

LETTER TO OUR SHAREHOLDERS



Thomas Wolf, CEO

**Dear Shareholders,
Dear Friends of RIB Software AG,**

the strong company growth in the first half of 2016 continued into the third quarter. Group sales rose by 23.6% to € 70.8 million and strengthened our course.

Our iTWO community and iTWO Brand has reached a high level in 2011-2015, and the outlook is positive in the new 2016-2020 5-year plan and beyond to 2025. Global governments, the IT industry and clients are discovering the benefit of integrating two worlds (the virtual into the physical), which we call iTWO Technology.

1. **We are on a strong path** to reach our 2020 – 2025 target of building up a community of 1,000 iTWO 5D technology partners and iTWO key account clients as the engine to transform the traditional building and infrastructure industry into one of the most advanced industries on the planet.
2. **We are on a strong path** to support with iTWO³ - New Thinking, New Working, New IT Technology - and the iTWO City Technology the development of the 21st Century City and Infrastructure development, called digital knowledge or smart city.
3. **We are on a strong path** to support with iTWO 4.0 the next generation of IT, which is also named IoT. With the new iTWO 4.0 2016 platform, the iTWO SP (smart production), and the xTWO platform, we have developed exactly the solutions for which the market is now asking.

The global building and construction process industry has reached now almost 9 trillion USD and will grow to 15 trillion by 2025. The IT spending can reach around 500 Billion USD (3.3%) from today estimated 90 Billion USD (1%). To become a leading supplier for this new 500 Billion USD pie, we need to work hard on our foundation and our organization.

Our successful path could also be continued in the third quarter. **Group sales** rose during the first nine months by 23.6% to € 70.8 million (previous year: € 57.3 million). International sales rose by 17.4% to € 33.0 million (previous year: € 28.1 million), while sales in Germany saw a rise of 29.9% to € 37.8 million (previous year: € 29.1 million). Adjusted for acquisitions, total sales increased during the first nine months by 14.0% to € 65.1 million (previous year: € 57.1 million). We also achieved significant growth in sales of software licences of 54.8% (€ 19.2 million) (previous year: € 12.4 million).

The RIB Group generated a pre-tax **cashflow from operating activities** of € 22.9 million during the first nine months (previous year: € 18.5 million), which equates to an increase of 23.8% compared with last year.

With the **founding of the Ytwo joint venture** (internationally operating, web-based platform for the management of building projects) with Flex, a leading provider of production services, we believe it has the opportunity to expand our leading position and to continue to drive forward external growth. As a result of the joint venture, RIB has raised its EBITDA forecast for 2016 from between EUR 20 and 25 million to between EUR 27 and 32 million.

On the basis of **strong development during the current financial year**, coupled with a marked increase in demand for our iTWO 5D software solution and the market launch of our new web-based iTWO 4.0 platform, we envisage that the good growth potential for the RIB Group will continue in 2016.

Thanks for your trust and support. Our share price has reached a new record high in 2015, and I can promise RIB team will not rest and work hard to reach the next record level and reach a real break-through for our technology, for our management and for our investors.

Kind regards



Thomas Wolf

RIB OVERVIEW

COMPANY PROFILE

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

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

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

For more information visit www.rib-software.com

CONSOLIDATED FIGURES - OVERVIEW

€ million unless otherwise indicated	3 rd quarter			9 months		
	2016	2015	change	2016	2015	change
Revenue	20.9	17.9	16.8%	70.8	57.3	23.6%
Software and SaaS/Cloud	7.3	6.2	17.7%	28.9	21.6	33.8%
Maintenance	7.0	5.8	20.7%	20.5	17.7	15.8%
Consulting	5.2	4.3	20.9%	16.2	13.7	18.2%
e-Commerce	1.4	1.7	-17.6%	5.2	4.3	20.9%
Operating EBITDA*	4.2	3.6	16.7%	17.9	14.4	24.3 %
as % of revenue	20.1%	20.1%		25.3%	25.1%	
Operating EBIT*	1.9	1.4	35.7%	11.0	8.2	34.1%
as % of revenue	9.1%	7.8%		15.5%	14.3%	
Write-downs from purchase price allocations (PPA amortisation)	1.0	0.8	25%	3.1	2.2	40.9%
Cash generated from operations				22.9	18.5	23.8%
Cash incl. available-for-sale securities**				166.1	177.0	-10.9
Equity ratio**				87.5%	86.3%	
Average number of employees				762	660	15.5%

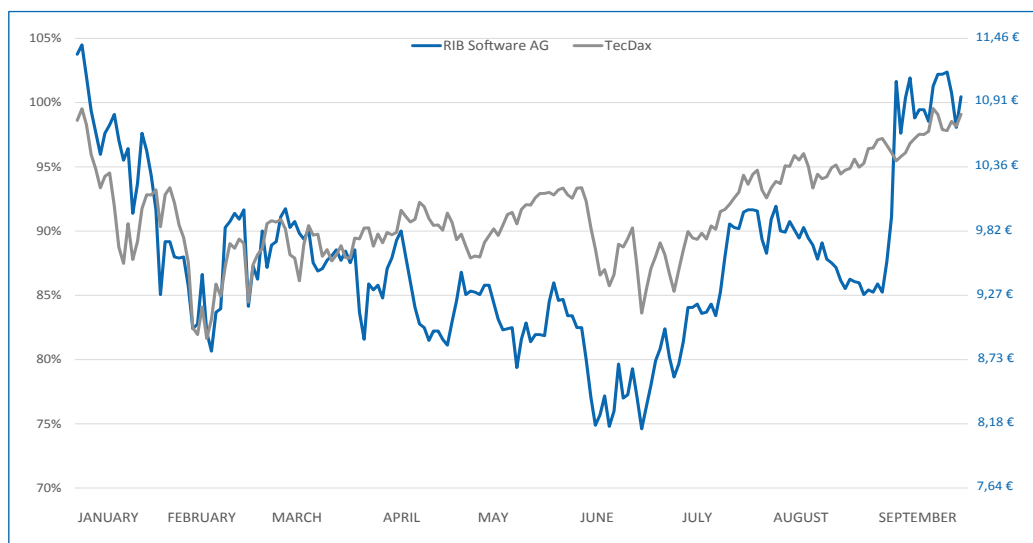
* EBITDA and EBIT adjusted for currency effects (Q3 2016: 0.0; Q3 2015: +0.5) / (9M 2016: -0.9; 9M 2015: +0.5) and one-off and special effects (2016: 0.0; 2015: € +0.3 million)

** Previous year as of 31 December 2015

RIB ON THE CAPITAL MARKET

RIB SHARE PRICE PERFORMANCE JANUARY - SEPTEMBER 2016

During the first nine months of the 2016 financial year, the share price of RIB Software AG has progressed in line with the TecDAX, albeit with a number of anomalies in the middle of the year. The quarter ended with a price of € 10.96 (XETRA closing price on 30 September 2016).



EVALUATION OF THE ANALYSTS

Experts and analysts from Berenberg, Hauck&Aufhäuser and Kepler Cheuvreux have given a buy recommendation for the RIB share with a target price of between € 13.00 and € 13.75. Analysts from Warburg Research and UBS have set the target price to € 11.00 with a "hold" / "neutral" classification.

SHAREHOLDER STRUCTURE

As of 26 October 2016

Shareholder	Shares in %
Thomas Wolf & Family	18.65
Capital Group Companies, Inc.	7.90
Ameriprise Financial, Inc.	4.54
SAP AG	3.97
RIB Software AG (Treasury stock)	3.83
Lagoda Investment Management L.P.	3.19
Hans-Joachim Sander & Family	3.17
Credit Suisse Fund Management S.A.	3.03
Schroders Investment Management Limited	2.99
Henderson Global Investors Limited	2.97

Shares outstanding: 46,845,657

INTERIM GROUP MANAGEMENT REPORT

REPORT ON EARNINGS, FINANCIAL POSITION AND NET WORTH

TOTAL TURNOVER ROSE BY 23.6% TO € 70.8 MILLION

SOFTWARE LICENCE REVENUE ROSE BY 54.8% TO € 19.2 MILLION

The RIB Group has continued the positive business trend seen in the first six months of 2016 and has achieved further high rates of growth in sales and performance. Group sales rose during the first nine months by 23.6% to € 70.8 million (previous year: € 57.3 million). International sales rose by 17.4% to € 33.0 million (previous year: € 28.1 million), while sales in Germany saw a rise of 29.9% to € 37.8 million (previous year: € 29.1 million). Adjusted for acquisitions, total sales increased during the first nine months by 14.0% to € 65.1 million (previous year: € 57.1 million). We also achieved significant growth in sales of software licences of 54.8% (€ 19.2 million) (previous year: € 12.4 million).

The accrued maintenance sales increased by 15.8% from € 17.7 million to € 20.5 million, and are continuing to account for a large proportion of recurring sales. In total, recurring sales (maintenance and SaaS) rose by 12.3% to € 30.2 million (previous year: € 26.9 million). Sales in the iTWO reporting segment rose during the period under review by 23.8% to € 65.6 million (previous year: € 53.0 million).

OPERATING EBITDA* ROSE BY 24.3% TO € 17.9 MILLION

OPERATING EBT* ROSE BY 32.9% TO € 10.9 MILLION

The operating earnings before interest, taxes, depreciation and amortisation (operating EBITDA*) increased by 24.3% to € 17.9 million compared with the previous year (previous year: € 14.4 million). The operating earnings before taxes (operating EBT*) rose during the period under review by 32.9% to € 10.9 million (previous year: € 8.2 million). The PPA depreciations increased compared with the previous year from € 2.2 million to € 3.1 million (+40.9%) as a result of the acquisitions of Soft SA and SAA. Earnings after taxes were € 5.7 million and therefore slightly below last year's figure (€ 6.2 million). This can be primarily attributed to the fact that deferred tax assets were not recognized for all loss carryforwards in the current financial year. The calculated tax rate therefore increased to 42.7% (previous year: 30.5%). If adjusted for these effects, the tax rate would be 29.3%.

R&D EXPENDITURE INCREASED BY 37.0% TO € 7.4 MILLION

R&D expenditure increased by 37.0% to € 7.4 million during the period under review (previous year: € 5.4 million). The increase essentially occurred on the basis of the boost to our iTWO 4.0 development team as a result of the acquisitions in Spain and Austria in 2015. Consequently, administrative costs have increased from € 6.4 million to € 7.7 million (+20.3%), as has expenditure on distribution and marketing, from € 11.0 million to € 12.7 million (+15.5%). The average number of employees changed by 15.5% to 762 (previous year: 660 employees).

OPERATING CASHFLOW INCREASED BY 23.8% TO € 22.9 MILLION

The RIB Group generated a pre-tax cashflow from operating activities of € 22.9 million during the first nine months (previous year: € 18.5 million), which equates to an increase of 23.8% compared with last year. The net cashflow from operating activities reached € 13.3 million (previous year: € 15.6 million). Net cashflow resulting from investments fell below the figure for the previous year at € -4.6 million (previous year: € -17.5 million). Essentially, this means that no acquisitions have been made so far in the current financial year (previous year: acquisition of Soft SA Spain for € 9.8 million).

The net cashflow from financing activities of € -15.9 million (previous year: € 37.0 million) basically includes dividend expenditure of € 7.3 million, expenditure for the purchase of own shares (€ 5.8 million) and the repay-

*) EBITDA and EBT adjusted for currency effects (2016: € -0.9 million; 2015: € +0.5 million) and one-off and special effects (2016: 0.0; 2015: € +0.3 million)

ment of other financial liabilities (€ 2.6 million). In the previous year, this included proceeds from an increase in share capital of € 48.1 million.

LIQUID ASSETS OF € 166.1 MILLION

As at 30 September 2016, the Group held liquid assets, including securities available for disposal, of € 166.1 million (31 December 2015: € 177.0 million). Equity capital was € 278.1 million (31 December 2015: € 285.9 million). The equity ratio improved slightly to 87.5% (31 December 2015: 86.3%).

Accounts payable from deliveries and services decreased by 27.3% to € 1.6 million (31 December 2015: € 2.2 million). Accounts receivable from deliveries and services also decreased (€ 13.6 million) (31 December 2015: € 16.2 million).

OPPORTUNITY AND RISK REPORT

With the founding of the Y TWO joint venture (internationally operating, web-based platform for the management of building projects) with Flex, a leading provider of production services, the RIB Group believes it has the opportunity to expand its leading position and to continue to drive forward external growth. The joint venture still requires the usual approval under cartel law. In the meantime, the approval has already been submitted by the Federal Cartel Office in Germany. Building B2B web-based platforms is normally associated with start-up investments until the point of breaking even.

With regard to the other important opportunities and risks of the expected development of the RIB Group, please refer to the opportunities and risks described in the management report of 31 December 2015.

FORECAST REPORT

On the basis of strong development during the current financial year, coupled with a marked increase in demand for our iTWO 5D software solution and the market launch of our new web-based iTWO 4.0 platform, we envisage that the good growth potential for the RIB Group will continue in 2016. We expect to see a turnover trend in consulting revenues similar to the growth we have seen in software revenues. With regard to maintenance sales, we assume that the stable growth seen over the last few years will continue. RIB Software AG has reached an agreement with a leading global make-to-order manufacturer to establish a joint venture for an international, web-based platform for the management of building projects, including the design, calculation, costs and end-to-end supply chain management, subject to the usual examination by the competition authorities. As a result of the joint venture, RIB has raised its EBITDA forecast for 2016 from between EUR 20 and 25 million to between EUR 27 and 32 million. The sales forecast remains unchanged, as the licence agreement from the supply of technology for iTWO 4.0 between Y TWO and RIB will only continue to have an effect on the results this year and the years thereafter.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the period: 01.01.2016 to 30.09.2016

figures in € thousand, unless otherwise indicated	Note	3 rd quarter 2016	3 rd quarter 2015	9 months 2016	9 months 2015
Revenue	(4)	20,924	17,891	70,798	57,252
Cost of sales		-10,082	-9,242	-32,365	-26,652
Gross profit		10,842	8,649	38,433	30,600
Other operating income	(5)	294	999	696	1,774
Marketing and distribution costs		-3,804	-3,769	-12,722	-11,005
General administrative expenses		-2,750	-1,916	-7,720	-6,424
Research and development expenses		-2,371	-1,656	-7,405	-5,428
Other operating expenses	(6)	-280	-27	-1,217	-511
Financial income		57	55	275	153
Finance costs		-39	-34	-369	-173
Share of profit and losses of associates		-45	-2	-3	-2
Profit before tax		1,904	2,299	9,968	8,984
Income taxes		-793	-810	-4,253	-2,736
Profit after tax		1,111	1,489	5,715	6,248
Loss attributable to non-controlling interests		-10	0	-120	0
Profit attributable to owners of the parent company		1,121	1,489	5,835	6,248
Result per share on the basis of the share earnings of the shareholders of RIB Software AG:					
basic and diluted	(8)	0.02 €	0.03 €	0.13 €	0.15 €

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period: 01.01.2016 to 30.09.2016

Figures in € thousand	3rd quarter 2016	3rd quarter 2015	9 months 2016	9 months 2015
Profit after tax	1,111	1,489	5,715	6,248
Components reclassified with no effect on profit and loss:				
Revaluations	8	-78	24	-231
Other consolidated comprehensive income after taxes for components reclassified with no effect on profit and loss	8	-78	24	-231
Components reclassified in subsequent periods with an effect on profit and loss:				
Exchange differences	-194	-1,499	-1,318	3,554
Changes in value of available-for-sale securities	0	0	0	-5
Other consolidated comprehensive income after taxes for components reclassified with an effect on profit and loss	-194	-1,499	-1,318	3,549
Other consolidated comprehensive income after taxes	-186	-1,577	-1,294	3,318
Total consolidated comprehensive income	925	-88	4,421	9,566
of which attributable to non-controlling interests	0	0	0	0
of which attributable to owners of the parent company	925	-88	4,421	9,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30.09.2016 AND 31.12.2015

Figures in € thousand	Note	30.09.2016	31.12.2015
Goodwill	(9)	66,488	66,878
Other intangible assets		51,631	51,257
Property, plant and equipment		7,271	7,199
Investment properties		5,225	5,969
Investments accounted for using the equity method		103	88
Prepaid land use lease payments		974	1,063
Other assets		111	118
Deferred tax assets		864	495
Total non-current assets		132,667	133,067
Inventories		1,406	983
Trade receivables		13,597	16,203
Gross amounts due from customers for contract work		281	165
Available-for-sale securities		109	2,686
Other assets		3,879	3,880
Cash and cash equivalents		166,040	174,335
Total current assets		185,312	198,252
Total assets		317,979	331,319

Figures in € thousand	Note	30.09.2016	31.12.2015
Subscribed capital		46,846	46,846
Treasury shares		-10,597	-4,828
Capital reserves		182,203	181,396
Legal reserves		95	95
Accumulated other consolidated comprehensive income		6,649	7,943
Retained earnings		53,201	54,657
Equity attributable to owners of the parent company		278,397	286,109
Non-controlling interests	(10)	-287	-167
Total equity		278,110	285,942
Pension provisions		3,845	3,609
Finance lease obligations, non-current portion		254	238
Other finance liabilities		2,185	2,499
Deferred tax liabilities		12,827	13,024
Total non-current liabilities		19,111	19,370
Trade payables		1,621	2,206
Provisions for income taxes		1,044	4,297
Other provisions		783	929
Accruals		4,345	4,432
Deferred revenue		10,142	5,152
Other financial liabilities		201	2,579
Other liabilities		2,622	6,412
Total current liabilities		20,758	26,007
Total liabilities		39,869	45,377
Total equity and liabilities		317,979	331,319

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period: 01.01.2016 to 30.09.2016

Figures in € thousand	Issued capital	Capital reserves	Legal reserves
As of 1 January 2015	43,467	135,157	60
Profit after tax	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	0	0	0
Disposal of treasury shares	-	1,985	-
Dividend payment	-	-	-
Capital increase	3,379	43,681	-
Other changes	-	-4	-
Share-based remuneration	-	495	-
As of 30 September 2015	46,846	181,314	60
As of 1 January 2016	46,846	181,396	95
Profit after tax	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	0	0	0
Purchase of treasury shares	-	-	-
Dividend payment	-	-	-
Capital increase	-	-	-
Other changes	-	0	-
Share-based remuneration	-	807	-
As of 30 September 2016	46,846	182,203	95

Accumulated other comprehensive income								Total equity according to consolidated statement of financial position
Changes in value of available-for-sale securities	Foreign currency translation reserve	Revaluations	Treasury shares	Retained earnings	Equity attributable to owners of parent	Non-controlling interests		
5	2,758	-421	-5,543	50,963	226,446	0	226,446	
-	-	-	-	6,248	6,248	-	6,248	
-5	3,554	-231	-	-	3,318	-	3,318	
-5	3554	-231	0	6,248	9,566	0	9,566	
-	-	-	715	-	2,700	-	2,700	
-	-	-	-	-6,754	-6,754	-	-6,754	
-	-	-	-	0	47,060	-	47,060	
-	-	-	-	-	-4	6	2	
-	-	-	-	-	495	-	495	
0	6,312	-652	-4,828	50,457	279,509	6	279,515	
1	8,332	-390	-4,828	54,657	286,109	-167	285,942	
-	-	-	-	5,835	5,835	-120	5,715	
0	-1,318	24	-	-	-1,294	-	-1,294	
0	-1,318	24	0	5,835	4,541	-120	4,421	
-	-	-	-5,769	-	-5,769	-	-5,769	
-	-	-	-	-7,291	-7,291	-	-7,291	
-	-	-	-	-	0	-	0	
-	-	-	-	-	0	0	0	
-	-	-	-	-	807	-	807	
1	7,014	-366	-10,597	53,201	278,397	-287	278,110	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period: 01.01.2016 to 30.09.2016

	Figures in € thousand	9 months 2016	9 months 2015
Cash flows from operating activities:			
Profit before tax		9,968	8,984
Adjustments for:			
Depreciation of property, plant and equipment		563	505
Amortisation of intangible assets		6,124	5,542
Depreciation of investment property		102	114
Changes in valuation allowances for trade receivables		114	35
Other non-cash items		1,122	17
Interest expense and other finance cost		369	173
Financial income		-275	-153
		18,087	15,217
Working capital adjustments:			
Increase/decrease(-) in provisions and deferred liabilities		19	345
Increase(-)/decrease in receivables and other assets		2,015	106
Increase/decrease(-) in liabilities from trade payables and other liabilities		2,793	2,804
Cash generated from operations		22,914	18,472
Interest paid		-30	0
Interest received		181	56
Income taxes paid		-9,736	-2,888
Net cash flows from operating activities		13,329	15,640
Proceeds from the disposal of non-current assets		0	20
Purchase of property, plant and equipment		-586	-572
Purchase/production of intangible assets		-6,569	-7,201
Purchase of consolidated companies net of cash acquired		0	-9,760
Purchase(-)/sale of available-for-sale securities		2,578	2
Net cash flows from investing activities		-4,577	-17,511
Payments received from capital increase		0	48,147
Payments made for capital increase expenses		0	-1,565
Dividends paid		-7,291	-6,754
Payments to non-controlling interests		-200	-60
Payments made for redeeming other financial liabilities		-2,602	-2,748
Payments made for finance leases		-5,769	0
Net cash flows used in financing activities		-15,862	37,020
Change in cash and cash equivalents impacting cash flow		-7,110	35,149
Cash and cash equivalents at the beginning of the period		174,335	137,621
Currency-related change in cash and cash equivalents		-1,185	2,495
Cash and cash equivalents at the end of the period		166,040	175,265
Composition of cash and cash equivalents:			
Liquid funds, unrestricted		164,266	172,700
Liquid funds, restricted		1,774	2,565
Total		166,040	175,265

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

This condensed consolidated interim financial statement of RIB Software AG (the “Company”) and its subsidiaries (collectively the “Group”) was drawn up according to the regulations of the International Financial Reporting Standards (IFRS). It complies in particular with the IAS 34 regulations “Interim reporting”.

The condensed consolidated interim financial statement has not been subjected to auditing inspection or a general audit.

Our business activity is in some respects subject to seasonal fluctuations. In the past the revenue in the fourth quarter tended to be higher than in the individual preceding quarters. The interim results can therefore only be regarded as an indicator for the results of the entire financial year.

This condensed and unaudited consolidated interim financial statement should be read with the audited IFRS consolidated financial statements of RIB Software AG as of 31 December 2015. Due to the representation of the numbers in € thousands, rounding differences may arise in individual items.

2. ACCOUNTING POLICIES

In drawing up the consolidated interim financial report the same accounting policies and calculation methods were used as in the consolidated financial statements as of 31 December 2015.

Until the 2014 financial year, we recognised expenses from the scheduled depreciation of technology purchased relating to company acquisitions in the consolidated income statement under “Marketing and distribution costs”. We reclassified these expenses to production costs of services for revenue generation in the reporting period. Due to the functional connection of the purchased technology with the production of our products, we are of the view that this recognition provides a more correct view of the Group’s results of operations. To ensure comparability, the prior-year amounts have been adjusted accordingly. To ensure comparability, we have adjusted the prior-year amounts accordingly and have reported the amount for write-downs on purchased technology of € 1,270 thousand under “Production costs”.

3. CONSOLIDATED GROUP

Compared to the consolidated financial statements as of 31 December 2015, the scope of consolidation as of 30 September 2016 also includes RIB Software DMCC - Dubai, VAE. The company was newly established as of 01 January 2016 and is fully consolidated in the interim financial statements as of 31 March 2016 for the first time.

The name of RIB Research & Development AG, Stuttgart, was changed to RIB iTWOcity AG, Stuttgart. The interest in xTWO GmbH, Hungen, was increased from 75% to 100% (see note 12). The interest in RIB Cosinus GmbH, Freiburg, was increased from 80% to 100% (see note 12).

Guangzhou Prodigy 5D Company Limited, which was newly established in 2016 in China is a 100% holding of 3D Prodigy Pte Ltd., Singapore. 3D Prodigy has been consolidated at equity and is of lesser importance for the Group (see note 21 of the consolidated financial statements of 31 December 2015).

4. REVENUE

Revenue breaks down as follows:

Figures in € thousand	9 months 2016	9 months 2015
Software licences	19,207	12,392
Software as a service / cloud	9,742	9,245
Total software licences and software as a service / cloud	28,949	21,637
Maintenance	20,471	17,688
Consulting	16,193	13,660
e-Commerce	5,185	4,267
Total revenue	70,798	57,252

The total software licence revenue is subdivided as follows:

Figures in € thousand	9 months 2016	9 months 2015
iTWO Key Account	6,062	3,694
iTWO Mass Market	8,267	6,620
SaaS / Cloud	9,742	9,245
Legacy Products	4,878	2,078
Total software licences and software as a service / cloud	28,949	21,637

5. OTHER OPERATING INCOME

Other operating income of € 696 thousand primarily include income from the release of provisions, liability accruals, income from exchange rate differences and income from purchase price liabilities adjustments.

6. OTHER OPERATING EXPENSES

Other operating expenses primarily include foreign exchange expenses arising from cash and cash equivalents amounting to around € 968 thousand.

7. EXPENSES FOR EMPLOYEE BENEFITS AND NUMBER OF EMPLOYEES

Expenses for employee benefits

Figures in € thousand	9 months 2016	9 months 2015
Wages and salaries	29,476	25,183
Social security and pension costs	5,201	4,054
Total	34,677	29,237

Average number of employees

	9 months 2016	9 months 2015
General administration	98	93
Research & development	299	264
Sales & marketing	138	122
Support & Consulting	227	181
Total	762	660

8. EARNINGS PER SHARE – BASIC AND DILUTED

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

	figures in € thousand	9 months 2016	9 months 2015
Profit share of the shareholders of RIB Software AG – basic and diluted		5,835	6,248

	figures in thousand shares	9 months 2016	9 months 2015
Weighted average of shares in circulation - basic		45,351	42,595
Dilution effect		471	437
Weighted average of shares in circulation - diluted		45,822	43,032

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

9. GOODWILL

	Figures in € thousand	30.09.2016	31.12.2015
<i>Licence/software business segment</i>		43,137	43,307
<i>SaaS/Cloud business segment</i>		12,857	12,851
<i>Consulting business segment</i>		5,699	5,749
iTWO reporting segment		61,693	61,907
xTWO reporting segment		689	689
GZ TWO development entity		3,212	3,388
Arriba Finance		894	894
Total		66,488	66,878

The change in carrying amounts by € 390 thousand was attributable to currency translation effects of goodwill held in local currency, which were recognised outside profit or loss.

10. NON-CONTROLLING INTERESTS

The non-controlling interest relates to 25% of the shares in xTWOmarket and to 26% of the shares in i-PBS GmbH.

11. SEGMENT INFORMATION

Please refer to section (9) of our consolidated financial statements for the 2015 financial year for information on the basis of our segment reporting and notes on the segments.

The tables below show the segment revenue, segment results and reconciliations with the revenue shown in the consolidated income statement and comprehensive income. The following information to the first nine months 2015 has been adjusted to the revised reporting structure.

Figures in € thousand	9 months 2016		
	iTWO	xTWO	Total
Revenue, external	65,613	5,185	70,798
Licence / software	39,678		39,678
SaaS / Cloud	9,742		9,742
Consulting	16,193		16,193
e-Commerce		5,185	5,185
Production costs	-27,442	-4,923	-32,365
Licence / software	-13,316		-13,316
SaaS / Cloud	-1,329		-1,329
Consulting	-12,797		-12,797
e-Commerce		-4,923	-4,923
Research and development expenses	-7,373	-32	-7,405
Licence / software	-5,652		-5,652
SaaS / Cloud	-1,721		-1,721
Consulting			0
e-Commerce		-32	-32
Distribution and marketing costs	-11,610	-1,112	-12,722
General administrative expenses	-7,052	-668	-7,720
Other operating income und expenses	-626	105	-521
Segment EBIT	11,510	-1,445	10,065
Financial result			-97
Income taxes			-4,253
Consolidated net profit			5,715
Segment EBITDA	18,345	-1,364	16,981
Currency effects	-899	1	-898
Segment EBITDA adjusted for currency effects	19,244	-1,365	17,879
as % of revenue	29.3%	-26.3%	

Figures in € thousand	9 months 2015		
	iTWO	xTWO	Total
Revenue, external	52,985	4,267	57,252
Licence / software	30,080		30,080
SaaS / Cloud	9,245		9,245
Consulting	13,660		13,660
e-Commerce		4,267	4,267
Production costs	-22,884	-3,768	-26,652
Licence / software	-9,441		-9,441
SaaS / Cloud	-1,213		-1,213
Consulting	-12,230		-12,230
e-Commerce		-3,768	-3,768
Research and development expenses	-5,425	-3	-5,428
Licence / software	-3,978		-3,978
SaaS / Cloud	-1,447		-1,447
Consulting			0
e-Commerce		-3	-3
Distribution and marketing costs	-10,482	-523	-11,005
General administrative expenses	-5,775	-649	-6,424
Other operating income und expenses	1,222	41	1,263
EBIT segment	9,641	-635	9,006
Financial result			-22
Income taxes			-2,736
Consolidated net profit			6,248
Segment EBITDA	15,781	-589	15,192
Currency effects	452	0	452
Segment EBITDA adjusted for currency effects	15,329	-589	14,740
as % of revenue	28.9%	-13.8%	

The Executive Board as the chief operating decision-maker does not request submission of any regular details of segment assets and segment liabilities, as this information is not considered relevant for management of the Group.

Geographic information

Revenue by geographic area (based on the location of customers) breaks down as follows:

	Figures in € thousand	9 months 2016	9 months 2015
Germany		37,787	29,117
International		33,011	28,135
Total revenue		70,798	57,252

12. DISCLOSURES ON ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON FIRST RECOGNITION

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

Level 1:

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

Level 2:

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

Level 3:

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

Financial assets measured at fair value as of 30 September 2016:

Figures in € thousand	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Money market and investment funds	86	-	-	86
Corporate bonds	23	-	-	23

Financial assets measured at fair value as of 31 December 2015:

Figures in € thousand	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Money market and investment funds	2,651	-	-	2,651
Corporate bonds	35	-	-	35

Financial liabilities measured at fair value as of 30 September 2016:

Figures in € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Derivatives	-	357	1,806	2,163

Financial liabilities measured at fair value as of 31 December 2015:

Figures in € thousand	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Derivatives	-	552	3,849	4,401

The financial liabilities measured at fair value are derivative financial liabilities from company acquisitions.

The derivatives allocated to level two are liabilities whose amount in particular depends on the future price performance of RIB Software AG's share. The amount of € 357 thousand is attributable to liabilities from the acquisition of the subsidiary **RIB US Cost**. By means of the agreements dated 30 April 2014 and 08 October 2014, the Group acquired the remaining 38.325% of shares in RIB US Cost. The outstanding purchase price represents a contingent consideration, the amount of which will depend on the future price performance of RIB Software AG's share in particular. Furthermore, we expect that this condition will be met and have recognised the financial liability at the maximum amount, unchanged from the previous year. The accrued interest from the purchase price liability in the year under review results in an interest expense of € 4 thousand. An instalment of € 119 thousand of the total liability was repaid in the reporting period. The remaining € 357 thousand for the contingent consideration is scheduled to be due in 2017. A change of € 9 thousand is due to currency conversion differences.

The liability from the acquisition of the subsidiary **RIB Spain** on 03 July 2015, which was still reported as of 31 December 2015 and amounted to € 70 thousand, was de-recognised through profit or loss in the reporting period. The Group no longer assumes that the set minimum price for the RIB share will be achieved within one year of the acquisition date. The probability of occurrence as of the balance sheet date thus amounts to 0%. The subsequent valuation as of the balance sheet date resulted in earnings of € 70 thousand.

The derivatives allocated to level three are liabilities from option agreements related to the acquisition of SAA (€ 1,806 thousand), RIB Cosinus (€ 0 thousand) and xTWO (€ 0 thousand).

The financial liability from the acquisition of **RIB Cosinus** resulted from mutually agreed buy and sell options for the transfer of the outstanding stake of 20% to this company. The options can be exercised from 01 August 2016, in accordance with the contractual agreements. For further details, please see Section 40 of our consolidated financial statements as of 31 December 2015. In April 2016, an early exercise of the sell option was agreed. This has now taken place. The Group therefore paid a purchase price of € 1,900 thousand in May 2016 for the outstanding shares, thus acquiring 100% of the shares in RIB Cosinus.

The adjustment or compounding of the financial liability in the reporting period results in a finance cost of € 23 thousand.

The RIB Group acquired 75% of the shares in **xTWO** in the 2014 financial year. Alongside this, a put option agreement was concluded concerning the transfer of the remaining shares (25%), leading to recognition of a derivative financial liability. Insofar as the purchase option was exercised, the RIB Group was obliged to pay a fixed purchase price of € 500 thousand. However, part of this amount fell under a consideration arrangement classed as a separate transaction. Based on a fair value of the total option liability in the amount of € 474 thousand, an amount of € 158 thousand was allocated to the company acquisition and an amount of € 316 thousand to the separate transaction in the context of the initial measurement. A personnel expense of € 73 thousand results from the subsequent valuation in the reporting period. The financial liability was measured using an interest rate of 1.25%, which is appropriate for the respective period and risk. The compounding of the financial liability in the reporting period results in an interest expense of € 5 thousand.

An agreement was reached and notarially authenticated on 08 June 2016 for the early acquisition of the outstanding stake of 25%. The fixed purchase price is € 344 thousand, payable in three instalments. During the reporting period, € 144 thousand of the amount was repaid. The remaining amount of € 200 thousand is reported under “Current other financial liabilities”. The previously existing service agreement with the owners of the option was also terminated on 30 June 2016. Other operating expenses of € 67 thousand result from the subsequent valuation of the financial liability in the reporting period.

The Group acquired 75% of the shares in **SAA** during financial year 2015. Mutual buy and sell options for the transfer of the outstanding stake of 25% were concluded with the sellers at the same time. From the short position in the context of the put option agreement, a financial liability arises for the Group for which a fair value of € 2,632 thousand was calculated as of the purchase date. Of this, an amount of € 1,582 thousand was allocated to the company acquisition and an amount of € 1,050 thousand to a separate transaction in the form of a consideration agreement. The financial liability allocated to the company acquisition was recognised in full as part of the accounting for the company acquisition. The financial liability allocated to the separate transaction will be accumulated over a period of 66 months through profit or loss as a personnel expense and is included under financial liabilities at an amount of € 190 thousand as of the balance sheet date. The personnel expense for the reporting period arising therefrom amounts to € 143 thousand. The financial liability was measured by discounting this purchase price on the balance sheet date using a risk-compliant interest rate corresponding to the respective term of 1.25%. The compounding of the financial liability in the reporting period results in an interest expense of € 25 thousand.

In the reporting period, there were no transfers between levels one and two and no transfers into or out of level three.

The financial liabilities valued at fair value developed as follows in the reporting period:

	Figures in € thousand	2016
As of 1 January		4,401
Changes without effect on profits		
Repayments		-2,163
Change arising from currency translation		-9
Reclassifications		-200
		-2,372

Changes with effect on profits

Income from the subsequent valuation of purchase price liabilities (other operating income)	-70
Expenses from the subsequent valuation of purchase price liabilities (other operating expenses)	-67
Personnel expenses from the accumulation of purchase price liabilities (marketing and distribution costs)	73
Personnel expenses from the accumulation of purchase price liabilities (production costs)	143
Expenses from the interest accrued on purchase price liabilities (finance expenses)	55
	134
As of 30 September	2,163

Material valuation parameters were subjected to a sensitivity analysis for measuring the financial liabilities on level three. The calculations carried out for this purpose by the Group were undertaken separately for the measurement parameters classified as material. An increase or decrease in the material assumptions would have had the following effects on the carrying amounts of the financial liabilities on level three of € 1,806 thousand:

Figures in € thousand	Sensitivity	Carrying amount
Discounting interest rate used for the discounting period	+ 1 %-point	1,685
Discounting interest rate used for the discounting period	- 1 %-point	1,842
Growth rate in the budgeted revenues in the budget period	+ 10.0 %	1,999
Growth rate in the budgeted revenues in the budget period	- 10.0 %	1,461

13. EVENTS AFTER THE REPORTING PERIOD

With a notarial purchase agreement of 28 October 2016, RIB Software AG purchased the office building in Stuttgart, including land, which had been leased to date. The office area of the building covers 5,090 square meters. The purchase price amounts to € 8,000 thousand, part of which will be funded by a long-term bank loan.


Stuttgart, 31 October 2016

RIB Software AG**The executive board**


Thomas Wolf



Michael Sauer



Dr. Hans-Peter Sanio



Helmut Schmid

FURTHER INFORMATION

IMPRINT

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Translation of the original German version:

The English version of the Annual Report is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

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Product information and References



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