NEMETSCHEK GROUP

Building Software – Empowering The Entire AEC Lifecycle

FINANCIAL STATEMENTS
(GERMAN COMMERCIAL CODE)
NEMETSCHEK SE **2018**

Financial Statements Nemetschek SE

Combined Management Report for Fiscal Year 2018

About this report

The Nemetschek SE Management Report and the Group Management Report for fiscal 2018 have been consolidated. The consolidated management report also contains the remuneration report and corporate governance statement. The consolidated financial statements prepared by Nemetschek as of December 31, 2018, are in compliance with the International Financial Reporting Standards (IFRS) applicable as of the reporting date as well as with the German Commercial Code requirements in connection with the German Accounting Standards.

1 General information on the Group

1.1 Business model

Organization

The Nemetschek Group, which is comprised of Nemetschek SE and its operating subsidiaries, is a leading global software developer for the AEC (architecture, engineering, construction) industry. The Group also develops solutions for the media & entertainment sector. Founded in 1963 by Professor Georg Nemetschek, the company provides software solutions for the full spectrum of building and infrastructure projects across their entire lifecycle:

- 3D planning and building imaging including calculation of time (4D) and cost (5D) factors for construction processes
- Invitations to bid, contract awarding processes and accounting activities during the construction phase
- Collaboration between participating contractors, documentation, data management and quality assurance
- Management, administration, use, modernization, and renovation.

The Nemetschek Group follows a structure similar to that of a medium-sized company. Germany's many small and medium-sized enterprises (SMEs), some of which span generations, have made the country a global hub for technology and innovation in a number of disciplines. These companies are characterized by their strong focus on innovation, agility, and closeness to the customer. In many cases, this is what makes these companies global leaders in complex fields.

The Nemetschek Group takes precisely this approach, which is why Munich-based Nemetschek SE is structured as a strategic holding company with 16 brands on the market. The term "brands" refers here to subsidiaries of Nemetschek SE, which in most cases are wholly owned. Nemetschek SE handles key activities such as corporate finance and controlling, risk management, investor relations, corporate communication, market research & development, mergers & acquisitions, strategic corporate planning, human resources, IT, corporate audit, and compliance.

The holding company's reporting structure is broken down into four segments—Design, Build, Manage, and Media & Entertainment—to which the 16 brands are allocated. The Group's brands are active on the market as independent companies. This enables them to respond quickly to customer demands and requests, market developments, trends, and changing conditions. Each brand is a global market leader in its sector, is familiar with the particularities of its market, and knows the needs of its customers better than its competitors, which tend to offer a single end-to-end solution addressing a number of disciplines and customer requirements. Many of the Group's brands have produced pioneering solutions in the Building Information Modeling (BIM) sector, while consistently structuring their activities in line with the strategy outlined by the holding company. The holding company also makes it possible for the brands to share information and initiates strategic multi-brand projects. This creates synergy effects within the Group's portfolio, further enhancing its attractiveness to customers. Regular reporting to the holding company combined with ongoing dialogue makes management activities highly efficient.

Please refer to the Annex on page 55 for a detailed overview of the Group's legal and financial corporate structure.

Business activities

The Nemetschek Group's 16 brands offer a wide portfolio of graphical, analytical, and commercial solutions for an improved workflow in the construction and infrastructure market. Customers include architectural and design offices of all sizes, structural planners, engineers of all disciplines, planning and service providers, construction companies and their suppliers, process controllers, as well as property, building, and facility managers.

Nemetschek SE's vision is to provide software solutions to aid in the construction of secure, modern buildings and infrastructure that meet the highest environmental and technical standards and permanently improve the quality of life of the people using them, thereby promoting a healthy and effective community. In pursuit of this vision, Nemetschek offers its customers pioneering technologies that enable full digitalization of the processes involved in the design, building, and management phases. The Nemetschek Group is the only producer worldwide that offers solutions throughout the entire lifecycle of buildings and infrastructure projects.

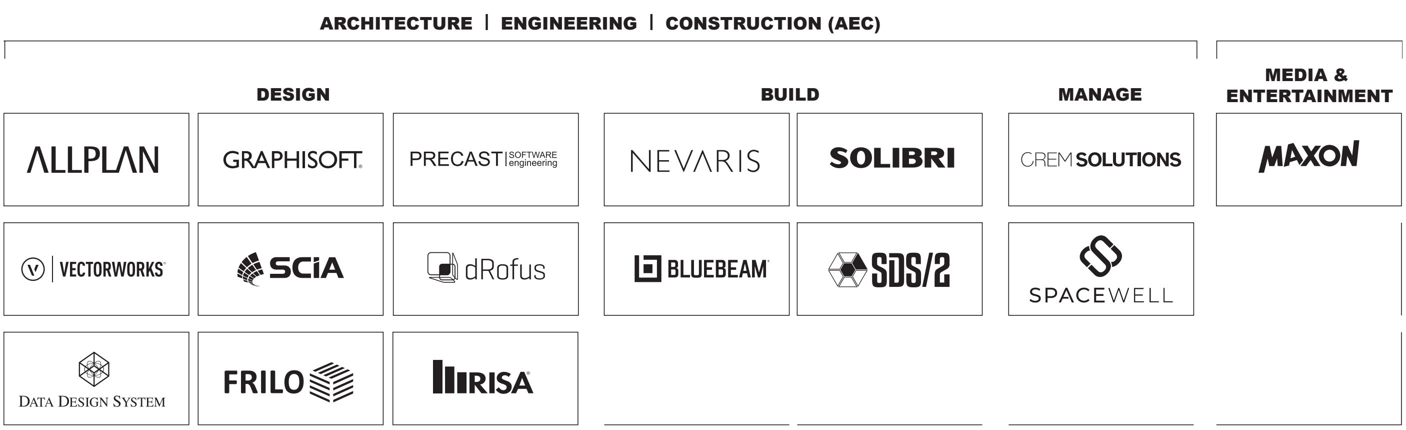
A central feature in the planning, construction, and administrative process is Building Information Modeling (BIM), a term that stands for the digitalization of the construction industry. Using BIM, all design, quality, timing, and business targets and data can be recorded and linked digitally. This information is used to create a virtual, three-dimensional building model. The simulation adds time and cost planning as a fourth and fifth dimension. BIM enables efficient, transparent collaboration and an improved workflow for all those involved in a project over the entire process of designing, building, and managing a property or infrastructure project. BIM is used first virtually and then in real time to identify and correct planning errors before the actual construction process begins.

As the pioneer of BIM, the Nemetschek Group has followed this holistic approach for over 30 years. Thanks to Nemetschek's open standard (Open BIM), any software from the Nemetschek Group can communicate with any other software, even competitor software, via open data and communication interfaces. This guarantees seamless transfer of all information, data, and digital models relevant to the construction process with documentation throughout all phases of a building's design, construction, and management.

With its Open BIM software solutions, the Nemetschek Group enhances the quality of the construction process, improves workflows, and facilitates the collaboration of everyone involved. That makes project work more efficient while budgets and deadlines can be met more reliably. With all of this on offer, the Nemetschek Group's products lay the foundation for integrated and open planning, implementation, and management in the AEC industry. These solutions increase efficiency in the construction and building process, sometimes substantially.

Segments

The Nemetschek Group organizes its activities into four segments: Design, Build, Manage, and Media & Entertainment. These segments act as management indicators for the Nemetschek Group. The 16 brands under the umbrella of the Nemetschek Group are allocated to these four segments as follows:



Design segment

With the Nemetschek Group's Design solutions, customers can effectively perform their tasks with creativity, attention to detail, precision, and accuracy from the earliest planning and design phase to work and building planning. The portfolio particularly features Open BIM solutions for computer-aided design (CAD) and computer-aided engineering (CAE), which set global standards in 2D and 3D building design and imaging. The company also offers BIM-based design and data management tools. Customers include architects, designers, engineers from all disciplines, structural engineers, specialist planners, landscape architects, as well as developers and general contractors.

Whereas Graphisoft and Vectorworks cater especially to architects and designers, the Data Design System, Frilo, Precast Software Engineering, RISA, and SCIA brands predominantly target civil engineering. Allplan is popular with architects as well as engineers. dRofus targets public and private building owners, designers, civil engineers, and general contractors.

Build segment

The Nemetschek Group's Nevaris brand is part of the company's Build segment. Nevaris offers end-to-end BIM 5D solutions covering the entire building process, from the bidding and award phase to invoicing, budgeting, scheduling, and cost calculation. Nevaris also offers commercial ERP solutions for construction-related accounting activities. The Bluebeam brand, also under the Build segment, offers PDF-based workflow solutions for digital work processes, collaboration, and documentation. Under its Solibri brand, the Nemetschek Group offers solutions for BIM quality assurance and control, while its SDS/2 brand offers BIM 3D software for steel structures.

The Nemetschek brands in the Build segment target construction companies, property developers, suppliers, and general contractors, as well as planning offices, architects, and civil engineers.

Manage segment

Under the Manage segment, Nemetschek's Crem Solutions brand provides solutions for the entire spectrum of commercial property management activities. The Nemetschek Group considerably expanded its expertise in this segment with its acquisition of the Spacewell brand (formerly FASEAS/MCS Solutions Group) in late August 2018. Spacewell offers modular, integrated software solutions for property, facility, and workplace management (IWMS, integrated workplace management system). Spacewell also developed the COBUNDU™ smart building platform, which uses Internet of Things (IoT) sensors and big data analytics to optimize productivity and efficiency for property managers.

Customers come from all areas of property management, including facility managers, banks, insurance companies, and globally active property companies.

Media & Entertainment segment

Architects and engineers, designers and especially the media & entertainment industry use the solutions provided by the Maxon brand for rendering (model imaging), 3D modeling, animation, and visual effects.

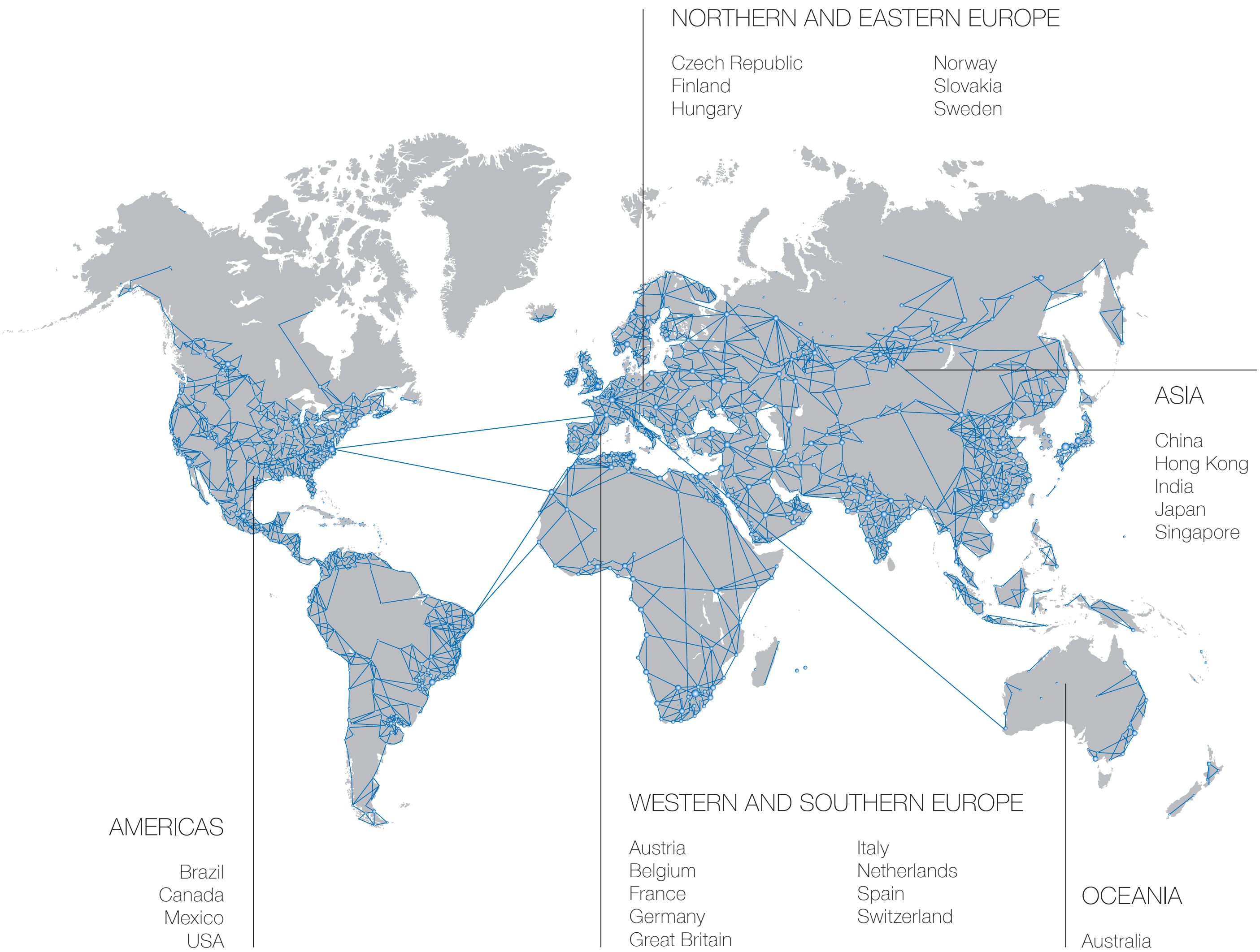
The brand's software solutions are used worldwide in numerous film, television, advertising, and video game productions as well as in architecture imaging, medicine, product design, and infographics.

Please refer to item 3.3 for information on all relevant indicators for the four segments.

Locations

Nemetschek SE is headquartered in Munich, Germany. The Group's 16 brands have offices in 82 locations worldwide. The Nemetschek Group's solutions are marketed and sold around the globe and are currently used by more than five million customers.

NEMETSCHEK SE LOCATIONS WORLDWIDE



Drivers, market and competition

Growth drivers*

The construction industry is characterized by a growing world population and ongoing urbanization, both of which are fueling demand for housing. The growing volume of construction on a global scale over the past few years and the fact that buildings are responsible for more than 40% of energy consumption worldwide reflect the significance of this sector. Nevertheless, the construction industry continues to trail behind other sectors when it comes to digitalization. IT and software budgets are a good indicator of the level of digitalization in this industry. At just over 1% of revenue, the amount of money invested in IT by the construction industry is below average compared to other sectors, where 3.3% of revenue is the norm. In view of the intensification of efficiency and environmental requirements, there is tremendous potential for growth in the construction industry, which has a lot of catching up to do. That means significant market potential for Nemetschek. IT budgets in the construction industry are expected to increase significantly over the next several years.

Streamlining processes with the help of targeted digitalization could improve efficiency in the industry by 20% through shorter construction times, higher quality, and lower costs. Large parts of this transformation can be implemented efficiently even with today's technologies thanks to the world-leading building information modeling (BIM) method.

Prominent large-scale projects, like the Elbphilharmonie in Hamburg and the Olympic Stadium in Montreal, where costs and deadlines were at times considerably exceeded, show that digital methods (BIM) are becoming increasingly important in the construction process.

The Nemetschek Group also benefits from several drivers in the three core segments of the AEC industry:

- **Digitalization** in the construction sector is around 15 to 20 years behind other industries like the automotive or ICT industries. The need is growing for catch-up effects and increased investment in industry-specific software solutions that are able to manage processes more efficiently, therefore improving quality and reducing cost and time.
- **State regulations** that require the use of BIM software for state-financed building projects are paving the way for further growth of the Nemetschek Group on a global scale. In addition to the US, Europe—particularly the UK and Scandinavian countries—is pioneering BIM regulations and the use of BIM-capable software solutions. Nemetschek is the market leader when it comes to Open BIM solutions and benefits from BIM regulations that are applicable in other countries as well.
- BIM policies and regulations encourage the transformation from **2D software solutions to 3D model-based BIM solutions** as a way to enable model-based workflows. For the Nemetschek Group as a developer of 3D software, this represents another growth driver for its brands.

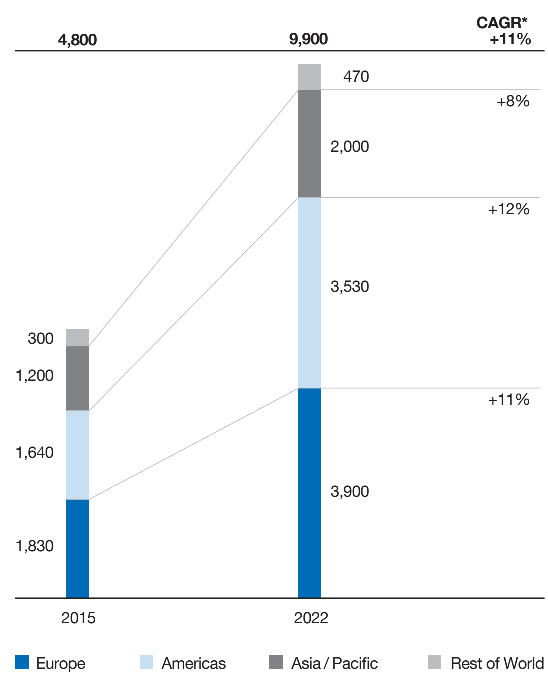
* Source: Deloitte 2016–2017 Global CIO Survey.

This evolution in the AEC market is boosting demand for **collaborative solutions and digital workflows** in the disciplines addressed by the Design, Build, and Manage segments. Whereas the design and building process is driven by models, the Manage segment targets data-oriented solutions while focusing on data quality and analysis. All relevant models and data are digitalized and can be accessed throughout the entire workflow via a collaboration platform.

Market and competition

The global AEC market is expected to grow from EUR 4.8 billion (2015) to EUR 9.9 billion in 2022, reflecting average growth of 11%. According to recent market studies, all regions worldwide will benefit from this, with America and Europe experiencing stronger growth. The Nemetschek Group is one of the top suppliers in the worldwide AEC market with a global market share of roughly 10%.

AEC SOFTWARE MARKET: END-USER EXPENDITURES IN EUR MILLION



* CAGR: compound annual growth rate.
Source: Cambashi BIM Design Observatory and internal research.

The AEC sector has been seeing increasing consolidation over the past few decades, and the Nemetschek Group has been actively involved in this process through acquisitions. Today, there are only a few global suppliers in competition with a number of small, locally active companies.

The Nemetschek Group competes with different companies in all of its segments.

1.2 Objectives and strategy

The Nemetschek Group works with a consistent, well-structured strategy development process. This process is based on multi-dimensional market and competition analyses (e.g. across segments, regions).

The Group's strategic approach revolves around three USPs (unique selling points):

USP #1: Unlike the other large competitors, the Nemetschek Group has a unique market position thanks to its clear focus on the AEC industry. The Nemetschek Group is the only company worldwide to specialize exclusively in the AEC industry, covering the entire workflow spectrum of the construction and infrastructure market.

USP #2: The Group's structure with its brands acting under a strategic holding company gives these brands considerable independence. They are the "experts" for their specific customer segment and each of the brands is also the industry leader in its field. They also benefit from synergy effects within the Group when it comes to aspects such as internationalization, best practice, cross- and co-selling, and development activities. This brand-based approach enables the Group to quickly identify, analyze, and assess changes in the market and to take a better, faster approach to meeting customer demands. That makes Nemetschek a flexible company able to adapt quickly to changing market conditions.

USP #3: Open BIM. Nemetschek's commitment to Open BIM facilitates interoperability and real-time communication with a variety of industries. Software programs designed by competitor companies can be integrated as well, significantly expanding the potential target group.

Nemetschek's core strategic goals are internationalization, next-generation solutions, and new strategic growth segments driven by technological trends and customer requirements. The Group's growth strategy targets a two-digit growth rate, promoting organic growth that is more dynamic than the market average. This momentum is accelerated through acquisition activities.

Internationalization

Nemetschek's growth strategy focuses on three large regions: Europe, North and South America, and Asia. Within these regions, the Group targets those markets with the greatest potential. In Europe, these include the German-speaking countries (DACH countries), the UK, Ireland, France, and the Nordics. The US and Canada are the largest markets in North and South America. Japan is the largest market in the Asia-Pacific region, followed by China, Singapore, and Australia.

The Nemetschek Group's focus regions

REGIONS BY END-USER SPENDING

Europe	DACH	*1,075 EUR million*
	UK / Ireland	*448 EUR million*
	France	*307 EUR million*
	Nordics	*240 EUR million*
Americas	US / Canada	*2,141 EUR million*
Asia / Pacific	Japan	*698 EUR million*
	China	*397 EUR million*
	Australia / New Zealand	*149 EUR million*
	Singapore	*24 EUR million*

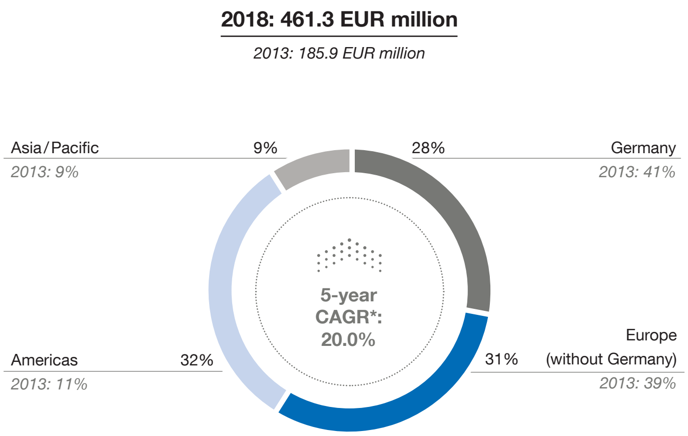
Not only a country's market potential but also the BIM regulations in place in that country are key. Some countries, such as the US, the UK, the Nordics, and Japan, have already made it mandatory for government-funded projects to use BIM software solutions. These countries offer excellent general conditions for Nemetschek.

Over the past few years, the Nemetschek Group has continued to strengthen both its international position and its position on its key markets. In 2018, more than 70% of group revenue was generated outside of Germany.

The brands in the US and Europe mutually support each other in their expansion. The strong market position of the US companies makes it easier for the European brands to expand abroad and vice versa.

The US is the largest single market worldwide for AEC software and has also become the most important market for the Nemetschek Group. During the process of strategically positioning the Group, the holding company opened offices in the US. This office assists US brands looking to expand across North America. It also helps European brands enter the US market. The Group has experienced above-average growth in this highly competitive, strongly performing market. In the past five years, the share of revenue generated in the US has risen from 11% (2013) to more than 30% (2018).

CHANGE IN REVENUE SHARE BY REGION WITHIN THE PAST 5 YEARS



* CAGR: compound annual growth rate.

Next-generation solutions and sales approach

The brands aim to set and anchor AEC and media & entertainment standards with their solutions. To support these activities, around a quarter of revenue is regularly reinvested in research to grow the solutions portfolio. Each brand creates a three-year roadmap containing strategic product developments; these are presented and approved at regular scheduled review meetings with the Executive Board.

Sales and marketing at the brands are conducted directly by internal sales teams and indirectly via resellers and distribution partners. Both sales channels are effective and are employed in line with current market conditions.

The Group offers its customers a high degree of flexibility in how they access and use the software: Options include a license model, which also includes the option to sign a service contract, and a leasing model (subscription or software as a service). Leasing models, which can also be purchased online, help Nemetschek attract new groups of customers since they give customers flexibility in terms of time and can be used without a one-off license fee. Nemetschek will continue to offer both solutions in the future, regardless of whether customers request individual solutions or are working on large projects. With these offers, the Nemetschek Group addresses the differing needs of various customer groups in accordance with their field and region.

Nemetschek SE also believes in strong cooperation between the sales teams of each brand, e.g. through key account management or using shared sales channels (cross and co-selling measures).

Strategic initiatives

In addition to strong expertise and continued growth of the individual brands, the Group places its strategic focus on cross-market development projects and strategic initiatives that will ensure double-digit organic growth in the future.

Strategic projects, which involve a minimum of two brands, are essential for the Nemetschek Group's strategic development (e.g. integrated software solutions). These projects usually run for several years and are co-financed and managed by the holding company.

The following focal topics have surfaced within the scope of these strategic initiatives: The digital transformation in the construction industry and the development of networked building sites require the management and provision of ever-greater volumes of data involved in the planning and realization of buildings and infrastructure projects as well as their associated integrated workflows. The answer is a collaboration platform (common data environment, CDE). The focus of Nemetschek's activities is on the development of a CDE platform for all participants in the construction process workflow. The objective is to prevent loss of information and to structure collaboration among the various disciplines much more efficiently.

Strategic, cross-market development projects also support the Nemetschek Group's goal of addressing more major customers from the areas of architecture, civil engineering, and general contracting. As planning and implementation in the building process continue to merge, the trend in the AEC sector is moving towards architecture and civil engineering companies as well as building companies that handle the entire construction process workflow. The focus is primarily on the US market, which is home to plenty of these types of potential customers.

Acquisitions

The attractiveness of the worldwide AEC market, the brand-oriented structure of the Nemetschek Group, and its solid balance sheet structure and high cash generation give the Group access to good acquisition opportunities. Suitable enterprises in the AEC industry are identified internally and by the brands themselves or, in some cases, by external partners and advisors.

Companies targeted for acquisition should close gaps in the Group portfolio and extend or complement the Group's technological expertise in construction process workflows. A further objective is to secure complementary market shares in international markets. Strong management and an established, leading business model in the relevant market segment are also significant parameters. Potential target enterprises are primarily identified in the context of internal strategic civil engineering and structural planning projects, collaboration technologies, and the expansion of the Manage segment.

Once an acquisition has been finalized, Nemetschek SE allows the acquired company to continue to participate in the market under its established brand name. At the same time, the brands are given clear financial and strategic targets. The holding company also assists the brands during the process of integrating the new company into its segments and creates a network involving the other brands within the Group in order to encourage the exchange of knowledge and information, in particular when it comes to research and development as well as sales and marketing. This brand structure makes the Nemetschek Group highly attractive to potential enterprises as a strategic buyer. Following the sale of their company to Nemetschek SE, the founders can continue to run their business, giving their employees a sense of security. At the same time, they also benefit from potential synergy effects by belonging to a financially strong, international group.

In addition to acquisitions at holding level, Nemetschek also pursues acquisitions at brand level. The brands can identify and acquire suitable target companies directly, provided that material criteria—such as the expansion of technology, regional expansion, sales structure, and a healthy balance sheet—are given.

The Nemetschek Group also looks to invest in young, innovative companies in order to position itself early on by addressing future-relevant topics.

Although acquisitions are an important growth option for the Nemetschek Group, it always has the additional option to “make or buy” thanks to its extensive expertise in building lifecycles. This means that the Group does not have to commit to prices that are not economically feasible when bidding, as it can use its expertise to develop its own in-house solutions.

1.3 Corporate management and control

General information

A key factor behind the success of the Nemetschek Group’s structural organization as a holding company with a number of brands lies in the relationship between affiliation with the Group and the synergy effects this structure creates, combined with brand flexibility and independence. This creates tremendous innovative strength as the brands are able to respond quickly to customer requirements and requests.

Nemetschek SE’s executive board is responsible for managing the Group both strategically and operationally in close collaboration with the Group’s supervisory board. Responsibilities include the strategic positioning of the Nemetschek Group in global sales markets as well as medium-term revenue and income projections. Management activities also include providing orientation for the Group both in the competitive and the general market environment.

Corporate management is performed at the level of the four segments subject to reporting. The parameters and annual targets for the segments and for the different brands are derived from the Group’s strategic targets. These parameters and targets are reviewed, approved, and outlined in further detail by the brands during the annual planning process at profit center level. They are then assigned individual quantitative and qualitative targets for marketing, sales, and development. Annual planning, individual targets, and medium-term planning are reviewed and approved by the managing directors of the relevant brands and as well as by the executive and supervisory boards of the holding company.

During the year, the Group’s targets are monitored using a Group-wide management information system with detailed reporting of key performance indicators for revenue, growth, income, and risk. These indicators are then compared with data from the previous year as well as with data from current planning activities. The Executive Board and brand managing directors discuss deviations from current planning every month and identify any required measures.

Financial performance indicators

The key performance indicators at the Nemetschek Group are revenue, year-on-year revenue growth, and the operating result (EBITDA). EBITDA provides information on profitability and includes all items of the income statement that relate to operating performance. The objective is to generate organic revenue growth within the Group of between 13% and 15% with a stable EBITDA margin of between 25% and 27% of revenue. As a result of their importance for financial business success, the key performance indicators revenue and EBITDA are also major components of the performance management system.

FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

In EUR million	**FY 2018**	FY 2017	FY 2016	FY 2015	FY 2014
Group sales	**461.3**	**395.6**	**337.3**	**285.3**	**218.5**
Design	273.6	249.2	220.9	198.8	175.1
Build	148.0	114.6	87.5	60.1	20.1
Manage	13.8	8.1	7.1	6.3	5.3
Media & Entertainment	25.9	23.8	21.8	20.1	18.0
EBITDA	**121.3**	**108.0**	**88.0**	**69.5**	**56.8**
Design	69.5	70.3	63.2	49.5	43.8
Build	38.2	26.6	12.8	10.4	4.1
Manage	2.5	1.9	1.6	1.3	1.1
Media & Entertainment	11.0	9.2	8.4	8.2	7.8

A detailed explanation of segment performance in 2018 compared to the previous year can be found under section 3.3.

1.4 Research and development

Nemetschek's success is based on innovation, which is why the Group values research and development so highly. To this end, around 25% of Group revenue is regularly reinvested in research and development with the goal of creating new solutions and advancing current ones.

The Group's research and development activities are aimed at continuing to improve its innovative strength in the AEC market and at identifying and capitalizing on technological trends early on. Being so close to their customers makes the Nemetschek Group brands very agile. Closeness to the customer is a key factor behind their success. Customer requirements can be implemented quickly, which boosts the brands' innovative strength. Ideas and potential for improvement are identified at customer meetings and then assessed internally by each brand. The innovation process differs from brand to brand, ensuring ideal alignment with that brand's environment.

Cross-market development projects are also used to address new customer segments and expand the portfolio. Key strategic and multi-brand projects are managed by Nemetschek SE and advanced in collaboration with the brands. The primary goal here is to tap new markets and to attract new customers. Adjusting solutions in line with national standards plays a significant role in the Group's international business.

All Nemetschek brands specializing in the AEC markets contribute to the Open BIM approach with their solutions. Together with Nemetschek's partners and as part of the global BuildingSMART initiative, which promotes the advancement and standardization of open sharing standards for the software-independent exchange of information in BIM projects, the Group is extremely committed to the continued development and implementation of effective standards, in particular those pertaining to the Industry Foundation Classes (IFC) data model. IFC is a manufacturer-independent, publicly available, and particularly powerful data exchange format for sharing 3D building-oriented planning data in the construction industry. Nemetschek's brands are constantly working on improving and certifying their interfaces for seamless sharing with other Open BIM solutions. The brands are also working to develop additional collaborative functions, e.g. functions that track which project participant has received, read, amended, or approved which information and when.

Key innovations by segment

In the **Design** segment, the three major CAD brands—Allplan, Graphisoft and Vectorworks—presented innovative releases to the market in fiscal 2018. Allplan 2019 facilitates design processes involving buildings with high geometric complexity, allows precise modeling of stairwells and simplifies collaborative work in BIM projects. Vectorworks 2019 focuses on sustainable quality, greater speed and even more room for creativity. With ARCHICAD 22, Graphisoft presented a facade tool for the creative design of facade systems. This improved planning tool for seamless workflows also enables efficient use of reserve capacities.

The other brands also launched releases with a number of new features, including SCIA with its flagship SCIA Engineer solution for structural analysis and drafting. The latest version 18 is more user-friendly thanks to more rational, automated work processes. It is also the first software of its kind on the market for measuring and calculating steel fiber concrete. Structural engineering expert Risa regularly releases updates of its software of the same name throughout the year. Frilo continues to work on the advancement of over 100 structural engineering programs. Precast Software Engineering is also optimizing the user-friendliness of its Planbar solution by implementing customer suggestions. Data Design System offers users improved performance and upgraded BIM features with its DDS-CAD 14 solution. In its dRofus 2.0 release, dRofus added more than 300 new functions as well as an updated, state-of-the-art user interface.

In the **Build** segment, Nevaris further customized its three core elements—Nevaris BIM, Nevaris Build, and Nevaris Finance—in 2018 to address customer demands. The elements can be used separately or combined depending on the activity and customer specifications. Bluebeam also presented its new version of the Bluebeam Revu 2018 platform. The high-performance PDF processing, notation, and collaboration software received a new user interface to maximize productivity and accelerate the initial learning phase for users. With its new 2018 SDS/2 software release, SDS/2 launched a new solution for detailed planning and production of reinforced concrete. Solibri's Solibri Model Checker v9.9 solution prevents defects before construction gets underway and improves quality of BIM models with a collision detection feature.

In the **Manage** segment, Crem Solutions continues to advance its modular iX-Haus solution. The Spacewell brand, which was acquired in fiscal 2018 (formerly: FASEAS / MCS Solutions Group), expanded its modular, integrated software solutions for property, facility, and workplace management. Spacewell also developed the COBUNDU™ smart building platform, which uses Internet of Things (IoT) sensors and big data analytics to optimize productivity and efficiency for building administrators.

In the **Media & Entertainment** segment, Maxon successfully launched its new release 20 of the Cinema 4D industry solution. It features numerous optimizations in the areas of modeling, rendering, and animation as well as an exceedingly powerful CAD import function.

Group resources were primarily used for the development and advancement of new products and trusted solutions, with third-party services used only to a limited extent.

The fact that around a quarter of Group revenue is regularly reinvested in product and process innovation points to the importance of research and development at the Nemetschek Group. This can also be seen in the fact that a considerable number of the Group's employees work in this area (41%).

In fiscal 2018, a total of EUR 110.4 million (previous year: EUR 92.0 million) was invested in research and development. This reflects an increase of 20.0% to 23.9% (previous year: 23.3%) of Group revenue.

2 Non-financial statement*

2.1 General information

This chapter contains the Nemetschek Group's non-financial statement prepared on the basis of the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz, CSR-RUG), which went into effect on January 1, 2017. In this statement, the company transparently describes in detail its key, non-financial activities pertaining to the five categories specified under the directive: human rights, anti-corruption, employees, environmental and social responsibility. With these activities, the company is in compliance with the requirements set forth under §§ 315c et seq. in connection with 289c HGB. The Nemetschek Group's business model is outlined under "General information on the Group" (page 46).

As in the previous year, the Nemetschek Group continues to focus on existing structures and therefore has decided against the use of framework specifications in this non-financial statement.

2.2 Corporate social responsibility (CSR) at the Nemetschek Group

The Nemetschek Group places considerable importance on sustainability. The company considers itself a pioneer when it comes to the digitalization of the AEC industry. A main objective of the Nemetschek Group is to improve efficiency and productivity along the building industry's entire added-value chain with its software solutions. In doing so, the Group helps those active in the building process take a more sustainable approach, also in relation to the environment and the community.

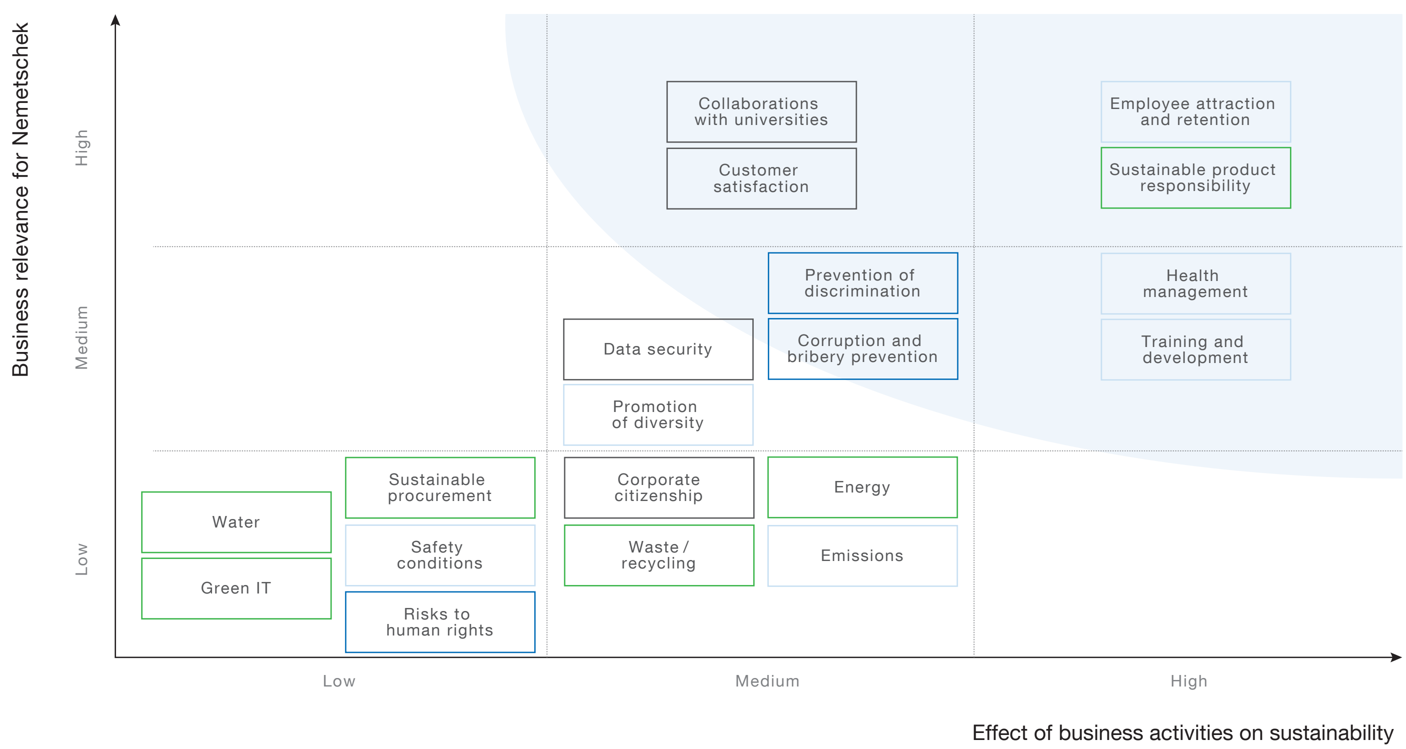
We have summarized these principles of sustainable business conduct in the Nemetschek Group's Code of Conduct. More specifically, these principles can be described as follows: *"Each of us contributes significantly to the public image of the Nemetschek Group through our appearance, conduct and actions. All of us are jointly responsible for ensuring that the Nemetschek Group lives up to its global social responsibilities. Our strategy as well as our day-to-day operations are based on high ethical and legal principles."*

Key non-financial topics

In 2017, a core CSR team staffed by representatives from the corporate finance, corporate controlling, corporate audit and compliance, investor relations, corporate communication and human resources departments identified the key non-financial topics for the Nemetschek Group. This team conducted a benchmark investigation of comparable companies, prepared an overview of the Nemetschek Group's sustainability initiatives and evaluated current sustainability topics in the software industry. They also took into consideration the opinions of internal stakeholders, including the major brands within the four segments. The team defined a total of eight key non-financial topics and prioritized them according to their relevance to the company's business and the impact of business activity on sustainability aspects (pursuant to § 289c para. 3 HGB).

* In accordance with §§ 315b et seq. HGB, this statement is not subject to audit.

THE NEMETSCHEK GROUP'S MATERIALITY MATRIX



The graph illustrates the key topics identified for the Nemetschek Group. The topics above the blue line have been given high priority in terms of relevance to the business and impact of business activity of the relevant sustainability aspects. In compliance with the criteria specified under the CSR Directive Implementation Act, the purpose of this non-financial statement is to report on these topics. As a provider of software solutions, topics such as energy and water consumption as well as waste and emissions are not considered material to the Group's business activities. It goes without saying that all of our employees practice awareness in their use of limited resources. The key non-financial topics identified for the Nemetschek Group have been organized in accordance with the topics specified under CSR-RUG: human rights, anti-corruption, employees, environment and social responsibility.

The following table illustrates their organizational structure:

Area of activity (category pursuant to CSR-RUG)	**Key topics at Nemetschek**
Human rights and anti-corruption	» Anti-bribery » Prevention of discrimination
Employees	» Employee attraction and retention » Health management » Learning & development
Environment	» Sustainable product stewardship
Social responsibility	» Cooperation with universities » Customer satisfaction

The following sub-chapters address the continuation of the activities launched in 2017 in each CSR area across all segments. The concepts specified in 2017 and advanced in 2018 as well as the targets and results of measures conducted to date are discussed as well.

Controlling of non-financial topics

The Nemetschek Group has more than 2,500 employees worldwide and is organized as a strategic holding company with operating subsidiaries. Challenges arise from cultural differences, access to the market and the different management approaches taken by the brands. Because of the Nemetschek Group's special organizational structure as a strategic holding company with 16 basically independent brands which are assigned to four segments, non-financial key performance indicators (KPIs) are currently only monitored at brand level. Most of the CSR topics identified as key in 2017 are subject to local control by persons or departments responsible for such matters at the relevant brand.

On the basis of a centralization process that was initiated in 2017, the aim is to determine fundamental standards applicable to the key non-financial topics that are valid throughout the Group. The strongest-performing brands with annual revenue of over EUR 20 million will be placed under the obligation to comply with additional standards as well. The objective here is to guarantee the sustainability of our business practices at Group headquarters and at all of the segments respectively brands.

The centralization process was continued during the reporting period. Focus was initially placed on developing and rolling out the fundamental standards. In 2018, the Nemetschek Group also began creating a standardized product development concept. The development process, which spanned several months, involved a number of workshops at holding and brand level as well as a digital survey of all decision makers at the brands. In 2019 we are planning to use the results generated so far to reassess at what point it makes sense to develop and introduce additional standards for the strongest-performing brands.

2.3 Material risks pursuant to Sec. 315c in connection with 289c HGB

For the purposes of non-financial reporting, the Nemetschek Group not only monitors the material risks pertaining to its business activities but also those risks that could have a considerable negative impact on the topics defined within the scope of non-financial reporting (Sec. 315c in conjunction with 289c [3] no. 3 and 4 HGB). The company also regularly evaluates potential non-financial risks. Based on these evaluations, no material risks were identified in 2018 with a high probability of occurrence and high potential for having a serious negative impact on the non-financial topics.

2.4 Key CSR topics at the Nemetschek Group

Human rights and anti-corruption

The Nemetschek Group follows a preventative compliance approach and strives for a corporate culture where awareness is raised among all employees combined with ongoing education. The primary goal is to prevent compliance incidents, which include bribery and discrimination. Violations or suspected violations of applicable legal regulations on compliance, internal rules or ethical standards could have negative financial consequences. They could also potentially damage the reputation of the Nemetschek Group.

Compliance management

Our Corporate Audit and Compliance department monitors all of our compliance activities and reports directly to the Nemetschek Group Chief Financial and Operating Officer. The supervisory and executive boards are informed regularly about compliance-relevant topics based on ad-hoc compliance reports and a quarterly survey of all brands on compliance issues. Local compliance activities are managed independently by each brand.

The most important principles and regulations, ethical standards and standards for interacting with business partners are summarized in the Nemetschek Group Code of Conduct. This code is binding for all employees regardless of their position. The Group also employs a state-of-the-art online training tool that is used to teach employees about all compliance topics at the company. The goal is to raise employee awareness of potentially critical situations so that they are able to respond to them appropriately. All of our employees are required to complete this compliance training. Additional, specific trainings designed to further raise employee awareness of actual threat scenarios and high-risk areas are conducted at the departments to which such trainings are relevant.

The Nemetschek Group encourages employees to report conduct that they feel is in violation of the Code of Conduct. They also have the opportunity to report violations or inappropriate conduct to the responsible human resources manager or directly to the Compliance department via an email account created specifically for that purpose. Violations can also be reported anonymously to an external international law firm commissioned to handle such complaints (via hotline or email).

Anti-bribery and prevention of discrimination
One of our objectives as the Nemetschek Group is to maintain our global reputation as a responsible, conscientious company with high ethical and legal standards. This reputation is the basis of our success. That is why the Group expects its employees to treat everyone at and outside the company fairly and with respect.

The corporate culture at the Nemetschek Group thrives on and benefits from diversity at the company. Maintaining good relationships with customers and suppliers is very important. Making sure that all transactions are transparent and in compliance with the law builds trust and creates lasting business relationships. The Nemetschek Group does not tolerate any form of corruption, bribery, venality or granting other illegal advantages. Non-compliance on the part of employees is grounds for terminating the employment relationship and prosecution.

The Nemetschek Group is strictly against any form of discrimination. The Code of Conduct states: *"Any type of discrimination is not permitted. Nemetschek will not tolerate any form of discrimination or harassment on the basis of origin, gender, disability, religion, age, sexual orientation, political views or involvement in a labor / trade union."* Employees who feel that they are being subjected to any form of discrimination or inappropriate behavior are encouraged to report this via the reporting channels mentioned above.

Anti-discrimination and anti-bribery are addressed by compliance management activities at the Nemetschek Group, which are centrally managed by the Corporate Audit and Compliance departments. The Group's employees learn about the key rules of conduct when it comes to anti-bribery and preventing discrimination through compliance trainings. Most of them have already completed training on the key compliance topics at the Nemetschek Group. The brands are currently responsible for making sure their employees are familiar with compliance topics. The company uses online training to convey this information. We are planning to expand our training activities in the future. We are also planning to establish central e-learning structures over the course of this year in order to improve control and assessment options.

No proven cases of bribery or discrimination worth mentioning were recorded during the reporting period. A review of individually reported events did not indicate a need for action. No legal action was therefore taken.

Employees

The Nemetschek Group considers its employees to be the company's most valuable capital. We strive to maintain long-term working relationships with top talents to enable us to provide our customers with innovative solutions and continue to improve shareholder value. These activities revolve around three key factors: attracting and retaining employees, health management and employee learning & development.

The corporate cultures at the Nemetschek Group vary considerably. This individuality is a significant driver behind the company's innovative strength. The majority of human resources matters are handled locally by the brands. The holding company acts as a partner and coach that the brands can turn to with human resources issues at any time.

The plan going forward is to have the brands more actively handle activities pertaining to attracting and retaining employees, learning and development and health management. For this purpose, the Nemetschek Group developed a Group-wide HR policy in 2018, which outlines the fundamental standards and minimum requirements regarding the Group's key employee topics, including tools for attracting personnel, annual meetings and offers to promote health. The plan is to work with selected brands in 2019 to test this policy and then roll it out throughout the Group. The brands will still have the freedom to dictate their own, brand-specific standards and create their own HR policies.

The HR tool selected in 2017 for recording personnel data was introduced in several pilot countries. However, because many of our subsidiaries already have their own procedures in place, the Nemetschek Group is planning in the future to introduce this tool at all new subsidiaries that are not yet using their own process.

Attracting and retaining employees
The search for experts and talented employees continues to pose a major challenge to the company. Software developers and IT experts are particularly rare in some key markets such as Germany and the US. Added to that is the fact that the Nemetschek Group is a medium-sized company surrounded by heavy-hitting competitors from the software industry such as Microsoft, Apple and Google. By offering attractive working conditions and an upbeat working environment, we hope to attract top talent and gain their loyalty. The Nemetschek Group currently gauges the success of its measures based on the number of employees and how it is this rising. We are currently working on defining a KPI that will more effectively reflect performance in this area in relation to our targets.

The Nemetschek Group has been offering a Group-wide job portal since 2018 to attract new employees. The portal is available to all of the brands. More than half of the brands regularly publish job offers on the portal. The portal was initially limited to the company's Intranet to promote Group-internal exchange of experts with the idea of sharing know-how. With the relaunch, a career page was added to the Group's website with links to the subsidiaries' job portals. The idea is to make it easier for professionals to find the brand that would be the best fit for them. In 2019 we are planning to evaluate whether an extensive, shared job portal would be effective and efficient for the Group.

The brands also use the Nemetschek Group's social media platforms such as XING and LinkedIn as another way to attract employees. They also participate in job fairs and use their contact network and recommendations made by their current employees.

The Nemetschek Group continues to work to improve its attractiveness as an employer in order keep employees loyal to the company long-term. This includes the option to work part-time, encouraging parental leave and offering flexible working hours. How these are structured depends on the business model of the relevant brand as well as local regulations. Other measures that serve to make us a more attractive employer include offering individual continuing education offers and promoting people with talent. We also offer sports programs, team events and employee discounts.

The number of employees at the Nemetschek Group, including acquisitions, increased by 445 year on year, or around 21%, in 2018. Organically, the Group's staff grew by 258 employees (+12%). As at December 31, 2018, the Group employs 2,587 people.

Health management

The Nemetschek Group is convinced that sustainable health management support for staff can only be successful if all health-related measures and initiatives are aligned to the changing requirements of the constantly evolving work world.

The HR policy created in 2018 defines the minimum requirements on health management for all Nemetschek brands. These measures are currently controlled locally. We are planning to introduce at least one mandatory health-related measure per year. We have not yet set a Group-wide target. We are, however, planning to introduce a Group-wide health management system that will help all of our employees stay healthy.

During the reporting period, 14 of our 16 brands provided health-related offers to their employees. These include wellness programs, sports and fitness activities at the company and financial support for programs offered by external providers. When it comes to medical check-ups, employees have access to telemedicine, specific examinations, i.e. eye exams, and company-funded insurance policies. Special office equipment, e.g. ergonomic furniture, is also provided as needed.

Learning & development

The Nemetschek Group is convinced of the effectiveness of ongoing learning & development. The company also expects these programs to have a favorable impact on employee performance, results, and motivation. The objective here is to pursue ongoing employee development and encourage and promote employees as effectively as possible so that they are consistently able to provide their customers with top-of-the-line services and solutions. The company determines the training requirements for each individual employee during an annual employee review. The HR policy, which is currently in the drafting phase, will specify minimum training requirements.

The percent of employees that had an annual review during the reporting period is used as an indicator for learning and development. During the reporting period, annual reviews were conducted with all employees at all of the Group's brands.

Environment

Sustainable product stewardship

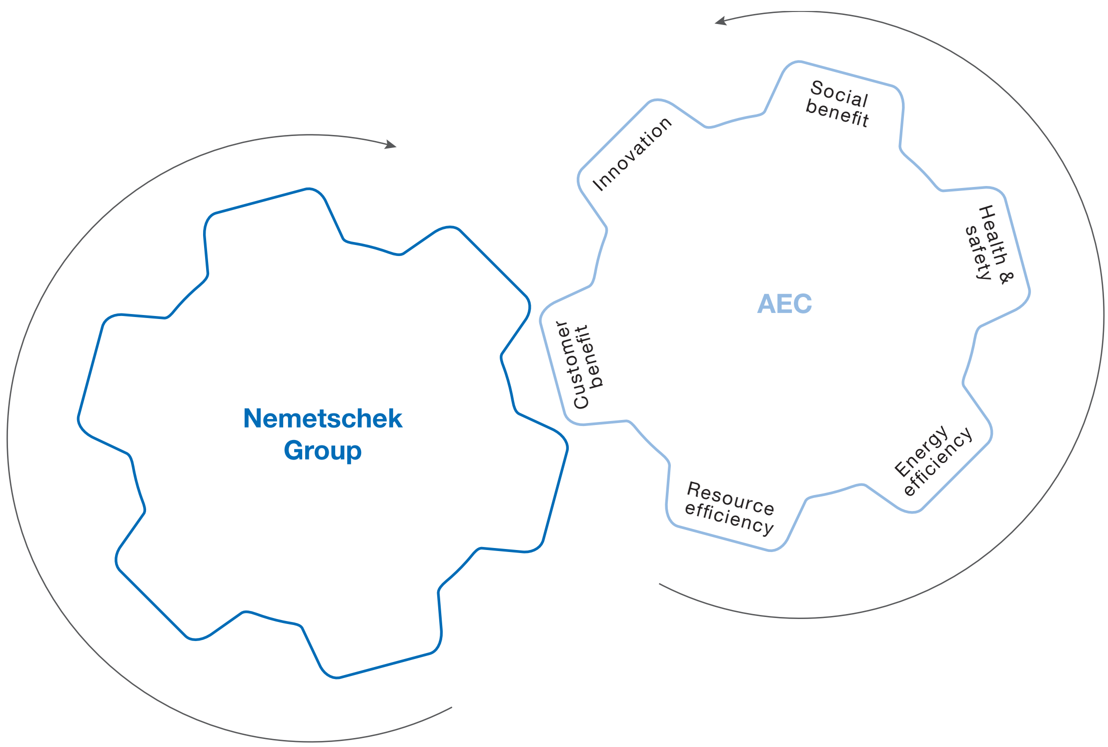
In 2017, the Nemetschek Group identified the topic of sustainable product stewardship as material. The responsible use of natural resources is already anchored at the Group under our Code of Conduct. We select our materials, suppliers and external service providers in compliance with environmental, ethical and socially responsible criteria.

The Nemetschek Group's mission is to make the AEC industry more sustainable. With the technologies offered by its brands, the Group helps its customers create more sustainable, safe, secure and comfortable buildings and infrastructure. In doing so, the Group is making a significant contribution to improving quality of life by helping to create a better living and working environment combined with commuter-friendly road networks and transportation systems.

Sustainable product stewardship activities are currently controlled locally by the brands. However, in 2017, the Nemetschek Group's executive board decided to introduce a Group-wide concept regarding sustainable product development, which will take into account environmental, economic and social aspects along the entire product lifecycle.

The focus during the reporting period was placed on developing this concept in detail. At an initial workshop held at holding-company level, the core CSR team outlined key approaches and worked out the details of a shared understanding of the topic. The results were then further specified in collaboration with representatives from all of the brands. The final step was to conduct a survey at the brands, which provided a general overview of the CSR aspects touched on by each product during its entire lifecycle.

As of the end of the reporting period, the Nemetschek Group has at its disposal a new concept paper based on the results of this process. The paper outlines how the concept of sustainable product stewardship is defined at the Group as well as the responsibility of the entire Group at every stage of the value chain. In this paper, the Group makes an express commitment to developing customer-oriented software. The objective is to improve the quality of customers' workflows and increase their economic efficiency. The Group's software also supports the community in terms of environment and social aspects by optimizing the building and construction process. Nemetschek software makes it possible to build sustainable buildings and forward-thinking infrastructure to directly benefit customers such as architects, engineers, construction companies, and facility managers, not to mention end consumers.



In this process, the Nemetschek Group sees itself as a “digital cog” for the building and construction industry. Ongoing innovation makes it possible to favorably impact energy consumption and the climate, the use of resources and materials, customer benefit and satisfaction, building safety and comfort, and people’s health.

Within the scope of creating this concept, the Nemetschek Group identified two aspects relevant to developing responsible products: sustainability aspects across the entire software lifecycle, and across the lifecycle of a building. Cornerstones of the Nemetschek Group’s software development process are building information modeling (BIM) and the use and advancement of open standards (Open BIM). Nemetschek’s software solutions address a building’s entire lifecycle.

The survey that was conducted to wrap up the concept development process focused on four areas in which the products offered by Nemetschek brands have an impact on sustainability:

» Process efficiency

» Time and cost efficiency

» Materials efficiency

» Energy efficiency

Based on the results of the concept development phase, the Nemetschek Group applied the different impacts on sustainability to the following specific topics pertaining to responsible product development: energy and climate, resource and materials efficiency, customer benefit and satisfaction, building safety and security, building comfort level, and health.

Based on the results to date, the Group is planning to continue to promote sustainable product stewardship in 2019. One aspect of this will be to define targets specific to this topic.

Social responsibility

Cooperation with universities

Cooperation with universities is an integral aspect of Nemetschek’s activities. The Group has its roots in the university landscape and universities have been using its software for decades. Nemetschek’s objective is to be present at all major universities as well as at other educational institutions in its core markets. The idea is to train students before they begin their careers in how open standards can be used to sustainably design, build, and manage buildings and infrastructure. In doing so, the Nemetschek Group will be making a contribution to sustainable building practices and familiarizing students with the Group’s software and the possibilities it offers. At the same time, it will be giving its customers access to professionally trained young talent.

The individual activities this involves are currently controlled locally by the brands. In 2017, however, the Executive Board of Nemetschek SE approved the development of Group-wide standards. In this context, the company drafted a statement of its Group-wide commitment to cooperating with universities. The purpose of this commitment is to place Nemetschek’s brands under the obligation to continue to intensify their cooperation with universities in terms of time as well as financial commitments. This includes grants as well as more software licenses for students. In addition, each brand is required to designate a contact who will be responsible for cooperation with educational institutions.

During the reporting period, the majority of Nemetschek subsidiaries provided software licenses for students at the relevant universities and educational institutions in their markets. The brands were also active in the following areas:

- Individual network activities for students and customers, e.g. via a job platform designed and run by the brand
- Sponsorship, e.g. competitions and student councils
- Special award competitions and a variety of student events
- A variety of training formats, e.g. Bluebeam Apprentice Day or as a guest speaker at lectures
- A variety of job fairs at relevant universities
- Student trainee positions, internships and student grants
- Cooperation with student associations and academic faculties

In 2019 the Group plans to anchor this statement of commitment with subsidiaries of different sizes at a number of different locations. The idea here is to make the provisions and targets contained in the Nemetschek Group's statement of commitment mandatory for all its brands. This step will enable the holding company to centrally assess these standards in the future and draw conclusions from this assessment while the activities will continue to be controlled locally by those responsible at the brands.

Customer satisfaction

At the Nemetschek Group, customer satisfaction is much more than just a basic aspect of running a successful business. It is also part of the Group's entrepreneurial goals and its corporate mission. A corporate structure featuring 16 independent brands enables those brands to be exceptionally in touch with their markets and with their roughly five million customers worldwide. In order to meet the varying demands of its customers, the Nemetschek Group takes a thorough approach to the topic of customer satisfaction. This includes all aspects of the customer relationship broken down into development, product, service, hotline, and support.

The brands currently monitor and rate customer satisfaction in terms of their products and/or services at a local level. In 2017, the holding company decided to introduce Group-wide KPIs and additional standards for the larger brands by 2019. In order to identify effective KPIs that can be applied to all of the brands, the holding company conducted a detailed survey of the brands during the reporting period accompanied by intensive market research. The results showed that half of the defined KPIs were effective for measuring customer satisfaction. The brands particularly rely on the customer satisfaction score (CSAT) and churn rate. The net promoter score (NPS) and the "things go wrong" KPI are also used by certain brands. Customer satisfaction is primarily evaluated based on both the functionality of a product as well as the services provided by the brand. Based on the results of the brand survey, the Nemetschek Group is planning in 2019 to test whether the KPIs and potential measurement systems could be effectively rolled out throughout the Group. It is also planning to define possible control mechanisms that could be introduced down the line.

During the reporting period, the brands mentioned above asked their customers about customer satisfaction online, via email, through direct contact, and via phone call. The Nemetschek Group involves its customers even in the earlier phases of product development in order to guarantee customer satisfaction right from the start. At Vectorworks, for example, 70% of the new functions in any product release are based on concrete customer requirements. Measures put in place to support product quality and customer satisfaction particularly include:

- Joint development projects
- Customer boards and committees
- Product previews
- Tests in the beta phase
- Application tests
- Workshops

3 Economic report

3.1 Overall economic and sector-related conditions

General economic conditions

Global economy*

The global economy continued its favorable trend in 2018. The United States was one of the main contributors to growth as the country's economic upswing further accelerated. The eurozone continued to show robust growth in 2018, but was unable to repeat the previous year's high growth rates. The UK recorded comparatively low growth rates, most likely due to the uncertainty around Brexit. China continued to record high growth in 2018 despite the trade dispute with the US, once again making the largest contribution to global growth.

In its current appraisal for 2018, the German Council of Economic Experts forecast growth of 3.3% (previous year: 3.4%) in gross domestic product (GDP).

Eurozone

Growth rates in the eurozone varied in 2018. The larger member countries especially saw a loss of momentum in economic growth. Increased inflation and, in particular, higher prices for energy likely had a negative impact on real disposable income and subsequently on private consumer spending. Moreover, the appreciation of the euro may have had a dampening effect on exports. Slowing growth combined with high investment volumes, production capacities running close to full capacity, and dropping unemployment rates suggest a boom phase in the eurozone.

The Council of Economic Experts forecast that GDP would be up 2.0% in 2018 (previous year: 2.4%).

United States

The United States continued its economic upswing in 2018. This ongoing economic boom had an increasingly positive effect on the labor market, with the unemployment rate dropping to below 4%. Private consumption made a significant contribution to GDP growth, which was supported by continued wage growth. Gross capital investment and investments in intellectual property, including software and R&D, also posted significant growth. Moreover, the Tax Cuts and Jobs Act and the overall fiscal policy of the US administration are likely to have had a positive impact. The Federal Reserve gradually increased the key interest rate in 2018 after the favorable economic performance. While GDP climbed by 2.2% in 2017, economic growth of 2.9% was expected for 2018.

Japan

Although Japan was unable to repeat its relatively high growth rates (by Japanese standards) of the previous year, the overall positive trend continued in 2018. Non-governmental gross capital investment (excluding housing construction) increased, while exports grew at a slower pace. The steady economic upswing of the previous years led to high utilization of overall economic capacities. This was also reflected on the labor market, which posted the lowest unemployment rate in 25 years. The Bank of Japan continued to pursue its expansive monetary policy. An increase in economic performance of 1.1% is expected for 2018 (previous year: 1.7%).

Emerging countries

Most of the large emerging countries were able to maintain their growth momentum in 2018. China's economy was expected to grow by 6.6% in 2018 (2017: 6.8%). The slight downswing can likely be attributed to the trade conflict with the US. However, the government's support measures for the domestic economy are likely to have helped the country achieve its target. India's economic upswing accelerated once more with expected GDP growth of 7.8% (2017: 6.3%). Russia is likely to have experienced a tangible boost to growth from the trend in crude oil prices. After returning to growth in 2017 (1.5%), the country's economy is expected to grow by 2.0% in 2018. The expected average combined growth rate of the emerging economies is 5.1% (2017: 5.3%).

Construction sector**

Europe

The European construction sector continued its growth trend in 2018 with slightly slower momentum. As a result, most of the Euroconstruct members were not able to repeat the previous year's high growth rates. Europe's three largest economies painted a mixed picture. While Germany's expected growth rate dropped noticeably to 1.3% (previous year: 2.7%) and the UK was expected to experience negative growth of −0.8% (previous year: 7.0%), Euroconstruct experts anticipated an only slightly lower growth rate of 3.2% (3.8%) in France. The Netherlands and Spain were even able to increase their year-on-year growth from 4.2% to 6.3% and from 4.6% to 5.7%, respectively. Eastern Europe continued its upswing after the 2016 crisis. Hungary was expected to record the highest growth rate of 24.7%. Poland (12.9%) and the Czech Republic (10.0%) were also expected to record double-digit growth.

As in the previous year, residential construction made the largest contribution to growth in 2018 with an above-average 5.5%. Infrastructure construction came in second with 5.4%. However, only around half of total construction volume could be attributed to this segment. Euroconstruct expected the total construction volume of its member states to grow by 2.8% in 2018 (2017: 4.1%).

* Sources: 2018/2019 annual report of the Council of Economic Experts; United States Bureau of Labor Statistics.

** Sources: Euroconstruct Summary Report Paris, Nov. 2018; GTAI/Bauwirtschaft; GTAI Branchenckeck, Brachenanalyse; 2019 FMI Overview; RICE: Quarterly Outlook of Construction and Macro Economy January 2019; EU BIM Task Group; Stufenplan Digitales Planen und Bauen by BMVI; IT Software & Services by Kepler Cheuvreux 11/2015; Deloitte 2016–2017 Global CIO Survey; BIM Maturity levels in the UK.

North America, US

The US construction sector continued to expand in 2018, gaining slightly more momentum compared to the previous year. FMI experts expected construction volume to increase by 5.1% (2017: 4.5%). Commercial construction was a major contributor due to its significant growth compared to the previous year, while growth in the residential construction sector slowed down. For several years, public infrastructure spending has been caught between politically required budget cuts on the one hand and the need for renovation and modernization measures aftre years of underinvestment on the other. Following the decline in investment in recent years, 2018 was expected to be a turning point. FMI anticipated a growth rate of 5% for infrastructure projects.

Asia, Japan

Despite moderate economic growth and a decreasing population, the Japanese construction sector is in robust shape, accounting for just over 10% of GDP. Commercial construction recorded the highest growth rates in 2018, due to a high number of newly constructed office schemes and business centers. Private residential construction experienced moderate growth, while public-sector investment in construction recorded a slight decrease. The Japanese Research Institute of Construction and Economy (RICE) anticipated moderate growth in construction volume of 1.5%.

Emerging countries

Performance in the emerging countries' construction sectors was mixed. Although China's construction boom slowed slightly, the sector's generally high momentum continued. Housing construction continued to be a driving force, with clear double-digit growth rates anticipated for 2018. Commercial and office properties, on the other hand, showed a downward trend. Supported by a number of state-financed infrastructure measures, civil engineering works picked up in late 2018 following a more sluggish first half of the year.

The greatest driver of growth in India is the civil engineering industry. Considerable progress was recently made in this sector, particularly in building roads and rail. The government is also investing significantly in building new airports; the number of developments in the pipeline for the extensive government harbor construction program, Sargarmala, was again substantially increased. Key housing construction indicators in India have improved, with commercial construction trends remaining stable.

The Russian construction industry particularly benefited from growth fueled by private housing construction. The Russian Ministry of Finance forecast an increase in construction budgets in 2018. The government is planning to invest billions in numerous transportation infrastructure projects in the medium term.

Digitalization in construction*

The figures discussed above regarding the economic performance of the construction industry are only one of many indicators of the trends currently underway in the markets served by the Nemetschek Group. IT and software budgets are a good indicator of the level of digitalization in this industry. At around 1.5% of revenue, IT costs are below average in the construction industry compared to other sectors. However, IT budgets in the construction industry are expected to increase significantly by 2025. The fact that planners and construction companies recognize the need for digitalized work methods is not only reflected in surveys and studies but can also be seen in the increased use of digital methods, both in offices and at construction sites.

The construction industry continues to trail behind other industries like ICT and automotive when it comes to digitalization. The digital transformation in the construction industry is primarily driven by building information modeling (BIM).

The use of BIM is already widespread in the US and Singapore as well as in the Scandinavian countries, the Netherlands, and the UK. The BIM Level 2 requirement, which makes the use of BIM Level 2 processes mandatory, went into effect in the UK in 2016. This was a major step in the widespread establishment of BIM. The introduction of BIM Level 3, scheduled for 2020 in the UK, is expected to take model-based cooperation between all disciplines, which requires the use of Open BIM, to a new level.

An EU directive was passed in 2014 recommending the use of computer-aided methods such as BIM in awarding public building projects and invitations to tender. In the meantime, many European countries have implemented the EU's recommendations in national initiatives.

In Germany, the use of BIM is being advanced by the multi-phased "Digital Design, Building, and Operation" plan. BIM pilot projects headed by the German Federal Ministry for Transport and Digital Infrastructure (BMVI) have been underway since 2015 to gather experience and compile the relevant expertise in order to define the necessary quality standards. In an extended pilot phase, BIM has been used in numerous transport infrastructure projects since 2017. The plan is to use BIM in all new infrastructure projects in the public sector as of 2020.

* Sources: Euroconstruct Summary Report Paris, Nov. 2018; GTAI/Bauwirtschaft; GTAI Branchenckech, Brachenanalyse; 2019 FMI Overview; RICE: Quarterly Outlook of Construction and Macro Economy January 2019; EU BIM Task Group; Stufenplan Digitales Planen und Bauen by BMVI; IT Software & Services by Kepler Cheuvreux 11/2015; Deloitte 2016–2017 Global CIO Survey; BIM Maturity levels in the UK.

3.2 Business performance 2018 and events with significant impact on business performance

The Nemetschek Group continued its growth path of recent years in 2018 with clear double-digit revenue growth and better results. This strong operational performance went hand in hand with the expansion of the Group's global presence, ongoing development of its solutions portfolio, and customer acquisition. The Nemetschek Group is planning to invest significantly in strategic projects in order to secure future double-digit growth. In addition to double-digit organic gains, in 2018 growth was again accelerated through acquisitions.

Acquisitions

Holding-company level

With the agreement signed on June 28, 2018, Nemetschek SE increased its shareholdings in **MAXON Computer GmbH**, which is headquartered in Friedrichsdorf near Frankfurt am Main, from 70% to 100%. David McGavran joined the company as new CEO of the subsidiary. Mr. McGavran has extensive experience and an impressive network in the media & entertainment sector. Under this new leadership, MAXON is expected to continue to expand its position in its current markets, particularly focusing on the augmented reality and virtual reality segments, which are significant growth engines in the industry. MAXON is also planning to take more advantage of the growth potential in the AEC industry's core markets served by Nemetschek. The purchase price for the remaining 30% consists of a fixed component of EUR 25.5 million as well as a variable purchase price of EUR 3.0 million, which is dependent on the revenue targets agreed upon for the years 2018 and 2019.

With the agreement signed on August 28, 2018, **Spacewell** (formerly: FASEAS/MCS Solutions Group), which is headquartered in Antwerp, Belgium, became a wholly owned subsidiary of the Nemetschek Group. Spacewell offers modular and integrated software solutions for property, facility, and workplace management for large private and public organizations. Spacewell also developed the COBUNDU™ smart building platform, which uses Internet of Things (IoT) sensors and big data analytics to optimize productivity and efficiency for building administrators. The company has more than two million active users in over 60 countries worldwide involved in a variety of vertical industries including private and public building owners, retail, commercial real estate, financial service providers, and infrastructure providers. The solutions offered by the new brand will be marketed and sold worldwide under a subscription model both directly and through partners. This recurring revenue will continue to grow over the next several years and will eventually replace the traditional licensing business.

With the acquisition of Spacewell, the Nemetschek Group entered the dynamic facility management market. This provides the opportunity to tap new customer groups for the Manage segment and to expand the target markets of the Design and Build segments, in which the Group already holds leading market positions. This makes Nemetschek the only software provider in the world to cover the entire lifecycle of buildings with its workflow solutions.

Spacewell has 170 employees and seven regional offices in Europe, the United States, the Middle East, and Asia-Pacific. The purchase price for 100% of the shares was EUR 46.1 million.

Brand level

On June 12, 2018, the **Bluebeam** subsidiary acquired all material assets of **Project Atlas, LLC**, within the scope of an asset deal. The Project Atlas software is a digital mapping module that can be used to visually organize and connect documents and data kept at different locations. Using this method, anyone involved in a construction project can create and search a digital overview of their project and then make decisions right then and there. The purchase price amounted to EUR 3.1 million.

Nevaris Bausoftware GmbH signed an agreement on June 14, 2018, to acquire 100% of the shares in **123erfasst.de GmbH**, the German market leader in mobile building-site management. 123erfasst.de GmbH is a fast-growing provider of services such as app-based time recording and building-site documentation. With this acquisition, Nevaris will be effectively expanding its product portfolio and intensifying its position as a technology leader in the global growth market for mobile solutions. The purchase price was comprised of a fixed component of EUR 14.5 million. In addition, there is a subsequent purchase price obligation (earn-out component) based on the achievement of revenue targets in fiscal 2020.

Consolidation effects

Two companies were the main contributors to non-organic growth in 2018: the Spacewell brand, which was consolidated as of September 1, 2018 and belongs to the Manage segment; and RISA Tech, Inc. (Foothill Ranch, California), which was acquired on November 1, 2017 and consolidated for the first time over a period of 12 months. RISA is part of the Design segment.

Cooperations and partnerships

In order to expand its market position and to satisfy the diverse demands of its customers, the Nemetschek Group relies on cooperation and collaboration with partners from the sector who offer leading solutions in specialist areas. The Group also collaborates with scientific institutes. Partnerships are pursued both within the Group among the brands as well as between the brands and external partners.

In March 2018, our Vectorworks and Bluebeam brands announced the integration of Vectorworks Cloud Services and Bluebeam Studio, which creates a modern online review and approval process for digital construction drawings and 3D models.

In the **Design** segment, leading Japanese architect firm Nikken Sekkei and Graphisoft extended and intensified their strategic partnership to promote BIM on the Asian market. In March 2018, the partnership, which began in 2013 and focuses on the development of next-generation BIM workflows, was extended until 2022.

Graphisoft and Surbana Jurong Consultants, a leading multidisciplinary consulting firm for urban infrastructure and management services based in Singapore, announced their partnership in the BIM sector in early September. Surbana Jurong will be contributing its design and building expertise, while Graphisoft will focus on BIM and related software technologies.

The partnership between dRofus and A2K Technologies, a technology consultant specialized in AEC, was also announced in September. The focus of the partnership will be on providing software, technical support, professional training, and other consultancy services in New Zealand. dRofus also entered into a partnership with VIATechnik, a virtual design and construction services company, in late October. The purpose of the partnership is to accelerate implementation of a collaboration platform for the AEC industry. VIATechnik will provide support for AEC companies based in North America that are seeking to implement dRofus in their project management activities.

Takenaka, one of Japan's largest companies in the architecture and construction industry, and Graphisoft entered into a strategic partnership in November. With the partnership, the two companies are planning to track Takenaka's design and construction process, implement Takenaka's BIM requirements into product development at Graphisoft, and support Graphisoft's efforts to promote the use of BIM on a global scale.

In the **Build** segment, AECOM, a global infrastructure company, and Bluebeam announced a joint initiative to streamline and revolutionize the design validation process for the Division of the State Architect (DSA) in California. DSA provides design and construction oversight for K–12 schools, community colleges, and various other state-owned and state-leased facilities.

In the **Manage** segment, Crem Solutions and casavi GmbH, the provider of the casavi digital service platform for property management and housing associations, entered into a software partnership in April. A bilateral interface enables the exchange of data between the real estate-oriented iX-Haus ERP solution and casavi's digital service and communication platform. The idea is to enable users to communicate in real time in a customer-friendly way in order to automate processes, and to significantly enhance the level of service they provide. Crem Solutions also entered into a strategic partnership with INTREAL Solutions, a wholly owned subsidiary of property capital management company INTREAL, in early October. The goal of the partnership is to provide a standardized IT platform for professional property management primarily by using interface solutions for ERP and data warehouse systems.

Spacewell (formerly: FASEAS/MCS Solutions Group) began partnering with HOLMRIS B8, Denmark's leading furniture manufacturer, in September to create smarter workplaces across Scandinavia by using real-time usage data provided by the Internet of Things. This strategic partnership makes it possible to create appealing and productive workplaces and to achieve a more efficient use of space.

Current partnerships have been continued. For more information see the 2016 and 2017 Annual Reports of Nemetschek Group, which have already been published.

3.3 Results of operations, financial position, and net assets at the Nemetschek Group

Results of operations

Development of revenue

The Nemetschek Group can look back at a very successful fiscal 2018. The reporting period is the latest in a series of nine successive record years for revenue and earnings. As in previous years, 2018 was characterized by double-digit revenue growth thanks to both organic growth and acquisitions.

As shown in the table below, the Nemetschek Group was able to increase year-on-year revenue in all four quarters. However, in the first half of the year currency effects had a significant negative impact on the result. There were no major currency effects in the second half of the year.

For the whole of 2018, Group revenue climbed significantly to EUR 461.3 million, a year-on-year increase (previous year: EUR 395.6 million) of 16.6% (currency adjusted: 19.2%). In addition to strong organic growth of 14.1% (currency adjusted: 16.6%), the increase can also be attributed to the acquisition of RISA and Spacewell (formerly: FASEAS/MCS Solutions Group). The revenue generated by RISA came to EUR 5.7 million across all 12 full months (previous year, November and December: EUR 0.7 million) with Spacewell posting EUR 5.0 million for the months of September through December. The revenue forecast of between EUR 447 million and EUR 457 million was slightly exceeded.

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	FY 2018	FY 2017	Δ in %	Δ in % Adjusted for currency	Δ in %, organic	Δ in % organic + currency adjustedt
Total year	**461.4**	**395.6**	**16.6%**	**19.2%**	**14.1%**	**16.6%**
Q1	102.2	96.3	6.2%	13.1%	5.0%	11.8%
Q2	113.8	97.7	16,5%	21.2%	15.2%	19.8%
Q3	114.9	95.8	19.8%	19.7%	17.0%	16.8%
Q4	130.4	105.7	23.3%	22.4%	18.9%	17.9%

Revenue performance: recurring revenue and software licenses

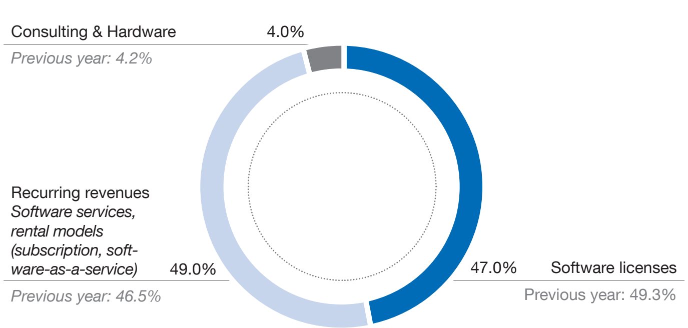
The high revenue growth in 2018 can primarily be attributed to recurring revenues as well as income from software licenses.

Recurring revenue from software service contracts and leasing models such as subscriptions were growth drivers, up 22.8% (currency adjusted: 25.3%) to EUR 225.8 million (previous year: EUR 183.9 million). The disproportionate increase reflects the strategic shift in the Nemetschek business model to offering **subscriptions** in addition to licenses. Revenue from subscriptions jumped disproportionately in relation to the Group's growth, rising by 63.5% (currency adjusted: 69.0%) to EUR 23.5 million (previous year: EUR 13.7 million). The share of recurring revenues compared to total revenues rose year on year from 46.5% to 49.0%. The revenue share of subscriptions rose year on year from 3.4% to 4.8%.

Income from **software licenses** climbed by 11.2% (currency adjusted: 13.9%) to EUR 216.8 million (previous year: EUR 195.0 million). The share of software licenses to total revenues decreased to 47.0% (previous year: 49.3%).

The double-digit growth in both areas provides an excellent foundation for strong sustainable growth for the Nemetschek Group as a whole.

REVENUES BY TYPE IN %



Revenues by region

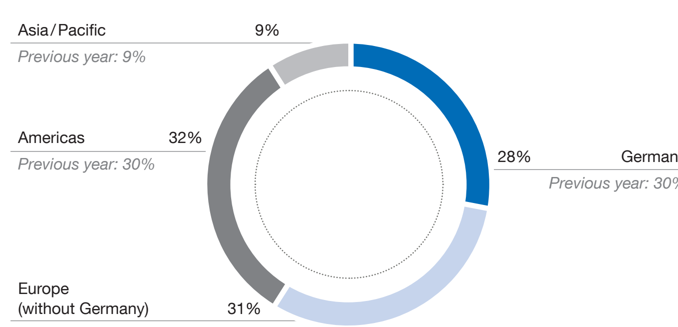
Revenues generated abroad grew in 2018 by 19.8% to EUR 331.2 million (previous year: EUR 276.4 million), a significantly steeper increase than those generated in Germany. In its domestic market of Germany, where the Nemetschek Group already holds a strong market position, revenues were up by 9.2% to EUR 130.1 million (previous year: EUR 119.2 million). The share of revenues generated abroad increased in line with the strategy to 71.8% (previous year: 69.9%).

In 2018, the Nemetschek Group was able to strengthen or expand its market position in all its focus regions, i.e. Europe, North America, and Asia. In Europe, the countries where BIM methods are established or advanced were the main contributors to growth, including the UK, with a growth rate of 30%, and the Nordic countries, with a growth rate of around 17%. Eastern European countries, particularly Russia and Hungary, also recorded above-average revenue growth.

Due to Nemetschek's strong overseas expansion efforts in previous years as well as in 2018, the United States has become the Group's single most important market with a revenue share of around 32%. Revenue growth in the US came to just under 30% in 2018.

The Asia-Pacific region also recorded double-digit growth of 16%, with Japan being the Group's most important market in this region.

REVENUES BY REGION IN %



Segment performance

The **Design** segment again recorded double-digit revenue growth for fiscal 2018, with an increase of 9.8% (currency adjusted: 11.4%) to EUR 273.6 million (previous year: EUR 249.2 million). The three major brands in this segment—Graphisoft, Allplan, and Vectorworks—continued to pursue their growth strategy and further internationalize their activities. Graphisoft focused on the Australian market in 2018 and landed its first major customers there. Allplan marketed its civil engineering solutions in the US and the UK for the first time. Other brands also recorded significant growth and gained market share in their focus regions. The Design segment benefited from growing demand for 3D solutions in the architecture and civil engineering sectors as well as the shift from 2D to 3D software solutions encouraged by BIM regulations.

Organic segment growth came to 7.8%. The **Design** segment contributed 59.3% to Group revenues (previous year: 63.0%). Segment EBITDA came to EUR 69.5 million (previous year: EUR 70.3 million). The EBITDA margin reached 25.4% (previous year: 28.2%). These results also reflect the high investments made in growth strategies that are part and parcel of further internationalizing the brands and advancing the solutions portfolio. These included investments in the Nemetschek Group's strategic cross-brand projects, with the aim of targeting more major customers in the architecture and civil engineering sectors, particularly in the US.

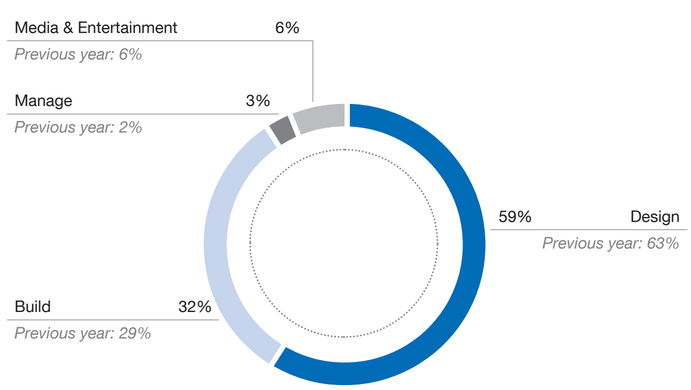
The **Build** segment once again generated the strongest revenue growth in 2018. Revenues rose by 29.2% (currency adjusted: 34.0%) to EUR 148.0 million (previous year: EUR 114.6 million). This corresponds to 32.1% (previous year: 29.0%) of Group revenues. Bluebeam, which is currently the Nemetschek Group's largest brand, maintained its strong growth rate of just over 30%, growing significantly in its domestic region of North America as well as in Asia and Europe. Results were also boosted by Bluebeam's acquisition of Project Atlas in mid-June. The Nevaris brand posted clear double-digit revenue growth, in part due to the brand expanding its market position in the German-speaking DACH region. In mid-July, Nevaris also acquired 100% of the shares in 123erfasst.de GmbH, the market leader in mobile building-site management in Germany.

The **Build** segment's EBITDA also increased disproportionately to revenue due to strong operational performance, recording an increase of 43.6% to EUR 38.2 million (previous year: EUR 26.6 million), which reflects an EBITDA margin of 25.8% (previous year: 23.2%). Strategic investments were made in this segment as well. Areas targeted included product innovation, ongoing internationalization, and development of a Group-wide collaboration platform to reduce loss of information across the individual disciplines.

The acquisition of Antwerp-based company Spacewell (formerly FASEAS / MCS Solutions Group) in Q3 significantly strengthened the **Manage** segment. With the acquisition of the new brand, the Nemetschek Group is entering the dynamic facility management market. Segment revenue increased by 71.3% year on year (currency adjusted: 72.1%) to EUR 13.8 million (previous year: EUR 8.1 million). Organic growth excluding Spacewell (consolidated as of September) came to 8.8%. Spacewell contributed EUR 5.0 million to revenue between September and December. The revenue share of the Manage segment increased to 3.0% (previous year: 2.0%). Segment EBITDA increased by 31.4% to EUR 2.5 million (previous year: EUR 1.9 million). Accordingly, the EBITDA margin decreased from the previous year's 23.4% to 17.9%. This decrease reflects acquisition costs and Spacewell's EBITDA margin, which was below the Group average. Excluding these effects, the EBITDA margin would have been 22.3%.

The **Media & Entertainment** segment increased its revenue by 9.1% (currency adjusted: 11.4%) to EUR 25.9 million (previous year: EUR 23.8 million). The segment's share of total revenue came to 5.6% (previous year: 6.0%). Segment EBITDA increased disproportionately compared to revenue by 19.6% (currency adjusted: 22.1%), amounting to EUR 11.0 million (previous year: EUR 9.2 million). The EBITDA margin experienced another increase to 42.6% (previous year: 38.8%).

REVENUES BY SEGMENT IN %



QUARTERLY REVIEW: KEY RATIOS OF THE SEGMENTS

In EUR million	Q1	Δ in %	Δ in % currency adjusted	Δ in % organic	Δ in % organic + currency adjustedt	Q2	Δ in %	Δ in % currency adjusted	Δ in % organic	Δ in % organic + currency adjusted
Group										
Revenue	102.2	6.2%	13.1%	5.0%	11.8%	113.8	16.5%	21.2%	15.2%	19.8%
EBITDA	27.9	5.9%	13.3%	6.3%	13.8%	31.1	22.6%	22.0%	22.8%	22.2%
EBITDA margin	27.3%	–	–	–	–	27.3%	–	–	–	–
Design										
Revenue	62.8	3.5%	8.2%	1.6%	–	67.4	12.1%	15.1%	10.0%	
EBITDA	15.2	−11.6%	−10.1%	−11.0%	–	17.0	6.8%	8.4%	7.0%	–
EBITDA margin	24.2%	–	–	–	–	25.2%	–	–	–	–
Build										
Revenue	31.6	13.1%	26.6%	13.1%	–	37.4	28.2%	37.1%	28.2%	–
EBITDA	9.8	55.6%	78.0%	55.6%	–	10.6	63.2%	85.0%	63.2%	
EBITDA margin	31.0%	–	–	–		28.4%	–	–	–	
Manage										
Revenue	2.0	12.2%	12.2%	12.2%	–	2.1	6.5%	6.5%	6.5%	–
EBITDA	0.4	39.1%	38.6%	39.1%		0.4	1.3%	1.3%	1.0%	
EBITDA margin	17.6%	–	–	–		20.6%	–	–	–	
Media & Entertainment										
Revenue	5.8	−1.3%	5.3%	−1.3%	–	6.9	7.5%	12.0%	7.5%	–
EBITDA	2.6	−1.9%	1.9%	−1.9%	–	3.0	21.6%	25.6%	21.6%	–
EBITDA margin	44,3%	–	–	–		43.9%	–	–	–	–

QUARTERLY REVIEW: KEY RATIOS OF THE SEGMENTS

In EUR million	Q3	Δ in %	Δ in % currency adjusted	Δ in % organic	Δ in % organic + currency adjustedt	Q4	Δ in %	Δ in % currency adjusted	Δ in % organic	Δ in % organic + currency adjusted
Group										
Revenue	114.9	19.8%	19.7%	17.0%	16.8%	130.4	23.3%	22.4%	18.9%	17.9%
EBITDA	29.2	17.8%	16.4%	16.1%	14.8%	33.0	4.9%	2.6%	2.8%	0.4%
EBITDA margin	25.5%	–	–	–	–	25.3%	–	–	–	–
Design										
Revenue	67.8	11.1%	11.1%	8.8%	–	75.5	12.2%	11.6%	10.6%	–
EBITDA	17.4	−0.1%	1.1%	−0.4%	–	20.0	1.0%	0.4%	−1.6%	–
EBITDA margin	25.6%	–	–	–	–	26.3%	–	–	–	–
Build										
Revenue	37.2	35.4%	34.8%	35.4%	–	41.8	39.4%	37.4%	39.4%	–
EBITDA	8.6	54.9%	51.4%	54.9%	–	9.2	11.3%	7.6%	11.3%	
EBITDA margin	23.1%	–	–	–	–	22.0%	–	–	–	–
Manage										
Revenue	3.6	75.0%	76.0%	8.3%	–	6.1	>100%	>100%	8.6%	–
EBITDA	0.9	85.7%	89.0%	7.3%		0.8	9.4%	6.9%	−10.1%	
EBITDA margin	25.2%	–	–	–		12.8%	–	–	–	
Media & Entertainment										
Revenue	6.2	18.5%	17.7%	18.5%	–	7.0	12.4%	11.3%	12.4%	–
EBITDA	2.3	72.1%	74.2%	72.1%	–	3.1	12.4%	13.2%	12.4%	–
EBITDA margin	37,5%	–	–	–		44.3%	–	–	–	–

ANNUAL REVIEW: KEY RATIOS OF THE SEGMENTS

In EUR million	FY 2018	FY 2017	Δ in %	Δ in % currency adjusted	Δ in % organic	Δ in % organic + currency adjusted
Design						
Revenue	461.3	395.6	16.6%	19.2%	14.1%	16.6%
EBITDA	121.3	108.0	12.3%	13.0%	11.4%	12.1%
EBITDA margin	26.3%	27,3%	–	–	–	–
Design						
Revenue	273.6	249.2	9.8%	11.4%	7.8%	–
EBITDA	69.6	70.3	–1.1%	–0.5%	–1.6%	–
EBITDA margin	25.4%	28,2%	–	–	–	–
Build						
Revenue	148.0	114.6	29.2%	34.0%	29.2%	–
EBITDA	38.2	26.6	43.6%	49.9%	43.6%	–
EBITDA margin	25.8%	23,2%	–	–		–
Manage						
Revenue	13.8	8.1	71.3%	72.1%	8.8%	–
EBITDA	2.5	1.9	31.4%	31.2%	3.7%	–
EBITDA margin	17.9%	23,4%	–	–		–
Media & Entertainment						
Revenue	25.9	23.8	9.1%	11.4%	9.1%	–
EBITDA	11.0	9.2	19.6%	22.1%	19.6%	–
EBITDA margin	42.6%	38,8%	–	–		–

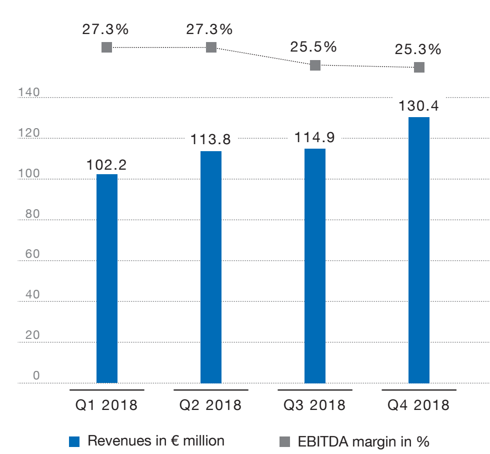
Growth in earnings

Earnings before interest, taxes, depreciation and amortization (EBITDA increased by 12.3% currency adjusted: 13.0%) to EUR 121.3 million (previous year: EUR 108.0 million). This means the EBITDA margin of 26.3% (previous year: 27.3%) was exactly within the forecast range of 25% to 27%. Organically, EBITDA climbed by 11.4% (currency adjusted: 12.1%).

EBITDA increased at a slower rate compared to the increase in revenue, which can be attributed to a slightly disproportionate cost trend. Moreover, the EBITDA margin of the acquired Spacewell brand was below the Group average.

In 2018, the Nemetschek Group invested more heavily in strategic growth projects, including internationalization, next-generation solutions, and strategic cross-brand initiatives. It also invested in internal IT structures to improve efficiency at the Group. As indicated above, these measures involved roughly EUR 10 million in investments. The goal of these investments is to enable double-digit growth in the future.

QUARTERLY REVENUE PERFORMANCE AND EBITDA MARGIN



Operating expenses before depreciation/amortization rose by 18.2% to EUR 345.5 million (previous year: EUR 292.4 million), mainly as a result of higher personnel expenses. Materials expenses increased by 10.6% to EUR 14.3 million (previous year: EUR 12.9 million). This item also reflects revenue generated by third-party solutions and software licenses used internally.

Personnel expenses increased more or less in line with revenue by 16.2% to EUR 200.6 million (previous year: EUR 172.6 million), primarily due to the 14.6% increase in the number of employees. Other operating expenses increased by 22.2% to EUR 130.7 million (previous year: EUR 106.9 million). This result can primarily be attributed to the dynamic growth in the Nemetschek Group's operational business and the related investments in external personnel, computer systems, and legal and advisory fees, particularly in connection with M&A activities.

In addition to the currency effects from translation mentioned above (conversion to the Group's currency, the euro), foreign exchange transactions amounting to EUR 0.2 million were also recorded in 2018 (previous year: EUR –1.4 million). This slightly positive currency effect is included under other operating income and expenses.

The depreciation of fixed assets increased from EUR 21.6 million to EUR 23.5 million as a result of larger depreciation of the purchase price allocation (PPA depreciation) as well as higher investments in fixed assets. Depreciation of purchase price allocation increased to EUR 14.7 million in 2017 (previous year: EUR 13.5 million) as a result of the 2017 acquisition of RISA (as of November 1, 2017) and the additional acquisitions in 2018 of 123erfasst.de and Spacewell (formerly: FASEAS / MCS Solutions Group).

Earnings before interest and taxes (EBIT) improved in 2018 to EUR 97.8 million, up 13.1% year on year (previous year: EUR 86.4 million).

The financial result was mainly shaped by the reversal of conditional purchase price obligations as an item under income (earn-out liability) in the amount of EUR 2.1 million, particularly from the acquisition of the SDS/2 brand (previous year: EUR 7.6 million).

The share of revenue generated by affiliated companies of EUR 0.5 million (previous year: EUR 1.1 million, which can be attributed to a one-off effect of EUR 0.9 million) also contributed to the financial result. Interest expenses for the reporting period came to EUR 1.1 million (previous year: EUR 1.0 million). In total, the financial result came to EUR 2.0 million (previous year: EUR 8.0 million).

Taxes on income increased from EUR 17.6 million to EUR 23.2 million.

The group tax rate of 23.3% increased year on year (previous year: 18.6%). This can primarily be attributed to the 2017 US corporate tax reform and the reversal of deferred tax provisions for unrealized exchange gains on intra-Group loans. As the result of the performance of the EUR compared to USD, these exchange gains decreased significantly, such that the deferred tax provisions established for these in previous years in the amount of EUR 1.7 million could be reversed. The US tax reform had a positive effect of EUR 2.9 million on the tax result, which can primarily be attributed to the calculation of deferred tax liabilities from acquisitions in previous years at the new tax rate.

Profit or loss for the period (net consolidated profit or loss) of EUR 76.6 million was slightly below the previous year's results (EUR 76.8 million), which can be attributed to higher tax expenses. Net income for the year (shareholders of Nemetschek SE) increased by 2.4% to EUR 76.5 million (previous year: EUR 74.7 million). Earnings per share came to EUR 1.99 (previous year: EUR 1.94), up 2.4%. Adjusted for previous-year special effects from the reversal of the earn-out liability and in the tax result, net income (shareholder shares) was calculated at EUR 62.4 million, representing an increase of 22.5% in 2018. The adjusted EPS for 2017 came to EUR 1.62 as a result.

Adjusted for PPA depreciation, net income came to EUR 88.1 million in 2018 (previous year: EUR 85.2 million), up by 3.4%. Earnings per share came to EUR 2.29, accordingly (previous year: EUR 2.21).

OVERVIEW OF GROUP INDICATORS

In EUR million	**FY 2018**	FY 2017	Growth in %
Revenue	**461.3**	**395.6**	**16,6 %**
EBITDA	**121.3**	**108.0**	**12.3%**
EBITDA margin	26.3%	27,3%	
EBIT	**97.8**	**86.4**	**13.1%**
EBIT margin	21.1%	21.9%	
Net income for the year (equity holders of the parent company)	**76.5**	**74.7**	**2.4%**
Earnings per share in EUR	**1.99**	**1.94**	**2.4%**
Adjusted net income after special effects – in financial result through earn-out liability of EUR 7.6 million – in income tax due to US tax reform and release of deferred tax provisions (EUR 4.6 million)	76.5	62.4	22.5%
Adjusted earnings per share	1.99	1.62	22.5%
Net income before amortization of PPA	88.1	85.2	3.4%
Earnings per share before amortization of PPA in EUR	2.29	2.21	3.4%

Financial position

Principles and objectives of financial management

The prime objective of financial management activities is to secure the financial stability, flexibility, and liquidity of the Nemetschek Group. This is done by ensuring an equilibrium between equity and debt capital. Liabilities to banks increased at the Group as of December 31, 2018 to EUR 130.6 million (previous reporting date: EUR 79.9 million). This can particularly be attributed to new loans in the amount of EUR 86.0 million taken out to fund acquisitions. These were offset by regularly scheduled repayment of current loans in the amount of EUR 38.0 million. The balance sheet structure remained stable as of December 31, 2018, with an equity ratio of 43.0% (previous year: 49.5%).

Liquidity analysis

As of December 31, 2018, the Nemetschek Group held liquid funds in the amount of EUR 120.7 million, down year on year by 16.2% (previous year: EUR 104.0 million). This reflects EUR 3.13 per share eligible for dividends (previous year: EUR 2.70). Despite the repayment installments made for the acquisition loan of EUR 38.0 million and the dividend distribution in 2018 of EUR 28.9 million, the Nemetschek Group has enough liquid reserves to undertake other growth projects, both organic and non-organic. At the same time the Executive Board follows a sustainable dividend policy and intends to make a distribution of 25% to 30% of operating cash flow to shareholders.

In investing the surplus liquidity, priority is given to short-term, risk-free availability rather than profit maximization. This guarantees that, if needed, funds can be accessed quickly to finance an acquisition.

As of the reporting date of December 31, 2018, loan liabilities in EUR amounting to EUR 130.6 million were in place in connection with acquisitions. Loan interest rates range between 0.42% and 1.03% p.a. Net liquidity as of December 31 dropped as a result to EUR –9.9 million (previous reporting date: EUR +24.0 million).

To ensure efficient cash and liquidity management, Nemetschek SE, as the Group's parent company, carries out Group-wide cash pooling with selected subsidiaries. Other liquid assets flow to the ultimate parent of the Group through the annual profit distributions of subsidiaries.

Cash flow performance

Group cash flow for the period rose by 11.7% in 2018 to EUR 121.3 million (previous year: EUR 108.5 million), primarily as a result of higher annual net income before tax.

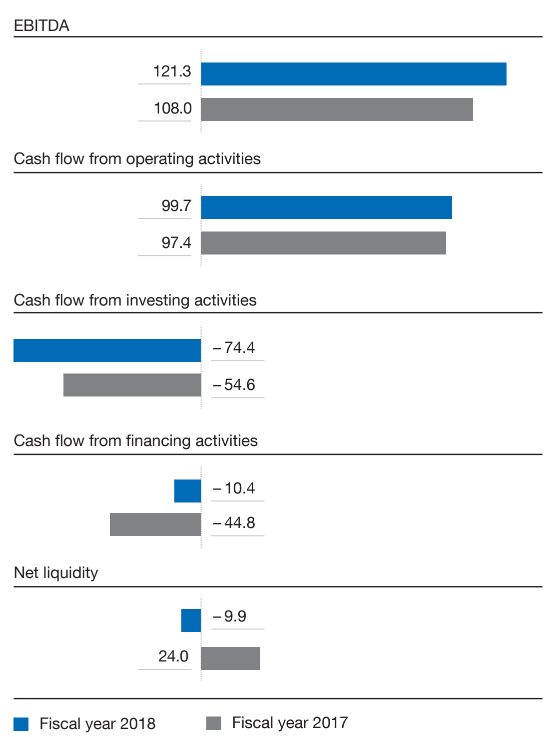
Operating cash flow increased slightly in 2018 by 2.4% to EUR 99.7 million (previous year: EUR 97.4 million). This result was primarily affected by an increase in trade receivables, which was due to sustainable growth in previous fiscal years. Other assets also increased significantly, taking into account higher accrued income and two special items: the first is a right to payment in the amount of EUR 4.1 million from an investment allowance; the other is an amount of EUR 5.2 million that was deposited in a separate bank account as security for a rental property in the US. This amount was not included under cash because of restrictions on disposal. Operating cash flow was offset by the steep increase in software service contracts, with the associated recurring sales and higher trade payables, which increased as a result of ancillary acquisition costs.

Cash flow from investing activities amounted to EUR –74.4 million (previous year: EUR –54.6 million). Main items in fiscal 2018 include the acquisitions of 123erfasst.de and Spacewell (formerly FASEAS/MCS Solutions Group) for a total of EUR 63.1 million (less funds acquired) as well as expansion and replacement investments in fixed assets in the amount of EUR 11.3 million (previous year: EUR 8.8 million).

Cash flow from financing activities came to EUR –10.4 million (previous year: EUR –44.8 million). This amount takes into account acquisition loans in the amount of EUR 86.0 million. The dividend distribution for fiscal 2017 (EUR 28.9 million), repayment of loans (EUR 38.0 million), cash payments to increase the shareholding in Maxon Computer GmbH to 100% (EUR 27.0 million), and distributions to companies with minority shares (EUR 1.7 million) also had an impact.

Cash and cash equivalents amounted to EUR 120.7 million at year end (start of year: EUR 104.0 million).

CASH FLOW IN EUR MILLIONS



Management of liquidity risks

Liquidity risks arise when customers are not able to settle their obligations to the Nemetschek Group under normal trading conditions. To manage this risk, the company periodically assesses the credit rating of its customers.

The high credit rating of the Nemetschek Group allows sufficient liquid funds to be procured. Furthermore, as of December 31, 2018, outstanding lines of credit amounting to EUR 24.5 million were in place. Nemetschek monitors its risk of a shortage of funds using monthly liquidity planning. This considers the maturity of financial assets (accounts receivable, fixed-term deposits, etc.) and the projected operating cash flow. The objective is to be able to guarantee procurement of required funds while at the same time maintaining flexibility.

Investment analysis

In order to secure a leading market position in the AEC market and continue to tap new fields of application, investments are made in capacity expansion as well as replacement and rationalization measures. These investments are financed from operating cash flow. Dividend distribution is also based on operating cash flow.

The Nemetschek Group invested EUR 11.3 million in property, plant, and equipment and in intangible assets in the reporting period (previous year: EUR 8.8 million). The Design segment invested EUR 7.3 million (previous year: EUR 6.9 million) in property, plant, and equipment, the Build segment invested EUR 3.5 million (previous year: EUR 1.4 million), and the Media & Entertainment invested EUR 0.4 million (previous year: EUR 0.3 million). The Manage segment recorded EUR 0.2 million in investments (previous year: EUR 0.1 million).

Depreciation of internally generated assets amounted to EUR 0.8 million in 2018 (previous year: EUR 1.1 million).

Net assets

As of December 31, 2018, the consolidated balance sheet total rose by 26.0% to EUR 580.6 million (previous year: EUR 460.8 million).

On the assets side of the balance sheet, current assets increased by 27.1% from EUR 159.1 million to EUR 202.2 million as of December 31, 2018. This result can primarily be attributed to an increase in liquid funds of EUR 16.8 million and an increase in trade receivables of EUR 14.7 million. The increase in receivables can be attributed to strong revenue growth and acquisitions (EUR 3.1 million).

Due to higher advance payments and tax credits, tax liabilities were recorded at EUR 4.2 million as of December 31, 2018 (previous year: EUR 0.9 million). Other current assets include an investment contribution in the amount of EUR 4.1 million for tenant fit-out.

Non-current liabilities increased in total by EUR 76.6 million to EUR 378.3 million. Goodwill rose from EUR 192.7 million to EUR 244.3 million (26.8%), which can primarily be attributed to the acquisitions of 123erfasst.de and Spacewell (formerly: FASEAS/MCS Solutions Group). The rise in tangible assets from EUR 14.9 million to EUR 17.6 million results from the higher expansion and replacement investments. The interests held in associated companies increased to EUR 4.0 million (previous year: EUR 3.6 million) on account of the earnings due to Nemetschek from the DocuWare Group as well Nemetschek OOD.

On the shareholders' equity and liabilities side of the balance sheet, current debt increased by 34.1% to EUR 222.3 million (December 31, 2017: EUR 165.7 million). This item mainly comprises trade payables alongside provisions and accrued liabilities that fall due in less than one year and are covered by current operating cash flow. The current loans item of EUR 42.0 million includes the repayment amount of long-term bank loans for acquisition due in the coming 12 months as well as a short-term loan of EUR 12.0 million.

Trade payables climbed to EUR 12.9 million (previous year: EUR 8.2 million), primarily due to acquisition costs. The rise in provisions to EUR 40.6 million (previous year: EUR 35.5 million) as well as revenue accruals to EUR 95.1 million (previous year: EUR 68.1 million) can also be attributed to expanded business volume.

Non-current liabilities increased from EUR 67.1 million to EUR 108.7 million (62.0%), primarily as a result of the new bank loans taken out for acquisitions. Deferred tax liabilities also increased as a result of acquisitions to EUR 17.2 million (December 31, 2017: EUR 13.5 million). Other non-current financial obligations rose from EUR 1.7 million to EUR 4.1 million. This item primarily includes subsequent purchase price obligations from the acquisition of 123erfasst.de (EUR 2.7 million) and from the purchase of the minority shares in Maxon GmbH (EUR 1.5 million).

Equity ratio was down at the end of the year to a still solid 43.0% (prior year: 49.5%). This drop can primarily be attributed to a special effect in the balance sheet. A total of EUR 29.1 million was offset with the Group's provisions due to the acquisition of the minority shares in the Maxon Group.

The current loan ratio came to 38.3% of the balance sheet total (previous year: 36.0%) and the non-current loan ratio came to 18.7% (previous year: 14.6%).

In fiscal 2018, exchange rate fluctuations due to the translation of foreign currency contracts in the consolidated financial statements at EUR 5.1 million had a positive effect on the exchange effects recorded under equity.

As in previous years, as part of the impairment testing of goodwill, the Nemetschek Group identified capital costs (WACC = weighted average cost of capital) for each cash-generating unit. The risk-free interest rate is determined by applying the "Svensson method" and, as of December 31, 2018, amounted to 1.00% (previous year: 1.25%).

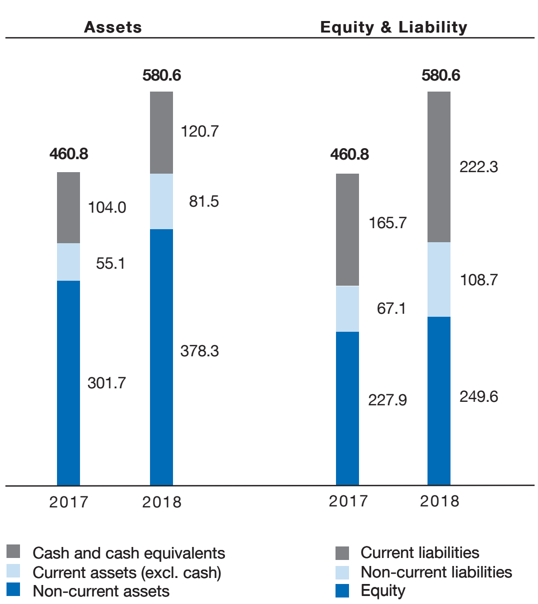
Market risk premium was applied at 6.5% (previous year: 7.0%). Additionally, country risk premiums were applied where necessary. Capital cost rates before taxes resulting from this range from 11.48% to 13.83% (previous year: 11.12% to 13.21%).

KEY BALANCE SHEET FIGURES

In EUR million	FY 2018	FY 2017	Δ in %
Cash and cash equivalents	120.7	104.0	16.2%
Goodwill	244.3	192.7	26.8%
Equity	249.6	227.9	9.5%
Balance sheet total	580.6	460.8	26.0%
Equity ratio in %	43.0%	49.5%	

Please refer to the notes to the financial statements for key balance sheet figures pertaining to the segments.

BALANCE SHEET OVERVIEW IN EUR MILLION



Nemetschek Group employees

Recruiting and permanently retaining highly qualified employees is a key success factor for the entire software industry and therefore for the Nemetschek Group as well. Almost all of the people employed by the Nemetschek Group worldwide possess a vocational or higher education qualification. Numerous employees are architects and engineers, reflecting the company's strong roots in the AEC industry.

A high level of employee motivation and identification is key to the global success of the Nemetschek Group. Nemetschek promotes this by creating attractive working conditions and a positive working environment. Optimum working conditions include a comprehensive range of training opportunities via internal and external course offers. This helps Nemetschek attract, and encourage the development of, talented employees.

Within the context of resource management, Nemetschek takes into account technological trends and strategic issues, e.g. to develop required sector-specific expertise and professional skills. The resource management process was defined by both Nemetschek SE and the Markender Group. Employees have the opportunity to change jobs within the Group to minimize knowledge loss and to provide highly qualified employees with internal career and development opportunities.

The Nemetschek Group maintains an extensive network of contacts at universities and academic institutions, which keeps the Group in contact with new talent. We maintain these relationships by granting free licenses to faculties, which helps to establish the brand name there.

Nemetschek's strong presence at leading universities and academic institutions enables the Group to recruit the right young people with talent and to secure its long-term success. This requires Nemetschek to pay particular attention to maintaining a good balance between young and experienced employees, which keeps the Group effective on the market.

To achieve maximum productivity, employees are assigned to tasks, teams, and projects according to their qualifications. Working in cross-functional, networked teams on Group-wide strategic projects also provides employees with opportunities for professional development. This approach promotes learning and agility, enabling Nemetschek to respond dynamically to changes in the business environment and to intensify knowledge transfer throughout the Group.

Nemetschek brands promote work-life balance through offers such as flexible working hours. These offers vary and depend on country-specific regulations. The same applies to part-time hours and parental leave.

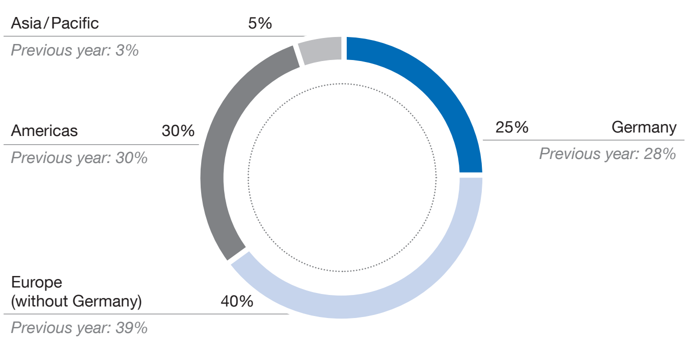
Competitive remuneration and continuing development possibilities are important incentives for recruiting and retaining employees. In addition to their salaries, and depending on their location and the size of the brand company, they receive special benefits such as a company car, a company pension, or cafeteria discounts. Most brands also offer performance-based remuneration, which is crucial to maintaining employee motivation. Performance is measured based on the performance of revenues and earnings of the relevant brand and the achievement of personal targets. Employee targets are individual and based on the employee's area of responsibility. The manager in charge makes sure that they conform with the Group-wide corporate goals. The purpose of having employee goals is to increase efficiency and to ensure consistent implementation of Group strategies. It also enables Nemetschek to identify individual strengths and expectations and assign responsibilities appropriately.

As of December 31, 2018, the Nemetschek Group had 2,587 employees worldwide (previous year: 2,142), reflecting an increase of 445 employees, or 20.8%. This does not include employees on parental leave, freelancers, and those on long-term sick leave. The total number of employees at year end includes 170 employees from the acquisition of Spacewell (formerly FASEAS/MCS Solutions Group) in late August. Adjusted for these effects, the number of employees increased year on year by 258 people, or 12.0%.

The share of women in the workforce remained basically unchanged at the end of 2018 at 35% (previous year: 34%). In selecting the appropriate candidates for management positions, Nemetschek makes a point of hiring a balanced mix of male and female candidates.

At 75% (previous year: 72%), the majority of Nemetschek Group employees were employed outside of Germany as of the end of 2018.

DISTRIBUTION OF EMPLOYEES BY REGION

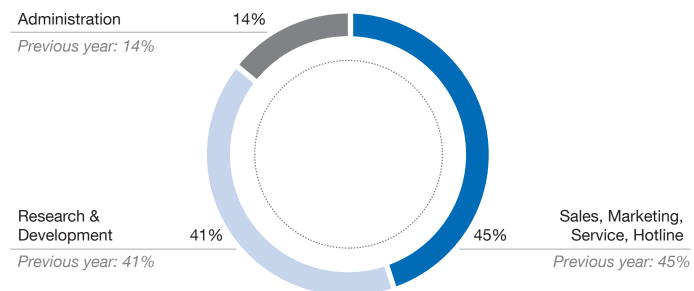


Personnel expenses rose in 2018 by 16.2% to EUR 200.6 million (previous year: EUR 172.6 million), which resulted in a personnel expense ratio (personnel expense/revenues) of 43.5% (previous year: 43.6%).

On average for the year 2018, the Nemetschek Group employed 2,367 people worldwide, an increase of 14.6% compared to the previous year (2,065). The average number of people employed in research and development came to 962 (previous year: 849), or 40.6% of the total head count (previous year: 41.1%).

The average number of employees in sales, marketing, and hotline came to 1,084 (previous year: 927). We also had 321 people (previous year: 288) employed in administration (including 14 trainees, previous year: 17). Trainees primarily work in the commercial departments as well as in IT and development.

PERSONNEL STRUCTURE



Please refer to the non-financial statement (section 2) for more information on employees.

3.4 Results of operations, financial position, and net assets at Nemetschek SE

The following information pertains to Nemetschek SE as the parent company of the Nemetschek Group. The information provided is subject to the accounting regulations under the German Commercial Code (HGB) for large corporations and German stock corporation legislation. The performance of Nemetschek SE depends on the performance of its directly and indirectly held subsidiaries.

Revenue performance and earnings situation

Nemetschek SE's revenue of EUR 5.3 million (previous year: EUR 4.0 million) was primarily generated by licensing activities under the "A Nemetschek Company" umbrella brand.

Other operating income increased to EUR 3.0 million (previous year: EUR 0.6 million). This result can be attributed to an addition to an investment in the amount of EUR 1.6 million and a reversal of provisions in the amount of EUR 0.7 million. Operating expenses in the amount of EUR 13.1 million (previous year: EUR 11.8 million) include personnel expenses, consulting fees, and other operating expenses allocated to subsidiaries.

Income from interest in other companies of EUR 48.2 million (previous year: EUR 35.7 million) pertains to distributions by subsidiaries. Income from profit transfer agreements in the amount of EUR 24.9 million (previous year: EUR 24.8 million) can be attributed to profit transfer received from Allplan GmbH and Frilo GmbH. Nemetschek SE's annual profit increased to EUR 61.4 million (previous year: EUR 47.5 million).

Net assets

The balance sheet of Nemetschek SE as of December 31, 2018 primarily reflects financial assets amounting to EUR 427.2 million (previous year: EUR 355.8 million). Affiliated companies generated by far the largest share of this result at EUR 423.3 million (previous year: EUR 332.1 million). The strong year-on-year increase can be attributed to the acquisition of Spacewell (formerly FASEAS/MCS Solutions Group) at EUR 47.6 million, the acquisition of the remaining 30% shares in Maxon Computer GmbH at EUR 27.5 million, the capital increase in the Nevaris Group at EUR 14.5 million, and an increase in the shareholding in the Nevaris Group. The capital increase was used to acquire 123erfasst GmbH. The amount under loan to affiliated companies decreased by EUR 21.6 million year on year as a result of loan repayments. In addition, new long-term loans in the amount of EUR 1.8 million were granted to Group companies.

Current assets include trade receivables from affiliated companies and receivables in connection with profit/loss transfer contracts amounting to EUR 23.3 million (previous year: EUR 20.6 million).

At the end of 2018, cash and cash equivalents amounted to EUR 8.1 million (previous year: EUR 2.8 million).

The liabilities side of the balance sheet primarily reflects liabilities to banks. These increased to EUR 127.8 million (previous year: EUR 79.8 million) as a result of regularly scheduled repayment installments and the taking out of new loans. Equity increased to EUR 32.5 million. The net result for the current fiscal year of EUR 61.4 million is offset by dividend payments of EUR 28.9 million for 2017. The equity ratio of Nemetschek SE was recorded at 58.4% as of the reporting date (previous year: 62.4%).

Provisions decreased by EUR 3.7 million to EUR 6.9 million, which can primarily be attributed to lower tax provisions.

Liabilities to affiliated companies can primarily be attributed to cash pooling and other financing activities within the Nemetschek Group. The increase of EUR 3.9 million to EUR 54.3 million is primarily the result of higher liabilities from cash pooling with Group companies.

Profit and loss transfer and controlling agreements were in place with the following subsidiaries in fiscal 2018: Allplan GmbH and Frilo GmbH. Profit and loss transfer agreements and controlling agreements were also in place between Allplan GmbH and Allplan Deutschland GmbH and between Allplan GmbH and Allplan Development Germany GmbH.

Financial position

Nemetschek SE's investing activities in fiscal 2018 primarily involved the acquisition of Spacewell (formerly: FASEAS/MCS Solutions Group), the acquisition of the remaining 30% share in Maxon Computer GmbH, and the capital increase in Nevaris Software GmbH (for the acquisition of 123erfasst.de). Acquisition costs including ancillary costs totaled EUR 89.6 million.

Nemetschek SE's financing activities primarily consisted of loan repayment installments in the amount of EUR 38.0 million and a dividend payment of EUR 28.9 million (previous year: EUR 25.0 million). These were offset by cash inflow of EUR 86.0 million in connection with the taking out of several bank loans. In the fiscal year, interest payments of EUR 0.8 million were made toward bank liabilities.

Within the scope of these financing activities, cash inflows to the company primarily comprised funds from cash pooling transactions as well as from distributions by selected subsidiaries.

Cash and cash equivalents came to EUR 8.1 million as of the reporting date (previous year: EUR 2.8 million).

Employees of Nemetschek SE

Nemetschek SE had 43 employees on average in 2018 (previous year: 37). The holding company's employees also receive various special benefits such as a company pension, a company car, and cafeteria discounts. Nemetschek SE offers performance-based remuneration as well. Performance is typically measured based on the revenues and earnings of the Group as well as the achievement of personal targets. In some cases, a distinction is made in that the performance of managers is primarily measured based on the overall success of the company, with variable remuneration for the other employees based on the achievement of individual and team targets.

Nemetschek SE outlook

Nemetschek SE's future performance, with its primary opportunities and risks, will be considerably influenced by the forecasts made by the Nemetschek Group in its opportunity and risk report. Based on the Group's planning, Nemetschek SE expects fiscal 2019 to bring another increase in the results generated by companies in which the Group holds an interest. Nemetschek SE therefore expects earnings to continue to grow, with annual results for fiscal 2019 exceeding the previous year.

4 Comparison of current and anticipated business performance

In late March 2018, the Nemetschek Group published its 2017 consolidated financial statements and its outlook for fiscal 2018. The Nemetschek Group also published an interim target for the first time.

The Executive Board forecast revenue of between EUR 447 million and EUR 457 million for 2018, reflecting growth of between 13% and 15.5%. The Nemetschek Group also announced strategic investments of around EUR 10 million in 2018 at Group and brand level in order to keep its growth rate in the double digits.

Despite investments, the **Group EBITDA margin** is still expected to fall within the range of 25% to 27% in line with past and future targets.

On a segment basis, the Nemetschek Group expects double-digit revenue growth in the **Design** and **Manage** segments within a range similar to the organic growth expected at Group level. Revenue growth rates in the **Build** segment are expected to exceed the Group average, with growth in the **Media & Entertainment** coming in slightly below average.

Despite negative currency effects, the Nemetschek Group managed to reach or exceed its revenue and EBITDA margin targets in 2018. Group revenue was up 16.6% to EUR 461.3 million, coming in above the forecast range of between EUR 447 and EUR 457 million. Growth was even higher at 19.2% after currency adjustments. Adjusted for the new Spacewell acquisition, revenue posted an increase of 14.1% (currency adjusted: 16.6%). The segments also performed in line with their targets.

The **EBITDA margin** of 26.3% fell within the forecast range of 25% to 27%.

OVERVIEW OF THE FORECAST TO ACTUAL FIGURES IN THE FISCAL YEAR 2018

	Actual financial year 2017	Forecast 03/2018	Actual financial year 2018	Growth (organic)	Growth (organic), currency adjusted
Revenue In EUR million	395.6	447–457	461.3	16.6% (14.1%)	19.2% (16.6%)
EBITDA margin in %	27.3%	25%–27%	26.3%		

General statement on the Group's economic performance

The Nemetschek Group saw a very strong fiscal 2018, posting clear double-digit revenue growth and an increase in EBITDA almost equally as high. That makes the year the latest in a series of nine successive record years for revenue and earnings. The Group managed to meet and even exceed its ambitious growth targets in revenue and EBITDA margin for 2018. Growth drivers for the Group included the Group's organic operational performance as well as the acquisition of Spacewell, which was consolidated for the first time in September, and of Risa, which was consolidated across a full 12 months for the first time in 2018. The Nemetschek Group continued to pursue key strategic initiatives in fiscal 2018, including internationalization, advancing next-generation solutions, and new customer acquisition. It also laid the foundation for further double-digit growth in coming years by investing roughly EUR 10 million in strategic, future-oriented cross-brand initiatives.

5 Opportunity and risk report

Opportunity and risk management

The activities of the Nemetschek Group involve opportunities as well as risks, which reflects the diversity of the business. A risk management and control system is implemented for early detection, assessment, and effective management of business opportunities and risks. The Nemetschek Group aims to continually expand its national and international market position, advance its solutions, and make sure these are in line with market and customer needs. The Group strives to take advantage of opportunities wherever possible and to identify risks at an early stage so that effective countermeasures can be initiated.

Its opportunity management activities are focused on sustainable and profitable growth and long-term increase in corporate value and are based on the risk management system. It is important to identify imminent, inherent risks at an early phase, assess their severity, and communicate and address them professionally, thereby ensuring the future success of the Nemetschek Group.

The Executive Board is responsible for identifying risks at an early stage and addressing them. The general managers of the subsidiaries as well as the designated risk owners and risk managers at the subsidiaries and at Nemetschek SE support the Executive Board in these activities. Risk managers are responsible for compiling, assessing, weighing, and reporting on risks and relevant countermeasures. Risk owners are responsible for identifying, assessing, and managing risks on an ongoing basis in their strategic and operational areas. The internal auditor is also a key player in the risk management system and is responsible for monitoring proper process functioning and effectiveness.

To improve comparability, risks are assessed across the whole Group based on uniform quantitative and qualitative criteria. The current risk status of the Nemetschek Group is subject to updates and is documented in the context of a quarterly review.

The Executive Board is also responsible for identifying and managing opportunities that are in line with the Group's business activities and that offer additional growth potential. Accordingly, opportunity management activities are conducted to evaluate relevant, feasible opportunities that have not been taken into account in previous planning, that support strategic goals, and that offer a competitive advantage. The management and strategic analysts at the subsidiaries support the Group's Executive Board in identifying, analyzing, and assessing current opportunities as well as suggesting possible courses of action. Opportunities are assessed in terms of quantity and quality using business models. The Nemetschek Group considers opportunity management an ongoing responsibility.

Accounting-related risk management and internal control systems

The risk management and internal control systems generally also cover the accounting processes as well as all accounting risks and audits. This pertains to all aspects of the risk management system and the internal control system that could have a significant impact on the consolidated financial statements. The aim of risk management with regard to accounting processes is to identify and assess risks that could prevent the consolidated financial statements from complying with the applicable regulations. Any impact of identified risks on the consolidated financial statements must be measured. The aim of the internal control system is to establish sufficient security by setting up controls so that the consolidated financial statements are in compliance with the relevant regulations, despite any identified risks.

Both the risk management system and the internal control system cover Nemetschek AG and all subsidiaries relevant for the consolidated financial statements with regard to all processes relevant for preparation of the financial statements. The controls relevant to accounting primarily concern the risk of a significant misstatement in the consolidated financial statements.

Evaluation of the significance of misstatements is based on the probability of occurrence and the impact on revenue, EBITDA, and the balance sheet total. The capital market and the impact on the share price also play an important role.

Significant elements of risk controlling and management in accounting include the assignment of responsibilities and controls during the preparation of the financial statements, Group-wide requirements in the form of guidelines on accounting and the preparation of the financial statements, and appropriate rules for accessing the IT systems. The four-eyes principle and the division of duties are also important control principles in the accounting process.

An evaluation of the effectiveness of internal controls with regard to accounting was an integral part of the audits performed by the internal auditor in 2018. Four times a year, the Supervisory Board is notified of the significant risks identified at the Nemetschek Group and of the efficiency of the risk management system and accounting-relevant internal control system.

Opportunities and risks

The Nemetschek Group faces strategic opportunities and risks that are medium to long term in nature. These can arise from changes in environmental and market factors, competitive conditions, technological progress, and management processes, including development, marketing, organizational, or leadership processes. Some operating risks tend to be more short term in nature and can arise from changes in the market environment, from inadequate or erroneous internal processes, systems, or external factors, and from human error. As a result, the efficiency of the organization and the recoverable value of assets could be impaired.

The Nemetschek Group's factors for success are based on its decades of experience in developing and marketing software solutions for the AEC and media & entertainment industries, its well-qualified and highly motivated employees at all levels, and its stringent and efficient business processes. Opportunities for further development of the business base and to expand the portfolio as well as to identify new strategically relevant business areas are systematically identified in order to create or expand competitive advantages.

Risk assessment and reporting

The Nemetschek Group analyzes and measures risks systematically. This includes quantifying and categorizing risks. In order to undertake appropriate measures for risk management, in particular in relation to the going concern, the risks identified are assessed with regard to their estimated probability of occurrence and, should they occur, are rated based on the degree of their anticipated impact on the Nemetschek Group's results of operations, net assets, financial position, share price, and reputation.

PROBABILITY OF OCCURRENCE AND POTENTIAL SEVERITY OF LOSS OR DAMAGE

Level	Likelihood of materialization	Potential severity
Very low	≤ 10%	EUR 0.0 ≤ 0.25 million
Low	>10% ≤ 25%	> EUR 0.25 ≤ 0.75 million
Medium	> 25% ≤ 50%	> EUR 0.75 ≤ 2.0 million
High	> 50% ≤ 75%	> EUR 2.0 ≤ 4.5 million
Very high	> 75% ≤ 100%	> EUR 4.5 million

Market risks

Economic risks (political and regulatory risks, social conflicts, instabilities, natural disasters)

The customer order situation can be affected by positive or negative developments in the construction sector and the general economic climate.

The Nemetschek Group is active in various markets, the economies of which could enter a recession or undergo a crisis due to cuts in government spending, new financial laws to limit spending and debt, high unemployment, or natural disasters or conflicts. In fiscal 2018, the Nemetschek Group took a closer look at the situation in the UK because of the uncertainty around the Brexit vote and came up with scenarios reflecting how a regulated or a no-deal Brexit could affect the operations of its brands. Even though the UK accounts for under 5% of Group revenue, the UK is still a forward-thinking BIM market that has seen major growth in the past few years.

There is a possibility that, due to rapid change in the economic situation or government regulations in individual countries or in economic communities, conditions could arise that would threaten the current business models or market opportunities of Nemetschek subsidiaries. Such changes could in turn also negatively affect the revenue, financial, and earnings situation and the current assets of the company.

Nemetschek monitors the development of key economies and their construction industries using generally available early warning indicators and an analysis of its own marketing situation. Thanks to its international sales orientation, the company is able to spread its risks. In particular, the Nemetschek Group actively monitors those markets where it is most strongly present, i.e. Europe, North and South America, and Asia.

Market factors such as geographical and economics-driven business cycles as well as political and fiscal changes can affect business activities. Most significantly, the global economic situation has become more volatile in recent years, bringing with it greater economic risks. Similarly, technological changes can have a negative effect on single brands or brands in a specific segment. Market factors are particularly vulnerable to short-term fluctuation. The Nemetschek Group plans its investments and corporate decisions for the medium to long term so that short-term deviations do not significantly impact long-term performance. It also makes adjustments to Group and segment strategies as needed. This requires close monitoring of the performance of Nemetschek brands and segments. Both the wide diversification of the portfolio to address various customers and sectors as well as the breadth of the Group's internationalization serve to fundamentally counteract cyclical developments.

It cannot be ruled out that economic conditions in central markets might have a lasting negative impact on the Nemetschek Group's business activities, financial position, and results of operations. However, the more the Nemetschek Group pursues internationalization, the more it is able to spread risk.

Sector risks

The market and industry environments hold material opportunities and risks that could lead to a significant change in the Nemetschek Group's economic situation.

The AEC market is characterized by high-speed innovation. The significance of information technology and digitalization is growing constantly, with tremendous and rising growth potential in Nemetschek's target markets. The Nemetschek Group holds a leading competitive position and, thanks to its structure comprising strong and independent brands, can respond quickly and flexibly so as to realize additional revenue potential. Conversely, a drop in demand could negatively impact Nemetschek's earnings situation at short notice if there is a delay in reducing costs.

However, revenue from Nemetschek Group solutions is distributed geographically across many countries. No single customer accounts for a major share of revenue, which means there is no cluster risk. Moreover, the Nemetschek Group's customers are very loyal. This means the Nemetschek Group is highly diversified in terms of regional spread and customer structure. The large share of recurring revenue also serves to mitigate risk.

Consequently, the risks described above have not yet had a significant impact on the earnings situation of either Nemetschek SE or the Group. As a leading company in the AEC industry and thanks to its size and expertise, Nemetschek is poised to continue the expansion of its market share and will continue to benefit from technological trends.

The order situation and financial strength of the construction industry impact the AEC industry's investments in software and, in turn, the performance of the Group's business. The fundamental willingness of private and institutional builders to invest also plays an important role in future development. The general conditions of the economies in which Nemetschek is active could therefore have a far-reaching impact on the purchasing power of its target groups.

Risks from the competitive environment

The Nemetschek Group is active in a very competitive and technologically fast-moving market in which there are only a few large providers. Risks may arise in connection with the pace of technological change, competitor innovation, or the market entry of new players.

Nemetschek, however, considers these risks to be manageable. The company invests extensively in research and development to advance its solutions portfolio and promote innovation. The Nemetschek Group considers itself an expert in the industry that is prepared to go to considerable lengths to accommodate the needs of its customers. With its Design, Build, and Manage segments, the Nemetschek Group covers the entire lifecycle of buildings. In addition, the Media & Entertainment segment, which is substantially independent of any one sector, has made good progress over the last few years. As a result of this strategic positioning, Nemetschek is exposed to lower risks than other market participants.

Nevertheless, there is still the risk of competitors offering software solutions with fewer functions but at substantially lower prices in order to entice customers away from the Nemetschek Group. In order to address this risk, the subsidiaries strive to meet individual customer demands, offer innovative solutions, and provide extensive service and support.

This is summarized below:

Risk category	Likelihood of materialization	Severity
Economic risks	medium	medium
Industry sector risks	very low	very low
Risks from the competitive environment	low	low

Operative risks

Corporate strategy

Risks can also result from corporate decisions that change Nemetschek's opportunity and risk profiles in the short, medium, or long term.

Customer demand for products, solutions, and services is subject to constant change. There is always the chance that the measures initiated to guarantee continued business growth in terms of product development, expansion of business fields, and marketing are not successful. The risk of making the wrong corporate decisions or of inadequate allocation of resources to guarantee strong performance could also jeopardize the company as a going concern.

Nemetschek makes sure to closely involve its target groups when developing and marketing products and solutions. It also regularly analyzes the competitive situation with regard to technology, market participants, and business models. The brands also regularly engage in dialog with their cooperation partners, analysts, and key customers regarding trends in the AEC and media & entertainment segments.

Sales risks

The Group's various sales models involve sales partners with technical expertise, re-sellers, and highly qualified, specialized employees. These help Nemetschek provide its customer segments with excellent service while ensuring high customer satisfaction and guaranteeing strong performance going forward. The brands target their various markets with different sales and business models. Due to the rather high complexity of Nemetschek solutions, marketing them can be demanding. Knowledge of the technologies and products is subject to constant change because of the fast pace of technical progress.

Any loss of sales partners or sales personnel may adversely affect the revenue and earnings of the Nemetschek Group. The brands address this risk through careful selection and training of their distribution partners and sales personnel, offering incentive- and performance-based systems to ensure quality. Sales employees are paid performance-based premiums or commissions in addition to their fixed remuneration.

Sales risks can also arise if the subsidiaries decide to establish their own sales team or own sales location in regions where a sales partner is active or if a sales partnership is terminated. As a consequence of this transition, disagreements could arise with the previous sales partner or there could be negative customer response. Such decisions are, however, analyzed precisely before implementation and are discussed both internally and with market experts.

Marketing risks

The Nemetschek Group generates revenue primarily from the sale of software licenses and income from maintenance contracts. In addition, it offers rental models such as software-as-a-service (SaaS) and subscriptions. Some of its software is already offered within the context of a leasing model and generates recurring revenue, as do maintenance contracts. Some software firms have already converted their models from traditional desktop use to SaaS and subscriptions. This transition is takinf place particularly in the US. The Nemetschek Group consciously offers both options to give customers maximum flexibility and to acquire new customers.

There is, however, the risk that the market might move faster in this direction than Nemetschek assumes, which is why it observes the market very carefully and is in close dialog with its customers.

Product risks

There is a basic risk that the innovative advantage achieved by the Nemetschek Group might be lost through innovations from competitors as well as through failure to acknowledge and adapt, at all or in time, to changing customer requirements and technological innovation. Future business success therefore depends above all on Nemetschek's ability to offer innovative products that are tailored to the relevant needs of its customers. Nemetschek addresses this risk with its strong focus on research and development accompanied by new releases of its software products. This gives it an opportunity to gain additional market share thanks to its extensive product range tailored to local customer needs. Nemetschek is also able to quickly respond to changes through its 16 independent brands. Only by constantly optimizing the product range can the advantage over competitors be maintained and increased. Due to its proximity to its customers and its innovative solutions, the Nemetschek Group is well placed to achieve future profitable growth.

Risks may arise in the process of developing software products in that those products might fail to sufficiently fulfill customers' needs or internal quality standards.

Third-party technology is incorporated into some of the software products sold by the brands. If this technology no longer works or is of poor quality, Nemetschek's own software delivery can experience delays, not to mention increased expenses for the procurement of replacement technology or for quality improvement. The brands reduce this risk through careful selection of suppliers and effective quality assurance.

Project risks

To a limited extent, Nemetschek generates revenue through project contracts with customers in various countries. This kind of business has a different profile from the traditional software business, since to render its services Nemetschek must have some access to external personnel with key expertise. In some cases, Nemetschek relies on the support of the customer for project realization and on detailed customer documentation for service provision (systems specification). In such cases it is possible that, if the performance rendered is inadequate, compensation for damages could be asserted against brands. Nemetschek, for example, might not be able to fully meet its contractual obligations due to differing country-specific legal requirements. To avoid such risks, Nemetschek has issued guidelines on the awarding of contracts that require a legal and commercial examination of such projects.

Technology risks

The Nemetschek Group examines and uses the opportunities of digitalization on an ongoing basis. There is a risk that technology used is no longer state of the art. This may apply to both existing and future products. The product portfolio strategy currently pursued with Open BIM and 5D solutions, the provision of leasing models and cloud services, and usage via mobile end devices should help Nemetschek tap new markets and secure its market position.

Should the expected market demand for Open BIM solutions and web services decline or should completely different web technologies prevail, there is a risk that earnings will not be enough to cover the investments made. Nemetschek addresses this risk by evaluating technology and regularly updating market estimates as well as by focusing its product portfolio strategy on current market conditions. In general, Nemetschek is convinced that new business opportunities will arise from the trend toward Open BIM.

Risks could arise if technologies like leasing models or cloud services are in demand sooner than expected and relevant solutions do not yet have the level of maturity that customers expect. Nemetschek addresses this risk through rapid alignment and by intensifying its development activities. Nemetschek has in particular carefully assessed its subscription service. To this end, financial models are being used to simulate what-if scenarios that show different outcomes based on a wide range of influencing factors. One such example is simulation models that reflect the brand's rollout of subscription services. Nemetschek assesses risk on the basis of anticipated values (i.e. by modeling potential scenarios). These scenarios are assessed based on quantitative criteria (e.g. customer acceptance, customer satisfaction) and used in the decision-making process.

Process risks

The core processes of software development, marketing, and organization at the Nemetschek Group are subject to continuous checks and improvements by management at the relevant brands. The performance and goal orientation of these processes is put to the test and optimized during strategic and operational planning. Nevertheless, there is still a fundamental risk that, due to inadequate availability of resources or changes in underlying conditions, the required and planned process results might not meet customer requirements in terms of timing and content.

There is also potential risk in restructuring the product lines. The migration of a product that has been on the market for a long time to a new solution, for example, can bring with it the risk of losing customers even if the migration takes place within the Group. In such cases, the Nemetschek Group makes sure that communication between the brands is strengthened and that an extensive marketing approach shows customers the advantages of migration.

Personnel

Recruiting and permanently retaining highly qualified employees is a key factor for the entire software sector and therefore also for the Nemetschek Group. If managers or other qualified employees were to leave the Nemetschek Group and suitable replacements could not be found, this would adversely affect business development. This is especially significant if it involves the loss of specialist knowledge. To prevent this risk, the Nemetschek Group offers attractive working conditions and continually improves its knowledge management processes. The general shortage of skilled workers worldwide presents a challenge to the Nemetschek Group. The brands are competing with major players in the software market, which has made it increasingly difficult to attract qualified personnel over the past few years. This situation is exacerbated by the general shortage of skilled workers. In order to recruit employees, the brands offer flexible working arrangements in addition to attractive salaries. The Nemetschek Group also works closely with universities, granting scholarships and offering postgraduate positions in order to attract young professionals.

Acquisition and integration risks

Acquisitions are an integral aspect of Nemetschek's corporate strategy. In order to make the most of these opportunities, Nemetschek Group employees from Market Research & Development are always scanning the markets in search of suitable candidates while also working with M&A consultants to identity possible acquisitions. The brands also contribute their knowledge and market observations to a professional M&A process. Acquisitions are carefully and systematically checked and planned before contracts are signed. A standardized process has been established for M&A with an emphasis on due diligence and post-merger integration.

The structure of the Nemetschek Group, with its independent brands, is a considerable advantage in winning bids. Experience shows that company founders prefer belonging to a strong international group but still wish to preserve their identity and a high degree of operational independence. This type of corporate structure offers considerable opportunities for the acquisition of attractive companies. At the same time, there is also an entrepreneurial risk that the entity acquired fails to develop commercially as expected and that the revenue and earnings targets pursued with its acquisition are not achieved. After the acquisition, the companies are rapidly integrated into the Nemetschek Group's reporting, controlling, and risk management system.

Goodwill is subject to an annual impairment test. There was no need to record impairment in fiscal 2018. However, future impairment cannot be excluded.

This is summarized below:

Risk category	Likelihood of materialization	Severity
Corporate strategy	very low	very low
Sales risks	low	low
Marketing risks	low	low
Product risks	low	low
Project risks	medium	medium
Technology risks	low	low
Process risks	very low	very low
Employees	medium	medium
Acquisition and integration risks	low	medium

Legal, tax and compliance risks

Tax risks

With its offices worldwide, the Nemetschek Group is subject to local tax laws and regulations. Changes to these regulations could lead to a high tax expense and to corresponding cash outflows. Furthermore, changes would have an impact on the deferred tax assets and liabilities. However, changes in tax regulations could also have a positive effect on the results of operations of the Nemetschek Group. For example, Nemetschek benefits in the US from a lower tax rate as the result of the tax reform introduced in 2017.

Compliance and governance risks

The regulatory environment of Nemetschek SE, which is listed on the German MDAX and TecDAX, is complex and is characterized by a tremendous number of regulations. Any potential infringement of these regulations can have a negative effect on the company's net assets, financial situation, results of operations, share price, and reputation.

A small number of customers of the Nemetschek Group are governments or publicly owned companies. Business in the engineering sector is in part characterized by orders of higher value. The occurrence of, or indeed merely allegations of, corruption could hinder participation in public bids and have adverse effects on the company's further economic activity, net assets, financial position, results of operations, share price, and reputation. Considering this, and in addition to the Code of Conduct, which is mandatory for all employees, Nemetschek has initiated an anti-corruption program. Compliance and corporate responsibility have always been important components of the corporate culture at the Nemetschek Group. In order to communicate the issue sustainably and throughout the Group, Nemetschek uses a modern training tool so that employees can recognize and respond appropriately to potentially critical situations.

Legal risks
As an internationally active company, contract, competition, brand, and patent right risks can arise. Legal risks are assessed in accordance with accounting requirements. These risks are limited by the Nemetschek Group through legal audits by the legal department and by external legal advisers.

In the software sector, developments are increasingly protected by patents. Patent activities mainly relate to the American market, although protection of software by patents is also steadily increasing in other markets. Patent infringement could have a negative effect on the company's net assets, financial situation, results of operations, share price, and reputation.

The Nemetschek Group sells its products and services not only through its own sales staff but also by working with external dealers and cooperation partners. Distribution partners might not renew their contracts with Nemetschek or might wish to do so only under unacceptable conditions. Distribution agreements might be terminated, something that could give rise to litigation and so adversely affect the Group's business activity, financial situation, and results of operations.

This is summarized below:

Risk category	Likelihood of materialization	Severity
Tax risks	medium	medium
Compliance and governance risks	low	low
Legal risks	medium	medium

Financial risks
Where there are high financial liabilities there is also liquidity risk if the earnings situation of the Group deteriorates. As of the end of 2018, the Nemetschek Group had bank liabilities of roughly EUR 130 million. However, Nemetschek generated clearly positive cash flows, which make it possible to continue to invest in organic growth as well as in acquisitions. The availability of local funds is ensured by Nemetschek SE using a centralized cash pooling system. The objective of the Nemetschek Group with regard to financial risk management is to mitigate the risks presented below by the methods described. The Group basically follows conservative, low-risk financing strategies.

Currency risks
The Nemetschek Group is exposed to fluctuations in exchange rates in its operating business especially in the United States, Japan, the United Kingdom, Norway, Sweden, Hungary, and Switzerland. With the further internationalization of Group activities, exchange rate fluctuations will become increasingly significant to the Group. Nemetschek's strategy is to eliminate or minimize these risks by entering into hedging transactions. The Group is exposed to currency risks because it operates and has production sites and sales establishments in different countries worldwide. All hedging measures are centrally agreed and coordinated with Group Treasury. Exchange rate fluctuations have only a limited effect at Group level because the operating subsidiaries outside of the eurozone record their revenue as well as cost of materials, personnel expenses, and other expenses predominantly in their local currencies. Despite this, exchange rate fluctuations in one of the countries may lead to effects, especially on sales and pricing, which might ultimately influence the revenue and earnings situation of individual brands. In the first half of 2018, the Nemetschek Group experienced negative currency-driven effects on revenues and EBITDA, in particular due to the weaker US dollar; these effects were then basically neutralized in the second half of 2018.

Uncertainties caused by the upcoming Brexit negotiations and a no-deal Brexit could lead to volatility in the British pound.

In order to control exchange fluctuations, the brands conclude various types of forward exchange contracts as required.

Default risk and risk management
Default risk is managed by means of credit approvals, setting upper limits, and control processes, as well as by regular reminder cycles.

The company's business partners are deemed highly creditworthy and it is not expected that any will fail to meet their obligations. The Nemetschek Group has no significant concentration of credit risks with any single customer or specific customer group. From today's perspective, maximum credit risk can be calculated from the amounts shown in the balance sheet.

The Nemetschek Group does business only with creditworthy third parties. All customers that wish to perform material trade with the company on credit terms are subject to credit verification procedures if materiality criteria are exceeded. In addition, receivables balances are monitored on an ongoing basis with the result that the company's exposure to default risks is not significant. If default risk is identified, appropriate accounting precautions are taken.

There is currently no material concentration of default risk within the Group. With respect to the other financial assets of the Group, which comprise cash and cash equivalents, the Group's maximum exposure to credit risk, arising from default of the counterparty, is equal to the carrying amount of these instruments.

Interest risk
Because of the current financing structure of the Nemetschek Group, there is no material interest risk in the opinion of management.

This is summarized below:

Risk category	Likelihood of materialization	Severity
Currency risks	high	medium
Default risk and risk management	low	low
Interest risk	very low	very low

Opportunity assessment
The risk categories described above also hold numerous opportunities for the Nemetschek Group. In terms of the market, the company benefits from a good construction economy and growing investments in building and infrastructure projects. In particular, the infrastructure investments announced by numerous governments offer further growth potential. Decisions by competitors, for instance to convert the sales system to leasing models, can have positive effects for Nemetschek. The Group's opportunities to expand its market position as the leading supplier of integrated software solutions for the workflow of the entire building lifecycle arise from stronger internationalization as well as from the systematic exploitation of the potential within existing markets, supported by the consistent implementation of new technologies. As it becomes more international, Nemetschek will become less dependent on individual regions. Through consistent implementation of the M&A strategy, the Group is able to disseminate expertise and close gaps in its portfolio. Furthermore, continued internationalization may accelerate revenue and earnings growth and increase the brands' cross- and co-selling activities.

Market potential from digitalization
The strength of the construction market can partly be attributed to the trend towards digitalization. The industry had lagged significantly behind in this regard for the past few decades. This potential for improvement in terms of new technologies and collaboration opportunities within the industry is an important driver of growth for Nemetschek. Thanks to its unique structure with 16 largely independent brands, the Nemetschek Group is highly customer and market oriented. This allows it to identify, assess, and, if necessary, implement changes and trends within the company ecosystem. Flat hierarchies, a close-knit network of decision-makers within the Group, and cross-functional teams make it easier to assess opportunities quickly and accurately. In order to promote digitalization and achieve our visionary goals, roughly 25% of generated revenue is invested in research and development on a regular basis.

BIM—Building Information Modeling
The Nemetschek Group considers itself a building information modeling (BIM) innovator. To this end, the Group takes an interdisciplinary approach to integrating the processes of a wide variety of players from the construction industry using collaborative software and integrated software solutions. BIM regulations in various countries are additional drivers for growth, since they increase the importance of BIM technologies in the construction industry. These requirements also push BIM standards in other countries, making the method more accepted.

Integrated workflow and software solutions
The construction industry is trending towards integrated, collaborative software solutions that cover the entire value chain and a property's entire lifecycle (designing, building, and managing). Open standards enable the integration of a number of different building software solutions that have been developed in-house or by third-party providers and that support non-proprietary standards. These technologies make it possible to fully simulate properties as early as possible in the design phase, minimizing the risk of error during the construction process. That makes construction processes significantly more efficient. In this regard, too, BIM regulations in various countries are critical for establishing standards (e.g. common data environment—CDE). Using CDE technologies, document management can be fully digitalized, with all relevant parties integrated into the new workflows. Nemetschek offers the integration of co-selling and cross-selling options for complementary software solutions along the entire AEC value chain, something that is in particular demand among large, multi-disciplinary customers.

Subscription
Subscription models for software appear to be gaining increasing acceptance within the construction industry, although there are regional differences. The Nemetschek Group is making use of this additional distribution channel by offering customers the option of either buying or leasing its software. This new business model taps into new customer groups and new markets, thus offering long-term opportunities for growth. The option brings many advantages to customers, since it offers them greater flexibility.

Internationalization
The Nemetschek Group is represented globally by its brands. The Group strategically focuses on internationalization as a way to increase its share in existing markets or to enter into new markets. The Group targets the markets that have the best business opportunities and the greatest potential for growth. The Group mainly focuses on Europe and the US, the world's largest AEC software market, where Nemetschek opened a branch office in 2016. Well-established brands and a broad product portfolio along the entire value chain make for a strong market position to promote co- and cross-selling.

The Group is also intensifying its market expansion in Asia, further solidifying its position in the region. Both the cross-brand strategy and the BIM initiatives of local governments (e.g. in China) play an important role in these efforts.

M&A

Strategic acquisitions expand Nemetschek's solutions portfolio and provide access to new technologies and regional markets, thus closing gaps in the value chain. Acquisitions are crucial for establishing our software solutions as the market standard in new markets. They also help Nemetschek tap new customer groups and market segments that are deemed relevant and promising. This includes investments in start-ups, in order to access innovative technology in line with the Group strategy.

Market segments / vertical markets

The Group's business activities are rooted in the Design segment. Nemetschek has gradually expanded its business to embrace further growth markets in the AEC industry. Following the significant expansion of the Build segment in recent years, Nemetschek is now shifting its focus to the facility management market. Both segments have considerable growth prospects given the high market and digitalization potential.

Infrastructure is also an important market with major growth opportunities, not least due to government investments in several countries. Highly specialized software solutions such as those provided by Nemetschek are crucial for fulfilling the market requirements in this segment.

Summary assessment of the Group's opportunity and risk situation

In summary, the management of Nemetschek SE is convinced that none of the main risks identified above, neither individually nor as a whole, threatens the going concern, and that the Group will continue to successfully master challenges and opportunities. Compared to the previous year, there were no material changes in 2018 in the overall risk position or the specific risks described. Management is convinced that the risks are limited and manageable. The financial basis of the company is solid. The equity ratio of 43.0% is very good and the liquidity situation comfortable. The Nemetschek Group plans to increasingly benefit from these opportunities, tap market potential, and improve its market position in the years ahead.

6 Outlook report 2019

Macroeconomic conditions*

The German Council of Economic Experts expects the economic upswing to continue in 2019, albeit with less momentum. However, the global economy also faces considerable risks, in particular a potential spread of global trade disputes. The uncertainties around Brexit and its impact are a major risk factor in Europe. The stability of the eurozone is also threatened by political uncertainty in Italy and the high levels of debt in some member countries. GDP in the eurozone (1.7%) and the UK (1.4%) is still expected to grow, although at moderate rates.

Experts expect the US economy to grow at a constant pace despite economic uncertainty. Supported by the Tax Cuts and Jobs Act and the general fiscal policy of the US administration, the anticipated growth rate in 2019 is 2.6%. Another year of moderate economic growth (1.1%) is expected for Japan in the light of the high utilization of production capacities. The planned VAT increase, which has already been postponed several times and is now scheduled for October 2019, is a risk factor. The Japanese government is planning compensatory measures to support the population and minimize any negative impact on economic development.

While moderate economic growth of 2.1% is anticipated for developed economies, the German Council of Economic Experts expects growth in emerging markets to remain dynamic (4.9%). China is expected to once again make the largest contribution to growth (6.2%).

The German Council of Economic Experts expects global GDP growth of 3.0% for 2019 (previous year: 3.3%).

Construction industry**

Euroconstruct experts expect growth in the construction industry in Europe to continue over the next few years, but the pace of growth is expected to continue to lose momentum. The major economies in particular are unlikely to repeat previous years' growth rates. Germany is expected to record minimal growth of 0.1% while moderate growth (1.1%) in construction volume is expected in France. With forward momentum from some major infrastructure projects, the UK is expected to return to growth (1.3%) despite uncertainties over Brexit. Euroconstruct expects Eastern European countries (Hungary 10.3%, Poland 10.1%, Czech Republic 6.9%), the Netherlands (4.6%), and Spain (4.5%) to continue their upswing. Sweden (–3.8%) and Finland (–1.2%) are on the brink of recession in the construction sector. Euroconstruct expects the total construction volume of its member states to grow by 2.0% in 2019.

Experts from the FMI industry association do not expect the US construction sector to continue its current high growth in the coming years. Reasons include already high capacity utilization and the shortage of skilled workers. Construction spending is nevertheless forecast to increase by 3.4% in 2019. While the housing segment is expected to see another decline in growth momentum, investment in commercial and infrastructure construction is likely to record another significant increase. A government infrastructure program in the US is expected to become a growth engine. In addition to direct investments in the amount of around USD 200 billion, it also provides for financial participation by federal states, municipalities, and private investment funds.

Market experts expect lively activity in the Japanese construction industry in 2019. Japan is currently investing significantly in construction and modernization in view of increasing tourist numbers and the 2020 Summer Olympics in Tokyo. Positive economic development as well as reconstruction and safety measures in response to natural disasters also promote investment in the construction sector. Public construction investment is expected to increase particularly significantly in 2019. Commercial construction is also expected to grow moderately. However, a minor drop in investment is forecast for the private residential sector. The Japanese Research Institute of Construction and Economy (RICE) anticipates moderate growth in construction volume of 2.4%.

Digitalization in construction

As described under item 3.1, construction industry KPIs are only one of many indicators of developments in the Nemetschek Group's markets. In addition to positive stimuli from the construction industry overall, sector-specific growth drivers are also solid as of early 2019. The Nemetschek Group is active in markets that have large growth potential, due to the fact digitalization in construction and the relevant IT spending are far behind other sectors. Digitalization in the AEC industry is essentially defined by the use of the digital working method known as BIM. Some countries, including the US, Singapore, Scandinavia, and the UK, have already adopted BIM regulations, which determine the use of BIM software for publicly funded construction projects. These regulations are being adopted by other countries in the EU and Asia. BIM is also becoming increasingly important in residential construction, which is likely to further promote growth in this market.

* Sources: Annual Expert Report 2018/19 German Council of Economic Experts; GTAI/Economic Trends.
** Sources: Euroconstruct Summary Report Paris, Nov. 2018; GTAI/Construction Industry; 2019 FMI Overview.

Corporate expectation

The Nemetschek Group will continue to pursue its business policies aimed at sustainable, profitable growth and will continue to invest in internationalization, next-generation solutions, and strategic cross-brand initiatives. It will also be investing in internal IT structures to improve efficiency at the Group.

Internationalization

As one of the top players in the worldwide AEC market, the Nemetschek Group is focussing on the markets that are currently showing the greatest potential and are either already subject to BIM regulations or currently in the process of establishing BIM standards. In addition to the German-speaking DACH region, the Nemetschek Group focuses on the UK, Ireland and France in Europe. In Asia-Pacific, the Group is active in the markets of Japan, China, and Australia. The US is the largest single market worldwide for AEC software and has also become the most important market for the Nemetschek Group. The Group has experienced above-average growth in this highly competitive, strongly performing market. The Executive Board expects the US to continue to be one of the most important individual markets for the Group going forward.

This means internationalization remains a major growth driver for the Nemetschek Group. The brands in the US and Europe mutually support each other in their expansion. The strong market position of the US companies makes it easier for the European brands to expand abroad and vice versa.

Next-generation solutions and sales approach

In addition to the strong expertise of the individual brands and the ongoing development of solutions offered, the strategic focus is on cross-market development projects and strategic initiatives to ensure double-digit organic growth for the Group into the future.

The objective is to address new customer segments, support the cooperation of the brands in their international growth strategies, and share best practice within the Group.

Strategic initiatives include the development of a collaboration platform (common data environment—CDE) to administer the ever-increasing volume of data for the planning and realization of building and infrastructure projects and to ensure more consistent workflows.

Strategic, cross-market development projects also support the Nemetschek Group's goal of addressing more major customers from the areas of architecture, civil engineering, and general contracting. Through the merging and integration of planning and implementation in the building process, the trend in the AEC industry is increasingly for architectural or civil engineering companies, but also building companies, to cover the entire workflow of the building process. The focus is primarily on the US market, which features a large proportion of major customers in the AEC industry.

The Nemetschek Group will focus more strongly on the infrastructure market going forward, in particular on bridges and tunnels, since almost all countries worldwide are investing heavily in infrastructure.

The brands will continue to offer their customers high flexibility when it comes to software, either as a license model including the option of a service contract or as a leasing model (subscription or software-as-a-service). Leasing models enable Nemetschek to attract new customer groups, since they allow the customer to remain flexible in terms of time and to use the software without a one-off license fee.

In addition, Nemetschek believes in strong cooperation between the sales teams of the relevant brands, for example through key account management or the use of common distribution channels (cross- and co-selling measures).

Growth—organic and non-organic

The Nemetschek Group plans to continue its excellent business performance in 2019 and to achieve double-digit organic revenue growth based on the financial strength of the Group, its strong competitive position, and the close customer relationships maintained by its brands.

This organic growth will be accelerated through value-enhancing acquisitions that will close gaps in the Group's portfolio and expand its technical expertise in building process workflow. Target enterprises are primarily identified within the field of internal strategic civil engineering and structural planning projects, collaboration technologies, and the expansion of the Manage segment. Another objective of Nemetschek's acquisition activities is to increase its share in international markets.

Thanks to its high cash flows and solid balance sheet ratios, the Nemetschek Group has access to the necessary funds to finance its planned future growth, whether organically or non-organically through acquisitions, cooperations, or partnerships. As before, acquisitions can be funded from current cash flow, existing liquidity, and by borrowing external capital.

Investments and liquidity

As in previous years, high operating cash flow is expected to increase Group liquidity in 2019 and offer enough scope for planned investments by the brands in development, sales, and marketing. The Group invests in the strategic projects outlined here as well as in in-house IT structures that reduce the complexity of processes and reporting structures at the Group as it grows.

Major cost items at the Nemetschek Group are personnel expenses and other operating expenses. In 2019, the Nemetschek Group will once again recruit additional experts globally and therefore assumes that there will be a further moderate increase in personnel expenses. Other operating expenses primarily include marketing expenses, which are also expected to rise slightly in 2019 as a result of ongoing international expansion.

Dividends

The plan is to continue Nemetschek SE's shareholder-friendly dividend policy, which is geared towards continuity, in the coming years. The company plans to continue distributing 25% to 30% of its operating cash flow to its shareholders.

General statement on expected performance

Forecast for the Nemetschek Group

Given the long-term growth prospects on the relevant markets, the Executive Board is optimistic about the future. It sees the Group well on the way to achieving its 2020 revenue target of over EUR 600 million. Business performance in 2019 is also expected to remain positive.

The new **IFRS 16** accounting standard, according to which leases of any type (operate leasing and finance leasing) must always be recognized in the balance sheet, must be adopted for the first time as of January 1, 2019. The Nemetschek Group anticipates that this change will have a positive effect of around EUR 13 million on EBITDA. The Nemetschek Group will present the effects of IFRS 16 on EBITDA in detail.

Please also note that the development of exchange rates relevant to the Nemetschek Group has an impact on the Group's sales and profit performance and therefore also on the outlook. Important currencies particularly include the US dollar, the Swiss franc, the Japanese yen, the British pound, the Hungarian forint, and the Norwegian and Swedish krona.

In 2019, the Nemetschek Group will again invest around EUR 10–12 million in strategic projects at Group and brand level. The strategic focus is on strong expertise and ongoing development of the individual brands as well as cross-brand development projects and strategic initiatives. It is our goal to address new customer segments, promote cooperation between the brands in implementing their international growth strategies, and develop next-generation solutions for consistent workflows in the AEC industry.

Based on the above assumptions, the Nemetschek Group expects to repeat the previous year's double-digit organic revenue growth in fiscal 2019 of 13% to 15% compared to the previous year. In addition, it expects non-organic growth effects from the acquisitions in the Manage segment. The EBITDA margin is expected to remain within the currently targeted range of 25% to 27% of Group revenue (without effects from IFRS 16).

Achieving these goals would form an excellent basis for Nemetschek's Vision 2020, which was presented in March 2018. It envisions Group revenue of more than EUR 600 million. Vision 2020 also expects the Group EBITDA margin to remain within the range of 25% to 27% in line with past and future targets (without effects from IFRS 16).

Segment outlooks

At segment level, the Nemetschek Group sees itself very well positioned in the **Design** segment because of the strong market positioning of its brands, with BIM-oriented and intelligent solutions for the planning and drafting phase through to documentation and construction planning. Organic revenue growth of more than 10% is expected in this segment in 2019. This favorable evaluation is supported by innovations, further development of the solutions portfolio, and continued internationalization combined with stronger marketing performance.

In the **Build** segment, the brands are pursuing further internationalization, and investing in the development of their solutions portfolio. This segment is once again expected to deliver the strongest growth overall in 2019; it will likely be above the Group average growth rate.

In the **Manage** segment, the Nemetschek Group expects organic revenue growth at Group level. There will also be non-organic growth effects from the acquired Spacewell brand.

In the **Media & Entertainment** segment, investment will be intensified in the solutions portfolio to attract new customers with innovations, expand the customer base with trusted solutions, and grow even stronger internationally. Growth in this segment is therefore expected to be slightly below the Group average in the current year.

Note on outlook

This management report contains statements and information about transactions and processes that will take place in the future. These forward-looking statements can be identified by formulations such as "expect," "intend," "plan," "evaluate," or similar terms. Such forward-looking statements are based on Nemetschek's expectations today and certain assumptions. They therefore involve several risks and uncertainties. Numerous factors, many of which are outside the Nemetschek Group's sphere of influence, can impact the Nemetschek Group's business activity, success, business strategy, and results. This can lead to material deviations in the Nemetschek Group's actual results, success, and performance from the information on results, success, or performance explicitly or implicitly mentioned in these forward-looking statements.

7 Other disclosures, remuneration report

7.1 Report on corporate controlling and statement on corporate management

Declaration of conformity in accordance with § 161 AktG
The declaration of conformity in accordance with Sec. 161 AktG (Stock Corporation Act) is published within the Corporate Governance section of the Nemetschek AG annual report (as well as on the website www.Nemetschek.com).

Company management practices exceeding legal requirements
The aim is for Nemetschek to be perceived worldwide as a responsible company with high ethical and legal standards.

The Nemetschek Group's unique corporate culture forms the common basis for its actions. This is reflected in fair and respectful dealings with colleagues and third parties and is characterized by willingness to perform, open communication, seriousness, trustworthiness, and conservation of natural resources.

These principles are summarized in the Nemetschek Group Code of Conduct. This Code is a binding guide for all employees of the Nemetschek Group, whatever their function or standing at the Group. Only by reflecting on these values and integrating them into everything Nemetschek does can the Group show its commitment to its corporate culture and ensure its long-term entrepreneurial success. The Code of Conduct is available on the company website.

On matters of company control and management, reference is also made to section 1.3 of this consolidated management report for Nemetschek SE and the Group.

Working methods of the executive and supervisory boards
Please refer to the Nemetschek website for information on the composition of the executive board and the supervisory board. The executive board has not formed any committees. The working methods of the executive board are governed by the procedural rules for the executive board. The assignment of duties within the executive board can be inferred from a schedule of responsibilities.

The composition of the supervisory board is governed by the corporate statutes, which are available on the website of Nemetschek SE. The supervisory board currently consists of four members. At this time no committees have been formed. The working method of the supervisory board is governed by procedural rules.

With regard to the working method of the executive and supervisory boards, please refer to the corporate governance report in the annual report and to the report of the supervisory board.

Targets for the percentage of women, Sec. 76 (4), Sec.111 (5) AktG
Pursuant to Sec. 111 (5) AktG, the supervisory board shall regularly specify target figures for the percentage of women on the supervisory and executive boards. Pursuant to Sec. 76 (4) AktG, the executive board shall specify target figures for the percentage of women at the management level below the executive board.

Pursuant to a decision of March 20, 2017, the supervisory board stipulated a target rate of at least 0% for the supervisory board and the executive board, as the composition of the supervisory and executive boards mainly depends on the experience, skills, and expertise of individual members. The percentage of women on the supervisory and executive boards is currently 0%. As such, the defined target was achieved.

The supervisory board again plans to have a percentage of women on the supervisory and executive boards of 0% by December 31, 2021. Nevertheless, the supervisory board will of course consider women in the search for candidates should there be a vacancy on the supervisory or executive boards.

Pursuant to a decision of March 20 2017, the executive board set a target of at least 20% at the highest management level. The positions currently are held by two men and two women. The percentage of women at the highest management level is currently 50%. As such, the defined target was achieved.

The executive board will strive for at least 25% women at the highest management level by December 31, 2021. This management level currently consists of less than ten people. Correspondingly, each change in personnel has a strong effect on the percentage.

7.2 Explanatory report of the executive board on the disclosures under Sec. 289a and Sec. 315a HGB

(1) Composition of subscribed capital
The nominal capital of Nemetschek SE as of December 31, 2018 amounted to EUR 38,500,000.00 and is divided into 38,500,000 bearer shares.

(2) Restrictions relating to the voting rights or transferability of shares
There are no restrictions relating to the voting rights or transferability of shares.

(3) Investments in capital exceeding 10% of voting rights
Direct and indirect investments in subscribed capital (shareholder structure) that exceed 10% of the voting rights are presented in the notes to the financial statements or in the notes to the consolidated financial statements of Nemetschek SE.

(4) Shares with special rights granting control
There are no shares with special rights granting control.

(5) Type of voting right controls when employees hold interests in capital and do not exercise their control rights directly
There are no voting right controls on employees with shareholdings.

(6) Legal provisions and statutes on the appointment and dismissal of members of the executive board and amendments to the statutes
The appointment and dismissal of executive board members is governed by Sec. 84 and 85 of the German Stock Corporation Act in connection with Sec. 8 of the statutes of Nemetschek SE. These stipulate that executive board members shall be appointed by the supervisory board for a maximum of five years. Re-appointment or prolongation of the term of office is allowed, for a maximum term of up to five years each time.

Any amendment to the statutes is subject to Sec. 179 of the German Stock Corporation Act in connection with Sec. 14 and 19 of the statutes of Nemetschek SE. These state that the annual general meeting shall decide on amendments to the statutes by a two-thirds majority of votes cast or, if at least half of the normal capital is represented, by a simple majority of the votes cast. Where the law also prescribes a majority of the nominal capital represented to pass a resolution at the annual general meeting, a simple majority of the nominal capital represented when the resolution is passed is sufficient, where legally permitted. Under Sec. 14 of the statutes of Nemetschek SE, the supervisory board is authorized to resolve changes to the statutes where these affect only the wording.

(7) Authorization of the executive board to issue or redeem shares
According to Sec. 71 (1) No. 8 of the German Stock Corporation Act, the company requires a special authorization by the annual general meeting to acquire and trade its treasury shares, to the extent not expressly permitted by law. An authorization resolution was presented to the annual general meeting on May 20, 2015, and passed accordingly by the shareholders.

In accordance with the resolution on agenda item 7 of the annual general meeting of May 20, 2015, the authorization is valid as follows:

"7.1 The company is authorized to purchase up to 3,850,000 treasury shares, i.e. 10% of the nominal capital, by May 20, 2020 on one or more than one occasion, in full or in part, complying with the following conditions. At no time may the shares acquired on the basis of this authorization, together with other shares of the company that the company has already purchased and still holds, or which are attributable to it in accordance with §§ 71a et seq. German Stock Corporation Act, constitute more than 10% of its share capital. The authorization may not be used for the purpose of trading treasury shares.

This authorization replaces the authorization adopted by the annual general meeting of Nemetschek Aktiengesellschaft on May 20, 2014, as agenda item 6, concerning the acquisition of treasury shares, which is hereby cancelled to the extent it was not exercised.

7.2 The shares are purchased, as opted by the executive board, via the stock exchange or by way of public offer, addressed to all the company's shareholders.

a) If the shares are purchased on the stock exchange, the purchase price of a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall below the average closing price in the last five days of trading prior to the obligation to purchase them on the electronic exchange (Xetra—or a separately functioning comparable system instead of the Xetra system) by more than 10%.

b) If a public purchase offer is made, the offer price for a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall below the average closing price on the Xetra exchange over the five days of trading prior to publication of the purchase offer by more than 10%. If the total number of shares tendered exceeds the volume of the purchase offer, shares shall be subscribed based on the relative quotas. Preferential subscription to small numbers of shares may be allowed, up to a maximum of 100 shares in the company offered for sale per shareholder of the company.

7.3 The executive board is authorized to use the treasury shares purchased pursuant to this authorization for any legally permitted purpose, in particular also for the following purposes:

a) With authorization by the supervisory board, the shares may be offered to third parties as consideration for the acquisition of entities, investments in entities, or parts of entities.

b) The shares may be redeemed with the approval of the supervisory board, without any further resolution of the annual general meeting being required for the redemption to take effect. Redemption leads to a reduction in capital. The executive board may alternatively decide that the share capital shall remain unchanged on redemption and shall instead be increased by the inclusion of the proportion of other shares within share capital in accordance with Sec. 8 (3) German Stock Corporation Act. The executive board is authorized in this case to adjust the number of shares in the statutes.

7.4 The subscription right of the shareholders to these treasury shares is excluded to the extent that these are used in accordance with the abovementioned authorization under item 7.3 lit. a) of the agenda.

7.5 This resolution is subject to the condition precedent of the filing of the execution of the capital increase pursuant to TOP 6 in the commercial register of the company."

The condition precedent mentioned under item 7.5 in the resolution was fulfilled on June 9, 2015 and the resolution of the general meeting of May 20, 2015 on TOP 7 therefore took effect.

(8) Significant agreements of the company that are subject to a change in control as a result of a takeover bid
The company has not entered into any significant agreements that are subject to a change in control as a result of a takeover bid.

(9) Remuneration agreements of the company with the members of the executive board or employees in the event of a takeover bid
The company has not entered into any remuneration agreements with the members of the executive board or employees in the event of a takeover bid.

7.3 Remuneration report

Supervisory board
Remuneration of the supervisory board is as follows

REMUNERATION OF THE SUPERVISORY BOARD

2018	Thousands of €	2018	2017
Kurt Dobitsch		250.0	250.0
Prof. Georg Nemetschek		225.0	225.0
Rüdiger Herzog		200.0	200.0
Bill Krouch		116.7	0.0
Total		**791.7**	**675.0**

Executive board
Remuneration of the members of the executive board consists of fixed remuneration and the usual additional components, such as health and care insurance as well as a company car and a variable, performance-based remuneration. The variable remuneration has a current and non-current component.

The current performance-based (variable) remuneration mainly depends on the achievement of corporate objectives (revenue and earnings per share), which are agreed between the supervisory board and executive board at the beginning of each fiscal year.

The non-current performance-based (variable) remuneration of members of the executive board, also known as a long-term incentive plan (LTIP), is based on the achievement of fixed corporate targets with regard to the development of revenue and operating result (EBITA) as well as earnings per share and pre-defined strategic project targets. The period observed is always three fiscal years.

Participation of the executive board in the LTIP requires nomination by the supervisory board at the annual balance sheet meeting of the supervisory board. As of December 31, 2018, executive board members Patrik Heider and Viktor Várkonyi were nominated for the LTIP for 2016–2018, 2017–2019, and 2018–2020. In fiscal 2018, non-current variable components amounting to EUR 1.250k in total were paid (previous year: EUR 1.024k). Former executive board member Sean Flaherty, who retired as of 31 December 2018, received a compensation payment of EUR 350k for his previously earned multi-year variable remuneration. The amount was paid in 2019.

In the following table, the remuneration, payments, and benefits are individually presented for each member of the executive board of Nemetschek SE in accordance with the recommendations of item 4.2.5 (3) of the German Corporate Governance Code:

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

		Patrik Heider			Sean Flaherty			
	2017	2018	2018	2018	2017	2018	2018	2018
Thousands of €	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum
Fixed compensation	250	250	250	250	125	125	125	125
Fringe benefits	18	16	16	16	0	0	0	0
Total	**268**	**266**	**266**	**266**	**125**	**125**	**125**	**125**
One-year variable compensation	438	221	0	500	105	73	0	500
Multi-year variable compensation LTIP 2015 – 2017	104	0	0	0	104	0	0	0
LTIP 2016 – 2018	263	25	0	655	263	0	0	0
LTIP 2017 – 2019	174	168	0	263	174	0	0	0
LTIP 2018 – 2020	0	144	0	216	0	0	0	0
Compensation of prior year LTIP's	0	0	0	0	0	350	350	350
Total	**1,247**	**824**	**266**	**1,900**	**771**	**548**	**475**	**975**

		Viktor Várkonyi		
	2017	2018	2018	2018
Thousands of €	Initial Value	Initial Value	Minimum	Maximum
Fixed compensation	124	124	124	124
Fringe benefits	0	0	0	0
Total	**124**	**124**	**124**	**124**
One-year variable compensation	134	136	0	250
Multi-year variable compensation LTIP 2015 – 2017	104	0	0	0
LTIP 2016 – 2018	263	314	0	706
LTIP 2017 – 2019	174	168	0	263
LTIP 2018 – 2020	0	153	0	230
Total	**799**	**895**	**124**	**1,573**

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

		Patrik Heider		Sean Flaherty	
		2018	2017	**2018**	2017
	Thousands of €	**Initial Value**	Initial Value	**Initial Value**	Initial Value
Fixed compensation		250	250	125	125
Fringe benefits		16	18	0	0
Total		**266**	**268**	**125**	**125**
One-year variable compensation		221	438	73	105
Multi-year variable compensation	LTIP 2014 – 2016	0	341	0	341
	LTIP 2015 – 2017	416	0	416	0
Total		**903**	**1,047**	**614**	**571**

		Viktor Várkonyi	
		2018	2017
	Thousands of €	**Initial Value**	Initial Value
Fixed compensation		124	124
Fringe benefits		0	0
Total		**124**	**124**
One-year variable compensation		136	134
Multi-year variable compensation	LTIP 2014 – 2016	0	341
	LTIP 2015 – 2017	416	0
Total		**676**	**599**

Total remuneration paid to the executive board by Nemetschek SE for the fiscal 2018 amounted to EUR 2.267k (previous year: EUR 2.817k).

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi from Graphisoft SE received fixed remuneration of EUR 192k (previous year: EUR 192k) gross, fringe benefits of EUR 14k (previous year: EUR 14k) and a performance-related current remuneration of EUR 76k (previous year: EUR 108k) gross. Sean Flaherty received a fixed amount from Nemetschek, Inc. of EUR 115k (previous year: EUR 120k) gross, fringe benefits of EUR 11k (previous year: EUR 0) and a performance-related current remuneration of EUR 427k (previous year: EUR 33k) gross. Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 835k (previous year: EUR 467k).

Munich, March 19, 2019

Patrik Heider　　Viktor Várkonyi　　Jon Elliott

Balance Sheet Nemetschek SE

as of December 31, 2018 and as of December 31, 2017 (German Commercial Code)

ASSETS in €	December 31, 2018	December 31, 2017
A. FIXED ASSETS		
I. Intangible Assets		
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,321,666.84	150,172.00
2. Prepayments made on intangible assets	68,562.12	405,344.67
	1,390,228.96	**555,516.67**
II. Property, plant and equipment		
1. Leasehold improvements	84,058.42	121,045.99
2. Fixtures, fittings and equipment	241,798.18	144,770.84
3. Prepayments made on tangible assets	57,387.26	0.00
	383,243.86	**265,816.83**
III. Financial assets		
1. Shares in affiliated companies	423,327,625.65	332,114,646.66
2. Loans due from affiliated companies	1,750,000.00	21,627,764.18
3. Investments	2,073,253.93	2,073,253.93
	427,150,879.58	**355,815,664.77**
TOTAL FIXED ASSETS	**428,924,352.40**	**356,636,998.27**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	4,667.30	3,718.04
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 675,518.88 (previous year: EUR 339,140.10)	23,296,047.01	20,649,351.32
3. Other assets	1,663,105.80	48,681.99
	24,963,820.11	**20,701,751.35**
II. Cash and cash equivalents	**8,135,508.72**	**2,783,820.85**
TOTAL CURRENT ASSETS	**33,099,328.83**	**23,485,572.20**
C. DEFERRED AND PREPAID EXPENSES	**166,833.57**	**132,563.19**
D. DEFERRED TAX ASSET	**69,970.26**	**53,675.46**
	462,260,485.06	**380,308,809.12**

Note: As the result of rounding, it is possible that the individual figures in these financial statements do not exactly add up to the totals given and that the percentage disclosures do not reflect the absolute values from which they are derived.

EQUITY & LIABILITIES in €	December 31, 2018	December 31, 2017
A. EQUITY		
I. Subscribed capital	**38,500,000.00**	**38,500,000.00**
II. Capital reserve	**20,529,856.90**	**20,529,856.90**
III. Revenue reserve	**28,585,721.39**	**28,585,721.39**
IV. Retained earnings	**182,183,768.74**	**149,629,716.57**
TOTAL EQUITY	**269,799,347.03**	**237,245,294.86**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	1,839,417.01	5,055,939.16
2. Other provisions and accrued liabilities	5,035,895.22	5,482,403.96
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**6,875,312.23**	**10,538,343.12**
C. LIABILITIES		
1. Liabilities due to banks	127,800,000.00	79,800,000.00
2. Trade accounts payable	391,174.82	296,041.82
3. Accounts due to affiliated companies	54,258,096.25	50,435,916.25
4. Other liabilities – thereof taxes: EUR 832,488.26 (previous year: EUR 1,104,121.52) – thereof social security EUR 6,285.43 (previous year: EUR 6,543.74)	2,401,607.49	1,155,669.43
TOTAL LIABILITIES	**184,850,878.56**	**131,687,627.50**
D. Deferred tax liabitlity	**734,947.24**	**837,543.64**
	462,260,485.06	**380,308,809.12**

Profit and Loss Account Nemetschek SE

for the period January 1 to December 31, 2018 and 2017 (German Commercial Code)

in €	December 31, 2018	December 31, 2017
1. Revenues	5,253,653.12	4,002,509.23
2. Other operating icome	3,046,615.48	608,973.45
Operating Income	**8,300,268.60**	**4,611,482.68**
3. Personnel expenses		
a) Wages and salaries	–5,615,878.08	–5,852,778.25
b) Social security, pension and other benefit costs – thereof for pension: EUR 8,154.33 (previous year: EUR 2,454.33)	–624,011.74	–492,903.89
4. Depreciation and amortization of intangible assets, property, plants and equipment	–234,526.72	–103,666.17
5. Other operating expenses	–6,584,448.78	–5,385,192.70
Operating expenses	**–13,058,865.32**	**–11,834,541.01**
Operating results	**–4,758,596.72**	**–7,223,058.33**
6. Income from investments – thereof from affiliated companies: EUR 48,178,466.66 (previous year: EUR 35,748,644.27)	48,206,777.12	35,748,644.27
7. Income from profit and loss transfer agreements	24,923,823.82	24,833,745.61
8. Other interest and similar income – thereof from affiliates companies: EUR 319,140.53 (previous year: EUR 1,046,158.17)	320,140.53	1,048,718.66
9. Interest and similar expenses – thereof from affiliated companies: EUR 0 (previous year: EUR 0)	–859,134.15	–898,805.91
	67,833,010.60	**53,509,244.30**
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR 118,891.20 (previous year: EUR –38.474,40)	–6,402,918.43	–6,013,233.33
Earnings after tax	**61,430,092.17**	**47,496,010.97**
11. Other Taxes	–1,040.00	–1,622.00
Net Income	**61,429,052.17**	**47,494,388.97**
12. Profit carried forward from previous year	120,754,716.57	102,135,327.60
13. Retained earnings	**182,183,768.74**	**149,629,716.57**

Notes to the Financial Statement of Nemetschek SE

Accounting policies

The annual financial statements as of December 31, 2018 of Nemetschek SE, Munich, are prepared in accordance with Sec. 264 d of the German Commercial Code (HGB) in conjunction with Sec. 267 (3) HGB on the basis of the provisions of the German Commercial Code concerning the accounting of large corporations and the German Stock Corporation Act (AktG). The company is listed with the District Court of Munich under Commercial Registry number HRB 224638.

Principles

The accounting principles of the annual financial statements as of December 31, 2018 are based on the provisions of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG).

Intangible assets are capitalized at cost or measured using the lower fair value. They are amortized over a period of 3 to 5 years.

Fixed assets are measured at cost, accounting for scheduled amortization, or at the lower fair value. They are amortized as follows using the straight-line method over their normal useful lives (pro rata temporis):

TABLE OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

	Useful life in years
IT equipment	3
Motor vehicles	5
Factory equipment	3 – 10
Leasehold improvements	5 – 10

Additions to movable fixed assets are amortized using the straight-line method (pro rata temporis). Movable assets belonging to fixed assets with cost values not exceeding EUR 800.00 are amortized in full the year they are acquired. In the case of **financial assets,** the share rights were generally accounted using acquisition costs and loans were generally accounted using the nominal value or the lower fair value.

Noncurrent loans to affiliated companies with an original term of more than one year are disclosed under loans due from affiliated companies.

Receivables and other assets are accounted at nominal value. Recognizable risks are taken into account by means of bad debt allowances. Interest-free receivables or other assets are recorded at present value.

Cash and cash equivalents are recognized using nominal values.

Prepaid expenses are expenses disclosed before the balance sheet date to the extent that they represent expenditure for a specific period after this date.

Subscribed capital is recognized at nominal value.

In the case of **provisions**, all recognizable risks and uncertain liabilities are taken into account. The provisions are recognized at the amount that is deemed necessary according to reasonable business judgement.

Liabilities are recognized with the settlement amounts.

Deferred taxes are recognized for temporary differences between the accounting values of assets, liabilities and expenses and their tax-relevant values to the extent that they decrease in subsequent financial years. Existing tax losses carried forward are recognized if loss offsetting is anticipated within the next five years. Insofar as an asset surplus results in the case of deferred taxes, no deferred taxes are recognized.

The nature-of-expense method is applied in the **profit and loss accounts.**

Currency translation

To the extent that the annual financial statements contain assets and liabilities in foreign currency, translation into euros is on the basis of the exchange rate at the time of the transaction. As of the balance sheet date, the assets and liabilities in foreign currency are measured using the mean exchange rate.

Notes to the Balance Sheet

Fixed assets

The development of fixed assets is represented in a statement of changes in non current assets, which also shows the amortization of the financial year, on the last page of these notes.

Investments held by Nemetschek SE

Nemetschek SE has a minimum direct or indirect interest of 20% in the following companies. The information on the companies corresponds to local IFRS financial statements at the time the annual financial statements of Nemetschek SE were prepared, shown in EUR thousand.

AFFILIATED ENTITIES

Name, registered office of the entity	Sharehold-ing in %	Equity Dec. 31, 2018	Net Income 2018
Design segment			
Allplan Česko s.r.o., Prague, Czech Republic	100.00	540	115
Allplan Deutschland GmbH, Munich*/**	100.00	2,834	15,134
Allplan Development Germany GmbH, Munich*/**	100.00	25	–527
Allplan France S.A.R.L., Paris, France	100.00	1,102	770
Allplan GmbH, Munich*/**	100.00	8,146	7,218
Allplan Infrastructure GmbH, Graz, Austria	100.00	222	286
Allplan Inc., West Chester, United States*** (consolidated since April 1, 2018)	100.00	31	–1,282
Allplan Italia S.r.l., Trient, Italy	100.00	694	–72
Allplan Österreich Ges.m.b.H., Wals-Siezenheim, Austria	100.00	958	726
Allplan Schweiz AG, Wallisellen, Switzerland	93.33	2,069	1,398
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00	1,251	450
Allplan Systems España S.A., Madrid, Spain	100.00	–37	–212
Allplan UK Ltd., Ashby-de-la-Zouch, Great Britain	100.00	22	–792
Dacoda GmbH, Rottenburg	100.00	907	466
Data Design System AS, Klepp Stasjon, Norway	100.00	2,649	1,334
Data Design System GmbH, Ascheberg	100.00	6,623	1,547
Data Design System UK Ltd., Wiltshire, Great Britain	100.00	–124	0
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00	575	–11
dRofus AB, Stockholm, Sweden	100.00	169	74
dRofus AS, Oslo, Norway	100.00	2,835	496
dRofus Inc., Lincoln, United States	100.00	–20	17
dRofus Pty Ltd, North Sydney, Australia	100.00	69	51
Frilo Software GmbH, Stuttgart*/**	100.00	196	2,344
Graphisoft Asia Ltd., Hong Kong, China	100.00	–3,031	–90
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00	–282	–430
Graphisoft Deutschland GmbH, Munich**	100.00	1,822	1,643
Graphisoft Japan K.K., Tokyo, Japan	100.00	1,058	–99
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00	–63	2
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00	–2,162	140
Graphisoft SE, Budapest, Hungary	100.00	53,208	21,525
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00	433	52
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	6,857	3,355
Precast Software Engineering Co. Ltd., Shanghai, China	100.00	–20	–90
Precast Software Engineering GmbH, Puch bei Hallein, Austria	100.00	1,096	881
Precast Software Engineering Pte. Ltd., Singapore	100.00	–118	114
RISA Tech, Inc., Foothill Ranch, United States	100.00	15,936	1,056

continued:

Scia CZ s.r.o., Prague, Czech Republic	100.00	533	120
Scia France S.A.R.L., Lille, France	100.00	145	–70
SCIA Group International nv, Herk-de-Stad, Belgium	100.00	2,003	–1,143
Scia Nederland B.V., Arnhem, Netherlands	100.00	1,356	280
SCIA nv, Herk-de-Stad, Belgium	100.00	2,607	–805
Scia SK s.r.o., Zilina, Slovakia	100.00	180	115
Vectorworks Canada, Inc., Vancouver, BC, Canada (consolidated since October 1, 2018)	100.00	43	–15
Vectorworks UK, Ltd., Newbury, Great Britain	100.00	973	578
Vectorworks, Inc., Columbia, Maryland, United States	100.00	19,337	13,409
Build segment			
123erfasst.de GmbH, Lohne (consolidated since July 1, 2018)	100.00	523	348
Bluebeam AB, Kista, Sweden	100.00	2,073	1,420
Bluebeam Holding, Inc., Delaware, United States	100.00	84,154	22,782
Bluebeam GmbH, Munich*** (consolidated since September 1, 2018)	100.00	–80	–105
Bluebeam, Inc., Pasadena, United States	100.00	12,781	24,281
Bluebeam Limited UK, Ltd., London, Great Britain*** (consolidated since October 1, 2018)	100.00	–348	–352
Design Data Corporation, Lincoln, United States	100.00	323	1,023
NEVARIS Bausoftware GmbH, Bremen	100.00	17,809	197
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00	2,734	881
Nevaris BIM Software GmbH, Berlin - in liquidation	100.00	–793	10
SDS/2 Ltd., London, Great Britain*** (consolidated since November 1, 2018)	100.00	13	–10
Solibri DACH GmbH, Hamburg	100.00	603	327
Solibri LLC, Scottsdale, United States	100.00	–171	–7
Solibri Oy, Helsinki, Finland	100.00	2,883	1,024
Solibri UK Ltd., Leeds, Great Britain	100.00	–212	–82
Manage segment			
Crem Solutions GmbH & Co. KG, Ratingen	100.00	2,895	1,895
Crem Solutions Verwaltungs GmbH, Munich	100.00	69	2
FASEAS International NV, Antwerpen, Belgium (consolidated since September 1, 2018)	100.00	21,415	–318
FASEAS NV, Antwerpen, Belgium (consolidated since September 1, 2018)	100.00	2,451	1,028
MCS Americas Single Member LLC, New York, United States (consolidated since September 1, 2018)	100.00	241	–501
MCS NV, Antwerpen, Belgium (consolidated since September 1, 2018)	100.00	4,181	–492
MCS Solutions Private Ltd., Hyderabad, India (consolidated since September 1, 2018)	100.00	578	11
myMCS AB, Knivsta, Sweden (consolidated since September 1, 2018)	100.00	421	–127
Media & Entertainment segment			
MAXON Computer Canada Inc., Varennes, Canada	100.00	212	124
MAXON Computer GmbH, Friedrichsdorf	100.00	2,385	7,508
MAXON Computer, Inc., Newbury Park, United States	100.00	2,865	1,772
MAXON Computer Ltd., Bedford, Great Britain	100.00	536	712
Other			
Nemetschek, Inc., Washington, United States	100.00	61,883	–1,015
NEMETSCHEK OOO, Moscow, Russia - in liquidation	100.00	145	0

*The net income for the year recorded by Allplan GmbH and Frilo Software GmbH is shown prior to the profit and loss transfer agreement with Nemetschek SE in each case. The net income for the year recorded by Allplan Deutschland GmbH und Allplan Development Germany GmbH is shown prior to the profit and loss transfer agreement with Allplan GmbH in each case.

**In the fiscal year 2018, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:

- Option not to prepare notes to the financial statements (Frilo GmbH) so that the annual financial statements comprise a balance sheet and Profit and Loss Account.
- Option not to prepare a management report and audit of the annual financial statements (Allplan GmbH, Allplan Deutschland GmbH and Allplan Development Germany GmbH) so that the annual financial statements comprise a balance sheet, Profit and Loss Account and notes.
- Option not to publish the annual financial statements.
- Option not to prepare a management report and not to publish the annual financial statements (Graphisoft Deutschland GmbH).

***These companies were founded in 2018.

As of the balance sheet date, Nemetschek SE has indirect minority holdings in DocuWare GmbH, Germering, amounting to 22.41% (equity as of December 31, 2018: EUR 12,821k; net income for the year 2018: EUR 1,873k), in Nemetschek OOD, Sofia, Bulgaria, amounting to 20% (equity as of December 31, 2018: EUR 4,773k; net income for the year 2018: EUR 508,5k), and in Planen Bauen 4.0 GmbH, Berlin, amounting to 6,25% (equity as of December 31, 2017: EUR 347k; net income for the year 2017: EUR 0k). The company has a direct minority holding through Allplan GmbH of 24.99% of the shares of Sablono GmbH, Berlin (equity as of December 31, 2018: EUR –675k; net income for the year 2018: EUR –425k). Full allowance is made for the investment in Sablono GmbH.

Loans due from affiliated companies
At the balance sheet date, Nemetschek SE accounts for non current interest-bearing loans to affiliated companies of EUR 1,750k (previous year EUR 21,628k). In 2018, two loans totaling EUR 1,750k were given to MCS NV, EUR 1,250k of which is to be paid back by December 31, 2019 and EUR 500k by December 31, 2021. MCS NV was acquired in 2018 as part of the acquisition of Spacewall (formerly FASEAS/MCS Solutions Group). The loan given in 2014 to Bluebeam Holding, Inc. (previous year EUR 20,438k) was paid back in full in 2018. Solibri Oy, acquired in 2015, also paid back its loan in full (previous year EUR 1,190k).

Accounts receivable and other assets
Other assets in the amount of EUR 1,663k (previous year: EUR 49k) including corporate income tax rebates for fiscal years 2017 and 2018 with a remaining term of less than one year in the amount of EUR 1,467k (previous year: 0) and with a remaining term of more than one year in the amount of EUR 25k (previous year: EUR 34k).

Accounts due from affiliated companies
Accounts due from affiliated companies mainly constitute receivables from profit and loss transfer agreements with a remaining term of less than one year.

Deferred tax assets
Deferred tax assets exist as a result of the different measurement of provisions in the commercial balance sheet and the tax balance sheet as of December 31, 2018 in the amount of EUR 70k (previous year: EUR 54k). The basic tax rate is 32.52%.

Subscribed capital
Subscribed capital of Nemetschek SE remains unchanged at EUR 38,500k. It is divided into 38,500,000 no-par value bearer shares.

Each share is attributed with EUR 1.00 of share capital. The capital is fully paid up.

Capital reserve
The capital reserve also remains unchanged vis-à-vis the previous year and amounts to EUR 20,530k. These revenue reserves affect other revenue reserves as per Sec. 266 (3A) III No. 4 HGB.

Retained earnings
Retained earnings developed as follows:

in €	
As of December 31, 2017	149,629,716.57
- Dividend	28,875,000.00
+ Net income 2018	61,429,052.17
As of December 31, 2018	**182,183,768.74**

Proposal on the appropriation of profits
The executive board proposes to the supervisory board that a dividend be paid for the financial year 2018 amounting to EUR 31,185,000.00. This corresponds to EUR 0.81 per share.

Provisions
The income tax provisions include provisions for trade tax for the fiscal years 2012 to 2018 (EUR 1,598k) and corporate income tax for the fiscal years 2012 to 2017 (EUR 241k).

Other provisions include the following amounts:

Thousands of €	**As of Jan. 1, 2018**	Utilization	Resolution	Supply	**As of Dec. 31, 2018**
Outstanding invoices	1,210	1,005	62	1,437	1,580
Commission/bonuses for employees	4,006	1,934	666	1,700	3,106
Legal and consulting fees	193	182	0	154	165
Other	73	56	0	168	185
Total	**5,482**	**3,177**	**728**	**3,459**	**5,036**

Liabilities

The liabilities, classified by due date, comprise the following:

Thousands of €	Total	Less than 1 year	1 to 5 years
Liabilities to banks	**127,800**	**54,000**	**73,800**
Dec. 31, 2017	79,800	36,000	43,800
Trade accounts payable	**391**	**391**	**0**
Dec. 31, 2017	296	296	0
Accounts payable to affiliated companies	**54,258**	**54,258**	**0**
Dec. 31, 2017	50,436	50,436	0
Tax liabilities	**832**	**832**	**0**
Dec. 31, 2017	1,104	1,104	0
Other liabilities	**1,569**	**1,569**	**0**
Dec. 31, 2017	52	52	0
Dec. 31, 2018	**184,850**	**111,050**	**73,800**
Dec. 31, 2017	131,688	87,888	43,800

Liabilities to banks are the result of loans for acquisitions. Interest amounts to between 0.42% and 1.03%. The debt covenants agreed with lenders were complied as of December 31, 2018. Liabilities vis-à-vis affiliated companies mainly comprise liabilities arising from cash pooling.

The remaining other liabilities include a subsequent purchase price liability resulting from the acquisition of a non-controlling interest in Maxon Computer GmbH to the amount of EUR 1,500k.

There are no liabilities with a remaining term of more than five years.

Deferred tax liabilities

In the 2018 financial year, deferred tax liabilities in the amount of EUR 735k (previous year: EUR 838k) were disclosed. The main reason for these are differences between commercial and tax-based valuation in the case of investment in a partnership in the amount of EUR 4,644k (previous year: EUR 4,833k), which were recognized with a tax rate of 15.825%.

Notes to the Profit and Loss Account

The revenues in the amount of EUR 5,254k (previous year: EUR 4,003k) mainly comprise umbrella brand license remuneration with affiliated companies amounting to EUR 4,726k (previous year: EUR 3,675k). Of this, EUR 1,420k were realized domestically.

In the 2018 financial year, other operating income amounts to EUR 3,047k (previous year: EUR 609k). These include a revaluation of financial assets of EUR 1,6k (previous year 0) and income from divesting provisions unrelated to the accounting period amounting to EUR 729k (previous year EUR 55k). Income from charging out to affiliated companies amounting to EUR 658k (previous year EUR 454k) and income from currency translations amounting to EUR 60k (previous year: 0.4k).

Other operating expenses include expenses resulting from currency translation in the amount of EUR 23k (previous year EUR 74k).

Other disclosures

Contingencies

thousands of €	Dec. 31, 2018	Dec. 31, 2017
Bank guarantees	397	360

Contingencies mainly affect guarantees for leases. At present, there is no indication of any utilization since Nemetschek SE has sufficient cash and cash equivalents at its disposal and, in addition, no incidents are anticipated that would lead to utilization.

In the financial year 2018 as well, Nemetschek SE submitted a letter of moral intent for Graphisoft Deutschland GmbH valid until the next balance sheet date (December 31, 2019). The obligation of Nemetschek SE to assume liabilities covers all liabilities relevant for the financial statements existing as of the balance sheet date (December 31, 2018) as well as all obligations arising from pending transactions not accounted for on the balance sheet date. Utilization is unlikely at present due to the positive earnings of Graphisoft Deutschland GmbH.

In the financial year 2017 Nemetschek SE provided an unlimited rental guarantee for RISA Tech, Inc. Utilization is improbable at the present time.

Other financial obligations

Thousands of €	Total	Less than 1 year	1 to 5 years
Rental agreements	1,053	486	567
Leases	82	39	43
Total financial commitments as of December 31, 2018	**1,135**	**525**	**610**
Rental agreements	1,383	346	1,037
Leases	70	38	32
Total financial commitments as of December 31, 2017	**1,453**	**384**	**1,069**

There are no other financial obligations with a term of more than 5 years.

Profit and loss transfer agreements and domination agreements exist between Nemetschek SE and the following companies:

» Frilo Software GmbH, Stuttgart

» Allplan GmbH, Munich

Profit and loss transfer agreements and domination agreements also exist between Allplan GmbH, Munich and its subsidiaries Allplan Deutschland GmbH, Munich, and Allplan Development Germany GmbH, Munich.

Personnel

Nemetschek SE employed a staff of 46 on average for the year (previous year: 37), who work in the administration department. Of these, 6 serve as executives (previous year: 6), 31 as employees (previous year: 22) and 9 as part-time staff (previous year: 9).

Information on the German “Corporate Governance Code”

The Declaration of Conformity was submitted on March 20, 2018. The relevant current version is available to the shareholders on the website of Nemetschek SE (www.nemetschek.com).

Executive board

Total remuneration granted to the executive board by Nemetschek SE for the financial year 2018 amounted to EUR 2,267k (previous year: EUR 2,817k). Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 835k (previous year: EUR 467k). Executive board remuneration is disclosed and explained in detail in the management report of Nemetschek SE.

Supervisory board

The members of the supervisory board of Nemetschek SE were remunerated for the financial year 2018 with a fixed remuneration of EUR 792k (previous year: EUR 675k) in total. Supervisory board remuneration is disclosed in detail in the Nemetschek SE management report.

Auditors’ remuneration

AUDITORS' FEES

Thousands of €	2018	2017
Financial statements audit services	194	288
Other audit services	10	8
Tax advisory services	20	0
Other services	0	46
Total	**224**	**342**

Supplementary report

Under the purchase agreement of January 11, 2019, Nemetschek subsidiary Spacewall (formerly FASEAS/MCS Solutions Group) purchased 100% of the shares of the Axxerion Group B.V., MR Heteren, the Netherlands, for the purchase price of EUR 77,500k (cash and debt free). The transfer of benefits and encumbrances was completed as of the end of January 19, 2019. The purchase price was financed by taking out a bank loan.

At the beginning of the current year, the supervisory board established a new board structure with a higher focus on the segments. The new board structure comprises the follow three members:

» Viktor Várkonyi, board member since December 2013, was appointed head of the Planning segment, effective February 1, 2019. As a result, he has given up his former position of CEO of the Graphisoft brand.

» Jon Elliott, CEO of the Bluebeam brand, became head of the Build segment, effective February 1, 2019; he remains CEO of Bluebeam.

» Patrik Heider, board member since March 2014, remains chairman and CFOO for essential corporate functions.

There were no significant events subsequent to the end of the financial year 2018.

Disclosures on transactions as per ART. 19 MAR (FORMERLY Sec. 15 A WPHG (German Securities Trading Act))
The members of the executive board and supervisory board of Nemetschek SE as well as persons closely associated with these boards are obligated as per Art. 19 of the Market Abuse Regulation (MAR) to notify Nemetschek SE and the German Federal Financial Supervisory Agency (BaFin) of any independent trading with shares of Nemetschek SE if the value of this trading reaches or exceeds a total of EUR 5,000 within one calendar year.

On September 21, 2018, executive board member Patrik Heider bought 500 shares of Nemetschek SE at an average price per share of EUR 125.620, amounting to a total value of EUR 62,991.53 of Nemetschek SE. On December 18, 2018, Prof. Georg Nemetschek bought 1,000 shares of Nemetschek SE at an average price per share of EUR 92.155, amounting to a total value of EUR 92,155.00 of Nemetschek SE. On December 19, 2018, Prof. Georg Nemetschek bought a further 9,000 shares of Nemetschek SE at an average price per share of EUR 92.177, amounting to a total value of EUR 829,593.60 of Nemetschek SE. The executive and supervisory boards informed us that there were no further purchases or sales of shares in the company pursuant to Art. 19 of the Market Abuse Regulation (MAR), so-called directors' dealings, by themselves or by related parties in the financial year 2018. The actual obligatory information regarding directors' dealings can be viewed on the website of Nemetschek SE.

Disclosure requirements under Sec. 33 (1) Securities Trading Act ("Wertpapierhandelsgesetz"/"WpHG")
The direct and indirect voting rights of the following persons/institutions in Nemetschek SE as of December 31, 2018, are as follows:

» Prof. Georg Nemetschek, Munich: 53.07% (previous year: 53.05 %)

» Nemetschek Vermögensverwaltungs GmbH & Co. KG, Grünwald: 53.07% (previous year: 53.05 %)

» Nemetschek Verwaltungs GmbH, Grünwald: 53.07% (previous year: 53.05 %)

» Allianz Global Investors GmbH, Frankfurt: 4.98% (previous year: 3.35 %)

» Groupama Asset Management S.A., Paris, France: 3.04% (previous year: 3.04 %)

» BlackRock, Inc., Willmington, United States of America: 3.36% (previous year: 0 %)

The disclosures are based on the information reported to Nemetschek SE under Sec. 33 ff. The actual number of shareholder voting rights may deviate from the figures stated as a result of trades that have since been made and either do not need to be reported or have not been reported.

Voting rights declarations by Nemetschek SE:

VOTING RIGHT DECLARATION

Shareholder	Stock declaration as at	Missed (-) or exceeded (+) thresholds	New voting right share	Number of voting rights	Of which held as treasury shares	Of which to be assigned
		in %	in %		in %	in %
BlackRock, Inc., United States of America	12/27/2018	3 (+)	3.36	1,191,225	0.00	3.09
Prof. Georg Nemetschek, Germany	12/19/2018	50, 30, 25, 20, 15, 10, 5, 3 (+)	53.07	20,432,928	4.70	48.37
Allianz Global Investors GmbH, Germany	10/31/2018	3 (+)	4.98	1,915,655	0.00	4.98
Allianz Global Investors Fund SICAV, Luxembourg	1/26/2018	3 (+)	4.00	1,541,888	4.00	2.85
Groupama Asset Management S.A, Germany	11/6/2015	3 (+)	3.04	1,168,868	0.00	3.04

Supervisory board

Kurt Dobitsch, independent businessman
Chairman
Born 1954
First elected 1998
Elected until 2022

Member of the following supervisory boards:
- United Internet AG, Montabaur (Chairman)
  Companies related to the Group:
  - 1&1 Telecommunication SE, Montabaur
  - 1&1 Mail & Media Applications SE, Montabaur
  - Drillisch AG, Maintal
  - Drillisch Online AG, Maintal (since January 1, 2018)
- Nemetschek SE, Munich (Chairman)
  Companies related to the Group:
  - Graphisoft SE, Budapest, Hungary
  - Vectorworks, Inc., Columbia, United States
- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich

Prof. Georg Nemetschek, independent businessman
Deputy Chairman
Born 1934
First elected 2001
Elected until 2022

Rüdiger Herzog, lawyer
Born 1950
First elected 2003
Elected until 2022

Member of the following supervisory boards:
- DF Deutsche Finance Holding AG, Munich (Chairman)
- DF Deutsche Finance Investment GmbH, Munich (Chairman)
- Kaufhaus Ahrens AG, Marburg (until October 30, 2018)
- DBC Finance GmbH, Munich
  (Chairman, since December 1, 2018)

Bill Krouch, independent businessman
Born 1959
First elected 2018
Elected until 2022

Member of the following supervisory boards:
- INVESTCORP, New York

Executive board

Patrik Heider
(Dipl.-Kfm. FH [Business degree])
Spokesman of the Executive Board and CFOO

Member of the following supervisory boards:
» Bluebeam Holding, Inc., United States
» Bluebeam Software, Inc., United States
» Data Design System AS, Norway
» Design Data Corp., United States
» FASEAS International NV, Belgium (since August 28, 2018)
» Nemetschek Inc., United States
» RISA Tech. Inc., United States (since January 1, 2019)
» SCIA Group International NV, Belgium (since January 1, 2019)
» SCIA NV, Belgium (since January 1, 2019)
» Solibri Oy, Finland

Viktor Várkonyi
(Master of Computer Science, MBA)
Head of Planning segment
CEO Graphisoft SE (until March 1, 2019)

Member of the following supervisory boards:
» Data Design System AS, Norway
» Solibri Oy, Finland
» dRofus AS, Norway

Jon Elliott
(Master in Business Administration, MBA)
Head of Build segment (since February 1, 2019)
CEO Bluebeam Holding, Inc., United States
CEO Bluebeam Inc., United States
CEO Bluebeam Ltd., UK

Sean Flaherty
(Bachelor of Computer Science)
CSO (until December 31, 2018)
CEO Nemetschek, Inc. (until December 31, 2018)
CEO Bluebeam Holding, Inc. United States
(until December 31, 2018)

Member of the following supervisory boards:
» Bluebeam Inc., United States (until December 31, 2018)
» Design Data Corporation, United States (until December 31, 2018)
» FASEAS International NV, Belgium (until December 31, 2018)
» SCIA Group International NV, Belgium (until December 31, 2018)
» SCIA NV, Belgium (until December 31, 2018
» RISA Tech, Inc., United States (until December 31, 2018)
» Vectorworks, Inc., United States (until December 31, 2018)

Munich, March 19, 2019

Nemetschek SE

Patrik Heider

Viktor Várkonyi

Jon Elliott

Statement of fixed assets Nemetschek SE

from December 31, 2017 to December 31, 2018 (German Commercial Code)

		Development of historic costs			
2018 Thousands of €	**As of Jan. 1, 2018**	Additions	Reclassification	Disposal	**As of Dec. 31, 2018**
I. Intangible assets					
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	409,480.14	293,386.55	1,013,805.42	0.00	1,716,672.11
2. Prepayments on intangible assets	405,344.67	677,022.87	–1,013,805.42	0.00	68,562.12
	814,824.81	**970,409.42**	**0.00**	**0.00**	**1,785,234.23**
II. Property, plant and equipment					
1. Leasehold improvements	441,245.03	4,097.70	0.00	0.00	445,342.73
2. Fixtures, fittings and equipment	896,362.02	154,807.67	0.00	0.00	1,051,169.69
2. Prepayments on tangible assets and assets under construction	0.00	57,387.26	0.00	0.00	57,387.26
	1,337,607.05	**216,292.63**	**0.00**	**0.00**	**1,553,899.68**
III. Financial assets					
1. Shares in affiliated companies	335,503,278.52	89,612,978.99	0.00	40,057.75	425,076,199.76
2. Loans due from affiliated companies	21,627,764.18	1,750,000.00	0.00	21,627,764.18	1,750,000.00
3. Investments	2,073,253.93	0.00	0.00	0.00	2,073,253.93
	359,204,296.63	**91,362,978.99**	**0.00**	**21,667,821.93**	**428,899,453.69**
Total fixed assets	**361,356,728.49**	**92,549,681.04**	**0.00**	**21,667,821.93**	**432,238,587.60**

Development of accumulated depreciation/amortization					Carrying amount	
As of Jan. 1, 2018	Additions	Attributions	Disposal	**As of Dec. 31, 2018**	**As of Dec. 31, 2018**	As of Dec. 31, 2017
259,308.14	135,697.13	0.00	0.00	395,005.27	1,321,666.84	150,172.00
0.00	0.00	0.00	0.00	0.00	68,562.12	405,344.67
259,308.14	**135,697.13**	**0.00**	**0.00**	**395,005.27**	**1,390,228.96**	**555,516.67**
320,199.04	41,085.27	0.00	0.00	361,284.31	84,058.42	121,045.99
751,591.18	57,780.33	0.00	0.00	809,371.51	241,798.18	144,770.84
0.00	0.00	0.00	0.00	0.00	57,387.26	0.00
1,071,790.22	**98,865.60**	**0.00**	**0.00**	**1,170,655.82**	**383,243.86**	**265,816.83**
3,388,631.86	0.00	–1,600,000.00	40,057.75	1,748,574.11	423,327,625.65	332,114,646.66
0.00	0.00	0.00	0.00	0.00	1,750,000.00	21,627,764.18
0.00	0.00	0.00	0.00	0.00	2,073,253.93	2,073,253.93
3,388,631.86	**0.00**	**–1,600,000.00**	**40,057.75**	**1,748,574.11**	**427,150,879.58**	**355,815,664.77**
4,719,730.22	**234,562.73**	**–1,600,000.00**	**40,057.75**	**3,314,235.20**	**428,924,352.40**	**356,636,998.27**

Declaration of the members of the body authorized to represent the company

"I hereby confirm that, to the best of my knowledge, in accordance with the applicable financial reporting framework, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company and the management report gives a true and fair view of business performance, including the results of operations and the situation of the company, and describes the main opportunities and risks and anticipated development of the company."

Munich, March 19, 2019

Patrik Heider

Viktor Várkonyi

Jon Elliott

Independent auditor's report

To Nemetschek SE

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Nemetschek SE, Munich, which comprise the balance sheet as at 31 December 2018, and the income statement for the fiscal year from 1 January 2018 to 31 December 2018 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Nemetschek SE, which is combined with the group management report, for the fiscal year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the non-financial statement contained in section 2 and the report on enterprise controlling and declaration on corporate management contained in section 7.1.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement and the report on enterprise controlling and declaration on corporate management referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU

Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Impairment of financial assets

Reasons why the matter was determined to be a key audit matter

For the review of the impairment of financial assets, especially of shares in affiliates, there is an increased risk of errors due to the estimation involved in the judgment of whether there is objective evidence to indicate a lower fair value and permanent impairment. Furthermore, the valuations underlying the impairment test depend to a large extent on the assessment of future cash inflows and the discount rate applied. In combination with the materiality of the balance sheet item, the impairment of financial assets was a key audit matter in the course of our audit.

Auditor's response

With regard to the lower net realizable values calculated and the assessment of a possible permanent impairment by management, we examined the underlying processes related to the planning of future cash flows as well as to the calculation of net realizable value. With the help of internal valuation experts, we obtained an understanding of the underlying valuation models for determining fair value both methodologically and arithmetically. We further obtained explanations from management regarding material value drivers of the planning and examined whether the budget planning reflects general and industry-specific market expectations. We performed a budget-to-actual comparison of the historically forecasted data and the actual results on a sample basis to assess forecast accuracy. The parameters used to estimate net realizable value such as the estimated growth rates and the weighted average cost of capital were assessed by comparing them to publicly available market data and in light of future changes in significant assumptions, including future market conditions. To be able to assess a possible impairment risk in the event of a potential change in one of the main assumptions, we also carried out our own sensitivity analyses.

Our audit procedures did not lead to any reservations relating to the assessment of the impairment of financial assets.

Reference to related disclosures

For information on the recognition and measurement policies used with respect to financial assets, we refer to the disclosures in the notes to the financial statements in the following sections: Accounting policies, List of shareholdings of Nemetschek SE as well as Notes to the income statement.

Other information

The executive directors are responsible for the other information. The other information comprises:

- activities of the Company
- letter to the shareholders
- "The Executive Board" in the section "To our shareholders" of the annual report 2018
- "Nemetschek on the Capital Market" in the section "To our shareholders" of the annual report 2018
- "Corporate Governance" in the section "To our shareholders" of the annual report 2018
- declaration of the members of the body authorized to represent the company
- non-financial statement in the combined management report
- report on enterprise controlling and declaration on corporate management in the combined management report, and
- reference projects.

The supervisory board is responsible for the following other information:

- Report of the Supervisory Board 2018.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report
The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 30 May 2018. We were engaged by the supervisory board on 16 October 2018. We have been the auditor of Nemetschek SE without interruption since the fiscal year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

- Audit of IT systems, not required by law
- Audit of systems and functions of enterprise controlling and monitoring, not required by law
- Agreed upon procedures
- Tax advisory

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ralf Bostedt.

Munich, March 19, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt Wirtschaftsprüfer [German Public Auditor]	Turba Wirtschaftsprüferin [German Public Auditor]

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