islands RIB A/S, Copenhagen *External memberships* None
Mads Bording Rasmussen (Since 15 May 2018)	
Helmut Schmid (Until 31 March 2018)	*Internal memberships* RIB Information Technologies AG, Stuttgart (Until 31 March 2018) *External memberships* None

Members of the Administrative Board	Memberships of Supervisory Boards and other controlling bodies
Dr Matthias Rumpelhardt Managing Director of Dacapo 2 GmbH, Berlin	
Klaus Hirschle Sales Director Consumer Channels Alfred Kärcher Vertriebs GmbH, Winnenden	
Prof. Martin Fischer Professor for Civil Engineering and Environmental Technology at Stanford University, California, USA	*Internal memberships* None *External memberships* sfirion AG, Munich (Chairman of the Supervisory Board) Fieldwire, San Francisco/USA ALICE Technologies Inc., Menlo Park/USA Elibre DMCC, Dubai/VAE einsite, San Francisco/USA
Prof. Dr Rüdiger Grube (Since 23 November 2018) Managing Partner of the Rüdiger Grube International Business Leadership GmbH, Hamburg	*Internal memberships* None *External memberships* Hamburger Hafen- und Logistik Aktiengesellschaft, Hamburg (Chairman of the Supervisory Board) Herrenknecht AG, Schwanau Deufol SE, Hofheim am Taunus
Steve Swant (Until 13 August 2018) Executive Vice President, Administration and Finance at the Georgia Institute of Technology, Georgia, USA	

Information about the Corporate Governance Codex

The Administrative Board has submitted the Declaration of Compliance statement pursuant to section 161 AktG for the 2018 financial year. The statement can be found on the website of RIB SE in the Investor Relations section.

Notifications pursuant to the German Securities Trading Act

According to the German Securities Trading Act (WpHG), every shareholder who reaches, exceeds, or falls short of the threshold values of 3, 5, 10, 15, 20, 25, 30, 50, or 75 percent of the voting rights of a publicly traded company, shall immediately inform the company and the German Federal Regulatory Commission for Financial Services (BaFin) of this fact, however no later than four business days. The company was informed of the existence of the following holdings (the corresponding percentages and numbers of share refer to the share capital that existed at the time of the respective report; the number of shares is taken from the last voting rights report made to RIB SE and thus may be out of date by now; due to the legal regulations concerning the attribution of voting rights, for instance of voting rights belonging to a subsidiary of the reporting party, it is possible that there could be duplicate submissions)1):

FIL Investment Management Limited, Hildenborough, Kent, England, UK, informed us on 10 February 2011 pursuant to section 21 (1) WpHG, that their voting right share in RIB Software AG, Stuttgart, passed the threshold of 3 % on 8 February 2011 and is currently 4.90 % (corresponding to 1,895,400 voting rights).

The **Capital Research and Management Company**, Los Angeles, USA, informed us on 25 March 2014 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % and 5 % on 21 March 2014 and is currently 5.19 % (corresponding to 2,007,505 voting rights). 5.19 % of the voting rights in RIB Software AG are attributed to the Capital Research and Management Company pursuant to section 22 (1) 1 No. 6 WpHG. Of these attributable voting rights, 3.92 % of the voting rights in RIB Software AG were held by SMALLCAP World Fund, Inc. on the date listed above.

1) The WpHG was amended due to the Second Financial Market Amendment Act (2nd FiMaNoG) of 23 June 2017. According to Article 28 of the 2nd FiMaNoG, the changed WpHG is to become effective at different times. The parts of the WpHG, that affect notifications of the shareholders became effective on 3 January 2018. This leads to a deviating description of the paragraphs for notifications to the company that occurred after 3 January 2018.

Mr **Thomas Wolf**, Singapore, informed us on 10 March 2015 pursuant to section 21 (1) WpHG, that his voting right share in RIB Software AG fell below the threshold of 20 % on 10 March 2015 and is currently 19.34 % (corresponding to 8,406,989 voting rights).

Credit Suisse AG, Zurich, Switzerland, informed us on 23 June 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG fell below the threshold of 5 % on 18 June 2015 and is currently 3.29 % (corresponding to 1,431,659 voting rights).

Credit Suisse Group AG, Zurich, Switzerland, informed us on 23 June 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG fell below the threshold of 5 % on 18 June 2015 and is currently 3.29 % (corresponding to 1,431,659 voting rights).

Threadneedle Asset Management Limited, London, United Kingdom, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

TC Financing Limited, London, United Kingdom, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 2015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

TAM UK Holdings Limited, London, United Kingdom, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 2015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

Threadneedle Asset Management Holdings SARL, Luxembourg City, Luxembourg, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 2015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

Threadneedle Holdings Limited, London, United Kingdom, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 2015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

Threadneedle Asset Management Holdings Limited, London, United Kingdom, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 2015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

Ameriprise International Holdings GmbH, Zug, Switzerland, informed us on 16 September 2015 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG passed the threshold of 3 % on 11 September 2015 and is currently 3.13 % (corresponding to 1,465,336 voting rights).

Schroders Plc., London, United Kingdom, informed us on 4 October 2016 pursuant to section 21 (1) WpHG, that its voting right share in RIB Software AG fell below the threshold of 3 % on 29 September 2016 and is currently 2.99 % (corresponding to 1,401,344 voting rights). All voting rights are attributable pursuant to section 22 (1) 1 No. 6 WpHG in conjunction with Clause 2 WpHG.

RIB Software SE, Stuttgart, Germany, informed us pursuant to section 33 (1) WpHG and section 40 (1) 2 WpHG, that its own voting right share passed the threshold of 5 % on 27 December 2018 and is currently 5.11 % (corresponding to 2,645,499 voting rights).

Capital Group Companies, Inc., Los Angeles, USA, informed us pursuant to section 33 (1) WpHG, that its voting right share in RIB Software SE fell below the threshold of 5 % on 12 January 2018 and is currently 4,81 % (corresponding to 2,255,254 voting rights). 4.81 % of the voting rights in RIB Software SE are attributed to the Capital Research and Management Company pursuant to section 22 (1) 1 No. 6 WpHG. Of these attributable voting rights, 4.81 % of the voting rights in RIB Software SE were held by SMALLCAP World Fund, Inc. on the date listed above.

Carmignac Gestion S.A., Paris, France, informed us pursuant to section 33 (1) WpHG, that its voting right share in RIB Software SE fell below the threshold of 3 % on 23 March 2018 and is currently 2.995 % (corresponding to 1,543,527 voting rights). 2.995 % of the voting rights in RIB Software SE are held and managed on behalf of two French UCITS funds and are attributed to Carmignac Gestion S.A. pursuant to section 22 (1) 1 No. 6 WpHG.

SMALLCAP World Fund, Inc., Baltimore, Maryland, USA, informed us pursuant to section 33 (1) WpHG, that its voting right share in RIB Software SE fell below the threshold of 3 % on 23 January 2018 and is currently 2.96 % (corresponding to 1,388,161 voting rights).

Capital Group Companies, Inc., Los Angeles, USA, informed us pursuant to section 33 (1) WpHG, that its voting right share in RIB Software SE fell below the threshold of 3 % on 2 February 2018 and is currently 2.86 % (corresponding to 1,338,000 voting rights).

BlackRock, Inc, Washington, Delaware, USA, informed us pursuant to section 33 (1) WpHG, that its voting right share in RIB Software SE, Stuttgart, fell below the threshold of 3 % on 28 August 2018 and is currently 2.91 % (corresponding to 1,500,583 voting rights).

TimesSquare Capital Management, LLC, New York, USA, informed us pursuant to section 33 (1) WpHG, that its voting right share in RIB Software SE, Stuttgart, fell below the threshold of 3 % on 13 December 2018 and is currently 2.33 % (corresponding to 1,207,230 voting rights).

RWC Partners Limited, London, United Kingdom, informed us pursuant to section 33 (1) WpHG, that its voting right share in the RIB Software SE passed the threshold of 5 % on 13 December 2018 and is currently 5.41 % (corresponding to 2,800,000 voting rights). 5.41 % of the voting rights in RIB Software SE are attributed to RWC European Focus Master Inc.

Proposal for the appropriation of profit

The Managing Directors propose to the Administrative Board, to submit the following proposal for the appropriation of the net profit to the ordinary Annual General Meeting:

	€
1. Distribution to the shareholders	8,624,899.98
2. Allocation to retained earnings	0.00
3. Profit carry forward	1,407,044.59
4. Net profit	**10,031,944.57**

The preceding proposal for profit appropriation corresponds to a basic dividend of € 0.18 per dividend-earning share. At the time of the submission of the proposed resolution by the Managing Directors, the Company held 3,825,299 treasury shares with no dividend rights for the Company.

Should the number of dividend-bearing shares change by the time the resolution on the appropriation of profits is adopted, the Administrative Board will submit a revised resolution proposal for the appropriation of profits to the Annual General Meeting, allowing for the changes. However, it continues to plan a distribution totalling € 0.18 per dividend-bearing share.

Stuttgart, 15 March 2019

RIB Software SE

The Managing Directors

Thomas Wolf	Michael Sauer	Mads Bording Rasmussen

Development of fixed assets

	Acquisition and production costs				Depreciation				Remaining carrying amounts	
	As of 01/01/2018	Additions Transfers (U)	Disposals	As of 31/12/2018	As of 01/01/2018	Additions	Disposals	As of 31/12/2018	As of 31/12/2018	As of 31/12/2017
	€	€	€	€	€	€	€	€	€	€
I. Intangible assets										
Purchased industrial property rights and similar rights and values as well as licenses for such rights										
Rights and values	4,777,734.61	125,807.57	272,177.34	4,631,364.84	4,748,810.37	23,680.30	272,177.34	4,500,313.33	131,051.51	28,924.24
	4,777,734.61	**125,807.57**	**272,177.34**	**4,631,364.84**	**4,748,810.37**	**23,680.30**	**272,177.34**	**4,500,313.33**	**131,051.51**	**28,924.24**
II. Property, plant and equipment										
1. Land and buildings	8,467,667.10	10,160.00	0.00	8,477,827.10	142,165.35	131,447.26	0.00	273,612.61	8,204,214.49	8,325,501.75
2. Furniture and fixtures	938,837.39	120,009.44	250,467.58	808,379.25	464,013.63	159,997.80	250,467.58	373,543.85	434,835.40	474,823.76
	9,406,504.49	**130,169.44**	**250,467.58**	**9,286,206.35**	**606,178.98**	**291,445.06**	**250,467.58**	**647,156.46**	**8,639,049.89**	**8,800,325.51**
III. Financial assets										
1. Shares in associates	165,260,633.35	30,415,098.30	0.00	195,688,181.65	2,081,852.75	0.00	0.00	2,081,852.75	193,606,328.90	163,178,780.60
		12,450.00 (U)								
2. Investments	24,950.00	0.00	0.00	12,500.00	0.00	0.00	0.00	0.00	12,500.00	24,950.00
		-12,450.00 (U)								
	165,285,583.35	**30,415,098.30**	**0.00**	**195,700,681.65**	**2,081,852.75**	**0.00**	**0.00**	**2,081,852.75**	**193,618,828.90**	**163,203,730.60**
		0.00 (U)								
Total	**179,469,822.45**	**30,671,075.31**	**522,644.92**	**209,618,252.84**	**7,436,842.10**	**315,125.36**	**522,644.92**	**7,229,322.54**	**202,388,930.30**	**172,032,980.35**
		0.00 (U)								

Segmentation of liabilities

	Total		Remaining term: up to 1 year		Remaining term: 1 to 5 years		Remaining term: more than 5 years		Secured amounts		
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	Type of security
1. Payables to banks	5,200	5,600	400	400	1,600	1,600	3,200	3,600	5,200	5,600	Mortgages
2. Trade payables	699	260	699	260	0	0	0	0	0	0	./.
3. Payables to associates	1,404	869	1,404	869	0	0	0	0	0	0	./.
4. Other payables	4,327	253	4,327	253	0	0	0	0	0	0	./.
Total	**11,630**	**6,982**	**6,830**	**1,782**	**1,600**	**1,600**	**3,200**	**3,600**	**5,200**	**5,600**	

2. Consolidated Group Management Report and Management Report for the Financial Year 2018

A. BUSINESS AND GENERAL ENVIRONMENT

A.1 OVERVIEW

The RIB Group is active in the software market for the building and construction industry, plant construction as well as infrastructure management and enjoys great global success. The parent company, RIB Software SE, is headquartered in Stuttgart. RIB Software SE has subsidiaries in Germany, Europe, the Middle East, the US, Australia, and Asia.

The core activities of the RIB Group include the production and sale of software, provision of consulting and training services for implementation projects, and E-commerce as well as the provision of digital platforms for the electronic execution of business processes.

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

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

With more than 100,000 customers and more than 650,000 users all over the world, we are one of the leading providers of business software for the construction industry. Our clients include large construction groups, medium-sized construction firms, the public sector, architecture and engineering companies as well as major industrial and plant engineering companies. More than 85,000 customers use our online services such as iTWOtx or our collaboration and project management platform iTWOcx to communicate with all project participants on the basis of an industry-specific internet forum.

For the purpose of corporate management, the Group's structure includes a reporting segment arrangement:

Reporting segment iTWO
In the reporting segment iTWO, we grant our customers non-exclusive, open-ended software usage rights based on licensing agreements ("licensing model"). As an alternative, we also deliver our software in customer-owned IT infrastructures (private clouds) or computer centers operated by third parties (public clouds) for a fee and with a time limit. Independent of the chosen utilization model, our customers can also conclude contracts for additional hotline services and the provision of the latest software versions (maintenance) or hire consulting and training services in connection with the software implementation. The services offered in the reporting segment iTWO do not include the operation of the IT infrastructure. Customer contracts which also include managed services are recorded in the MTWO reporting segment. Please refer to the relevant explanations in the **Section "Reporting segment MTWO"**.

Reporting segment YTWO
In the reporting segment YTWO, we offer our customers web-based platforms for the electronic mapping of business processes. This reporting segment covers the two business segments YTWO (SCM) and xTWO (E-commerce):

a.) YTWO (SCM)

In the YTWO (SCM) business segment, the RIB Group's business model consists in providing its customers with the YTWO platform, which is built on iTWO 4.0 technology, for a fee. The platform aids the model-based procurement of construction products. The platform is provided on the basis of two different revenue models. Customers with a high purchase volume are charged transaction fees for using the YTWO platform ("transaction model"), which are calculated on the basis of the procurement volume of the construction products purchased by the customer via the YTWO platform. The transaction fees also include monthly fees for the provision of the platform charged as part of a SaaS agreement.

Until the acquisition of the shares in YTWO Ltd. by the RIB Group, the "Just in Time" delivery of the goods procured via the platform to the construction site was also organized through the joint venture partner Flex on the basis of separate agreements between Flex and the customers of YTWO Ltd. Given that Flex, as a Silicon Valley-based manufacturer with extensive operations in China and Mexico, may be affected by America First policy and the associated changes in international trade relations, the RIB Group invested in the acquisition of new industrial partners in the financial year 2018 in order to be able to continue the YTWO (SCM) business with new business partners following the acquisition of the Flex shares. In light of this, a Memorandum of Understanding was signed in June 2018 for a strategic partnership with a publicly-traded electrical engineering group engaged in the digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and the manufacturing industry.

b.) xTWO (E-commerce)

While the YTWO platform focuses on business customers (B2B) through the conceptualized integration of iTWO 4.0 as an integrated end-to-end procurement platform and strategic emphasis on companies with large procurement volumes, xTWO is aimed at the the consumer sector (B2C) and aids the online organization of procurement and delivery of construction products.

Reporting segment MTWO

In the first quarter of 2018, MTWO was established as a new reporting segment. MTWO is designed as a cloud-based BIM 5D software platform, based on "software-as-a-service" (SaaS) and built on iTWO 4.0 technology. Following a cooperation agreement signed between RIB and Microsoft during the reporting period, the solutions offered by RIB on the MTWO platform have been expanded to include Microsoft products and IT services.

In particular, this includes the ability to provide RIB customers with the MTWO platform as an end-to-end enterprise solution on the Microsoft Cloud Azure Platform. The provision of hardware and system-related software is a service performed by the cooperation partner Microsoft. Related services, such as network services, software deployment, operational monitoring, and storage or security services (managed services) are provided by managed service providers (MSPs). The type and quality of the services to be provided are coordinated between the end customer and the provider on the basis of Service Level Agreements (SLAs).

The business model consists in both RIB and Microsoft charging fees for the subscription to their software and services provided on the MTWO Cloud ("subscription model"). In this context, the RIB Group pursues the goal of establishing a global partner network for the marketing of MTWO and iTWO 4.0 through strategic investments in managed service providers, value added resellers or software companies whose solutions and services complement the offer on the MTWO platform in order to offer the customers of the RIB Group a comprehensive and high-quality range of products and services under the brand name MTWO.

We have organized our **research and development activities** in a decentralized manner. The RIB Group has development centers worldwide.

The German versions of iTWO 5D and iTWO 4.0 are developed under the leadership of RIB Software SE and the international versions under the leadership of RIB Limited, Hong Kong. To this end, the companies use the development capacities of RIB Information Technologies AG and a Chinese subsidiary as well as other subsidiaries in the US, Denmark, Austria, Spain, and Australia.

In German-speaking countries (the DACH region), we organize **product sales** under the umbrella of RIB Software SE via two German subsidiaries, RIB Deutschland GmbH and RIB Engineering GmbH. International sales are managed under the umbrella of RIB Limited via subsidiaries in China, Asia, Australia, the Middle East, the UK and the US.

Since the financial year 2018, we have been providing **consulting services** in the German-speaking countries through our German subsidiary, RIB COE Europe GmbH, based in Stuttgart. In this context, the service organization was restructured both in the previous year and during the reporting period and all consultants operating in the DACH region were brought together under the responsibility of RIB COE.

A.2 BUSINESS DEVELOPMENT AND POSITION OF THE RIB GROUP

A.2.1 Market conditions

Increasing globalization, the internet and the growing significance of smart communication technologies have led to the creation of a new generation of enterprises, which develop joint business processes with their business partners in a way that is integrated and interactive. The associated digital linking of people and enterprises has triggered a social and economic revolution with significant consequences for the global economy.

In future, artificial intelligence (AI) will enable a computer to process tasks which would otherwise require human intelligence. As the most important IT-based innovation and research objective of the future, artificial intelligence has become the focus of universities, start-ups, software and hardware vendors, car makers, banks and insurance companies. Intelligent computer programs will in future understand exactly what we are saying, and will autonomously provide their own solution proposals. Cars equipped with artificial intelligence will be able to drive independently, even in difficult traffic situations. Artificial intelligence will help in the treatment of diseases, make investing more profitable, optimize the consumption of energy and much more. Artificial intelligence could revolutionize our lives in the next 10 to 20 years to an extent never seen before.

These new developments and the increasing digitalization of building processes mean that virtual construction and digitally networked business processes have evolved into a new mega trend within the construction industry. Artificial intelligence will doubtlessly become ever more important in this area too. As in other industries, where the state-of-the-art already includes virtual reality and where AI technology provides support with complicated maintenance or assembly works, in future, simply by looking at a technical component of a built structure through VR glasses, the relevant information will be visualized. The observer will be informed how the components are to be assembled during the construction phase, how much they cost, what they are made of, and how they will subsequently need to be maintained and repaired during the use phase.

With our end-to-end enterprise platform, iTWO 4.0, and growing number of intelligent iTWO 4.0 apps, we are providing a solution fully in keeping with the current technological trends. It is our belief that digitally networked, integrated and virtual planning, production and operating processes, as well as the industrial prefabrication of components and artificial intelligence, have the potential to significantly impact the future development of the construction sector, and we anticipate an increasing willingness to invest in web-based digital software platforms in this area, or to use them on a software-as-a-service basis and to utilize AI technology. Also in this area, we are very well positioned thanks to our new MTWO platform.

In addition to these framework conditions, which are favorable for us, our target groups' willingness to invest also depends on the general economic conditions. According to the OECD Economic Outlook for 2018, the global economy is in troubled waters. Though global GDP growth is strong, it has already peaked. In many countries, unemployment has fallen significantly and labor shortages are making themselves felt. However, trade and investment have slowed down under the impact of higher bilateral tariffs and many emerging economies are facing capital outflows and devaluation of their currencies. According to OECD projections, global GDP growth will decelerate from 3.7% in 2018 to 3.5% in 2019-2020.

The OECD considers the slowdown in GDP growth to be in line with the subdued outlook for investment in many economies. Investment incentives will be hampered by factors such as increased policy uncertainty, lower expectations for future global GDP growth, and slowing reform efforts to reduce anti-competitive regulations on the product market. In this context, according to the OECD, growth in business investment is projected to slow from over 4% per annum in the 2017-2018 period to just over 3% in the 2019-2020 period.

Risks arising from growing protectionism in the US, as well as the still unclear terms of the UK‘s withdrawal from the EU (Brexit), may lead to even less favorable developments and further weaken GDP growth and corporate investment growth.

In view of this, the willingness of our target groups and markets to invest, especially in Europe and the US, might develop somewhat cautiously despite a positive trend of digitizing processes in the construction sector and of making the associated investments in IT.

A.2.2 Business development

As in previous years, our business continued to develop very positively in the financial year 2018. Total revenues increased by 26.4% to € 136.9 million (previous year: € 108.3 million).

Revenues from software licenses and software as a service / cloud of € 54.5 million were 17.0% higher than in the previous year (€ 46.6 million). Maintenance revenue increased by 16.9% to € 40.1 million (previous year: € 34.3 million). Consulting revenue rose by 65.3% to € 32.9 million (previous year: € 19.9 million). E-commerce revenue increased from € 7.5 million to € 9.3 million (+24.0%).

A.2.3 Key performance indicators of RIB Software SE

Revenues increased by 1.8% to € 55.3 million (previous year: € 54.3 million). The operating EBITDA of € 15.7 million was 9.2% lower than in the previous year (€ 17.3 million).

Below, the reconciliation of earnings after taxes to operating EBITDA*:

Figures in € million	2018	2017
Earnings after taxes	**16.2**	**12.9**
plus taxes on income and earnings	4.3	5.1
plus interest and related expenses	0.1	0.2
plus write-downs of financial assets	0.0	1.1
less other interest and similar income	-0.5	-0.1
less income from participating interests	-7.1	-5.0
plus depreciation and amortization	0.3	1.7
plus expenses from currency conversion	0.0	1.5
less income from currency conversion	-1.9	0.0
plus expenses for capital increase	4.3	0.0
Operating EBITDA	**15.7**	**17.3**

A.2.4 Key performance indicators of RIB Group

Group revenues increased significantly by 26.4% to € 136.9 million (previous year: € 108.3 million). The operating EBITDA** of € 38.8 million was 2.8% down on the previous year (€ 39.9 million). The operating EBITDA margin reached 28.3% (previous year: 36.8%).

Below, the reconciliation of earnings before income taxes to operating EBITDA***:

Figures in € million	2018	2017
Earnings before income taxes	**29.6**	**29.6**
plus the share of earnings from participations accounted for using the equity method	3.6	3.5
plus financial expenses	0.5	0.2
less financial income	-9.4	-3.7
plus depreciation and amortization	13.5	10.7
plus expenses from currency conversion	1.6	1.8
less income from currency conversion	-1.9	-1.7
plus expenses / less income from the subsequent valuation of purchase price liabilities	1.2	-0.5
Operating EBITDA	**38.8**	**39.9**

In our high-margin **reporting segment iTWO**, revenues rose significantly by 20.5% to € 121.5 million (previous year: € 100.8 million). The operating EBITDA**** amounted to € 41.3 million and was thus at the previous year's level (€ 40.9 million). Accordingly, the operating EBITDA margin of 34.0% was below the last year's value of 40.6%.

*) The presentation in € million can result in rounding differences when the amounts displayed are added up.

**) When additionally adjusted for earnings in the reporting period from the reversal of deferred income in connection with the software delivery to YTWO (amounting to € 2.0 million) and adjusted for earnings from software delivery to YTWO in the previous year (amounting to € 7.8 million), the operating EBITDA was € 36.7 million (previous year: € 32.1 million). This represents an increase of 14.3% compared to the previous year.

***) The presentation in € million can result in rounding differences when the amounts displayed are added up.

****) Currency effects (2018: earnings of € 0.3 million / 2017: expenses of € 0.1 million); Special effects: earnings/expenses from the adjustment of purchase price liabilities (2018: expenses of € 1.2 million / 2017: earnings of € 0.5 million).

Same as in the previous year, in the **reporting segment YTWO**, the business area YTWO (SCM), which is currently under development, did not register any material investment income from transaction fees in the financial year 2018. An investment result of € -3.6 million was generated due to the start-up costs connected with the development of the YTWO platform (previous year: € -3.7 million). This value is within our earnings forecast for 2018. An investment result of up to € -6 million was budgeted. In the xTWO (E-commerce) business area, the revenue increased by 24.0% to € 9.3 million (previous year: € 7.5 million). The operating EBITDA amounted to € -0.3 million and was thus significantly better than in the previous year (€ -1.0 million).

In the new **reporting segment MTWO**, total revenues of € 6.0 million were achieved. Revenue of € 5.8 million result from the companies acquired in the reporting period and, thus, it is essentially attributable to the expansion of the scope of consolidation. Additional sales revenue of € 0.2 million was reported, which is attributable to SaaS Cloud sales from the first customer contracts concluded in the reporting period for the use of iTWO 4.0 via the MTWO platform, which are settled monthly. The total volume of the SaaS / Cloud revenues from these deals, totaled over a three-year period, each correspond to a larger Phase II contract. Total expenses of € 8.4 million include start-up costs for the development of MTWO amounting to around € 2.5 million. Accordingly, operating EBITDA in the reporting segment amounted to € -2.3 million.

A.3 KEY EVENTS IN THE REPORTING PERIOD

A.3.1 RIB Software SE carries out a capital increase from authorized capital

On 22-23 March 2018, the Administrative Board of RIB Software SE resolved to increase the Company‘s share capital by up to € 4,684,565.00, from € 46,845,657.00 to a maximum of € 51,530,222.00, by issuing up to 4,684,565 new registered no-par-value shares with a nominal value of € 1.00 each (the “new shares“) by way of partial utilization of the authorized capital in return for cash contributions. The new shares are fully entitled to dividend from 01 January 2018.

The placement of the new shares was successfully completed on 23 March 2018. The placement price was € 28.00 per new share. The placement generated gross offering proceeds of approx. € 131.2 million. With a view to achieving rapid development of the MTWO market, significant portions of this amount will be used for strategic investments in managed service providers, value added resellers or software companies whose solutions and services complement the offer on the MTWO platform. In this context, not only should business shares in the companies be acquired, but the companies should also be provided with capital so that they can build up the necessary sector-specific industry expertise. The acquired companies should serve as a multiplier for iTWO technology and open up new growth paths for the RIB Group, especially in the new MTWO segment.

A.3.2 RIB Software SE decides to buy back treasury shares

The Annual General Meeting of 15 May 2018 authorized RIB Software SE to acquire treasury shares up to a total of 10% of the Company‘s share capital at the time of the resolution by 14 May 2023. The transactions on the basis of this authorization may be executed by the Company in whole or in part, once or several times; they may also be executed by the Group companies or by third parties for the Company’s or their own account.

In light of this, the Administrative Board decided in two meetings, on 17 October 2018 and 17 December 2018, to buy back up to 3,000,000 treasury shares. The acquisition was continuous and was expected to end on 31 October 2019, unless the limit of 3,000,000 shares were to be reached prior to that date. In fact, this number had been reached by the time the annual/consolidated financial statements were prepared for the reporting period and the share buyback program was thus terminated. The shares were bought back at prices within the range of € 8.88 to € 15.00, as set by the Administrative Board.

By 31 December 2018, 1,686,000 treasury shares had been acquired at a cost of € 17.9 million, of which 320,000 shares were not yet the property of the Company under civil law as of the reporting date.

A.3.3 Restructuring of the ownership of YTWO Ltd.

In view of the emerging changes in global trade policy, whereby greater regionalization of supply chains may be expected, in December 2018, RIB and Flex agreed on a new ownership structure for the joint venture YTWO Ltd. Accordingly, the RIB Group took over 50% of the shares in YTWO Ltd. from Flex and now holds 100% of the shares in YTWO Ltd.

Now that all of its shares have been taken over by the RIB Group, YTWO intends to strengthen its supplier base and expand its catalogues by adding other brands and high-quality building materials. We believe the new structure of YTWO will contribute to the improvement of the YTWO brand positioning and attract more users to the YTWO platform thanks to a greater variety of products.

A.3.4 Acquisition of 100% of the shares in the Exactal Group

In 2016, the RIB Group acquired a 25% interest in Exactal Group Limited, the parent company of the Exactal Group (hereinafter: Exactal). Due to the positive business development of Exactal, we increased our shareholding initially to 75% in November 2017, and then to 100% in January 2018. Exactal, headquartered in Brisbane, was established in Australia in 2003 and it primarily develops and distributes quantity determination and costing software. Exactal has enterprise sites in Australia, the United Kingdom, New Zealand, USA, Malaysia, Singapore and Hong Kong. Its main product, CostX, complements the product portfolio of the RIB Group very well and, following its integration into iTWO 5D, it should now also be integrated into the iTWO 4.0 platform.

A.3.5 Acquisition of 51% of the shares in Datengut GmbH

In February 2018, the RIB Group acquired 51% of the shares in Datengut GmbH (hereinafter: Datengut). Datengut has an operating site in Zwenkau (near Leipzig) and focuses on the development and further development of database-supported mobile smartphone apps which are specially tailored to the construction industry and linked to iTWO technology. By holding an interest in Datengut, within the RIB Group, we intend to establish a competence center for mobility applications for the DACH region. The focus here is on the development of iTWO apps.

A.3.6 Acquisition of 80% of the shares in the IMS Group

In July 2018, the RIB Group acquired 80% of the shares in the IMS Group, whose parent company is IMS Gesellschaft für Informations- und Managementsysteme mbH, Dinslaken. The IMS Group (hereinafter: IMS) has operating sites in Berlin, Dinslaken, Philippsburg and Zurich. By combining IMS cloud-based facility management solutions with iTWO 4.0 cloud-based technology, we are increasing the continuity of our solution, which will now span from planning and construction all the way to operation. As a result, when our customers are in the phase of planning and managing the profitability of a construction project, we will be able to provide them with total cost of ownership (TCO) information for the entire life-cycle of a piece of infrastructure, including not just manufacturing costs but also maintenance costs.

A.3.7 RIB and Microsoft agree to collaborate to build the first vertical cloud solution for the construction industry

In February 2018, RIB and Microsoft entered into a cooperation agreement to jointly establish a world-leading vertical cloud for the construction and real estate industries under the brand name MTWO. MTWO is a cloud solution specifically tailored to the needs of the construction and real estate industries for Building Information Modeling and model-based management of construction projects. It is hosted on Azure Virtual Machines and is built on RIB and Microsoft technology.

MTWO will integrate the RIB Group's iTWO 4.0 technology with Microsoft's AI-based BoT Solutions, Azure IoT Suite and mixed-reality solutions with Microsoft's HoloLens and harness them for use in the construction and real estate industries. Through regular hackathons of Microsoft and RIB R&D teams, a joint go-to-market strategy of the two companies' sales teams in the target areas (China, the US and Europe) and joint presentations of the MTWO solution at events, workshops and in the Microsoft Experience Centers worldwide, MTWO is set to utilize the global R&D, sales and marketing capacities of both companies.

In order to quickly tap into the high strategic potential that arises for the RIB Group from this cooperation, substantial portions of the offering proceeds from the capital increase carried out during the reporting period will be used to acquire companies and technologies that will help MTWO accelerate its market development. This will open up new sales channels and growth paths for the RIB Group which will serve as a multiplier for the RIB Group's iTWO technology by covering new regions, strengthening the position of the RIB Group in existing markets and offering an expanded range of solutions and services.

Through the acquisition of shares in ICS in the US, A2K Group in Australia and the SaaSplaza Group in the Netherlands, the first three strategic MTWO investments were successfully completed during the reporting period.

A.3.8 Acquisition of 40% of the shares in ICS Integrated Computer System Support Inc., Redmond, Washington, USA.

In August 2018, the RIB Group acquired 40% of the shares in ICS Integrated Computer System Support, Inc. (hereinafter: ICS). As a result, ICS has joined the MTWO partner network as one of Microsoft's leading managed services partners on the US West Coast with a proven business concept in the field of digital transformation. ICS will be the first MTWO partner to promote the dissemination of MTWO technology on the US West Coast.

A.3.9 Acquisition of 60% of the shares in the A2K Group, Brisbane, Australia

In September 2018, the RIB Group initially took over 40% of the shares in the A2K Group, with another 20% taken over in November 2018. The A2K Group is headquartered in Brisbane with additional offices in Sydney, Melbourne, Adelaide and Perth in Australia and Auckland in New Zealand. As the existing customers of the A2K Group include major construction companies in Australia and New Zealand, the investment in A2K is an efficient way to quickly attract new customers to MTWO in this region.

A.3.10 Acquisition of 100% of the shares in the SaaSplaza Group, Netherlands

In November 2018, the RIB Group acquired 100% of the shares in the SaaSplaza Group (hereinafter: SaaSplaza). The Group's parent company is SaaSplaza International Ltd, Amsterdam, which is a leading provider of Microsoft Azure and Dynamics Services cloud solutions. Since 2008, SaaSplaza has successfully built a global cloud services business in Europe, South East Asia, China, the Pacific, Canada, the United States and Latin America. SaaSplaza has offices in Amsterdam, Munich, Toronto, San Diego, Shanghai, Singapore and Sydney and has customers in 80 countries.

With RIB as shareholder, SaaSplaza's position as a global provider of cloud services will be strengthened, producing a variety benefits for SaaSplaza partners and customers. The RIB Group intends to leverage SaaSplaza's global presence and expertise as a managed service provider for Microsoft Azure and Dynamics 365 to accelerate the rollout of the MTWO platform. SaaSplaza can provide MTWO users with comprehensive managed services such as performance monitoring, data backup and recovery, 24/7 support, incident handling, environment maintenance and iTWO 4.0 update services including data migration.

A.4 MANAGEMENT SYSTEM

A.4.1 Corporate management

The corporate management of the RIB Group is based on a business strategy coordinated between the Managing Directors and the Administrative Board. It encompasses the definition of the product portfolio, the target markets and target groups, and medium-term sales and earnings expectations.

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

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

The main financial indicators, both at the individual RIB Software SE company level and at Group level, are the sales revenue and the operating EBITDA (adjusted for currency effects).

Both indicators are also used at company and segment level for monitoring and managing the individual companies and the segments.

Aside from that, other revenue indicators are used at Group and company level for management and monitoring purposes. These include, in particular, software revenue (software licences and SaaS/Cloud), maintenance and consulting revenue, each structured by reporting segment, region, and target group.

The cost indicators at the Group, business, and profit centre level include, in particular, the production costs of the services performed in order to achieve the sales revenue and the costs of research and development, each structured by reporting segments.

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

A.4.2 Sales management

The sales management is based on detailed market and target group analyses both in national and international sales regions. Based on the specified sales strategies for the individual markets, we derive annual, quarterly, and monthly plans for the defined market and target group segments. We make a distinction between sales processes in the areas of key account and mass market, and within these areas, we make a further distinction between activities performed for new customers and existing customers.

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

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

A.4.3 Development management

The RIB Group consults its national and international major customers when developing technical concepts for new software solutions. Existing construction market trends are analyzed together with the customer, and the resultant specialist or technical software performance requirements are defined. The requirements are implemented into the finished product in accordance with the process models of agile software development method (scrum). The list of these requirements is recorded in a Product Backlog and implemented step-by-step at four-week intervals, known as sprints. A Product Increment is produced at the end of each sprint, ready for testing internally or externally by the customer. The test results provide a basis for reviewing the product, the requirements and the procedure, with these aspects developed further during the next sprint. On this basis, the RIB Group is able to determine the time and resources required for developing new software solutions according to the relevant need. The annual business planning coordinates the software projects that can be implemented using the available development resources and which have the greatest market potential. If not all planned projects can be implemented, we either budget the costs for additional development resources and any additional technical equipment needed and include these in our business planning, or we decide not to authorize the implementation of projects with lower sales potential or postpone their implementation. By taking these measures, the RIB Group ensures that it has adequate technical, financial, and other resources to complete the development.

the RIB Group uses professional electronic planning and monitoring systems in order to monitor and manage the development projects. The rendered development services are recorded for each project on the basis of the man-days required. On this basis, the RIB Group is able to reliably measure the intangible assets during the development phase. The costs incurred by the development areas are posted to the relevant cost centers.

A.5 RESEARCH AND DEVELOPMENT

The number of employees in the research and development centers of the RIB Group increased to an annual average of 395 (previous year: 336).

In particular, the additional manpower recruited for the iTWO 4.0 area and the first-time consolidation of companies acquired during the reporting period resulted in an increase in R&D expenditures of 21.5% (total R&D costs capitalized and recognized as expenses) during the reporting period to € 26.0 million (previous year: € 21.4 million).

At € 9.3 million, capitalized development costs were 20.8% higher than in the previous year (€ 7.7 million). At 35.8%, the capitalization ratio (ratio of capitalized R&D costs to total R&D costs) remained with 35.8% at the previous year's level (36.0%). At 20.7%, the R&D ratio (total of R&D costs capitalized and recognized as expenses in relation to revenues) in the reporting segment iTWO is almost at the previous year's value (21.2%) despite the increase in revenues of 20.7% and thus remains at a high level.

The amortization of capitalized development costs amounted to € 6.2 million in the reporting period and was thus 10.7% higher than the previous year's figure (€ 5.6 million).

A.5.1 Further development of iTWO 5D

In 2018, the development focus was on a fundamental extension of the 5D processes for the target group of major clients and cost planners.

In order to allow more efficient billing in projects that are subject to cost sharing regulations and are thus allocated to different cost units (e.g. the federal government, the federal state, municipality), the order and billing methods were significantly extended. In addition to these main areas of focus, a large number of technical extensions to specific sub-processes were developed. These are primarily:

- Integrated sending of e-mails in many sub-processes of iTWO 5D
- Integration of iTWO Site Control (mobile applications)
- Automation of the iTWO 5D application "Servers"
- A range of project views for the transparent processing of large projects
- Performance determination based on a range of criteria, such as component, process, position, controlling element, etc.
- Consistent benchmark evaluations
- Functionalities integrated with iTWO 4.0

A.5.2 iTWO civil

In the reporting period, much of the development capacity was again invested in new and future-oriented quantity take-off methods. In addition to traditional methods based on service specifications, a completely new and transparent BIM-based quantity take-off method was developed. All quantities are displayed in a clear and structured manner, while also representing the current ACTUAL state of the project. Selected customers participated in the implementation, which was presented to the interested public at the most important fair for road construction and civil engineering, the INTERGEO 2018.

As part of the BuildingSMART Alliance, the data exchange of axis information was integrated into iTWO civil based on the IFC Alignment data format. This format forms the basis for further format definitions, e.g. IFC Road and IFC Bridge, which play a major role in road construction and civil engineering.

Point cloud processing was enhanced with digitizing functions in order to simplify the construction in the 3D view. To facilitate a quick review of planning alternatives, a dynamic route mapping feature was developed, which allows interactive changes to an axis design and which runs automatic processes up to the predefined quantity take-off and the specific data prepared in BIM.

The data transfer from and to the construction site was enhanced to support machine control systems by other manufacturers. From the point of view of Construction 4.0, in order to ensure a safe and transparent construction process, the construction project execution process must support systems provided by almost all manufacturers.

A.5.3 iTWO 4.0

iTWO 4.0 constitutes a complete web-based end-to-end solution for the digitization of the entire value chain of a construction project which prevents cost and schedule overruns and makes construction more sustainable by interlinking virtual and real construction activities. As with "Industry 4.0", the "Smart" production of intelligent components ("Smart Factory"), which receive their production specifications directly from 5D models, is to be made possible in construction factories in the future.

During the reporting period, the focus was on the further development and completion of the modules for resource management and the further optimization of usability. In collaboration with the technology partners from the construction industry, new solutions for the planning and control of resources in all phases of construction have been and are being created on the basis of the integrated iTWO 4.0 planning system. This enables a new form of work calculation based on real resources and allows cross-project management of all resources on the timeline according to the “line of balance” method (LOB).

Another main area of focus was the further development and finalization of the mobile iTWO applications. In collaboration with the Datengut experts in the area of mobile applications and with our technology partners from the construction industry, we focused on creating a complete mobile solution for all target groups and trades in the construction sector. It is a single application (consisting of a web interface and an app) which enables all its users to access all project-relevant data in an integrated digital process while on the construction site.

Events on the construction sites are documented directly using tablets or smartphones and are immediately available to all project participants for further processing and evaluation. Thanks to offline availability, continuous working with the information from the digital file (plans, photos, defects, construction diary, meeting minutes, tasks, etc.) is possible.

Alongside upgrading iTWO 4.0 into a standardized industry solution, the development of regionally specific content and customizing for important target markets will continue. This will take place through the development of country-specific functions, as well as through the accumulation of market-specific model data (3D content), reports and user interfaces.

A.5.4 MTWO

MTWO combines the RIB Group‘s iTWO 4.0 technology with Microsoft‘s AI-based BoT, Azure, Luis, IoT and mixed reality solutions, thus being the first vertical cloud in the construction and real estate industries. For this purpose, the RIB and Microsoft R&D teams held regular hackathons during the reporting period. By merging these technologies, new models are being developed for construction site digitization based on the latest AI solutions.

In this context, iTWO 4.0 was enhanced and expanded specifically for the purpose of offering the additional features provided by Microsoft Azure. For example, instead of the classic SQL server, SQL services provided by Azure are used. The integration of Azure Active Directory - the cloud-based variant of Microsoft‘s Active Directory service - gives administrators the freedom to decide what information stays in the cloud, who can manage or use the information, and which services or applications can access the information. This makes administration in the cloud easy for MTWO users. Following the integration of MS Power BI, the state-of-the-art evaluation tools for big data analyses are now also available.

As part of these new developments, special AI-based functions based on iTWO 4.0 technology were derived and further developed. First versions of these integrated and shared technologies are already available in MTWO.

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

B.1 REVENUE SITUATION

Total revenues increased in the reporting period by 26.4% to € 136.9 million (previous year: € 108.3 million), broken down by region as follows:

- **Domestic sales:** sales in Germany rose by 29.3% to € 67.6 million (previous year: € 52.3 million).

- **Foreign sales:** following strong growth in the previous year, foreign sales revenue once again increased by 23.6% to € 69.2 million (previous year: € 56.0 million). In the reporting period, the share of sales generated outside Germany in total sales was 50.5% (previous year: 51.7%).

Software license revenue increased by 10.7% to € 37.2 million (previous year: € 33.6 million). In the key account area, software license revenue generated with iTWO, amounting to € 8.5 million, was significantly lower than in the previous year (€ 13.4 million). The decline is mainly attributable to the fact that no new Phase III contract could be completed in 2018, whereas in 2017, for the first time ever, three Phase III contracts, generating software license revenue of € 8.3 million, were secured in a single financial year. The decline in Phase III contracts was only partially offset by a strong increase in software license revenue from Phase II contracts, which rose to € 8.5 million (previous year: € 5.1 million). In the mass market area, software license revenue generated with iTWO, which had posted significant growth in previous years, amounted to € 13.3 million and was thus slightly above the previous year‘s level (€ 12.7 million). This is largely due to the fact that most of the business partners of the existing major customers of iTWO (e.g. the contractors of Deutsche Bahn) have switched from ARRIBA to iTWO and are now able to deliver the required model-based project data in the iTWO format. Software license revenues from other product lines increased significantly by 105.3% to € 15.4 million (previous year: € 7.5 million), which was mainly due to the expansion of the scope of consolidation completed in the reporting period.

Sales of Software as a Service / Cloud increased by 33.1% to € 17.3 million (previous year: € 13.0 million). The growth of € 4.3 million was mainly attributable to the expansion of the scope of consolidation, which resulted in approx. € 4.0 million.

Maintenance revenue, which is based on recurring annual contracts, grew by 16.9% to € 40.1 million (previous year: € 34.3 million). This is mainly due to changes in the scope of consolidation (€ 4.1 million). The remaining increase results from organic growth.

Consulting revenue increased by 65.3% to € 32.9 million (previous year: € 19.9 million). The increase of € 13.0 million is attributable to a significant rise in consulting revenue in the US (€ +3.5 million) and in the area of IT projects for the design and implementation of computer-controlled planning and production processes in precast plants (Smart Factory) (€ +2.7 million). Furthermore, the increase of approximately € 5.8 million results from consulting services provided by the companies which were fully consolidated for the first time in the reporting period.

E-commerce revenue increased by 24.0% from € 7.5 million to € 9.3 million.

Cost of production amounted to € 58.1 million, and was thus 35.1% higher than in the previous year (€ 43.0 million). Cost of production mainly comprises the expenses for purchased goods, personnel expenses and cost of materials of the Support and Consulting areas, as well as amortization of internally generated software and procured technology.

Gross profit increased by € 13.4 million, or 20.5% to € 78.7 million (previous year: € 65.3 million). **Gross margin** fell by 2.8 percentage points to 57.5% (previous year: 60.3%). The main reason for this is the change in the revenue mix from software and consulting revenue. Software revenue (licenses, maintenance, SaaS/ Cloud) accounted for 69.1% of total revenue in the reporting period (previous year: 74.8%), while consulting revenue accounted for 24.0% (previous year: 18.4%). Despite a sharp increase to 26.4% (previous year: 20.1%), consulting margins remain significantly lower than those in software, resulting in an overall lower gross margin in the reporting period.

At 72.3%, the gross margin in our high-margin business areas License/Software and Software as a Service/ Cloud was at the previous year's level (74.7%).

The gross margin in the consulting area amounted to 26.4% and was thus 6.3 percentage points up on the previous year (20.1%). This is mainly attributable to the fact that in the reporting period all consolidated Group companies taken together were able to account for a higher average number of service days per consultant than in the previous year. This is partly the result of higher project volume in line with sales growth and partly due to projects from the financial year 2017 being postponed until the reporting period.

The gross margin in the xTWO (E-commerce) area continued to develop positively and, at 17.5%, was significantly higher than in the previous year (11.4%).

Sales and marketing expenses increased by 20.7% to € 26.2 million (previous year: € 21.7 million). Previous year's expenses included € 1.9 million resulting from the write-down of receivables from a major British customer. The receivables had to be written down because the customer unexpectedly filed for insolvency in January 2018. Adjusted for this item, sales and marketing expenses increased by 32.3% compared to the previous year, which corresponds to the increase in sales revenue and largely results from the expansion of the scope of consolidation.

Due to the significantly increased volume of business activity, **administrative expenses** increased by 42.1% to € 15.2 million (previous year: € 10.7 million). Of this amount, € 2.4 million is attributable to the companies acquired during the reporting period.

R&D expenditures increased by 21.9% to € 16.7 million (previous year: € 13.7 million). When capitalized expenditures for internally generated software are taken into account, the R&D expenditures of € 26.0 million (previous year: € 21.4 million) are 21.5% higher than in the previous year. This increase is mainly due to the scheduled expansion of personnel development capacity in the iTWO 4.0 area and the consolidation of companies acquired during the reporting period.

Other operating income of € 8.0 million is € 4.8 million lower than in the previous year (€ 12.8 million). The decline is mainly due to the fact that the previous year's figure included income from the sale of software licenses to the joint venture YTWO in the amount of € 7.8 million.

Conversely, income from the remeasurement of performance obligations to the former joint venture YTWO Ltd. amounting to € 2.0 million had a positive effect. In addition to the sale of the contractually agreed number of licenses, under certain conditions, the RIB Group had undertaken to supply the joint venture YTWO Ltd. with further licenses free of charge. When the transaction was initially recognized, the total number of licenses to be delivered was estimated using the expected value method, with the performance obligation measured in this way recognized under current liabilities as deferred income. On the basis of newly gained measurement-related findings, the estimate was updated with no essential changes to the methodology used. Accordingly, deferred income had to be reduced, resulting in earnings of € 2.0 million.

In addition, the item includes income from currency differences in the amount of € 1.9 million (previous year: € 1.7 million) and income from the leasing of investment property amounting to € 1.0 million (previous year: € 0.8 million).

Other operating expenses amounted to € 4.3 million and were thus significantly higher than in the previous year (€ 2.4 million). This increase results, in particular, from the measurement of purchase price liabilities from company acquisitions after recognition, which amounted to € 1.2 million.

At € 0.3 million, the **balance of foreign exchange gains and losses** was slightly higher than in the previous year (€ -0.1 million). It includes foreign exchange gains of € 1.9 million (previous year: € 1.7 million) and foreign exchange losses of € -1.6 million (previous year: € -1.8 million). As in the previous year, foreign exchange gains and losses result in particular from the measurement of cash and cash equivalents held by the Group companies in currencies other than their respective local currency. Currencies with the most significant impact in this regard are, in particular, the euro, the US dollar and the Hong Kong dollar.

Financial income of € 9.4 million (previous year: € 3.7 million) mainly includes income of € 8.6 million (previous year: € 3.5 million) resulting from the remeasurement of interests previously accounted for using the equity method, which were accounted for at fair value in the context of successive company combinations. Of this amount, € 8.5 million is attributable to the former joint venture, YTWO Ltd.

Operating EBITDA of € 38.8 million was 2.8% lower than in the previous year (€ 39.9 million). The operating EBITDA margin reached 28.3% (previous year: 36.8%). This decline results from several factors that are deliberately accepted as part of our growth strategy. The operating EBITDA margin of the reporting segment iTWO amounted to 34.0% and thus failed to reach the previous year‘s level of 40.6%. As explained above, this mainly results from changes in the revenue mix. In addition, this development results from the expansion of the partner network (MSP) in the reporting segment MTWO. In doing so, start-up costs of approx. € 2.5 million were incurred. The average EBITDA margin of the MSP companies is currently only around 10%. The RIB Group’s medium-term target is to develop the EBITDA margin of the MSP companies (MTWO integration phase) to an EBITDA margin of more than 20%.

The **consolidated net profit** of € 21.9 million was 19.0% up on the previous year (€ 18.4 million). When the components of the Group‘s consolidated statement of comprehensive income not recognized as expenses or income are included, the resulting total consolidated earnings amount to € 27.8 million (previous year: € 3.6 million). The considerable increase compared to the previous year results from the translation of the consolidated financial statements of foreign subsidiaries and joint ventures into the functional currency of the Group. We refer to our relevant explanations regarding the financial position of the RIB Group set out in **Section B.3** below.

Development of reporting segments

Reporting segment iTWO

Total revenues generated with iTWO increase by 20.5% to € 121.5 million.
In the high-margin reporting segment iTWO, revenues in the reporting period increased by € 20.7 million (+ 20.5%) to € 121.5 million (previous year: € 100.8 million). These include revenues of € 7.1 million generated by companies consolidated in the reporting segment for the first time. Although no new Phase III contract could be completed in 2018, software license revenue (including maintenance) increased by 13.1% to € 76.8 million (previous year: € 67.9 million). The previous year’s figure included high key account software license revenue from three Phase III contracts in the amount of € 8.3 million.

SaaS/Cloud revenues increased by 3.1% to € 13.4 million (previous year: € 13.0 million).

Consulting revenue increased by 57.8% to € 31.4 million (previous year: € 19.9 million). The increase of € 11.5 million is attributable to a significant rise in consulting revenue in the US (€ +3.5 million) and in the area of IT projects for the design and implementation of computer-controlled planning and production processes in precast plants (Smart Factory) (€ +2.7 million), as well as approx. € 4.4 million from consulting income generated by companies consolidated for the first time in the reporting period.

The gross margin of 61.6% was again at a high level (previous year: 63.9%). The gross margin in the License/ Software and SaaS/Cloud area amounted to 73.9% (previous year: 74.7%), while in the Consulting area, it was 26.3% (previous year: 20.1%).

Costs of research and development increased by € 2.2 million to € 15.9 million (previous year: € 13.7 million), sales and marketing expenses by € 1.9 million to € 22.5 million (previous year: € 20.6 million), while administrative expenses increased by € 2.6 million to € 12.4 million (previous year: € 9.8 million), which was mainly due to manpower recruitment and first-time consolidation.

The balance of other operating income and expenses decreased from € 10.4 million to € 3.2 million. In the previous year, other operating income included software license revenue of € 7.8 million, which resulted from the sale of the iTWO 4.0 licenses to the joint venture YTWO.

The operating EBITDA in the reporting segment iTWO of € 41.3 million was at the previous year's level (€ 40.9 million). At 34.0%, the operating EBITDA margin did not reach the previous year's level of 40.6%, which mainly results from the previously explained changes in the revenue mix.

Reporting segment YTWO

During the reporting period, the YTWO (SCM) business area developed according to plan. No transaction fees had yet been generated with the YTWO platform. Owing to the investments in the development of the business area, a negative investment result of € -3.6 million had to be recognized (previous year: € -3.7 million), which remained below the budgeted loss of up to € -6.0 million.

In the xTWO (E-commerce) area, sales revenue rose by € 1.8 million to around € 9.3 million (previous year: € 7.5 million). Operating EBITDA of € -0.3 million (previous year: € -1.0 million) was within the planned range.

Reporting segment MTWO

€ 5.8 million of the revenues in the new reporting segment MTWO resulted from companies acquired in the reporting period and it is thus essentially attributable to the expansion of the scope of consolidation. Additional sales revenue of € 0.2 million were reported, which are attributable to SaaS/Cloud sales from the first customer contracts concluded in the reporting period for the use of iTWO 4.0 via the MTWO platform, which are settled monthly. The total volume of the SaaS/Cloud revenues from these deals, totaled over a three-year period, each correspond to a larger Phase II contract.

Expenses of € 8.4 million include cost of production of € 3.5 million as well as sales, marketing and administrative expenses totaling € 2.1 million, which are directly attributable to companies acquired during the reporting period. Moreover, as budgeted, start-up costs for the development of MTWO were incurred in the amount of around € 2.5 million.

Accordingly, operating EBITDA in the reporting segment was € -2.3 million as planned.

B.2 FINANCIAL POSITION

Capital structure

The capital structure of the RIB Group is still defined by a very high equity capital share of 83.6% of the balance sheet total (previous year: 80.5%). During the reporting period, equity increased by 51.4% from € 294.5 million to € 445.8 million.

This increase mainly resulted from the capital increase carried out at RIB Software SE in the reporting period, which amounted to € 128.2 million.

The changes in the asset structure compared to the previous year were mainly due to the capital increase and the company acquisitions made. As of the balance sheet date, non-current assets amounted to € 246.0 million (previous year: € 198.6 million) and thus constituted 46.1% (previous year: 54.3%) of the balance sheet total. The investments made in the reporting period were fully self-financed. As of the balance sheet date, current assets amounted to € 287.5 million (previous year: € 167.4 million) and thus constituted 53.9% (previous year: 45.7%) of the balance sheet total.

Cash flow from operating activities

Cash flow from operating activities amounted to € 30.6 million (previous year: € 22.8 million).

What had a positive effect on the cash flow was the fact that, unlike previous year, the reporting period was not as affected by non-periodic income tax payments. Income tax payments totaled € 9.8 million in the reporting year and were thus € 2.6 million down on the previous year (previous year: € 12.4 million). Adjusted for interest and income tax payments, cash flow from operating activities amounted to € 40.0 million and was thus 13.3% up on the previous year (previous year: € 35.3 million).

Cash flow from investing activities, excluding cash inflows and outflows from short-term securities and financial investments, amounted to € -30.8 million (previous year: € -14.0 million).

The main reason for the significant increase on the previous year in cash outflows from investing activities are net cash outflows (i.e. cash outflows less acquired cash and cash equivalents) for the acquisition of consolidated companies, which amounted to € 20.0 million (previous year: € 4.3 million). These net cash outflows are mainly attributable to the acquisition of the SaaSplaza Group (€ 12.6 million), the IMS Group (€ 5.5 million) and the A2K Group (€ 4.5 million). Cash outflows for the increase in shares in YTWO Ltd. from 50% to 100% amounted to € 42.8 million. From the Group‘s point of view, these cash outflows are compensated by the addition of all cash and cash equivalents of YTWO Ltd. in the amount of € 48.1 million, which, on balance, leads to the net cash outflows for the acquisition of consolidated companies presented on the cash flow statement being reduced by € 5.3 million.

In addition, the item contains cash outflows for investments in internally generated software in the amount of € 9.8 million (previous year: € 7.8 million). These are attributable, in particular, to the further development of the iTWO 5D and iTWO 4.0 products.

Cash flow from financing activities

Cash flow from financing activities amounted to € 101.8 million (previous year: € -1.3 million).

During the reporting period, a capital increase was carried out at RIB Software SE, resulting in the receipt of gross proceeds of € 131.2 million. After deducting the costs of the capital increase (€ 4.3 million), the transaction resulted in an inflow of net offering proceeds of € 126.9 million for the RIB Group.

The share buyback program launched in the financial year 2018 resulted in cash outflows of € 14.2 million in the reporting period. In addition, treasury shares amounting to a total of € 3.7 million had been acquired by the balance sheet date, whose purchase price was paid shortly after the balance sheet date. Since no payment had been made as of the balance sheet date, the acquisition of these shares did not affect the cash flow of the reporting period.

Another significant element of this item are the dividend payments to the shareholders of RIB Software SE, which amounted to € 9.1 million and were thus € 1.9 million higher than in the previous year (€ 7.2 million).

Cash and cash equivalents at the end of the period

Cash and cash equivalents at the end of the reporting period amounted to € 238.1 million (previous year: € 134.8 million). It includes cash and cash equivalents of € 205.2 million (previous year: € 100.5 million) and time deposits with banks in the amount of € 32.9 million (previous year: € 34.3 million) made as part of short-term cash management.

With the exception of one bank loan, which was valued at € 5.2 million as of the balance sheet date (previous year: € 5.6 million), no credit lines were used during the reporting period. The RIB Group was able to service its payment obligations at all times throughout the reporting period.

With regard to the presentation of the Group's financial management principles and objectives, we refer to the Notes to the Consolidated Financial Statement, **Note (43)**.

B.3 ASSET SITUATION

As of the balance sheet date, the balance sheet total amounted to € 533.5 million, which represents a considerable increase of € 167.5 million compared to the previous year (previous year: € 366.0 million).

In the reporting period, positive translation differences of € 6.0 million (previous year: negative differences of € -15.0 million) had to be recognized on the consolidated statement of comprehensive income, which resulted from the translation of the assets and liabilities of the consolidated foreign companies from the local currencies into the Group's functional currency. This was due, in particular, to the development of the local currencies in relation to the euro of the subsidiaries in Hong Kong and the USA as well as of the former joint venture, YTWO Ltd. Because the euro depreciated in relation to these currencies during the reporting period, the value of the net assets of these companies in euro at the balance sheet date of 31.12.2018 was higher than at the beginning of the reporting period. On the liabilities side of the consolidated balance sheet, the currency translation reserve recognized in consolidated equity increased correspondingly from € -3.1 million to € 3.0 million.

The carrying amounts of goodwill totaled € 103.3 million and were significantly higher than in the previous year (€ 85.0 million), thus amounting to 19.4% (previous year: 23.2%) of the balance sheet total. The increase is attributable to the intensified acquisition activity of the RIB Group during the reporting period.

As a result, the carrying amount of other intangible assets also rose sharply compared to the previous year and amounted to € 115.5 million as of the balance sheet date (previous year: € 54.7 million). This item thus makes up 21.6% (previous year: 14.9%) of the balance sheet total. Due to company acquisitions, intangible assets totaling € 63.2 million were recognized in the reporting period (previous year: € 6.6 million).

The most significant individual item here were reacquired software rights as part the acquisition of YTWO Ltd., which amounted to € 25.5 million. In the financial years 2016 and 2017, the RIB Group had sold the software licenses for iTWO 4.0 to the former joint venture for a total purchase price of € 42.6 million, thus generating income totaling € 15.5 million (after taking into account consolidation measures) in its consolidated financial statements for 2016 and 2017. Since the economic and contractual terms of this sale of software licenses were associated with the RIB Group's interest in the joint venture, in previous years, this income was not reported under sales revenue generated with customers, but was instead recognized as other operating income. As part of the full consolidation of the former joint venture, which was performed for the first time in the reporting period, in its consolidated financial statements, the RIB Group had to recognize the software rights as "reacquired rights" according to the definition given in IFRS 3.29. As a result, the reacquired software rights are subject to scheduled amortization over the remaining useful life of the technology.

Moreover, additions in the reporting period are attributable, in particular, to customer relationships that were recognized as part of the acquisition of the A2K Group (€ 16.8 million) and the SaaSplaza Group (€ 11.3 million).

Property, plant and equipment amounting to € 19.4 million (previous year: € 17.3 million) includes, in particular, the commercial property of RIB Software SE at its headquarters in Stuttgart, the EOC II property located in China and used by the Group's local development company, including the part used by the Group itself, a property acquired in the previous year in Atlanta, USA, as well as a commercial property in Madrid, Spain, which was also acquired in the previous year and which is used by the subsidiary, RIB Spain.

Property held as a financial investment relates to EOC I, which is located in the direct vicinity of EOC II, as well as the part of the property in Atlanta, USA, which is leased to third parties.

As of the last balance sheet date, the carrying amounts of interests accounted for using the equity method included only the shares in the former joint venture YTWO Ltd. (€ 31,2 million). As part of the accounting for the company acquisition completed in the reporting period, these shares were fully derecognized.

Trade receivables increased sharply and amounted to € 37.8 million as of the balance sheet date (previous year: € 24.1 million). The sharp increase is attributable to the fact that the item includes carrying amounts of € 12.0 million as of the balance sheet date from companies acquired in 2018.

Other current financial assets mainly consist of time deposits with banks, made for the purposes of short-term cash management (€ 32.9 million; previous year: € 34.3 million). We refer to our explanations on cash and cash equivalents in **Section B.2** above.

Other current provisions amounting to € 1.0 million (previous year: € 1.8 million) included provisions for legal disputes in the amount of € 0.9 million in the previous year. The largest single item contained here was connected with a corporate acquisition which we considered during the reporting period but which ultimately did not take place. In November 2017, the potential seller informed us that, in its opinion, we had terminated the negotiations in an unlawful manner. On this basis, the seller asserted claims for damages against RIB Software SE, which we rejected as unfounded following a legal review. Nevertheless, we had anticipated that RIB Software SE would not emerge from the case without incurring financial costs, and for this reason we had formed a provision, which was completely released during the reporting period. Now that the target company has been bought by a competitor, we expect no further claims from the seller. Conversely, we are currently carrying out a legal review as to whether we can assert claims for damages against the sellers, as we incurred costs of around € 0.3 million in connection with the failed purchase of the shares.

The sharp decline in deferred income to € 12.5 million (previous year: € 19.7 million) is mainly the result of the derecognition of the obligation to provide free software licenses to YTWO Ltd., in the amount of € 6.0 million, which had previously been recognized as deferred income. The deferred item had to be derecognized as part of the accounting for the acquisition of the company carried out in the reporting period. The derecognition was recorded as a reduction in the purchase consideration and therefore had no effect on the consolidated result.

B.4 NON-FINANCIAL PERFORMANCE INDICATORS

For us, being successful in business means ensuring and maintaining a close and cooperative working relationship between our employees and customers. Only in this way are our employees able to develop and successfully distribute marketable solutions, and implement these for our customers. This is how we generate added value for our customers, our employees and our shareholders, thus securing the sustainable economic success of the RIB Group.

The majority of our employees are highly qualified university graduates with training profiles in line with our business activities, such as engineers, IT specialists and business management experts. Because of our tremendous innovative, entrepreneurial and financial strength, we are able to offer them secure and interesting long-term employment positions. We offer flexible working hours, variable target-based remuneration structures and in-house continuous training programs. The available courses vary from one region to the next, and are aligned to specific requirements. For example, through our subsidiary, RIB Limited, we are able to offer our ever-increasing number of international employees wide-ranging educational and training programs in a Center of Excellence dedicated to this purpose.

Our customer base includes all partners involved in construction projects, from investors to architecture studios and engineering firms right across to building contractors. Thanks to iTWO 4.0, more and more large companies from the stationary industry are becoming our customers, provided that they are planning the construction of new production sites or the maintenance of their existing plants themselves and that they monitor the construction work. We offer our customers target-group-focussed solutions based on a fully integrated, model-based technology platform. Our software is designed to simplify the collaboration between the various project participants, increase the efficiency of project management, while minimizing the risk of cost overruns and delays, and enhancing the economic efficiency and quality of the construction work. The highly professional and technical quality of our services has enabled us to establish long-term and stable customer relationships, and to continually grow our customer base, both nationally and internationally.

In order to secure our innovative strength in the long term, we not only work closely with customers, but also participate in various funded research projects and maintain close contact with universities in Germany and abroad.

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

C.1 REVENUE SITUATION

Revenue amounted to € 55.3 million, and was thus 1.8% up on the previous year (€ 54.3 million). The vast majority of this amount, € 44.9 million or 81.2%, is attributable to our main product, iTWO, which corresponds to an increase in sales of 11.1% (previous year: € 40.4 million). As in previous years, revenue generated with the other product groups amounting to € 9.2 million (previous year: € 9.9 million) declined slightly, which was mainly due to the fact that the further development of the former main product, ARRIBA, had been discontinued.

Software revenue (software licenses and software as a service/cloud) increased by 3.0% to € 24.3 million (previous year: € 23.6 million). This modest increase is mainly due to opposing sales development of iTWO in the key account and mass market areas. While software revenue generated with iTWO in the mass market area increased by around 14% to € 13.5 million (previous year: € 11.8 million), the key account area posted a decrease of around 10% to € 6.9 million (previous year: € 7.7 million). This decline is mainly attributable to the fact that the previous year's figure included a Phase III contract with a major customer in the DACH region with software revenue of around € 4.2 million. By contrast, the key account area was positively impacted by a strong increase in software license revenue from Phase II contracts of 97.1% to € 6.9 million (previous year: € 3.5 million). This partially compensated for the absence of a Phase III contract.

SaaS / Cloud revenue increased by 7.7% to € 2.8 million (previous year: € 2.6 million).

Maintenance revenue increased by 11.4% to € 23.4 million (previous year: € 21.0 million). This growth is higher than in previous years. It corresponds to the continuous growth of software revenue in recent years and is also associated with the Phase III contract completed in the previous year.

Consulting revenue increased over-proportionally by 14.0% to € 6.5 million (previous year: € 5.7 million). This is mainly due to the Phase II and Phase III iTWO 4.0 contracts completed in the last two years. The iTWO 4.0 software is much more configurable than iTWO 5D due to its high flexibility in terms of design, and therefore regularly generates a slightly higher consulting revenue during its implementation.

This sales revenue included licence fees from affiliated companies in the amount of € 0.4 million (previous year: € 3.2 million). All of this revenue relates to RIB Ltd., Hong Kong, which operates the international iTWO software business based on a licence agreement with RIB Software SE.

Other operating income of € 5.2 million is € 2.8 million higher than in the previous year (€ 2.4 million). The increase is mainly due to higher income from currency translation in the amount of € 1.9 million (previous year: € 0 million) and the release of other provisions in the amount of € 0.7 million (previous year: € 0 million). As in the previous year, this item essentially includes expenses reimbursed by affiliated companies in the amount of € 2.2 million (previous year: € 2.0 million).

Compared to the previous year, cost of materials increased by 18.4% to € 18.7 million (previous year: € 15.8 million).

The item includes cost of goods sold in the amount of € 2.6 million (previous year: € 1.5 million), which mainly relates to expenses for external software purchased from third parties and from affiliated companies. The increase is particularly attributable to the purchase of products of the subsidiaries, RIB Cosinus GmbH (€ 0.6 million; previous year: € 0.3 million) and Datengut (€ 0.5 million; previous year: € 0.0 million).

In addition, cost of materials includes expenses for purchased services, which increased by 12.6% to € 16.1 million (previous year: € 14.3 million). This includes, in particular, expenses for software development services provided by subsidiaries in the amount of € 12.2 million (previous year: € 12.3 million).

Personnel expenses in the reporting period amounted to at € 2.8 million and were thus slightly down on the previous year (€ 3.2 million). Personnel expenses of approx. € 0.4 million (previous year: € 0.5 million) result from the granting of share options to the Managing Directors and employees of RIB Software SE as part of stock option plans.

The previous year was the last year in which amortization of intangible assets included € 1.4 million for the scheduled amortization of goodwill from the merger of RIB Bausoftware GmbH into RIB Software SE, which was carried out in the financial year 2003. As a result of amortization, the item decreased by € 1.4 million to € 0.3 million during the reporting period.

Other operating expenses increased by approx. € 4.0 million to € 25.9 million (previous year: € 21.9 million). The increase is mainly attributable to bank commissions and cost of legal advice, totaling € 4.3 million, which were incurred in connection with the cash capital increase carried out in the reporting period.

In addition, other operating expenses mainly include sales commissions of € 16.2 million, which were paid to the subsidiaries responsible for sales in the German-speaking market in the reporting period (previous year: € 15.3 million).

At € 7.5 million, the financial result is significantly higher than in the previous year (€ 3.8 million). The main reason for the increase is higher dividend income from subsidiaries in the reporting period amounting to € 7.1 million (previous year: € 5.0 million). In addition, the previous year's financial result was affected by impairment losses on the shares in the subsidiary xTWO GmbH in the amount of € 1.1 million.

The operating EBITDA in the reporting period amounts to € 15.7 million and is thus 9.2% down on the previous year (€ 17.3 million). In this context, reference is made to the transition from earnings after taxes to operating EBITDA explained in **Section A.2.3**.

The net profit for the year amounted to € 16.2 million (previous year: € 12.8 million).

Taking into account the profit carry-forward from the previous year (€ 6.2 million) as well as the income from the sale of treasury shares (€ 3.9 million) and the expenses from the acquisition of treasury shares (€ 16.3 million), the balance sheet profit as of the balance sheet date amounted to € 10.0 million (previous year: € 15.3 million).

C.2 FINANCIAL AND ASSET SITUATION

Capital structure

The capital structure of RIB Software SE continues to be characterized by a very high equity ratio of 95.7% of the balance sheet total (previous year: 95.0%). The company is thus almost completely self-financed.

As of the balance sheet date of 31 December 2018, the balance sheet total amounted to € 400.2 million and was thus € 138.0 million higher than in the previous year (€ 262.2 million). On the asset side, the increase essentially results from:

a) additions to financial assets amounting to € 30.4 million. The additions mainly relate to a capital increase at RIB Ltd. in the amount of € 17.5 million, the acquisition of 51% of the shares in Datengut (€ 4.8 million) and the acquisition of 80% of the shares in IMS (€ 8.1 million).

b) increase in receivables from affiliated companies of € 46.5 million, which is mainly due to a loan of € 42.4 million granted to RIB Ltd. for interim financing of the acquisition of 50% of the shares in YTWO Ltd. The loan had been fully repaid by the time the annual/consolidated financial statements for the reporting period were prepared.

c) increase in cash and cash equivalents of € 57.2 million. The increase is mainly due to the capital increase carried out in the reporting period.

The increase on the capital side mainly results from the cash capital increase carried out at RIB Software SE during the reporting period.

Non-current assets amounted to € 202.4 million as of the balance sheet date (previous year: € 172.0 million) and accounted for 50.6% of the balance sheet total (previous year: 65.6%).

Investments

Cash flow from investing activities amounted to € -69.8 million (previous year: € -10.5 million). Of this amount, € -42.4 million resulted from the granting of a short-term loan to the subsidiary RIB Ltd. The loan was granted for interim financing of the acquisition of shares in the former joint venture YTWO Ltd.

In addition, cash flow from investing activities includes cash outflows for investments in financial assets of € 28.2 million (previous year: € 0.2 million). This relates, in particular, to deposits made as part of a capital increase at the subsidiary RIB Ltd. (€ 17.5 million) and cash outflows for the acquisition of shares in the IMS Group (€ 8.1 million) and in Datengut (€ 2.6 million).

Liquidity

At € 11.9 million, cash flow from operating activities was slightly higher than in the previous year (€ 11.3 million).

The liquidity situation was significantly improved by cash flow from financing activities in the amount of € 113.8 million (previous year: € 2.2 million). The item includes net offering proceeds of € 126.9 million from the capital increase carried out during the reporting period.

In addition, RIB Software SE received proceeds from the sale of treasury shares to subsidiaries in the amount of € 10.5 million (previous year: € 4.0 million). The treasury shares were used by the subsidiaries to pay the purchase price in the context of company acquisitions.

Disbursements in the area of financing were made, in particular, for the acquisition of treasury shares (€ 14.2 million) and for dividend payments to the shareholders (€ 9.1 million; previous year: € 7.2 million).

Cash and cash equivalents

Cash and cash equivalents as of the balance sheet date amounted to € 134.0 million (previous year: € 76.8 million). The item contains the cash funds amounting to € 103.2 million (previous year: € 45.4 million), comprising € 98.2 million in cash in hand and cash at bank (previous year: € 40.4 million) and € 5.0 million in cash equivalents (previous year: € 5.0 million). Cash and cash equivalents also included liquid funds invested for the purposes of short-term cash management in the amount of € 30.8 million (previous year: € 31.4 million). The latter are time deposits with banks.

With the exception of one bank loan, which was valued at € 5.2 million as of the balance sheet date (previous year: € 5.6 million), no credit lines were used during the reporting period. RIB Software SE was able to service its payment obligations at all times throughout the reporting period.

Other information on net assets

Current assets increased by € 107.3 million to € 196.9 million (previous year: € 89.6 million), firstly, due to the increase in receivables from affiliated companies of € 46.5 million to € 48.3 million (previous year: € 1.8 million), which mainly resulted from the loan granted to RIB Limited, and secondly, due to the increase in liquid funds of around € 57.2 million to € 129.0 million (previous year: € 71.8 million).

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

The decrease in other provisions to € 1.5 million (previous year: € 2.2 million) is mainly attributable to the release of a provision for legal disputes recognized in the previous year in relation to a company acquisition which did not eventually take place. The provision had to be released once the reasons for its created had ceased to apply. For further details, please refer to our explanations regarding the net assets of the RIB Group in **Section B.3** above.

As of the balance sheet date of 31 December 2018, liabilities increased sharply to € 11.6 million (previous year: € 7.0 million). The increase is related to the share buyback program launched in the financial year 2018. As part of the program, RIB Software SE had acquired treasury shares for a total of € 17.9 million by the balance sheet date. Of this amount, treasury shares worth € 3.7 million were paid for shortly after the balance sheet date. Therefore, as of the balance sheet date, the purchase price liability is reported under other liabilities.

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

Based on the high level of innovative, economic, and financial strength of RIB Software SE and the companies of the RIB Group, the Management of the RIB Group assume that the companies are very well positioned in the market thanks to their range of solutions and services. With iTWO, the RIB Group was again able to clearly strengthen its market position in Germany and abroad. In addition to the further successful development of iTWO sales, the Management of the RIB Group also take a positive view on the favorable market reactions to our new SaaS / Cloud product generation iTWO 4.0 and the platforms YTWO (SCM) and MTWO (SaaS), which are based on iTWO 4.0 technology and integrated partner solutions. Thanks to these products, we have an innovative and modern solution package that fully satisfies the needs arising from the ever more important digitization and industrialization of the construction industry. Thanks to the continuing high level of cash and cash equivalents, the RIB Group has the necessary financial reserves to finance its further growth.

E. TAKEOVER-RELEVANT INFORMATION AND EXPLANATORY REPORT

E.1 INFORMATION ABOUT THE CAPITAL OF THE RIB SE

The share capital of RIB Software SE amounts to € 51,741,410.00 and is divided into 51,741,410 ordinary shares with 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 shareholders' right to the securitization of their shares and to any dividend warrants and renewal coupons is excluded.

As of the balance sheet date, the company had civil law ownership of 2,478,846 treasury shares. Pursuant to Section 71b of the German Stock Corporation Act (AktG), treasury shares do not entitle RIB Software SE to any voting rights. The exercise of voting rights from the shares concerned is precluded by law in the cases where Section 136 of the German Stock Corporation Act (AktG) applies. Otherwise, there are no restrictions regarding the 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. Employees who hold shares in RIB Software SE, like other shareholders, exercise their control rights directly in accordance with statutory provisions and the Articles of Association.

As far as we are aware, based on the notifications we have received pursuant to the German Securities Trading Act (WpHG), as of the balance sheet date, only the Chairperson of the Administrative Board of RIB Software SE, Mr Thomas Wolf, Hong Kong, held direct or indirect interests in the capital share RIB Software SE in excess of 10% of the voting rights. Interests notified in accordance with Section 33 (1) or (2) of the German Securities Trading Act (WpHG) are listed in **Section E.5.** "Notification under the German Securities Trading Act" of the Notes to the Consolidated Financial Statements of RIB Software SE in accordance with Section 160 (1) no. 8 of the German Stock Corporation Act (AktG) .

The Company has a one-tier corporate governance structure as defined in Art. 38 lit. b) of the SE Regulation. The members of the Administrative Board are appointed by the Annual General Meeting in accordance with Art. 43 (3) of the SE Regulation, Section 6 (3) of the Articles of Association for a maximum term of six years. Reappointments are allowed. On the basis of Article 43 (4) of the SE Regulation, Section 40 (1) of the German Act Implementing the SE Regulation ("SEAG"; hereinafter: "Implementing Act"), Section 12 of the Articles of Association, the Administrative Board is responsible for appointing one or more Managing Directors. Pursuant to Art. 9 (1) of the SE Regulation, Section 40 (5) sentence 1 of the Implementing Act in conjunction with Section 12 (5) of the Articles of Association of RIB SE, Managing Directors may only be dismissed for good cause as defined in Section 84 (3) of the German Stock Corporation Act (AktG) or when their employment contract ends, whereby each case requires a resolution of the Administrative Board adopted with a three-quarter majority of the votes cast.

In accordance with Art. 9 (1) of the SE Regulation, Section 51 of the Implementing Act, Section 12 (6) of the Articles of Association and Section 179 (1) of the German Stock Corporation Act (AktG), amendments to the Articles of Association are resolved by the Annual General Meeting by a majority of at least three quarters of the share capital represented when the resolution is adopted.

Pursuant to the resolution of the Annual General Meeting of 15 May 2018, the Administrative Board was authorized to increase the share capital of the company by 14 May 2023, once or several times, by a total of € 13,670,219.00 by issuing a maximum of 13,670,219 new registered shares each with a par value of € 1.00 per share in exchange for cash and/or non-cash contributions ("Authorized Capital 2018"). The new shares must be offered to the shareholders for subscription, though they may also be acquired by banks or by companies operating pursuant to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) of the German Banking Act (KWG) on condition that they offer them to the shareholders for subscription. However, the Administrative Board is authorized to exclude the shareholders' legal subscription right,

(1) insofar as necessary to compensate for residual amounts;

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

(3) to the extent that, in the case of a cash capital increase, the proportion of the share capital attributable to the new shares for which the subscription right is excluded does not exceed ten percent of the share capital both at the time the authorization takes effect and at the time the authorization is exercised, and the issue price of the new shares is not significantly lower than the stock exchange price of the shares of the company with the same features as defined by Sections 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG); this ten percent limit shall include (i) the proportion of the share capital attributable to treasury shares which are sold at the time of the authorization on which Authorized Capital 2018 is based coming into effect in indirect or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act, and (ii) the proportion of the share capital attributable to shares subject to conversion and/or option rights or conversion obligations arising from bonds and other instruments covered by Section 221 of the German Stock Corporation Act (AktG) which are issued subject to exclusion of the subscription right as per Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG).

The total proportion of the share capital attributable to the new shares for which the subscription right is excluded according to paragraphs (1) to (3) above may not exceed twenty percent of the share capital of the Company both at the time the authorization takes effect and at the time it is exercised. To be deducted from this twenty percent limit with regard to all possibilities of excluding the subscription right pursuant to paragraphs (1) to (3) above are shares (i) that are used after 15 May 2018 on the basis of the authorization to use treasury shares in accordance with Section 71 (1) no. 8 sentence 5 and Section 186 (2) sentence 4 of the German Stock Corporation Act (AktG) subject to exclusion of a subscription right, i.e. in a manner other than selling them on the stock market or by way of an offer addressed to all shareholders, or (ii) that refer to the conversion and/or option rights or conversion obligations arising from bonds and other instruments covered by Section 221 of the German Stock Corporation Act (AktG), which are to be issued from 15 May 2018 subject to exclusion of subscription rights.

Furthermore, the Administrative Board shall decide on all other matters related to the issuance of the new shares, the content of the share rights and the terms of the share issue.

The Administrative Board are authorized to adapt the wording of the Articles of Association to the extent of the capital increase from the authorized capital;

The share capital of the Company shall be conditionally increased by a maximum of € 1,337,428.00 by issuing a maximum of 1,337,428 new registered shares with a par value of € 1.00 per share ("Conditional Capital 2015/I"). Pursuant to the 2011 Stock Option Plan in accordance with the resolution of the Annual General Meeting of 20 May 2011 (in the version of the resolution of the Annual General Meeting of 04 June 2013) or pursuant to the 2015 Stock Option Plan in accordance with the resolution of the Annual General Meeting of

10 June 2015, the conditional capital increase shall only be carried out to the extent that subscription rights are issued, the holders of the subscription rights make use of their exercise right and that the Company does not grant any treasury shares to fulfill the subscription rights, whereby the Administrative Board is exclusively responsible for granting and handling subscription rights to members of the Executive Board of the former RIB Software AG as well as for granting and handling subscription rights to the Managing Directors. The new shares shall participate in profit from the beginning of the financial year in which the shares are issued.

The share capital is also conditionally increased by up to € 5,153,022.00 by issuing up to 5,153,022 new registered shares with a par value of € 1.00 each ("Conditional Capital 2018"). The conditional capital increase shall serve to issue registered shares to the holders or creditors of convertible bonds and/or option bonds, participating bonds and/or profit participation certificates (or combinations of such instruments) issued by the Company or domestic or foreign companies in which it has a direct or indirect majority interest, by virtue of the authorization resolved by the Annual General Meeting of 15 May 2018 under agenda item 11 and to grant or establish a conversion and/or option right to, or a conversion obligation arising from, new registered shares of the Company. Said conditional capital increase shall only be carried out to the extent that option rights or conversion rights are exercised or that holders and/or creditors who are obligated to effect conversion satisfy their conversion obligation or that shares are offered subject to pre-emptive tender rights on the basis of substitution powers of the Company and to the extent that treasury shares or new shares under an authorized capital are not employed for this purpose. The new registered shares shall participate in profit from the beginning of the financial year in which they arise through the exercise of option and/or conversion rights or through the fulfillment of conversion obligations or the exercise of pre-emptive tender rights. The Administrative Board are authorized to determine the further details of the implementation of the conditional capital increase.

By resolution of the Annual General Meeting of 15 May 2018, the Company is authorized to purchase treasury shares representing up to 10% of the Company's share capital at the time of the resolution by 14 May 2023. The authorization may not be used by the Company for the purpose of trading in its treasury shares. The details are specified in the resolution proposals published in the German Federal Gazette dated 05 April 2018 under agenda item 9.

E.2 INFORMATION ABOUT APPOINTMENT OR RECALL OF THE MANAGING DIRECTORS AND CHANGES TO THE ARTICLES OF ASSOCIATION

Regarding the appointment and dismissal of Managing Directors, reference is made to Section 40 of the German Act Implementing Council Regulation (EC) No 2157/2001 of 08 October 2001 on the Statute for a European company (SE) (the SE Regulation) of 22 December 2004 (the "Implementing Act"). Furthermore, Section 12 (1) of the Articles of Association of RIB Software SE states that the Administrative Board shall appoint one or more Managing Directors. The Administrative Board may appoint one of the Managing Directors to be the Chief Executive Officer and one or two Managing Directors as Deputy Chief Executive Officer(s). The Administrative Board may also appoint Deputy Managing Directors. Pursuant to Section 12 (5) of the Articles of Association of RIB Software SE, Managing Directors may only be dismissed for good cause as defined in Section 84 (3) of the

German Stock Corporation Act (AktG) or when their employment contract ends, whereby each case requires a resolution of the Administrative Board adopted with a three-quarter majority of the votes cast.

Pursuant to Art. 9 (1) lit. c) (ii) of the SE Regulation, the provisions for amending the Articles of Association are set out in Sections 133, 179 of the German Stock Corporation Act (AktG). The Administrative Board is authorized to adopt amendments to the Articles of Association that concern the wording only (Section 8 (3) of the Articles of Association of RIB Software SE).

E.3 TAKE-OVER RELATED INFORMATION

RIB Software SE has not concluded any material agreements that are subject to regulation regarding a change of control.

However, the Company has concluded compensation agreements with the Managing Directors covering the event of a change of control. The members of the Administrative Board and the Managing Directors, Thomas Wolf and Michael Sauer, have a special right of termination of their respective employment contracts in the event of a change of control. This special right of termination only exists for one month from the day of the execution of the relevant takeover or mandatory bid within the definition of the German Securities Acquisition and Takeover Act (WpÜG) or if no such bid has been made, from the time that the de facto change of control becomes known. A "change of control" for the purpose of this provision takes place if a third party or two or more third parties acting jointly, through the acquisition of shares or by other means, together account for at least 30% of the voting rights within the definition of Sections 29, 35 (1) sentence 1 of the German Securities Acquisition and Takeover Act (WpÜG), or account for a number of voting rights which results in a majority of more than 50% of the votes present or represented at this Annual General Meeting, and thereby vote against the resolutions proposed by the Administrative Board. Section 22 (1) and (2) of the German Securities Acquisition and Takeover Act (WpÜG) applies accordingly. If Thomas Wolf or Michael Sauer exercise their special right of termination, they shall be entitled to a settlement, which shall amount to three times the value of the total average annual remuneration (including all flexible remuneration elements) for the last three full financial years of the Company.

Furthermore, if they exercise the aforementioned special right of termination, Thomas Wolf and Michael Sauer shall not forfeit their options under the 2015 Stock Option Program, but may instead use their exercisable options and the not-yet exercisable options within the general exercise time limits, providing that the performance targets are subsequently achieved.

F. NON-FINANCIAL STATEMENT

Different reporting requirements, including materiality, arise from the CSR Directive Implementation Act and the Sustainability Reporting Guidelines. As a result, the RIB Group has waived the legal option to apply a guideline when preparing its non-financial statement. Details concerning the non-financial aspects of our business activities have already been disclosed at other points in this Management Report, and which are referred to as follows:

Subject area	Chapter reference
Business model	A.1.
Employee matters	B.4.
Material risks resulting from business activities	I.4.
Material risks resulting from business relationships	I.4.
Significant non-financial indicators	B.4.

In addition, the following disclosures are also made:

Environmental issues
Because the core activities of the RIB Group encompass the production and sale of software, the provision of consulting and training services for implementation projects, as well as the operation and marketing of E-commerce platforms, environmental issues do not constitute a significant aspect of our value-added process. No concepts are therefore implemented with the objective of directly taking account of environmental issues.

Employee matters
The main employee matters are governed in the employment contracts, in accordance with the relevant statutory regulations. These are based on a uniform RIB Group standard, insofar as this is made possible by the local legislation in the respective countries. The Code of Conduct of the RIB Group also states that all employees must be treated equally, regardless of their nationality, religion, cultural and ethnic background, gender, sexual orientation or age. In addition, there are employee representative bodies at national and European level, which represent the interests of workers in dialogue with the relevant competent managers and Managing Directors.

Social concerns
In all of the regions in which it operates, the RIB Group encourages the individual cultural diversity of employees, by deliberately forming multi-cultural teams - such as in the areas of development and consulting - and harnessing this resource for success of the enterprise. The focus is on using the totality of the employees with all their differences and commonalities, in order to leverage creative potential and encourage new mindsets within the company. In this respect, multi-cultural teams are then composed solely on the basis of the professional qualifications of the employees. Neither gender, religion, nor ethnic background or membership of a local community have any role to play in this process. The social concerns of employees taken into consideration alongside the business activities, shall be in conformity with the regional social regulations and company standards. The protection and the development of local communities does not constitute a criterion for the composition of multi-cultural teams. It is for this reason that the RIB Group does not currently have any concepts for engaging in dialogue with regional institutions aimed at improving or protecting the social concerns of local communities.

Respect for human rights and combating corruption and bribery

The Code of Conduct of the RIB Group contains guidelines for the protection of human rights and for combating corruption and bribery, which are binding on every employee worldwide:

Respect for human rights

Every employee must respect the cultures and ethical values of the countries in which the RIB Group operates, and they are prohibited from engaging in unlawful and/or criminal practices. All employees shall enjoy parity of esteem, regardless of their nationality, religion, cultural and ethnic background, gender, sexual orientation or age. Employees shall engage with their colleagues and third parties in a fair and open manner, and demonstrate understanding and tolerance.

Combating corruption and bribery

In connection with business activities of every kind, no employee of the RIB Group may directly or indirectly extend advantages to business partners, their employees or any other third parties, if the nature and scope of these advantages are capable of inappropriately influencing the actions and decision-making of the recipient. The employees of the RIB Group are prohibited from soliciting, accepting promises of or receiving such advantages in business dealings with third parties.

The Managing Directors and management staff of the RIB Group are responsible for identifying, exploring, preventing and, if necessary, sanctioning misconduct. In case of uncertainty, the competent managers, in consultation with the responsible Managing Director, shall decide what actions are appropriate and in accordance with the relevant laws and regulations.

G. STATEMENT ON BUSINESS MANAGEMENT

G.1 DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Administrative Board of RIB Software SE most recently issued the following Declaration of Compliance in March 2018:

The Administrative Board (Verwaltungsrat) of RIB Software SE declares pursuant to Art. 9 para. 1 lit. c) (ii) of the Council Regulation (EC) no. 2157/2001 of 08 October 2001 on the Statute of a European Company (SE) (the SE-Regulation, "SE-VO"), Sec. 22 para. 6 of the Law for the Implementation of the SE-VO of 22 December 2004 (the Implementation Act, "SEAG") in connection with. Sec. 161 German Stock Corporation Act (Aktiengesetz) that, since the last declaration of compliance was made, RIB Software SE has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 05 May 2015, effective since 12 June 2015, and will comply with the recommendations of the version dated 07 February 2017, effective since 24 April 2017 (the "Code"), in each case under consideration of the particularities of the one-tier board system of RIB Software SE described under no. 1 with the exceptions described under no. 2, and to the extent not complied with, why not.

Particularities of the one-tier corporate governance system

Pursuant to Art. 43–45 SE-VO in connection with Secs. 20 et. seq. SEAG, the one-tier corporate governance system is characterized by the fact that the guidance of the SE is incumbent upon a uniform body, the Administrative Board, see para. 7 of the preamble of the Code. The Administrative Board directs the Company, establishes the general principles of its business and supervises their implementation by the Managing Directors (Geschäftsführende Direktoren). The Managing Directors manage the business of the Company and represent the Company in dealings with third parties. They are bound by instructions given by the Administrative Board.

RIB Software SE generally applies the recommendations of the Code relating to the Supervisory Board of a German Stock Corporation (Aufsichtsrat) to its Administrative Board and relating to the Management Board of a German Stock Corporation (Vorstand) to its Managing Directors. The following exceptions apply in terms of the statutory rules of the one-tier corporate governance system:

a) Deviating from Sec. 2.2.1 sent. 1 of the Code, the Administrative Board submits the financial statements as well as the consolidated financial statements to the general meeting, Sec. 48 para. 2 sent. 2 SEAG.

b) Deviating from Secs. 2.3.1 sent. 1 and 3.7 para. 3 of the Code, the Administrative Board is responsible for the convocation of the general meeting, Secs. 48 and 22 para. 2 SEAG.

c) The responsibilities of the Management Board set out in Secs. 2.3.2 sent. 2 (proxy-voter bound by instructions), 3.7 para. 1 (opinion to a public take-over offer) und para. 2 (behaviour during a public take-over offer) as well as 3.10 (Corporate Governance report), 4.1.3 (Compliance) und 4.1.4 (risk management and -controlling) of the Code are incumbent upon the Administrative Board of RIB Software SE, Sec. 22 para. 6 SEAG.

d) The responsibilities of the Management Board contained in Secs. 4.1.1 (direction of the Company) and 4.1.2 in connection with 3.2 half sentence 1 (development of the strategic direction of the Company) of the Code are incumbent upon the Administrative Board, Sec. 22 para. 1 SEAG.

e) Deviating from Secs. 5.1.2 para. 2 of the Code, the Managing Directors, other than the members of the Management Board, are not subject to a maximum term of office, Sec. 40 para. 1 sent. 1 SEAG.

f) Deviating from Secs. 5.4.2 sent. 2 and 5.4.4 of the Code, members of the Administrative Board can be appointed as Managing Directors as long as the majority of the members of the Administrative Board consists of non-managing members, Sec. 40 para. 1 sent. 2 SEAG.

Deviations from the Recommendations of the Code

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

b) Section 4.1.3 sent. 3 GCGC: Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company; third parties should also be given this opportunity. The establishment of an institutionalised whistleblowing system for legal infringements is not considered necessary at present. In the event of indications of legal violations within the company, the company's employees may at any time contact the Compliance Department or the Managing Directors directly at any time. However, the company will examine and consider whether the introduction of such a whistleblowing system could be reasonable and appropriate in the future.

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

d) Section 4.2.3 para. 2 GCGC: The variable remuneration for the Managing Directors does not reflect potential negative developments in such a way that the income might also be subject to real losses. This does not appear necessary in view of the compensation structure for the Managing Directors in order to ensure that the Managing Directors do not take any undue risks when managing the company.

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

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

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

g) Section 5.1.2 para. 2 GCGC: The Administrative Board has not fixed an age limit for the Managing Directors. Setting an age limit is not in the interests of the company and its shareholders, since there is no compelling connection between a Managing Director‘s age and his performance.

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

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

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

G.2 INFORMATION ON BUSINESS MANAGEMENT PRACTICES

The trust of our business partners and shareholders in our Company and our image is critically determined 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.

G.3 DESCRIPTION OF THE WORKING PRACTICES OF THE ADMINISTRATIVE BOARD AND THE MANAGING DIRECTORS AS WELL AS THE COMPOSITION AND WORKING PRACTICES OF THE COMMITTEES

RIB Software SE has a one-tier corporate governance structure. The corporate bodies of RIB Software SE are the Administrative Board (the administrative organ) and the Annual General Meeting. RIB Software SE also has Managing Directors, who manage the day-to-day business of the Company.

The **Administrative Board** of RIB Software SE is responsible for managing the Company, defining the strategies for its activities and supervising their implementation. The Administrative Board acts in accordance with the applicable laws, the Articles of Association and its Rules of Procedure. It supervises the Managing Directors, issues them with rules of procedure, and has the power to issue instructions to all or some of the Managing Directors. The Administrative Board is responsible for appointing and dismissing the Managing Directors. Members of the Administrative Board may be appointed as Managing Directors, provided that the majority of the Administrative Board continues to consist of non-executive members. In accordance with the Articles of Association, the Administrative Board consists of eight members, who are appointed by the Annual General Meeting without any obligation to a particular nomination. At least one independent member of the Administrative Board must have expertise in the areas of finance, accounting or auditing. The members of the Administrative Board are each appointed for a period up to the end of the Annual General Meeting resolving discharge for the third financial year following the beginning of the term of office (the financial year in which the term of office begins is not counted) and shall end no later than six years after the respective Administrative Board member was appointed. Members of the Administrative Board are eligible for re-election. For some time during the reporting period, the Administrative Board of RIB Software SE had seven members only. Please refer to the appointments and dismissals of the Managing Directors and the Administrative Board boards members reported in Chapters H.1 and H.2.

The Rules of Procedure of the Administrative Board of RIB Software SE primarily regulate the working practice of this body. Its members have equal rights and duties. At the end of the Annual General Meeting during which the Administrative Board members were newly elected, the Administrative Board - chaired by its oldest member - shall elect a Chairperson and a Deputy Chairperson from among its members, by way of a majority vote. Administrative Board meetings shall be convened by the Chairperson, and must be held at least once every three months. Meetings must also be convened if necessary for the good of the Company or if so demanded by an Administrative Board member. In 2018, the Administrative Board met a total of 6 times. If ordered by the Chairperson, or by the Deputy Chairperson in the event that the former is unable to attend, resolutions made be adopted outside of meetings of the Administrative Board in writing, by fax, by email, over the telephone or by means of electronic media or by any combination of the aforementioned means of communication. The decisions of the Administrative Board generally require a majority of the votes cast, unless other majorities are stipulated by law. In the event of a voting tie, the vote of the Chairperson shall be counted double, unless they are unable to vote for factual or legal reasons, in which case the vote of the Deputy Chairperson shall be counted double. The Administrative Board constitutes a quorum if more than half of its members, including the Chairperson (or the Deputy Chairperson, in the event that the former is unable to attend) take part in the vote personally or by way of a written submission of the vote.

The Rules of Procedure of the Administrative Board provide that the Administrative Board forms a Nomination and Remuneration committee, an Audit Committee, and additional committees as necessary depending on the specific circumstances of the Company. The term of office of the committee members corresponds to their term of office as members of the Administrative Board, unless a shorter term is specified by the Administrative Board at the time of their appointment. The respective committee elects one member of the committee to be the Chairperson of the Committee, and another to be their Deputy, unless otherwise stipulated by law or the Rules of Procedure. The committees constitute a quorum if more than half of the members of the respective committee take part in the resolution vote. The committee shall also constitute a quorum if one or more members take part in the resolution vote by telephone or via video conference.

In order to fulfil its responsibilities, the Administrative Board has established a Nomination and Remuneration Committee and an Audit Committee, which regularly report on their work to the Administrative Board.

The **Nomination and Remuneration Committee** consists of three members. It makes proposals to the Administrative Board regarding the election of Administrative Board members by the Annual General Meeting, and its provides the Administrative Board with recommendations regarding the appointment and dismissal of Managing Directors and the Chief Executive Officer. It also develops and provides the Administrative Board with proposals regarding the remuneration system for the Managing Directors, and on the employment agreements and other contractual provisions concerning the Managing Directors (including the exercise of contractual rights and the issue of declarations of consent). The Nomination and Remuneration Committee consisted of the following members in the reporting period:

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

The **Audit Committee** consists of three members. The Chairperson of the Audit Committee should be independent, and have expertise in the areas of accounting or auditing. The Audit Committee is responsible, in particular, for monitoring the financial reporting process, the external accounting and reporting, the provision of a corresponding draft resolution for the Administrative Board and the analysis and monitoring of the internal control and finance monitoring system, the risk management system and the internal audit system. Moreover, it is also responsible for monitoring and compliance with the relevant rules of the German Corporate Governance Code, monitoring the work of the statutory auditor, especially their independence, and monitoring the additional services performed by the statutory auditor, and for dealing with questions concerning compliance.

The Audit Committee consisted of the following members in the reporting period:

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

The **Managing Directors** manage the day-to-day business of the Company applying the standards of care of a prudent and diligent businessman, in accordance with the law, the Articles of Association of RIB Software SE, the Rules of Procedure for the Managing Directors, the Schedule of Responsibilities, the instructions of the Administrative Board and their employment contracts. They are required to report to the Administrative Board regularly, promptly and comprehensively, particularly regarding the proposed business policy and other fundamental issues concerning the corporate planning, the profitability of the business, the anticipated overruns or shortfalls in revenue or profit planning, as well as on business activities that could potentially be of significant importance for the profitability or liquidity of the Company.

The Administrative Board is responsible for appointing one or more Managing Directors. The number of Managing Directors is determined by the Administrative Board. Three Managing Directors are currently appointed. The Administrative Board may appoint one of the Managing Directors to be the Chief Executive Officer and one or two Managing Directors as Deputy Chief Executive Officer(s). The Company is represented by two Managing Directors or by a Managing Director together with an Authorized Signatory. If only one Managing Director is appointed, they are the sole representative of the Company. The Administrative Board may grant individual Managing Directors the right of sole representation of the Company, as well as release individual Managing Directors from the limitations of Section 181 of the German Civil Code (BGB) (alternative version).

The Rules of Procedure for the Managing Directors of RIB Software SE mainly regulate the foundation of business management, cooperation with the Administrative Board, especially transactions requiring consent, and the cooperation between the Managing Directors.

The Managing Directors adopt resolutions with a simple majority. Every Managing Director has one vote. In the event that the votes of the Managing Directors are tied during a resolution vote, the Chief Executive Officer (or their Deputy Chief Executive, in the event that the former is unable to attend) shall have the casting vote.

G.4 COMMITMENTS TO PROMOTE THE PARTICIPATION OF WOMEN AND MEN IN MANAGEMENT POSITIONS

For the first time, on 09 June 2015, the Supervisory Board of RIB Software AG made commitments to promoting the balanced participation of women and men in management positions. After expiry of the deadline for reaching the respective target values on 30 June 2017, the Administrative Board of RIB Software SE initially did not set any new targets and deadlines for the subsequent period. On 14 February 2018, the Administrative Board of RIB Software SE set new targets and deadlines in relation to the proportion of women and men in the Administrative Board, at the Managing Directors level and at the management level below the Managing Directors. The participation of women and men in management positions was thus regulated as follows:

Pursuant to Section 22 (6) of the Implementing Act in conjunction with Section 111 (5) of the German Stock Corporation Act (AktG), the target for the proportion of women in the Administrative Board was set at 16.67% and, at the Managing Directors level, the target for the proportion of women was set at 0%. For the management level below the Managing Directors, a target for the proportion of women pursuant to Section 22 (6) of the Implementing Act in conjunction with Section 76 (4) of the German Stock Corporation Act (AktG) was set at 0%. All targets must be reached by 14 February 2023. Although the Administrative Board of a listed company must, in principle, set targets for the proportion of women in the first two management levels below the Managing Directors, due to the fact that RIB Software SE has a small number of employees and a flat management structure, there is only one management level below the Managing Directors, so a target has been set for this management level only.

The target for the proportion of women in the Administrative Board had not yet been reached in the financial year 2018: There is one woman in the Administrative Board of RIB Software SE, Ms Sandy Möser, Deputy Chairperson. The proportion of women in the number of Administrative Board members prescribed by the

Articles of Association (eight) is thus 12.5%. The failure to meet the target is attributable to the fact that the Administrative Board of RIB Software SE consists of eight members, while the Supervisory Board of RIB Software AG had only six members. There was one woman in the Supervisory Board of RIB Software AG, Ms Sandy Möser. The proportion of women in the number of Supervisory Board members prescribed by the Articles of Association applicable at the time (six) was thus 16.67%. The reason why no other women women were appointed to the Administrative Board is the fact that, besides the members of the Supervisory Board of RIB Software AG, the only other persons appointed to the Administrative Board of RIB Software SE were the members of the Executive Board of RIB Software AG. All of these persons were male. Furthermore, no suitable female candidate was found for the election of a new member of the Administrative Board at the 2018 Annual General Meeting. As the percentage of women in the Administrative Board was less than 30% when the target was set on 14 February 2018, the target was no longer allowed to be less than the previously achieved proportion of 16.67% (the so-called "no deterioration concept").

At the Managing Directors level and the management level below the Managing Directors, there were no women in the financial year 2018, meaning that the proportion of women was thus 0%. The targets for the proportion of women at the Managing Directors level and at the management level below the Managing Directors were thus achieved.

G.5 DESCRIPTION OF THE DIVERSITY CONCEPT

RIB Software SE does not pursue a dedicated diversity concept regarding the composition of the Administrative Board and the Managing Directors. Equality of opportunity and the rigorous rejection of every form of discrimination are firmly anchored in the corporate policy of RIB Software SE. Against this background, the sole considerations when staffing the management organs are the specialist qualifications and skills of the candidates. Aspects such as gender, race, age, skin colour, religion, family status, sexual orientation, background, physical or mental impairments of the individual in question are not taken into consideration in this respect.

H. REMUNERATION REPORT

H.1 REMUNERATION REGULATIONS FOR THE MEMBERS OF THE ADMINISTRATIVE BOARD

The members of the Administrative Board receive fixed annual remuneration (Remuneration 1). The Chairperson of the Administrative Board receives double the amount of this remuneration, while their Deputy receives one-and-half times this amount. The members of a committee of the Administrative Board also receive additional annual remuneration (Remuneration 2), provided that the committee has met at least once during the financial year; if a member sits on several committees, they shall receive this remuneration for each committee. Chairmanship of a committee is remunerated at twice the aforementioned amount. Members of the Administrative Board who only sit in the Administrative Board or one of its committees for part of the financial year, receive remuneration in proportion of the duration of their membership to the entire financial year. The Company may arrange adequate directors & officers liability insurance (D&O) for the members of the Administrative Board.

The Company has undergone a change of form from RIB Software AG into a *Societas Europaea* (SE). The change of form became effective upon its entry into the Commercial Register on 03 April 2017. The aforementioned remuneration regulations for the members of the Administrative Board have been in effect since the change of form came into force. Prior to that, the remuneration of the members of the Supervisory Board was essentially subject to similar regulations. The members sitting on the Company's Supervisory Board at the time of the change of form were appointed as members of the Administrative Board of the SE during the course of the change.

The remuneration of the individual members of the Administrative Board for the financial years 2018 and 2017 is as follows:

2018 (figures in € thousands)	Remuneration 1	Remuneration 2	Total remuneration
Sandy Möser	21.6	11.3	32.9
Dr. Matthias Rumpelhardt	14.4	11.3	25.7
Klaus Hirschle	14.4	7.5	21.9
Prof. Martin Fischer	14.4	0.0	14.4
Steve Swant (until 13.08.2018)	9.0	0.0	9.0
Prof. Dr. Rüdiger Grube (from 23.11.2018)	1.5	0.0	1.5
Total Remuneration	**75.3**	**30.0**	**105.3**

2017 (figures in € thousands)	Remuneration 1	Remuneration 2	Total remuneration
Sandy Möser	22.2	9.7	31.9
Dr. Matthias Rumpelhardt	15.3	9.7	25.0
Klaus Hirschle	13.8	6.6	20.4
Prof. Martin Fischer	13.8	0.0	13.8
Steve Swant	13.8	0.0	13.8
Total Remuneration	**78.9**	**26.0**	**104.9**

Insofar and for as long as a member of the Administrative Board is simultaneously a Managing Director, their remuneration as a member of the Administrative Board shall be suspended. This was the case for Mr Thomas Wolf, Mr Michael Sauer, Mr Mads Bording Rasmussen and Mr Helmut Schmid (until 31 March 2018), who were appointed as Managing Directors as well as being members of the Administrative Board. Therefore, they did not receive any separate remuneration for their membership of the Administrative Board.

H.2 REMUNERATION REGULATIONS FOR THE MANAGING DIRECTORS

The remuneration of the Managing Directors consists of a fixed element (Remuneration 1), a performance-based element (Remuneration 2), and a share-based element (Remuneration 3). The fixed element includes the basic salary and other taxable salary components such as a company car. The performance-based element depends on the achievement of targets. These targets have both short-term as well as medium-term components.

The amount of the performance-based element is based on the operating EBITDA of the RIB Group, the development of the Group revenue, the number of Phase II and III contracts, the acquisition of MTWO users, the conclusion of acquisitions and the development of the share price.

The long-term remuneration components geared towards sustainable corporate development relate to the growth rate of the RIB Group's operating EBITDA for the period from 01.01.2017 to 31.12.2019. For the growth rate, two thresholds have been set, above which the Managing Directors receive the one-off payments shown in the table below (whereby no cumulative payments are made if the upper threshold is exceeded):

(figures in € thousands)	Thomas Wolf	Michael Sauer	Mads Bording Rasmussen	Total
Exceeding lower threshold	75.0	75.0	60.0	210.0
Exceeding upper threshold	150.0	150.0	120.0	420.0

The short-term targets are calculated after submission of the audited Consolidated Financial Statements for the respective financial year. The target profit shares are added on reaching several targets. The long-term targets will be calculated after submission of the audited Consolidated Financial Statements for the financial year 2019.

With respect to the structure of the share-based remuneration program applied in the financial years 2013 and 2015, we refer to the explanations in **Section C.5** of the Notes to the Annual Financial Statement of RIB Software SE and to **Note (29)** of the Notes to the Consolidated Financial Statements. Within the scope of this program, the members of the Executive Board or the Managing Directors were offered subscription rights in accordance with the conditions of the existing stock option plan, which were accepted by all the members of the Executive Board / all Managing Directors.

The Company has undergone a change of form from RIB Software AG into a *Societas Europaea* (SE). Employment contracts stipulating the above remuneration regulations have been in effect since the change of form came into force. Prior to that, the remuneration of the named persons, while still members of the Executive Board, was essentially subject to similar regulations. The members sitting on the Company's Executive Board at the time of the change of form were appointed as Managing Directors of the SE during the course of the change.

The remuneration paid to the Managing Directors in the financial years 2018 and 2017 is as follows:

2018 (figures in € thousands)	Remune-ration 1	Remune-ration 2	Remune-ration 3	Total remuneration
Thomas Wolf*	395.0	250.0	705.9	1,350.9
Michael Sauer	317.0	250.0	494.1	1,061.1
Helmut Schmid (until 31.03.2018)	58.0	0.0	466.6**	524.6
Mads Bording Rasmussen*	172.6	160.0	141.2	473.8
Total remuneration	**942.6**	**660.0**	**1.807.8**	**3,410.4**

2017 (figures in € thousands)	Remune-ration 1	Remune-ration 2	Remune-ration 3	Total remuneration
Thomas Wolf*	373.7	300.0	434.5	1,108.2
Michael Sauer	298.8	300.0	304.1	902.9
Helmut Schmid	225.9	90.0	173.8	489.7
Mads Bording Rasmussen* (since 03.04.2017)	115.5	180.0	86.9	382.4
Total remuneration	**1,013.9**	**870.0**	**999.3**	**2,883.2**

* Mr Thomas Wolf received his remuneration from RIB Ltd., while Mr Mads Bording Rasmussen received his remuneration from RIB A/S.

** On the occasion of his departure from the Company, it was agreed with Mr. Helmut Schmid that 20,000 share options, which had been granted to him during his employment and which would have expired in absence of any further regulation, may continue to be exercised as compensation for a non-competition clause. At the time of the agreement, the fair value per option was € 23.33. Remuneration 3 paid in the reporting period thus amounted to € 467 thousand.

The share-based remuneration of the Managing Directors is as follows:

2018 (units or € thousands)	Thomas Wolf	Michael Sauer	Helmut Schmid	Mads Bording Rasmussen
Options granted in the reporting period (units)	47,826	33,478	0	9,565
Options exercised in the reporting period (units)	45,000	45,000	0	0
Options outstanding at the end of the reporting period (units)	145,652	116,956	20,000	19,130
Share in the recognised total cost of the share-based remuneration (€ thousands)	288.3	240.3	26.4	32.0

I. FORECAST, OPPORTUNITY AND RISK REPORT

I.1 TARGET ACHIEVEMENT OF FORECASTS FOR FISCAL YEAR 2018

I.1.1 Target achievement of revenue forecast for the RIB Group

Due to the significantly increased demand for our software and SaaS/Cloud solutions in recent years, we had again identified good growth opportunities for the RIB Group for 2018, and had initially forecast revenues of between € 117 million and € 127 million. When we published our interim report for the period from January to September, we adjusted the revenue forecast on 31 October 2018 on the basis of current circumstances and increased it to a range of € 124 million to € 130 million. Due to continued positive business development in the last two months of the fourth quarter as well as further company acquisitions, in the financial year 2018, the upper expected value was once again slightly exceeded by € 6.9 million, with revenues amounting to € 136.9 million. The key success factors were:

a) In the reporting period, revenue from the sale of software licenses and SaaS/Cloud services increased from € 46.6 million to € 54.5 million. This corresponds to an increase of 17.0% and a share of 39.8% of total sales. The decline in Phase III contracts was partially offset by strong growth in software license revenue from Phase II contracts. As a result, revenue from the sale of software licenses and SaaS/Cloud services exceeded our expectations.

b) In the area of maintenance, we assumed that the stable growth seen recent years will continue in the financial year 2018. Growth of 17.0% was achieved, which is within our expectations.

c) In terms of consulting revenue, we had expected a moderate increase in revenues in 2018, corresponding to the growing number of existing and new implementation projects. Consulting revenue increased by 65.3% to € 32.9 million in the reporting period (previous year: € 19.9 million), which corresponds to a share of 24.0% of total revenues and clearly exceeds our expectations.

d) With regard to xTWO (E-commerce), we assumed that the growth seen in the financial year 2017 will continue. With revenue growth of € 7.5 million to € 9.3 million (+24.0%), the E-commerce area continued to perform well in 2018. The growth achieved exceeded the growth of the previous year (+13.6%) and thus exceeded our expectations.

e) Regarding MTWO, we had not expected any significant sales revenue yet during the financial year 2018, though we had anticipated the first deals with reference customers. Three SaaS/Cloud deals were achieved with iTWO 4.0, which are settled monthly. This resulted in SaaS/Cloud sales of € 0.2 million. The total volume of the SaaS/Cloud revenues from these deals, totalled over a three-year period, each correspond to a larger Phase II contract. This slightly exceeded our expectations. Overall, total revenues of € 6.0 million were achieved in the reporting period. A share of € 5.8 million resulted from deliveries and services performed by companies acquired during the reporting period and had not been included in the planning.

The segments account for the following sales shares:

a) The iTWO segment achieved revenues of € 121.5 million (previous year: € 100.8 million), which corresponds to an increase of 20.5% and a share of 88.8% of total revenues. Since no Phase III contract was completed during the reporting period, this is significantly above our expectations.

b) In the reporting segment YTWO, total revenues of € 9.3 million were achieved in the xTWO (E-commerce) business segment. The increase in revenues from € 7.5 million to € 9.3 million (+24.0%) is above the growth of the previous year (+13.6%), thus exceeding our expectations.

I.1.2 Target achievement of the operating EBITDA forecast for the RIB Group

For the financial year 2018, we had anticipated operating EBITDA of the RIB Group of between € 33 and € 43 million. This included a negative contribution to earnings from the reporting segment MTWO amounting to up to € 3 million. The achieved operating EBITDA of € 38.8 million is within the guidance and corresponds to our expectations.

The segments account for the following operating EBITDA shares:

a) In the reporting segment iTWO, operating EBITDA of € 41.3 million was at the same level as in the previous year (€ 40.9 million) and thus in line with our expectations.

b) In the reporting segment YTWO, we had planned operating EBITDA of between € 0 million and € -1.0 million for the xTWO (E-commerce) business segment. The achieved operating EBITDA of € -0.2 million (previous year: € 0.1 million) was within the expected range.

c) In the reporting segment MTWO, operating EBITDA of € -2.3 million was significantly below the budgeted value of € -6.0 million (the budgeted value included costs of € 3.0 million resulting from the reallocation of resources from other segments, which were expected not to have an additional negative impact on the operating EBITDA of the RIB Group). Due to the rollout phase being extended, the start-up losses actually incurred in the reporting period are below our expectations.

I.1.3 Target achievement of the revenues forecast and the operating EBITDA forecast for RIB Software SE

For RIB Software SE, we planned revenues and operating EBITDA on a par or slightly down on the previous year, depending on whether we again succeeded in achieving a Phase III contract conclusion in the financial year 2018, and were able to invoice significant parts of such an order with effect on sales and earnings. Revenues of € 55.3 million were achieved (previous year: € 54.3 million) and operating EBITDA of € 15.7 million (previous year: € 17.3 million). In light of the fact that no Phase III contract was completed during the reporting period, the revenues achieved exceeded our expectations, while the EBITDA achieved was within our expectations.

I.1.4 Target achievement for the investment result from the YTWO Joint Venture

For the former YTWO joint venture, same as in the year before, no significant revenue from transaction fees was yet planned for the financial year 2018. Due to the scheduled development of resources, we had forecast an investment result of up to € -6 million. An investment result of € -3.6 million was achieved (previous year: € -3.7 million). This value is within our earnings forecast for 2018.

I.2 FORECAST REPORT FOR THE FISCAL YEAR 2019

The RIB Group has grown continually over recent years thanks to its innovative range of software and SaaS/Cloud solutions. We are assuming that this trend will also continue in 2019. Our iTWO 4.0 is an end-to-end enterprise solution based on state-of-the-art web technologies, which is the first such product to deliver 5D models in the Cloud for the continuous handling of business processes in the construction sector. The technical design of iTWO 4.0 makes it possible to market the software via a license model, a transaction model or a subscription model. (see **Section A.1**) The high flexibility of the possible marketing models of iTWO 4.0 opens up very promising short, medium and long-term growth potential for the RIB Group. In the future, in addition to the traditional sale of software licenses, the leasing of software and the operation of infrastructure within the framework of SaaS offers (MTWO), as well as fee-based use of software and infrastructure as part of a transaction model (YTWO) will become increasingly important.

Against this background, we make the following forecasts for the financial year 2019:

I.2.1 Revenue and operating EBITDA forecast for the RIB Group

For the RIB Group, we forecast **revenues** in the range of € 180 to 200 million. **Operating EBITDA**[*****] is expected to be in a range of € 36 million and € 46 million.

This forecast is based on the following assumptions:

a) In the **reporting segment iTWO**, we expect revenues in the financial year 2019 to be slightly higher than in the previous year and operating EBITDA to remain at the previous year's level.

b) In the **reporting segment YTWO**, we expect revenues in the xTWO (E-commerce) segment to be slightly higher than in the previous year. For the business segment YTWO (SCM), we still do not expect any significant transaction revenue in 2019, since the RIB Group needs to establish new partner structures following the takeover of 100% of the shares in YTWO Ltd. For the business segment xTWO (E-commerce), we expect the operating EBITDA to remain at the previous year's level. As a result of the planned additional development investments in the business segment YTWO (SCM), we expect total negative operating EBITDA of up to € 5.0 million in the reporting segment YTWO.

c) In the **reporting segment MTWO**, we expect strong growth in revenues in 2019, mainly due to the companies already acquired in the reporting period and the acquisition of further MSPs planned for 2019. In this respect, we intend to invest only in companies with positive operating EBITDA. Moreover, we expect further deals with reference customers and a significant increase in SaaS/Cloud revenue generated with iTWO 4.0. Against this background, for 2019, we forecast a positive operating EBITDA of up to € 5.0 million for the reporting segment MTWO.

I.2.2 Revenue and operating EBITDA forecast for RIB Software SE

For RIB Software SE, we are forecasting revenues and operating EBITDA on a par or slightly up on the previous year, depending on whether we succeed in achieving a Phase III contract conclusion in the financial year 2019, and are able to invoice significant parts of such an order with effect on sales and earnings.

*****) The key indicator "operating EBITDA" used in the following forecasts has been calculated in accordance with the adjustments described in Section A.2.4 of this Management Report.

I.3 OPPORTUNITY REPORT

The RIB Group identifies opportunities for positive business development and the expansion of our market position as leading providers of integrated BIM 5D solutions, through an even stronger focus on internationalization and further strategic acquisitions. Furthermore, the growth of the RIB Group should be sustainably increased in existing and new markets thanks to iTWO 5D and our fully integrated web-based end-to-end enterprise platform iTWO 4.0, the Cloud-based complete solution MTWO, as well as our existing cloud platforms iTWO tx and iTWO cx. We have identified the following main areas of focus in this respect:

Migration of existing customers to RIB iTWO and iTWO 4.0. The conversion of our ARRIBA customers to iTWO 5D is not yet complete, meaning that good sales potential in replacement business is still realizable with iTWO 5D in the DACH region. Additional opportunities in the existing customer area have recently emerged due to the fact that the first iTWO 5D customers have now decided to migrate to iTWO 4.0. This not only has a positive effect on the replacement business in the DACH region, but also in all the other sales regions of the RIB Group in which iTWO 5D has already been sold.

Internationalization. One major strategic objective planned by the RIB Group is to intensify its existing foreign business relationships, establish itself in existing foreign markets, and enter into new markets. In this respect, the RIB Group pursues a key account strategy designed to particularly acquire customers in the form of major construction companies, general contractors, investors, and consultants from the top 1000 of the respective target groups. This can lead to the secondary introduction of many subcontractors and smaller service providers as business partners of these major companies to the software products of the RIB Group, in order to ensure that collaborations proceed smoothly. In addition, in conjunction with setting up the MTWO platform in existing and new foreign markets, the RIB Group intends to build a partner network of MSP partners in order to accelerate its market entry in these regions.

Innovations. The RIB Group has highly modern and innovative software solutions, in particular, for technical and business management processes in the construction sector and plant engineering. With iTWO 4.0, we offer a solution that supports digitally networked integrated virtual planning, production, and operating processes, together with the industrial prefabrication of components with a high process depth. In this area, we expect an increasing willingness to invest on the part of our customers. With iTWO 4.0, the already existing Cloud software solutions, and our new mobility apps, we have a comprehensive and modern solution package in our product portfolio, which eminently meets the current technology trends of 5D and Cloud computing. Following a cooperation agreement signed between RIB and Microsoft during the reporting period, the solutions offered by RIB on the MTWO platform will be expanded by new innovative products. The RIB Group intends to integrate iTWO 4.0 technology, Microsoft‘s AI-based BoT solutions, Azure IoT Suite, and mixed reality solutions with Microsoft‘s HoloLens in order to provide our customers with a highly attractive complete package of state-of-the-art technologies on the MTWO platform.

Strategic acquisitions. Through targeted strategic acquisitions, the RIB Group also intends to gain access to regional markets and to expand its international customer basis. With the net offering proceeds from the capital increase carried out in the reporting period, the RIB Group is very well positioned to finance the necessary investments mainly using its own funds. The focus here is on opening up new customer groups and establishing the software of the RIB Group as standard software in further markets. Some of our objectives for 2019 include the integration of the companies and interests acquired in the past two financial years into the Group and to secure major customer orders for iTWO, YTWO and MTWO in the respective markets of these companies and interests, as well as the further expansion of the international partner network through targeted acquisitions of value-added resellers and Microsoft solution providers. Moreover, in the future, we want to tap into the mass market internationally through our partners. Our objective is to significantly increase the number of users and to establish iTWO 4.0 as a leading platform for the global construction industry.

Opportunities specific to particular reporting segments. Due to the increasing acceptance of model-based working methods in the construction sector, which is also supported by an increasing number of corresponding government initiatives, we see good opportunities for continued growth in our markets in the reporting segment iTWO with our iTWO 5D and iTWO 4.0 technology. In light of the fact that YTWO Ltd., which now operates as a wholly owned subsidiary of the RIB Group, acquired the sixth major customer for the YTWO platform in the reporting period, we continue to expect good growth opportunities in the business segment YTWO (SCM) in the medium to long term. There continue to be very good growth opportunities in the new reporting segment MTWO in the medium to long term. This reporting segment may well develop into one of the RIB Group's most important revenue drivers over the long term.

Overall view of the opportunity situation. With its innovative strength and its comprehensive range of cutting-edge technology-based solutions, the RIB Group is very well positioned within its markets. With topical areas such as 5D, iTWO 4.0, the YTWO platform and MTWO, conceived in partnership with Microsoft as the first vertical Cloud solution for the construction sector, the RIB Group has positioned itself as a pioneer in the construction industry, both nationally and internationally. Against this background, we believe that the RIB Group has very good opportunities to further expand its market position.

I.4 RISK REPORT

I.4.1 Risk management and internal control system

The RIB Group operates a risk management system for the early detection, assessment and handling of risks in a targeted manner. The basis of this system is the uniform company definition of risk, i.e., when a situation could significantly hinder the RIB Group‘s ability to achieve its corporate objectives and fulfil its duties right now or at some point in the future. Our early risk detection system is specifically tailored to the needs of the RIB Group. Therefore, we have waived the legally granted option to use one of the guidelines available nationally and internationally.

Identifying risks at an early stage and taking any necessary countermeasures is the general responsibility of the Managing Directors. The senior management supports the Managing Directors in performing this task.

The individual risks identified in the respective risk areas are classified as follows within the scope of a quantitative and qualitative risk analysis:

Probability of occurrence	
4 highly probable	>= 90%
3 probable	>= 65%
2 possible	>= 35%
1 improbable	< 35%

Severity of loss	
4 severe	>= € 1,000 thousand
3 significant	>= € 250 thousand
2 medium	>= € 100 thousand
1 minor	< € 100 thousand

Because a quantitative assessment is not possible in many cases, the need for action is derived from a coordinate system. This is presented as follows:

highly probable	5	6	7	8
probable	4	5	6	7
possible	3	4	5	6
improbable	2	3	4	5
	minor	medium	significant	severe

> 5	high need for action
> 3	medium need for action
< 3	no need for action

The need for action is derived from this assessment, and appropriate countermeasures are developed. The individual assessments are aggregated with weightings applied, in order to assess the overall risk position of the Company. The loss severity levels are also partly quantified. In this case, the severity levels are assigned values in % or €. The possible losses are then determined by multiplying them by the probability of occurrence.

The functionality of the early risk recognition system is continuously monitored. The Managing Directors receive a quarterly report on identified risks in the form of cumulative risk overviews. The Managing Directors and Administrative Board discuss the risk situation of the Company and the Group at regular intervals, and continually monitor the further development of the control and early risk detection system. Insofar as the risks cannot be consciously accepted, an attempt shall be made to counteract the risks by means of suitable countermeasures.

The established risk management system and the internal control system also encompass risks that could impact on the financial reporting process and therefore on the accuracy of the financial statements of the RIB Group. This particularly concerns risks of errors and violations, risks in connection with data capture and security, risks of the circumvention of existing internal controls, and the inaccurate assessment of facts and scopes for discretion.

The essential rules and measures for managing financial-reporting-related risks consist of the clear allocation of responsibilities in the preparation of quarterly and annual financial statements, the issuance of binding guidelines for the accounting for business transactions, and the use of consolidation software that supports the monthly analysis and control of the figures received from all reporting units.

In particular, the process of sales recognition is strictly controlled from the very contract initiation phase. All customer contracts pass through an approval process. Deviations from standardized regulations must be approved in advance by the Executive Board of the parent company, if specified thresholds are exceeded.

The updating of risks and monitoring of countermeasures are continuous processes. The countermeasures listed in the risk reports are checked for compliance, and then implemented. Risks are formally logged and summarized as soon as there are changes, no matter how minor, compared to the previous year.

I.4.2 Overview of individual risks

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

- Development risks (number range 100)
- Financial risks (number range 200)
- Sales risks (number range 300)
- Cooperation risks (number range 400)
- Acquisition risks (number range 500)
- Other risks (number range 600)

When viewed overall, the recorded risks appear in the Risk Heat map as follows (updated end of 2018):

<table>
<tr><td>1</td><td>highly probable</td><td></td><td></td><td>110</td><td></td></tr>
<tr><td>2</td><td>probable</td><td>303</td><td></td><td>105</td><td></td></tr>
<tr><td>21</td><td>possible</td><td></td><td>101 | 113 | 115
202 |
308 | 309
402 |</td><td>102 | 103 | 104 | 107 | 112
201 |
304 | 310 | 313 | 315
502 |</td><td>106 | 111 | 114</td></tr>
<tr><td>24</td><td>improbable</td><td>203 | 211 | 212
306 |</td><td>207 | 213 | 209
305 | 311</td><td>116 | 117
204 | 208
307 |
506 |</td><td>205 | 206 | 210 |
301 | 302 | 312 | 314
505 |
601 |</td></tr>
<tr><td colspan="2" rowspan="2">48</td><td>minor</td><td>medium</td><td>significant</td><td>severe</td></tr>
<tr><td>5</td><td>12</td><td>19</td><td>12</td></tr>
</table>

Severe risks form the permanent focus of the monitoring performed by senior management, and they are actively monitored using appropriate risk controls. As in the previous year, we identified all severe or significant risks to which a high need for action was assigned exclusively in the area of development.

Development risks (number range 100)
The RIB Group is exposed to strong competition when it comes to development and rollout times. In order to retain its competitive edge, the RIB Group needs to invest heavily in product development and product rollouts, using both financial and human resources. The risk here, one that has a high need for action (no. 105), is that the functional scope of the software will require expensive adaptation with respect to the legal framework. This area also encompasses the most significant individual risk, one with a high need for action (no. 110), that development capacities may be inhibited by individual customer requirements, whereby this could delay the supply of new products.

The RIB Group has integrated or combined other products with the products in its portfolio. In this connection, there exists the risk, with a high need for action (no. 106), that the RIB Group could be made liable for third-party content, and that this could have a negative effect on the reputation of the RIB Group.

The economic success of the RIB Group is critically dependent on the success of our best-selling software solution iTWO 5D and on our new software platform iTWO 4.0. In this connection, there exists the risk, with a high need for action (no. 111), that the software will not be well received in the markets into which we wish to expand. This could have a material adverse effect on our net assets, financial position and results of operations.

If not examined closely, the unrealistic deadlines and high functional or technical demands of customers (external) or product management (internal) could result in high costs and unnecessary efforts. In this connection, there exists the risk, with a high need for action (no. 114), that this could have a material adverse effect on our net assets, financial position and results of operations.

During the reporting period, the individual risks were repeatedly reviewed. With regard to the total amount of losses, the assessment of the risk situation has not changed significantly compared to the previous year.

Financial risks (number range 200)
Financial risks concern risks with only a medium need for action or no need for action at all. However, there are three risks with major loss severity levels. These relate to the macroeconomic risks (no. 210), bad debt risks in projects with major customers (no. 205) and bad debt risks concerning banks regarding our securities and liquid funds (no. 206).

The risk situation in the area of financial risks was adjusted and reassessed in 2018 in line with changes in capital, sales, interest rates and other influencing factors. The development of possible and assessed amounts of losses corresponds to the current asset and business development of the RIB Group.

All financial risks have been reassessed, resulting in an increase in the quantifiable total amount of losses compared to the risk assessment of the previous year, which is in line with the growth in sales.

Regarding other explanations concerning the financial risk management and policies of the RIB Group, we refer to the corresponding explanations set out in the Notes to the Consolidated Financial Statement.

Sales risks (number range 300)
Sales risks concern risks with only a medium need for action or no need for action at all. Sales risks: The possible amount of losses arising from customer satisfaction (No. 301), order processing (No. 302), performance of sales partners (No. 312), and customer satisfaction with operability and performance (No. 314) were reassessed in the reporting period due to increased maintenance, consulting and sales revenue, while retaining the same probability of occurrence.

Sales risks have been reassessed, resulting in an increase in the quantifiable total amount of losses compared to the risk assessment of the previous year, which is slightly over-proportional to the growth in sales.

Cooperation risks (number range 400)
In the previous year, a cooperation risk (No. 401) with a medium need for action was recorded to allow for the possibility that the YTWO joint venture may not develop positively over the following few years. Due to the acquisition of 100% of the shares in YTWO Ltd. by the RIB Group in December 2018, cooperation risk no. 401 no longer applied in the reporting period. New cooperation risks for the reporting segment YTWO are recorded and assessed accordingly upon new cooperation agreements taking effect.

If, contrary to expectations, the cooperation with Microsoft regarding the MTWO platform for the construction industry, which took effect in February, does not develop positively over the next few years, there is a risk with a medium need for action that could have an adverse effect on future return expectations. This new risk (No. 402) was recorded and assessed in the reporting period.

Cooperation risks have been reassessed, which has resulted in no changes in the quantifiable total amount of losses compared to the risk assessment of the previous year.

Acquisition risks (number range 500)
Acquisition risks concern risks with only a medium need for action or no need for action at all. However, there does exist a risk with a major loss severity level (no. 505) that the future value of a purchased company will be lower than the contractually agreed purchase price. This could have adverse effects on the net assets and financial position of the RIB Group.

Acquisition risks have been reassessed following the company acquisitions in the reporting period, resulting in an increase in the quantifiable total amount of losses compared to the risk assessment of the previous year, which is slightly over-proportional to the growth in revenues.

Other risks (number range 600)

The entry into force of the GDPR, with effect from 25 May 2018, has created new risks for the RIB Group. These have been taken into account as risks due to legal uncertainties regarding the application of the GDPR (No. 601) under "Other risks" - a category newly introduced in the reporting period. The possible loss severity level arising from violations of the GDPR can be major, the probability of occurrence is considered low.

I.4.3 Summarised description of the risk situation

Same as in previous years, there are no major risks that are likely or very likely to occur. We do not currently see any going concern risks.

Notes on forecasts

This Section of the Management Report contains forward-looking statements and information about events which may arise in the future. These forward-looking statements can be recognized by formulations such as "should", "will", "expect", "intend", "plan", "estimate", "in the opinion of the RIB Group" or similar expressions. Such forward-looking statements are based on current expectations and certain assumptions. They are therefore subject to a number of risks and uncertainties. A large number of factors, many of which are beyond the control of the RIB Group, influence the business activities, performance, business strategy, and results of the RIB Group. These factors could cause the actual results, performance and achievements of the RIB Group to be materially different from those expressed or implied by such forward-looking statements regarding future results, performance or achievements.

Stuttgart, 15.03.2019

RIB Software SE

The Managing Directors

Thomas Wolf | Michael Sauer | Mads Bording Rasmussen

3. Declaration of the legal representatives

We hereby confirm that to the best of our knowledge, 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, 15 March 2019

RIB Software SE
The Managing Directors

Thomas Wolf   Michael Sauer   Mads Bording Rasmussen

4. Independent Auditor’s Report

Audit certificate of the independent auditor of the financial statements

To RIB Software SE, Stuttgart

CERTIFICATE FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

AUDIT FINDINGS

We audited the annual financial statements of RIB Software SE, Stuttgart, (hereafter “RIB SE”) – consisting of the balance sheet for 31 December 2018 and the profit and loss statement for the financial year from 1 January 2018 to 31 December 2018, as well as the notes including the presentation of the accounting and valuation methods. In addition, we audited the management report of RIB SE, which is included with the consolidated management report of the parent company, for the financial year from 1 January 2018 to 31 December 2018. In accordance with German legal regulations, we did not audit the content of the components of the management report listed in the notes.

In our assessment, based on the findings made in our audit,

- the enclosed annual financial statements comply with German commercial regulations for corporations and, in compliance with generally accepted accounting principles, conveys an accurate depiction of the company’s actual net assets and financial position on 31 December 18 and the results of operations for the financial year from 1 January 2018 to 31 December 18 and
- the enclosed management report conveys overall an accurate representation of the situation of the company. The management report agrees with the annual financial statements in all material matters, complies with German statutory regulations, and depicts the opportunities and risks to the future development correctly. Our audit findings for the management report do not extend to the content of the components of the management report listed in the Annex.

Pursuant to section 322 (3) 1 HGB we declare that our audit did not result in any objections concerning the propriety of the annual financial statements and the management report.

BASIS FOR THE AUDIT FINDINGS

We conducted our audit of the annual financial statements and management report in accordance with Art 317 HGB and the EU Auditor Directive (No. 537/2014; hereafter "EU-AD") in adherence to the generally accepted auditing principles specified by the Institute of Public Auditors in Germany (IDW). Our responsibilities according to these regulations and principles are described in the section "Responsibility of the auditor in auditing the annual financial statements and management report" in our audit certificate. We are independent of the company in accordance with European and German commercial and professional regulations and have fulfilled all other German professional duties in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) f) EU-AD that we have not provided any prohibited non-audit services pursuant to Article 5 (1) EU-AD. We believe that the audit evidence we acquired is sufficient and suitable to serve as a basis for our audit findings on the annual financial statements and management report.

PARTICULARLY IMPORTANT AUDIT FINDINGS IN THE AUDIT OF THE FINANCIAL STATEMENTS

Particularly important audit matters are matters that, according to our dutiful discretion, were the most important in our audit of the financial statements for the financial year from 1 January 2018 to 31 December 2018. These matters were taken into account in connection with our audit of the financial statements as a whole and in the formation of our audit assessment; we do not offer a separate audit assessment for these matters.

We rated the following audit matters as particularly important:

- Impairment of the shares in associates
- Realization of sales income from software sales

In the following we will describe the particularly important audit matters, addressing in particular why we consider the matter to be particularly important and how the matter was treated in the audit of the financial statements, including a summary of our reaction to this matter and any applicable important findings.

Impairment of the shares in associates

For the accounting principles applied we refer to Section B. of the notes. For the information about the shares held by RIB SE we refer to Section C.2. of the notes.

The risk for the financial statements

The balance sheet on 31 December 2018 discloses shares in associates of € 193.6 million (48.4 % of the balance sheet total). For the assessment of the impairment of the shares in associates it must be verified whether the fair value of the shares cover their respective carrying amount. If the fair value is likely to be below the carrying amount permanently, the shares are subject to unscheduled depreciation to the lower value. The fair value was an estimate determined in consideration of both past and future expected developments. Estimates include discretionary decisions and uncertainties in the valuation of past events or likely future events. Estimated values thus create a higher risk of incorrect information in the accounting.

Treatment in the audit

For all material shares in associates whose carrying amount is not clearly covered by the fair value due to the asset situation of the associate, the Company determines fair values by applying the discounted cashflow method. We checked the valuation models used by the Company for plausibility both in terms of calculations and methodology. We evaluated the assumptions made for budget planning in terms of their plausibility, consistency and lack of contradictions. In order to assess adherence to the budget, we made sample target-actual comparisons of historical budget data with the actual developments. We compared the valuation parameters used in the valuation models, such as growth rates and discounting rates, with publicly available market data. In order to be able to estimate a possible impairment risk for a possible change of individual material assumptions, we performed our own sensitivity analysis.

Our conclusions

The company uses proper valuation methods for determining HGB-compliant fair values. According to our assessment, the underlying assumptions and valuation parameters are appropriate and plausible. Our audit activities did not result in any objections concerning the assessment of the impairment of the shares in associates.

Realization of sales income from software sales

Regarding the composition of sales revenue, we refer to Section D.1 of the notes.

The risk for the financial statements

In the 2018 financial year, RIB SE achieved sales revenue of € 55.3 million, of which € 54.1 million came from the sale of software and associated products and services. The HGB does not contain any special regulations for the realization of sales revenue from software sales and associated products and services. The Company has defined detailed guidelines, procedures, and processes for the sales realization. Depending on the respective transaction volume, RIB SE differentiates in particular between the areas mass market and key accounts. In the key account area, some extensive contracts are concluded with customers. The accounting representation of these contracts and the transactions based on them requires discretionary decisions and estimates. This concerns in particular the distribution of the sales revenue over the individual performance obligations and an assessment whether and when the material opportunities and risks were transferred to the buyer.

Treatment in the audit
In the mass market area, we audited the appropriateness and effectiveness of the internal controls implemented by the company in order to ensure an accrual-based and complete sales realization. In addition, for a sample of the sales revenues posted we audited the accrual-based and complete representation of sales revenue by viewing the customer contracts and verifying the actual performance time / period.

In the key accounts area, for all software contracts that we individually rated as material and for a sample of the remaining software contracts, we

- obtained an understanding of the transaction by verifying the underlying contracts and associated documents and using explanations of RIB Group employees in the Development, Sales, and Accounting departments;
- assessed whether the agreed performance obligations were completely identified, and independent performance obligations were delineated correctly and whether the distribution of the transaction revenues to the individual performance obligations had been carried out properly;
- assessed whether for every independent performance obligation the sales revenue was recorded accrual-based at the time / period in which the performance was provided.

Our conclusions
The Company has implemented appropriate regulations for the procedure for the realization of sales revenues from software sales. In the mass market area, our audit did not result in any significant objections concerning the appropriateness and effectiveness of the internal controls implemented. In the key account area, the sales realization followed the RIB guidelines. If there was room for discretion in decisions and estimates had to be made, these were balanced and appropriate.

OTHER INFORMATION

The legal representatives are responsible for any other information. The other information includes the parts of the management report that we acquired before the date of this audit certificate and that is listed in the annex to this audit certificate and whose content has not been audited and other information (other than the financial statements, management report, and the associated audit certificate) contained in the annual report of RIB SE for the 2018 financial year, which we will likely receive after this date.

Our audit findings for the financial statements and management report do not extend to the other information and correspondingly we do not provide an audit assessment nor any other kind of audit result for this information.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information

- contains material deviations from the financial statements, management report, or our findings made during the audit or
- otherwise appears to be represented materially incorrectly.

If we, based on our work, draw the conclusion that this other information is represented materially incorrectly, we are obligated to report this fact. We have nothing to report in this respect.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE ADMINISTRATIVE BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The Managing Directors as legal representatives are responsible for the compilation of the annual financial statements that meet the German commercial regulations applicable to corporations in all material matters and to ensure that the annual financial statements convey a picture of the net assets, financial position and results of operations of the Company which reflects the actual situation in adherence to the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary in agreement with the German principles of proper accounting in order to ensure the compilation of the annual financial statements that are free of materially incorrect representations, whether intentional or unintentional.

When compiling the annual financial statements, the legal representatives are responsible for assessing the capacity of the Company to continue its business activities as a going concern. Furthermore, they are responsible for stating any applicable facts in connection with the continuation of business activities. In addition, they are responsible for basing their accounting on the accounting principles for the continuation of business activities unless this is not possible due to factual or legal circumstances.

In addition, the legal representatives are responsible for compiling a management report that conveys overall a correct picture of the situation of the company and agrees with the annual financial statements in all material matters, meets German legal regulations, and correctly represents the opportunities and risks to the future development. Furthermore, the legal representatives are responsible for taking precautions and measures (systems) which they consider necessary for ensuring the compilation of a management report in compliance with the applicable German legal regulations and providing sufficient suitable evidence for the statements made in the management report.

The Administrative Board is responsible for monitoring the accounting process of the Company for the compilation of the financial statements and of the management report. Three members of the Administrative Board as Managing Directors were involved in the compilation of the financial statements and the management report. The majority of the members of the Administrative Board was not involved in the compilation of the financial statements and the management report.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to gain a sufficient level of certainty as to whether the annual financial statements as a whole are free of materially – intentional or unintentional – incorrect representations and whether the management report overall conveys a correct picture of the situation of the Company and agrees with the annual financial statements and the findings made in the audit in all material matters, complies with German legal regulations, and correctly depicts the opportunities and risks to the future development, as well as to issue an audit certificate that contains our audit findings on the annual financial statements and management report.

Sufficient certainty is a high level of certainty but no guarantee that an audit performed in compliance with section 317 HGB and the EU-AD, in compliance with the German principles of proper auditing issued by the "*Institut der Wirtschaftsprüfer*" (IDW) will always uncover significantly incorrect representations. Incorrect representations may result from violations or incorrect information and are considered material if they (individually or cumulatively) can be reasonably expected to influence the business decisions of its recipients taken on the basis of this annual financial statements and management report.

We exercise our dutiful discretion during the audit and retain a critical basic attitude. In addition

- we identify and assess the risks of materially – intentional or unintentional – incorrect representations in the annual financial statements and management report, plan and perform audit activities in reaction to these risks, and acquire audit evidence that is sufficient and suitable to serve as a basis for our audit findings. The risk that materially incorrect representations are not uncovered is greater in case of violations than in the case of incorrect information, since violations may include fraudulent collusion, falsification, intentionally incomplete information, misleading representations and/or the suspension of internal controls.
- we acquire an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit activities suitable to the applicable situation, however not with the goal of issuing an audit assessment concerning the effectiveness of these systems of the Company.
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the plausibility of the estimated values provided by the legal representatives and any connected disclosures.
- we draw conclusions concerning the appropriateness of the accounting principles for the continuation of business activities applied by the legal representatives and, based on the audit evidence acquired, whether there is any material uncertainty in connection with events or circumstances which would justify significant doubt about the capacity of the company to continue its business activities. If we reach the conclusion that there is a material uncertainty, we are obligated to point out the pertinent disclosures in the annual financial statements and management report in our audit certificate or, if these statements are inappropriate, to modify our respective audit assessment. We base our conclusions on the audit evidence acquired by the date of our audit certificate. Future events or circumstances can result in the inability of the Company to continue its business activities.
- we assess the overall representation, the structure and content of the annual financial statements including notes and whether the annual financial statements present the underlying business transactions and events in a manner so that the annual financial statements convey a picture of the net assets, financial position and results of operations of the Company that reflects the actual situation, in keeping with the principles of proper accounting.
- we assess the agreement of the management report with the annual financial statements, its compliance with law, and the picture it conveys of the situation of the company.
- we perform audit activities on the predictions of the legal representatives in the management report. Based on sufficient suitable audit evidence we check the plausibility in particular of the assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not provide an independent audit assessment on the forward-looking statements or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the forward-looking statements.

Among other things, we discuss the planned audit scope and schedule as well as significant audit findings with the persons responsible for monitoring, including any deficiencies in the internal control system, that we detect during our audit.

We submit a declaration to the supervisory instances that we have adhered to the relevant impartiality requirements and discuss any relationships and other matters which could reasonably be assumed to impact our impartiality and the measures taken to prevent this.

Based on the matters that we have discussed with the supervisory instances, we determine those matters that were the most significant in the audit of the financial statements for the current reporting period and which are therefore the particularly important audit matters. We describe these matters in the audit certificate, unless any laws or other legal regulations preclude the public disclosure of the matter.

OTHER LEGAL REQUIREMENTS

OTHER INFORMATION PURSUANT TO ARTICLE 10 EU-AD

We were appointed as auditors of the financial statements by the Annual General Meeting on 15 May 2018. The Administrative Board assigned the audit to us on 12 December 2018. We have been continuously responsible for auditing the financial statements of RIB Software SE, Stuttgart since the 2011 financial year.

We declare that the audit assessments contained in the audit certificate agree with the additional report to the audit committee pursuant to Article 11 EU-AD (Audit Report).

AUDITOR RESPONSIBLE

The auditor responsible for the audit is Olaf Brank.

Stuttgart, 15 March 2019

BW PARTNER
Bauer Schätz Hasenclever Partnerschaft mbB
Auditors Tax Advisors

Philipp Macke Auditor	Olaf Brank Auditor

ANNEX TO AUDIT CERTIFICATE: COMPONENTS OF THE MANAGEMENT REPORT THAT WERE NOT AUDITED FOR CONTENT

We did not audit the content of the following parts of the management report:

- the non-financial statement contained in Section F. of the management report and
- the statement on business management contained in Section G. of the management report.