RIB
running together

Annual Report 2014

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RIB Software AG

Content

RIB Special

Keyfigures

€ million unless otherwise indicated	**2014**	**2013**	**Change**
Revenue	70.0	57.0	22.8%
Software licences	23.1	16.2	42.6%
Software as a Service / Cloud	9.4	6.7	40.3%
Maintenance	21.7	19.1	13.6%
Consulting	15.8	15.1	4.6%
Operating EBITDA*	25.7	18.5	38.9%
as % of revenue	36.7%	32.5%	
Operating EBT*	19.3	12.7	52.0%
as % of revenue	27.6%	22.3%	
Consolidated net profit of the year	20.8	9.1	128.6%
Cash flow from operating activities	20.7	16.4	26.2%
Average number of employees	599	562	6.6%
Liquid funds and available-for-sales securities	137.9	82.1	68.0%
Equity ratio	85.0%	80.2%	
Research and development expenses	14.6	12.5	16.8%
R&D ratio (Expenses on R&D as % of revenue)	20.9%	21.9%	
Annual average number of R&D-employees	243	217	12.0%

Keyfigures

* EBITDA and EBT adjusted by currency effects (2014: +3.7; 2013: -1.5) and special effects (2014: +5.9; 2013: +1.8).

No. 1 of the European publicly quoted family companies

100.000 Customers worldwide

iTWO software sales grew by 62.5 %

TecDAX Company

Highlights 2014

1st Quarter

In February, at an International Conference event, RIB presented its first iTWO 5D Lab in Guangzhou, China, to a selected group of people from business and government. In a 5D LAB and using iTWO 5D, all the parties involved in a construction project are able to develop, virtually and step by step, the optimum concept for a building with all the technical, time-related, and financial parameters, before it is realised.

In terms of sales, the New Year gets off to a good start with the signing of three Phase II deals.

At the end of the quarter, the company was able to announce a new record result for the 2013 financial year with growth in revenue of 45.4% and in operating EBITDA of 21%.

2nd Quarter

In May, RIB and Munich Re signed an agreement for the joint marketing of the worldwide first IT-based insurance product for building projects, which protects investors from unplanned cost and time overruns.

Two more Phase II contracts are signed in Germany and Switzerland as well as the first Phase III contract in the USA.

3rd Quarter

At the start of the third quarter, RIB announced that it has signed another Phase II contract and, in the first half-year, had generated seven “large deals”. By the end of the quarter, three more Phase II contracts have been concluded and the full-year target of 14 Phase II deals appears to be within reach.

In July, RIB successfully carried out a capital increase against contributions in cash and contributions in kind and augmented its share capital by € 59 million. Gross proceeds of € 48.4 million accrued to the company from the capital increase against contributions in cash. Within the scope of the capital increase against contributions in kind, 100% of the shares of Byggeweb A/S, the Danish cloud (SaaS) software company, were contributed.

On 22nd September, RIB Software AG joined the TecDAX and now ranks among the top 30 technology shares in Germany.

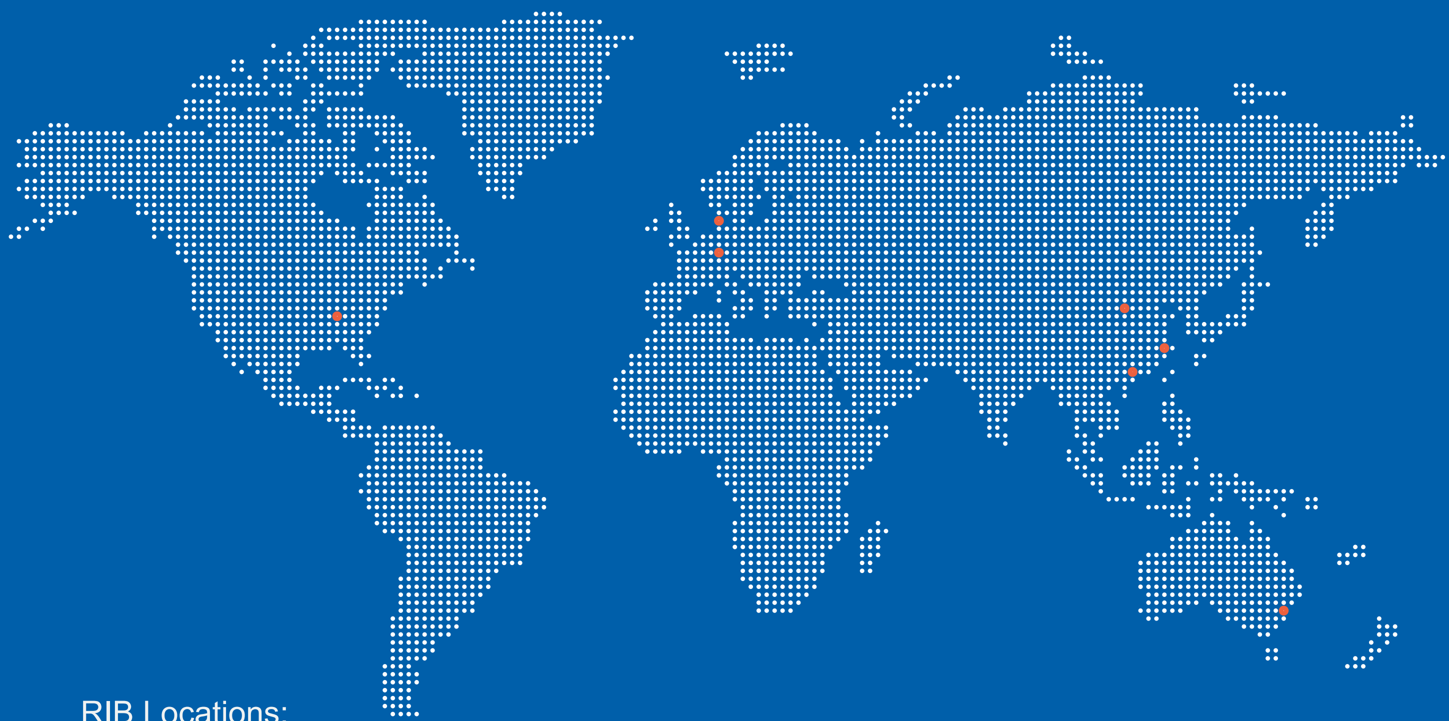
4th Quarter

In October, in a BHF Bank research report, RIB was rated as the number 1 family-owned enterprise within a universe of 1,111 European stock exchange-listed family-owned companies. This top result was based on the excellent development of key business ratios such as sales growth, the equity ratio, the EBIT margin, cash flow and the P/E.

In the same month, the Stuttgart-based company announced that the Deutsche Bahn contract that it had been awarded was the biggest Phase III contract in the company’s more than 50 year history.

At the end of November, RIB hosted the second iTWO World Conference in Hong Kong. The guests comprised more than 150 participants from 21 countries who came to experience new ways of thinking, novel methods of working and innovative technologies. The event turned out to be an excellent platform for optimising cooperation and sharing ideas on the basis of experience and projects.

About RIB Group



RIB Locations:

RIB iTWO 5D LABs
Atlanta (2)
Guangzhou
Copenhagen (2)
Stuttgart
Beijing
Shanghai
Sydney

USA
Atlanta
Dallas
Los Angeles
Miami
New York
San Diego
Stafford (Washington D.C)
Tampa

Germany
Stuttgart
Berlin
Essen
Freiburg
Leipzig
Munich

Denmark
Copenhagen

UK
London
South Shields

Norway
Sandvika

Switzerland
Luzern

Czech Republic
Prague

India
Mumbai

South Africa
Port Elizabeth

UAE
Dubai
Abu Dhabi

China
Guangzhou

Hong Kong
Hong Kong

Malaysia
Kuala Lumpur

Singapore
Singapore

Australia
Melbourne
Sydney

New Zealand
Auckland

The RIB Group in 2014

RIB is able to look back on another very successful financial year, once again. With the iTWO 5D platform, RIB has established a new technology and paved the way for a new way of thinking, moreover, with the 5D LAB it has created a new working method. In the meanwhile, for all those involved in a project, the iTWO 5D technology as well as “running together“ in a 5D Lab has become highly respected “best practice“ for building construction. With iTWO PCI, RIB, together with Munich Re, has created a new insurance concept, based on iTWO 5D technology that could revolutionise building, as it enables almost risk-free investments to be made in construction projects worldwide for the first time.

The RIB Network is continuing to grow

In 2014, the RIB company network continued to grow. With the acquisition of the Danish company Byggeweb A/S, based in Copenhagen, a leading online platform for facility management was integrated into the RIB Group. Furthermore, 75% of the shares in an e-commerce platform provider were also acquired. From 2015, the platform will be marketed under the brand name xTWO and will be gradually expanded into a comprehensive e-commerce platform for all types of construction products. Together with both of these new group companies, the RIB Group now has around 700 employees in more than 30 locations worldwide.

New Ways, New Business

In the future, we will continue to tread new paths and use new technologies. Our mission is to develop the iTWO 5D technology, step by step, into the worldwide leading CLOUD und BIG DATA internet platform in the construction industry. According to a study by the International Telecommunications Union (ITU) of the United Nations, by the end of 2014, the number of internet users had increased to almost 3 trillion. Based on a 12.2% share of global GDP for construction, we assume that there are several 100 million potential users globally for construction-specific internet applications in the cloud. With our new iTWO 5D cloud platform, we want to further expand our market-leading position in the construction segment in this area and to shape construction in the 21st century.

RIB | R as in Revolution

Growth in the Global Construction and Infrastructure Markets

Currently, the market volume of construction industry output is around US$ 8.7 trillion, which is the equivalent of approximately 12.2% of global GDP. According to the current forecasts, the market volume of construction industry output is expected to go up to US $ 15 trillion by 2025 and, thus, grow faster than global GDP. The main reasons for this are increasing investment in the areas of:

- Sustainable urban development
- Smart buildings
- Globalisation
- Growth in newly industrialised countries

Source: Global Construction 2025. A global forecast for the construction industry to 2025 (p. 328), RIB

Internet of Things

Machine2Machine

Service Apps

A Game Changer in the Construction Industry

We are living in a world where the pace and extent of change is constantly increasing. New mobile IT solutions and cloud computing have dramatically altered our lifestyles, both private and professional. In the construction industry, the digitisation of building processes is progressing rapidly. Significant work is being done globally to industrialise building, step by step. This is precisely our starting point - with our innovative iTWO 5D technology we want to help to reshape the construction industry and make it one of the most advanced sectors in the 21st century.

New Technology - New Thinking - New Working Method

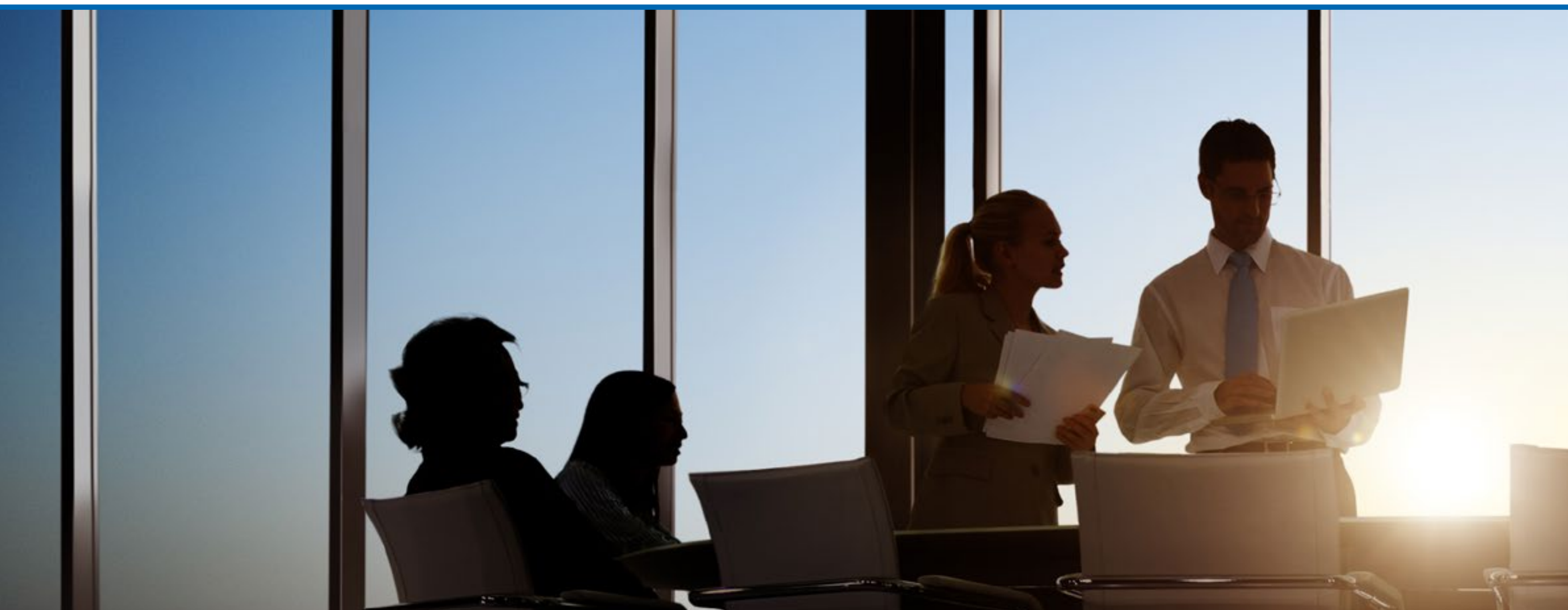
Through new technologies, new ways of thinking and new methods of working, RIB is making an active contribution to modernising the traditional building industry. In the age of Industry 4.0, RIB's iTWO 5D solution currently represents by far the most developed end-to-end software generation for virtual planning and building.

Augmented Reality

5D and Virtual Reality

Recommender systems

RIB | I as in Innovation



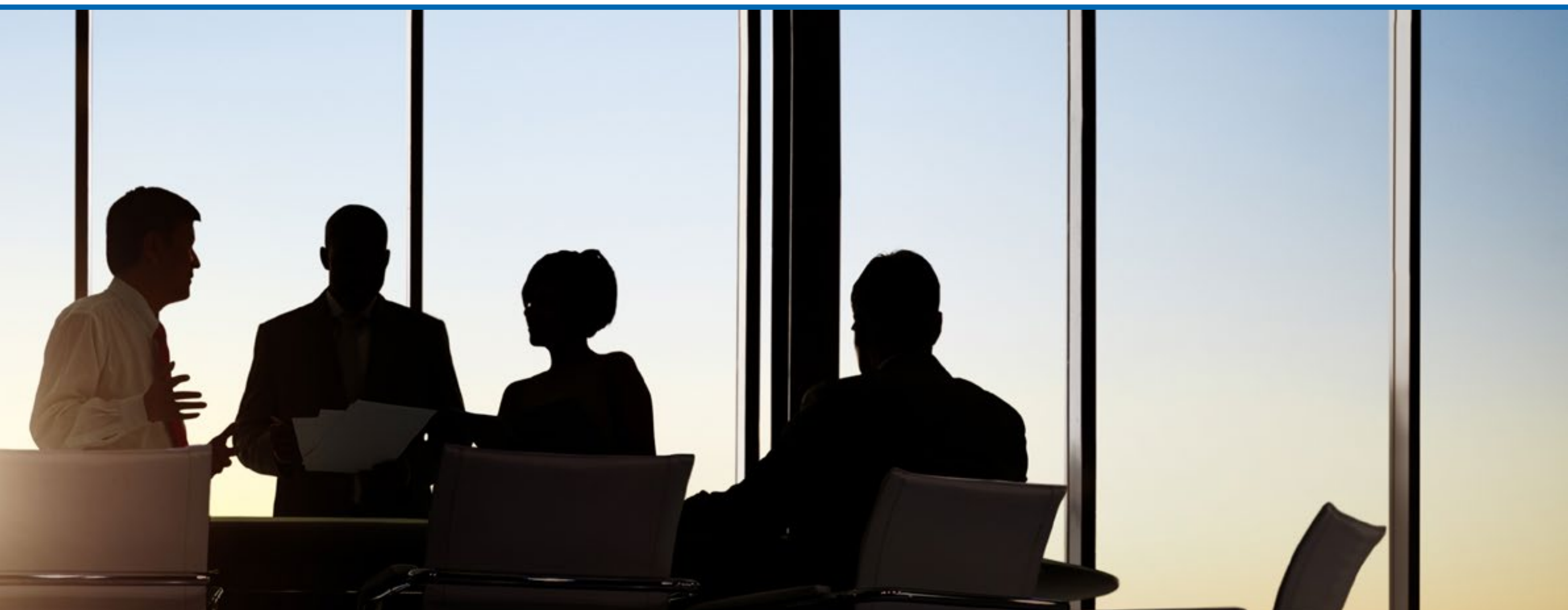
Worldwide iTWO 5D LABs

What does “from virtual into physical” mean? We answer this fundamental question in our 5D Labs. It is here that construction projects are simulated in real-time on the basis of real project data before they are physically built. In the course of this, the project teams involved can deal with the technical and financial details of a project and resolve any discrepancies on the virtual level before they can emerge as problems on the building site.

In the 5D lab, the know-how of investors, building contractors and architects is combined with the expert knowledge of building specialists such as project developers or building contractors in order to create ideal concepts for construction projects. With the help of iTWO 5D, these will include the technical as well as the time-specific and also financial parameters.

iTWO Cube

With iTWO OnSite, the 5D project data are now made available directly on the building site. ITWO Cube, a mobile IT office on the building site, equipped with iTWO OnSite, provides the project teams with rapid information about the project status, directly on the building site; its particularly simple handling is a hallmark of the software.



iTWO rex

Before a construction project can be planned virtually in detail, there are diverse issues that have to be re-solved beforehand. With a new mobile APP, the first of its kind, investors and project developers are given the possibility of calculating financial models, KPIs, costs and expected revenues for their planned projects and of evaluating the financial feasibility of their projects.

xTWO

With xTWO we have now also made an e-commerce platform available to our customers with which the procurement of building products will be organised via an online platform that is fully integrated into the iTWO 5D process. In the future, via our more than 100,000 customers, it should be possible to bundle large purchasing volumes on the xTWO platform and, in this way, purchase high quality construction products very cost effectively.

RIB | I as in Innovation

iTWO PCI

With iTWO PCI, RIB and Munich Re have provided the worldwide first IT-based project cost insurance for construction risks. With this innovative solution, which is targeted at project owners, RIB's iTWO technology has been combined with the risk expertise of Munich Re.

The insurance concept is based on all the parties involved together, initially, in a virtual building phase, creating a 5D model for a construction project that is ready for implementation. The 5D model, which is reviewed by the risk experts at Munich Re, then forms the basis for the building contract and the insurance coverage. In this way, project owners can obtain almost 100% cost certainty for their investments. Only very few risks are currently still excluded from the insurance coverage, for example, subsoil risks.

The physical implementation of the project only begins after the successful completion of the virtual building phase and confirmation of the insurance coverage.


Quality
Revenue
Market Value
Transparency
Projects Run with
iTWO Technology +
Cost Overrun Protected by
Munich Re
Cost
Duration
iTWO PCI
RISK
Risk Register
Risk Management
Risk Mitigation

RIB | B as in Bauwesen

iTWO World 2014

In November 2014, for the second time we hosted iTWO World in Hong Kong with over 150 top executives, professors and government officials from 21 countries. The one-day hands-on session in the iTWO 5D Lab in Guangzhou was a suitable introduction to a productive and successful conference. In the 5D Lab, iTWO³ - New Technology, New Thinking and New Working Method - was presented with the help of real case studies and best practices with respect to its use and implementation. The ensuing discussion demonstrated that it is perceived to be an elementary component of the digitisation of the construction industry in the 21st century.

Subsequently, at the conference, 13 iTWO technology partners presented the advances that had been achieved over the course of last year with the enterprise-wide introduction of iTWO 5D, on the basis of specific case studies. Four universities and two government agencies presented iTWO technology from their perspectives. A highlight was the presentation of iTWO PCI, the first IT-based project cost insurance, by RIB's premium partner - Munich Re.

At the gala dinner, 16 iTWO awards were presented for outstanding iTWO applications on the basis of analyses by Stanford University.

Running together 2014

In 2014, we were able to increase the number of our Phase II and Phase III contracts by 80% when compared with the previous year. In particular, we managed to conclude the biggest Phase III contract in our company's more than 50 year history. By opting for the unique iTWO 5D technology, construction companies, investors, project developers, architects and engineers have the possibility of planning and building their construction projects more quickly, more cost effectively and with less risk. In the 5D Lab, all those involved in the project use the same software and the same data to virtually plan construction projects jointly before the execution of construction works. With iTWO Project Cost Insurance, when the virtual planning phase is completed, for the first time worldwide, building contractors can then obtain insurance cover, for their construction projects, against unplanned cost and deadline overruns.

On the following pages there are short company details about some of the contracts from the last financial year.

Deutsche Bahn

Headquarters: Berlin, Germany

Annual revenue: € 39.1 billion

Major business: Transport and infrastructure

Website: www.deutschebahn.com

Deutsche Bahn is a worldwide leading infrastructure company in the area of mobility and logistics with gross investments (capex / capital expenditure) of over € 8 billion and more than 10,000 small, medium-sized and large infrastructure and construction investment projects per year. Deutsche Bahn is known as one of the best employers with 300,000 employees and as one of the best customers for around 1,000 important building suppliers and service providers. DB is thus one of the largest companies and investors in the EU.

"We are delighted that the integration of the innovative iTWO technology & working method and the related cultural transformation fully supports DB's 2020 targets of profitable growth, conservation of resources, higher quality and customer and employee satisfaction." – Thomas Wolf, CEO of RIB Software AG

Background

Within the context of a European tendering process, RIB prevailed against its fellow national and international bidders with its iTWO 5D enterprise solution. At DB AG, by 2016, iTWO will completely replace the software that has been used there up to now. The replacement means that all the current projects will be migrated to the iTWO platform and will then continue to be processed with the RIB solution. Currently, Deutsche Bahn is at the project implementation and project introduction stage. The project objective is to gradually equip around 7,500 workstations with iTWO 5D technology.

Köster Gruppe

Headquarters:	Osnabrück, Germany / Stuttgart, Germany
Annual revenue:	€ 900 million
Major business:	Structural engineering, civil engineering and turnkey construction as well as environmental engineering and tunnel construction
Major project:	Sparkasse Köln Bonn, Bonn (Picture)
Website:	www.koester-bau.de, www.baresel.de

The Köster Group – of which Köster GmbH in Osnabrück and its subsidiary Baresel GmbH in Stuttgart are members – uses iTWO across the board for all its projects. The switch from ARRIBA bauen to iTWO baseline was made across all the group companies in 2014.

Why iTWO

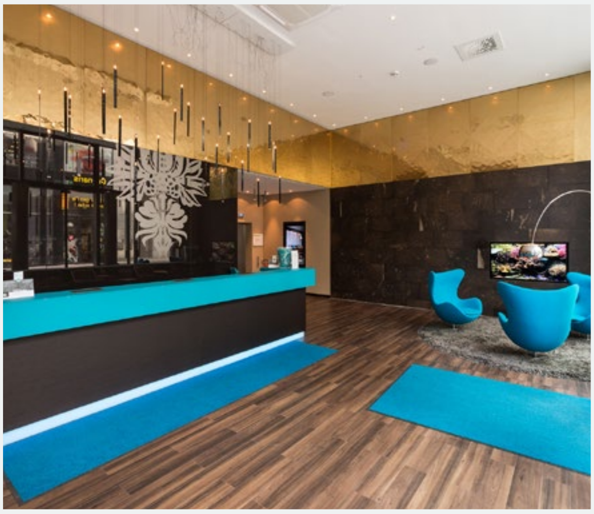
"We have set ourselves an ambitious goal. We not only want to keep on improving along the entire value creation chain - we also want systematically to make the best use of the development potential of our business and, with the iTWO end-to-end business solution, implement an integrated solution that can be used in all our technical and business processes. The implementation of this fully integrated approach will enable us to streamline all our processes once again and to enhance efficiency for the long term."

GP Günter Papenburg AG

Headquarters:	Hannover / Halle (Saale), Germany
Annual revenue:	€ 538 million
Major business:	road construction, civil, structural and construction engineering, freight forwarding, commodities, building materials, concrete products, waste disposal, mechanical engineering
Major project:	Motel One, Leipzig (Picture)
Website:	www.gp.ag

Why iTWO

“For many years now, the Papenburg group of companies has been successfully, and steadily increasingly, working with the software solutions from RIB Software AG. In keeping with our motto of “Bauen. Mit System”, we are basically interested in standard solutions which, by building on each other, can provide an integrated map of all the processes within our group of companies. Therefore, over the last few years there has been cross-divisional development and a transition to the uniform standard solutions of RIB Software AG, with a view to the positive development of other resources in the future. RIB Software AG, as a leader in the construction industry, convinced us that in the future we would still be able to implement our business processes in a modern iTWO end-to-end solution in a highly efficient way and to meet the requirements resulting from general developments in the market. RIB Software AG’s decision to implement its software development in a Microsoft Navision solution was a crucial factor for continuing to integrate this software into our group of companies. In this modern software product other business processes can be integrated, while minimising risk, and this will generate another head-start for the Papenburg group of companies.“



Haohe Construction

Headquarters: Guangzhou, China

Annual revenue: € 310.6 million

Major business: Engineering and Construction

Major project: Yue Hai, Logistics Center with 20,000m² warehouse & 3,000m² residential building

Website: www.hecan.com.cn

Haohe Construction has been in general contracting business for thirty years. Their business has developed and grown from Guangdong province to national. Haohe is the main contractor for icon projects in Guangzhou like Guangzhou Opera House and Guangzhou Circle. At present, there are over fifty ongoing projects in sixteen cities. Their clients are mainly international companies investing in China.

Why iTWO

„In my point of view, I think iTWO is professional-wise from project view in management collect actual data and improve schedule continuously in order to transfer virtual into physical. In the project planning, iTWO gives a better way to simulate project schedule and cost. From what we have achieved so far, I believe iTWO helps save the personnel expenditure, at the meantime, it has greatly improved the communication efficiency through the whole process, which totally depends on the data."
- Sheng Sun, VP & CIO of Haohe

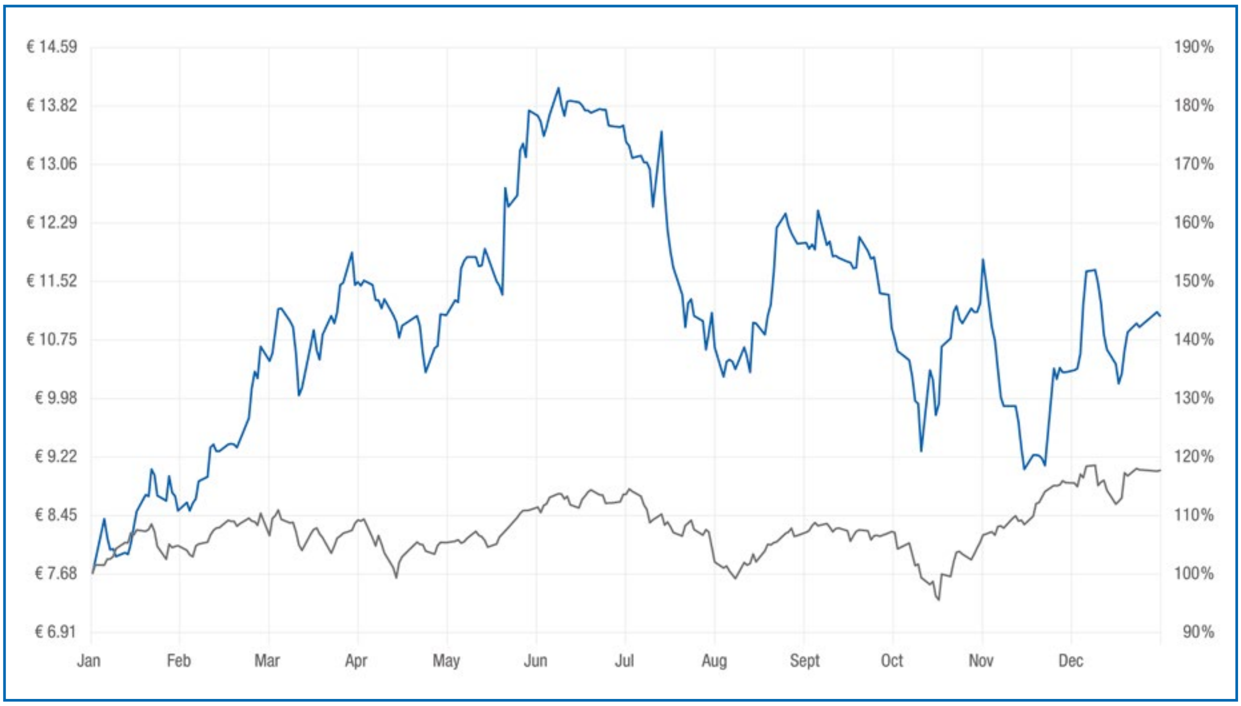
RIB on the Capital Market

On account of the unease among investors as well as the continued uncertainty caused by the European sovereign debt crisis, for long periods during the year, volatility was a feature of the stock market. In the first nine months of the year, the TecDAX, a leading German share index, moved sideways for long periods but it managed to achieve a year-on-year increase of almost 18%, which was due in particular to the good development in the last quarter.

The performance of the RIB share was also positive and, in the first half of 2014, much better when compared with the development of the TecDAX leading index. The full-year performance of the RIB share at 44 percent showed a very positive development.

The closing price for the share on 30 December 2014 was € 10.94. Thus, at the end of the 2014 financial year, the market capitalisation of RIB Software AG was around € 461.8 million. The target price for the next 12 months is between € 14.50-17. Berenberg, Hauck & Aufhäuser and Equinet have “Buy“ recommendations for the share.

RIB Share price performance January 2014 – December 2014



Share Facts

Price on 2 January 2014	EUR 7.27
Year high 2014	EUR 14.23
Year low 2014	EUR 7.27
Closing price on 30 December 2014	EUR 10.94
Share capital on 31 December 2014	EUR 43,466,961.00
Shares outstanding on 31 December 2014	43,466,961
Free float on 31 Decermber 2014	42,209,508
Share price increase at the end of reporting period	43.96 %

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

Share capital on 29 August 2014	EUR 43,466,961.00
Shares outstanding on 29 August 2014	43,466,961
Share class:	Ordinary shares
Initial trading:	8 February 2011
International Securities Identification Number ISIN:	DE000A0Z2XN6
German Securities Identification Number WKN:	A0Z2XN
Stock symbol:	
Ticker symbol Reuters:	RSTA
Ticker symbol Bloomberg:	RSTA.DE
Transparency level:	RSTA:GR
Market segment:	Prime Standard
	Regulated Markt

Members of the Executive Board

Thomas Wolf, CEO
Responsible for strategy, international equity holdings and Investor Relations

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

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

To our shareholders

Thomas Wolf, Chairman of the executive board

Dear Shareholders, dear Friends of RIB Software AG,

At the start of the 21st century, we hypothesised that technical progress in the fields of the Internet and hardware would make it possible for software pioneers to achieve the goal of industrialising the global construction industry by 2020.

We will then be able to build and run virtual cities in 3D and integrate the virtual 3D world into the physical world. It will then be possible to simulate and analyse an entire virtual process for the full life cycle of buildings and infrastructure, including all the qualities, costs and time data. “RIB = Revolution in Building” mobility technology, based on a combination of Big Data and Cloud, will make it possible to build the next generation of buildings. In the construction industry, as with the digitisation of car manufacturing, this will also make it possible to achieve a reduction in costs of more than 50% in “make-to-order” production whilst, at the same time, improving quality by more than 50%.

With iTWO 5D (3D + time and costs) technology, together with our customers, we want to plan and build new living spaces and infrastructure for our children and grandchildren. Indeed, we all know how the 20th century changed our living spaces and how this dynamic has gathered speed over the last 50 years. This should give us an idea of the dynamic change that we can expect by 2025.

Industry 4.0 and further developments in 3D printing will combine virtual production with physical production and gradually transform serial production back into make-to-order production. Production will return to the cities and artificial intelligence will be at the heart of it. The industrialisation of the construction industry will result in high-tech factories for prefabrication and final assembly on the building site. Houses and their building components will be developed virtually, customised to individual needs and then printed out. The “digital building factory” and iHome are going to happen.

iTWO supplies the worldwide leading IT platform for this and iTWO LAB a groundbreaking solution for working in the future. Together with leading universities worldwide, we are working on integrating iTWO technology into the training of engineers. Global technology partnerships with pioneers of 3D provide additional support for this. Since our IPO, we have increased the size of our iTWO community and the number of our technology partners by 80% every year. The prerequisite for a technology partnership is the investment of more than US$ 1 million in iTWO by 2020, or providing new and innovative IT products and services based on iTWO technology.

To make it possible for our iTWO technology to develop into a world standard, by 2020, we have to attract one thousand large iTWO technology partners. In 2011 (the IPO year), we started with three pilot customers. We now have to realise 80% more “large deals” every year - from 5 (2012), 8 (2013), 14 (2014) going up to 25 (2015), 45 (2016) …

Here, in each case we report in the deal categories of Phase II (US$ 500,000 to US$ 5 million) and Phase III (US$ 5 million to US$ 50 million). In parallel to this, we have to conquer the mass market. If we are able to sustain this pace, we will achieve our goal and make a very valuable contribution to the advancement of society.

In the 2014 financial year, we succeeded in achieving the ambitious targets that we had set for ourselves and, at the same time, we set the course for the successful development to continue into 2015. We are now working hard (24/7) to complete the foundations for the 2016 goals. In this respect, our pipeline is full of many exciting IT projects and potential new large customers.

I would especially like to thank our iTWO technology partners, our first-class and highly motivated team at RIB and also our shareholders. We value the trust that you place in us and our work will not be done until we achieve our goal of industrialising and digitising the construction industry.

Industry 4.5 is our new goal.

Kind regards,

Thomas Wolf

Corporate Governance

A. Corporate Governance Report

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

Responsible corporate governance

RIB Software AG is committed to the principles of good and responsible corporate governance. These include in particular close, constructive and faithful cooperation between the Supervisory Board and the Board of Directors; this cooperation is characterised by the creation of long-term added value and by a culture of open corporate communication and intensive customer care.

The Board of Directors and Supervisory Board of RIB Software AG broadly comply with the principles of good corporate governance as expressed in the recommendations of the German Corporate Governance Code, this compliance being voluntary and a matter of conviction. Insofar as the Board of Directors 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 recommendations contained in the Code are binding. The Company's Board of Directors and Supervisory Board comply with the suggestions of the German Corporate Governance Code to the extent that this appears to them to be expedient and in the interests of the Company and its shareholders. The German Corporate Governance Code in the currently effective version of 24 May 2014 was circularised by the Federal German Ministry of Justice and Consumer Protection on 30 September 2014 in the Federal Gazette and is published on the website www.dcgk.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 executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. No former members of the Board of Directors belong to the Supervisory Board. No Supervisory Board member exercises directorships or similar positions or advisory tasks for important competitors of RIB Software AG or of the Group. No advisory or other service agreements or contracts were in existence between members of the Supervisory Board and the Company.

Deductible for D&O insurance

RIB Software AG has taken out financial loss liability insurance cover („D&O insurance“) for the members of the Board of Directors, 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 provided for in connection with the latter, for the reasons stated in the Declaration of Conformity.

Composition and remuneration of the Board of Directors

The Supervisory Board together with the Board of Directors ensures that there is a long-term succession planning. When changes to the Board of Directors are imminent, the Supervisory Board pays due attention in the appointment of replacements to diversity and in particular aims for an appropriate consideration of women. The Supervisory Board is nonetheless aware that to date extremely few women have obtained senior management positions in German companies, for which reason it is difficult to obligate the Company to reserve a certain number of places or a certain percentage of the membership of the Board of Directors for women by a specific date. After their effective date, the Supervisory Board will comply with the statutory obligations to set up targets for the portion of female members of the Board of Directors which passed the German Bundestag in March 2015 within the statutory timeframe.

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

Election to the Supervisory Board and objectives for its composition

Elections to the Supervisory Board are made on an individual basis. Proposed candidates for the Supervisory Board chair are announced to the shareholders.

For proposals for the election of Supervisory Board members, attention is paid to the composition of the Supervisory Board to ensure that its members as a group possess the knowledge, abilities and expert experience required to duly perform its 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 an appropriate representation of women. So far, the Supervisory Board had decided not to set specific targets in relation to the composition of the Supervisory Board for the reasons stated in the Declaration of Compliance. However, the Supervisory Board will comply with the statutory obligations to set up targets for the portion of female members of the Supervisory Board which passed the German Bundestag in March 2015 within the statutory timeframe.

General Meeting

The shareholders may exercise their rights before or during the General Meeting, which takes place annually, and may there, within the framework of the Articles of Association, speak to all items on the agenda as well as raise questions relating to the Company‘s affairs and propose relevant motions. The General Meeting decides on all matters provided for under law with binding effect on all shareholders and the Company. The Board of Directors presents to the General Meeting the Annual Financial Statements and the Consolidated Financial Statements as well as other legally required reports and documents. The General Meeting resolves on the appropriation of profits and on the formal approval of the actions of the Board of Directors and the Supervisory Board. It principally elects the members of the Supervisory Board and the auditor. Furthermore, the General Meeting resolves, in particular, on amendments to the Articles of Association and on major corporate measures such as inter-company agreements and transformations, on the issue of new shares and of convertible bonds and warrants as well as the authorisation to purchase treasury shares. Shareholders in principle have a pre-emption right over new shares in proportion to their share of the share capital.

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

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

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

Risk management

The responsible handling of business related risks is one of the basic principles of good corporate governance. The Board of Directors provides for adequate risk management and risk controlling in the enterprise and regularly reports to the Supervisory Board about existing risks and their development.

Detailed information about risk management is provided in the Risk Report on pages 58 to 61 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 enterprise and about significant changes to the business. The Annual Report, the Half-Yearly Financial Report and the Quarterly Reports are published timely. Information about current events and new developments 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. In addition to the Articles of Association and information on the Board of Directors and the Supervisory Board, in particular documents for the General Meeting, financial reports and details on the business activities are made accessible on this website. The dates for publication of regular financial reports are contained in the Annual Report, posted sufficiently in advance on the Company's website (http://group.rib-software.com – Investor Relations – Financial Calendar) and 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 and that could significantly influence the stock price of RIB shares will be disclosed without undue delay by ad hoc notices, unless in individual cases the company is exempted from its duty of disclosure. All persons who work for the enterprise and have due access to insider information are and will be informed about the obligations resulting from the insider law. If the Company is notified that a party has reached, exceed or fallen below one or more of the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 per cent of the voting rights in the Company by purchase, sale or in another way or is holding financial instruments or other instruments which grant the right or, due to their construction, permit to purchase shares in the Company and, through such instruments, has reached, exceed or fallen below one or more of the thresholds of 5, 10, 15, 20, 25, 30, 50 or 75 per cent of the voting rights in the Company, the Company will without undue delay disclose this information.

Directors' dealings

In accordance with § 15a of the German Securities Trading Act (WpHG), members of the Board of Directors and of the Supervisory Board and persons who have a close personal relationship to one or more of them 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 EUR 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 Board of Directors Thomas Wolf and persons with a close personal relationship to him hold approx. 20.08% of the shares in the Company. The member of the Board of Directors Michael Sauer directly and indirectly holds approx. 1.06 % of the shares in the Company. In addition, each of them has been granted 15,000 options in the framework of the Stock Option Plan 2013 that entitles each of them to the same number of shares in the Company in accordance with the more detailed provisions of the Stock Option Plan 2013. Apart from this, the members of the Board of Directors and of the Supervisory Board do not possess either individually or jointly shares in the Company or related financial instruments equivalent to more than 1 % of the shares issued by the Company.

Accounting and audit of the financial statements

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

BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, has audited the consolidated and individual annual financial statements. The auditor 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 eliminated or reported without undue delay. The Supervisory Board has also arranged that the auditor without undue delay 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 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 Board of Directors and the Supervisory Board incorrect are revealed when the audit of the annual financial statements is carried out.

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

The Board of Directors 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 13 May 2013 (published in the Federal Gazette on 10 June 2013) have been complied with since the issuance of the previous declaration of compliance and 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 Board of Directors 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 4.2.2 para. 2 GCGC:** The Supervisory Board does not consider, as for which compensation of the Board of Directors is appropriate, the relationship between the compensation of the Board of Directors and that of senior management and the staff overall, nor in terms of its development over time. The Supervisory Board does consequently not determine how senior managers and the relevant staff are to be differentiated. The corresponding recommendation of the Code appears to be impracticable and, in addition, not suitable to ensure that the compensation of the Board of Directors is appropriate in each case.

3. **Section 4.2.3 para. 2 GCGC:** The variable remuneration for the Board of Directors does not reflect potential negative developments in such a way that the income might also be subject to real losses. This does not appear necessary in view of the Board‘s compensation structure in order to ensure that the Board of Directors does not take any undue risks when managing the company.
   To the extent members of the Board of Directors receive share options as a variable component of their remuneration, such component is limited with respect to the number of options but not according to amount. Since the exercisability and the value of the options depend on the achievement of ambitious performance targets, a maximum limit according to amount would run contrary to the purpose of this remuneration component to provide a special performance incentive.
   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.

4. **Section 4.2.5 GCGC:** The remuneration of the Board of Directors is disclosed in accordance with the statutory provisions. More comprehensive disclosure in a remuneration report, which outlines or itemises 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.

5. **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.

6. **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.

Stuttgart, June 2014

On behalf of the Executive Board   On behalf of the Supervisory Board

Report of the Supervisory Board on the 2014 financial year to the Annual General Meeting of RIB Software AG on 10 June 2015

Sandy Möser, Chairwoman of the Supervisory Board

Dear Shareholders,

The previous financial year was one of the most successful in the history of RIB Software AG. In particular, it was defined by the decision of a leading European infrastructure business to initiate the Group-wide implementation of iTWO and the listing of the company on the TecDAX stock index.

We are well aware that the foundation for this success was the high level of motivation and the enormous effort made by both the employees and members of the Executive Board. We would like to extend our heartfelt thanks to all those individuals who made a contribution to the successful conclusion of the financial year in 2014.

The Supervisory Board actively tracked the Company's development, while carefully monitoring the leadership of the Executive Board. We were directly involved at an early stage in all decisions that had a material impact on the Company. The Executive Board kept us abreast at regular intervals, both in written and verbal form, comprehensively and in a timely manner, of the Company's planning activities, the development of the Company's asset and financial positions respectively, the course of business operations, strategic further development, decisive investment measures and the current situation of both the Company and the Group. On the basis of reporting by the Executive Board, we extensively discussed both the development of business operations and the important perspectives and decisions for the Company. The members of the Executive Board, in particular the Chairman, remained in close contact with the members of the Supervisory Board, even outside of scheduled meetings. Due to the prompt and extensive information received from the Executive Board as well as its own reviews, the Supervisory Board was fully able to fulfil its entire consultation and monitoring role.

In fulfilment of its statutory consulting and monitoring function, the Supervisory Board intensively supported the management of business operations by the Executive Board, and continually monitored its activities and duties according to the Company's Articles of Incorporation and its rules of procedure. In doing so, the Committee was also intensively involved in the further development of the internal control system and early warning risk management system, and provided content-related recommendations to the Executive Board.

Supervisory Board Meetings and Content-Related Priorities

A total of four ordinary Supervisory Board meetings were held in financial year 2014: on 18 March 2014 (balance sheet meeting for the annual and consolidated financial statements 2013), on 4 June 2014, on 15 October 2014 and on 9 December 2014. With the exception of one meeting, from which two Supervisory Board members were legitimately exempt from participating, the Supervisory Board was fully represented at all other meetings. All measures and business operations that required the approval of the Supervisory Board were dealt with extensively in the meetings.

In addition to the meetings that took place, some urgent resolutions were implemented through written correspondence. As and when required, content-related questions were discussed either in written form or as part of a telephone conference.

The members of the Executive Board attended all meetings of the Supervisory Board.

The content-related action priorities resulting from consultations and resolutions of the Supervisory Board and its committees in financial year 2014 were:

- regular reports by the Executive Board concerning business development in the Group (sales, net income, cash flow, acquisition plans etc.)
- regular reports by the Executive Board and project managers regarding the status of the iTWO Cloud development
- discussions regarding the annual and consolidated financial statements for financial year 2013
- the proposed resolutions to the ordinary Annual General Meeting 2014 (Executive Board's proposal for the appropriation of profits, Supervisory Board's proposal for the selection of an auditor)
- the development of the share price
- the capital increase from the authorised capital in July 2014

- Acquisition plans (purchasing of the remaining 25% of shares in RIB Software Pty Ltd., Sydney (formerly: RIB CADX); complete takeover of BYGGEWEB A/S, Copenhagen, increase in share capital in RIB US Cost Inc., Atlanta, to 100%, purchase of 75% of shares in iceprice GmbH, Frankfurt am Main)
- the issuing of subscription rights for financial year 2014 to members of the Executive Board and the management of affiliated companies and employees of RIB Software and affiliated companies on the basis of the stock option programme 2011/2013
- the iTWO Tower concept and its implementation
- strategic cooperative measures and partnerships with the objective of implementing iTWO Technology (McKinsey, Munich Re)
- the strategic development of a globally integrated standard 5D BIM Enterprise Solution and possible partnerships for this in the area of CAD
- the preparation and rollout of the second iTWO World Conference with international customers in Hong Kong in November 2014
- the updating of the compliance statement within the period as part of the German Corporate Governance Codex
- the business and investment planning for financial year 2015.

Member Composition of the Executive Board and Supervisory Board

There were no changes to the members of the Executive Board and Supervisory Board of RIB Software AG during financial year 2014.

Committees of the Supervisory Board

The Supervisory Board formed two committees for the purpose of safeguarding its work:

The Audit Committee consisted of three members during the reporting period: Dr Matthias Rumpelhardt (Chairman), Mr Klaus Hirschle and Ms Sandy Möser. It met during financial year 2014 on 17 March and 8 December 2014. The committee members were present in full in the respective meetings.

The committee was primarily focused on the preparatory reviews of the annual and consolidated financial statements as of 31.12.2013, the proposal for the appropriation of profits by the Executive Board, and the inspection of the internal control system and early warning risk management system. A further element of the consultation process was the monitoring of the impartiality of the auditor, the determination of the auditor's action priorities for the financial statements in 2014 and an agreement regarding the level of auditing fees.

The Nomination and Remuneration Committee consisted of: Ms Sandy Möser (Chairwoman), Mr Klaus Hirschle and Dr Matthias Rumpelhardt. The committee met during financial year 2014 for two meetings with all members present on 17 March and 4 June 2014. The main focus of the consultation process was the remuneration system for the Executive Board as well as the allocation of options to the members of the Executive Board and employees of RIB Software AG and affiliated companies.

The members of the committees informed the Supervisory Board in its respective meetings about the results of the consultation processes within the committees. The Supervisory Board accepted the recommendations and resolution proposals of the Audit Committee and the Nomination and Remuneration Committee.

Corporate Governance and Compliance Statement

The Executive Board and the Supervisory Board dedicated their resources in financial year 2014 to the German Corporate Governance Codex (DCGK) and updated the compliance statement from December 2013 pursuant to § 161 German Stock Corporation Act (Aktiengesetz [AktG]) in June 2014. The deviations from the recommendations made by the government committee are explained in the Corporate Governance report. The joint compliance statement of the Executive Board and Supervisory Board has been published on the Company's website at (http://group.rib-software.com/de/investor-relations/corporate-governance/declaration-of-compliance/).

Audit of the Annual and Consolidated Financial Statements 2014

BW PARTNER Bauer Schätz Hasenclever Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Partnerschaft, Stuttgart, was selected by the Annual General Meeting to audit the consolidated and individual annual financial statements for financial year 2014. After being awarded the contract by the Supervisory Board, the firm audited the annual financial statements of RIB Software AG, the consolidated financial statements and the consolidated management report for the Company and the Group for financial year 2014, with the inclusion of accounting and the risk management and early warning risk management system, and issued unqualified audit certificates. The consolidated financial statements of RIB Software AG were created in accordance with IFRS accounting principles, while the annual financial statements were compiled according to the regulations of the German Commercial Code (Handelsgesetzbuch [HGB]). The focus of the audits was also the monitoring system to be introduced by the Executive Board for the early detection of risk, as well as the internal control and early warning risk management system with regard to the process of financial accounting. The auditor confirmed that the systems that have been installed are suitable for recognising developments that may endanger the continuation of the Company at an early stage.

The documentation of the annual financial statements, the proposal for the appropriation of profit by the Executive Board and the auditing reports of the auditing firm were received in a timely manner by the members of the Supervisory Board for the purpose of their own review. They were dealt with in detail both by the Audit Committee and throughout the entire Supervisory Board. The auditor took part in the meeting of the Audit Committee and the balance sheet meeting on 25 March 2015.

The auditor and the Group auditor reported extensively on all the major conclusions of their auditing, and provided comprehensive answers to all the questions presented by the members of the Audit Committee and the Supervisory Board. The Supervisory Board agreed with the auditor and the Group auditor prior to the execution of auditing activities, pursuant to point 7.2.1 of the German Corporate Governance Codex (DCGK), that the Chairpersons of the Supervisory Board and the Audit Committee respectively were to be informed without delay regarding any possible grounds for exclusion or lack of impartiality over the course of the auditing activities. Moreover, pursuant to point 7.2.3 of the German Corporate Governance Codex (DCGK), the auditor and Group auditor were obligated to report without delay regarding any findings and incidents, which could be detected during the execution of auditing activities, that are significant for the activities of the Supervisory Board.

The Supervisory Board examined the impartiality of the auditor and obtained a written declaration of impartiality from the auditor.

After conducting its own review of the annual financial statements, the consolidated financial statements and the management report for the Company and the Group, the Supervisory Board agreed with the conclusions of the auditor's report. The final result of the audit by the Supervisory Board did not give rise to any objections. During the balance sheet meeting on 25 March 2015, the Supervisory Board, in accordance with the recommendations of the Audit Committee, declared the annual financial statements pursuant to § 172 Sentence 1 of the German Stock Corporation Act (Aktiengesetz [AktG]), and approved the consolidated financial statement.

After performing its own review, the Supervisory Board agreed to the Executive Board's proposal for the appropriation of net profit for the payment of a dividend amounting to €0.16 per share with dividend entitlement and lent its support for this proposal.

We are certain that employees worldwide and the Executive Board will work hard to fulfil the ambitious short, medium and long-term objectives of the Company. We wish you the very best success and, as the Supervisory Board, will guarantee any and all support in pursuit of this.

Stuttgart, 25 March 2015

For the Supervisory Board

Sandy Möser, Chairwoman

Consolidated Group Management Report and Management Report for Financial Year 2014

A. Business and general environment

A.1 Summary

The RIB Group operates highly successfully worldwide in the software market for construction, plant engineering and infrastructure management. The parent company RIB Software AG (hereinafter referred to as "RIB AG") is registered in Stuttgart, Germany. RIB AG has subsidiaries in Germany, Europe, the USA, Australia and Asia. The core activities of the RIB Group 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, model-based approach over the entire lifecycle of the project.

With over 100,000 customers worldwide, we are one of the leading providers of corporate software for the construction industry. Our customers include approximately 6,000 large construction groups and medium-sized construction companies. We have approximately 9,000 customers in the public sector, architecture and engineering consultants, as well as large industrial and plant engineering firms. More than 85,000 customers use our online services, such as iTWOtx or our collaboration project management platform iTWO cx for communicating with all project participants on the basis of an industry-specific internet forum.

We divide our business activities into segments:

In the Software Licences segment, we supply our customers with non-exclusive software usage rights of unlimited duration based on licence contracts. The software is installed in the customer's IT infrastructure as a client-server installation. Our customers can also obtain software maintenance services through separate maintenance contracts. Our maintenance services include hotline services and the supply of updates for purchased software.

In the Software as a Service/Cloud segment, we offer our customers service contracts whereby, for a limited-term usage fee, they can install and utilise the software in a private cloud i.e. in the customer's IT infrastructure or in a public cloud, whereby the software is normally hosted by a third party. The limited-term usage fee also includes hotline services and the provision of the latest software versions in the cloud.

In the Professional Services segment, we offer our customers value engineering services for planning large projects, in addition to implementation and consulting services in conjunction with the introduction and utilisation of new software.

Our research and development activities are organised on a decentralised basis. The RIB Group has development locations in Stuttgart, Copenhagen, Atlanta, Memphis, Sydney and Guangzhou. The lead development of the German version of iTWO 5D is undertaken by RIB AG. For this purpose, the company uses development capacities of RIB Information Technologies AG and a Chinese subsidiary. RIB Limited, Hong Kong, develops the international versions of iTWO 5D and uses the development capacities of a Chinese subsidiary for this purpose.

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. International sales is organised under the umbrella of RIB Limited, Hong Kong via subsidiaries in Asia, India, Australia, the Middle East and the USA.

A.2 Business development and position of the RIB Group

A.2.1 Market conditions

Our target groups continue to be highly interested in digital planning and management processes. Many industrial countries of the world, such as Scandinavian countries, the UK, Singapore, the USA and recently Germany, now have government initiatives that make it mandatory, or will in the near future make it mandatory, to use model-based ways of working for government construction projects. Our RIB iTWO 5D 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 2014, there were wide discrepancies between the macroeconomic circumstances of the various countries and regions in this regard. While the US economy recovered significantly and the favourable conditions on the capital market created a positive environment for investments, the growth in many developing and emerging countries slowed considerably. The significant budget deficits in some southern and eastern European countries, extremely volatile and weak currency developments in countries with a high dependency on oil and gas (Norway, Australia, Russia, etc.), as well as growing unrest in countries in the Middle East and North Africa severely dampen investment confidence in these regions.

A.2.2 Business development

The demand for our core product iTWO 5D continued to grow in the reporting period. Through the strong rise of Phase II and III orders for iTWO 5D from 8 to 14, iTWO software and cloud revenue saw a significant increase of 62.5% to €28.6 million (previous year: €17.6 million). iTWO cloud components accounted for €9.4 million (+ 40.3% on the previous year). Maintenance revenues increased by 13.6% to €21.7 million (previous year: €19.1 million). Maintenance and cloud sales accounted for 44.4% of the total sales of €70.0 million in the reporting period. As the churn rate for maintenance and SaaS/Cloud contracts is considerably lower than the completion rate, this revenue represents a solid basis for the future development of the RIB Group. Consulting revenues rose marginally by 4.6% on the previous year to €15.8 million. Despite an increase in foreign sales from €23.5 million to €27.3 million (+16.2%), at 39.0% the foreign proportion of total sales fell slightly below the previous year (41.2%), which was largely due to the Phase III contract from a German major customer.

The continuous increase in net sales in the Software and SaaS/Cloud sectors in recent years has reinforced the stable global growth of the RIB Group.

A.2.3 Key performance indicators of RIB AG

Revenues increased considerably by 21.2% to €40.0 million (previous year: €33.0 million). This increase is largely due to a major contract (Phase III), generated through software licence sales of €7.0 million. The operating EBITDA (adjusted for currency effects and one-off special effects)[1] increased by 35.3% to €13.8 million (previous year €10.2 million). The annual net profit increased significantly in 2014 by 35.7% to €9.5 million (previous year: €7.0 million). The cash flow from operating activities increased by 56.0% to €15.6 million (previous year: €10.0 million). Adjusted for dividends from individual subsidiaries collected in the reporting year of €2.1 million, the cash flow from operating activities increased by 35.0%.

A.2.4 Key performance indicators of RIB Group

Group revenues increased significantly by 22.8% to €70.0 million (previous year: €57.0 million). The operating EBITDA[2] grew by 38.9% to €25.7 million (previous year: €18.5 million). The operating EBITDA margin (operating EBITDA in proportion to revenue) reached 36.7% (previous year: 32.5%). The consolidated net profit increased by 128.6% from €9.1 million to €20.8 million.

1) Currency effects (2014: Income of €4.3 million/2013: Expenditure of €1.2 million); Special effects (2014: Transaction costs from cash capital increase €1.7 million); 2013: -)

2) Currency effects (2014: income €3.7 million/2013: expenditure €1.5 million); Special effects: income from adjustment of purchase price liabilities (2014: income €5.9 million/2013: income €1.8 million)

A.3 Key events in the reporting period

A.3.1 Acquisition of shares in Byggeweb A/S, Copenhagen (hereinafter referred to as "Byggeweb")

The RIB Group acquired 100% of the shares in Byggeweb in the reporting period. With its platform "Docia", Byggeweb is the leading Scandinavian provider of cloud-based collaboration software (digital project space) and facility management. The solution is used not only in structural and industrial engineering, but also in other sectors such as infrastructure, transport and offshore. Byggeweb is a rapidly-expanding company with a highly-motivated and experienced team and excellent growth potential. In the fast-evolving cloud software market, which is expected to accelerate even further over the next few years, Byggeweb is one of the market-leading companies in collaboration software. The company has more than 7,000 customers and 140,000 users in 20 countries worldwide. The Docia platform is currently used in approximately 850 construction projects in Scandinavia, the UK, Middle East, the USA, Asia and Europe. In 2015, Docia was integrated with iTWO 5D and developed into a 6D platform, which also supports model-based facility management processes. For economic details of these interests, please refer to the respective information in the Notes to the Consolidated Financial Statements.

A.3.2 Acquisition of shares in iceprice GmbH, Frankfurt (hereinafter referred to as "iceprice")

The RIB Group acquired 75% of the shares in iceprice during the reporting period. iceprice operates a cloud-based platform for e-commerce in the sanitary trade sector, which already attracts between 50,000 and 100,000 visitors per month. iceprice serves customers in Germany, France, Austria, Belgium, Switzerland, Singapore and other Asian countries. From 2015, the platform will be marketed under the brand name xTWO and will be gradually expanded into an e-commerce platform for all types of construction products. The aim is to use iTWO 5D models to identify the consolidated, cross-project requirements for construction materials and to organise procurement and supply chain management via the xTWO platform. Several large iTWO 5D customers have already expressed an interest in using the xTWO platform. For economic details of these interests, please refer to the respective information in the Notes to the Consolidated Financial Statements.

A.3.3 Acquisition of shares in RIB US Cost Incorporated

The RIB Group increased its shareholding in RIB US Cost Incorporated, Atlanta/USA from 61.675% to 100% in the reporting period. For further details of this share acquisition, please refer to the respective information in the Notes to the Consolidated Financial Statements.

A.3.4 Acquisition of shares in RIB Software PTY Ltd.

The RIB Group acquired the remaining shares in RIB Software PTY Ltd. (formerly: RIB CADX), Sydney/Australia. Following this transaction, the Group now holds 100% of the shares. For further details of this share acquisition, please refer to the respective information in the Notes to the Consolidated Financial Statements.

A.3.5 Conclusion of an exclusive agreement with Munich Re

In the reporting period, Munich and RIB concluded an exclusive agreement for the joint development of the first global IT-based insurance product for major construction projects, which includes elements of an unplanned increase in construction costs.

The innovative solution aimed at project owners combines iTWO 5D technology with the risk expertise of Munich Re. As such, iTWO 5D technology is used by partners involved in a construction project in a iTWO 5D Lab for model-based planning of the project. The construction process is therefore divided into two phases. During the virtual construction phase, all processes, interfaces, temporal aspects and costs are simulated in a virtual production model before the project is launched. The virtual iTWO 5D model then represents the basis for construction and insurance coverage. This combination of iTWO 5D technology, new collaborative work processes in the iTWO 5D Lab and insurance, can significantly reduce risks for project owners in terms of unplanned costs and schedule overruns. 2015 should see the launch of pilot projects, which will be planned, insured and executed according to this procedure.

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 and 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.

The monitoring and management of the business goals and of the Group companies takes place during the year 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, and the Maintenance revenues, 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 operating EBITDA, adjusted by currency effects, and the consolidated net profit for the year. At segment level we also use the earning figures, which do not include figures such as the distribution costs, however.

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. A 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 RIB Group involves its large national and international customers in the elaboration of functional concepts for new software solutions. Together with the customers, specifications are prepared for the existing market requirements in which the functionality to be achieved and the derived development goals are clearly described. In this way, the RIB Group 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 RIB Group ensures that adequate technical, financial and other resources are available in order to complete the development.

The RIB Group 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. The RIB Group is thus 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

The average number of employees in the Group's research and development centres was 243 (previous year: 217).

As a result of the strong sales growth in the reporting period, the R&D ratio (sum of capitalised R&D costs and those recorded as expenditure in proportion to revenue) fell marginally to 20.9% (previous year: 21.9%) and is thus still above average. As the proportion of man-days expended for maintenance in proportion to man-days that can be capitalised for new development increased, at €7.6 million the capitalised development costs matched the previous year (€7.5 million). Thus the capitalisation ratio (proportion of capitalised R&D costs to entire R&D costs), despite the overall clear increase in R&D costs, fell from 60.0% in the previous year to 52.1%, but nevertheless remained high as a result of major investments in the development of web-based iTWO components. The amortisation of development projects in the reporting period amounted to €3.6 million and thus matched the previous year (previous year: €3.4 million).

A.5.1 Further development of iTWO

iTWO, the world's first fully integrated software solution for digital planning and construction, was again expanded considerably in 2014. This included special adjustments for the US market to support component-oriented working methods for calculations. Further expansions were developed to improve the evaluation of constructions risks, which also now enables risk assessments for new projects based on Monte Carlo analyses directly in iTWO. With new mobile applications on the iTWO platform, 5D working methods can no be supported directly on the construction site. Inter alia, this includes a model-based assessment, which can be performed by the project manager on a tablet and which is linked online via LTE with the back-office of the iTWO platform. New iPad apps for auditing and daily operational planning for construction site personnel is also available to project managers.

A.5.2 iTWO civil

The new product iTWO civil was completed in the reporting period. As the successor of STRATIS, iTWO civil offers full integration of CAD processing for civil engineering and roadway construction in the iTWO environment. The integration of CAD and ERP processes also required in civil engineering and roadway construction will now be met with iTWO civil. The feedback from the first iTWO civil customers is very positive.

A.5.3 iTWO finance

The first version of our new product iTWO finance based on Microsoft Dynamics NAV technology was completed in the reporting period. iTWO finance is the first fusion of project-related 5D processes and company processes. iTWO finance was first utilised by a major German customer in January 2015.

A.5.4 New iTWO cloud components

Significant development priorities in the reporting period were based on the expansion of the iTWO cloud family. All new iTWO cloud solutions do not require client installation and operate as fully web-based applications in the internet browser. The iTWO cloud platform can be accessed either via desktop computers in local networks or with tablet PCs or iPads via mobile internet connections. The service-oriented iTWO cloud framework, which we developed in recent years on the basis of Microsoft C# and SQL Server technology and which has also supported HTML5 clients since 2014, constitutes the technical fundament for iTWO cloud developments. A cross-project purchasing platform for construction materials and construction works and a new solution for planning and monitoring resources during the construction phase were developed during the reporting period based on the new technology platform. Other development activities focussed on a scheduling solution based on a “flowline” chart, which enables considerably improved identifiability of resource conflicts, as well as on a new solution for business partner management. Using the iTWO 5D cloud platform, 5D software services are to be offered increasingly in both private clouds of major customers and in a public cloud for small and medium-sized customers. The first large business application, iTWO run, which was developed based on the iTWO cloud technology platform, went live with a major customer in the reporting period.

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

B.1 Results of operations

Total sales up 22.8% to € 70.0 million - iTWO 5D software revenues up 76.1%

Total revenue increased by 22.8% from € 57.0 million to € 70.0 million. This development reflects the growing demand for iTWO 5D end-to-end solutions in the construction industry.

Revenues from software licences and Software as a Service/Cloud increased by 42.5% from € 22.8 million to € 32.5 million.

This included software licence revenues of € 23.1 million compared with € 16.2 million in 2013 (+ 42.6%). This increase was achieved particularly in the iTWO key account sector. iTWO software revenue increased by 76.1% from € 10.9 million to € 19.2 million.

Revenues in the Software as a Service (SaaS) sector increased by 40.3% to € 9.4 million compared with the previous year (previous year: € 6.7 million). This increase is largely due to the inclusion of Byggeweb in the consolidated financial statements for the first time, but at the same time highlighted by the growing demand for cloud-based solutions.

The service revenues based on annual contracts grew by 13.6% to € 21.7 million (previous year: € 19.1 million). This included a rise from the full-year effect through integration of the RIB Cosinus Group.

Revenues in the Professional Services segment rose moderately by 4.6% to € 15.8 million (previous year: € 15.1 million). This includes a rise from the aforementioned full-year effect through integration of the RIB Cosinus Group, which, with particular regard to the US market in accordance with the Group strategy, will see a shift in weight from its lower-margin consulting services to other business segments.

International revenue surges 16.2% from € 23.5 million to € 27.3 million.

With a 16.2% increase in net sales to € 27.3 million (previous year: € 23.5 million), the international segment experienced further growth in 2014, particularly in the EMEA and APAC regions.

The regional distribution of international revenues is as follows:

- EMEA (Europe, Middle East and Africa) : € 7.5 million (previous year: € 4.5 million)
- APAC (Asia Pacific) : € 7.0 million (previous year: € 4.9 million)
- North America : € 12.8 million (previous year: € 14.0 million)

The decline in revenue in the North America region is due to the planned reduction of Professional Service sales as consulting capacities were redirected to the iTWO marketing division.

Revenue in the German market increased by 27.5% to € 42.7 million (previous year: € 33.5 million), whereby the proportion of international sales in total sales fell slightly from 41.2% to 39.0%.

Number of Phase II/III contracts with iTWO 5D increased from 8 to 14 - revenues in mass market increase by 21.4%

The key account sector (national and international major customers) continued to develop positively in 2014 - the number of Phase II/III accounts increased as planned from 8 to 14. Revenues in the key account sector increased by € 7.1 million to € 12.4 million, which is due in particular to a major contract with a German Phase III customer, whereby software licence revenues of € 7.0 million were generated. iTWO 5D revenues in the mass market in Germany also developed positively and increased by 21.4% to € 6.8 million (previous year: € 5.6 million).

Gross profits over 66%

Gross profits improved in 2014 and at 66.9% were considerably higher than in the previous year (62.1%). This increase is largely due to the fact that the Professional Services segment, which has the lowest margins of the three business segments, was systematically underweighted to benefit the high-margin software licences and SaaS/Cloud segments as part of business development activities as planned.

Other operating income totalled € 11.2 million, considerably higher than in the previous year (€ 2.8 million). This increase was mainly due to

a) income from the adjustment of purchase price liabilities totalling € 6.1 million (previous year: € 1.8 million), resulting from the early acquisition of shares in the companies RIB Software PTY (formerly: RIB CADX) (€ 3.4 million) and RIB US Cost (€ 2.7 million). In both cases, the agreed purchase prices in the reporting period for the acquisition of the remaining shares were lower than originally expected and entered as financial liabilities so income corresponding to the differential amounts was recorded.

b) Income from exchange differences totalling € 4.3 million (previous year: € 0.2 million) came largely from the exchange rate development of the US dollar to the euro.

Sales and marketing expenses increased in relation to the increase in sales by 19.5% from € 12.3 million to € 14.7 million.

Administrative expenses increased from € 5.4 million to € 6.4 million (+ 18.5%). The increase is primarily due to the first-time consolidation of the companies Byggeweb and iceprice, as well as the arrangement of services after termination of the employment relationship with employees of the subsidiary RIB US Cost.

R&D expenses (not capitalised) rose by 37.3% to € 7.0 million (previous year: € 5.1 million).

Taking into account the capitalisation of expenses for internally generated software, R&D expenses increased by € 2.1 million to € 14.6 million compared with the previous year (previous year: € 12.5 million). This increases is due to the full-year effect from the first full year integration of the Cosinus Group (acquired by RIB in the previous year) and the acquisition of Byggeweb. The development workforce was systematically expanded and supplemented with a development team that works solely on the development of web-based iTWO components. Personnel costs in the development centre in Guangzhou, People’s Republic of China, also increased as anticipated.

At € 0.9 million, other operating expenses were considerably lower than the previous year (€ 2.0 million). This reduction is primarily due to a considerable reduction in foreign exchange losses. These totalled € 0.6 million in the reporting year (previous year: € 1.6 million).

Operating EBITDA increases by 38.9%, operating EBITDA margin 36.7%

The operating EBITDA grew by 38.9% to € 25.7 million (previous year: € 18.5 million).The annual net profit increased by 128.6% to € 20.8 million (previous year: € 9.1 million).

The positive development of key operating indicators is largely due to the significant increase in revenue from Software Licences and SaaS, as well as the corresponding scale effect, as the manufacturing prime costs did not develop in line with the sales growth.

Sales and EBIT growth in all segments

Sales and EBIT developed positively in all three segments of the RIB Group. Sales in the Licence/Software segment grew by 26.9% to € 44.8 million (previous year: € 35.3 million) and the segment EBIT increased accordingly by 27,2% to € 30.4 million (previous year: € 23.9 million). In the Software as a Service/Cloud segment, the growth experienced in the previous year continued in 2014. Revenue increased by 40.3% to € 9.4 million (previous year: € 6.7 million), whereby EBIT increased by 29.6% to € 5.7 million (previous year: € 4.4 million). Revenues in the Professional Services segment grew marginally to € 15.8 million (previous year: € 15.1 million) and the EBIT increased accordingly from € 2.0 million to € 3.7 million.

B.2 Financial position

Capital structure

The capital structure of the RIB Group is still characterised by a very high equity ratio of 85.0% of the balance sheet total (previous year: 80.2%). The equity increased in 2014 to €226.4 million (previous year: €142.7 million). A major reason for the increase is the consolidated net profit of €20.8 million generated in 2014, as well as the equity increase in RIB Software AG, as detailed in Section C2.

Investments

Without taking into account the income and expenditure from the maturity/sale of securities, the cash flow from investment activities came to €-14.5 million (previous year: €-10.0 million). In 2014 a total of €7.6 million was invested in internally developed software (previous year: €7.5 million). This was largely invested in the enhancing the products iTWO 5D (€2.8 million) and iTWO cloud (€3.3 million). There was also further investments of €6.0 million in company acquisitions - offset against the acquired liquidity - (previous year: €1.5 million). In particular, this concerned the acquisition of Byggeweb in the reporting year.

Cash flow from operating activities increases to €20.7 million (+26.2%)

As a result of positive business development, the cash flow from operating activities increased by 26.2% to €20.7 million, compared with €16.4 million in 2013. The cash flow from financing activities amounted to €43.4 million (previous year: €- 12.9 million), resulting predominantly from the cash capital increase of RIB Software AG with net proceeds of €46.7 million. The positive cash flow from financing activities was diminished predominantly through dividend payments to parent company shareholders amounting to €2.2 million (previous year: €5.3 million). At the end of the reporting period, the cash and cash equivalents of the RIB Group came to €137.6 million (previous year: €78.4 million). Taking into account the short-term securities available for sale, the Group had a liquidity of €137.9 million (previous year: €82.1 million).

No significant lines of credit were taken in the reporting period. The RIB Group was in the position to meet all of its payments obligations at all times.

Concerning the principles and goals of the Group's financial management, please refer to the Notes to the Consolidated Financial Statements, Section (44).

B.3 Net assets

In 2014, the balance sheet total increased to €266.2 million and thus increased significantly compared with the previous year (previous year: €177.9 million). In addition to the high consolidated net profit and capital increases performed in the reporting year, this increase was also due to exchange rate influences.

The local currencies of group companies in the USA, Hong Kong and China in particular appreciated significantly against the euro. Currency translation differences of €5.7 million were thus recorded in the overall result for the reporting period (previous year: €-3.5 million). The accumulated other comprehensive income recorded in the group equity capital increase by a total of €5.4 million to €2.3 million (previous year: €-3.1 million).

In terms of the Group's financial assets, a significant increase was recorded in cash and cash equivalents but particularly in its intangible assets. This was the result of further company acquisitions in the reporting period. The carrying amounts of the goodwill and other intangible assets increased to €97.5 million (previous year: €70.6 million) and thus accounted for 36.6% (previous year: €39.7%) of the balance sheet total.

The company acquisition of Byggeweb was partially financed by an issue of shares in RIB AG. The market value of the shares at the time of transfer was €10.6 million. In this respect, the influx of financial assets from the company acquisition thus did not incur an efflux of liquidity.

Other intangible assets increased by €12.2 million to €44.6 million (previous year: €32.4 million). The item mainly includes internally generated software amounting to €29.6 million (previous year: €25.6 million), followed by customer relationships amounting to €8.3 million (previous year: €4.9 million) and purchased technology amounting to € 6.5 million (previous year: € 1.8 million). The increase of the internally developed software by € 4.0 million is the result of the capitalisation during the reporting period (€ 7.6 million), minus the ongoing, planned amortisations (€ 3.6 million). The customer relationships increased by € 3.4 million mainly due to the initial consolidation of the acquired company Byggeweb. The € 4.7 million increase in acquired technology was largely due to the company acquisition of Byggeweb.

In particular, property, plant and equipment included the EOC I real estate located in China and utilised by the development company there. The investment real estate is the EOC II building located directly adjacent to EOC I. The carrying amounts of buildings EOC I + II increased by € 1.1 million largely due to foreign currency effects and building works.

Trade receivables increased from € 10.2 million to € 13.8 million. Receivables past-due, but not impaired 30 days after the end of the reporting period amounted to € 3.2 million (accounting for 23.2% of entire receivables). Based on the information available when the consolidated financial statements were prepared, there were no indications that the past-due but not impaired receivables would not be settled at the carrying amount.

The portfolio of securities available for sale fell from € 3.8 million to € 0.3 million in accordance with the end maturities. The securities were all fixed-interest, low-risk government and corporate bonds.

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 in this way can our employees develop and successfully sell market-oriented solutions and implement these for our customers. We thereby 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, 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 building industry.

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

C.1 Results of operations

Total revenue increases by 21.2% to € 40.0 million

The revenues increased significantly in 2014 by 21.2% to € 40.0 million (previous year: € 33.0 million). Total revenue with iTWO 5D increased by 53.9% to € 23.8 million (previous year: € 15.5 million) and thus accounted for 59.5% of total revenue (previous year: 47.0%).

At € 3.4 million, consulting revenues matched the previous year (€ 3.4 million). Service revenues increased by 2.6% to € 15.7 million (previous year: € 15.3 million).

Other operating income increased by 4.2% from € 2.8 million to € 7.0 million. The increase is solely due to income from exchange rate variations from EUR to USD amounting to € 4.3 million (previous year: € 0.1 million).

Material costs increased by 21.6% to € 12.4 million compared with the previous year (previous year: € 10.2 million). In particular, this item concerned software development services obtained by subsidiaries. The increase is largely due to the increased scope of activities in cloud development, as well as services related to the development of the new product iTWO finance. Since the German development company focussed increasingly on the cloud in the reporting year, more services were obtained in ongoing software maintenance from the Chinese development company of the Group.

Personnel expenses increased in 2014 by 20% to € 2.4 million (previous year: € 2.0 million). € 0.1 million of this increase resulted from granting share options to RIB AG employees as part of the share option program 2011/13. The further increase was largely due to an increased workforce on average of 27 to 30 employees.

As in the previous year, depreciation of € 1.5 million (previous year: € 1.5 million) largely represented the systematic amortisation of goodwill.

Other operating expenses increased by 1.2% from € 14.7 million to € 15.9 million. At € 10.8 million (previous year: € 10.3 million), in particular the item includes commissions paid to relevant subsidiaries for sales on the German-speaking market. The increase of other expenses compared with the previous year resulted in particular from transaction costs incurred in the reporting year totalling € 1.7 million for the cash capital increase performed in 2014.

The financial result fell by € -0.2 million (previous year: € 2.6 million), whereby

a) the interest income reduced due to further reduction of stock in fixed-interest securities to € 0.2 million (previous year: € 0.7 million) and

b) income from investments that were unusually high in the previous year due to special effects (dividends from subsidiaries amounting to € 2.9 million), amounted to € 0.02 million as planned in the reporting year.

The net profit for the year amounted to € 9.5 million, 35.7% more than in the previous year (€ 7.0 million).

Operating EBITDA increases by 35.3%

The operating EBITDA grew by 35.3% to € 13.8 million (previous year: € 10.2 million). The operating EBITDA margin increased again slightly at 34.5% compared to the previous year (30.9%).

C.2 Finance and net assets

Capital structure

High equity ratio of 93.1%

The capital structure of RIB AG is characterised by a very high equity ratio of 93.1% of the balance sheet total (previous year: 94.4%). Hereby the equity capital increased by € 68.1 million to € 189.9 million (previous year: € 121.8 million), predominantly due to two capital increases from authorised capital:

a) Cash capital increase whereby a net capital inflow of € 46.7 million was achieved issuing 3,871,541 new ordinary shares in RIB AG.

b) Non-cash capital increase in conjunction with the acquisition of Byggeweb, whereby shares in Byggeweb with a market value of € 10.6 million were paid as a non-cash contribution in exchange for the issue of 880,000 new ordinary shares in RIB AG. The € 9.7 million generated, which exceeded the nominal value of the issued shares, was allocated to the capital reserve.

Considerable increase of balance sheet total by 58.3%

In 2014, the balance sheet total increased to € 204.0 million and thus increased significantly compared with the previous year (previous year: € 128.9 million). On the financing side, this increase is due in particular to the high net profit for the reporting year, in addition to the aforementioned equity capital measures.

Investments

On the asset side, the cash inflows for the reporting year were used mainly for investments in financial assets amounting to € 39.6 million (previous year: € 8.2 million). In particular, these were in the form of contributions totalling € 36.1 million to the subsidiary RIB Ltd as part of capital increases. The purpose of these measures was to finance the expansion of international business through RIB Ltd. Furthermore, the investments of RIB AG in financial assets concerned the acquisition of a majority shareholding in iceprice GmbH (€ 0.5 million), as well as contributions to the capital reserve of this company (€ 3.0 million).

Cash inflows of € 12.3 million have a counter effect in this area. These result from the appropriation of RIB AG shares as part of the company acquisition by the subsidiary RIB Ltd. RIB Ltd reimbursed the market value of the appropriated shares to RIB AG.

Liquidity

Cash flow from operating activities up 56.0% to € 15.6 million

The cash flow from operating activities increased by 56.0% to € 15.6 million (previous year: € 10.0 million). The increase is due to an instalment of € 2.1 million for dividend payments from individual subsidiaries. Adjusted for this effect, the cash flow from operating activities increased by 35.0% compared with the previous year.

The cash flow from financing activities amounted to € 44.4 million (previous year: € -12.8 million) and includes the net proceeds of € 46.7 million from the cash capital increase.

Cash and cash equivalents of € 98.2 million

Cash and cash equivalents came to € 98.2 million at the end of the reporting period (previous year: € 57.7 million). This item includes € 93.2 million in cash and bank balances (previous year: € 52.7 million) and € 5.0 million in cash equivalents (previous year € 5.0 million).

No lines of credit were taken in the reporting year. RIB AG was in the position to meet all of its payments obligations at all times.

Other information on net assets

Intangible assets of €4.1 million (previous year €5.5 million) comprise in particular the goodwill from the 2003 merger of RIB Bausoftware GmbH into the parent company.

Current assets increased by 37.0% to €105.1 million, particularly due to the €40.5 million increase in liquidity to €93.2 million. The securities portfolio was reduced by €3.5 million - the government bond of the Republic of Singapore reported in 2013 was paid back in full upon maturity.

On the balance sheet date, trade receivables dropped €0.4 million to €3.4 million (previous year: €3.8 million).

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

The increase in reserves to €7.6 million (previous year: €5.4 million) largely concerns provisions for taxation and results from the good earnings performance.

Liabilities increased overall by 4.9% to €6.1 million. €2.5 million of this increase is due to a liability from the purchase of Byggeweb, which is countered by a claim for restitution against RIB Ltd for the same amount (reported under receivables from affiliated companies). Apart from this, the rise largely came from increased, ongoing tax liabilities of €1.3 million (previous year: €0.2 million) at the end of the reporting period, as well as increased liabilities towards affiliated companies of €1.6 million (previous year: €0.6 million) at the end of the reporting period.

D. General statement on the business performance and position of the RIB Group and RIB AG

The management of the RIB Group assumes that RIB AG and the companies in the RIB Group are excellently positioned in the market with their range of solutions and services based on their high innovative, economic and financial strength. The market position of the RIB Group developed positively, in particular in the sales regions outside of Germany. The business with Software as a Service/Cloud also developed very well. In this segment, the RIB Group is taking a leading position in its target groups with its new iTWO Cloud components. With a high level of liquid funds, the RIB Group has financial reserves which can be used for further growth.

E. Subsequent events

There were no events of material significance for the net assets, financial position and results of operations of the RIB Group after the balance sheet date.

F. Takeover-related information and explanatory report

F.1 Disclosures on the capital of RIB AG

The capital stock of RIB AG amounts to € 43,466,961.00 and is divided into 43,466,961 ordinary shares with a par value of € 1.00 each. The shares are registered shares. Each share grants one vote and has the same rights and obligations. The right of shareholders to the securitisation of their shares and to any profit-sharing and renewal coupons is excluded.

As of the balance sheet date, this gives the company 1,257,453 shares for which it does not have any voting rights in accordance with § 71b German Stock Corporation Act (AktG). 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, Hong Kong, held direct or indirect interests in the capital that exceeded 10% of the voting rights as of the reporting date.

Pursuant to § 160 (1) German Stock Corporation Act (AktG), interests in the capital that exceed 10% of voting rights are disclosed in Section E.5 of the Notes to the annual financial statements of RIB AG. “Disclosures According to the German Securities Trading Act” of the Notes to the Annual Financial Statements of RIB AG.

By resolution of the Annual General Meeting on 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. This authorisation was utilised in the reporting year in the form of a cash capital increase and a physical capital increase. Thus, a total of 4,751,541 shares were issued, with the result that a further 14,606,169 shares may be issued based on the existing authorisation.

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 suitable cases to acquire companies, portions of companies or interests in companies or other capital assets, including receivables, in return for the transfer of shares;
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 §§ 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.

Other than 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 shall be conditionally increased by up to € 1,548,616 by issuing up to 1,548,616 new registered shares with a par value of € 1.00 per share. The conditional capital increase will only be carried out to the extent that holders of the subscription rights issued make use of their right to purchase shares of the company and the company 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 shares are issued from the conditional capital at the exercise price determined as the issue price in accordance with the resolutions of the Annual General Meeting of 20 May 2011 and 4 June 2013. The new shares carry dividend rights from the beginning of the financial year in which they arise through the exercise of subscription rights. From the share option plan 2011/2013, 178,388 share options settled in equity instruments were granted during the reporting period on 7 July 2014. A total of 260,688 share options were granted by the end of the reporting period, 8,000 of which were forfeited by the end of the reporting period.

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

F.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 §§ 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with § 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 (§§ 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.

G. Corporate governance declaration

G.1 Declaration pursuant to § 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board recently issued the following declaration of conformity:

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 on 13 May 2013 (published in the Federal Gazette on 10 June 2013) have been complied with since the issuance of the previous declaration of compliance and 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 4.2.2 para. 2 GCGC: The Supervisory Board considers what is an appropriate remuneration for the Executive Board but not the ratio of the Executive Board's remuneration to the remuneration of the more senior management circle and the staff in general, including development over time. Accordingly, the Supervisory Board also does not specify how the more senior management circle and the relevant workforce should be differentiated for the settlement. The corresponding recommendation of the Code appears less than practical and also unsuitable for ensuring that the Executive Board's remuneration is appropriate in every case.

3. 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.

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

   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.

4. 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 or itemises 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.

5. 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.

6. 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. In the opinion of the Supervisory Board, the recommendation of the Code implies more than merely insignificant legal risks; hence, to comply with it, is not in the interest of the company.

G.2 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.

G.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 company's Articles of Association. 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.

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

G.3.1.1 Rules of procedure of the Executive Board

The rules of procedure of the Executive Board of RIB AG essentially govern the basis of the management, 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 Board of Directors may be released from the restrictions of § 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.

G.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 mode of operation of the committee. Its members have the same 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. The Supervisory Board has quorum if all members have been duly invited at the last known address and half of its members participate in the resolution process. At any rate, at least three of its members (including the Chairman or, if the Chairman does not participate, the Vice-Chairman) must participate in the resolution process.

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. Apart from this, descriptions of the procedures followed by the Supervisory Board shall apply accordingly. Currently the committees have the following members:

Remuneration and nomination committee

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

Audit committee

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

H. Remuneration report

H.1 Remuneration report of the Supervisory Board

By resolution of the Annual General Meeting of 4 June 2013 regarding agenda item 6, the composition of the Supervisory Board was changed. In addition, by resolution regarding agenda item 8, the Articles of Association of RIB AG with respect to the remuneration of the Supervisory Board were amended. However, the following disclosures are provided on the remuneration of the Supervisory Board.

The Supervisory Board members receive an annual fixed remuneration (Remuneration 1). The Chairperson of the Supervisory Board receives double and the Vice-Chairperson receives one and a half of this remuneration. 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 a committee is remunerated at one and a half times the 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:

2014 (figures in € thousands)	**Remuneration 1**	**Remuneration 2**	**Total remuneration**
Sandy Möser	24.0	5.0	29.0
Dr Matthias Rumpelhardt	18.0	5.0	23.0
Klaus Hirschle	12.0	4.0	16.0
Hans-Peter Lützow	12.0	0.0	12.0
Prof Martin Fischer	12.0	0.0	12.0
Prof Achim Preiß	12.0	0.0	12.0
Total remuneration	90.0	14.0	104.0

2013 (figures in € thousands)	**Remuneration 1**	**Remuneration 2**	**Total remuneration**
Sandy Möser	18.5	5.0	23.5
Dr Matthias Rumpelhardt	13.1	5.0	18.1
Klaus Hirschle	10.9	1.1	12.0
Eran Davidson (until 4 June 2013)	0.0	0.0	0.0
Keith Chau Kwok Keung (until 4 June 2013)	4.4	0.8	5.2
Barrie David Sheers (until 4 June 2013)	4.4	0.8	5.2
Hans-Peter Lützow (since 4 June 2013)	6.6	0.0	6.6
Prof Martin Fischer (since 4 June 2013)	6.6	0.0	6.6
Prof Achim Preiß (since 4 June 2013)	6.6	0.0	6.6
Total remuneration	71.1	12.7	83.8

H.2 Remuneration report of the Executive Board

The remuneration of the Executive Board of the parent company comprises a fixed element (Remuneration 1), a performance-based element (Remuneration 2) and a share-based portion (Remuneration 3). The fixed element includes the basic salary and other taxable salary components such as a company car. The performance-based element depends on the achievement of targets. These targets have both short-term as well as medium-term components. The amount of the performance-based element is based on the operating EBITDA of the RIB Group, the development of group revenue, the use of iTWO 5D by reference customers, the conclusion of acquisitions and the development of the share price.

The short-term targets are calculated after submission of the audited consolidated financial statements for the respective financial year. The target profit shares are added on reaching several targets. The short-term targets are calculated after submission of the audited consolidated financial statements for the individual financial years in a three-year period, for the first time after submission of the consolidated financial statements for financial year 2015.

With respect to the structure of the share-based remuneration program started in financial year 2013, we refer to the explanations in Section C.5 of the Notes to the annual financial statements of RIB AG and to Section 29 of the Notes to the consolidated financial statements. In the scope of this program, the members of the Executive Board were offered subscription rights in accordance with the conditions of the share option plan 2011/2013, which were taken up by all the members of the Executive Board.

The remuneration of the Executive Board is composed as follows:

2014 (figures in € thousands)	Remuneration 1	Remuneration 2	Remuneration 3	Total remuneration
Thomas Wolf*	324.0	166.0	331.5	821.5
Dr Hans-Peter Sanio	146.8	83.0	165.8	395.6
Michael Sauer	219.7	166.0	331.5	717.2
Total remuneration	690.5	415.0	828.8	1,934.3

2013 (figures in € thousands)	Remuneration 1	Remuneration 2	Remuneration 3	Total remuneration
Thomas Wolf*	324.0	128.0	66.0	518.0
Dr Hans-Peter Sanio	146.8	62.0	44.0	252.8
Michael Sauer	219.7	128.0	66.0	413.7
Total remuneration	690.5	318.0	176.0	1,184.5

* Mr Thomas Wolf receives his remuneration from RIB Limited, Hong Kong and RIB PTE Limited, Singapore.

The share-based remuneration of the Executive Board is presented as follows:

	Thomas Wolf	Dr Hans-Peter Sanio	Michael Sauer
Options granted in the reporting period (units)	30,000	15,000	30,000
Options outstanding at the end of the reporting period (units)	45,000	25,000	45,000
Share in the recognised total cost of the share-based remuneration (€ thousand)	56.6	31.1	56.6

I. Forecast, opportunity and risk report

I.1 Target achievement of the forecasts for financial year 2014

We expected the demand for 5D technologies and Cloud software in the construction industry to continue to grow during the reporting period. On this basis, we forecast considerable revenue growth for iTWO 5D and iTWO Cloud, as well as for services to be rendered in conjunction with the introduction of software in customer projects. In the Software as a Service/Cloud segment we expected a growth rate of more than 25%. This target was clearly exceeded with growth of 40.3%. In the business with software licences, our goal was to reach 14 Phase II/III contracts. This goal was also achieved in full and led to a revenue growth from € 10.9 million to € 19.2 million (+ 76.1% growth on previous year) for iTWO software. The anticipated first Phase II contracts in the USA (3 contracts) and Australia (two contracts) were also achieved.

In the field of research and development, we planned to focus our attentions on the important iTWO development priorities during the reporting period. New appointments were planned in this area, which were estimated to increase the Group's development costs by approximately € 0.9 million in 2014. In reality, the development costs increased by € 2.1 million from € 12.5 million to € 14.6 million compared with the previous year, which was due to scheduled new appointments and acquisitions made.

Against this background, and assuming the same underlying market conditions as 2013, we forecast an approximate 25% revenue growth and 16% growth in the operating EBITDA for the RIB Group. Revenue growth of 22.8% and operating EBITDA growth of 38.9% was achieved. A revenue and operating EBITDA at the previous year's level was planned for RIB AG. With revenue growth of 21.2% and operating EBITDA growth of 35.3%, this goal was clearly exceeded.

I.2 Forecast report for financial year 2015

Due to the surge in demand for 5D technologies and cloud software over the last three years, we anticipate positive growth opportunities for the RIB Group in 2015. In particular, we were able to increase the number of major Phase II/III contracts each year by almost 80%. In Software Licences, however, our aim is to increase the number of Phase II/III contracts again by approximately 80% from 14 to 25. Against this backdrop, we forecast revenues of between € 85.0 million and € 95.0 million for the RIB Group, provided we achieve two Phase III contracts each with a software-licence volume of approximately € 5.0 million.

In the field of research and development, we also plan to focus our attentions on the important iTWO Cloud development priorities in 2015. In this area, we are also planning new appointments in 2015, which will further increase the Group's development costs. Furthermore, we intend to increase the cost of sales of services required to achieve sales revenues slightly disproportionately to sales growth to create a solid basis for further growth from 2016.

Assuming the same underlying market conditions as in 2014 and based on the aforementioned planned values, we forecast an EBITDA of between € 29.0 and € 36.0 million. For RIB AG, we are planning revenue and an EBITDA at the previous year's level.

I.3 Opportunities report

The RIB Group anticipates good opportunities for positive business performance and expanding its market position as a leading supplier of web-based 5D Big Data end-to-end 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 focal points:

Migration of existing customers to RIB iTWO. The migration of our existing ARRIBA customers to iTWO 5D still offers great potential in Germany, Austria and Switzerland. As iTWO 5D was developed based on state-of-the-art SOA technology and covers the full spectrum of project management, whilst enabling the use of 5D construction models, the RIB Group expects to be able to migrate most of the ARRIBA customers to iTWO 5D in the next few years.

International expansion. The RIB Group plans to strengthen its existing international business relationships and expand into further foreign markets as one of its major strategic goals. The RIB Group continues to pursue a key account strategy that focuses on gaining mainly large construction companies, general contractors, investors and consultants from the Top 1,000 of the respective target groups as customers. This could mean that many subcontractors and smaller service providers also decide to introduce the software of the RIB Group to ensure smooth cooperation with the large companies which are their business partners.

Innovation. The RIB Group has state-of-the-art and highly innovative software solutions, especially for technical and business processes in construction and plant engineering. With the existing end-to-end corporate solution, iTWO 5D, and with our new cloud software solutions, we have a comprehensive and modern solution offer in our product portfolio, which effectively meets the current technology trends of 5D and cloud computing.

Strategic acquisitions. The RIB Group intends to accelerate its entry to regional markets through targeted strategic acquisitions; this will also help speed up expansion of its international customer base. The strategy is less about acquiring technologies from these competitors and more about securing new customer groups to position the RIB Group’s software as the standard in additional markets. Our goals for 2015 are, amongst others, to integrate the companies acquired in the last two financial years within the Group, and to gain large customer contracts for iTWO 5D via these companies, in particular in the USA, Australia and in Germany, Austria and Switzerland.

Segment-specific opportunities. Based on the increasing acceptance of model-based working methods in the construction industry, which is supported by an increasing number of corresponding government initiatives, we see potential for further growth in the Software Licences segment in our regional markets through our iTWO 5D technology. In the Software as a Service/Cloud segment, our range of products and services can meet the global trend whereby customers prefer to use software for a time-limited fee instead of investing in licences. In the Professional Service segment, we expect growth corresponding to the increasing demand for Software Licences and Software as a Service/Cloud.

Overview of opportunities. The RIB Group is very well established in its markets thanks to its extensive range of solutions based on state-of-the-art technologies. In terms of 5D and Cloud software, the RIB Group is regarded as a pioneer in the construction sector. Against this backdrop, we consider the opportunities of the RIB Group to vigorously expand its market position as extremely positive.

I.4 Risk report

I.4.1 Risk management and internal control system

The RIB Group operates a risk management system to detect, assess and deal with risks in a targeted manner and at an early stage. We base our risk management guidelines on our uniform company definition of risk, i.e., when a situation could significantly hinder the RIB Group‘s ability to achieve its corporate goals and fulfil its duties immediately or 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 are classified as follows within the scope of a quantitative and qualitative risk analysis.

Severity of loss	Amount of loss (€thousand)	Probability of occurrence
Severe	>= 1,000	>= 90%
Significant	>= 250 and < 1,000	>= 65% and < 90%
Medium	>= 100 and < 250	>=35% and < 65%
Minor	< 100	< 35%

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 Executive Board and Supervisory Board discuss the risk situation of the company and the Group at regular intervals and continuously engage with the further development of the control and risk early warning system. Appropriate countermeasures have been taken, except in the case of risks that are deliberately taken.

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 regularity 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 scopes 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.

I.4.2 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 undermine the RIB Group’s financials lie in the market and industry environment. The RIB Group’s success also hinges on the economic development in its target industries.

In 2014, 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 other markets, there is still 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. This could have a negative impact on the results of operations, financial position and net assets of the RIB Group.

The RIB Group's new product RIB iTWO enables end-to-end virtual planning and management of construction processes using a 5D construction model – from the very first planning stages to completion of construction projects. The 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 when it comes to development and market launch times. In order to hold onto its competitive edge, the RIB Group has to invest heavily, from a monetary and human resources perspective, in product development and product launches in particular 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 from this area would not be expected 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 recruited by competitors or setting up as competitors in markets of relevance for the RIB Group. This could lead to project and delivery delays and put contractual performance for customers at risk.

Financial risks

The RIB Group has maintained has a high level of liquid assets. These are invested in low-risk short and medium-term time deposits and fixed-income securities. A portion of the liquid assets 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 liquid funds, 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 corresponding explanations in the Notes to the Consolidated Financial Statements (Section 44).

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

There are currently no cooperation risks of material significance for the further business development.

I.4.3 Summary of the risk situation

Various finance and risks have been reassessed and downgraded from "severe" or "significant" to "medium" based on changed revenue, changed interest rates and increased business in foreign currencies. Due to the reassessment of the risks, the quantifiable amount of loss has on the whole reduced compared to the last risk assessment.

There are currently no severe risks whose occurrence is probable or highly probable. Significant risks whose occurrence is probable or highly probable, as in the previous year, are posed by the need to make product adjustments as a result of changed legal framework conditions, new operating systems and server environments or due to individual requirements on a customer-by-customer basis. This may delay the completion of planned new software components.

The risks are continually updated, and the countermeasures continually checked. The countermeasures indicated in the risk reports were reviewed for adherence and implemented. Due to the minor changes compared to the previous version, the formal recording and summary of the risks was performed in late 2014 as planned. We currently do not see any risks that would endanger the company as a 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’, ‘will’, ‘expect’, ‘intend’, ‘plan’, ‘estimate’, ‘in the opinion of the RIB Group’ and other similar terms. Such forward-looking statements are based on our current expectations and certain assumptions. They therefore entail a certain degree of risk and uncertainty. There are many different factors, many of them outside the control of the RIB Group, which affect our business, profits, business strategy and the results of the RIB Group. Due to these factors, the actual results, profits and performance of the RIB Group could differ materially from the forward-looking statements and any implicit or explicit statements on future results, profits or performance.

Stuttgart, 20 March 2015

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

Consolidated Financial Statements for the financial year from 1 January 2014 to 31 December 2014

Consolidated Income Statement for Financial Year 2014

€ thousand unless otherwise indicated

	Notes	2014	2013
Revenue	**(9)**	**70,026**	**57,010**
Cost of sales	(10)	-23,240	-21,658
Gross profit		**46,786**	**35,352**
Other operating income	(11)	11,238	2,778
Marketing and distribution costs		-14,706	-12,284
General administrative expenses		-6,435	-5,383
Research and development expenses		-7,021	-5,064
Other operating expenses	(12)	-933	-1,973
Financial income	(14)	291	477
Finance costs	(14)	-373	-880
Profit before tax		**28,847**	**13,023**
Income taxes	(15)	-8,043	-3,948
Consolidated net profit for the year		**20,804**	**9,075**
Profit attributable to non-controlling interests		0	29
Profit attributable to owners of the parent company		20,804	9,046
Result per share on the basis of the share of earnings of the shareholders of RIB Software AG:			
diluted and undiluted	**(16)**	**€ 0.52**	**€ 0.24**

Consolidated Statement of Comprehensive Income for Financial Year 2014

€ thousand

	Notes	2014	2013
Consolidated net profit for the year		**20,804**	**9,075**
Components reclassified with no effect on profit and loss:			
Revaluations		-308	20
Other consolidated comprehensive income after taxes for components reclassified with no effect on profit and loss:		**-308**	**20**
Components reclassified in subsequent periods with an effect on profit and loss:			
Exchange differences		5,712	-3,497
Changes in value of available-for-sale securities		24	-110
Other consolidated comprehensive income after taxes for components reclassified with an effect on profit and loss:		**5,736**	**-3,607**
Other consolidated comprehensive income after taxes		**5,428**	**-3,587**
Total consolidated comprehensive income for the year		**26,232**	**5,488**
of which attributable to non-controlling interests		0	29
of which attributable to owners of the parent company		26,232	5,459

Consolidated Statement of Financial Position as of 31 December 2014

€ thousand

	Notes	31 December 2014	31 December 2013
Goodwill	(17)	52,951	38,180
Other intangible assets	(18, 19)	44,575	32,435
Property, plant and equipment	(18)	6,836	6,108
Investment properties	(20)	5,732	5,031
Prepaid land use lease payments	(21)	1,015	936
Other assets	(22)	63	51
Deferred tax assets	(23)	199	427
Total non-current assets		**111,371**	**83,168**
Inventories	(24)	109	0
Trade receivables	(25)	13,826	10,233
Available-for-sale securities	(26)	273	3,761
Other assets	(22)	2,992	2,353
Cash and cash equivalents	(27)	137,621	78,378
Total current assets		**154,821**	**94,725**
Total assets		**266,192**	**177,893**

€ thousand

	Notes	31 December 2014	31 December 2013
Subscribed capital	(28)	43,467	38,715
Treasury shares	(28)	-5,543	-6,240
Capital reserves	(28)	135,157	80,768
Legal reserve	(28)	60	56
Accumulated other consolidated comprehensive income	(30)	2,342	-3,086
Retained earnings		50,963	32,397
Equity attributable to owners of the parent company		**226,446**	**142,610**
Non-controlling interests		0	67
Total equity		**226,446**	**142,677**
Pension provisions	(32)	3,579	3,182
Other financial liabilities	(38)	2,286	10,805
Deferred tax liabilities	(23)	11,604	8,081
Total non-current liabilities		**17,469**	**22,068**
Trade payables	(34)	1,529	1,237
Provisions for income taxes		5,398	2,428
Other provisions	(35)	1,056	306
Accruals	(36)	3,511	2,733
Deferred revenue	(37)	4,959	4,242
Finance lease obligations, current portion	(33)	0	1
Other financial liabilities	(38)	2,669	9
Other liabilities	(39)	3,155	2,192
Total current liabilities		**22,277**	**13,148**
Total liabilities		**39,746**	**35,216**
Total equity and liabilities		**266,192**	**177,893**

Consolidated Statement of Changes in Equity for Financial Year 2014

€ thousand

				Other comprehensive income							
	Subscribed capital	Capital reserves	Legal reserve	Changes in value of available-for-sale securities	Foreign currency translation reserve	Revaluations	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity according to consolidated statement of financial position
Notes	(28)	(28)	(28)	(30)	(30)	(30)	(28)				
As of 1 January 2013	38,715	80,620	47	91	543	-133	-202	28,687	148,368	0	148,368
Consolidated net profit for the year	-	-	-	-	-	-	-	9,046	9,046	29	9,075
Other comprehensive income for the year	-	-	-	-110	-3,497	20	-	-	-3,587	-	-3,587
Total comprehensive income for the year	**-**	**-**	**-**	**-110**	**-3,497**	**20**	**-**	**9,046**	**5,459**	**29**	**5,488**
Acquisition of treasury shares	-	-	-	-	-	-	-7,313	-	-7,313	-	-7,313
Disposal of treasury shares	-	150	-	-	-	-	1,275	-	1,425	-	1,425
Dividend payment	-	-	-	-	-	-	-	-5,336	-5,336	-	-5,336
Other changes	-	-8	9	-	-	-	-	-	1	38	39
Share-based remuneration	-	6	-	-	-	-	-	-	6	-	6
As of 31 December 2013 and 1 January 2014	**38,715**	**80,768**	**56**	**-19**	**-2,954**	**-113**	**-6,240**	**32,397**	**142,610**	**67**	**142,677**
Consolidated net profit for the year	-	-	-	-	-	-	-	20,804	20,804	-	20,804
Other comprehensive income for the year	-	-	-	24	5,712	-308	-	-	5,428	-	5,428
Total comprehensive income for the year	**-**	**-**	**-**	**24**	**5,712**	**-308**	**-**	**20,804**	**26,232**	**-**	**26,232**
Disposal of treasury shares	-	1,061	-	-	-	-	697	-	1,758	-	1,758
Dividend payment	-	-	-	-	-	-	-	-2,238	-2,238	-	-2,238
Capital increases	4,752	54,203	-	-	-	-	-	-	58,955	-	58,955
Transaction costs from cash capital increase	-	-1,194	-	-	-	-	-	-	-1,194	-	-1,194
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-67	-67
Other changes	-	-	4	-	-	-	-	-	4	-	4
Share-based remuneration	-	319	-	-	-	-	-	-	319	-	319
As of 31 December 2014	**43,467**	**135,157**	**60**	**5**	**2,758**	**-421**	**-5,543**	**50,963**	**226,446**	**0**	**226,446**

Consolidated Statement of Cash Flows for Financial Year 2014

€ thousand

	Notes	2014	2013
Cash flow from operating activities:			
Profit before tax		**28,847**	**13,023**
Adjustments for:			
Depreciation of property, plant and equipment	(13)	604	416
Amortisation of intangible assets	(13)	5,560	4,873
Depreciation of investment property	(13)	151	46
Changes in valuation allowances for trade receivables		49	-30
Other non-cash items		-7,830	-239
Profit(-)/loss from disposal of property, plant and equipment		84	0
Interest expense and other finance costs	(14)	373	880
Financial income	(14)	-291	-477
		27,547	**18,492**
Working capital adjustments:			
Increase/decrease(-) in provisions and deferred liabilities		1,366	-244
Increase(-)/decrease in receivables and other assets		-2,246	1,178
Increase/decrease(-) in liabilities from trade payables and other liabilities		-767	-678
Cash generated from operations		**25,900**	**18,748**
Interest paid		-105	-39
Interest received		186	1,211
Income taxes paid		-5,241	-3,491
Net cash flow from operating activities		**20,740**	**16,429**
Proceeds from the sale of non-current assets		0	188
Purchase of property, plant and equipment		-518	-936
Purchase/production of intangible assets		-7,675	-7,493
Payments made for investment properties		-292	-297
Payments made for the acquisition of consolidated companies less cash acquired		-6,028	-1,458
Purchase(-)/sale of available-for-sale securities		3,801	34,719
Net cash flow from investing activities		**-10,712**	**24,723**
Payments received from capital increase		48,394	0
Payments made for capital increase expenses		-1,718	0
Dividends paid		-2,238	-5,336
Payments made for the acquisition of non-controlling interests		-90	0
Payments made for the acquisition of treasury shares		0	-7,515
Payments made for redeeming other financial liabilities		-984	-9
Payments made for finance leases		-1	-37
Net cash flow from financing activities		**43,363**	**-12,897**
Change in cash and cash equivalents impacting cash flow		**53,391**	**28,255**
Cash and cash equivalents at the beginning of the period		78,378	49,266
Change in cash and cash equivalents from non-cash acquisitions of consolidated companies		0	2,076
Currency-related change in cash and cash equivalents		5,852	-1,219
Cash and cash equivalents at the end of the period		**137,621**	**78,378**
Composition of cash and cash equivalents:			
Liquid funds, unrestricted	(27)	135,130	76,038
Liquid funds, restricted	(27)	2,491	2,340

Notes to the 2014 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 the Frankfurt am Main Stock Exchange since February 2011. The Company was added to TecDAX, the stock index for the technology sector, on 22 September 2014.

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 same as the calendar year. The consolidated financial statements were drawn up in euro. In the absence of any note to the contrary, the amounts are rounded to the nearest thousand euro (€ thousand) and stated as such. Rounding differences may arise for individual items due to the fact that the figures are presented in € thousand.

The consolidated financial statements and group management report of RIB Software AG were released to the Supervisory Board by the Executive Board on 20 March 2015.

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 § 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 1 January 2014. 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 Section 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.

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 1 January 2014. The Group applied all relevant new and changed IFRS in the preparation and presentation of its 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. Through IFRS 10, the IASB is now laying down the controlling approach as a uniform principle. According to IFRS 10, controlling is deemed to apply when the following three requirements are all 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 1 January 2014. They do not have any effects on RIB consolidated financial statements.

- **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 1 January 2014. They do 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 previously valid standard. These requirements are subject to mandatory application for financial years commencing on or after 1 January 2014. The change results in additional disclosures in notes. They are taken into account in RIB’s consolidated financial statements.

- **Amendments to IFRS 10, 12 and IAS 27 (2012) “Investment Entities“**
If a company fulfils the definition of an investment entity, it may not consolidate its subsidiaries but must measure its interests through profit and loss at the fair value in accordance with IFRS 9 or IAS 39. These requirements are subject to mandatory application for financial years commencing on or after 1 January 2014. This change had no effects on RIB’s consolidated financial statements.

- **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 2014. This change had no effects on RIB’s consolidated financial statements.

- **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 1 January 2014 but do not affect the RIB consolidated financial statements.

- **Amendment to IAS 32 (2011) “Financial Instruments”**
With this amendment, the IASB aimed to clarify the criteria of “simultaneous settlement” and “currently has a legally enforceable right of set-off”. Changes may only arise from the clarification if IAS 32 was previously interpreted differently. This change had no effects on RIB’s consolidated financial statements.

- **Amendment to IAS 36 (2013) „Impairment of assets”**
The amendments correct the disclosure requirements that are intended to be changed in connection with IFRS 13. These relate to impaired assets for which the recoverable amount corresponds to the fair value less disposal costs. Currently, the recoverable amount must be disclosed independently of the existence of an impairment. The correction now only restricts the disclosure requirements to actual impairments; it extends the required disclosures in these cases, however. These requirements are subject to mandatory application for the first time for financial years commencing after 1 January 2014, and were taken into account in the RIB consolidated financial statements.

- **Amendments to IAS 39 (2013) “Financial instruments: recognition and measurement”**
Despite a novation, derivatives continue to be designated as hedging instruments in existing hedging relationships with this amendment. A novation indicates an event in which the original parties to a derivative agree

to replace their original counterparty with a central counterparty. The central counterparty then becomes the respective counterparty. The fundamental requirement for this is that novation to a central counterparty must happen as a consequence of laws or regulations. In addition, amendments of contractual provisions may only affect those areas required in the context of the novation. The objective of the amendment is to avoid effects on hedge accounting as a consequence of the derecognition of the derivative when amending the contract to a central counterparty. This amendment is mandatory, effective for the first time for financial years beginning on or after 1 January 2014 but has no effects on RIB's consolidated financial statements.

- **IFRIC 21 „Levies"**
  IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government. The interpretation applies to levies accounted for as accruals, contingent liabilities and contingent receivables in accordance with IAS 37 as well as levies for which the period and amount are known. These requirements are subject to mandatory application for financial years commencing on or after 1 January 2014 but do not have any effects on RIB consolidated financial statements.

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 14 "Regulatory Deferral Accounts"**
  IFRS 14 is relevant to companies that are applying the IFRS financial reporting framework for the first time, and should allow them to be able to continue accounting for regulatory deferral account balances in accordance with their existing financial reporting framework. However, the standard is only intended to be an interim solution until the IASB has concluded its extensive project for price-regulated transactions. The standard will be mandatory from 1 January 2016. It has not yet been adopted into EU law. The change will not have any effects on RIB consolidated financial statements.

- **IFRS 15 „Revenue from Contracts with Customers"**
  IFRS 15 replaces IAS 18, IAS 11 and a range of revenue-related forms of interpretation. The standard includes a five-step model, according to which any amount that is expected from the customer as consideration for goods or services is to be recognised as revenue. The standard will be subject to mandatory application for financial years commencing on or after 1 January 2017. Adoption before this date is permitted. It has not yet been adopted into EU law. The Company is currently investigating the impact that application of IFRS 15 will have on RIB's consolidated financial statements.

- **Amendments to IFRS 11 (2014) "Joint Arrangements"**
  The IASB published amendments to IFRS 11 on 6 May 2014. According to these amendments, the acquisition of interests in a joint operation that is a business is to be accounted for according to the principles of IFRS 3 and other relevant standards. The amendments are applicable for financial years commencing on or after 1 January 2016. Adoption before this date is permitted. It has not yet been adopted into EU law. The change is not expected to have any effects on RIB consolidated financial statements.

- **Amendments to IAS 16 and IAS 38 (2014) "Property, Plant and Equipment" and "Intangible Assets"**
  The IASB published amendments to IFRS 16 and IAS 38 on 12 May 2014. These concerned the clarification of the permitted depreciation methods. The published information clarifies the fact that the revenue-based method is not an appropriate method for calculating depreciation as per IAS 16, and that there is a rebuttable presumption that revenue is not an appropriate basis for amortisation as per IAS 38. In addition, expected reductions in selling prices could be indicative of a reduction in the economic benefits embodied in the asset. The amendments are applicable for financial years commencing on or after 1 January 2016. Adoption before this date is permitted. It has not yet been adopted into EU law. The change will not have any effects on RIB consolidated financial statements.

- **Amendment to IAS 19 (2013) "Employee Benefits"**
  The IASB published an amendment to IFRS 19 on 21 November 2013. Based on this amendment, companies are permitted to deduct contributions from employees or third parties from the service cost during the period in which the related service was rendered. The prerequisite for this is that the contributions are independent of the

number of years of service. This applies as of 1 July 2014. It has not yet been adopted into EU law. The change is not expected to have any significant effect on RIB consolidated financial statements.

- **Amendment to IFRS 9 (2009, 2010, 2011, 2013 and 2014) "Classification and Measurement"**
  IFRS 9 "Financial Instruments" reflects the first and third phases of the IASB project to replace IAS 39 and, besides the classification and measurement of financial assets and financial liabilities, also deals with regulations on "General Hedge Accounting". According to the standard, financial assets will in future be classified and measured either at the amortised cost or the fair value. The regulations for financial liabilities are, in principle, taken from IAS 39. With the amendment to IFRS 9 published in November 2013, the mandatory first application was cancelled as from 1 January 2015. The IASB published a fourth and final version of IFRS 9 on 24 July 2014. As a result, IAS 39 will be superseded with effect from the point at which IFRS 9 commences application. This version contains provisions on the impairment of financial instruments and altered provisions on measurement categories for financial assets. In addition, the date for initial application was moved to 1 January 2018. However, adoption before this date is permitted. It has not yet been adopted into EU law. The Company is currently investigating the impact that the application of IFRS 9 will have on RIB's consolidated financial statements.
- **IFRS (2012 and 2013) "Annual Improvements to IFRS 2012 and 2013"**
  The standards were 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.

4. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include 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, in accordance with the accounting policies used by the parent company. All income, expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in the context of the consolidation.

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 over which RIB Software AG has control. The Company is considered to have control of a subsidiary if it has power of disposition over it. In other words, the Company has rights that grant it a current ability to steer and control the subsidiary's key activities. Such activities are those that have a significant impact on the subsidiary's returns. Furthermore, the Company is exposed to fluctuations in returns resulting from its involvement in the subsidiary, or is entitled to such returns, and has the ability to influence these returns by exercising its power of disposition over the subsidiary.

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. Taking these adjustments into consideration, the financial statements of all consolidated entities have been prepared in line with uniform accounting policies.

The reporting date of all of the consolidated entities was 31 December 2014.

Besides RIB Software AG as the parent company, the consolidated group comprises thirty fully consolidated entities, of which nine are German and twenty one are foreign entities.

Goodwill

Goodwill generated by the acquisition of entities represents the difference between the purchase price and the pro rata Group's interest in the net fair value of the available assets, liabilities and contingent liabilities as of the date of the acquisition.

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

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 in the fourth quarter of each financial year. For the purpose of impairment testing, the respective goodwill acquired at the time of acquisition of an enterprise, from the acquisition date, is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from synergy effects, 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 (group of) cash-generating unit(s) to which the goodwill has been allocated. If the recoverable amount of the cash-generating unit or group of cash-generating units falls short of its carrying amount, an impairment loss is recognised. Any impairment losses recognised as 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 (for assets other than goodwill, financial assets and deferred tax assets), the asset's recoverable amount is determined. The recoverable amount of an asset is the higher of value in use or fair value less costs to sell. If an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the fair value 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 risks, the inflation rate and risks specific to the asset. An unscheduled impairment loss is charged to the income statement in the financial year in which it arises.

An assessment is also made at the end of each financial year 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. The upward appreciation in value 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 such impairment losses are recognised in profit or loss in the financial year in which they arise.

Related parties

A party is considered to be related to the Group if the following requirements have been met:

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

b) the party is an associate;

c) the party is a member of the key management personnel of the entity 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 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 the consolidated income statement in the financial year in which it is incurred. If significant parts of property, plant and equipment must 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:

Land and buildings	25 - 50 years
Furniture, fixtures and fittings	2 - 20 years
Office and technical equipment	2 - 20 years
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 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. Any gain or loss arising from disposal or scrapping (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year when the asset is derecognised.

Intangible assets (other than goodwill)

All of the Group's intangible assets have useful lives that are limited in time. Intangible assets are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year end at the latest.

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 phase. 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 indications arise, the recoverable amount is estimated and an impairment loss is recognised through profit or loss if the recoverable amount is lower than the carrying amount. Impairment testing is performed annually for internally generated software that is not yet ready for use.

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 intangible asset, are recognised in the income statement on disposal of the asset.

Acquired technology

Technologies acquired as part of business combinations are amortised over their estimated useful life of five years on a straight-line basis.

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 commission 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 all the substantial 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 finance lease relationships 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 all substantial 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 recognised on a straight-line basis over the respective lease term.

Investment properties

Land and buildings not used, or only used to a minor extent, 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 for which the future usage is presently uncertain. Not included are properties under operating leases.

Investment property per IAS 40 is measured at cost on addition. Any directly attributable transaction costs are capitalised with same. Upon acquisition, property cost is broken down into land and buildings respectively. Subsequent costs are capitalised 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. 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 investment property given concrete indications of impairment. If the recoverable amount is less than the carrying value, an unscheduled impairment is recorded.

Inventories

Merchandise listed as inventories is recognised at the cost of acquisition as per IAS 2. On the balance sheet date, merchandise is measured at the cost of acquisition or the net realisable value, whichever is lower. The net realisable value is the revenue expected to be earned from the sale, less directly attributable costs to sell incurred up until the point of sale. If the net realisable value is lower than the cost of acquisition, the inventories are devalued. If the reasons that led to the devaluation no longer apply, the devaluation is reversed accordingly.

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 recognised 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 liquid funds 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.

Impairment of financial assets

The Group assesses at the end of each financial year 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 not yet occurred) 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 allowances, 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.

With regard to trade receivables and other assets, 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 uncollectable.

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 nor 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.

For available-for-sale financial assets, the Group assesses at the end of each financial year 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 judgement.

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 for this capital participation is removed from other comprehensive income and recognised in the income statement. Unscheduled 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 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 all the substantial risks and rewards of the asset, or (b) the Group has neither transferred nor retained all the substantial rewards of the asset, but has transferred control of the asset.

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 measured at their fair value on initial recognition. Loans and borrowings are recognised plus directly attributable transaction costs.

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 generated 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 securities maturing in less than three months.

Treasury shares

Treasury shares are not shown as assets, and instead are 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. The 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 taxes

Income tax expense comprises current and deferred tax. Income tax in connection with 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 affects neither the accounting profit nor taxable profit or loss at the time of the transaction; 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 be reversed 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 recognised to the extent that it is probable that the temporary differences will be reversed 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 that are 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 customer acceptance or the prior expiry of the acceptance period.

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

(a) Sale of software solutions

The Group sells software solutions for customers active in the Construction Industry. The proceeds result from the licence fees generated from the sale of software to the customer. Revenue is recognised when the price can be reliably measured, provided that all other basic criteria for revenue recognition are satisfied.

(b) Sale of software as a service/cloud

The Group realises revenues with enterprises in the Construction Industry from the provision of cloud software and related services. These allow customers to use software functions during the licence term, but not to operate the software permanently on their own systems. Revenues from cloud software sales are recognised distributed over the licence 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 recognises 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 exceed 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 as an expense on a systematic basis over the periods necessary to match the grant to the Company's 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 recognised at the present value of the defined benefit obligation at the balance sheet date.

The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. 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. In accordance with IAS 19, "remeasurements" are recognised immediately in other comprehensive income. Remeasurements include all actuarial gains/losses from changes in the obligation. Also included are routine settlements originally provided for in the benefits plan which are different from the projected amounts calculated.

According to IAS 19, the ‚remeasurements' item consists of:

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

Under the rules of IAS 19, the defined benefit expense in profit or loss is broken down into (i) service cost and (ii) net financing expense or income.

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 means reductions in the number of plan participants. 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 used 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 recognised 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) Other post-employment benefits

These post-employment benefits concern defined benefit plans according to which employees receive fixed-rate compensation payments after the end of the employment relationship. The amount of the compensation payments depends on the length of service, as well as on whether the employment relationship was terminated by the employee or the employer.

A reserve is recognised for obligations from defined benefit plans as soon as the employee is granted an entitlement from which the Group cannot then withdraw. Measurement of the obligations is based on short-term fulfilment. The reserves are therefore recognised in the amount of the estimated cash outflows not discounted. The change in reserves recorded during the reporting period was fully recognised as service cost.

(c) Vacation claims of employees

Employee vacation claims are recognised in the period they are accrued to employees. A leave provision is recognised for the estimated liability for vacation accrued but not taken by employees up to the end of the financial year.

(d) Share-based remuneration

Share-based remuneration includes remuneration plans paid out in cash as well as remuneration plans paid out with equity instruments. The fair value for both types of remuneration plans is determined on the day the remuneration is granted using a Monte Carlo simulation. A revaluation of the fair value for remuneration plans paid out with equity instruments does not take place in the subsequent periods. The value of the share-based remuneration paid out with equity instruments on issue is recognised with a corresponding increase in the capital reserve through profit and loss as a personnel expense over the period in which the entitlement of the employee to the rights vests. The amount recognised as an expense is adjusted to reflect the actual number of equity instruments that can ultimately be exercised by the employees.

We create provisions for share-based remuneration serviced by cash payments and not shares. The amount of the provision reflects the accrued portion of the fair value of the respective rights as of the reporting date. We recognise personnel expenses over the period in which the employees performed the relevant services (vesting period). The provision is adjusted accordingly. Share-based remuneration paid out in cash is measured at the current fair value until its servicing as of the respective balance sheet date. We recognise each change to the fair value of the provision in personnel expenses through profit or loss. The amount of personnel expenses for unvested purchase rights from remuneration paid out in cash not yet recognised through profit or loss is in line with the intrinsic value of the purchase rights as of the date of exercise. As the amount depends on future changes in the share price, it cannot be reliably forecast.

Please see Section 29 for further details on our share-based remuneration.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders and announced at the Annual General Meeting.

5. Significant accounting judgements, assumptions and estimates

The preparation of the Group's financial reporting requires the Executive Board 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, besides the determination of estimates, had a significant effect on the amounts recognised:

Capitalised development costs

The Executive Board uses its judgement when deciding whether the capitalisation 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 capitalisation. Judgement is exercised based on the best information available at the time of preparing the consolidated financial statements. In addition, all internal activities related to the research and development of new products are continuously monitored by the Executive Board.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty 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 business combinations

The initial measurement of assets and liabilities recognised within the scope of initial consolidations, and their subsequent measurement, is heavily based on estimates, which are derived from assumptions concerning uncertain future developments.

Judgements particularly have to be made in the measurement of intangible assets such as customer relationships or acquired technologies, which are identified and recognised for the first time when accounting for company acquisitions. The fair values of these assets are normally determined using capital value-based methods. As part of the measurement, future cash flows should be forecast and discounted using appropriate interest rates on the valuation date. If the actual future development deviates from the expectations and assumptions on which the measurement is based, this may give rise to depreciations and amortisations in the income statement.

(b) Impairment of non-financial assets

The Group tests goodwill and internally generated software that is not yet ready for use 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 17 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. Uncollectable 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 financial year in which such estimates are changed.

(d) Measurement of derivative financial liabilities from company acquisitions

As the amount of the consideration depends on what will happen in the future, the valuation of the fair value of derivative financial liabilities is inextricably linked to discretionary decisions and estimation uncertainties. Please refer to the explanations in Sections 43 and 38 regarding measurement.

(e) Income tax

The Group is subject to income taxes in various jurisdictions. Determining the income tax expense arising during the reporting period requires taking into account international tax regulations and includes significant discretionary judgements. There are many transactions and calculations for which the final tax determination is uncertain. The Group recognises liabilities on the basis of an estimation whether tax payments are expected after evaluating the respective tax administrations and finance courts. If the prospective final tax expense diverges from the calculated amounts that were initially recorded, such differences will impact the tax expense and tax provisions and/or refund claims in the periods concerned.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the Executive Board considers it to be 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.

6. Changes to the consolidated group

On 31 December 2014, the consolidated group comprised, in addition, the following entities, which were acquired and included in the consolidated financial statements according to the full consolidation method for the first time in the reporting year, compared to the consolidated financial statements as of 31 December 2013:

- Byggeweb A/S, Copenhagen, Denmark (hereinafter: Byggeweb)
- xTWO GmbH (formerly: iceprice GmbH), Hungen (hereinafter: iceprice or xTWO)

These company 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 2014 with the consolidated financial statements for financial years 2013 and 2012. We refer to Section 7 for further explanatory notes on the company acquisitions and the resulting impact on the consolidated financial statements.

The following changes occurred over the reporting period, as compared with the previous year, concerning the Group’s interests in companies that were already included in the consolidated financial statements at the time of the consolidated financial statements as of 31 December 2013:

- The interest in RIB Cosinus Solutions GmbH, Mannheim, was increased from 70% to 100%. Following this, RIB Cosinus Solutions GmbH, Mannheim, was merged with RIB Cosinus GmbH, Freiburg, with retroactive effect from 1 January 2014.
- The interest in RIB U.S. Cost Incorporated, Atlanta, USA (hereinafter: RIB US Cost), was increased from 61.675% to 100%. Explanatory notes on this matter can be found in Section 38.
- The interest in RIB Software PTY Ltd., Sydney, Australia (hereinafter: RIB CADX), was increased from 75% to 100%. Explanatory notes on this matter can be found in Section 38.

We refer to the information on shareholdings in Section 48 with regard to the companies included altogether in the consolidated financial statements.

7. Business combinations

Acquisition of Byggeweb

Under the agreement dated 25 July 2014, the Group acquired 100% of the shares in Byggeweb. The company was acquired by RIB Software AG. Subsequently, however, the shares were transferred to RIB Ltd., the subsidiary responsible for the Group’s international business, on the basis of a prior agreement.

The acquisition date was 29 August 2014. For the sake of simplicity, the purchase price allocation was based on the value as of 31 August 2014. The transactions between 29 August and 31 August 2014 were of minor importance. Furthermore, no material changes in value occurred during this period.

The total cost of acquisition was €20,159 thousand. This amount includes a purchase price of €7,100 thousand, which was paid on 28 August 2014. Alongside this, the cost of acquisition includes a conditional purchase price as an “earn-out component”. The amount of the conditional purchase price was based on Byggeweb’s adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) in financial year 2014, limited to a maximum amount of €3,000 thousand. Based on Byggeweb’s annual financial statements for financial year 2014, the agreement of 16 February 2015 between the parties set the conditional purchase price at €2,749 thousand. The same agreement set out a reduction in the purchase price of €250 thousand on the basis of the provisions of the share purchase agreement. The conditional purchase price (less this amount) of €2,499 thousand is due for payment on 31 March 2015.

As a further consideration within the scope of the acquisition, 880 thousand shares were transferred to RIB Software AG. The shares came from an increase in physical capital carried out by the Company in the reporting period. Please also see our explanatory notes in Section 28. The shares were also transferred on 28 August 2014. Valued at the price at the time of the transfer, the consideration amounted to €10,560 thousand.

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

€ thousand

	Carrying amount 31 August 2014	Fair values 31 August 2014
Intangible assets	31	9,432
Property, plant and equipment	233	233
Other assets	255	255
Trade receivables	1,123	1,123
Cash and cash equivalents	1,375	1,375
	3,017	**12,418**
Deferred revenue	620	620
Other debts and other liabilities	1,183	1,183
Deferred tax liabilities	24	2,375
	1,827	**4,178**
Net assets	**1,190**	**8,240**
Goodwill from the company acquisition		11,919
Total acquisition costs		**20,159**

The difference between the gross amount of the contractual trade receivables and their fair value as of the acquisition date was € 113 thousand.

With its platform "Docia", Byggeweb is the leading Scandinavian provider of cloud-based software for project and facility management, and has more than 7,000 customers and 140,000 users. The solution is used not only in structural and industrial engineering, but also in other sectors such as infrastructure, transport and offshore. The Group's intention in acquiring Byggeweb is to expand its international expertise in digital planning and construction and to develop Docia further by integrating it, along with iTWO 5D, into a 6D big data platform to support model-based facility management processes.

The goodwill particularly reflects expected synergy effects from the company acquisition, and the know-how of Byggeweb's team. We particularly expect synergy effects to arise from our joint activity involving the 6D big data platform, which should lead to business with new customers.

The goodwill as a whole is not deductible for tax purposes.

Of the intangible assets totalling € 9,432 thousand, technology and software accounted for € 5,487 thousand and € 3,945 thousand accounted for customer agreements and associated customer relationships.

As a result of the acquisition of Byggeweb, revenues increased by € 2,291 thousand in the reporting period, and consolidated earnings went up by € 576 thousand.

If Byggeweb had already been acquired as of 1 January 2014, the revenues in the reporting period would have been € 6,699 thousand higher, and the consolidated earnings would have been € 1,334 thousand higher.

Acquisition of iceprice

Under the agreement dated 14 November 2014, RIB Software AG acquired 75% of the shares in iceprice GmbH, Frankfurt am Main. The name of the company was subsequently changed to xTWO GmbH (hereinafter: xTWO). Alongside the acquisition of the company shares, a put option agreement was concluded with the seller concerning the transfer of the remaining shares (25%) to RIB Software AG. The put option may be exercised from 1 January 2019, or from 1 January 2018 under certain circumstances, within a period of three months.

The acquisition date was 14 November 2014. For the sake of simplicity, the purchase price allocation was based on the value as of 31 October 2014. The transactions between 1 November and 14 November 2014 were of minor importance. Furthermore, no material changes in value occurred during this period.

The put option agreed upon within the scope of the company acquisition grants the option holder the right to sell the remaining company shares at a fixed purchase price of € 500 thousand. However, RIB Software AG has no corresponding entitlement to the purchase of the shares. There are also no agreements in place to give rise to control of the remaining shares by the Group, meaning that from the point of view of the Group they are non-controlling interests. Nevertheless, as the Group – in its capacity of writer in the put option agreement – cannot avoid the purchase of the remaining shares, the non-controlling interests are to be listed as a financial liability (debt), rather than under consolidated equity. This leads to recognition of a financial liability in the amount of the present value of the strike price of the put option. Correspondingly, the goodwill from the company acquisition will increase.

The financial liability was determined by discounting this strike price as of the acquisition date using an interest rate of 1.25%, which is appropriate for the respective period and risk. The fair value of the financial liability from the put option as of the acquisition date is thus € 474 thousand.

The put option can only be exercised if certain conditions are met. In particular, this involves continued employment of the owner of the option for a minimum period of time. According to the criteria of IFRS 3, part of this contingent consideration is attributable to a transaction in the form of a consideration arrangement, which is to be considered separate from the company acquisition. Based on the purchase price for 75% of the shares, we have derived an amount of € 158 thousand for the proportion attributable to the financial obligation from the company acquisition, and an amount of € 316 thousand for the proportion attributable to the separate transaction. Whilst the consideration allocated to the company acquisition increased the goodwill and was recognised as a financial liability, the consideration allocated to the consideration arrangement is accumulated over a period of 26 months at the expense of personnel expenses through profit or loss, and thus leads to recognition of a financial liability. This results in a personnel expense of € 24 thousand in the reporting period. Further, the accrued interest from the financial liabilities results in an interest expense of € 1 thousand.

According to the provisions of the share purchase agreement, RIB Software AG was also obligated to make an additional payment of € 3,000 thousand to xTWO's capital reserves by 31 December 2014 at the latest. This payment was made on 16 December 2014. The reserve is attributable exclusively to RIB Software AG, and not the non-controlling shareholder. The obligation to make the payment was therefore not included in the calculation of acquisition costs when the company acquisition was accounted for.

The total cost of acquiring the shares is € 598 thousand. Of this, € 440 thousand is attributable to the purchase price of the acquired 75% of the shares and € 158 thousand is attributable to the fair value of the obligation to purchase the remaining 25% of the shares. The purchase price for the acquired shares was paid on 30 November 2014 and on 1 December 2014.

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

€ thousand

	Carrying amount 31 October 2014	**Fair values 31 October 2014**
Intangible assets	5	5
Property, plant and equipment	65	65
Other assets	870	919
Trade receivables	61	61
Cash and cash equivalents	137	137
	1,138	**1,187**
Deferred revenue	7	7
Other debts and other liabilities	1,271	1,271
	1,278	**1,278**
Net assets	**-140**	**-91**
Goodwill from the company acquisition		689
Total acquisition costs		**598**

As of the acquisition date, there was no difference between the gross amount of the contractual trade receivables and their fair value.

iceprice runs an international e-commerce platform in the field of bathroom and plumbing products (www.iceprice.com), currently primarily targeted towards the B2C sector. The Group's intention in acquiring the company is to be able to identify cross-project consolidated requirements for construction materials from iTWO by combining the software with iTWO, and to organise procurement and supply chain management via the platform. To this end, the platform is to be marketed under the brand name xTWO, and expanded to include the B2B sector.

The goodwill particularly reflects expected synergy effects from the company acquisition, and the know-how of the team. We expect synergy effects to arise from the acquisition of new customers and the expansion of our service for existing customers to include the planned xTWO e-commerce platform. The goodwill as a whole is not deductible for tax purposes.

As a result of the acquisition of the company, revenues increased by € 693 thousand in the reporting period, and consolidated earnings went up by € 34 thousand.

If iceprice had already been acquired as of 1 January 2014, the revenues in the reporting period would have been € 4,560 thousand higher, and the consolidated earnings would have been € 79 thousand lower.

8. Segment information

For management purposes, the Group is organised into business units based on its products and services. The Group reports on the following operational segments:

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 as a service/cloud segment comprises our solution offer in the domain of online platforms for tendering and award processes, e-commerce, project collaboration, new web services and iTWO Succes; 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 intersegment elimination entries.

The accounting and valuation methods of the segments subject to reporting correspond to the Group accounting principles outlined in Section 4.

€ thousand

	2014			
	Licence/Software	**SaaS/Cloud**	**Prof. Services**	**Total**
Total revenue, external sales	**44,827**	**9,393**	**15,806**	**70,026**
Cost of sales	-9,654	-1,475	-12,111	-23,240
Research and development expenses	-4,787	-2,234	0	-7,021
Segment profit (EBIT)	30,386	5,684	3,695	39,765
Interest income and expense				-82
Other unallocated income and expenses				-10,836
Earnings before tax (EBT)				28,847
Income taxes				-8,043
Consolidated net profit for the year				**20,804**
Other segment information:				
Depreciation/amortisation	-4,086	-85	-16	-4,187

€ thousand

	2013			
	Licence/Software	**SaaS/Cloud**	**Prof. Services**	**Total**
Total revenue, external sales	**35,290**	**6,653**	**15,067**	**57,010**
Cost of sales	-7,899	-686	-13,073	-21,658
Research and development expenses	-3,491	-1,573	-	-5,064
Segment profit (EBIT)	23,900	4,395	1,994	30,289
Interest income and expense				-404
Other unallocated income and expenses				-16,861
Earnings before tax (EBT)				13,023
Income taxes				-3,948
Consolidated net profit for the year				**9,075**
Other segment information:				
Depreciation/amortisation	-3,740	-54	-8	-3,802

The other non-allocated income and expenses include other operating income, general management expenses, sales and marketing costs and other operating expenses.

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 financial years presented and the total of non-current assets as of the end of each of the financial years presented are analysed in the following:

€ thousand

	2014	2013
Germany	42,701	33,536
EMEA (Europe, Middle East and Africa)	7,549	4,541
Asia Pacific	6,939	4,892
North America	12,837	14,041
Total revenue	**70,026**	**57,010**

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

€ thousand

	31 December 2014	31 December 2013
Germany	45,333	41,817
EMEA	21,036	2
Asia Pacific	27,908	25,834
North America	17,094	15,515
Total	**111,371**	**83,168**

Information on important customers

In the reporting period, revenue amounting to € 7,100 – i.e. more than 10% of the Group's total revenue – was generated from transactions with one single customer. The revenue is listed in the segments of Licence/Software and Professional Services.

9. Revenue

Revenue breaks down as follows:

€ thousand

	2014	2013
Software licences	23,083	16,192
Software as a service/cloud	9,393	6,653
Total software licences and software as a service/cloud	**32,476**	**22,845**
Maintenance	21,744	19,098
Consulting	15,806	15,067
Total revenue	**70,026**	**57,010**

The total software licence revenue incl. software as a service/cloud is subdivided as follows:

€ thousand

	2014	2013
iTWO key account	12,352	5,347
iTWO mass market	6,824	5,561
SaaS/Cloud	9,393	6,653
Other product lines	3,907	5,284
Total software licences and software as a service/cloud	**32,476**	**22,845**

10. 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. The write-downs on self-created software amount to € 3,590 thousand (previous year: € 3,433 thousand) in the reporting year.

11. Other operating income

Other operating income breaks down as follows:

€ thousand

	2014	2013
Income from purchase price liabilities adjustments	6,095	1,825
Income from the reclassification of profits previously recognised in other income	10	174
Income from the release of provisions and accruals	17	96
Grant income in respect of research and development work*	93	146
Exchange rate gains	4,040	71
Foreign exchange income on available-for-sale securities	266	149
Other	717	317
Total	**11,238**	**2,778**

* The amount represents subsidies granted by the Federal Ministry of Education and Research in Germany as well as subsidies from the European Union for financing research and development projects. There are no unfulfilled contractual conditions or contingent liabilities relating to these subsidies.

The income from purchase price liabilities adjustments results from agreements associated with the acquisition of the companies RIB CADX (€ 3,443 thousand) and RIB US Cost (€ 2,652 thousand). Please refer to the explanations in Section 38.

12. Other operating expenses

The other operating expenses break down as follows:

€ thousand

	2014	2013
Foreign exchange expenses arising from cash and cash equivalents	646	1,148
Expenses from purchase price liabilities adjustments	191	0
Foreign exchange expenses on available-for-sale securities	0	496
Other	96	329
Total	**933**	**1,973**

13. Other financial information

€ thousand

	2014	2013
Personnel expenses:		
Wages and salaries	27,991	25,462
Social security and pension costs	4,970	4,828
Total	**32,961**	**30,290**
Minimum lease payments under operating leases:		
Office buildings	1,641	1,605
Equipment	526	519
Total	**2,167**	**2,124**
Amortisation and depreciation:		
of intangible assets	5,560	4,873
of property, plant and equipment	604	416
of investment property	151	46
Total	**6,315**	**5,335**
Disclosure of the amortisation and depreciation of intangible assets in the income statement:		
Cost of sales	3,597	3,436
General administrative expenses	35	22
Marketing and distribution costs	1,858	1,336
Research and development expenses	70	79
Total	**5,560**	**4,873**
Product warranty provision:		
Additional provision	207	210
Unused amounts reversed	7	-
Total research and development expenses		
Research and development expenses	14,572	12,529

14. Finance income and costs

Finance income and costs break down as follows:

€ thousand

	2014	2013
Finance income:		
Bank interest income	139	185
Interest income from available-for-sale securities	20	191
Income from the accrued interest on non-current financial assets	128	99
Other	4	1
Total	**291**	**477**
Finance costs:		
Expenses from the initial consolidation of previously associated companies	-	-408
Accumulated interest on financial liabilities	-148	-333
Other	-225	-139
Total	**-373**	**-880**

15. Income taxes

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 income tax 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:

€ thousand

	2014	2013
Actual income tax	6,431	3,408
Deferred income tax	1,612	540
Total tax expense	**8,043**	**3,948**

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:

€ thousand

	2014	2013
Profit before tax	**28,847**	**13,023**
Expected tax expense	8,807	3,976
Non-deductible expenses and tax-exempt income	-1,571	-329
Tax profits/losses for which no deferred taxes were/are recognised	-34	-50
First-time capitalisation of tax loss carryforwards	0	-38
Change in the ability to realise deferred tax claims	718	317
Differences in tax rate for foreign subsidiaries	-143	-203
Taxes relating to other reporting periods	180	183
Other	86	92
Tax expense according to income statement	**8,043**	**3,948**

16. Earnings per share – basic and diluted

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

in € thousand

	2014	2013
Profit share of the shareholders of RIB Software AG – basic and undiluted	20,804	9,046

Shares in thousands

	2014	2013
Weighted average of shares in circulation - undiluted	39,693	37,791
Dilution effect	230	82
Weighted average of shares in circulation - basic	39,923	37,873

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

17. Goodwill

For the purposes of impairment testing, we allocate goodwill acquired in the event of a business combination to cash-generating units or groups of cash-generating units from the takeover date. The following overview shows how the carrying amount of the goodwill was allocated to the segments, or, in the case of allocation to lower levels, to the cash-generating units or groups of cash generating units:

€ thousand

	31 December 2014	31 December 2013
Licence/Software Segment	31,424	24,131
SaaS/Cloud Segment	13,299	6,221
Professional Services Segment	4,160	4,069
GZ TWO development entity	3,174	2,865
Arriba Finance	894	894
Total	**52,951**	**38,180**

The 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 18. In the reporting period, additions from initial consolidations amounted to € 12,608 thousand, resulting from the acquisition of the companies Byggeweb (€ 11,919 thousand) and iceprice (€ 689 thousand).

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 Licence/Software, SaaS/Cloud and Professional Services segments based on financial budgets covering a three-year period with a growth rate of 1% assumed in a perpetual annuity.

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 in the perpetual annuity.

The product iTWO Finance was placed on the market in the reporting period, and will replace Arriba Finance in the medium term. This was taken into account in determining the recoverable amount, and cash flow projections were used for the remaining marketing period. No perpetual annuity was considered.

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

%

	2014	2013
Licence/Software Segment	7.23	9.07
SaaS/Cloud Segment	8.54	12.12
Professional Services Segment	7.47	8.84
GZ TWO development entity	7.51	8.47
Arriba Finance	20.73	10.54

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 sales forecast in the Licence/Software segment includes the proceeds generated from the sale of licences and the maintenance of our products and, amongst others, includes minor components of the revenue of the companies newly acquired in the reporting year. Starting from a detailed proceeds and expense budget for financial year 2015, the Licence/Software segment is assumed to generate an annual increase in revenue in the range of approximately 6% to 11% over the detailed planning period.

The revenue projections for the SaaS/Cloud segment include most of the revenue from RIB CADX and the majority of the revenue from the companies acquired in the reporting year, Byggeweb and iceprice. In addition, the planned revenues of the product lines iTWO tx, iTWO cx and iTWO cloud are included. The planned segment revenue includes the proceeds generated from the use and maintenance of the Cloud solutions. Starting from a detailed proceeds and expense budget for financial year 2015, the SaaS/Cloud segment is assumed to generate an annual increase in revenue in the range of approximately 19% to 89% over the detailed planning period, whereby the growth rate of approximately 89% applies to the planning year of 2015, as this is the first year that a full year of revenue will be included for the companies Byggeweb and iceprice.

The revenue projections for the Professional Services segment include revenues from the provision of training and consulting services. Starting from a detailed proceeds and expense budget for financial year 2015, the Professional Services segment is assumed to generate an annual increase in revenue or decrease in revenue in the range of approximately -2% to 5% over the planning period. A slight decrease in revenue is expected for the planning year of 2015 because of plans to reduce business in less profitable areas.

For 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.

Due to the replacement of Arriba Finance with iTWO finance, the cash flow projections were made for a restricted period of eight years. This period was estimated based on experience gained from replacing other products in the Arriba division with iTWO. The revenue projections surrounding Arriba Finance include revenues from the sale of licences and maintenance and the provision of training and consulting services. Starting from a detailed proceeds and expense budget for financial year 2015, an annual decrease licence and consulting revenues is planned up until the phase-out of the product, as is a subsequent decrease in maintenance revenues.

In all areas, 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.

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. The assumptions of revenue growth in the above-mentioned segments reflect past values and a planned expansion of the sales market that can be addressed.

In our view, no realistic change to the above-mentioned significant assumptions and estimates will result in the carrying amounts of the segments exceeding the respective recoverable amounts.

Discount rates

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

18. Statement of changes in non-current assets in financial year 2014

€ thousand

	Cost						Amortisation and depreciation (cumulative)					Carrying amounts	
	As of 1 January 2014	Additions from initial consoli-dation	Addi-tions	Additions/ disposals currency adjustments	Dispo-sals	As of 31 December 2014	As of 1 January 2014	Addi-tions	Additions/ disposals currency adjustments	Dispo-sals	As of 31 Decem-ber 2014	As of 31 Decem-ber 2014	As of 31 Decem-ber 2013
1. Goodwill	**46,477**	**12,608**	**0**	**2,163**	**0**	**61,248**	**8,297**	**0**	**0**	**0**	**8,297**	**52,951**	**38,180**
2. Other intangible assets													
a) Internally genera-ted software	39,853	0	7,550	0	0	47,403	14,210	3,590	0	0	17,800	29,603	25,643
b) Customer relati-onships	5,802	3,945	0	410	0	10,157	916	941	13	0	1,870	8,287	4,886
c) Acquired techno-logy	3,603	5,456	0	197	0	9,256	1,809	930	0	0	2,739	6,517	1,794
d) Purchased soft-ware	581	36	125	11	115	638	469	99	15	113	470	168	112
e) Other	18	0	0	0	0	18	18	0	0	0	18	0	0
	49,857	**9,437**	**7,675**	**618**	**115**	**67,472**	**17,422**	**5,560**	**28**	**113**	**22,897**	**44,575**	**32,435**
3. Property, plant and equipment													
a) Land and buildings	5,024	0	2	523	0	5,549	46	119	18	0	183	5,366	4,978
b) Furniture and fixtures	2,998	298	516	169	270	3,711	1,868	485	76	188	2,241	1,470	1,130
	8,022	**298**	**518**	**692**	**270**	**9,260**	**1,914**	**604**	**94**	**188**	**2,424**	**6,836**	**6,108**
Total	**104,356**	**22,343**	**8,193**	**3,473**	**385**	**137,980**	**27,633**	**6,164**	**122**	**301**	**33,618**	**104,362**	**76,723**

Statement of changes in non-current assets in financial year 2013

€ thousand

	Cost						Amortisation and depreciation (cumulative)					Carrying amounts	
	As of 1 January 2013	Additions from initial consoli-dation	Addi-tions	Additions/ disposals currency adjustments	Dispo-sals	As of 31 December 2013	As of 1 January 2013	Addi-tions	Additions/ disposals currency adjustments	Dispo-sals	As of 31 December 2013	As of 31 December 2013	As of 31 December 2012
1. Goodwill	**45,801**	**2,779**	**0**	**-2,103**	**0**	**46,477**	**8,297**	**0**	**0**	**0**	**8,297**	**38,180**	**37,504**
2. Other intangible assets													
a) Internally genera-ted software	32,388	0	7,465	0	0	39,853	10,777	3,433	0	0	14,210	25,643	21,611
b) Customer relati-onships	4,533	1,485	0	-216	0	5,802	268	652	-4	0	916	4,886	4,265
c) Acquired techno-logy	3,822	0	0	-219	0	3,603	1,113	696	0	0	1,809	1,794	2,710
d) Purchased soft-ware	891	56	28	-24	370	581	750	92	-3	370	469	112	140
e) Other	18	0	0	0	0	18	18	0	0	0	18	0	0
	41,652	**1,541**	**7,493**	**-459**	**370**	**49,857**	**12,926**	**4,873**	**-7**	**370**	**17,422**	**32,435**	**28,726**
3. Property, plant and equipment													
a) Land and buildings	0	0	5,150	-126	0	5,024	0	46	0	0	46	4,978	0
b) Furniture and fixtures	2,477	130	688	-70	227	2,998	1,725	370	-25	202	1,868	1,130	752
c) Assets under construction	4,834	0	92	68	4,994	0	0	0	0	0	0	0	4,834
	7,311	**130**	**5,930**	**-128**	**5,221**	**8,022**	**1,725**	**416**	**-25**	**202**	**1,914**	**6,108**	**5,586**
Total	**94,764**	**4,450**	**13,423**	**-2,690**	**5,591**	**104,356**	**22,948**	**5,289**	**-32**	**572**	**27,633**	**76,723**	**71,816**

The EOC I recognised previously in assets under construction was transferred to land and buildings after completion in September of the reporting year of 2013. The addition in the amount of € 5,150 thousand therefore includes € 4,994 thousand from this transfer (please also see disposals of assets under construction).

19. Other intangible assets

The internally generated software RIB iTWO 5D and iTWO cloud are of material importance for the Group. RIB iTWO 5D is a fully integrated software solution for digital planning and construction (ERP 5D); iTWO cloud essentially offers the same functions and can be used via a public or private cloud.

Of the carrying amount for the internally generated software of € 29,603 thousand (previous year: € 25,643 thousand), the following amounts are attributable to iTWO 5D/iTWO cloud:

€ thousand unless otherwise indicated

	31 December 2014	31 December 2013
Carrying amount	23,290	20,492
of which uncompleted portion at the reporting date	4,177	6,100
Remaining amortisation period of the modules completed by the reporting date	7 to 10 years	8 to 10 years

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

20. Investment properties

The building has so far only been used to a slight extent for work or administrative purposes. The Group has not yet determined whether it will use the building itself, (partially) lease it or sell it. As future usage is still indeterminate, the building continued to be recognised under the item “investment properties” in the reporting period.

The recoverable amount of the building amounts to € 5,930 thousand as of the balance sheet date. The fair value is determined on level two (of the hierarchical levels for fair value). 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. The evaluation was carried out using the income capitalisation method taking into account the rental income to be realised on the market as well as a market-specific capitalisation interest rate.

The property is valued using the acquisition cost model. The building was completed in September 2013 and will be depreciated on a scheduled basis. The depreciation method used is the component approach, dividing the building into the components building shell and technical equipment. The useful lives are 50 years for the building shell and 25 years for the technical equipment. This results in an average useful life of approximately 36 years. The monthly depreciation amounts to around € 13 thousand. No rental income was generated from the property during the reporting period. The operating expenses directly attributed to the investment property amount to € 42 thousand during the reporting period.

The development of the carrying amounts as of the balance sheet dates is composed as follows:

€ thousand

	2014	2013
Opening balance	5,031	4,834
Additions	291	276
Depreciation	-151	-46
Change resulting from foreign currency conversion	561	-33
Closing balance	**5,732**	**5,031**

21. Prepaid land use lease payments

The land usage right was recorded at the amortised carrying amount of € 1,015 thousand.

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 € 21 thousand p.a. and recognised in the income statement. A total of € 99 thousand are attributed to foreign currency differences from the translation recognised as of the balance sheet date with no effect on profit and loss.

22. Other assets

Other assets of the Group break down as follows:

€ thousand

	31 December 2014		31 December 2013	
	Non-current	Current	Non-current	Current
Income tax refund claims	-	104	-	216
Other tax refund claims	-	83	-	12
Other receivables	-	1,104	-	757
Prepaid expenses	-	1,701	-	1,368
Other	63	-	51	-
Total	**63**	**2,992**	**51**	**2,353**

23. Deferred tax

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

Deferred tax assets

€ thousand

	Pensions	Unused tax losses	Lease liabilities	Other	Total
As of 1 January 2013	**463**	**2,416**	**3**	**120**	**3,002**
Deferred tax recognised in the consolidated income statement during the year	-56	-942	-3	74	-927
Deferred tax recognised in other comprehensive income during the year	-9	-103	-	-	-112
As of 31 December 2013 and 1 January 2014	**398**	**1,371**	**0**	**194**	**1,963**
Addition from initial consolidation (with no effect on profit or loss)	-	49	-	-	49
Deferred tax recognised in the consolidated income statement during the year	-3	-687	-	51	-639
Deferred tax recognised in other comprehensive income during the year	135	102	-	8	245
As of 31 December 2014	**530**	**835**	**0**	**253**	**1,618**

The deferred tax assets from unused tax losses particularly concern the subsidiaries RIB CADX (€ 307 thousand) and RIB MC² (€ 403 thousand). We assume that realisation of the deferred tax assets of RIB CADX will be accompanied by the expected sustainable growth in the Cloud division and that the deferred taxes can be realised in full. Within the scope of the further implementation of our international distribution strategy, we have pooled our sales activities on the US market into RIB MC². This measure has already led to an increase in this company's profitability. We are therefore expecting sustainably positive results for the future. However, as complete offsetting of losses will remain uncertain for the foreseeable future despite the implemented measures and currently positive development, we recognised the deferred tax assets for unused losses for RIB MC² at just 50%. The unrecognised unused loss for RIB MC² is € 1,033 thousand. Based on the above explanations, we assume that the recognised benefits from the deferred tax assets will be able to be realised. The unused tax loss of RIB MC² will expire in the years 2024 to 2031.

The submitted tax returns indicate unused losses of € 5,762 thousand for the subsidiary RIB Ltd. These have not yet been legally established by the responsible tax authorities. As we currently cannot be sufficiently certain that the unused losses will be able to be carried forward, we have not capitalised them. RIB Ltd.'s unused loss can be carried forward without limitation in time.

The unused losses of RIB USA and RIB UK, amounting to € 309 thousand and € 517 thousand respectively, were also not capitalised as deferred tax, as we cannot assume with sufficient certainty in the foreseeable future that taxable profit against which the deductible temporary differences can be utilised will be available. The unused loss of RIB USA will expire in the period 2026 to 2034; the unused loss of RIB UK can be carried forward without limitation in time for as long as the company is still in operation.

Deferred tax liabilities

€ thousand

	Capitalised development costs	Consolidation adjustments	Assets held under leases	Other	Total
As of 1 January 2013	**6,197**	**3,679**	**3**	**90**	**9,969**
Addition from initial consolidation (with no effect on profit or loss)	-	428	-	-	428
Deferred tax recognised in the consolidated income statement during the year	380	-710	-3	-55	-388
Deferred tax recognised in other comprehensive income during the year	-	-361	-	-32	-393
As of 31 December 2013 and 1 January 2014	**6,577**	**3,036**	**0**	**3**	**9,616**
Addition from initial consolidation (with no effect on profit or loss)	-	2,375	-	-	2,375
Deferred tax recognised in the consolidated income statement during the year	811	-362	-	-	449
Deferred tax recognised in other comprehensive income during the year	-	585	-	-3	582
As of 31 December 2014	**7,388**	**5,634**	**0**	**0**	**13,022**

The Group's consolidated statement of comprehensive income includes deferred tax income of € 135 thousand (previous year: expenses of € 8 thousand) from the revaluation of pension provisions and € 3 thousand (previous year: income of € 32 thousand) from changes in the value of available-for-sale securities. In addition, the other consolidated comprehensive income includes deferred tax expenses from exchange differences totalling € 585 thousand (previous year: income of € 361 thousand).

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

€ thousand

	31 December 2014	31 December 2013
Deferred tax assets	199	427
Deferred tax liabilities	11,604	8,081

Deferred tax liabilities of € 9,636 thousand are not expected to be realised before twelve months have passed.

24. Inventories

Inventories break down as follows:

€ thousand

	2014	2013
Merchandise	112	0
Total inventories, gross	112	0
Allowance for impairment	3	0
Total inventories, net	**109**	**0**

The cost of goods for inventories recorded as an expense in the reporting period amounts to € 541 thousand, including € 17 thousand of expenses for services purchased.

25. Trade receivables

Movements in trade receivables were as follows:

€ thousand

			Due in more than one year	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Trade receivables (gross)	14,158	10,413	410	616
Allowance for impairment	332	180	-	-
Trade receivables (net)	**13,826**	**10,233**	**410**	**616**

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

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

€ thousand

	Total	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
31 December 2014	4,583	3,208	392	312	239	432
31 December 2013	2,292	920	298	202	154	718

Based on the information available as of preparation of the consolidated financial statements, 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:

€ thousand

	2014	2013
Opening balance	180	153
Additions	242	88
Utilised	-100	-51
Unused amounts reversed	-4	-2
Change resulting from foreign currency conversion	14	-8
Closing balance	**332**	**180**

The valuation of trade receivables results in expenses of € 252 thousand (previous year: € 78 thousand), which were recognised under other operating expenses in the income statement through profit or loss.

The allowances recognised 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.

26. Available-for-sale securities

Available-for-sale securities comprise corporate bonds of foreign companies in US dollars. The fair values of the corporate bonds are based on quoted prices on an active market.

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

€ thousand

	2014	2013
Opening balance	3,761	39,816
Additions (cash item)	-	78
Disposals	-3,801	-34,797
Change resulting from interest rate effects	-20	-848
Change resulting from price effects	37	-56
Expenses from the reclassification of profits and losses previously recognised in other income	-10	-85
Change resulting from foreign currency conversion	266	-347
Closing balance	**273**	**3,761**

27. Cash and cash equivalents

€ thousand

	31 December 2014	31 December 2013
Cash on hand	20	44
Bank balances	132,604	73,338
Cash equivalents	4,997	4,996
Liquid funds	**137,621**	**78,378**
Of which unrestricted	135,130	76,038
Of which restricted	2,491	2,340

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 2014, bank balances accrued interest at floating interest rates (based on call money rates and time deposit rates) ranging between 0.01% and 0.23% (financial year 2013: between 0.06% and 0.21%). 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.

Liquid funds available on a restricted basis

Some of the Group's subsidiaries have their headquarters in countries in which foreign exchange controls or other legal restrictions apply. In particular, this involves the Group companies domiciled in the People's Republic of China. As of the balance sheet date, the companies held cash amounting to € 2,491 thousand (previous year: € 1,583 thousand). The Executive Board believes that this will not cause any disadvantages for the Group, as the cash is used for financing operations in the respective countries or cash transfers are approved if this should become commercially viable.

28. Equity

Issued capital/treasury shares

Number

	2014	2013
Issued shares in circulation:		
As of 1 January	**37,298,655**	**38,671,858**
Cash capital increase	3,871,541	0
Physical capital increase	880,000	0
Disposal of treasury shares	159,312	300,000
Acquisition of treasury shares	0	-1,673,203
As of 31 December	**42,209,508**	**37,298,655**

All shares issued are fully paid up. The par value of the registered shares is € 1.00. During the reporting period, the share capital was increased by 3,871,541 ordinary shares due to a cash capital increase and by 880,000 ordinary shares due to a physical capital increase. In addition, 159,312 treasury shares were used as a purchase price payment for the acquisition of further shares in a subsidiary, with the result that the number of shares in circulation increased to a total of 42,209,508 as of the balance sheet date (31 December 2014).

Treasury shares

By resolution of the Annual General Meeting of 24 May 2012, the Executive Board of RIB Software AG is authorised pursuant to § 71 (1) no. 8 of the German Stock Corporation Act (AktG) to purchase treasury shares until 23 May 2017 up to a total of 10% of the Company's share capital that existed at the time of the resolution. This corresponds to an amount of 3,871,542 shares. The exercise may also be performed by Group companies or by third parties for its account or for their account under consideration of § 71d of the German Stock Corporation Act (AktG).

The Company acquired a total of 1,716,765 treasury shares on this basis in financial years 2012 and 2013. Of these, a total of 459,312 treasury shares were used in company acquisitions – of which 159,312 were used in the reporting year to top up the interest in RIB Software PTY Ltd., Sydney, Australia. The average acquisition cost of the shares used in the reporting year was € 4.40 per share. The price of the shares upon use was € 10.76 per share for 58,254 units and € 11.20 per share for 101,058 units. This provided proceeds on disposal of € 1,758 in total.

This results in the following development in the stock of treasury shares:

	Number shares	Date of acquisition	Pro rata amount in the share capital	Share of share capital	Acquisition costs
	Number		€ thousand	%	€ thousand
Balance as of 1 January 2013	**1,416,765**		**1,417**	**3.66**	**6,240**
Disposals in 2014	-159,312	September 2014	159	0.36	697
Balance as of 31 December 2014	**1,257,453**		**1,257**	**2.89**	**5,543**

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 § 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.

Capital increase from the authorised capital: The Executive Board made use of its authorisation in the reporting year, and decided on 14/15 July 2014, with the approval of the Supervisory Board, to increase the capital stock of the Company by € 3,872 thousand from € 38,715 thousand to € 42,587 thousand by issuing 3,871,541 new par-value registered shares with full profit participation from 1 January 2014. The shareholders' prescription right was precluded as per § 4 (4) sentence 3 no. 3 of the Articles of Association. The capital increase was entered in the commercial register on 17 July 2014.

The Executive Board then decided on 28 July 2014, with the approval of the Supervisory Board, to increase the capital stock of the Company by € 880 thousand from € 42,587 thousand to € 43,467 thousand in the form of a physical capital increase, by issuing 880,000 new par-value registered shares with full profit participation from 1 January 2014. In return, the shareholders of Byggeweb A/S, Copenhagen, Denmark, provided shares in this company as a contribution in kind. The shareholders' prescription right was precluded as per § 4 (4) sentence 3 no. 2 of the Articles of Association. The capital increase was entered in the commercial register on 25 August 2014.

Contingent capital

By resolution of 20 May 2011 and 4 June 2013, the Annual General Meeting also adopted the share option plan 2011/2013 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 conditional capital increase will only be carried out to the extent that holders of the subscription rights issued make use of their right to purchase shares and the Company does not grant any treasury shares to fulfil the subscription rights.

At the end of the reporting period, there were a total of 252,688 subscription rights to be exercised (see Section 29).

Capital reserves

The movement in capital reserves during the reporting period breaks down as follows:

€ thousand

	2014
As of 1 January 2014	**80,768**
Allocation of premium from cash capital increase	44,523
Transaction costs	-1,194
Allocation of premium from physical capital increase	9,680
Disposal of treasury shares	1,061
Share-based remuneration	319
As of 31 December 2014	**135,157**

The transaction costs of the cash capital increase in the amount of € 1,718 thousand were accounted for as a deduction from the capital reserves net of the associated tax benefits of € 524 thousand.

Legal reserve

As in the previous year, a contribution to the legal reserve was made during the reporting year for the subsidiary RIB Cosinus AG, Lucerne, Switzerland (reporting year: € 4 thousand, previous year: € 9 thousand). No further changes to the legal reserves took place in the reporting year or the previous year in compliance with applicable statutory regulations.

29. Share option plan 2011/2013

By resolutions of 20 May 2011 and 4 June 2013, the Annual General Meeting adopted the share option plan 2011/2013 and authorised the Executive Board to grant 1,548,616 subscription rights until 19 May 2016. The term of the subscription rights is seven years. The subscription rights can only be exercised after the expiry of a waiting period of four years if the beneficiary is employed at this time and the listed price of the share exceeds a certain amount within a period of 12 months after granting on a total of 60 trading days, as follows

- in the period from 1 July 2013 to 30 June 2014, an amount of € 5.88
- in the period from 1 July 2014 to 30 June 2015, an amount of € 7.88
- in the period from 1 July 2015 to 30 June 2016, an amount of € 9.88
- in the period from 1 July 2016 to 30 June 2017, an amount of € 11.88

The strike price of a subscription right amounts to € 1.00. If the performance target is not reached in a particular year, it may be compensated for in the following year by reaching the performance target applicable to this period. Subscription rights for which the performance target is not reached and cannot be compensated for in the following year lapse.

From the share option plan, 82,300 share options settled in equity instruments and 15,500 phantom shares settled in cash were granted for the first time on 5 December 2013. A further 178,388 share options were issued on 7 July 2014.

Movement of subscription rights	Share options		Phantom shares	
	2014	2013	2014	2013
Balance at the beginning of the reporting period	82,300	0	15,500	0
Granted in the reporting period	178,388	82,300	0	15,500
Forfeited in the reporting period	8,000	0	3,000	0
Exercised in the reporting period	0	0	0	0
Lapsed in the reporting period	0	0	0	0
Balance at the end of the reporting period	252,688	82,300	12,500	15,500
To be exercised at the end of the reporting period	0	0	0	0

The subscription rights were valued by means of a Monte Carlo simulation taking into account the absolute performance target. The following parameters were included in the valuation of the subscription rights:

	Share options	Phantom shares
Valuation date	7 July 2014	30 December 2014
Strike price	€ 1.00	€ 1.00
Share price	€ 13.160	€ 10.940
Risk-free interest rate	0.60%	0.08%
Dividend yield	1.52%	1.46%
Expected volatility	37.22%	39.41%
Term	6.38 years	5.90 years
Fair values	**€ 11.05**	**€ 9.00**

The estimates for the expected volatility were derived from the historical share price movements of RIB Software AG. The available history since the first listing on 8 February 2011 was used as a time window.

The recorded personnel expense in the financial year amounts to € 319 thousand from the granting of share options and € 29 thousand from the granting of phantom shares. The carrying amount of the liabilities from the phantom shares amounts to € 30 thousand and the intrinsic value of listed benefits is € 0.

30. Accumulated other consolidated comprehensive income

Accumulated other comprehensive income breaks down as follows:

€ thousand

	31 December 2014	31 December 2013
Reserve for changes in value of available-for-sale securities	5	-19
Foreign currency translation reserve	2,758	-2,954
Reserve for revaluations	-421	-113
Total	**2,342**	**-3,086**

The change in the reserve for changes in value of available-for-sale securities comes from fair value changes of available-for-sale financial assets resulting from price changes of € 27 thousand, with compensatory deferred taxes of € 3 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 increase is basically due to the performance of the Hong Kong dollar, the Chinese yuan and the US dollar against the euro in the period under review.

31. Dividends

The total retained earnings available for RIB Software AG to pay out to the shareholders is € 10,461 thousand as of 31 December 2014.

The Executive Board proposes to pay a dividend of € 0.16 per share, a total of € 6,754 thousand, to shareholders in financial year 2015, for the past financial year. This dividend must still be approved at the Annual General Meeting. Consequently, it has not been recognised as a liability in these financial statements.

A dividend of € 0.06 per share was paid for financial year 2013.

32. Pensions and similar obligations

The provision for pensions and similar obligations covers the pension fund scheme of the Group. These schemes are only valid for employees who joined the Group prior to May 1995.

The company pension plans are defined benefit plans that cover commitments for retirement, disability and survivor benefits of employees. The amount of the pensions depends on the length of service and the remuneration payable to employees. The plans are not reinsured 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 € 1,022 thousand in financial year 2014 and € 957 thousand in financial year 2013.

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

- Calculation basis: actuarial 2005 G mortality tables
- Notional interest rate: 2.10% p.a. (2013: 3.50% p.a.)
- Pension growth trend: 1.50% p.a. (2013: 1.75% p.a.)
- Employee turnover: 2.50% p.a. (2013: 2.50% p.a.)

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

€ thousand

	2014	2013
Pension obligations as of 1 January	3,182	3,292
Current service cost	11	11
Net interest expense	106	106
Revaluation	443	-28
Pension payments	-175	-164
Arising during the year/unused amounts reversed	12	-35
Pension obligations as of 31 December	**3,579**	**3,182**

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

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

€ thousand

	2014	2013
Current service cost	11	11
Net interest expense	106	106
Total pension cost	**117**	**117**

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

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

€ thousand

	2014	2013
Long-term pension provisions	3,404	3,018
Short-term pension provisions	175	164
Total pension provisions	**3,579**	**3,182**

The contributions payable in relation to pension obligations in financial year 2015 are expected to amount to € 177 thousand.

Material valuation parameters were subjected to a sensitivity analysis for measuring the pension provisions. The calculations carried out for this purpose by the actuaries were undertaken separately for the valuation parameters classified as material. An increase or decrease in the material actuarial assumptions would have had the following effects on the present value of the pensions as well as the defined benefit obligations:

€ thousand

Valuation parameter	Sensitivity in % points	Pension provisions
Notional interest rate	+ 0.75	3,206
Notional interest rate	- 0.75	3,881
Pension growth trend	+ 0.5	3,710
Pension growth trend	- 0.5	3,338

The weighted average term of the performance-based obligations as of 31 December 2014 is 13 years (previous year: 12 years).

33. 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 financial years presented were as follows:

€ thousand

	31 December 2014	31 December 2013
Assets from:		
Finance leases	-	1

The future minimum lease payments and their present value as of 31 December 2014 and 31 December 2013 are presented in the following:

€ thousand

	Minimum lease payments 31 December 2014	Minimum lease payments 31 December 2013	Present value of minimum lease payments 31 December 2014	Present value of minimum lease payments 31 December 2013
Amounts payable:				
Within one year	-	1	-	1
In the second to third year, inclusive	-	-	-	-
Total minimum lease payments	**0**	**1**	**0**	**1**
Future finance charge	-	-		
Total net finance lease, obligation	**0**	**1**		
Current portion	-	1		
Non-current portion	**0**	**0**		

34. 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.

35. Other provisions

The movements of other provisions are as follows:

€ thousand

	Warranty provisions	Post-employment benefits	Other	Total
As of 1 January 2013	**227**	**-**	**71**	**298**
Utilised	195	-	14	209
Unused amounts reversed	-	-	-	-
Arising during the year	210	-	7	217
As of 31 December 2013 and 1 January 2014	**242**	**-**	**64**	**306**
Utilised	193	-	15	208
Unused amounts reversed	7	-	-	7
Arising during the year	207	459	299	965
As of 31 December 2014	**249**	**459**	**348**	**1,056**

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. The increase in other provisions essentially results from the formation of a provision for compensation claims for commercial representatives in the reporting period.

36. Accruals

The accruals break down as follows:

€ thousand

	31 December 2014	31 December 2013
Accrued payroll and social security	2,649	2,051
Licence obligations	86	121
Commission	149	106
Accrual for outstanding invoices	208	181
Other	419	274
Total	**3,511**	**2,733**

37. Deferred revenue

The amounts disclosed comprise revenue billed to or received from customers with regard to the provision of maintenance services which had not yet been recognised by the Group as the services had not yet been provided at the end of the reporting periods.

38. Other financial liabilities

These primarily constitute derivative financial liabilities from company acquisitions, which were classified at fair value through profit or loss. In the reporting period, the fair value of the liability from the acquisition of shares in RIB Cosinus in the previous year was reviewed and revalued on the basis of revised budgets.

Other financial liabilities break down as follows:

€ thousand

	31 December 2014		31 December 2013	
	Non-current	Current	Non-current	Current
Liability from the acquisition of RIB CADX	-	-	5,104	-
Liability from the acquisition of RIB US Cost	533	151	4,296	-
Liability from the acquisition of RIB Cosinus	1,523	-	1,297	-
Liability from the acquisition of iceprice	158	-	-	-
Liability from the acquisition of Byggeweb	-	2,499	-	-
Other	72	19	108	9
Total	**2,286**	**2,669**	**10,805**	**9**

With the agreement of 22 July 2014, the Group acquired the remaining 25% of shares in RIB CADX. In return, 159,312 of the treasury shares were transferred to RIB Software AG. Valued at the price at the time of the transfer, the value of the consideration amounted to € 1,759 thousand. The transfer of the acquired shares and of the consideration took place on 22 August 2014. The fulfilment of the liability through the transfer of the treasury shares results in a difference of € 3,443 thousand, which was recognised in the consolidated income statement in the reporting period through profit or loss. The accrued interest from the financial liability in the year under review results in an interest expense of € 98 thousand.

With the agreements of 30 April 2014 and 8 October 2014, the Group acquired the remaining 38.325% of shares in RIB US Cost. The total purchase price for these shares amounted to € 1,507 thousand, of which € 894 thousand was paid in the reporting year. A partial amount of € 387 thousand of the outstanding purchase price represents a contingent consideration, the amount of which shall depend on the future price performance of RIB Software AG's share in particular. The agreements made in the reporting period and the partial fulfilment of the financial liability results in a total difference of € 2,652 thousand, which was recognised under other operating income in the consolidated income statement in the reporting year through profit or loss. The accrued interest from the financial liability in the year under review results in an interest expense of € 15 thousand. Of the total amount of the liability, € 151 thousand shall fall due within a year. A partial amount of € 146 thousand is scheduled to fall due in reporting years 2016 and 2017. A partial amount of € 387 thousand for the contingent consideration is scheduled to fall due in 2017.

Due to the fact that the contingent consideration depends on the price performance of RIB Software AG's share, the fulfilment of the financial liability involves uncertainty. In the period until the financial liability becomes payable, income of a maximum of € 387 thousand may accrue.

The financial liability from the acquisition of RIB Cosinus results from mutually agreed buy and sell options for the transfer of the outstanding stake of 20% to this company. The options may be exercised for a period of six months starting from 1 August 2016 under certain circumstances, or else from 1 August 2018. The option price is based on the enterprise value of RIB Cosinus at the time of the exercise of the option. However, it is limited by a contractually agreed minimum price (€ 1,100 thousand) as well as a maximum price (€ 1,900 thousand). As regards the subsequent valuation of the financial liability from the acquisition of RIB Cosinus, the expected enterprise value that will arise in the event of application of the valuation method agreed in the purchase agreement at the time of the option was determined in the reporting year on the basis of updated budget figures. Alternative future scenarios were taken into account.

The planning period for the valuation covers financial years 2015 to 2019. The planning was based on the actual figures for financial year 2014. In accordance with the approved corporate planning, the year 2015 was based on revenue (net of internal Group revenues) at the level of the previous year. An increase in revenue of 4% p.a. was assumed for subsequent years, with the associated improvements in earnings.

On the basis of our calculations, we assume that the enterprise value of RIB Cosinus at the time of the option will be somewhere between € 5.3 million and € 8.1 million (previous year: between € 4 million and € 8 million). Bearing in mind the estimated occurrence probability of the alternative future scenarios as well as the contractual minimum and maximum price limits, we assume that we will need to pay a purchase price amounting to € 1,587 thousand (previous year: € 1,447 thousand) for the currently outstanding stake of 20.0% at the time of the option. The subsequent valuation of the financial liability was undertaken by discounting this purchase price on the balance sheet date using a risk-compliant interest rate corresponding to the respective term of 1.02% or 1.25%.

The subsequent valuation of the financial liability results in an initial interest expense of € 34 thousand. An expense of € 191 thousand also arises from the updating of the budget figures as part of the company valuation, which was recognised under other operating expenses in the consolidated income statement in the reporting period through profit or loss. This expense results from an adjustment in the planning from 2015, as well as from the reduction in the discounting interest rates by approximately 1.0 to 1.5 percentage points.

As it depends on what will happen in the future, the valuation of the financial liability is inextricably linked to discretionary decisions and estimation uncertainties. In the period until the financial liability becomes payable, income of a maximum of € 487 thousand (previous year: income of a maximum of € 347 thousand) or expenses of a maximum of € 313 thousand (previous year: expenses of a maximum of € 453 thousand) may accrue.

Under the agreement dated 14 November 2014, RIB Software AG acquired 75% of the shares in iceprice. Alongside this, a put option agreement was concluded concerning the transfer of the remaining shares (25%), leading to recognition of a derivative financial liability. If the purchase option is exercised, RIB Software AG is obligated to pay a fixed purchase price of € 500 thousand. However, part of this amount shall fall under a consideration arrangement classed as a separate transaction. Based on the overall value of the option liability, the financial liability allocated to the company acquisition from the put option agreement was measured at € 158 thousand. For further details, we refer to the explanations in Section 7.

Under the agreement dated 25 July 2014, the Group acquired 100% of the shares in Byggeweb. The cost of acquisition includes a conditional purchase price as an "earn-out component". Based on Byggeweb's annual financial statements for financial year 2014, the conditional purchase price was set at € 2,749 thousand. A reduction in the purchase price of € 250 thousand was set on the basis of the provisions of the share purchase agreement. The purchase price (less this amount) of €2,499 thousand is due for payment on 31 March 2015. For further details, we refer to the explanations in Section 7.

39. Other liabilities

Other liabilities break down as follows:

€thousand

	31 December 2014	31 December 2013
Tax liabilities	2,064	1,630
Social security liabilities	287	301
Advance payments received from customers	294	106
Other	510	155
Total	**3,155**	**2,192**

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

40. Financial commitments

(a) Operating lease agreements

The Group leases certain office buildings and technical equipment in the scope of operating lease agreements. Contracts with terms of one to five years were concluded for this purpose.

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

€thousand

	31 December 2014	31 December 2013
Due within one year	2,490	2,360
Due in between two and five years	3,801	3,331
Total	**6,291**	**5,691**

Of the total amount of financial obligations from operating lease agreements, €85 thousand is attributable to the companies acquired during the reporting period.

(b) Other

As of 31 December 2014, there are other financial obligations resulting from the agreement on a strategic business alliance with a customer totalling €133 thousand with a term of six years.

The acquisition of iceprice resulted in a financial obligation amounting to €317 thousand, which had not previously been recognised in the financial statements. This is accumulated through profit or loss as of the fulfilment date; cf. Section 38.

41. Contingent liabilities

There were no material contingent liabilities as of 31 December 2014 and 31 December 2013.

42. Related party transactions

a) During the reporting period, no transactions were undertaken with related parties.

b) Outstanding balances with related parties:
There were no outstanding balances with related parties as of 31 December 2014.

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 46.

43. Fair value hierarchy

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

- **Level1:**
  fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level2:**
  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
- **Level3:**
  fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not observable, either directly or indirectly

Financial assets measured at fair value as of 31 December 2014:

€ thousand

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Sovereign bonds	0	-	-	0
Corporate bonds	273	-	-	273

Financial assets measured at fair value as of 31 December 2013:

€ thousand

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Sovereign bonds	3,484	-	-	3,484
Corporate bonds	277	-	-	277

Financial liabilities measured at fair value as of 31 December 2014:

€ thousand

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Derivatives	-	564	1,681	2,245

Financial liabilities measured at fair value as of 31 December 2013:

€ thousand

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Derivatives	-	-	10,697	10,697

The financial liabilities measured at fair value as of 31 December 2014 are derivative financial liabilities from company acquisitions. Please refer to Sections 7 and 38 in this regard as well as the changes in the fair values of the financial assets.

The derivatives allocated to level two are liabilities whose amount depends on the future price performance of RIB Software AG's share. If the share exceeds an agreed minimum rate in the period up until April 2017, the liability shall be increased up to an agreed maximum amount. If the performance targets are not met, a fixed minimum amount must be paid. We assume that the performance targets will be met and have therefore recognised the liabilities at the present value of the agreed maximum amount.

The derivatives allocated to level three are liabilities from option agreements related to the acquisition of RIB Cosinus (€ 1,523 thousand) and iceprice (€ 158 thousand). Please see the explanations in Section 38 for a description of the techniques used in measuring these liabilities and the input factors used to assess the fair values.

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

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

€ thousand

	2014	2013
As of 1 January	**10,697**	**10,994**
Changes without effect on profits		
Acquisition of company shares	158	1,287
Repayments	-2,733	-86
Other disposals	-120	-
	-2,695	**1,201**
Changes with effect on profits		
Income from the subsequent valuation of purchase price liabilities (other operating income)	-6,095	-1,825
Expenses from the subsequent valuation of purchase price liabilities (other operating expenses)	191	0
Expenses from the interest accrued on purchase price liabilities (finance expenses)	147	327
	-5,757	**-1,498**
As of 31 December	**2,245**	**10,697**
Gains/losses from the valuation of financial liabilities	5,757	1,498

The changes with effect on profits include unrealised expenses from the valuation of financial liabilities held at the end of the reporting period amounting to € 191 thousand (listed under other operating expenses).

Material valuation parameters were subjected to a sensitivity analysis for measuring the purchase price liabilities on level three. The calculations carried out for this purpose by the Group were undertaken separately for the valuation parameters classified as material. An increase or decrease in the material assumptions would have had the following effects on the carrying amounts of the purchase price liabilities on level three of € 1,681 thousand:

€ thousand

Valuation parameter	Sensitivity	Carrying amount
Discounting interest rate used for the discounting period	+ 1%-point	1,630
Discounting interest rate used for the discounting period	- 1%-point	1,734
Growth rate in the budgeted revenues in the budget period	+ 10.0%	1,697
Growth rate in the budgeted revenues in the budget period	- 10.0%	1,636

44. Financial risk management and policy

The financial assets of the Group mainly include cash and bank balances, trade receivables 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 continues to operate primarily in Europe but is increasing its activities in North America and Asia. Through its ordinary operating activities, the Group is exposed 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. No financial hedging relationships are recorded as hedging relationships in the accounting in the consolidated financial statements.

(i) Market risk

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

(a) Foreign currency risk

Recognised 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 in North America 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)
- Swiss francs (CHF)
- Danish krone (DKK)

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 2014, an additional expense of some €3,973 thousand would have arisen in the income statement. If the euro had been 10% weaker against the currencies listed above as of 31 December 2014, an additional income of some €3,973 thousand would have arisen in the income statement.

(b) Interest rate fluctuation risk

The Group‘s interest rate fluctuation risk is the risk that the fair values of available-for-sale securities fall (rise) as a result of interest rate changes. The corporate bonds still held in foreign companies in US dollars as of 31 December 2014 are not expected to have any significant effects on the consolidated financial statements in the event of realistic changes to the market interest rate.

(c) Other price risks

Price risks due to hypothetical changes in prices with an effect on financial instruments do exist as of 31 December 2014 and did not exist as of 31 December 2013.

(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 33 and 34. Other financial liabilities, which are included under deferred liabilities 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.

Please see Sections 7 and 38 with respect to the due dates of the financial liabilities.

(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 contractual 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. In individual cases, 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 uncollectable amounts.

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

Occasionally, customers will settle payment only after the credit period given. In such cases, management considers various ways to handle the situation, including suspension of supplies and services 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 receivables and other assets, 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 capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. Net debt is defined as interest-bearing liabilities, net of liquid funds, and excludes liabilities incurred for the financing of working capital purposes. Capital includes equity attributable to the shareholders 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.

45. Auditor's fees

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

€ thousand

	2014
Audit of the financial statements	107
Other assurance services	15
Tax advice	29
Other services	68
Total	**219**

46. 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 2014 comes to € 1,934 thousand (previous year: € 1,185 thousand). The members of the Executive Board received a basic salary that is not performance-based for their work in financial year 2014 („Remuneration 1") in the amount of € 691 thousand (previous year: € 691 thousand). The Executive Board's remuneration also includes a performance-based element („Remuneration 2") for their work in the previous year, amounting to € 100 thousand (previous year: € 185 thousand) as well as € 315 thousand for financial year 2014 (previous year: € 133 thousand). In addition, a share-based remuneration ("Remuneration 3") in the amount of € 829 thousand (previous year: € 176 thousand) was paid in financial year 2014. As of 31 December 2014, there were outstanding balances arising from Executive Board's remuneration in the amount of € 315 thousand (previous year: € 133 thousand) for the share in „Remuneration 2" recognised as deferred liabilities relating to financial year 2014.

Retirement benefits in the amount of € 25 thousand (previous year: € 24 thousand) were paid to former members of the Executive Board in financial year 2014.

The total remuneration of the Supervisory Board for financial year 2014 amounts to € 104 thousand (previous year: € 84 thousand). The remuneration of the Supervisory Board is reported as current liabilities as of 31 December 2014.

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.

47. Average headcount for the year

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

Number

	2014	2013
General administration	81	69
Research and development	243	217
Marketing/distribution	100	91
Support/consulting	175	185
Total	**599**	**562**

48. Disclosure on shareholdings pursuant to § 313 (2) HGB

%

	Abbreviations	Share in capital
Fully consolidated entities:		
Germany:		
RIB Deutschland GmbH, Stuttgart	RIB Deutschland	100.00
RIB Engineering GmbH, Stuttgart	RIB Engineering	100.00
RIB Information Technologies AG, Stuttgart	RIB IT	100.00
RIB Research & Development AG, Stuttgart	RIB R+D	100.00
RIB Sales International GmbH, Stuttgart	RIB SI	100.00
STRAPS Bausoftware GmbH, Stuttgart	STRAPS	100.00
RIB Cosinus GmbH, Freiburg	RIB Cosinus	80.00
MAC Europe GmbH, Hungen	MAC Europe	100.00
xTWO GmbH (formerly: iceprice GmbH), Hungen	iceprice or xTWO	75.00
Other countries:		
Byggeweb A/S, Copenhagen, Denmark	Byggeweb	100.00
Guangzhou RIB Software Company Limited, Guangzhou, People's Republic of China	RIB China	100.00
Guangzhou TWO Consulting Company Limited, Guangzhou, People's Republic of China	TWO Consulting	100.00
Guangzhou TWO Information Technology Company Limited, Guangzhou, People's Republic of China	GZ TWO	100.00
MAC International Company Limited, Hong Kong, People's Republic of China	MAC International	100.00
MAC II Limited, Hong Kong, People's Republic of China	MAC II	100.00
MAC (Guangdong) Industrial Company Limited, Foshan, People's Republic of China	MAC GD	100.00
RIB Asia Ltd., Hong Kong, People's Republic of China	RIB Asia	100.00
RIB Cosinus AG, Lucerne, Switzerland	RIB CCH	100.00
RIB FZ Limited Liability Company, Fujairah, United Arab Emirates	RIB Dubai	100.00
RIB iTWO PTY Limited, Sydney, Australia	RIB Australia	100.00
RIB iTWO Software Private Limited, Mumbai, India	RIB India	100.00
RIB Limited, Hong Kong, People's Republic of China	RIB Ltd.	100.00
RIB Management Computer Controls, Incorporated, Memphis, USA	RIB MC²	100.00
RIB PTE. Limited, Singapore	RIB Singapore	100.00
RIB Software (Americas) Inc., Wilmington, USA	RIB USA	100.00
RIB stavebni Software s.r.o., Prague, Czech Republic	RIB Prague	100.00
RIB Software (UK) Limited, London, England	RIB UK	100.00
RIB Software PTY Ltd. (formerly: RIB CADX PTY Limited), Sydney, Australia	RIB CADX	100.00
RIB U.S. Cost Incorporated, Atlanta, USA	RIB US Cost	100.00
TWO Hong Kong Limited, Hong Kong, People's Republic of China	TWO HK Ltd.	100.00

Stuttgart, 20 March 2015

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, 20 March 2015

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 2014 to 31 December 2014. 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, 20.03.2015

BW PARTNER
Bauer Schätz Hasenclever Partnerschaft mbB
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Olaf Brank	Magnus M. Gill
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements of RIB Software AG 2014 (HGB) (Excerpt)

Income Statement for the Financial Year 2014

€

				2014	2013
1.	Revenues			39,976,535.69	33,018,529.58
2.	Other operating income			7,047,798.29	2,844,915.41
	-	of which from currency translation: (prior year:	€ 4,277,762.34 € 70,961.32)		
3.	Material costs				
	a) Expenses for goods			-1,284,748.90	-1,166,829.79
	b) Expenses for services purchased			-11,100,041.09	-9,080,492.13
				-12,384,789.99	-10,247,321.92
4.	Personnel expenses				
	a) Wages and salaries			-2,066,763.09	-1,722,085.46
	b) Social security and pension costs			-300,284.05	-266,979.39
	-	Of which for pension schemes: (prior year:	€ -34,472.13 € -47,926.50)		
				-2,367,047.14	-1,989,064.85
5.	Amortisation of intangible non-current assets and depreciation on property, plant and equipment			-1,552,405.54	-1,554,884.68
6.	Other operating expenses			-15,897,555.81	-14,706,920.94
	-	of which from currency translation: (prior year:	€ -119.22 € -1,241,260.18)		
7.	Income from investments			20,538.60	2,906,412.21
	-	of which from affiliated companies (prior year:	€ 20,538.60 € 2,906,412.21)		
8.	Other interest and similar income			210,454.32	748,948.28
	-	from affiliated companies (prior year	€ 123,598.64 € 51,892.04)		
9.	Depreciation of current assets			-251,185.80	-935,785.45
10.	Interest and similar expenses			-220,647.64	-152,159.48
	-	of which write-ups (prior year:	€ -115,658.64 € -119,690.48)		
11.	**Net income from ordinary business activities**			**14,581,694.98**	**9,932,668.16**
12.	Income tax expense			-5,048,972.46	-2,905,480.81
13.	Other taxes			-2,126.00	-1,978.00
14.	**Net profit for the year**			**9,530,596.52**	**7,025,209.35**
15.	Profit carried forward from the prior year			391,866.10	268,900.21
16.	Income from the sale of treasury shares			538,474.56	975,000.00
17.	Expenses from the acquisition of treasury shares			0.00	-5,639,324.16
18.	**Retained earnings**			**10,460,937.18**	**2,629,785.40**

Balance Sheet 31.12.2014

RIB Software AG, Stuttgart

€

ASSETS	31 December 2014	31 December 2013
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	81,176.94	143,216.07
2. Goodwill	4,135,782.85	5,514,377.14
	4,216,959.79	5,657,593.21
II. Property, plant and equipment		
Furniture and fixtures	193,781.63	89,371.10
III. Financial assets		
Investments in affiliated companies	93,850,343.88	54,470,326.19
	98,261,085.30	**60,217,290.50**
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	3,394,256.31	3,782,636.84
2. Receivables from affiliated companies	3,439,016.57	3,139,112.98
3. Other assets	66,010.52	30,850.56
	6,899,283.40	6,952,600.38
II. Securities		
Other securities	4,997,027.80	8,467,623.29
III.Cash on hand		
Bank balances	93,215,400.30	52,681,303.98
	105,111,711.50	**68,101,527.65**
C. Prepaid expenses	584,628.24	568,207.00
	203,957,425.04	**128,887,025.15**

€

EQUITY AND LIABILITIES	31 December 2014	31 December 2013
A. Equity		
I. Issued capital		
1. Subscribed capital	43,466,961.00	38,715,420.00
- conditional capital: € 1,548,616.00		
2. Less nominal amount of treasury shares	-1,257,453.00	-1,416,765.00
	42,209,508.00	37,298,655.00
II. Capital reserves	137,173,751.04	81,809,021.86
III. Retained earnings		
Legal reserves	47,588.47	47,588.47
IV. Retained earnings	10,460,937.18	2,629,785.40
	189,891,784.69	**121,785,050.73**
B. Provisions		
1. Pension provisions	2,347,196.00	2,412,922.00
2. Provisions for taxation	4,293,600.00	2,236,337.91
3. Other provisions	948,690.00	724,150.00
	7,589,486.00	**5,373,409.91**
C. Liabilities		
1. Trade payables	427,267.72	283,985.17
2. Liabilities to affiliated companies	1,614,521.74	593,621.86
3. Other liabilities	4,055,946.29	370,937.49
- of taxes:		
€ 1,392,707.07 (prior year: € 252,826.20)		
- of which social security liabilities:		
€ 6,395.86 (prior year: € 4,899.31)		
	6,097,735.75	**1,248,544.52**
D. Prepaid expenses	378,418.60	480,019.99
	203,957,425.04	**128,887,025.15**

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Careers

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30 April 2015

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Analyst Conference Call

10 June 2015

Ordinary Annual General Meeting

31 July 2015

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Analyst Conference Call

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"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."

March 2015

RIB Software AG

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