Annual Report 2012

Annual Report 2012
RIB Software AG

Contents

RIB on the Capital Market

In the financial year 2012, the RIB share temporarily moved significantly above the comparative TecDAX index. In the last quarter our share performed almost identically to the TecDAX. The current price of our share is backed by cash at around € 2.30 per share. The current price is still below our expectations. The RIB share has currently been given a buy rating by three analysts (UBS, Equinet and Warburg).

RIB share price performance 01.01.2012 – 31.12.2012

Key Figures

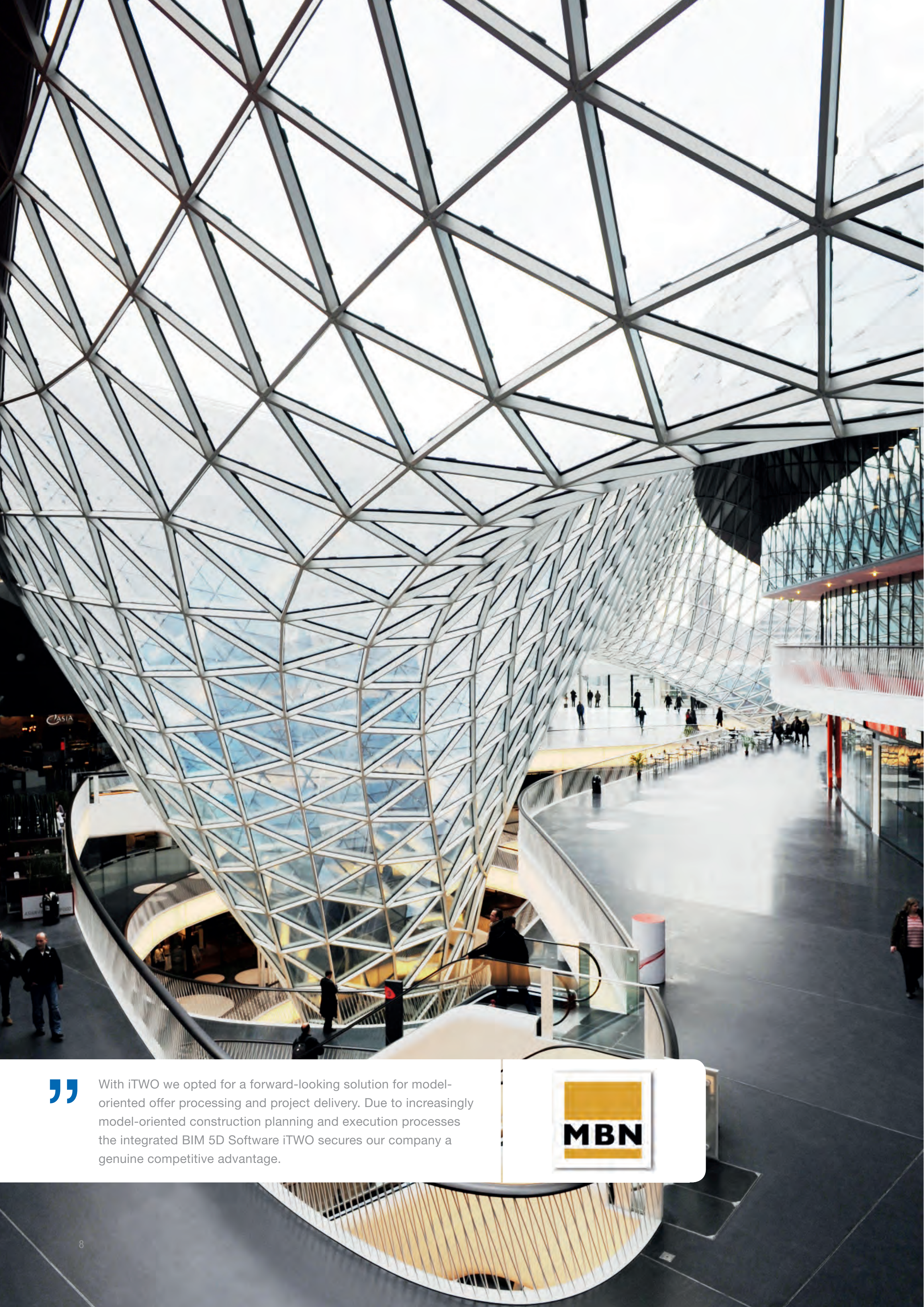
€ million unless otherwise indicated	**31.12.2012**	**31.12.2011**	**Change**
Revenue	39.2	35.1	11.7 %
Software licences and software as a service/cloud	17.0	16.6	2.4 %
EBITDA* as % of revenue	15.3 39.0 %	14.0 39.9 %	9.3 %
EBT* as % of revenue	11.6 29.6 %	11.3 32.2 %	2.7 %
Consolidated net profit of the year	8.8	5.6	57.1 %
Cash flow from operating activities	14.0	9.3	50.5 %
Average number of employees	465	377	23.3 %
Liquid funds and available-for-sale securities	89.1	106.8	-16.6 %
Equity ratio	81.8 %	88.4 %	

* EBITDA and EBT adjusted for IPO costs (2012: 0; 2011: 3.9), FX (2012: -0.7; 2011: +1.3), reclassification gains (2012: +1.8; 2011: 0) and acquisition costs (2012: -0.3; 2011: 0)

Share Fact Sheet

RIB Software AG registered with the commercial register of the District Court of Stuttgart (Amtsgericht Stuttgart), Germany under registration number HRB 20490

Share capital: February 4, 2011	38,715,420.00 EUR
Shares outstanding: February 4, 2011	38,715,420
Class:	Ordinary Shares
Initial trading:	February 8, 2011
International Securities Identification Number ISIN:	DE000A0Z2XN6
German Security Identification Number WKN:	A0Z2XN
Stock symbol:	RSTA
Ticker symbol Reuters:	RSTAG.DE
Ticker symbol Bloomberg:	RSTA:GR
Transparency Standard:	Prime Standard
Market Segment:	Regulated Market



„ With iTWO we opted for a forward-looking solution for model-oriented offer processing and project delivery. Due to increasingly model-oriented construction planning and execution processes the integrated BIM 5D Software iTWO secures our company a genuine competitive advantage.

MBN

MBN Bau AG

Headquarters:	Georgsmarienhütte, Germany	Employees:	474
		Website:	www.mbn.de

Major projects:

- Karosseriehalle Volkswagen AG, Emden (Bodywork hall)
- Ruhr-Universität, Bochum (Ruhr University)
- Brühwurst- und Kochschinkenfabrik Kemper, Nortrup (Factory for boiled sausages and ham)
- Verwaltungsgebäude Berliner Immobilien Management GmbH (BIM), Berlin (Administration building)
- „MyZeil" Palais Quartier, Frankfurt (Shopping mall)
- Logistikzentrum Wessels + Müller, Hedemünden (Logistics centre)

Business areas: Turnkey Construction, Renovation, Steel Construction, Metal and Facade Construction, Facility Management, Project Development

Why iTWO

- Maximum costing reliability
- Increased competitiveness through integrated construction software solution
- Forward-looking solution for model-oriented offer processing and project delivery

Details

As a medium-sized construction and real estate company, we have more than 40 years of experience in delivering high quality in all areas of construction and throughout the entire lifecycle of a property. We mainly concentrate on turnkey construction, all structural engineering services, metal and facade construction and property management. Public sector as well as private developers are amongst our customers.

More than 400 qualified employees are striving for your success. We take care of your projects from a total of seven locations throughout Germany and four branches abroad.

Evolution Tower

" iTWO has offered us a fully integrated, powerful and individual construction management solution. It is an innovative approach that helps us win new projects, coordinate all the processes during the construction lifecycle, address clashes, and simulate projects before they are built.

RENAISSANCE CONSTRUCTION

Renaissance Construction

Headquarters:	Saint Petersburg, Moscow, Ankara, Istanbul	Employees:	over 25,000
Country Offices:	Vienna, Baku, Ashgabat, Kiev, Erbil, Doha, Tripoli, Baghdad, Basra, Libreville	Website:	www.rencons.com

Major projects:

- Avia Park Shopping Mall, Moscow, Russia, 464,696 m^2 (2014)
- Evolution Tower, Moscow, Russia, 169,000 m^2 (2014)
- Telecom City, Moscow, Russia, 196,000 m^2 (2014)
- Moscow Park, Moscow, Russia, 227,403 m^2 (2014)

Business areas: Building Construction & Special Projects, Heavy Industry, Infrastructure

Why iTWO

- increase competitiveness level in the changing construction industry
- be standardised and global
- provide more accurate budget estimates
- coordinate all the construction processes
- detect clashes
- simulate a project before it is constructed
- minimise risks
- increase profits

Details

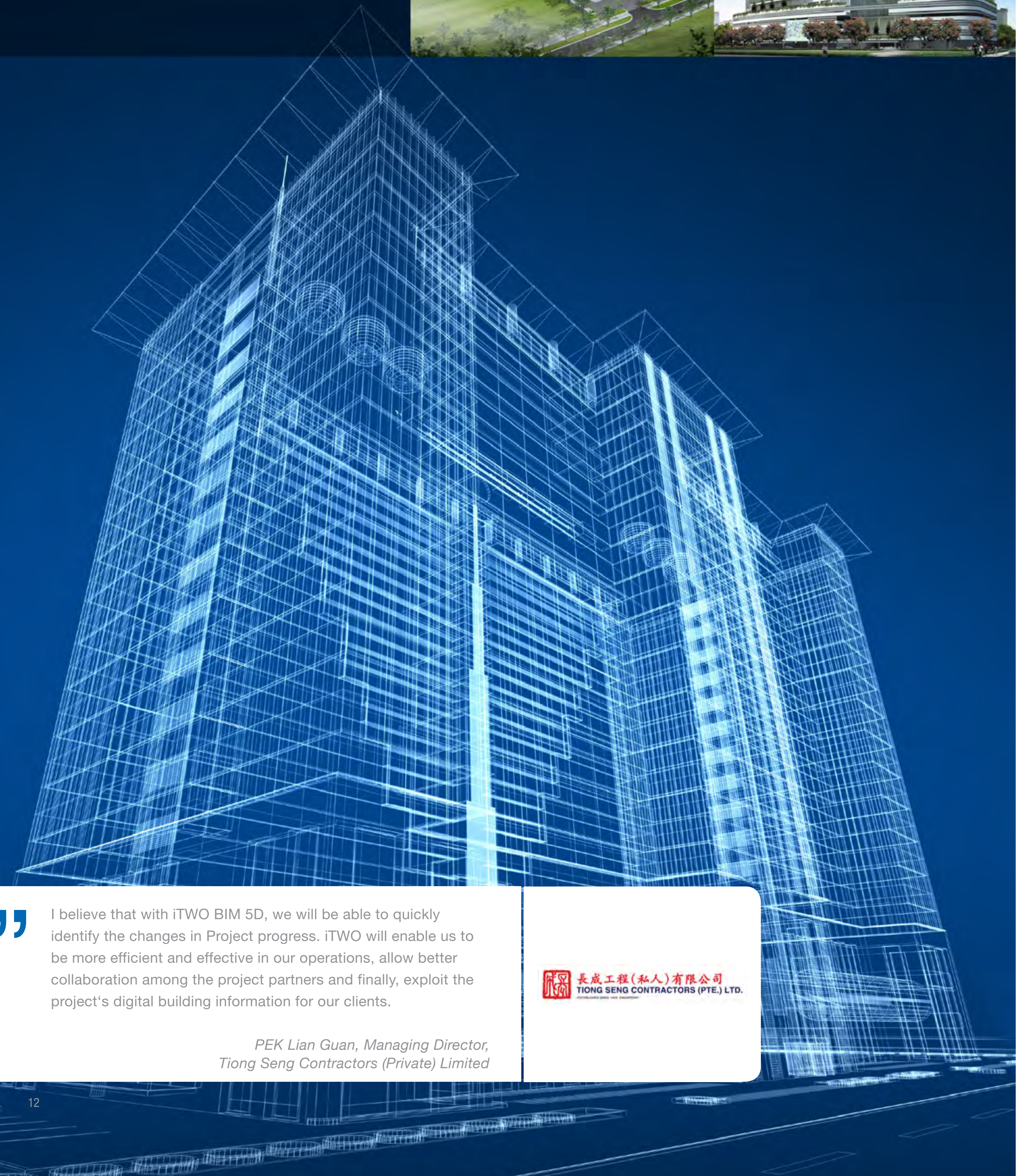
Renaissance is a distinguished construction company and a leading provider of construction services active in various countries on three distinct continents.

Since 1993 Renaissance has successfully completed 430 projects. The company's order backlog currently amounts to over US$ 5 billion. The year-end order backlog is estimated to reach US$ 7 billion. Today Renaissance is one of the largest employers, providing jobs for more than 25,000 people.

Renaissance is dedicated to sustainable growth. Renaissance envisions becoming the most sought-after international group, with a leading position in its selected home markets: Turkey, Russia, Ukraine, Turkmenistan, Libya, as well as in its new markets: Qatar, Iraq, Azerbaijan, and Belarus; which will also become the company's home markets soon. Renaissance expects to achieve the same success as it enjoys in such markets as Kazakhstan, Oman, Kuwait and others.





"I believe that with iTWO BIM 5D, we will be able to quickly identify the changes in Project progress. iTWO will enable us to be more efficient and effective in our operations, allow better collaboration among the project partners and finally, exploit the project's digital building information for our clients.

PEK Lian Guan, Managing Director,
Tiong Seng Contractors (Private) Limited

Tiong Seng Contractors (Private) Limited

Headquarters: Singapore

Employees: 580

Website: www.tiongseng.com.sg

Major projects:

- Park Royal Hotel at Upper Pickering Street
- St Regis Hotel
- Hilltops
- Sky@Eleven
- Kent Vale National University Singapore Staff Housing

Business areas: Construction, Civil Engineering

Details

Tiong Seng has 50 years of experience as a building and civil contractor. The renowned company has undertaken a wide range of projects in the private and public sectors. In addition to Tiong Seng's core business in Singapore, the company has undertaken infrastructure projects in overseas markets such as Papua New Guinea and Laos.

"What we appreciate about iTWO is the proven functionality of the predecessor ARRIBA as well as the opportunity to gain information from an intelligent building information model. This provides continuity for traditional ways of working and opportunities in connection with the application of new methods for the modern integration of processes, both in the field of customer acquisition and in construction management.

ZECH GROUP

Zech Group

Headquarters:	Bremen, Germany
Employees:	approx. 5,000
Website:	www.zech-group.com

Major projects:

- Büroquartier Vodafone-Campus, Düsseldorf (Office property)
- Einzelhandels- und Büroimmobilie Kö-Bogen, Düsseldorf (Retail and office property)
- IBM Deutschland-Zentrale, Ehningen (IBM Germany Headquarters)
- E.ON Ruhrgas-Hauptverwaltung, Essen (EON Ruhrgas Headquarters)
- Umbau und Erweiterung Centro, Oberhausen (Extension and modification of a shopping mall)
- A10-Center Einzelhandel, Wildau (Shopping mall extension)
- SAIL City Büro und Hotelgebäude, Bremerhaven (Hotel and office property)
- Wohnstift Augustinum, Stuttgart (Augustinum Home for the Aged)
- Kernkraftwerk Olkiluoto, Finland (Nuclear Power Plant)

Business areas: Construction, Real Estate, Hotel, Environment / Technology, Industry, International

Why iTWO

- Advantages due to the possibility for integrated project management from the planning to the execution and completion of construction projects
- RIB´s specific expertise in software
- The logical successor of ARRIBA
- State of the art user interface
- Investment security

Details

The Zech Group – structure and strategy

Diverse services in six operational business areas form a strong corporate group.

Zech Group GmbH is the holding company in a broad group with diverse services, making us a competent partner in the fields of construction, real estate, hotel, environment/technology, industry and international. As a diversified corporate group that covers a broad spectrum of services and can rely on highly qualified employees we concentrate on the real estate value chain. With the characteristics of a medium-sized company managed by an entrepreneur, we are capable of quickly making use of opportunities and adapting our structures to the needs of the market.

RIB Group continues to grow in financial year 2012

The RIB Group acquired controlling interests in three companies in order to expand its international market presence and product portfolio in 2012. Thus, the RIB Group is now represented globally with approx. 600 employees at more than 30 locations.

For economic details of these interests, please refer to the respective information in the Notes to the Consolidated Financial Statements.

RIB locations worldwide

Australia
- Sydney
- Adelaide
- Brisbane
- Melbourne
- Perth

China
- Guangzhou
- Beijing
- Shanghai

Germany
- Stuttgart
- Berlin
- Dortmund
- Leipzig
- Munich

United Kingdom
- London

Hong Kong
- Hong Kong

India
- Mumbai

Malaysia
- Kuala Lumpur

New Zealand
- Auckland

Singapore
- Singapore

Czech Republic
- Prague

USA
- Atlanta
- Arlington
- Dallas
- El Segundo
- Los Angeles
- Miami
- New York
- Orlando
- Phoenix
- Tampa
- San Diego
- San Francisco
- Memphis
- Scottsdale

United Arab Emirates
- Dubai

RIB MC²

RIB MC² Incorporated, Memphis/USA

RIB MC²'s customers include around 1,500 well-known US construction groups. Of the top 50 in the US building industry, 50% are customers of RIB MC². With this acquisition, the Group remains consistent with its strategy of entering the US market via the customer network of RIB MC². With the integration of the ICE software by RIB MC² (Interactive Cost Estimating) and the RIB solution iTWO ERP 5D, the Group will offer the first integrated software currently for digital planning and construction with specific localisation for the US market.

RIB ProjectCentre

RIB CADX PTY Limited, Lane Cove/Australien

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

RIB US COST

RIB U.S. Cost Incorporated, Atlanta/USA

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

F.l. Michael Sauer (CFO), Thomas Wolf (CEO) and Dr. Hans-Peter Sanio (CTO)

Dear Shareholders and Friends of RIB Software AG,

With an input of more than 1,000 man-years, we have developed the iTWO technology, a new IT generation for the global construction industry. iTWO stands for an integrated Web and model-based enterprise software, an end-to-end solution that facilitates the digital construction process, from the feasibility study, through quantity survey, clash detection, cost estimation, tender, award of contracts, purchasing, controlling, reporting and communication all the way up to use and maintenance, all from a single data source. Moreover, iTWO uses the data and experience gained from the simulation in the implementation and control processes.

Almost 100 years after the German “Bauhaus” technology (Weimar, Dessau, Berlin) with its approach that “design follows function” rather than “function follows design”, the German iTWO technology (Stuttgart) is again predestined to have a fundamental influence on the thinking and actions in the global construction industry. From now on, the “Bauhaus” approach will be combined with the iTWO technology – the creation of an intelligent digital building model and the simulation of the construction and use phases – thereby reaching a new stage.

The combination of “Bauhaus” and iTWO technology will render the construction industry one of the most modern industries of the 21st century. Digital construction leads to interdisciplinary “design thinking”, higher quality, substantial time savings and overall cost savings of up to 30 %.

To achieve its full efficiency, the iTWO technology needs BIM data. These are generated when creating the building model with CAD/BIM software. Besides the development and introduction of the BIM software by leading CAD software providers, architects and planning departments are faced with the challenge of migrating their internal processes in order to provide the engineers with BIM data in iTWO quality (instead of 2D or 3D CAD data) for use in the iTWO technology. The production of BIM data in iTWO quality is growing by more than 100 % a year, and I expect these data to be available for all major construction projects worldwide by 2020.

Meanwhile, we have furnished several thousands of workplaces the world over with iTWO technology. The introduction of our iTWO technology is largely determined by the growth and quality of the BIM data and by the speed of the migration of internal workflows. In 2020, the global construction industry is expected to generate a turnover of more than US$ 10 trillion. The largest companies account for a market share of 0.1%. In such highly fragmented markets, the introduction of new technologies is driven by the legislator and by the demand. The right timing and the right positioning are thus the key challenges for the RIB Group in the period from 2013 to 2020.

Unlike many “new technology enterprises” like Facebook, Google, Amazon and others that normally began with great losses, we therefore decided on profitable growth of our Group with a positive operating cash flow from the outset. In 2012, the cash flow from operating activities increased about 51 %. With this approach, we are securing a strong position for the time point at which the new technology becomes mainstream, reaching the mass market.

After the global market launch of the new iTWO technology in late 2010, the shareholders of RIB Software AG had hoped for a faster growth in BIM data and thus a stronger growth in the use of the iTWO technology. Moreover, a new technology that provides major advantages for projects whose volume reaches up to 10 % of the global GDP deserves a share price of more than € 15 instead of under € 5. In contrast to the USA, German companies that have developed new technologies are rated much more conservatively.

The disappointment about the slow global introduction and migration to our iTWO technology is understandable. However, I can assure you that governments and large corporations around the globe have decided that they will use the BIM data in the process and are currently elaborating their standards and requirements to this end.

Dear Shareholders,

I am confident that our iTWO technology will catch on in the coming years and that this will have a very positive effect on the performance of the RIB Group and of our share. Currently, I expect that we will witness a very good development in the period from 2013 to 2015.

Finally, I would like to use this opportunity to express my sincere gratitude for the excellent work of the members of the RIB workforce and the support of their families. The development and global introduction of the iTWO technology is a great challenge, a real pioneering step that is taking a lot of effort from all of us. My thanks go to the RIB team!

Yours sincerely,

Thomas Wolf, Chairman of the Executive Board

Corporate Governance

A. Corporate Governance Report

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

Responsible corporate management

RIB Software AG is committed to the principles of good and responsible corporate management. These include in particular close and constructive cooperation between the Supervisory Board and the Executive Board on the basis of mutual trust; this cooperation is informed by the objective of sustainably creating added value and by a culture of open corporate communication and intensive customer support.

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

Furthermore, the Corporate Governance Code contains suggestions in relation to whose observance no declaration is required. Neither these nor the specific recommendations that they contain are binding. The Company's Executive Board and Supervisory Board comply with the suggestions of the German Corporate Governance Code to the extent that this appears to them to be in the interests of the Company and its shareholders. The German Corporate Governance Code in the currently version of 15 May 2012 was circularised by the Federal German Ministry of Justice on 15 June 2012 in the electronic Federal Gazette and is published on the website www.corporate-governance-code.de.

Avoidance of conflicts of interest

The Supervisory Board has - in its opinion - a sufficient number of independent members who do not have a business or personal relationship with the company, its organs, a controlling shareholder or one of its affiliated companies which may form the basis for a significant, not merely temporary conflict of interest. No former members of the Executive Board belong to the Supervisory Board. No Supervisory Board member is a company officer or performs advisory functions for a major competitor of RIB Software AG or of the Group. No consultancy or other service contracts or employment contracts were in existence between members of the Supervisory Board and the Company.

Deductible for D&O insurance

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

Membership of the Executive Board and remuneration of directorships

In consultation with the Executive Board, the Supervisory Board operates a long-term succession planning programme. When changes to the membership of the Executive Board are imminent, the Supervisory Board pays due attention in the appointment of replacements to variety and in particular endeavours to ensure that women are adequately represented. The Supervisory Board is nonetheless aware that to date extremely few women have obtained senior management positions in German companies, for which reason it seems unrealistic to place the Company under an obligation to reserve a certain number of places or a certain percentage of the membership of the Executive Board for women by a specific date.

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

Election to the Supervisory Board and objectives for its composition

Candidates are individually elected to the Supervisory Board. Shareholders are notified of candidatures for the chairmanship of the Supervisory Board.

Consideration is given in relation to proposals for the election of Supervisory Board members to ensuring that the resulting composition of the Supervisory Board is such that it will have the expertise, skills and specialist experience required to duly perform its assigned duties. In the selection of candidates special attention is paid to the specific situation of the company, its international activities, potential conflicts of interests, diversity and a reasonable representation of women. It has been decided not to set specific targets in relation to the composition of the Supervisory Board for the reasons stated in the Declaration of Compliance.

Annual General Meeting

The shareholders may exercise their rights before or during the Annual General Meeting, at which they can discuss all items on the agenda as well as raise questions relating to the Company's affairs and propose materially relevant motions, to the extent provided for under the Articles of Incorporation. The Annual General Meeting decides on all matters provided for under law with binding effect on all shareholders and the Company. The Executive Board presents the Annual Financial Statements and the Consolidated Annual Financial Statements to the Annual General Meeting. The Annual General Meeting votes on the appropriation of profits and on motions to formally approve the actions of the Executive Board and the Supervisory Board. It normally appoints the members of the Supervisory Board and the independent auditors. Furthermore, the Annual General Meeting votes in particular on changes to the Articles of Incorporation and on major corporate initiatives such as corporate contracts and changes of legal form, on the issue of new shares and of convertible bonds and warrants as well as the authorisation to purchase treasury shares. Shareholders normally have a pre-emption right over new shares in proportion to their share of the ordinary capital.

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

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

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

Risk management

The responsible handling of commercial risks is one of the basic principles of good corporate management. The Executive Board is responsible for providing adequate risk management and risk controlling in the company and regularly reports to the Supervisory Board about existing risks and trends in risks.

Detailed information about risk management is provided in the Risk Report on pages 45 to 47 of the Annual Report. This also contains the report on the accounts-based internal control and risk management system.

Transparency

Shareholders, analysts, investors and the public are regularly and topically informed by RIB Software AG about the status of the company and about significant changes to the company. The Annual Report, the Half-Yearly Financial Report and the Quarterly Reports are published at the due times. Information about current events and new trends is provided by means of press reports and ad hoc notices if appropriate.

The website http://group.rib-software.com serves as a central information platform. The dates for publication of regular financial reports are contained in the Annual Report and are also posted sufficiently in advance on the Company's website (http://group.rib-software.com – Investor Relations – Financial Calendar). This information is also forwarded to the Frankfurt Stock Exchange as well as a selection of national and international media.

Events that were not previously known to the public that could significantly influence the value of RIB shares will be immediately disclosed by ad hoc notices, unless in individual cases the company is exempted from its duty of disclosure. All persons who work for the company and have due access to insider information are and will be informed about the obligations resulting from the insider trading rules of the Securities Trading Act. If the Company becomes aware that a party has obtained 3, 5, 10, 15, 20, 25, 30, 50 or 75 per cent of the voting rights in the Company by purchase, sale or in any other way, the Company will immediately disclose this circumstance.

The statutory requirements on disclosures and public notices as well as the duties relating to the forwarding of information and documents to the Federal Financial Supervisory Authority (BaFin) and the public register have and continue to be complied with.

Directors’ dealings

In accordance with § 15a WpHG (Securities Trading Act), members of the Executive Board and of the Supervisory Board and persons who have a close personal relationship to the former are statutorily required to disclose the purchase and sale of shares in RIB Software AG or any related financial instruments if the value of the transactions which they have conducted within a calendar year reaches or exceeds the amount of € 5,000. Insofar as the Company has been notified of such transactions, this information has been duly published in the company register.

The member of the Executive Board, Thomas Wolf, directly and indirectly holds approx. 31.32 % of the shares in the Company. The member of the Executive Board, Michael Sauer, directly and indirectly holds approx. 1.3 % of the shares in the Company. Apart from this, the members of the Executive Board and of the Supervisory Board do not possess either individually or jointly shares in the Company or associated financial instruments equivalent to more than 1 % of the shares issued by the Company.

Accounting principles and audit of the annual financial statements

The accounts of the RIB Group are maintained in compliance with the international financial reporting standards (IFRS) as these are to be applied in the European Union. The Annual Financial Statements (Separate Financial Statements) of RIB Software AG are drawn up in compliance with the provisions of the German commercial code (HGB). The separate annual financial statements and consolidated annual financial statements are prepared by the Executive Board and are reviewed by the independent auditor and by the Supervisory Board. The quarterly reports and the half-yearly financial report are discussed by the audit committee with the Executive Board before publication. The consolidated annual financial statements are published within 90 days of the end of the respective financial year, the interim reports are published within 45 days of the end of the respective reporting periods.

BW PARTNER Bauer Schätz Hasenclever Partnerschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, has audited the consolidated and separate annual financial statements. The auditor of the annual financial statements is independent. The focal points of the audit were determined in consultation with the auditor and among other things it was agreed that grounds for disqualification or partiality identified during the audit would be immediately eliminated or reported. The Supervisory Board has also arranged that the independent auditor immediately reports all findings and events uncovered during the performance of the audit of the annual financial statements that could have a significant influence on the duties of the Supervisory Board and that the independent auditor is to inform the Supervisory Board or note this in the audit report if circumstances that render the Declaration of Compliance with the German Corporate Governance Code issued by the Executive Board and the Supervisory Board incorrect are revealed when the audit of the annual financial statements is carried out.

Furthermore, the Company publishes a list of third-party companies in which it holds an equity interest that is not insignificant for the Company in which it gives the name and registered head office of the company, the size of the equity interest, the size of the equity capital and its operating result for the last financial year.

B. Declaration of compliance pursuant to § 161 German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of RIB Software AG declare that the recommendations of the “Government Commission on the German Corporate Governance Code” (German Corporate Governance Code – GCGC) as amended 26 May 2010 (published in the electronic Federal Gazette on 2 July 2010) have been complied with since the issuance of the previous declaration of compliance, and, as amended 15 May 2012 (published in the Federal Gazette on 15 June 2012) will be complied with in the future, in each case with the following exceptions:

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

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

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

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

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

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

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

6. **Section 5.4.6 para. 1 GCGC:** According to the currently applicable remuneration policy, the deputy chairman of the Supervisory Board is not treated separately. This seems appropriate, since the deputy chairman only takes on special duties in the event that the chairman is unavailable.

   Section 5.4.6 para. 2 GCGC: The members of the Supervisory Board do not receive any performance-based remuneration in addition to a fixed remuneration. Performance-based remuneration for the Supervisory Board would be inconsistent with the Supervisory Board's supervisory and monitoring function and could in particular cause conflicts of interest, arising from decisions of the Supervisory Board, which might influence the performance criteria. The Government Commission on the German Corporate Governance Code in effect now follows this view so that there will be no further divergence from this recommendation in this regard anymore.

   Section 5.4.6 para. 3 GCGC: The remuneration paid to the members of the Supervisory Board and any further payments made or benefits granted by the company to the members of the Supervisory Board are not itemized individually in the Corporate Governance report. The individual remuneration paid to the members of the Supervisory Board for their Board activities is already transparent within the scope of the statutory disclosures; separate disclosure in the Corporate Governance report therefore seems unnecessary. The Government Commission on the German Corporate Governance Code in effect now follows this view so that there will be no further divergence from this recommendation in this regard anymore. The individual disclosure of any further remuneration paid or benefits granted by the company in individual cases would be inconsistent with the legitimate personal interests of the individual Supervisory Board members.

Stuttgart, December 2012

On behalf of the Executive Board

On behalf of the Supervisory Board

Sandy Möser, Chairwoman of the Supervisory Board

Report of the Supervisory Board on the 2012 financial year to the Annual General Meeting of RIB Software AG on 4 June 2013

Dear Shareholders,

In the 2012 financial year, the Supervisory Board performed its duties as required by law, the articles of association and the rules of procedure, constantly advised the Executive Board on the management of the company, frequently apprised itself as to the current development of the company and thus regularly fulfilled its monitoring function.

In the past financial year, the Supervisory Board reviewed, deliberated and decided on many transactions that required Supervisory Board approval. They included the Executive Board's plans to acquire companies in order to develop international business in Australia and the United States and related seasoned equity offerings for RIB Ltd., Hong Kong and Guangzhou TWO Information Technology Ltd., Guangzhou. Both are wholly owned by RIB Software AG. In addition, the Supervisory Board dealt with personnel issues (Executive Board contract renewals and Executive Board pay), annual and consolidated financial statements as at 31 December 2011, the development of revenue, earnings and cash flow in the current financial year, and business and investment planning for 2013. The discussions regularly centred on the share price. On 4 December 2012, the Supervisory Board decided, together with the Executive Board, to use the authorisation granted by the Annual General Meeting to purchase treasury shares in the company and buy up to 1 million treasury shares in order among other aspects to send out a positive signal to the capital market.

Supervisory Board meetings and main topics

In the 2012 financial year, the Supervisory Board held four meetings – 13 March 2012 (balance sheet meeting for 2011 financial statements), 24 May, 6 November and 4 December 2012 – and thoroughly reviewed the operational and strategic development of RIB Software AG. Where required, resolutions were passed using written documents circulated to the members.

The members of the Supervisory Board regularly prepared for upcoming resolutions on transactions that required their approval using documents provided in advance by the Executive Board. In addition, the Supervisory Board endorsed the recommendations and proposed resolutions of the Audit Committee and the Nomination and Remuneration Committee.

No member of the Supervisory Board attended fewer than half of the meetings. The members of the Executive Board attended all Supervisory Board meetings. At the meetings, the members of the Executive Board reported regularly and thoroughly on the company's finances and current market and business development. Pending acquisitions and related contracts were explained and discussed in depth. The Executive Board and Supervisory Board also discussed in great detail BIM (building information modeling) requirements and the associated risks and opportunities for RIB Software AG. Necessary modifications to product development plans up to 2014 were explained and adopted in connection with business acquisitions made during the 2012 financial year (MC2 of Memphis, USA – 100%; CADX Pty Ltd. of Sydney, Australia – 75% and U.S.COST of Atlanta, USA – 56%).

Supervisory Board meeting on 13 March 2012

In the Supervisory Board balance sheet meeting on 13 March 2012, the Supervisory Board covered the annual financial statements of the company, the consolidated financial statements and the management reports of the Executive Board for the company and the Group as at 31 December 2011, each having received an unqualified audit opinion, and the Executive Board's report on relationships with affiliated companies for the 2011 financial year (dependency report), the proposal for the appropriation of the balance sheet profit and the Supervisory Board's report on the previous financial year. The Supervisory Board members had extensive documentation to prepare for the meeting: the auditor's audit reports for the annual and consolidated financial statements, the Executive Board's dependency report, the proposal for the appropriation of the balance sheet profit and the Supervisory Board's report.

The Audit Committee and the Supervisory Board thoroughly examined and discussed these documents. The auditor provided an extensive report on its audit findings and

answered any questions or requests for additional information from the members of the Audit Committee and the Supervisory Board at the various meetings. After reviewing the final findings of the Audit Committee and conducting its own review, the Supervisory Board agreed with the auditor's audit findings and adopted the annual financial statements of RIB Software AG for the previous year, approved the 2011 consolidated financial statements and approved the Executive Board's proposal for the appropriation of the balance sheet profit. The Supervisory Board report and the resolution proposals for agenda items at the Annual General Meeting on 24 May 2012 were passed as well.
The Supervisory Board also considered issues relating to Executive Board pay and followed the recommendations of the Nomination and Remuneration Committee in this regard and in regard to the resolution to renew the contracts with the Executive Board members.

Supervisory Board meeting on 24 May 2012

At the Supervisory Board meeting on 24 May 2012, the Supervisory Board and Executive Board reviewed the Executive Board's report for the Annual General Meeting. The Supervisory Board also apprised itself of the ongoing development of business. The Executive Board also reported on the results from the BIM Conference, held in Constance by RIB Software AG and the University of Constance, and the resulting short- and medium-term impact on RIB's R&D activities.

Supervisory Board meeting on 6 November 2012

In addition to the Executive Board's report on the company's current finances and business situation and a projection for the year as of 31 December 2012, the initial plans for the 2013 financial year were presented and discussed at the meeting on 6 November 2012. The Executive Board also provided an extensive report on its acquisition of MC2 (United States) and ProjectCenter (CADX Pty Ltd. – Australia).

Supervisory Board meeting on 4 December 2012

At the meeting on 4 December 2012, the Executive Board outlined new product development opportunities and approaches resulting from the integration of the new companies in the US and Australia. In addition to the previous acquisitions, a majority stake was also acquired in U.S.COST (Atlanta, USA).
The Executive Board's report and the subsequent discussion also touched on the 2013 business and investment plan, which was approved by the Supervisory Board.
The Supervisory Board also passed a new declaration of compliance with the German Corporate Governance Code at this meeting. The declaration of compliance is published in the 2012 Annual Report and on the company's website http://group.rib-software.com/en/investor-relations/corporate-governance/declaration-of-compliance/.

Report on the activities of the Supervisory Board committees

The Supervisory Board formed two committees on 31 May 2011: the Audit Committee and the Nomination and Remuneration Committee.

The Audit Committee held two meetings in 2012:

- On 17 January 2012, the Committee decided to engage BW PARTNER Bauer, Schätz, Hasenclever Partnerschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft Stuttgart („BW PARTNER") – the auditor who had been elected at the Annual General Meeting on 20 May 2011 to audit the annual and consolidated financial statements – and approved the audit budget.

- On 13 March 2012, the Committee reviewed the annual financial statements for the year ending 31 December 3011 and the 2011 management report of RIB Software AG, the report of the Executive Board of RIB Software AG on relationships with affiliated companies (Section 312 AktG) and the consolidated financial statements in accordance with IFRS as at 31 December 2011 and the 2011 consolidated management report of RIB

Software AG. The deliberations were based on the audit reports submitted by the auditor and its oral report at the committee meeting. In the end, the Supervisory Board was advised to adopt the annual financial statements and approve the consolidated financial statements.

The **Nomination and Remuneration Committee** of the Supervisory Board met on 13 March 2012 to discuss issues relating to Executive Board pay and the duration of Executive Board contracts and recommended corresponding resolutions to the Supervisory Board.

The committee chairs apprised the Supervisory Board members as to the committees' activities and decisions in subsequent Supervisory Board meetings.

Staffing on the Supervisory Board

The ordinary Annual General Meeting on 24 May 2012 elected Mr Klaus Hirschle to the Supervisory Board for the remaining period of office of the Supervisory Board. There were no changes to the composition of the members of the Supervisory Board in 2012.

Audit and adoption of the 2012 annual financial statement

The annual financial statements of RIB Software AG and the Executive Board's management report have been duly audited by BW PARTNER of Stuttgart, who was elected by the Annual General Meeting as the auditor on 24 May 2012, and awarded an unqualified audit opinion. This also applies to the IFRS consolidated financial statements and the consolidated management report as at 31 December 2012. The Supervisory Board verified the independence of the auditor and obtained a written statement of independence from the auditor.

The financial statement documents, the Executive Board's proposal regarding the appropriation of the balance sheet profit, and the auditor's audit reports were submitted punctually in their entirety to the members of the Audit Committee and the other Supervisory Board members. The Audit Committee and the Supervisory Board examined and thoroughly discussed these documents. They were apprised as to the main audit findings by the auditor at the committee meeting on 14 March 2013 and the Supervisory Board meeting on 15 March 2013 and had the opportunity to ask the auditor supplementary questions and to request additional information. After obtaining a final audit finding from the Audit Committee and conducting its own audit, the Supervisory Board agreed with the auditor's audit findings. No objections were raised.

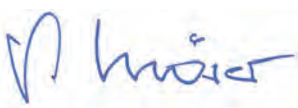
The Supervisory Board approved the 2012 annual financial statements and consolidated financial statements of RIB Software AG. Thus, the annual financial statements of RIB Software AG have been adopted pursuant to Section 172 AktG.

After conducting its own review, the Supervisory Board endorsed the Executive Board's proposal regarding the appropriation of the balance sheet profit. The Annual General Meeting on 4 June 2013 will decide whether to approve the following proposal:

Of the total amount of € 5,605,042.07 of the balance sheet profit, a dividend of € 0.14 for each share entitled to a dividend will be distributed to the shareholders. The remaining balance sheet profit will be carried forward.

The Supervisory Board would like to thank the Executive Board and all the employees of the RIB Group companies for all their work and tremendous dedication in helping to build and expand our company.

Stuttgart, 15 March 2013
The Supervisory Board



Sandy Möser
Chairwoman

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

A. Business and general environment

A.1. Summary

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

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

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

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

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

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

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

A.2. Key events in the reporting period

A.2.1. Acquisitions

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

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

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

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

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

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

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

A.3. Key performance indicators

A.3.1. RIB AG

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

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

A.3.2. RIB Group

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

A.4. Management system

A.4.1. Corporate management

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

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

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

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

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

A.4.2. Sales management

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

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

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

A.4.3. Development management

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

A.5. Research and development

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

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

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

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

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

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

A.6. Market conditions

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

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

A.7. Goals and strategies

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

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

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

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

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

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

B.1. Earnings position

International revenues up 73.9 %

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

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

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

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

Revenue in Cloud/SaaS segment surges 75.0 %

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

Gross margin 68.5 %

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

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

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

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

EBITDA increases 9.3 %, EBITDA margin 39.1 %

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

Due to the generally low interest rates, the financial earnings including earnings shares of associates remained at € 0.5 million, slightly less than the prior-year value of € 0.7 million. The consolidated net profit for the year climbed 57.1 % to € 8.8 million (prior year: € 5.6 million). Adjusted for special expenses², the earnings after taxes increased 10.8 % to € 8.2 million (prior year: € 7.4 million). Earnings per share reached € 0.23 (prior year: € 0.15).

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

B.2. Financial position

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

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

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

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

B.3. Assets position

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

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

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

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

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

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

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

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

B.4. Non-financial performance indicators

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

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

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

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

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

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

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

C.1. Earnings position

Margin increases 1.9 percentage points to 27.2 %

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

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

EBITDA margin 30.2 %

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

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

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

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

C.2. Financial position

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

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

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

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

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

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

C.3. Assets position

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

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

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

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

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

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

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

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

D. Subsequent events

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

E. Takeover-related information and explanatory report

E.1. Disclosures on the capital of RIB AG

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F. Corporate governance declaration

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

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

F.2. Disclosures on corporate governance practices

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

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

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

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

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

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

F.3.1.1. Rules of procedure of the Executive Board

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

F.3.1.2. Rules of procedure of the Supervisory Board

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

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

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

G. Remuneration report

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

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

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

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

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

The remuneration of the Executive Board is composed as follows:

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

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

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

H. Forecast, opportunity and risk report

H.1. Forecast report

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

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

H.2. Opportunity report

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

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

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

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

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

H.3. Risk report

H.3.1. Risk management and internal control system

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

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

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

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

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

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

H.3.2. Overview of individual risks

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

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

Sales risks

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

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

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

Development risks

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

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

Financial risks

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

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

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

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

Acquisition risks

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

Cooperation risks

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

H.3.3. Summary of the risk situation

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

Note on forecasts

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

Stuttgart, 5 March 2013

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

Consolidated financial statements for the financial year 1 January 2012 to 31 December 2012

Consolidated Income Statement for Financial Year 2012

€ thousands unless otherwise indicated

	Notes	2012	2011
Revenue	(10)	**39,212**	**35,103**
Cost of sales	(11)	-12,363	-10,183
Gross profit		**26,849**	**24,920**
Other operating income	(12)	3,190	3,360
Selling and distribution costs		-9,462	-8,815
Administrative expenses		-3,311	-2,500
Research and development expenses		-4,134	-4,561
Other operating expenses	(13)	-1,278	-4,529
Finance income	(15)	731	931
Finance costs	(15)	-228	-194
Share of profit and losses of associates		-1	-1
Profit before tax		**12,356**	**8,611**
Income taxes	(16)	-3,528	-3,051
Consolidated net profit for the year		**8,828**	**5,560**
Earnings per share:			
basic and diluted	(17)	**€ 0.23**	**€ 0.15**

Consolidated Statement of Comprehensive Income for Financial Year 2012

€ thousands

	Notes	2012	2011
Consolidated net profit for the year		**8,828**	**5,560**
Other comprehensive income for t he year:			
Exchange differences	(31)	-1,249	1,432
Changes in value of available-for-sale securities	(31)	77	41
Revaluations		-249	17
Other comprehensive income for the year	(31)	**-1,421**	**1,490**
Total comprehensive income for the year		**7,407**	**7,050**

Consolidated Statement of Financial Position as of 31 December 2012

€ thousands

	Anhang	31.12.2012	31.12.2011	01.01.2011
Goodwill	(18)	37,504	16,967	14,035
Other intangible assets	(19,20)	28,726	19,183	16,037
Property, plant and equipment	(19)	5,586	5,142	3,631
Investment property	(21)	4,834	0	0
Investments accounted for using the equity method	(22)	1,231	1,257	1,199
Prepaid land lease payments	(23)	964	556	500
Trade receivables	(27)	43	633	1,466
Other assets	(25)	86	86	91
Deferred tax assets	(26)	961	374	146
Total non-current assets		**79,935**	**44,198**	**37,105**
Trade receivables	(27)	9,401	7,127	5,440
Available-for-sale securities	(28)	39,816	3,664	10,191
Available-for-sale non-current assets	(24)	165	3,388	0
Other assets	(25)	2,966	1,617	1,202
Cash and cash equivalents	(29)	49,266	103,183	7,152
Total current assets		**101,614**	**118,979**	**23,985**
Total assets		**181,549**	**163,177**	**61,090**

€ thousands

	Notes	31.12.2012	31.12.2011	01.01.2011
Subscribed capital	(30)	38,715	38,715	28,917
Treasury shares	(30)	-202	0	0
Capital reserves	(30)	80,620	80,620	813
Legal reserves	(30)	47	47	47
Accumulated other comprehensive income	(31)	501	1,922	432
Retained earnings		28,687	22,956	17,396
Total equity		**148,368**	**144,260**	**47,605**
Pension provisions	(33)	3,292	2,951	2,994
Finance lease obligations, non-current portion	(34)	1	11	55
Other finance liabilities	(39)	10,994	0	0
Deferred tax liabilities	(26)	7,928	5,669	4,844
Total non-current liabilities		**22,215**	**8,631**	**7,893**
Trade payables	(35)	939	1,136	526
Provisions for income taxes		1,971	1,197	274
Other provisions	(36)	298	361	508
Accruals	(37)	2,519	1,802	2,503
Deferred revenue	(38)	3,258	1,037	799
Finance lease obligations, current portion	(34)	37	41	109
Other finance liabilities		18	4,142	0
Other liabilities	(40)	1,925	570	873
Total current liabilities		**10,966**	**10,286**	**5,592**
Total liabilities		**33,181**	**18,917**	**13,485**
Total equity and liabilities		**181,549**	**163,177**	**61,090**

Consolidated Statement of Changes in Equity for Financial Year 2012

€ thousands

				Accumulated other comprehensive income					
	Subscribed capital	Capital reserves	Legal reserves	Changes in value of available-for-sale securities	Foreign currency translation reserve	Revaluations	Treasury shares	Retained earnings	Subscribed capital
Notes	(30)		(30)	(31)	(31)	(31)	(31)		
As of 01 January 2011	**28,917**	**813**	**47**	**-27**	**360**	**0**	**0**	**17,495**	**47,605**
Change in accounting method	-	-	-	-	-	99	-	-99	-
Adjusted as of 01 January 2011	**28,917**	**813**	**47**	**-27**	**360**	**99**	**0**	**17,396**	**47,605**
Consolidated net profit for the year	-	-	-	-	-	-	-	5,560	5,560
Other comprehensive income for the year	-	-	-	41	1,432	17	-	-	1,490
Total comprehensive income for the year	**-**	**-**	**-**	**41**	**1,432**	**17**	**-**	**5,560**	**7,050**
Capital increase	9,798	79,807	-	-	-	-	-	-	89,605
As of 31 December 2011 and 01 January 2012	**38,715**	**80,620**	**47**	**14**	**1,792**	**116**	**0**	**22,956**	**144,260**
Consolidated net profit for the year	-	-	-	-	-	-	-	8,828	8,828
Other comprehensive income for the year	-	-	-	77	-1,249	-249	-	-	-1,421
Total comprehensive income for the year	**-**	**-**	**-**	**77**	**-1,249**	**-249**	-	**8,828**	**7,407**
Share buybacks	-	-	-	-	-	-	-202	-	-202
Dividend payment	-	-	-	-	-	-	-	-3,097	-3,097
As of 31 December 2012	**38,715**	**80,620**	**47**	**91**	**543**	**-133**	**-202**	**28,687**	**148,368**

Consolidated Statement of Cash Flows for Financial Year 2012

€ thousands

	Notes	2012	2011
Cash flow from operating activities:			
Profit before tax		**12,356**	**8,611**
Adjustments for:			
Depreciation of property, plant and equipment	(14)	240	171
Amortisation of intangible assets	(14)	3,938	3,316
Changes in valuation allowance for trade receivables		691	-37
Other non-cash items		-1,727	-560
Share of profit and losses of associates		1	1
Interest expense and other finance cost	(15)	228	194
Finance income	(15)	-731	-931
		14,996	**10,765**
Working capital adjustments:			
Increase/decrease(-) in provisions and accruals		176	-891
Increase(-)/decrease in receivables and other assets		1,004	-820
Increase/decrease(-) in trade payables and other liabilities		-459	975
Cash generated from operations		**15,717**	**10,029**
Interest paid		-10	-5
Interest received		1,046	954
Income taxes paid		-2,754	-1,644
Net cash flow from operating activities:		**13,999**	**9,334**
Proceeds from sale of non-current assets		0	3
Purchase of property, plant and equipment		-370	-859
Purchase/production of intangible assets		-6,651	-6,416
Payments for the acquisition of consolidated companies minus cash acquired		-15,321	-2,903
Purchase(-)/Sale of available-for-sale securities		-36,682	6,206
Net cash flows from investing activities		**-59,024**	**-3,969**
Dividends paid		-3,097	0
Deposits from capital increases (share sales)		0	90,638
Cash paid for IPO		0	-1,490
Outflows for redeeming other financial liabilities		-5,445	0
Cash paid for finance leases		-60	-113
Net cash flow from financing activities		**- 8,602**	**89,035**
Change in cash and cash equivalents impacting cash flow		**-53,627**	**94,400**
Cash and cash equivalents at the beginning of the period		103,183	7,152
Currency-related change in cash and cash equivalents		-290	1,631
Cash and cash equivalents at t he end of the period		**49,266**	**103,183**
Composition of cash and cash equivalents:			
Cash and bank balances, unrestricted	(29)	46,627	101,990
Cash and bank balances, restricted	(29)	2,639	1,193

Notes to the 2012 Consolidated Financial Statements

1. Corporate Information

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

The Company was incorporated in Germany on 7 October 1999 as a stock corporation and has been listed on the regulated market of Frankfurt am Main Stock Exchange since February 2011.

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

The Company's financial year is the calendar year. The consolidated financial statements were drawn up in euro. In the absence of any note to the contrary, amounts are rounded to the nearest thousand euro (€ thousands) and stated as such.

The consolidated financial statements and group management report of RIB Software AG were released to the Supervisory Board by the Executive Board on 5 March 2013.

2. Basis of preparation

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

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

The IASB has issued numerous new or revised standards that are binding for financial years commencing on or after 01 January 2012. These new or revised IFRS have had no material impact on the consolidated financial statements during the relevant periods. The Group has applied uniform accounting standards for preparing and presenting its financial reporting for the periods under review. All accounting policies explained under point 4. (see below) were applied consistently during the entire period under review. Unless explained explicitly otherwise, the consolidated financial statements were drawn up on the basis of the historical cost convention (by way of which items are measured at historical cost or amortised cost).

3. Effect of new or revised IFRS

The IASB has issued several new or revised standards that are to be applied for financial years commencing on or after 01 January 2012. The Group applied all relevant new and changed IFRS in the preparation and presentation of its consolidated financial statements.

- **Amendments to IF RS 1 (2010) "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"**
  The amendments replace previous references to the date 1 January 2004 with a reference to the date of transition to IFRS. In addition, guidance is included for cases where a company is unable to comply with all IFRS requirements due to hyperinflation. Application of this amendment is mandatory for the first time for financial years beginning after 1 July, 2011.

- **Amendments to IFRS 7 (2010) "Financial Instruments - Disc losures"**
  On 7 October 2010, the IASB published enhanced disclosure requirements for derecognised financial instruments. The amendments provide financial report users with improved insight into transactions for the purpose of transferring assets (such as securitisation) including insight into the possible effect of the risks remaining with the issuing company. The amendment results in additional disclosure requirements if a disproportionately large amount of financial assets is transferred at the end of the reporting period. These requirements are subject to mandatory application for financial years commencing on or after 01 July, 2011.

- **Amendments to IAS 12 (2010) "Deferred Tax: Recovery of Underlying Assets"**
  The IASB published amendments to IAS 12 on 20 December 2010. These also change the scope of application of SIC-21 (Income Tax Realisation on Revalued, Non-depreciable Assets). The amendment provides partial clarification of the treatment of temporary tax differences in connection with the application of the fair value model set out in IAS 40. For investment properties it is often difficult to assess whether existing differences will reverse in the course of continued use or upon disposal. The amendment provides that reversal upon sale should generally be assumed. The amendment is applicable for financial years commencing on or after 1 January 2012.

The following published standards and interpretations are already being voluntarily applied:

- **Amendments to IAS 19 (2011) ("Employee Benefits")**
  The revision of IAS 19 amends the treatment of performance-linked pension plans and benefits due upon termination of employment. The most significant amendment affects the accounting of changes in performance-linked obligations and plan assets. The new provision requires the immediate recognition of changes in performance-linked obligations and the fair value of the plan assets at the time of their occurrence. The "corridor approach" allowed by the previously valid IAS 19 has been abandoned. Accelerated recognition of past service cost was applied. All actuarial gains and losses are to be posted to other comprehensive income in the year of their occurrence. The net pension liability/asset on the statement of financial position thus shows under/over-coverage. Application of these amendments is mandatory for financial years starting after 1 January 2013, but they may be voluntarily applied before that date. Please refer to item 5 regarding the effect of early application.

The following standards and interpretations have already been published but not yet adopted as their adoption is not yet mandatory or is awaiting recognition in the EU:

- **IFRS (2011) "Annual Improvements to IFRS 2011"**
  The standard was issued by way of the IASB Annual Improvement Process. Most amendments are clarifications of and corrections to existing IFRS or subsequent amendments to changes already made to IFRS.

- **Amendments to IAS 1 (2011) ("Presentation of Financial Statements")**
  The amendment involves additional disclosure requirements for other income, requiring separate presentations of: (a) items taken to the income statement under certain conditions and (b) items that will never be recognized as income in future. Income taxes payable on other income items are to be classified in this manner as well. Application of this amendment is mandatory for the first time for financial years commencing after 01 July 2012. Presentation of the items under other income is to be changed accordingly upon application of the amendments in future periods.

- **IFRS 1 amendments (2012) Government Loans**
  This adjustment aligns the rules for first-time application with those applicable by entities already observing IFRS rules with regard to the application of the changes made to IAS 20 on accounting for and presenting government loans. The guidance is effective for financial years commencing on or after 01 January, 2013 and are not expected to affect the RIB consolidated financial statements.

- **Amendments to IFRS 9 (2009) “Classification and Measurement”**
  Published in November 2009, IFRS 9 revises the classification and measurement of financial instruments and provides for just two measurement categories for financial assets in future (at amortised cost and at fair value). As result, there are now only two formal measurement categories for the classification of financial assets compared to the four previously used. Classification is based, on the one hand, on the company’s business model and, on the other hand, on the characteristic features of the contractual payment flows of the financial asset concerned. Notwithstanding this, the so-called "mixed model" remains intact via IFRS 9. With regard to structured products with embedded derivatives, assessment to determine mandatory separation and separate accounting as necessary only apply to non-financial base contracts (as well as currently for financial liabilities) - structured products with financial base contracts are to be classified and measured as a whole.

  Amended in October 2010, IFRS 9 continues to encompass guidance for the classification and measurement of financial liabilities as well as for derecognition purposes. A key amendment involves the recognition of changes in the fair value of financial liabilities (designated as being valued as impacting on income) which are attributable to changes in the company’s own counterparty default risk.

  These requirements are to be applied retrospectively for the first time for financial years commencing on or after 1 January 2015. The impact on the RIB Group is currently being reviewed, and will not be reliably estimable until 31 December 2012.

- **Amendments to IAS 27 (2011) ("Separate Financial Statements")**
  Due to the publication of the amended IFRS 10, IAS 27 now only includes guidance governing separate financial statements. This applies for the first time to financial years commencing after 1 January 2013. The amendments are not expected to have any effects on the RIB consolidated financial statements.

- **IFRS 10 "Consolidated Financial Statements"**
  IFRS 10 replaces the guidance on consolidated financial statements set out in IAS 27 "Consolidated and Individual Financial Statements". SIC-12 "Consolidation - Special Purpose Companies" too is replaced by IFRS 10. Via IFRS 10, the IASB is now laying down the controlling approach as a uniform principle. According to IFRS 10, control is in evidence when all of the following three conditions are met: (a) a company has the ability to exercise influence on a holding, (b) the company in question must be exposed to fluctuating returns from the holding, and (c) the company must be able to alter the amount of returns yields due to its influence. Moreover, the standard sets out comprehensive guidelines for implementing complex measures. These requirements are subject to mandatory application for financial years commencing on or after 01 January 2014. The impact on the RIB Group is currently being reviewed, and will not be reliably estimable until 31 December 2012.

- **IFRS 11 "Joint Arrangements"**
  IFRS 11 replaces IAS 31 "Stakes in Joint Companies" as well as SIC-13 "Jointly Managed Units - Non-monetary Contributions from Partner Companies" IFRS 11 regulates classification of joint arrangements. A joint arrangement is defined as a contractual covenant whereby two or more parties conduct joint management. Joint management can extend to joint activities or a joint enterprise. In contrast to IAS 31, the accounting of jointly controlled assets is no longer addressed separately in IFRS 11; here the requirements for joint business operations apply. The classification of a joint agreement as a joint business operation or joint enterprise depends on the rights and duties the parties assume by way of the agreement. Furthermore, the equity method must be applied according to IFRS 11 for the incorporation of joint enterprises whereas IAS 31 allows either proportional consolidation or the equity method for jointly managed companies. These requirements are subject to mandatory application for financial years commencing on or after 01 January 2014. They will not have any effects on RIB consolidated financial statements.

- **IFRS 12 "Disclosure of Interests in Other Entities“**
  IFRS 12 addresses disclosures in notes and companies with stakes in subsidiaries, joint arrangements (joint operations or joint ventures), associates and/or unconsolidated structured entities. In principal terms, the disclosures required by IFRS 12 are significantly more extensive than those required by the currently valid standard. These requirements are subject to mandatory application for financial years commencing on or after 01 January 2014. The impact on the RIB Group is currently being reviewed, and will not be reliably estimable until 31 December 2012.

- **IFRS 13 "Fair Value Measurement"**
  IFRS 13 groups the uniform guidelines with regard to the measurement of fair value as well as the disclosures associated with it. The standard defines the concept of fair value, lays down a framework for the measurement of fair value and stipulates the disclosures required for the measurement of fair value. The area of application of IFRS 13 is far-reaching and encompasses both financial and non-financial items. Apart from certain exceptions, IFRS 13 is always applicable in cases where another IFRS requires or allows the measurement of fair value or where disclosures concerning the measurement of fair value are required. Disclosure duties in accordance with IFRS 13 are as a rule more extensive than those required by the currently valid standard. These requirements are subject to mandatory application for financial years commencing on or after 01 January, 2013. The impact on the RIB Group is currently being reviewed, and will not be reliably estimable until 31 December 2012.

- **Amendments to IAS 28 (2011) ("Investments in Associates and Joint Ventures")**
  In accordance with the amended IAS 28, a company must account for a holding or partial holding in an associate or joint venture as being intended for sale insofar as the relevant criteria are met. A residual portion in an associate or joint venture not classified as held for sale must be accounted for using the equity method until the portion classified as held for sale is disposed of. These amendments are effective for financial years commencing on or after 01 January 2013 and are not expected to affect the RIB consolidated financial statements.

- **A mendments to IFRS 7 and IFRS 9 (2011) "Mandatory Effective Date and Transition Disclosures"**
  The mandatory application of IFRS 9 is deferred herewith to periods commencing on or after 1 January 2015. Moreover, IFRS 9 formulates exception rules providing that upon transitioning to IFRS 9 a company may make additional disclosures in the notes instead of adjusting its disclosures of the previous year. The additional disclosures in the notes required under IFRS 9 were added to IFRS 7 as an amendment. Furthermore, it must be possible on the basis of the information disclosed to reconcile the measurement categories according to IAS 39 and IFRS 3 with balance sheet positions and classes of financial instruments. The guidance is effective for financial years commencing on or after 01 January 2015 and are not expected to affect the RIB consolidated financial statements.

- **Amendments to IAS 32 and IFRS 7 (2011) "Offsetting Financial Assets and Financial Liabilities"**
  The IASB has revised its requirements for offsetting financial liabilities and published its amendments to IAS 32 and IFRS 7 on 16 December 2011. The requirements for offsetting formulated in IAS 32 have been retained in principle and merely made more concrete via additional application guidelines. These emphasise explicitly on the one hand that an unconditional, legally enforceable offsetting right must exist even in the case of the insolvency of a party. Additionally, criteria are set out by way of examples by virtue of which the gross fulfilment of financial assets and financial liabilities can still produce a balance. These requirements are subject to mandatory application for financial years commencing on or after 01 January 2014. By contrast, new requirements laid down in IFRS 7 govern the disclosure duties in connection with certain offsetting agreements. The disclosure requirement applies irrespective of whether the offsetting agreement actually results in the offsetting of the financial assets and financial liabilities concerned. The amendments to IFRS 7 apply retroactively to financial years beginning on or after 1 January 2013, and are not expected to affect RIB consolidated financial statements.

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**
  The interpretation deals with the accounting of stripping costs incurred in the production phase of a surface mine. The interpretation clarifies the circumstances under which stripping costs are to be recognised as an asset and how the initial and subsequent measurement of the asset is to occur. The interpretation is subject to mandatory application for financial years commencing on or after 1 January 2013 and will likely have no effect on RIB consolidated financial statements.

4. Summary of significant accounting policies

Basis of consolidation

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

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

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

Subsidiaries

A subsidiary is an entity whose financial and operating policies are directly or indirectly controlled by the Group in order to benefit from it.

Associates

An associate is an entity, which is neither a subsidiary nor a jointly controlled entity, in which the Group has a long-term interest of between 20 % and 50 % of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are recognised in the consolidated financial statements under non-current assets using the equity method, less any impairment losses. The share in profits or losses is presented under results from investments in associates. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

The financial statements of associates are prepared for the same reporting period as the parent company. Where

necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Under application of the equity method, the Group determines whether it is necessary to recognise impairment losses on investments in associates. The Group also determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount and the fair value is recognised in profit or loss.

Consolidated group

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

The newly acquired companies RIB MC² Incorporated, Memphis, Tennessee, USA and RIB CADX PTY Limited, Sydney, New South Wales, Australia did not have financial years identical with the calendar year. Since acquisition by the Group this has been changed so that their financial years now correspond to the calendar year. For Group accounting purposes, interim financial statements have been prepared as of the reporting date of the parent company.

The reporting date of all other consolidated entities was 31 December 2012.

Besides RIB Software AG as the parent company, the consolidated group comprises 21 fully consolidated entities, of which six are German and fifteen are foreign entities. In addition, a foreign associate is included in the consolidated financial statements.

Goodwill

Goodwill generated by the acquisition of entities represents the excess of the cost over the Group's interest in the net fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed as of the date of the acquisition.

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

The carrying amounts of all goodwill are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amounts may be impaired. The Group performs its annual impairment tests of goodwill as of 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Impairment testing of non-financial assets other than goodwill

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

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

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

Related parties

A party is considered to be related to the Group if:

a) the party directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with the Group; (ii) has an interest in the Group which gives it significant influence over the Group; or (iii) has joint control over the Group;

b) the party is an associate;

c) the party is a member of the key management personnel of the Group or its parent company;

d) the party is a close member of the family of any individual referred to in (a) or (c);

e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

Property, plant and equipment and depreciation

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

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

Furniture and fixtures	2 - 20 years
Office and technical equipment	2 - 20 years
Motor vehicles	3 - 6 years

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

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

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

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

Items of property, plant and equipment under construction are measured at cost less any impairment losses and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Assets under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

All intangible assets held by the Group have limited useful lives. Intangible assets are amortised over their useful economic life using the straight line method, and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed at then end of each financial year at a minimum.

Capitalised development costs

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

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

The carrying amount of internally created software is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised if the recoverable amount is lower than the carrying amount.

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

Purchased software

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

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

Customer relationships

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

Lease agreements

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

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

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

Investment property

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

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

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

Financial and other assets

Initial recognition and measurement

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

The Group's financial assets include cash and bank balances, trade and other receivables, and available-for-sale securities.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets. Assets classified as available for sale are neither held for trading or measured at fair value through profit or loss. Securities in this category are those intended to be held for an indefinite period of time and which may be sold to respond to liquidity requirements or changes in market conditions. Upon initial recognition, financial assets classified as available for sale are measured at fair value. Unrealised gains and losses are recognised as other consolidated earnings in the reserve for changes in value of available-for-sale securities until their disposal. At the time of disposal of the financial assets, the accumulated gains or losses are recognised through profit or loss in the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (with the exception of future credit defaults) discounted at the original effective interest rate of the financial asset (i.e., the interest rate determined upon initial recognition). The carrying value of the asset is reduced with the help of an impairment account. Impairment losses are recorded affecting net income in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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

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

Available-for-sale financial assets

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

The determination of what is "significant" or "prolonged" requires judgment.

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

Derecognition of financial assets

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

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

Available-for-sale non-current assets

Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as such if their carrying amount will largely be recovered through sale and the sale is highly probable. They are measured at the lower of the carrying amount or fair value less costs to sell. In the statement of financial position, the non-current assets held for sale are presented under the current assets if the Group intends to sell them within 12 months of the reporting date or this is likely for other reasons.

Financial liabilities

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

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs in the case of loans and borrowings.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial liabilities measured at fair value through profit or loss

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

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

Loans and borrowings

Loans and borrowings include trade payables and other liabilities, primarily tax liabilities. After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in finance costs on the income statement. Gains and losses are recognised on the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

Cash and cash equivalents

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

Treasury shares

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

Provisions

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

Income tax expense

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

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

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Value-added tax

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

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

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

Revenue recognition

The Group recognises revenue to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates, and taxes or duty.

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

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

(a) Sale of software solutions

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

(b) Sales of Software as a Service/Cloud

The Group generates revenues from companies in the construction industry and from providing cloud software and related services. These allow customers to use software functions during the license term, but not to operate the software on their own systems. Revenues from cloud software sales are recognized distributed over the license term.

(c) Provision of maintenance services

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

(d) Software consultancy and support services

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

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

(e) Interest income

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

Government grants

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

Foreign currencies

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

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

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

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

Employee benefits

(a) Pensions and similar obligations

The Group has both defined benefit and defined contribution plans for its employees.

The provisions recognised in the consolidated statement of financial position in respect of defined benefit pension plans are the present value of the defined benefit obligation at the end of the reporting period.

The defined benefit obligations are calculated by independent actuaries using the projected unit credit method.<0} The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality fixed interest-bearing securities/corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that match the terms of the related pension liability. According to IAS 19 revised, "actuarial gains and losses", which are renamed "remeasurements", are to be recognised immediately in other comprehensive income when realised. Deferral using the corridor method and immediate recognition in profit or loss are no longer permitted. Remeasurements recorded as other comprehensive income are no longer "recycled" in subsequent periods, i.e. no longer through profit or loss. Remeasurements include all actuarial gains/losses from changes in the obligation. Also included are routine settlements provided for originally in the benefits plan which are different from the projected amounts calculated.

According to IAS 19 revised, the position 'remeasurements' consists of:

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

Under the new rules, the defined benefit expense in profit or loss is broken down into (i) service cost and (ii) net interest.

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

The term 'plan curtailments; per IAS 19 revised now only means reductions in the number of plan participants; reductions in benefits for future years of service are no longer included in the definition. Also included in service cost are gains/losses from settlements which were not provided for in the plan or assumptions.

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

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

(b) Vacation claims of employees

Employee vacation claims are recognised as they accrue to employees. A provision is recognised for the estimated liability for vacation accrued but not taken by employees up to the end of the reporting period.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders and announced at the annual general meeting.

5. Changes in accounting methods

Amendments to IAS 19 – Employee Benefits

Until financial year 2011, actuarial gains and losses were immediately recorded as income or expense in the profit and loss account, in accordance with the 2004 revision of IAS 19.

Under the amended IAS 19, the accounting treatment of changes in defined benefit obligations and plan assets per IAS 8 is adjusted retroactively for early application. All actuarial gains and losses – now revaluations – are retroactively posted to other comprehensive income in the year of incurrence. This retroactive change impacted prior periods as follows:

Income Statement / Statement of Comprehensive Income	**2011**
Administrative expenses	- 25
Profit before tax	**-25**
Income tax expense	8
Consolidated net profit for the year	**-17**
Revaluation reserve	17
Total comprehensive income for the year	**0**

Statement of financial position	**31.12.2011**	**01.01.2011**
Consolidated net profit / accumulated profit	-116	-99
Accumulated other comprehensive income	116	99
Total liabilities and shareholders' equity	**0**	**0**

6. Significant accounting judgements, assumptions and estimates

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

Judgements

In the process of applying the Group's accounting policies, the Executive Board has made the following judgements which had a significant effect on the amounts recognised in the consolidated financial statements.

Capitalised development costs

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

Estimates and assumptions

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

(a) Accounting for mergers

We refer to the explanations in Section 8 with respect to estimation uncertainty in connection with acquisitions completed in the reporting period.

(b) Impairment of non-financial assets

The Group tests goodwill for impairment once a year. Other non-financial assets are tested for impairment if events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The calculation of these amounts is based on judgements and estimates. We refer to Section 18 for details of key assumptions and estimates used in testing goodwill for impairment.

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

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

(c) Impairment of receivables

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

(d) Income tax

The Group is subject to income taxes in various jurisdictions. Determining the provision for income taxes requires taking into account international tax regulations and includes significant judgements. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities on whether tax payments are expected after evaluating the respective jurisdictions and fiscal courts. If the prospective final tax outcome diverges from the amounts that were initially recorded, such differences will impact the tax expense and deferred tax provisions in the periods concerned.

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

7. Changes to the Consolidated Group

As of 31 December 2012, the consolidated group comprised the following additional fully consolidated entities compared to the consolidated financial statements as of 31 December 2011, which RIB Limited, Hong Kong, established by way of cash subscriptions:

- TWO Hong Kong Limited, Hong Kong/People's Republic of China

In the reporting period, RIB Limited, Hong Kong, also acquired interests in the following companies and fully consolidated these companies in the consolidated financial statements as of 31 December 2012:

- RIB MC² Incorporated, Memphis, Tennessee/USA (hereinafter referred to as "RIB MC²")
- RIB CADX PTY Limited, Lane Cove, New South Wales/Australia (hereinafter referred to as "RIB CADX")
- RIB U.S. Cost Incorporated, Atlanta, Georgia/USA (hereinafter referred to as "RIB US Cost")

These acquisitions will have a significant impact on some items in the consolidated financial statements and may impair the comparability of the consolidated financial statements for financial year 2012 with the consolidated financial statements for financial years 2011 and 2010. We refer to Section 8 for further explanatory notes on the acquired companies and their impact on the consolidated financial statements.

We refer to the information on shareholdings in Section 49 with regard to the companies included altogether in the consolidated financial statements.

8. Mergers

Acquisition of RIB MC²

With the contract of 9 September 2012 RIB Limited, Hong Kong, in which RIB Software AG holds the entire share capital, acquired all shares of RIB MC². The acquisition date was 9 September 2012. For the sake of simplicity, the purchase price allocation was based on the value as of 31 August 2012. The transactions between 31 August and 9 September 2012 were of minor importance. Furthermore, no material changes in value occurred during this period. The acquisition costs include the purchase price of € 9,411 thousand. The purchase price was transferred on 7 September 2012 and on 11 September 2012.

As the acquisitions detailed below took place only shortly before the cut-off date of the interim financial statements for the period January to September 2012, the fair value of the identifiable assets and liabilities could only be determined on a provisional basis. Therefore, the initial accounting of the merger only took place on a provisional basis in the above-mentioned interim financial statements. In the last quarter of the year under review the assets and liabilities of RIB MC² were reassessed based on information with a positive effect on valuations that came to light on the acquisition date. This led to an adjustment of the following items:

€ thousands

	Change in Fair Value
	31.08.2012
Intangible assets	57
Property, plant and equipment	-344
Other assets	180
Deferred tax assets	488
Trade receivables	0
Available-for-sale securities	0
Cash and cash equivalents	0
	381
Deferred revenue	47
Other debts and other liabilities	-15
Deferred tax liabilities	509
	541
Net assets	**-160**
Goodwill from the company acquisition	160

The adjusted fair value of the identifiable assets and liabilities of RIB MC² as of the acquisition date and the corresponding book values immediately before the acquisition date were provisionally as follows:

€ thousands

	Carrying amount	**Fair Value**
	31.08.2012	31.08.2012
Intangible assets	0	1.638
Property, plant and equipment	89	89
Other assets	467	467
Deferred tax assets	547	547
Trade receivables	281	281
Available-for-sale securities	406	406
Cash and cash equivalents	705	705
	2,495	4,133
Deferred revenue	818	818
Other debts and other liabilities	210	210
Deferred tax liabilities	0	631
	1,028	1,659
Net assets	**1,467**	**2,474**
Goodwill from the company acquisition		6,937
Total acquisition costs		**9,411**

RIB MC²'s customers include around 1,500 well-known US construction groups. Of the top 50 in the US construction industry, 50 % are customers of RIB MC². With this acquisition, the Group remains consistent with its strategy of entering the US market via the customer network of RIB MC². With the integration of the ICE software by RIB MC² (Interactive Cost Estimating) and the RIB solution iTWO BIM 5D, the Group will offer the first integrated software currently for digital planning and construction with specific localisation for the US market.

The goodwill particularly reflects expected synergy effects from the company acquisition. The Group intends to extend its position in the US market through the acquisition of RIB MC². The customer relationships of RIB MC² are particularly valuable and are to be used to develop further sales potential by combining the RIB MC² software with the iTWO ERP 5D software.

Overall the goodwill is not deductible for tax purposes.

Of the intangible assets totalling € 1,638 thousand, € 751 thousand pertains to software and € 887 thousand to maintenance agreements and associated customer relationships.

The acquisition of RIB MC² increased earnings by € 1,290 thousand in the year under review and the Group result by € 79 thousand.

If RIB MC² had already been acquired as of 1 January 2012, earnings in the year under review would have risen by € 3,036 thousand and the Group result would have fallen by € 274 thousand.

Acquisition of RIB CADX

With the contract of 28 September 2012 RIB Limited, Hong Kong, in which RIB Software AG holds the entire share capital, acquired 75 % of the shares of RIB CADX. At the same time, mutual buy and sell options were agreed for the transfer of the outstanding shares of 25 %. The options may be exercised after five years. The acquisition date was 5 October 2012. For the sake of simplicity, the purchase price allocation was based on the value as of 30 September 2012.

The sell options agreed as part of the acquisition will mean that the Group cannot avoid having to take on the outstanding shares of 25 %. Therefore, although the Group does not as yet hold these shares, no minority interests have to be shown in the consolidated financial statements as a component of the consolidated equity. Instead, the obligation to take on the outstanding shares will lead to the recognition of a financial liability which is posted at fair value. Correspondingly, the goodwill from the company acquisition will increase.

The option price for the outstanding shares of 25 % is based on the value of RIB CADX as a going concern at the time of exercising the option. The value of the company must be determined by an independent statutory auditor. The option price depends in terms of the amount on the economic development of RIB CADX within the next five years. The option price is however limited by a contractually agreed minimum price (€ 1,865 thousand) as well as a maximum price (€ 9,475 thousand). Based on the contractual agreements, we assume that it is highly likely that the options will be exercised and have consequently treated the option agreements as so-called synthetic forward agreements.

As a result of the dependence on the future economic development of RIB CADX the amount of the purchase consideration has not been settled yet. We assume that the fair value of the consideration is in total € 14,028 thousand. This sum includes a purchase price of € 4,524 thousand as well as a payment into RIB CADX as part of a capital increase of € 3,243 thousand; both amounts are connected with the assumption of the first share tranche of 75 %. Both amounts were transferred on 28 September 2012 to a trust account set up for the purposes of the transaction. The money was credited to the trust account on 2 October 2012. The purchase price was paid to the seller from the trust account on 5 October 2012. The additional amount of € 6,261 thousand pertains to the financial liability in connection with the assumption of the outstanding share tranche of 25 %.

To value the financial liability, initially the value of RIB CADX as a going concern at the time of the option was determined. The company was valued using the discounted cash flow method based on various scenarios. For the calculation an industry-specific beta factor as well as a country-specific market risk premium and non-risk interest rate were taken into account. The expected cash flows were discounted at an interest rate of 9.18 %. On the basis of these calculations we assume that the value of RIB CADX as a going concern at the time of the option will range between € 20 million and € 37 million. Bearing in mind the estimated occurrence probability of the scenarios which have been taken into consideration as well as the contractual lower and upper limits for the option price, we assume on this basis that the relevant value of the company as a going concern at the time of the option will be € 29.1 million. According to this, a purchase price of € 7,278 thousand would be payable for the share of 25 % that is still outstanding. The financial liability was determined by discounting this purchase price on the acquisition date using a risk-compliant interest rate corresponding to the respective term of 2.88 %.

The accrued interest from the financial liability in the year under review results in an interest expense of € 54 thousand.

As the amount of the consideration is connected with what happens in the future, valuation of the financial liability is inextricably linked to accounting judgements and assumptions and guesswork. If the actual economic development of RIB CADX differs from the assumptions made within the scope of the purchase price allocation, this will lead to an adjustment of the book value of the financial liability with an impact on income. The effects of such adjustments are limited due to the minimum and maximum prices set within the scope of the option agreements, but the risk that this could have a major impact in favour or to the detriment of the results of future periods cannot be ruled out. In the period until the financial liability becomes payable income of a maximum of € 5,413 thousand or expenses of a maximum of € 2,197 thousand may be accumulated.

The fair value of the identifiable assets and liabilities of RIB CADX as of the acquisition date and the corresponding book values immediately before the acquisition date were provisionally as follows:

€ thousands

	Carrying amount	Fair Value
	30.09.2012	30.09.2012
Intangible assets	0	2,575
Property, plant and equipment	139	139
Other assets	114	114
Deferred tax assets	457	457
Trade receivables	720	720
Cash and cash equivalents	3,377	3,377
	4,807	7,382
Deferred revenue	626	626
Other debts and other liabilities	1,019	1,019
Deferred tax liabilities	0	773
	1,645	2,418
Net assets	**3,162**	**4,964**
Goodwill from the company acquisition		9,064
Total acquisition costs		**14,028**

The difference between the gross amount of the contractual trade accounts receivable and the fair value as of the acquisition date was € 12 thousand.

The cloud “Software as a Service” (SaaS) provider CADX, which acts as a project centre, markets the latest-generation cloud-based collaboration technology. The company has increased the sales of its cloud business within the last few years from around 1.4 to 4.7 million Australian dollars. With this acquisition, the Group aims to offer its worldwide customer base an integrated ERP 5D cloud platform based on RIB’s iTWO 5D technology and the collaboration platform from CADX.

The goodwill particularly reflects expected synergy effects from the company acquisition. Through the acquisition of RIB CADX, the Group intends to extend its position in the global market for cloud-based collaboration technology and acquire additional customers in the Australian market. The software of RIB CADX is particularly valuable and is to be used to offer global customers a cloud-based 5D platform by combining CADX software with the iTWO ERP 5D software.

Overall the goodwill is not deductible for tax purposes.

Of the intangible assets totalling € 2,575 thousand, € 1.788 thousand involves software and € 787 thousand maintenance agreements and associated customer relationships.

As a result of the acquisition of RIB CADX earnings in the year under review increased by € 801 thousand and the Group result decreased by € 150 thousand.

If RIB CADX had already been acquired as of 1 January 2012, earnings in the year under review would have risen by € 2,875 thousand and the Group result would have fallen by € 1,266 thousand.

Acquisition of RIB US Cost

With the contract of 28 November 2012 RIB Limited, Hong Kong, in which RIB Software AG holds the entire share capital, acquired 56.078 % of the shares of RIB US Cost. With the same agreement a forward agreement was concluded for the remaining shares of 43.922 %. According to this, the Group will acquire the remaining shares after five years. In addition, with the same contract RIB US Cost was granted a credit line of US$ 4.0 million until 31 December 2017. The acquisition date was 5 December 2012. For the sake of simplicity, the purchase price allocation was based on the value as of 30 November 2012. As the acquisition of shares took place only shortly before the cut-off date of the consolidated financial statements as of 31 December 2012, the fair value of the identifiable assets and liabilities could initially only be determined on a provisional basis. Therefore, the initial accounting of the merger only took place on a provisional basis in the consolidated financial statements.

The forward agreement concluded as part of the acquisition will mean that the Group cannot avoid having to take on the outstanding shares of 43.922 %. Therefore, although the Group does not as yet hold these shares, no minority interests have to be shown in the consolidated financial statements as a component of the consolidated equity. Instead, the obligation to take on the outstanding shares will lead to the recognition of a financial liability which is posted at fair value. Correspondingly, the goodwill from the company acquisition will increase.

The purchase price for the outstanding shares of 43.922 % is based on the value of RIB US Cost as a going concern at the time when the forward agreement expires. The value of the company must be determined by an independent statutory auditor. The forward price depends in terms of the amount on the economic development of RIB US Cost within the next five years. The purchase price is however limited by a contractually agreed minimum price (€ 1,540 thousand) as well as a maximum price (€ 6,940 thousand). An interest rate of 3.0 % was agreed for the granted credit line. As this interest rate is below the market interest rate, the agreement, which is favourable for RIB US Cost, represents part of the consideration for the acquisition of the shares. In addition, a so-called earn-out agreement was concluded for the acquired shares of 56.078 %. According to this, a further purchase price of € 757 thousand is payable if the annual result of RIB US Cost in 2013 exceeds an agreed minimum value. According to our calculations as of the acquisition date the earn-out agreement will not take effect. This means that there will be no further increase in the consideration.

As a result of the dependence of the purchase price, according to the forward agreement, on the future economic development of RIB US Cost, the amount of the purchase consideration has not been settled yet. We assume that the fair value of the consideration is in total € 7,830 thousand. This sum includes a purchase price of € 3,080 thousand as well as the advantage arising from the low-interest credit line of € 84 thousand; both amounts are connected with the assumption of the first share tranche of 56.078 %. The sum of € 3,080 thousand was transferred on 30 November 2012. The additional amount of € 4,666 thousand pertains to the financial liability in connection with the assumption of the outstanding share tranche of 43.922 %.

To value the financial liability, the value of RIB US Cost as a going concern at the time when the forward agreement expires was determined initially. The company was valued using the discounted cash flow method based on various scenarios. For the calculation an industry-specific beta factor as well as a country-specific market risk premium and non-risk interest rate were taken into account. The expected cash flows were discounted at an interest rate of 8.23 %. On the basis of these calculations we assume that the value of RIB US Cost as a going concern at the time when the forward agreement expires will be between € 7.1 million and € 14.0 million. Bearing in mind the estimated occurrence probability of the scenarios which have been taken into consideration as well as the contractual lower and upper limits for the forward price, we assume on this basis that the relevant value of the company as a going concern at the time when the forward agreement expires will be € 12.3 million. According to this, a purchase price of € 5,393 thousand would be payable for the currently still outstanding shares of 43.922 % on the date when the agreement expires. The financial liability was determined by discounting this purchase price on the acquisition date using a risk-compliant interest rate corresponding to the respective term of 2.88 %. Valuation of the advantage arising from the low-interest credit line was carried out using the discounted cash flow method taking into account the expected utilisation of the credit line as well as a market interest rate of 4.75 %

The accrued interest from the financial liability in the year under review results in an interest expense of € 13 thousand.

As the amount of the consideration is connected with what happens in the future, valuation of the financial liability is inextricably linked to accounting judgements and assumptions and guesswork. If the actual economic development of RIB US Cost differs from the assumptions made within the scope of the purchase price allocation, this will lead to an adjustment of the book value of the financial liability with an impact on income. The effects of such adjustments are limited due to the minimum and maximum prices set within the scope of the forward agreement, but the risk that this could have a major impact in favour or to the detriment of the results of future periods cannot be ruled out. In the period until the financial liability becomes payable income of a maximum of € 3,853 thousand or expenses of a maximum of € 1,547 thousand may be accumulated.

RIB US Cost is one of the leading US technology companies in the area of software and professional services for the construction industry. The main customers of RIB US Cost are US investors, especially government institutions and airport operators. RIB US Cost has already successfully provided software and services in the consulting sector for thousands of major projects in the United States. The acquisition of RIB US Cost will extend the customer network in the USA to include the target group investors and government.

The fair value of the identifiable assets and liabilities of RIB US Cost as of the acquisition date and the corresponding book values immediately before the acquisition date were provisionally as follows:

€ thousands

	Carrying amount	**Fair Value**
	30.11.2012	30.11.2012
Intangible assets	13	2.830
Property, plant and equipment	152	152
Other assets	622	622
Trade receivables	1,868	1,868
Work in progress	975	975
Cash and cash equivalents	856	856
	4,486	7,303
Deferred revenue	693	693
Other debts and other liabilities	2,530	2,530
Deferred tax liabilities	122	1,207
	3,345	4,430
Net assets	**1,141**	**2,873**
Goodwill from the company acquisition		4,957
Total acquisition costs		**7,830**

The difference between the gross amount of the contractual trade accounts receivable and the fair value as of the acquisition date was € 83 thousand.

The goodwill particularly reflects expected synergy effects from the company acquisition. The Group intends to extend its position in the US market through the acquisition of RIB US Cost. The customer relationships of RIB US Cost are particularly valuable and are to be used to develop further sales potential by incorporating the RIB US Cost software into the iTWO ERP 5D success software.

Overall the goodwill is not deductible for tax purposes.

Of the intangible assets totalling € 2,830 thousand, € 305 thousand pertains to software and € 2,525 thousand to maintenance agreements and associated customer relationships.

As a result of the acquisition of RIB US Cost earnings in the year under review increased by € 1,189 thousand and the Group result decreased by € 39 thousand.

If RIB US Cost had already been acquired as of 1 January 2012, earnings in the year under review would have risen by € 12,235 thousand and the Group result would have fallen by € 214 thousand.

Acquisition of GZ TWO in financial year 2011

RIB Software AG acquired all the shares in GZ TWO in the previous financial year 2011. The seller of the shares was TWO Limited, Hong Kong. The majority of the shares in the selling company were held by the CEO of RIB Software AG, Mr Thomas Wolf as of the acquisition date.

When accounting for the GZ TWO acquisition in the consolidated financial statements for financial year 2011 the built-up property European Outsourcing Centre II (hereinafter referred to as "EOC II") located within this company was recognised at a fair value of € 2,915 thousand. This valuation took into account the right of the seller of the GZ TWO shares agreed within the scope of the company acquisition to be able to demand the surrender of EOC II within twelve months after the purchase. When exercising the right of recovery GZ TWO would be granted a consideration in the amount of the book value of EOC II at the time of the transfer. When preparing the last consolidated financial statements, the Executive Board assumed that the seller of the GZ TWO shares would make use of his right of recovery. The built-up property was then recognised as non-current assets held for sale in accordance with IFRS 5. Contrary to our original expectations the purchase option was not exercised in the year under review and has therefore expired. As a result of the changed circumstances, we currently do not expect the EOC II to be sold. Pursuant to IFRS 5.26 the EOC II was therefore reclassified. The building is as of the balance sheet date shown under the item “Investment property“ pursuant to IAS 40 and the relevant land usage right under the item “Prepaid rent for land usage rights“. A difference of € 1,819 thousand arises from the reclassification, which was recognised as other income in the year under review. Please also refer to the information in Sections 21 and 23.

9. Segment Information

For management purposes, the Group is organised into business units based on its products and services. As a result of the growing internationalisation and focus of Group strategy on cloud technology, which is also underlined by the acquisition of the leading cloud software company RIB CADX, the operating segments have been restructured. In financial year 2012 this restructuring of business activities led to the restructuring of internal reporting, which the Executive Board refers to for its decision-making. From financial year 2012, in contrast to the previous year, the operating segments described below will be differentiated. To ensure comparability with the previous year, the reported prior year amounts have been adjusted accordingly.

1. The Licence/Software segment concentrates on the sale of software solutions for installation on the customer's hardware as well as on maintenance and support services for customers who have purchased the Group's software solutions;

2. The Software segment as a service / cloud comprises our solution offer in the domain of online platforms for tendering and award processes as well as project collaboration; and The Software segment as a service/cloud comprises our range of solutions in the field of online platforms for tendering and licencing as well as project collaboration; and

3. The Professional Services segment comprises consulting and support services for supporting customers in the implementation of software as well as consulting services in connection with the planning and management of construction and infrastructure projects.

The Executive Board monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and to assess performance. Segment performance is evaluated based on segment revenue and segment profit.

The reported sales revenues involve sales to external customers. As there are no transactions between segments, there are no inter-segment elimination entries.

The accounting and valuation methods of the segments subject to reporting correspond to the Group accounting principles outlined in Section 4. The previous year's figures have been adjusted accordingly for improved comparability.

€ thousands

	2012			
	Licence/Software	SaaS/Cloud	Prof. Services	Total
Total revenue, external sales	**30,540**	**2,781**	**5,891**	**39,212**
Cost of sales	-6,724	-143	-5,496	-12,363
Research and development expenses	-3,294	-840	-	-4,134
Segment profit (EBIT)	20,522	1,798	395	22,715
Interest income and expense				502
Other unallocated income and expenses				-10,861
Profit before tax (EBT)				12,356
Income Tax Expense				-3,528
Consolidated net profit for the year				**8,828**
Other segment information:				
Amortisation and depreciation	-3,574	-45	-9	-3,628

€ thousands

	2011			
	Licence/Software	SaaS/Cloud	Prof. Services	Total
Total revenue, external sales	**29,797**	**1,578**	**3,728**	**35,103**
Cost of sales	-6,377	-140	-3,666	-10,183
Research and development expenses	-3,813	-748	-	-4,561
Segment profit (EBIT)	19,607	690	62	20,359
Interest income and expense				736
Other unallocated income and expenses				-12,484
Profit before tax (EBT)				8,611
Income Tax Expense				-3,051
Consolidated net profit for the year				**5,560**
Other segment information:				
Amortisation and depreciation	-3,047	-1	-1	-3,049

The other non-allocated income and expenses include other operating income, general management expenses, sales and marketing costs and other operating expenses. Other non-allocated income and expenses plus the IPO costs are included in financial year 2011.

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

Geographic information

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

€ thousands

	2012	2011
Germany	31,238	30,529
EMEA (Europe, Middle East and Africa)	2,056	2,174
Asia Pacific	3,215	2,199
North America	2,703	201
Total revenue	**39,212**	**35,103**

No individual customer accounts for more than 10 % of total revenue at present.

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

€ thousands

	31.12.2012	31.12.2011
Germany	34,291	34,058
EMEA	2	10
Asia Pacific	28,965	10,130
North America	16,677	-
Total	**79,935**	**44,198**

10. Revenue

Revenue breaks down as follows:

€ thousands

	2012	2011
Software licences	14,226	14,981
Software as a service/cloud	2,781	1,578
Total software licences and software as a service/cloud	**17,007**	**16,559**
Maintenance	16,315	14,816
Consulting	5,890	3,728
Total revenue	**39,212**	**35,103**

The total software licence revenue is subdivided as follows:

€ thousands

	2012	2011
iTWO Key Account	4,143	6,069
iTWO Mass Market	3,587	1,791
iTWO SAP Channel	87	538
Other product lines	9.190	8,161
Total software licences and software as a service/cloud	**17,007**	**16,559**

11. Cost of sales

Cost of sales mainly contains cost of purchased goods, personnel expenses and non-personnel expenses of the support and consulting business units as well as depreciation of self-created software. In the consolidated financial statements of the previous year the depreciation of self-created software was still included in research and development expenses. The depreciation of self-created software of € 3,368 thousand is reported for the first time under cost of sales in the consolidated financial statements 2012. The management is of the opinion that the allocation of depreciation to production costs provides more reliable and relevant information with regard to the earnings situation, as the costs required to render the service are treated more transparently and this treatment is also in line with the practices applied in the industry. In the consolidated financial statements of the previous year the depreciation of self-created software at € 2,981 thousand was still included in research and development expenses. To create comparability the reporting of the previous year's amounts was adjusted to the amended handling.

12. Other operating income

Other operating income breaks down as follows:

€ thousands

	2012	2011
Income from the reclassification of non-current assets held for sale	1,819	-
Income from the release of provisions and accruals	363	391
Grant income in respect of research and development work*	233	773
Cross-charged selling and distribution costs	17	17
Exchange rate gains	223	1,864
Changes in value of available-for-sale securities	160	11
Other services	375	304
Total	**3,190**	**3,360**

* The amount represents various subsidies granted by the Federal Ministry of Education and Research in Germany for the financing of two research and development projects. There are no unfulfilled conditions or contingencies relating to these grants.

We refer to the explanations in Sections 21 and 23 with regard to the income from the reclassification of non-current assets held for sale and to the explanations in Section 24 for the GZ TWO acquisition.

13. Other operating expenses

The other operating expenses break down as follows:

€ thousands

	2012	2011
IPO costs	-	3,924
Exchange differences on available-for-sale securities	647	308
Foreign exchange expenses arising from cash and cash equivalents	332	297
Acquisition expenses	299	-
Total	**1,278**	**4,529**

14. Other Financial Information

€ thousands

	2012	2011
Personnel expenses:		
Wages and salaries	17,407	14,116
Social security and pension costs	3,162	2,116
Total	**20,569**	**16,232**
Minimum lease payments under operating leases:		
Office buildings	914	789
Equipment	328	247
Total	**1,242**	**1,036**
Amortisation and depreciation		
of property, plant and equipment	240	171
of intangible assets	3,938	3,316
Total	**4,178**	**3,487**
Disclosure of depreciation of intangible assets in the income statement:		
Cost of sales	3,371	2,980
Administrative expenses	14	12
Selling and distribution costs	471	247
Research and development expenses	82	77
Total	**3,938**	**3,316**
Product warranty provision:		
Additional provision	220	224
Unused amounts reversed	-	-
Total research and development expenses		
Research and development expenses	10,735	10,771

15. Finance Income and Costs

Finance income and costs break down as follows:

€ thousands

	2012	2011
Finance income:		
Bank interest income	294	762
Interest income from available-for-sale securities	304	53
Income from the write-up of non-current financial assets	123	94
Other services	10	22
Total	**731**	**931**
Finance costs:		
Interest expense on finance leases	-2	-6
Other services	-226	-188
Total	**-228**	**-194**

16. Income Tax Expense

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

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

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

€ thousands

	2012	2011
Effective income tax	3,245	2,320
Deferred income tax	283	731
Total tax expense	**3,528**	**3,051**

A reconciliation of the expected tax expense applicable to profit before tax at the income tax rate of the parent company of 30.53 % (previous year: 30.53 %) to the income tax expense according to the income statement is provided in the following:

€ thousands

	2012	2011
Profit before tax	**12,357**	**8,611**
Expected tax expense	3,772	2,628
Non-deductible expenses and tax-exempt income	14	25
Trade tax additions	6	8
Tax profits/losses for which no deferred taxes were recognised	-263	75
First time capitalisation of tax loss carryforwards	-281	-
Profit and losses of associates	-	-
Differences in tax rate for foreign subsidiaries	278	163
Taxes relating to other reporting periods	-	177
Impact of tax rate changes	-	-23
Other services	2	-2
Tax expense according to income statement	**3,528**	**3,051**

17. Earnings per share – basic and diluted

Earnings per share is determined by dividing the net income for the period allocable to the shareholders by the weighted number of registered par value shares in circulation during the period.

The weighted average of shares in circulation in 2011 amounted to 37,802,660. In the year under review the weighted average of registered par value shares in circulation was 38,711,720.

In the period from 1 January 2013 to 28 February 2013, RIB Software AG bought back 175,520 ordinary shares in total with a nominal value of € 1.00 per share and an average price of € 4.42.

€ thousands unless otherwise indicated

	2012	2011
Consolidated net profit for the year	8,828	5,560
Weighted average of shares in circulation	38,711,720	37,802,660
Earnings per share (diluted and basic)	€ 0.23	€ 0.15

18. Goodwill

€ thousands

	31.12.2012	31.12.2011
License/Software Segment	24,607	12,070
SaaS/Cloud Segment	6,361	-
Professional Services Segment	3,625	1,965
GZ TWO development unit	2,911	2,932
Total	**37,504**	**16,967**

The goodwill of the License/Software and Professional Services Segments includes the figures resulting from acquisition of RIB Bausoftware GmbH and the RIB FSuite business division. Following the acquisition, RIB Bausoftware GmbH was merged into RIB Software AG in 2003. The previous year's figures for the existing segments were allocated to the changed segments on the basis of historical figures.

The goodwill relating to the development unit GZ TWO arose from the initial consolidation of this business in 2011.

The goodwill of the License/Software, SaaS/Cloud, and Professional Services Segments includes the goodwill resulting from the initial consolidation of the companies RIB MC², RIB CADX and RIB US Cost in the course of the year under review, see Section (8).

The new goodwill was allocated on the basis of the acquired companies' business operations, the associated strategic goals of the Group and taking into account the resulting benefits that are expected for the Group's segments.

The development of goodwill in the reporting year can be seen in Section 19. Currency adjustments totalling € 399 thousand result from the differences in the exchange rates between the time of acquisition and the reporting date for the companies that were initially consolidated in the year under review. € 22 thousand result from the difference in the exchange rates relating to the development unit GZ TWO in the current financial year.

Impairment testing of goodwill

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation, using cash flow projections for the License/Software, Saas/Cloud and Professional Services segments based on financial budgets covering a three-year period with a growth rate of 1 % assumed for cash flows beyond the three-year period. In the case of the GZ TWO development entity, cash flow projections based on financial budgets were used, covering a four-year period with no sustained growth assumed.

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

%

	2012
License/Software Segment	9.49
SaaS/Cloud Segment	10.41
Professional Services Segment	9.35
GZ TWO development unit	8.39

Since in the previous year goodwill for the purposes of impairment testing was allocated to the segments that had been separate until then, no prior-year disclosures can be made with regard to discount rates.

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

Revenue and expenses

The revenue projections for the Saas/Cloud Segment include most of the revenues from the recently acquired companies, RIB CADX and RIB US Cost, as well as the eTendering platform. They also include the revenue generated from the use and maintenance of the Cloud solutions. The revenue projections for the License/Software Segment include most of the revenues from the recently acquired company, RIB MC². They also include the revenue generated from the licensing and maintenance of these products. The revenue projections for the Professional Services Segment include some of the revenues from the recently acquired company, RIB US Cost. They also include revenue generated from the provision of consulting services. The planning of the segments takes into account the Group's strategy – achieving above-average growth with new, innovative products and tapping into new market segments and winning new customers. Cost of materials and third-party services projections were matched to revenue growth. Personnel expenses and non-personnel expenses are likewise aligned to revenue growth. Capital expenditures, development costs and other operating expenses are projected based on historical data and the Executive Board's experience. They were supplemented by effects resulting from company acquisitions.

For impairment testing the goodwill of the GZ TWO development entity, the revenue from the man-days rendered was calculated by multiplying the budgeted capacity in man-days by the daily rate expected in future. It was also assumed that the building EOC I, which is owned by the RIB Group, will be partially leased. Budgeting for personnel expenses and non-personnel expenses has been aligned to the budgeted capacity in terms of headcount or, as the case may be, man-days.

Discount rates

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

19. Statement of changes in non-current assets in financial year 2012

€ thousands

	Cost						Accumulated amortization, depreciation and impairment							Carrying amounts	
	As of 01.01.2012	Additions from initial consolidation	Additions	Additions/ disposals currency adjustments	Disposals	As of 31.12.2012	As of 01.01.2012	Additions from initial consolidation	Additions	Additions/ disposals currency adjustments	Disposals	Proportionate increase and decrease in equity	As of 31.12.2012	As of 31.12.2012	As of 31.12.2011
1. Goodwill	**25,264**	**20,958**	**0**	**-421**	**0**	**45,801**	**8,297**	**0**	**0**	**0**	**0**	**0**	**8,297**	**37,504**	**16,967**
2. Other intangible assets															
a) Internally generated software	25,786	0	6,602	0	0	32,388	7,409	0	3,368	0	0	0	10,777	21,611	18,377
b) Customer relationships	442	4,199	0	-108	0	4,533	112	0	157	-1	0	0	268	4,265	330
c) Purchased software	1,937	2,844	41	-109	0	4,713	1,467	0	399	-3	0	0	1,863	2,850	470
d) Other	10	0	8	0	0	18	4	0	14	0	0	0	18	0	6
	28,175	**7,043**	**6,651**	**-217**	**0**	**41,652**	**8,992**	**0**	**3,938**	**-4**	**0**	**0**	**12,926**	**28,726**	**19,183**
3. Property, plant and equipment															
a) Furniture and fixtures	2,197	384	200	-15	289	2,477	1,776	0	240	0	291	0	1,725	752	421
b) Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c) Assets under construction	4,721	0	156	-43	0	4,834	0	0	0	0	0	0	0	4,834	4,721
	6,918	**384**	**356**	**-58**	**289**	**7,311**	**1,776**	**0**	**240**	**0**	**291**	**0**	**1,725**	**5,586**	**5,142**
Total	**60,357**	**28,385**	**7,007**	**-696**	**289**	**94,764**	**19,065**	**0**	**4,178**	**-4**	**291**	**0**	**22,948**	**71,816**	**41,292**

The leasehold land usage rights recorded in the previous year under other intangible assets were reclassified as the balance sheet item "prepaid land lease payment". See the explanatory notes under Section (23).

Statement of changes in non-current assets in financial year 2011

€ thousands

	Cost						Accumulated amortization, depreciation and impairment							Carrying amounts	
	As of 01.01.2011	Additions from initial consolidation	Additions	Additions/ disposals currency adjustments	Disposals	As of 31.12.2011	As of 01.01.2011	Additions from initial consolidation	Additions	Additions/ disposals currency adjustments	Disposals	Proportionate increase and decrease in equity	As of 31.12.2011	As of 31.12.2011	As of 31.12.2010
1. Goodwill	**22,332**	**2,606**	**0**	**326**	**0**	**25,264**	**8,297**	**0**	**0**	**0**	**0**	**0**	**8,297**	**16,967**	**14,035**
2. Other intangible assets															
a) Internally generated software	19,576	0	6,210	0	0	25,786	4,428	0	2,981	0	0	0	7,409	18,377	15,148
b) Customer relationships	435	0	0	7	0	442	75	0	36	1	0	0	112	330	360
c) Purchased software	1,689	20	207	21	0	1,937	1,166	0	299	2	0	0	1,467	470	523
d) Other	10	0	0	0	0	10	4	0	0	0	0	0	4	6	6
	21,710	**20**	**6,417**	**28**	**0**	**28,175**	**5,673**	**0**	**3,316**	**3**	**0**	**0**	**8,992**	**19,183**	**16,037**
3. Property, plant and equipment															
a) Furniture and fixtures	1,812	261	125	44	45	2,197	1,641	0	171	6	42	0	1,776	421	170
b) Prepayments	3,461	0	638	0	4,099	0	0	0	0	0	0	0	0	0	3,461
c) Assets under construction	0	4,099	96	526	0	4,721	0	0	0	0	0	0	0	4,721	0
	5,273	**4,360**	**859**	**570**	**4,144**	**6,918**	**1,641**	**0**	**171**	**6**	**42**	**0**	**1,776**	**5,142**	**3,631**
Total	**49,315**	**6,986**	**7,276**	**924**	**4,144**	**60,357**	**15,611**	**0**	**3,487**	**9**	**42**	**0**	**19,065**	**41,292**	**33,703**

20. Other intangible assets

The internally generated software RIB iTWO is of material importance for the Group. RIB iTWO is a fully integrated software solution for digital planning and construction (ERP 5D).

Of the carrying amount for the internally generated software of € 21,611 thousand (previous year: € 18,377 thousand), the following amounts are attributable to RIB iTWO:

€ thousands, unless indicated otherwise

	31.12.2012	31.12.2011
Carrying amount	17,433	13,133
of which uncompleted portion at the reporting date	5,356	2,341
Remaining amortisation period of the modules completed by the reporting date	8 to 10 years	9 to 10 years

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

21. Investment properties

In the course of integrating the development activities into the Group, RIB Software AG acquired all the shares in the development company GZ TWO in financial year 2011. The operating assets of GZ TWO included an office building under construction in Guangzhou/People's Republic of China, EOC II (European Outsourcing Centre II). At the time of the company acquisition, the building was assigned to the category "Available-for-sale non-current assets". EOC II was to be reclassified in the reporting period. Please refer to our explanatory notes on the acquisition of GZ TWO in the above Section (8).

The building has so far not been used for work or administrative purposes. The Group has not yet determined whether it will use the building itself, (partially) lease it or sell it. Since future usage is still indeterminate, the building was reclassified from "available-for-sale non-current assets" into "investment properties" in the reporting period.

Since the reclassification is due to a change in the intended use of the property, the asset was recorded at the lower of following two amounts in accordance with IFRS 5.27: the amortised carrying amount, before the asset was classified as "held for sale", and the recoverable amount as of the date on which the decision was taken not to sell the property.

If the Executive Board had expected, at the time of acquiring the GZ TWO company, that the surrender obligation would not apply, EOC II would have been recorded at the same value as the identical EOC I building that was also acquired in this connection. On this basis, the amortised carrying amount is € 4,876 thousand on the date of reclassification. The recoverable amount for the building was € 4,960 thousand. The recoverable amount for the building was determined on the basis of a survey by real estate specialists Jones Lang LaSalle, Hong Kong, taking into account the relevant market circumstances and ignoring the surrender obligation. The building was valued on the assumption that it would be sold at the normal market price, derived from the prices of comparable buildings, without ancillary agreements that could affect the price. The building was therefore recorded at the lower amortised carrying amount of € 4,876 thousand.

The resulting increase in the building's carrying amount, from € 3,205 thousand to € 4,876 thousand, i.e. an increase of € 1,671 thousand, was recognised in the income statement in financial year 2012 and reported under other operating income. The difference in the values is mainly a result of taking the surrender obligation into account when originally establishing the fair value.

The property is valued using the acquisition cost model. The building was not amortised in financial year 2012, however, since the building had not been completed by the reporting date.

22. Investments in associates

The Group has a 49.96 % interest in RIB Asia Ltd. RIB Asia Ltd is not listed on a stock exchange. The following table provides summarized information on the Group's investment in RIB Asia Ltd.

€ thousands

	31.12.2012	31.12.2011
Share of the associate's assets and liabilities		
Current assets	85	93
Non-current assets	2,445	2,487
Current liabilities	1	5
Non-current liabilities	0	0
Equity	**2,529**	**2,575**

€ thousands

	2012	2011
Share of the associate's revenue and profit		
Revenue	0	0
Profit	-3	-1
Carrying amount of the investment	**1,231**	**1,257**

23. Prepaid land lease payment

Prepaid land lease payments were made by RIB Software AG in financial year 2008 amounting to € 500 thousand in respect of the construction of European Outsourcing Center I (hereinafter referred to as "EOC I") in Guangzhou, People's Republic of China. On acquisition of all the shares in GZ TWO in financial year 2011, the prepaid lease payment as reported in 2010, amounting to € 500 thousand, was given as consideration for acquisition of the company. The relevant land usage right was recognized as an addition under other intangible assets as part of the initial consolidation.

In financial year 2012 the disclosure was amended such that the prepaid land lease payments are reported in a separate item on the balance sheet. The Executive Board is of the view that uniform and separate disclosure provides information that is more reliable and more relevant, since the net assets are presented in a more transparent manner and the nature of the underlying time-limited usage arrangement is reflected more clearly in this way.

As explained in the above Section (21), RIB Software AG also acquired the land usage right to the site on which the EOC II building is located, as part of the acquisition of the GZ TWO company in financial year 2011. The land usage right was reported in the most recent consolidated financial statements, together with the building constructed on the site, under the item "available-for-sale non-current assets". EOC II was to be reclassified in the reporting period. Please refer to our explanatory notes on the acquisition of GZ TWO in the above Section (8).

The amortised carrying amount of the land usage right was derived from the carrying amount of the identical land usage right relating to EOC I. On the date of reclassification it amounted to € 482 thousand. The recoverable amount was € 491 thousand. The recoverable amount for the land usage right was determined on the basis of a survey of the fair value of the developed site by real estate specialists Jones Lang LaSalle, Hong Kong, taking into account the relevant market circumstances and ignoring the surrender obligation. The recoverable income of the land usage right was derived from the fair value of the developed site. The land usage right was therefore recorded at the lower amortised carrying amount of € 482 thousand.

The resulting change in the land usage right's carrying amount, from € 334 thousand to € 482 thousand, i.e. an increase of € 148 thousand, was recognised in the income statement in financial year 2012 and reported under other operating income. The difference in the values is mainly a result of taking the surrender obligation into account when originally establishing the fair value.

The leasehold land is held under a 50-year lease and the prepaid rents are accordingly reversed over this period on a straight-line basis at € 20 thousand p.a. and recognised in the income statement.

24. Available-for-sale non-current assets

This item involves a co-ownership share in an office building in Scottsdale / Arizona, which was transferred to the Group in the course of acquiring the RIB MC^2 company. The office building has so far been used as a distribution facility. When the company was acquired, however, it was decided to sell the building.

The substantial decrease in the item is due to the European Outsourcing Center II property, which was reclassified following the change in the intended use of the property. It is now reported as an investment property as defined in IAS 40, see Section (21).

25. Other assets

Other assets of the Group break down as follows:

€ thousands

	31.12.2012		31.12.2011	
	Non-current	Current	Non-current	Current
Income tax refund claims	-	253	-	83
Other tax refund claims		632		190
Government grants	-	-	-	176
Other receivables	-	1,339	-	761
Prepaid expenses	-	742	-	407
Other	86	-	86	-
Total	**86**	**2,966**	**86**	**1,617**

Other assets included grants from federal funds that have been applied for but not yet received.

26. Deferred tax

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

Deferred tax assets

€ thousands

	Pensions	Unused tax losses	Lease liabilities	Other	Total
As of 1 January 2011	**269**	**0**	**50**	**146**	**465**
Addition from initial consolidation (with no effect on profit or loss)	-	170	-	-	170
Deferred tax recognized in the consolidated income statement during the year	11	462	-34	-87	352
As of 31 December 2011 and 1 January 2012	**280**	**632**	**16**	**59**	**987**
Addition from initial consolidation (with no effect on profit or loss)	-	1,004	-	-	1,004
Deferred tax recognized in the consolidated income statement during the year	74	816	-13	61	938
Deferred tax recognised in other comprehensive income during the year	109	-36	-	-	73
As of 31 December 2012	**463**	**2,416**	**3**	**120**	**3,002**

Deferred tax assets relating to tax losses refer to RIB Limited, Hong Kong, in the amount of € 1,144 thousand. RIB Limited incurred further start-up losses in the reporting year as a result of setting up the international sales organization. We believe that realisation of the deferred tax asset will be accompanied by successful implementation of our international sales strategy as scheduled, and the deferred taxes can be realised in full.

The unused losses of RIB Software (Americas) Inc. and RIB Software (UK) Ltd., amounting to € 700 thousand and € 693 thousand, respectively, were not capitalised, since we cannot assume with sufficient certainty that, in the foreseeable future, taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities

€ thousands

	Capitalised development costs	Consolidation adjustments	Assets held under leases	Other	Total
As of 1 January 2011	**4,652**	**379**	**51**	**81**	**5,163**
Addition from initial consolidation (with no effect on profit or loss)	0	374	0	0	374
Deferred tax recognised in the consolidated income statement during the year	739	-48	-35	435	1,091
Deferred tax recognised in other comprehensive income during the year	0	105	0	6	111
Deferred tax booked against capital reserves during the year, with no effect on profit or loss	0	0	0	-457	-457
As of 31 December 2011 and 1 January 2012	**5,391**	**810**	**16**	**65**	**6,282**
Addition from initial consolidation (with no effect on profit or loss)	-	2.611	-	-	2,611
Deferred tax recognised in the consolidated income statement during the year	806	425	-13	-3	1,215
Deferred tax recognised in other comprehensive income during the year	-	-167	-	28	-139
As of 31 December 2012	**6,197**	**3,679**	**3**	**90**	**9,969**

The Group's consolidated statement of comprehensive income includes € 109 thousand for deferred tax assets in the item revaluations. Changes in value of available-for-sale securities account for € 28 thousand in deferred tax liabilities and exchange differences total a net amount of € 203 thousand in deferred tax liabilities.

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

€ thousands

	31.12.2012	31.12.2011
Deferred tax assets	961	374
Deferred tax liabilities	7,928	5,669

Deferred tax liabilities of € 6,672 thousand are not expected to be realised until twelve months have passed.

27. Trade receivables

Movements in trade receivables were as follows:

€ thousands

			Due in more than one year	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Trade receivables (gross)	9,597	8,605	43	633
Allowance for impairment	153	845	-	-
Trade receivables (net)	**9,444**	**7,760**	**43**	**633**

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

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

€ thousands

	Total	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
31.12.2012	1,421	553	155	29	309	375
31.12.2011	1,889	1,368	104	94	157	166

Based on the information available as of the end of the financial year, there were no indications that the past due but not impaired receivables would not be settled.

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

€ thousands

	2012	2011
Opening balance	845	861
Charge for the year	176	66
Utilized	-842	-32
Unused amounts reversed	-25	-71
Change resulting from foreign currency conversion	1	21
Closing balance	**155**	**845**

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

28. Available-for-sale securities

Available-for-sale securities comprise short-term sovereign bonds of Singapore, with a nominal interest rate of 1.375 % p.a. and high-grade corporate bonds issued by German and foreign companies, with a nominal interest rate between 0.875 % and 5.125 % p.a.

The fair values of the sovereign bonds and corporate bonds are based on quoted prices on an active market.

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

€ thousands

	2012	2011
Opening balance	3,664	10,191
Charge for the year	36,682	-
Disposals	-	-6.206
Change resulting from price effects	-43	-24
Change resulting from foreign currency conversion	-487	-297
Closing balance	**39,816**	**3,664**

29. Cash and cash equivalents

€ thousands

	31.12.2012	31.12.2011
Cash on hand	23	41
Bank balances	44,247	103,142
Cash equivalents	4,996	0
Cash and cash equivalents	**49,266**	**103,183**
Of which unrestricted	46,627	101,990
Of which restricted	2,639	1,193

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

In financial year 2012, bank balances accrued interest at floating interest rates (based on call money rates and time deposit rates) ranging between 0.25 % and 1.04 % (financial year 2011: between 0.12 % and 4.5 %). The bank balances are deposited with creditworthy banks with no recent history of default.

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

Cash and cash equivalents available on a restricted basis:

This item comprises a bank balance of € 757 thousand, which is held by a trustee. The trustee account was set up in connection with the acquisition of the RIB US Cost company. The amount is a conditional purchase price payment that was agreed by contract. The agreement required the Group to deposit the amount. We do not expect that the agreed conditions will be satisfied, with the result that the cash will again be at the Group's disposal after the end of 2013.

Some of the Group's subsidiaries have their headquarters in countries in which foreign exchange controls or other legal restrictions apply. In particular these are the Group companies domiciled in the People's Republic of China. As of the balance sheet date, the companies held cash amounting to € 1,882 thousand (previous year: € 1,193 thousand). The Executive Board believes that this will not cause any disadvantages for the Group, since the cash is used for financing operations in the respective countries, or cash transfers are approved if this should become commercially viable.

30. Equity

Issued capital / treasury shares

Number

	2012	2011
Issued shares in circulation:		
As of 1 January	**38,715,420**	**28,916,670**
Capital increase by way of the IPO	-	9,798,750
Acquisition of treasury shares	-43,562	-
As of 31 December	**38,671,858**	**38,715,420**

All shares issued are fully paid up. The par value of the registered shares is € 1.00. 43,562 treasury shares were acquired in the reporting period, with the result that the number of shares in circulation decreased to 38,671,858 as of the balance sheet date (31 December 2012).

Treasury shares

In December 2012, RIB Software AG bought back a total of 43,562 ordinary shares with a par value of € 1.00 each at an average price of € 4.64. The treasury shares are deducted from the issued capital at their acquisition cost of € 202 thousand in line with the acquisition cost model.

Authorised capital

By resolution of the annual general meeting of 20 May 2011, the Executive Board of RIB Software AG is authorised, with the approval of the Supervisory Board, to increase the capital stock of the Company once or in several instalments by a total amount of up to € 19,358 thousand up until 19 May 2016 by issuing new par-value registered shares in return for contributions in cash or in kind, and to determine a commencement date for profit participation that deviates from the law, in accordance with Art. 7 of the Articles of Association and bylaws. The new shares must be offered to the shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription rights.

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

Contingent capital

Also by resolution of 20 May 2011, the annual general meeting adopted a stock option plan and approved contingent capital for this purpose. The Executive Board is authorised to increase the capital stock of the Company by a total amount of up to € 1,549 thousand up until 19 May 2016 by issuing new par-value registered shares. The new shares shall participate in profit from the beginning of the financial year in which the issue occurs. Insofar as members of the Executive Board are affected, the Company's Supervisory Board alone is authorised accordingly.

The Executive Board and Supervisory Board made no use of this authorisation in the reporting year.

Legal reserves

No allocation was made to the legal reserve in the year under review and in the previous year, in accordance with the provisions of Sec. 150 (2) AktG ["Aktiengesetz": German Stock Corporation Act].

31. Accumulated other comprehensive income

Accumulated other comprehensive income breaks down as follows:

€ thousands

	31.12.2012	31.12.2011
Available-for-sale reserve	91	14
Foreign currency translation reserve	543	1,792
Reserve for revaluations	-133	116
Total	**501**	**1,922**

The available-for-sale reserve records fair value changes of available-for-sale financial assets resulting from price changes of € 111 thousand, as well as compensatory deferred taxes of € 34 thousand.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The sharp fall is basically due to the performance of the Hong Kong Dollar or Chinese Yuan and the US Dollar against the Euro in the period under review.

32. Dividends

The Executive Board proposes to pay a dividend of € 0.14 per share, a total of € 5,414 thousand, to shareholders in financial year 2013, for the past financial year. This dividend still has to be approved at the annual general meeting. Consequently it has not been recognized as a liability in these financial statements.

A dividend of € 0.08 per share was paid for the financial year 2011.

33. Pensions and similar obligations

The provision for pensions and similar obligations covers the pension fund scheme of the Company, RIB Information Technologies AG, RIB Deutschland GmbH and RIB Engineering GmbH. The schemes are only valid for employees who joined the Group prior to April 1995.

The company pension plans are defined benefit plans that cover commitments for retirement, disability and survivor benefits of employees. The amount of the claims depends on the length of service and the remuneration payable to employees. The plans are unfunded and are covered by the Group's assets. All risks were adequately taken into account in the actuarial report.

In addition to the company pension plans, the Group made contributions to statutory pension insurance funds which fall under the definition of defined contribution plans. The Group's contributions to these defined contribution plans came to € 952 thousand in financial year 2012 and € 971 thousand in financial year 2011.

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

- Calculation basis: 2005 G mortality tables
- Notional interest rate: 3.40 % p.a. (2011: 4.95 % p.a.)
- Pension growth trend: 1.75 % p.a. (2011: 1.75 % p.a.)
- Salary growth trend: 1.75 % p.a. (2011: 1.75 % p.a.)
- Employee turnover: 2.5 % p.a. (2011: 2.5 % p.a.)

(a) Movements in pension provisions in the consolidated statement of financial position were as follows:

€ thousands

	2012	2011
Pension provisions as of 1 January	2,951	2,994
Current service cost	9	11
Net interest expense	137	139
Revaluation	358	-26
Pension payments	-163	-167
Pension obligations as of 31 December	**3,292**	**2,951**

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

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

€ thousands

	2012	2011
Current service cost	9	11
Net interest expense	137	139
Total pension cost	**146**	**150**

The change in current service cost and interest expense is shown in the income statement.

In addition, the Group has incurred costs for defined contribution plans operated by public authorities. These expenses are recorded in the income statement.

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

€ thousands

	2012	2011
Long-term pension provisions	3,129	2,785
Short-term pension provisions	163	167
Total pension provisions	**3,292**	**2,952**

The contributions payable in relation to pension obligations in financial year 2013 are expected to amount to € 171 thousand within the Group.

Following a sensitivity analysis, the notional interest rate was reduced by 0.25 % to 3.15 %. If the notional interest rate had actually remained unchanged, the Group would have had to increase its pension provisions by € 100 thousand. All the other parameters were not subject to a sensitivity analysis, since we do not expect any of these figures to change within the next year.

(d) The present values for pensions and similar obligations break down as follows in the reporting period and in the last four reporting periods:

€ thousands

	2012	2011	2010	2009	2008
Present value of pensions and defined benefit obligations	3,292	2,951	2,994	2,696	2,775
Total	**3,292**	**2,951**	**2,994**	**2,696**	**2,775**

34. Finance lease obligations

The Group leases certain hardware and software for research and development purposes. These leases are classified as finance leases if the relevant requirements are satisfied. They have remaining lease terms of up to two years.

The carrying amounts of the leased assets at the end of each of the periods presented were as follows:

€ thousands

	31.12.2012	31.12.2011
Assets from:		
finance leases	38	52

The future minimum lease payments and their present value as of 31 December 2012 and 31 December 2011 are presented in the following:

€ thousands

	Minimum lease payments 31.12.2012	Minimum lease payments 31.12.2011	Present value of minimum lease payments 31.12.2012	Present value of minimum lease payments 31.12.2011
Amounts payable:				
Within one year	38	44	37	41
In the second to third year, inclusive	1	10	1	11
Total minimum l ease payments	**39**	**54**	**38**	**52**
Future finance charge	-1	-2		
Total net finance lease, obligation	**38**	**52**		
Current portion	37	41		
Non-current portion	**1**	**11**		

35. Trade payables

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

36. Other provisions

The movements of other provisions are as follows:

€ thousands

	Warranty provisions	Litigation provisions	Other provisions	Total
As of 1 January 2011	**216**	**215**	**77**	**508**
Utilised	216	150	20	386
Unused amounts reversed	-	-	-	-
Arising during the year	224	-	15	239
As of 31 December 2011 and 1 January 2012	**224**	**65**	**72**	**361**
Utilized	217	65	1	283
Unused amounts reversed	-	-	-	-
Arising during the year	220	-	-	220
As of 31 December 2012	**227**	**-**	**71**	**298**

The Group provides warranties related to the functionality on its products to its customers. The amount of the provisions for the warranties is estimated based on revenue volumes and past experience of the actual rate of returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

37. Accruals

The accruals break down as follows:

€ thousands

	31.12.2012	31.12.2011
Accrued payroll and social security	1,656	1,077
Outstanding licence obligations	82	27
Commission	179	143
Accrual for outstanding invoices	226	269
Other	376	286
Total	**2,519**	**1,802**

38. Deferred revenue

The amounts disclosed comprise revenue billed to or received from customers in relation to the provision of software maintenance services which had not yet been recognised by the Group as the services had not yet been provided at the end of each of the periods presented.

39. Other finance liabilities

This amount of € 10,994 thousand relates to the liabilities arising from acquisition of the companies RIB CADX and RIB US Cost. Both liabilities constitute derivative financial commitments, which were classified at fair value through profit or loss. See also the comments under Section (8).

40. Other liabilities

Other liabilities break down as follows:

€ thousands

	31.12.2012	31.12.2011
Tax liabilities	1,310	171
Social security liabilities	243	183
Security deposits	-	-
Advance payments received from customers	127	-
Other	245	216
Total	**1,925**	**570**

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

41. Financial commitments

(a) Operating lease arrangements

The Group leases certain office buildings and technical equipment under operating lease arrangements, with leases negotiated for terms of one to five years.

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

€ thousands

	31.12.2012	31.12.2011
Due in less than 1 year	1,746	1,321
Due in between two and five years	1,805	872
Total	**3,551**	**2,193**

A rise of € 1,254 thousand results in particular from the company acquisitions completed in the period covered by the report.

(b) Other

As of 31 December 2012 there are other financial obligations resulting from the agreement on a strategic business alliance with a customer totalling € 163 thousand with a term of 8 years.

42. Contingent liabilities

There were no material contingent liabilities as of 31 December 2012 and 31 December 2011.

43. Related Party Transactions

a) During the periods presented, the Group engaged in the following material transactions with related parties:

€ thousands

	Note	2012	2011
Related parties:			
Purchase of services	(1,2)	0	1,950
Prepayments for construction investment	(2)	0	638
Associates:			
Purchase of non-current assets		-	-
Total		**-**	**2,588**

b) Outstanding balances with related parties:

€ thousands

	Note	31.12.2012	31.12.2011
Receivables from related parties:			
Owed by TWO Limited	(2)	0	50
Liabilities to related parties:			
Owed to TWO Limited	(2,3)	0	4,142

Notes:

RIB AG obtained software development services from TWO Ltd. Hong Kong/People's Republic of China (hereinafter referred to as "TWO Ltd.") in the period up to 31 July 2011. TWO Ltd. is a company in which the Chairman of the Executive Board of RIB Software AG, Mr Thomas Wolf, has a majority stake. TWO Ltd. engaged its wholly owned subsidiary, Guangzhou TWO Information Technology Company, Guangzhou/People's Republic of China (hereinafter referred to as "GZ TWO") to provide development services. In the previous financial year, 2011, RIB Software AG acquired all the shares in GZ TWO from TWO Ltd. and thus integrated the development activities into the RIB Group.

The acquisition of the GZ TWO company was reflected in the consolidated financial statements of RIB Software AG for the financial year 2011. With regard to the acquisition-related earnings affecting comprehensive income in 2012, we refer to our explanatory notes on the acquisition of the GZ TWO company in Section (8) above and to Sections (21) and (23).

TWO Ltd. had financed GZ TWO partly through a non-interest-bearing shareholder loan of US$ 5.4 million. Following the company acquisition, RIB Software AG acquired this loan receivable against GZ TWO by agreement dated 29 December 2011. The purchase price was agreed in euro, amounting to € 4.2 million when converted at the exchange rate applicable on the date the agreement was signed. Transfer of the loan receivable required approval by the relevant Chinese authority. This approval was granted in the financial year 2012. RIB Software AG then settled its purchase price obligation to TWO Ltd. as agreed.

During the reporting period, there were no other transactions with related parties with a material effect on the Group's earnings, financial and assets position.

c) Compensation of key management personnel of the Group:

Compensation of key management personnel refers to the salaries of the Executive Board and remuneration for the Supervisory Board of the parent company. We refer also to Section 47.

44. Fair value hierarchy

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

As of 31 December 2011 and 31 December 2012, the Group held the following financial assets measured at fair value.

Financial assets measured at fair value as of 31 December 2011:

€ thousands

	Level 1	Level 2	Level 3	**Total**
Available-for-sale financial assets:				
Sovereign bonds	3,664	-	-	**3,664**

Assets measured at fair value as of 31 December 2012:

€ thousands

	Level 1	Level 2	Level 3	**Total**
Available-for-sale financial assets:				
Sovereign bonds	3,808	-	-	**3,808**
Corporate bonds	36,008	-	-	**36,008**

Financial liabilities measured at fair value result from two company acquisitions in the reporting period, as of 31 December 2012. Please refer to Sections (8) and (39). In the previous year there were no financial liabilities measured at fair value.

Financial liabilities measured at fair value as of 31 December 2012:

€ thousands

	Level 1	Level 2	Level 3	**Total**
Financial liabilities:				
Derivatives	-	-	10,994	**10,994**

In the reporting periods, there were no transfers between levels 1 and 2 and no transfers into or out of level 3.

45. Financial risk management and policy

The financial assets of the Group mainly include cash and bank balances, trade receivables, investments in associates and available-for-sale financial assets, which arise directly from its operations. Financial liabilities of the Group mainly include trade payables, finance lease obligations and other liabilities.

The Group mainly operates in Europe and its ordinary operating activities expose it to a variety of financial risks. The Group's overarching risk management system seeks to mitigate potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures.

(i) Market risk

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

(a) Foreign currency risk

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

The majority of the Group's subsidiaries conduct the majority of their transactions in their functional currencies. The Group's operations in Europe are located in the euro zone and the majority of the sales and purchase transactions are denominated in euro.

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

- Pound Sterling (GBP)
- US dollar (USD)
- Hong Kong dollar (HKD)
- Singapore dollar (SGD)
- Czech koruna (CZK)
- Australian dollar (AUD)
- Indian rupee (INR)
- Chinese yuan (CNY)
- United Arab Emirates dirham (AED)

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

The Group does not use any forward exchange contracts to hedge against currency risks from procurement and sales transactions.

If the euro had been 10 % stronger against the currencies listed above as of 31 December 2012, an additional expense of some € 3,780 thousand would have arisen in the income statement. If the euro had been 10 % weaker against the currencies listed above as of 31 December 2012, an additional income of some € 3,780 thousand would have arisen in the income statement.

(b) Interest rate risk

The Group's interest rate risk is the risk that the fair values of available-for-sale securities fall (rise) as a result of interest rate changes. The Group's security investments concerned sovereign bonds issued by Singapore as of 31 December 2011. These were measured at the quoted market price as of 31 December 2011. As of 31 December 2012 the Group holds sovereign bonds of Singapore and various high-grade corporate bonds issued by German and foreign companies. These were valued at the quoted market price as of 31 December 2012. If the market rate of interest at the reporting date had been 100 basis points higher, it would have given rise to an expense in the consolidated statement of comprehensive income of some € 267 thousand. This expense would have been recognised in equity without affecting the income statement. If the market rate of interest at the reporting date had been 100 basis points lower, it would have given rise to income in the consolidated statement of comprehensive income of some € 269 thousand. This income would have been recognised in equity without affecting the income statement.

(c) Other price risks

Price risks due to hypothetical changes in prices with an effect on financial instruments do exist as of 31 December 2012 and did not exist as of 31 December 2011.

(ii) Liquidity risk

Liquidity risk is monitored on the basis of cash flow planning and projections. The Group monitors its liquidity requirements arising from operating activities, investing activities and financing activities. Prudent liquidity risk management entails maintaining sufficient cash and ensuring the availability of funding through an adequate level of credit facilities.

During the period presented, the Group had no material interest-bearing bank borrowings.

The contractual maturity of financial liabilities including trade payables and finance lease obligations is disclosed in Sections 34 and 35. Other financial liabilities, which are included under accruals and other current liabilities, are generally not subject to contractually fixed terms. They are paid on a regular basis or in line with the general terms and conditions of the respective counterparty.

(iii) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets concerns the possibility that counterparties may be unable to meet their obligations and corresponds to the carrying amount of those assets as stated in the consolidated statement of financial position.

Credit risk is managed by reviewing the creditworthiness of customers before entering into transactions. The Group makes references to credit ratings from external credit agencies, if available.

Payment terms and conditions are modified appropriately in response to any deterioration of the credit ratings of the customers.

The Group has established different credit terms for different customers. The average credit period granted is 14 to 30 days. Occasionally, certain customers enjoy a longer credit period. The Group reviews the recoverable amount of each individual receivable at the end of each reporting period. Taking into account the customer's financial position, past experience and other factors to ensure that adequate impairment losses are recognised for uncollectible amounts.

The Group does not have significant exposure to any individual debtors or contractual counterparties.

Occasionally, customers will settle payment after the credit period given. In such cases, management considers various ways to handle the situation, including suspension of supplies until settlement is made, taking legal action or requesting collateral.

The Group's cash and cash equivalents are mainly deposited with reputable banks. The credit risk of the Group's other financial assets, which comprise trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets. The Group has no other financial assets which carry significant exposure to credit risk.

(iv) Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group is currently funding its capital expenditures through internally generated funds from its operations and from available liquid funds. The Group manages capital based on the gearing ratio, defined as net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50 %. Net debt is defined as interest-bearing liabilities to banks, net of liquid funds and it excludes liabilities incurred for working capital purposes. Capital includes equity attributable to the owners of the Company.

The Group's gearing ratio was zero throughout the periods presented.

Fair values

The carrying amounts of the Group's financial instruments approximate their fair values, due to the short term to maturity at the end of each of the periods presented.

46. Auditor's fees

The auditor's fees for the auditor BW PARTNER Bauer Schätz Hasenclever Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

€ thousands

	2012
Audit of the financial statements	78
Tax advice	45
Other services	89
Total	**212**

47. Remuneration of the Company's Supervisory Board and the Executive Board

The total remuneration paid to the members of the Executive Board in financial year 2012 comes to € 688 thousand (previous year: € 628 thousand). The members of the Executive Board received only a basic salary that is not performance-based for their work in financial year 2012 ("Remuneration 1"). The Executive Board's remuneration also includes a performance-based element ("Remuneration 2") for their work in the previous year, amounting to € 124 thousand (previous year: € 124 thousand). As of 31 December 2012 there were no outstanding balances arising from Executive Board's remuneration.

The total remuneration of the Supervisory Board for financial year 2012 amounts to € 71 thousand (previous year: € 53 thousand). The remuneration of the Supervisory Board is reported as current liabilities as of 31 December 2012.

There are no other obligations in favour of the Supervisory Board or of the Executive Board.

For further information we refer to the remuneration report in the group management report under Section G.

48. Average headcount for the year

Employees within the meaning of sec. 314 (1) no. 4 HGB

Number

	2012	2011
General administration	50	42
Research and development	226	169
Sales and distribution	75	80
Support/consulting	114	86
Total	**465**	**377**

49. Disclosure on shareholdings pursuant to sec. 314 (2) HGB

%	Share in capital
Fully consolidated entities:	
Germany:	
RIB Deutschland GmbH, Stuttgart	100.00
RIB Engineering GmbH, Stuttgart	100.00
RIB Information Technologies AG, Stuttgart	100.00
RIB Research & Development AG, Stuttgart	100.00
RIB Sales International GmbH, Stuttgart	100.00
STRAPS Bausoftware GmbH, Stuttgart	100.00
Other countries:	
RIB Limited, Hong Kong/People's Republic of China	100.00
RIB Software (Americas) Inc., Wilmington, Delaware/USA	100.00
RIB stavebni Software s.r.o., Prague/Czech Republic	100.00
RIB Software (UK) Limited, London/England	100.00
RIB PTE. Limited, Singapore	100.00
RIB FZ Limited Liability Company, Fujairah/UAE	100.00
RIB iTWO PTY Limited, Sydney, New South Wales/Australia	100.00
RIB iTWO Software Private Limited, Mumbai/India	100.00
Guangzhou RIB Software Company Limited, Guangzhou/People's Republic of China	100.00
Guangzhou TWO Consulting Company Limited, Guangzhou/People's Republic of China	100.00
Guangzhou TWO Information Technology Company Limited, Guangzhou/People's Republic of China	100.00
TWO Hong Kong Limited, Hong Kong/People's Republic of China	100.00
RIB MC^2 Incorporated, Memphis/USA	100.00
RIB CADX PTY Limited, Lane Cove/Australia	75.00
RIB U.S. Cost Incorporated, Atlanta/USA	56.08
Associates accounted for using the equity method:	
RIB Asia Ltd., Hong Kong/People's Republic of China	49.96

Stuttgart, 5 March 2013

RIB Software AG

Stuttgart

The Executive Board

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

Declaration of the legal representatives

We hereby confirm that to the best of our knowledge, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the interim Group management report gives a true and fair view of the business performance, including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group in the remaining financial year, in accordance with the applicable framework for interim financial reporting.

Stuttgart, 5 March 2012

RIB Software AG

The Executive Board

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

Audit opinion

We have audited the consolidated financial statements prepared by RIB Software AG, Stuttgart, Germany, consisting of the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes as well as the group management report, which is combined with the management report of the parent company, for the financial year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the combined group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB), is the responsibility of the company's legal representatives. Our responsibility is to submit an opinion on the consolidated financial statements and on the combined group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 05.03.2013

BW PARTNER
Bauer Schätz Hasenclever Partnerschaft
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Philipp Hasenclever	Till Schätz
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements of RIB Software AG 2012 (HGB) (Excerpt)

Balance Sheet

RIB Software AG, Stuttgart

€

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

€

EQUITY AND LIABILITIES

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

Income Statement for the Financial Year 2012

RIB Software AG, Stuttgart

€

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

Further information

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Translation of the original German version:

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

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