



NEMETSCHKE GROUP

Building Software –
Empowering The
Entire AEC Lifecycle

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

Financial Statements Nemetschek SE

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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:

ARCHITECTURE ENGINEERING CONSTRUCTION (AEC)						
DESIGN			BUILD		MANAGE	MEDIA & ENTERTAINMENT
ALLPLAN	GRAPHISOFT	PRECAST SOFTWARE engineering	NEVARIS	SOLIBRI	CREM SOLUTIONS	MAXON
VECTORWORKS	SCIA	dRofus	BLUEBEAM	SDS/2	SPACEWELL	
DATA DESIGN SYSTEM	FRILO	RISA				

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.

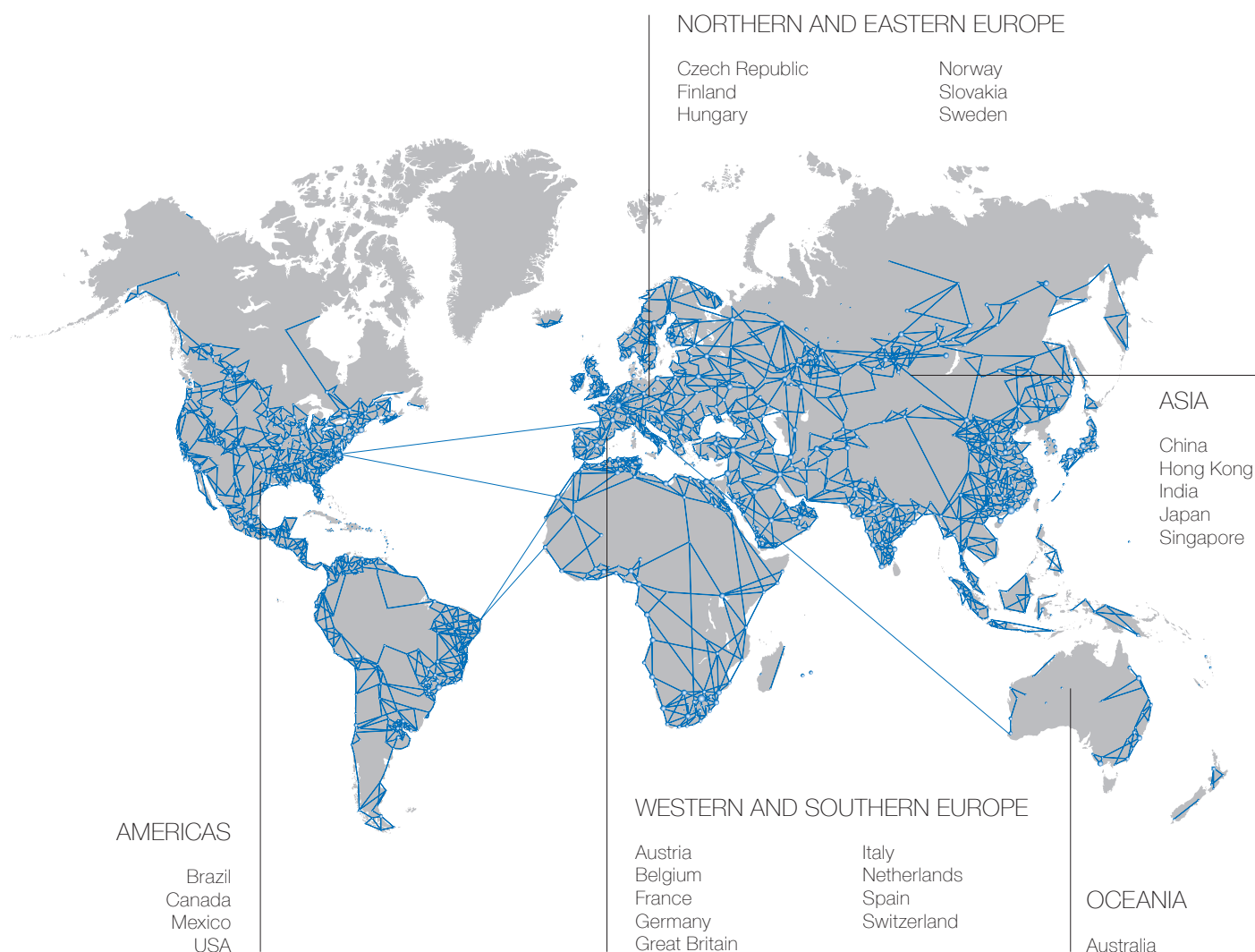
The brand's software solutions are used worldwide in numerous film, television, advertising, and video game productions as well as in architecture imaging, medicine, product design, and infographics.

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.

NEMETSCHKEK 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:

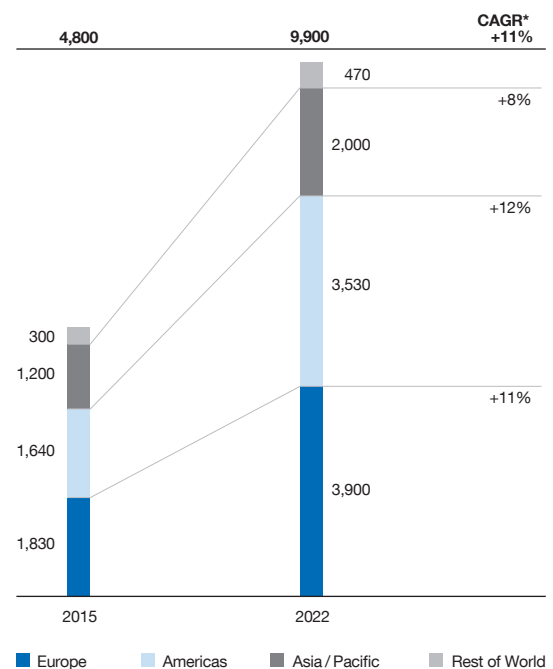
- » **Digitalization** in the construction sector is around 15 to 20 years behind other industries like the automotive or ICT industries. The need is growing for catch-up effects and increased investment in industry-specific software solutions that are able to manage processes more efficiently, therefore 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.

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



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.

* Source: Deloitte 2016–2017 Global CIO Survey.

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.

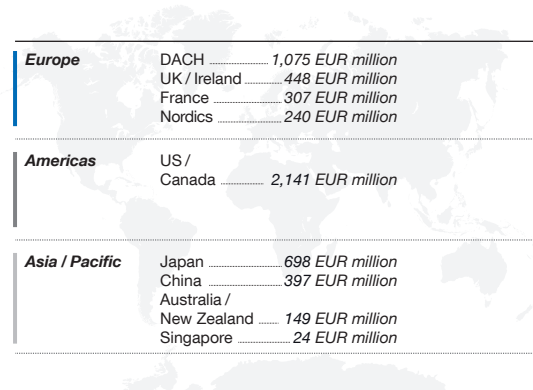
Nemetschek's core strategic goals are internationalization, next-generation solutions, and new strategic growth segments driven by technological trends and customer requirements. The Group's growth strategy targets a two-digit growth rate, promoting organic growth that is more dynamic than the market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

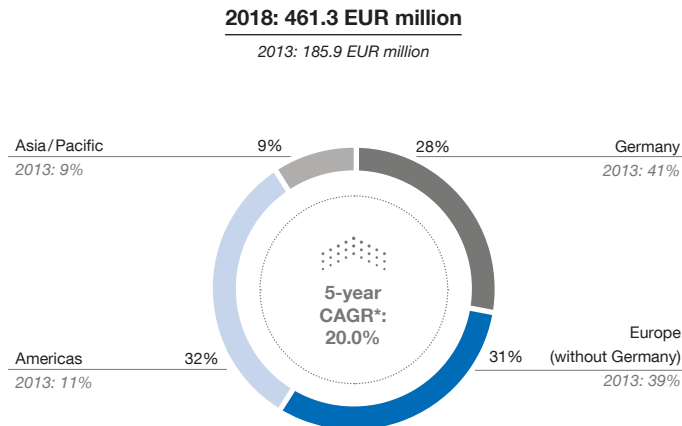


Not only a country's market potential but also the BIM regulations in place in that country are key. Some countries, such as the US, the UK, the Nordics, and Japan, have already made it mandatory for government-funded projects to use BIM software solutions. These countries offer excellent general conditions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

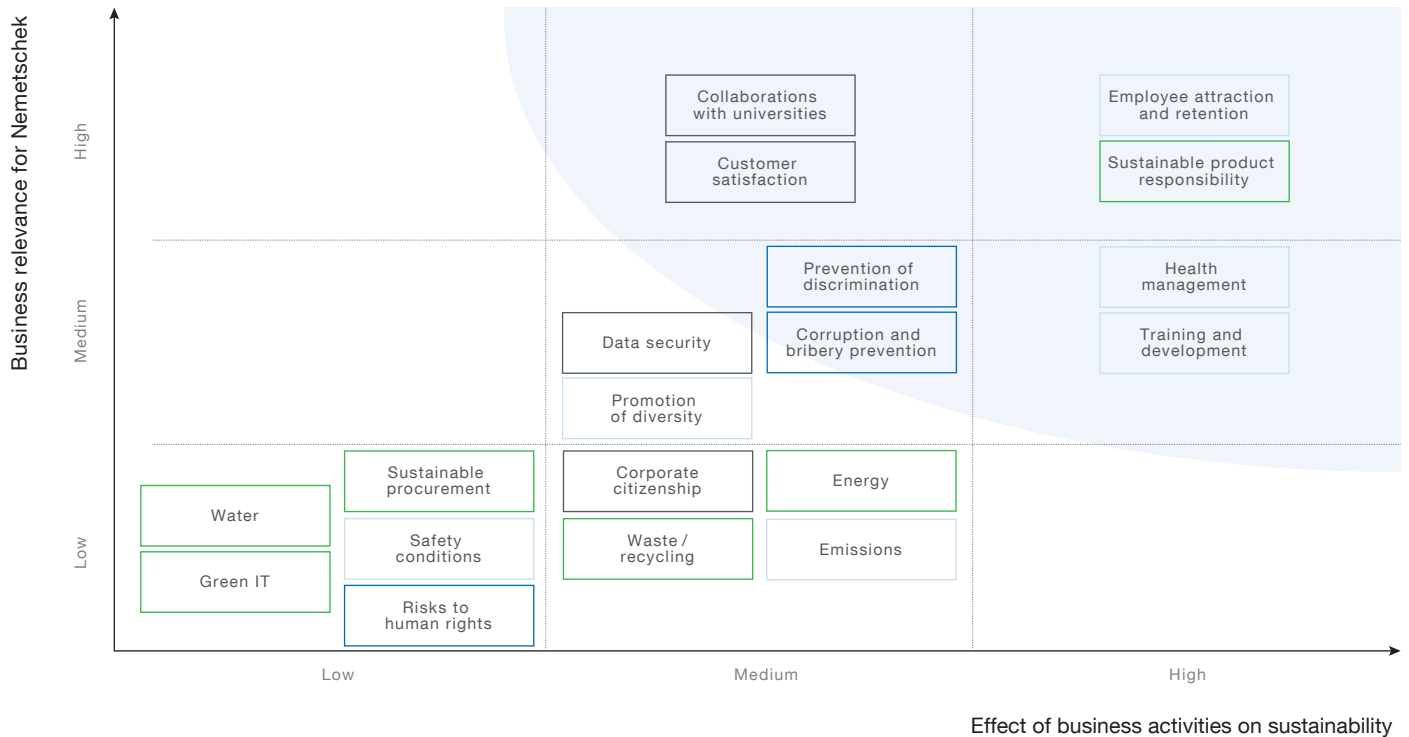
We have summarized these principles of sustainable business conduct in the Nemetschek Group's Code of Conduct. More specifically, these principles can be described as follows: *"Each of us contributes significantly to the public image of the Nemetschek Group through our appearance, conduct and actions. 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 NEMETSCHKE 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	<ul style="list-style-type: none"> » Anti-bribery » Prevention of discrimination
Employees	<ul style="list-style-type: none"> » Employee attraction and retention » Health management » Learning & development
Environment	<ul style="list-style-type: none"> » Sustainable product stewardship
Social responsibility	<ul style="list-style-type: none"> » 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 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 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 to 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

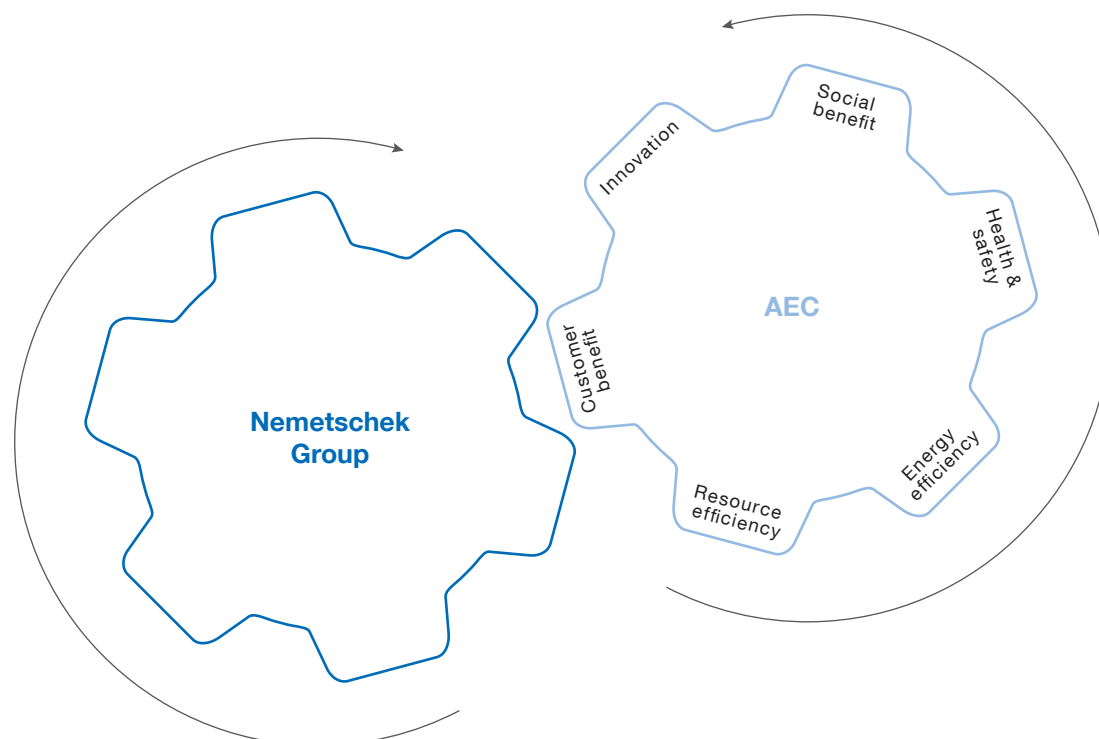
In 2017, the Nemetschek Group identified the topic of sustainable product stewardship as material. The responsible use of natural resources is already anchored at the Group under our Code of Conduct. We select our materials, suppliers and external service providers in compliance with environmental, ethical 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 Branchencheck, Branchenanalyse; 2019 FMI Overview; RICE: Quarterly Outlook of Construction and Macro Economy January 2019; EU BIM Task Group; Stufenplan Digitales Planen und Bauen by BMWI; 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 after 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, Sargamala, 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 Branchencheck, Branchenanalyse; 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 adjusted
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

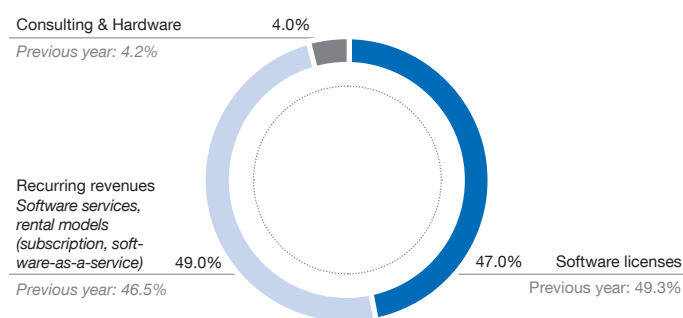
The high revenue growth in 2018 can primarily be attributed to recurring revenues as well as income from software licenses.

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

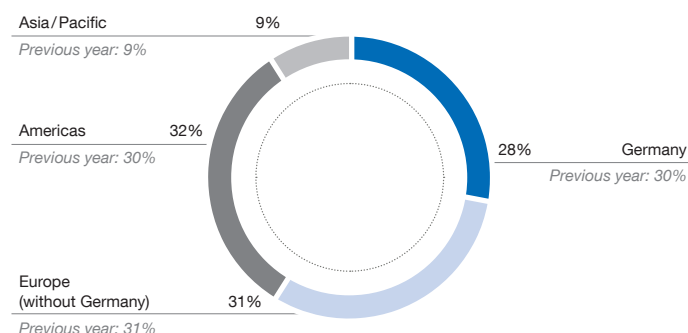
Revenues generated abroad grew in 2018 by 19.8% to EUR 331.2 million (previous year: EUR 276.4 million), a significantly steeper increase than those generated in Germany. In its domestic market of Germany, where the Nemetschek Group already holds a strong market position, revenues were up by 9.2% to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

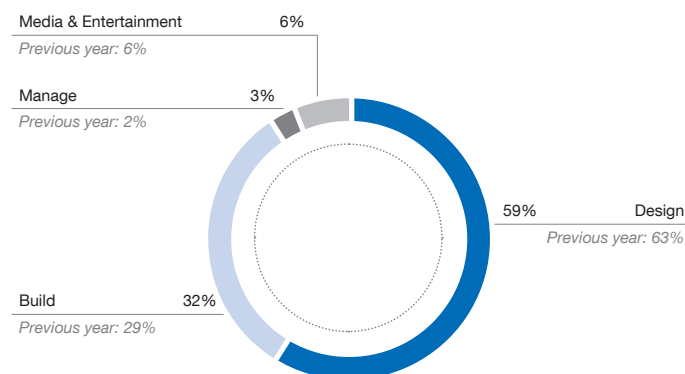
The **Build** segment once again generated the strongest revenue growth in 2018. Revenues rose by 29.2% (currency adjusted: 34.0%) to EUR 148.0 million (previous year: EUR 114.6 million). This corresponds to 32.1% (previous year: 29.0%) of Group revenues. Bluebeam, which is currently the Nemetschek Group's 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 adjusted	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 adjusted	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%	–	–	–	–

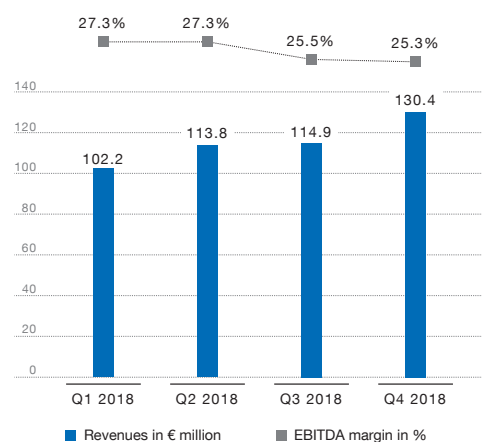
Growth in earnings

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

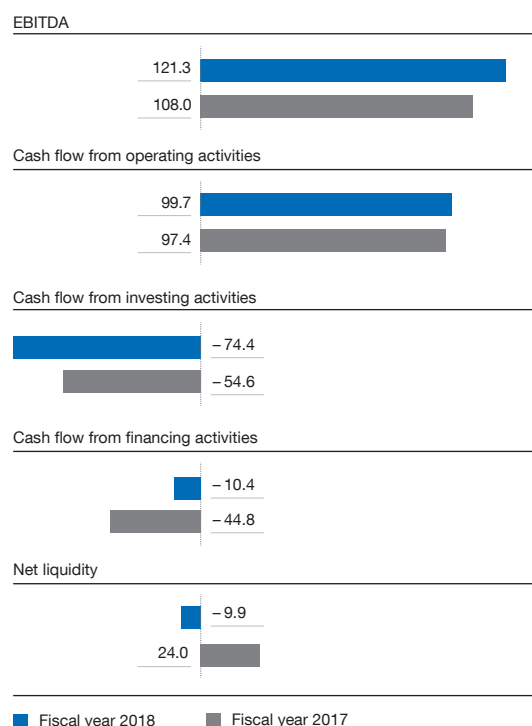
under cash because of restrictions on disposal. Operating cash flow was offset by the steep increase in software service contracts, with the associated recurring sales and higher trade payables, which increased as a result of ancillary acquisition costs.

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%).

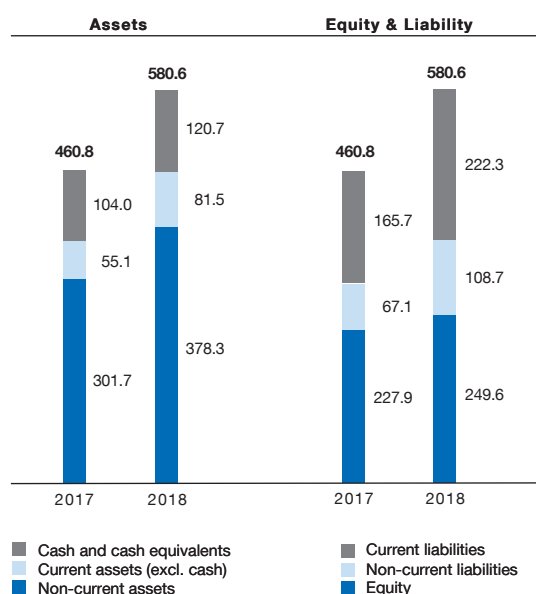
Market risk premium was applied at 6.5% (previous year: 7.0%). Additionally, country risk premiums were applied where necessary. Capital cost rates before taxes resulting from this range from 11.48% to 13.83% (previous year: 11.12% to 13.21%).

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.

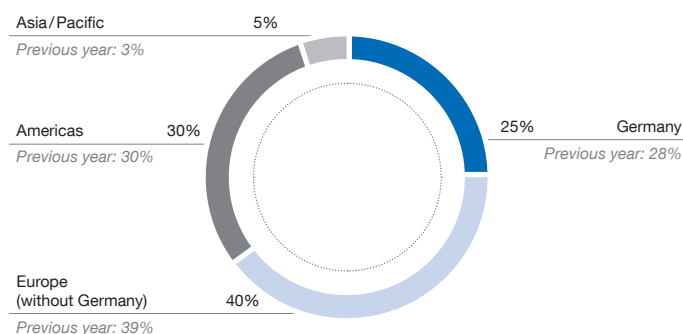
Competitive remuneration and continuing development possibilities are important incentives for recruiting and retaining employees. In addition to their salaries, and depending on their location and the size of the brand company, they receive special benefits such as a company car, a company pension, 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

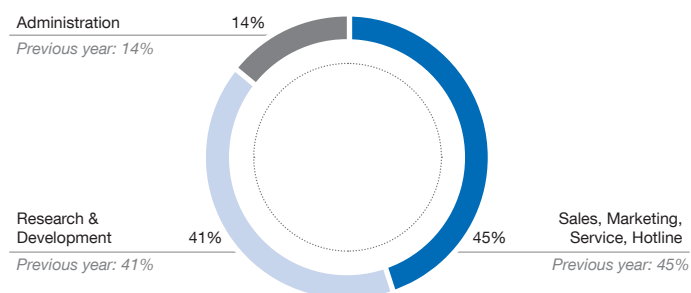


Personnel expenses rose in 2018 by 16.2% to EUR 200.6 million (previous year: EUR 172.6 million), which resulted in a personnel expense ratio (personnel expense/revenues) of 43.5% (previous year: 43.6%).

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 Frito 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 taking 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 identify 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
	Initial Value	Initial Value	Initial Value	Initial Value
Thousands of €				
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
	Initial Value	Initial Value
Thousands of €		
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 liability		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 income	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
NEMETSCHKEK 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.

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).

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.

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 Axserion 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)

2018	Thousands of €	Development of historic costs				As of Dec. 31, 2018
		As of Jan. 1, 2018	Additions	Reclassification	Disposal	
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, 2017	
259,308.14	135,697.13	0.00	0.00	395,005.27	1,321,666.84	
0.00	0.00	0.00	0.00	0.00	68,562.12	
259,308.14	135,697.13	0.00	0.00	395,005.27	1,390,228.96	
320,199.04	41,085.27	0.00	0.00	361,284.31	84,058.42	
751,591.18	57,780.33	0.00	0.00	809,371.51	241,798.18	
0.00	0.00	0.00	0.00	0.00	57,387.26	
1,071,790.22	98,865.60	0.00	0.00	1,170,655.82	383,243.86	
3,388,631.86	0.00	-1,600,000.00	40,057.75	1,748,574.11	423,327,625.65	
0.00	0.00	0.00	0.00	0.00	1,750,000.00	
0.00	0.00	0.00	0.00	0.00	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	
4,719,730.22	234,562.73	-1,600,000.00	40,057.75	3,314,235.20	428,924,352.40	
					355,815,664.77	
					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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NEMETSCHKE
GROUP

**OPEN
INNOVATIVE
FOCUSED
SOLID**

FINANCIAL STATEMENTS
(GERMAN COMMERCIAL CODE)
NEMETSCHKE SE 2017

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Combined management report for the fiscal year 2017

About this report

The management report of Nemetschek SE and the group Management Report are combined for 2017. Further components of the combined management report are the remuneration report and corporate governance statement. The consolidated financial statements prepared by Nemetschek as at December 31, 2017 comply with the International Financial Reporting Standards (IFRS) applicable at the closing date and, additionally, the German Commercial Code requirements in connection with the German Accounting Standards.

1 Basic information on the group

1.1 Business model of the group

Legal structure

The Nemetschek Group is a leading global software producer for the AEC industry (Architecture, Engineering, Construction). The company, which was founded in 1963 by Prof. Georg Nemetschek, offers software solutions for the entire workflow in the construction and infrastructure market:

- » 3D planning and visualization of a building including the calculation of time (4D) and cost (5D) factors for the construction process,
- » invitation to tender, contract awarding as well as accounting during the construction process,
- » collaboration between the participating contractors, documentation, data management and quality control,
- » management, administration, utilization, modernization and renovation of the buildings.

With 15 independent brands and more than 67 locations worldwide, the Nemetschek Group serves around 2.7 million users in all regions of the world.

As the holding company Nemetschek SE, with its headquarters in Munich, undertakes the central functions in the areas of corporate finance and controlling, risk management, investor relations and corporate communication, market research & development, mergers & acquisitions and strategic corporate planning, human resources, IT and corporate audit and compliance.

The holding comprises the four segments Design, Build, Manage and Media & Entertainment, to which 15 brands are allocated in total. The brands appear in the market as independently operating entities which simultaneously operate within a strategic corridor as agreed with the holding company. The executives of the operating subsidiaries enjoy a high degree of autonomy. Hence the brands can react quickly to customer demands and wishes, market trends and

changes in circumstances. In addition, the holding company facilitates exchanges between the brands and initiates strategic multi-brand projects. This creates synergies in the portfolio, further enhancing its attractiveness to customers. High management efficiency is assured by continuous reporting to the holding company and ongoing dialogue.

A complete overview of the legal and economic corporate structure is given in the notes to the financial statements.

Business activities

The group structure with its strategic holding company and strong brands is a significant strength of the Nemetschek Group. The brands are market leaders in their relevant market sectors and have of the special market features and customer needs better knowledge than the competitors who offer a complete solution at the same time for several disciplines and customer needs.

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

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

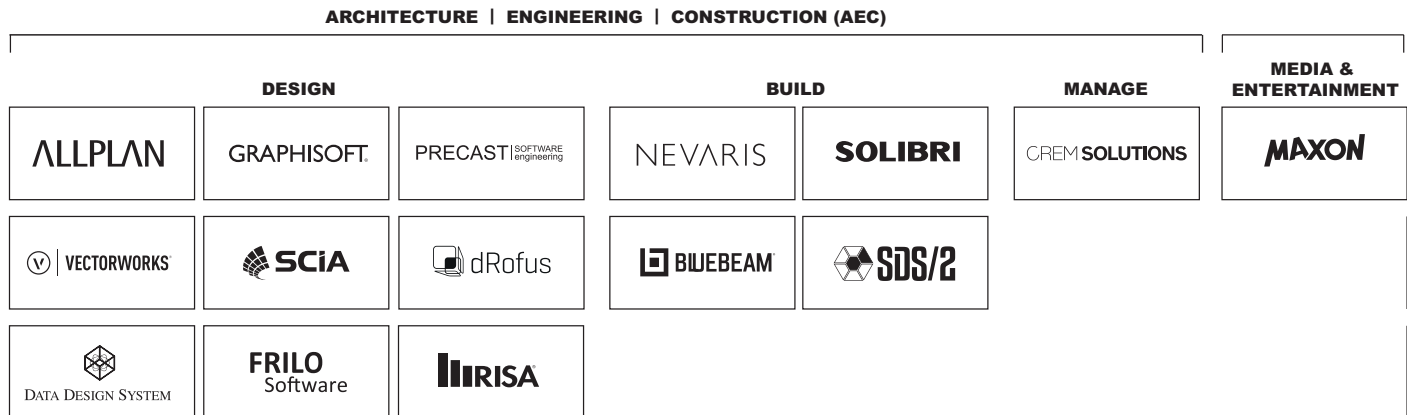
As the pioneer of the BIM idea, the Nemetschek Group has followed this holistic approach for over thirty years. Nemetschek advocates an open approach (Open BIM). The open standard enables each piece of software from the Nemetschek Group to communicate with every other piece of software, even with software from competitors, via open data and communication interfaces. Thus, there is seamless transfer of all digital information relevant to construction, with documentation at all levels of creation and management of buildings.

With its Open-BIM software solutions the Nemetschek Group increases quality in the building process and improves the workflow and the collaboration of all those engaged in the building process. Consequently, project work proceeds more efficiently, and costings and deadlines are met more reliably. Thus, the products of the

Nemetschek Group are paving the way for integrated and open planning and realization in the AEC sector. As a result, there are efficiency increases in the building process - some of them substantial.

Business segments

The Nemetschek Group allocates its activities into four segments: Design, Build, Manage and Media & Entertainment. These segments serve the Nemetschek Group as management indicators. The fifteen brands under the umbrella of the Nemetschek Group are allocated to these four segments:



Design segment

With the solutions of the Nemetschek Group for the Design segment, customers can successfully perform their tasks creatively, with attention to detail, precision and accuracy from the earliest planning and design phase through to the works and building planning. The portfolio includes in particular open BIM solutions for Computer Aided Design (CAD) and Computer Aided Engineering (CAE), which set global standards in the 2D and 3D design of and visualization of buildings. In addition, there are BIM-based design and data management tools. Customers include architects, designers, engineers from all disciplines, structural planners, in-house technicians, specialist and landscape planners as well as developers and general contractors.

The following brand companies are included in the Design segment:

- » Allplan
- » Data Design System
- » dRofus (since January 1, 2017)
- » Frilo Software
- » Graphisoft
- » Precast Software Engineering
- » RISA (since November 1, 2017)
- » SCIA
- » Vectorworks

Whereas Graphisoft and Vectorworks cater especially for architects and designers, the brands Data Design System, Scia, Frilo Software and Precast Software Engineering RISA and SCIA are directed predominantly at civil engineers. In addition to architects and engineers Allplan also has facility managers as customers. dRofus addresses public and private building owners, designers, civil engineers and general contractors.

In the fiscal year 2017 two brands became new through acquisitions in the Design segment: Rofus and RISA. As at January 1, 2017 **dRofus AS**, located in Oslo, was acquired and consolidated for the first time. dRofus is a leading software provider for BIM-based design, equipment and data management in the construction sector. The company is primarily focused on builders and has subsidiaries in the USA, in Australia and in Sweden, which act as sales and support branches. Furthermore, **RISA Tech, Inc.**, located in Foothill Ranch, California, USA, was acquired and consolidated on November 1, 2017. RISA offers one of the most used software solutions for structural engineering and construction design in the USA. It is used in structural frameworks made of varying materials such as steel, concrete, brick or wood. Its customers include almost all reputable US engineering firms.

Build segment

In the Build segment, the Nemetschek Group offers holistic BIM-5D solutions that comprise the whole range of Building Information Modeling, from tender, award and final accounting to costing, scheduling and cost accounting. Included here are commercial ERP solutions for the accounting of construction operations. Further components are PDF-based workflow solutions for digital working processes, collaboration and documentation. The Nemetschek Group also offers solutions for BIM quality assurance and control as well as BIM 3D software for steel structures.

The following brands are allocated to the Build segment:

- » Nevaris construction software
- » Bluebeam software
- » Solibri
- » SDS/2 (formerly: Design Data)

In the Build segment, the Nemetschek Group addresses construction companies, property developers and sub-suppliers plus general contractors as well as planning offices, architects and civil engineers.

Manage segment

The focus in the Manage segment is on the commercial and technical software solutions for the administration of complex commercial properties. Additionally, Nemetschek offers software solutions for the management of housing associations and residential management firms, as well as comprehensive solutions for computer-aided facility management. The Manage segment includes the following brand:

- » Crem Solutions

The customers come from all areas of property management, including property and asset manager banks, insurance companies and globally active property companies.

Media & Entertainment segment

Architects and engineers, designers and especially the Media & Entertainment industry use the solutions from this segment for visualizations of models, 3D modelling, animations or visual effects. The Media & Entertainment segment also includes:

- » Maxon Computer

The software solutions are used globally in numerous productions from the areas of film, television, advertising, video games as well as in the visualization of architecture, in medicine, in product design or for info graphics.

In the year under report the Design segment accounted for 63.0% (prior year: 65.5%) of Group sales volume, the Build segment 29.0% (prior year: 25.9%), the Manage segment 2.0% (prior year: 2.1%) and the Media & Entertainment segment 6.0% (prior year: 6.5%). The shift to the Build segment is attributable to the strong, above-average sales growth. Details of sales and results development of the segments can be found under chapter 3.3.

Locations

Nemetschek SE has one headquarters in Munich, one in Washington D.C., and is represented with its brands at 67 locations worldwide. The Nemetschek Group solutions are distributed around the globe.

NEMETSCHEK SE LOCATIONS WORLDWIDE



AMERICAS

Brazil
Canada
Mexico
USA



WESTERN AND
SOUTHERN EUROPE

NORTHERN AND
EASTERN EUROPE

Austria	Czech Republic
Belgium	Finland
France	Hungary
Great Britain	Norway
Germany	Slovakia
Italy	Sweden
Netherlands	
Spain	
Switzerland	



ASIA

OCEANIA

China	Australia
Japan	
Singapore	

Drivers, market and competition

Growth drivers

The construction industry is characterized by constant urbanization, a growing world population and thus a rising demand for housing space. The growing volume of building over the last few years, as well as the fact that more than half of the worldwide energy consumption is in buildings, show the significance of this sector. However, regarding digitalization the construction industry lies far behind other sectors. The costs of IT and software serve as a good indicator of the level of digitalization in this industry. At just over one percent of sales, the IT costs are below average in the construction industry compared to other sectors. Despite an upwards trend in the last few years there is still significant potential for catching up in this area. Thus, IT expenditure is expected to climb on average by 17% in the construction industry by 2025. The fact that this is necessary is not only recognized by planners and construction companies but, in the meantime, has also been shown by appropriate surveys and studies, and even more so by the increased use of digital methods for the workflow of the construction process.

Prominent large-scale projects for which the costs and deadlines were at times considerably exceeded show that digital methods (BIM) are becoming increasingly important in the construction process.

The Nemetschek Group profits from several drivers at the same time in the three core segments of the AEC industry:

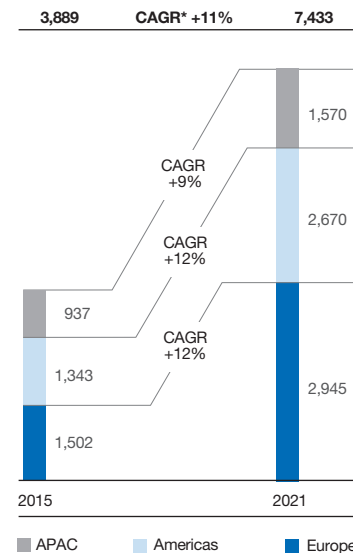
- » **Digitalization** in the construction sector is around 20 years behind other industries, such as the motor vehicle or telecommunications industries. Catch-up effects and increased investment in industry-specific software solutions which manage the process more efficiently and, thus, improve quality and reduce cost and time, are becoming more and more in demand.
- » **State regulations** which require the use and employment of BIM software for state-financed building projects in countries around the world, pave the way for further growth of the Nemetschek Group. In addition to the USA, European countries, particularly Great Britain and Scandinavia are pioneering BIM regulations and the use of BIM-capable software solutions. Nemetschek is the market leader in Open BIM solutions and thus benefits from those initiatives which are effective in other countries.
- » The evolution from **2D software solutions to 3D model-based BIM solutions** is called for in the BIM regulations in order to enable a model-based workflow. As a 3D and BIM software manufacturer this represents a further growth driver for the Nemetschek Group brands.

The evolution in the AEC market leads to a higher demand for **collaborative solutions** and a **digital workflow** of the disciplines from the Design, Build and Manage segments. Whereas the design and building process is driven by models, the focus of the Manage segment is on data-oriented solutions, since the attention here is on the data quality and analysis. All relevant models and data are digitalized and made accessible throughout the whole workflow using the collaboration platform. The Nemetschek Group is the only producer worldwide which offers solutions throughout the entire lifecycle of buildings and infrastructure projects.

Market and competition

The worldwide AEC market will grow in the coming year from EUR 3.9 billion 2015 to EUR 7.4 billion in the year 2021, which represents average growth of 11%. The BIM software relevant AEC market will climb in the same period from EUR 2.5 billion to approx. EUR 6.0 billion. All regions of the world will benefit from this, while America and Europe should experience stronger growth according the market study. The Nemetschek Group is one of the top suppliers in this market globally with a world market share of some 10%.

END-USER-EXPENDITURES IN EUR MILLION



* CAGR: Compound Annual Growth Rate;
Source: Cambashi BIM Design Observatory and internal research.

The AEC sector has been increasingly consolidated over the past few decades, and Nemetschek has been actively involved in this process through acquisitions. Today, there are only a few globally organized suppliers who compete with many small, locally active companies.

Nemetschek competes with different companies in all segments.

1.2 Objectives and strategy

In contrast to the other large competitors the Nemetschek Group has a unique market position through its clear focus on the AEC industry as well as through its brand structure. The Nemetschek Group is the only company worldwide that concentrates exclusively on the AEC industry and thus covers the entire workflow in the construction and infrastructure market. Furthermore, the brands remain independent and are market leaders in their relevant market segments. At the same time, they benefit from synergies in the Group involving internationalization, sharing best practices, cross and co-selling, as well as joint development activities. Through their narrow focus the brands understand customer needs better and can implement them faster.

The Nemetschek Group follows an international growth strategy. The objective is to achieve double-digit organic growth. This organic growth will be accelerated through value-adding acquisitions.

Customer segments and distribution

The focus of the construction and infrastructure market remains on the AEC market. In the area of buildings, which represents about 80% of the AEC market, the Nemetschek Group already holds a leading market position. The software solutions are used in all types of both public and private building projects. In addition, the infrastructure market, in particular bridges and tunnels, will play a more important role in the future. In almost all countries across the world investment in infrastructure projects is substantial. Applying its competence in civil engineering and leading software competence, Nemetschek has already supported several reputable projects, such as the Gotthard Base Tunnel which was implemented both within cost and time budgets.

The distribution function at the brand companies is performed directly via internal sales teams and indirectly via resellers and distribution partners. Both systems are effective and are implemented depending on market conditions.

The Group offers its customers high flexibility regarding software: The possibilities are a license model, including the option of a service contract, or a leasing model (subscription or software as a service), whereby for leasing models selling is also done online. With leasing models Nemetschek can attract new customer groups since the customer is flexible in terms of time and can use the software without a one-off license fee. Nemetschek will offer both solutions in future regardless of whether customers request individual solutions or perform large projects. Thereby the Nemetschek Group respects the differing needs of the customer groups according to discipline and region.

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

Internationalization

As one of the top players in the global AEC market the Nemetschek Group focuses on the markets which currently offer the highest potential. In Europe these include Germany, followed by Great Britain and Ireland and France. In North and South America, the US market is the largest, followed by Canada and Brazil. In the Asia/Pacific region the order of priority is Japan, China and Australia.

The roots of the Nemetschek Group lie in the DACH region (Germany, Austria and Switzerland), where Nemetschek has a large market share, in particular in the areas of architecture, civil engineering and structural planning, as well as in facility management. In addition to the DACH region in Europe, the countries Great Britain, Ireland and France are in the focus of the Nemetschek Group. Great Britain, in particular, sets standards for the BIM regulations and thus offers Nemetschek very good framework conditions.

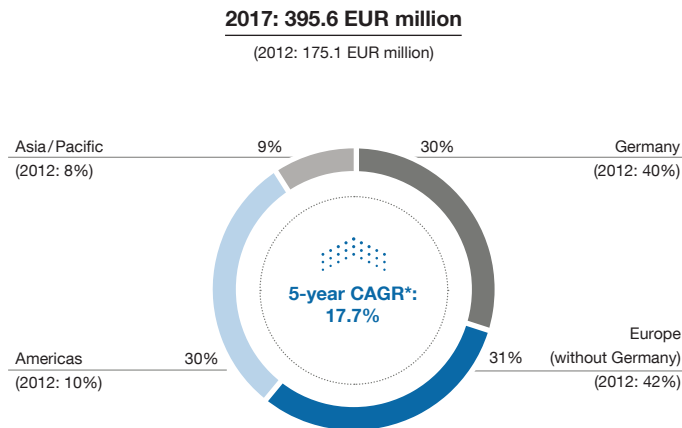
The USA is the largest single market worldwide for AEC software and, meanwhile, also the most important market for the Nemetschek Group. It has developed above average in this highly competitive and strongly growing market. In the last five years, the revenue share in the USA has risen from 10% (2012) to 30% (2017). After the USA, Canada is the second most important market in North and South America.

Also, with regard to acquisitions the USA is an extremely interesting market with innovative companies: Since 2014 Nemetschek has successfully acquired three companies namely Bluebeam (2014), SDS/2 (2016) and RISA (2017).

The US market will also remain the most important single market in the future and will generate the strongest growth and will thus be the largest single market in the Nemetschek portfolio in terms of revenues and employee numbers. In addition to the already good positioning in architectural and construction companies, the Nemetschek Group also plans to position itself abroad in the structural planning and civil engineering sector, which was one of the reasons for the RISA acquisition.

Further internationalization is a major growth driver. The brands in the USA and Europe mutually support each other in their expansion. The strong market positioning of the US companies simplifies the expansion of European Nemetschek brands abroad and vice versa.

In the Asia/Pacific region, Nemetschek addresses the markets of Japan, China, Australia/New Zealand and India. In Japan, the largest AEC market in Asia and third-largest worldwide, it already has a leading market position in the architecture market. The Japanese market is attractive due to the adoption of the BIM regulations, and thus other brands from the Group will sell their solutions there.

DEVELOPMENT OF REVENUES BY REGION

* CAGR: Compound Annual Growth Rate.

Strategic initiatives

With their solutions, the brand companies set new benchmarks and establish standards in the AEC and Media & Entertainment markets. Around a quarter of the revenues generated therefore flow regularly into research and, thus, into new and further development of the solutions portfolio. In addition to the strong competence of the individual brands and their continued development, the strategic focus is on cross-market development projects and strategic initiatives which shall ensure the double-digit organic growth of the group in future. The objective is to address new customer segments, to mutually support the brand companies in their international growth strategies and to share "Best Practice" within the group.

With the strategic initiatives, the following topics of focus have arisen: The digital transformation in the construction industry and the development of networked building sites both require the management and provision of ever-greater volumes of the data involved in the planning and realization of buildings and infrastructure projects as well as their associated integrated work flows. For this, a collaboration platform is required (Common Data Environment – CDE). The focus of the activities of Nemetschek is on the development of a CDE platform for all participants in the work flow of the construction process. The objective is to structure the various disciplines much more efficiently with core functions, such as project management, document management and the sharing of information and BIM models.

Furthermore, cross-market strategic development projects support the aim of the Nemetschek Group to address more and more major customers from the areas of architecture, civil engineering and general contractors. Through the merging of planning and implementation in the building process, the trend in the AEC sector is moving towards architectural or civil engineering companies as well as building companies which cover the entire work flow within the building process. The focus is primarily on the American market, in which there is a large share of large customers.

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

Acquisitions

The attractiveness of the worldwide AEC market, the decentralized structure of the Nemetschek Group and its solid balance sheet structure and high cash-generation open up good acquisition opportunities to generate further growth. Suitable enterprises in the ACE industry are identified, on the one hand, internally and by the brand companies themselves or, on the other hand, via external partners and advisers.

Suitable target companies should close gaps in the Group portfolio and extend, or rather, round off the technological competence in the work flow of construction processes. A further objective of the acquisition strategy is (to secure) complementary market shares in international markets. However, strong management and an established, leading business model in the relevant market segment are also significant parameters. Potential target enterprises arise mainly from internal strategic projects in civil engineering and structural planning, collaboration technologies and the expansion of the Manage segment.

After a successful takeover Nemetschek SE allows the acquired company to remain in the market with its brand name as established in the market. At the same time the brands are given clear financial and strategic targets. Additionally, the holding company accompanies the brands in their integration into its segments and establishes contact to the other brands within the group in order to promote exchanges, in particular in research and development as well as in distribution and marketing. The Nemetschek Group is thus highly attractive as a strategic buyer for potential enterprises. Following the sale of their company to the Nemetschek SE, the founders can continue managing their respective enterprises while offering their employees security. At the same time, they benefit from possible synergies by belonging to a financially strong, international group.

The brand companies can acquire appropriate target companies directly, provided that material criteria, such as the expansion of technology, regional expansion, sales structure and a healthy balance sheet, are given. Additionally, the Nemetschek Group wishes to invest in innovative and young enterprises - so-called incubators - so that it may position itself early on by looking forward to new developments.

1.3 Corporate management and control

A key factor behind the success of the structure of the holding company and brand companies lies in the interrelationship between group members and their synergies, on the one hand, and flexibility and independence of the brands on the other. This is coupled with a great innovative strength since the brands can respond quickly to customer requirements and requests.

The corporate management is based on the corporate strategy approved by the executive and supervisory boards. This covers the strategic positioning of the Nemetschek Group and its solutions portfolio in the global sales markets, as well as its medium-term revenue and income projections. However, it also involves itself to the development of the competitive and market environment.

Corporate management is performed at the level of the reportable segments. The parameters and annual targets for the segments and for the different brand companies are derived from the strategic goals. In the annual planning process at profit center level these targets are agreed with the brand companies, are substantiated by them and assigned individual quantitative and qualitative targets for marketing, sales and development. The reconciliation of annual planning, individual targets and medium-term planning is performed with the general managers of the relevant brands and with the executive and supervisory boards of the holding company.

During the year, the group targets are monitored based on a group-wide management information system with detailed reporting of the key performance indicators for revenue, growth, earnings and risk compared to prior year and budget data. Deviations from budget are discussed monthly between the executive board and brand company managers, and possible measures are derived. Finally, there are regular cross-company reconciliation processes in all functional areas of the holding company.

Financial performance indicators

The central financial performance indicators (key performance indicators) for the Nemetschek Group are revenues, revenue growth compared to the prior year and the operating result (EBITDA). The EBITDA gives information on profitability and includes all items of the income statement which relate to operating performance. The medium-term objective is organic revenue growth within the group of more than 10% and 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 2017	FY 2016	FY 2015	FY 2014	FY 2013
Group sales	395.6	337.3	285.3	218.5	185.9
Design	249.2	220.9	198.8	175.1	149.5
Build	114.6	87.5	60.1	20.1	15.4
Manage	8.1	7.1	6.3	5.3	5.0
Media & Entertainment	23.8	21.8	20.1	18.0	16.0
EBITDA	108.0	88.0	69.5	56.8	46.3
Design	70.3	63.2	49.5	43.8	33.1
Build	26.6	12.8	10.4	4.1	5.5
Manage	1.9	1.6	1.3	1.1	1.1
Media & Entertainment	9.2	8.4	8.2	7.8	6.5

An exact explanation of the development of the segments in the year 2017 compared to the prior year can be found under Section 3.3.

Non-financial performance indicators

Alongside the most important indicators for assessing the financial business development, non-financial performance indicators also play an important role in (measuring) corporate success. From the group perspective and at segment and brand levels, innovations in the relevant sales markets as well as the attractiveness of Nemetschek for highly qualified employees and their loyalty to the company are of central importance.

1.4 Employees

Nemetschek Group employees

Highly qualified and motivated employees are the foundation for the fulfilment of corporate objectives. Globally, almost all of the employees of the Nemetschek Group possess a vocational or higher education qualification. Numerous employees are architects and engineers, reflecting the company's strong roots in the AEC industry.

Competitive remuneration and continuing development possibilities are important incentives for recruiting and retaining employees. In addition to their salaries they also receive special benefits depending on their location and the size of the brand company, such as, for example, a company car, a company pension or a canteen meal subsidy. In most companies there is performance-related remuneration, which is crucial to high employee motivation. The criteria for performance are the development of revenues and earnings of the relevant company and the achievement of personal targets.

Managers and sales employees are assessed primarily in terms of the overall success of the relevant subsidiary, whereas the variable remuneration for the other employees depends on the achievement of individual or team targets.

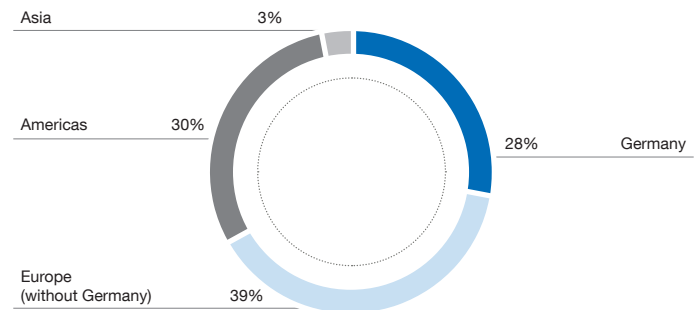
As of December 31, 2017, the Nemetschek Group employed 2,142 staff worldwide (previous year: 1,925). This represents growth of 217 persons, or rather 11.3%. This does not include employees on parent leave, freelancers and those ill long-term. The number at the year-end included 28 staff who joined the Group through the acquisition of dRofus as at January 1, 2017 as well as 22 employees from the acquisition of RISA as at November 1, 2017. Adjusted for these effects there has been a climb in the number of employees at the closing date of 167 people or rather 8.7%.

The proportion of women in the overall workforce was unchanged at the end of 2017 at 34%. In selecting the appropriate candidates for management positions, Nemetschek makes a point of balancing the number of male and female hirings for its positions.

At 72% (previous year closing date: 70%) the majority of Nemetschek Group employees were employed outside of Germany at the year-end 2017.

Further information can be found on the topic of employees in the non-financial report (Section 2).

DISTRIBUTION OF EMPLOYEES BY REGION

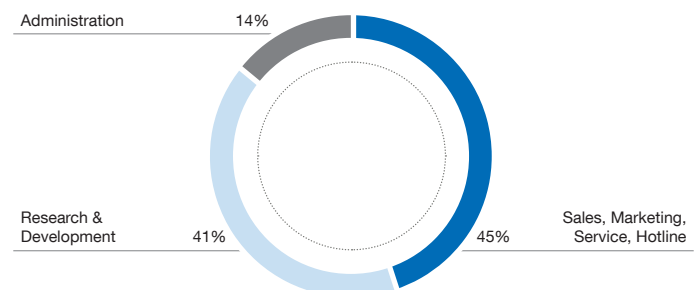


Personnel expenses rose in the first quarter 2017 by 14.2% to EUR 172.6 million (previous year: EUR 151.2 million) which led to a slightly lower personnel expense ratio (personnel expense / revenues) of 43.6% (previous year: 44.8%).

On average for the year 2017, the Nemetschek Group employed 2,065 people worldwide, an increase of 12.9% compared to the previous year (1,829). The average number of staff employed in research and development amounted to 849 (previous year: 781), which was 41.1% of the total number of employees (previous year: 42.7%).

The average number of staff in sales, marketing and hotline amounted to 927 (previous year: 789). In addition to these, 288 employees (previous year: 259) worked in administration (including as in the previous year 17 trainees). Trainees primarily work in the commercial departments as well as in IT and development areas.

PERSONNEL STRUCTURE



Nemetschek SE employees

On average in 2017 Nemetschek SE employed 37 members of staff (previous year: 33). The employees in the holding company also receive various special benefits, for example offers of company pensions, company car rules and subsidies for canteen meals. Furthermore, Nemetschek SE has performance-related remuneration. The revenues and earnings of the Group, as well as the achievement of personal targets, are usually the criteria for measuring this. In some cases, a differentiation is made such that managers are primarily measured based on the overall success of the company, whereas the variable remuneration for the other employees depends on the achievement of individual and team targets.

1.5 Research and development

The research and development activities are aimed at the continued increase of the innovative strength of the Group in the AEC market and at recognizing early and capitalizing upon technological trends. At brand level the focus is on the development of new products and solutions as well as their continued development to increase customer benefits and the performance of solutions. In addition to this, there are cross-market development projects to address new customer segments and to round the portfolio. The ultimate aim is to tap into new markets and to attract new customers. For the continued development of solutions, close cooperation with customers is essential in order to fulfill their requirements. In the business abroad, the adjustment of solutions to national norms plays a significant role.

As a pioneer and supporter of Building Information Modeling (BIM), Nemetschek adheres to the principle of Open BIM as the basis for co-operation, regardless of which software a user has chosen. All Nemetschek brands contribute to the Open-BIM-approach with their solutions. Together with partners, and as part of global Building-SMART initiative, Nemetschek is intensively committed to the continued development and implementation of appropriate standards, in particular from the Industry Foundation Classes (IFC). IFC is a manufacturer-independent, freely-available and particularly powerful data exchange format for the exchange of 3D building-oriented planning data in the construction industry. The brand companies are constantly working on improving, testing and certifying their interfaces for the seamless exchange with other open BIM solutions. Furthermore, the brand companies are working on the development of collaborative additional functions, for example those that follow which project participant has received, read and possibly amended or approved which detailed information when.

In the **Design** segment the three major CAD brands Allplan, Graphisoft and Vectorworks presented innovative releases to the market in the financial year 2017. For the solutions **Allplan 2018** and **Vectorworks 2018** the focus was on the optimization of the BIM workflow, characterized by efficient, multi-locational collaboration with fast data transfer, independent of manufacturer, and reduced loss of information in the exchange of project data. With **ARCHICAD 21**, Graphisoft presented an innovative tool for the production of stairs and handrails as well as a new functionality for visualization and productivity.

The other brands also publicized their releases as well as numerous new features, including SCIA with its flagship solution **SCIA Engineer** for structural analysis and drafting. The current version offers improvements for productivity increases and transparency. Frilo Software concentrates on a consistent, continued development of over 80 static programs. Furthermore, Precast Software Engineering optimized the user-friendliness of its solution **Planbar** by implementing customer suggestions. Data Design System, on the other hand, offers the user faster processing times and higher quality control with its **DDS-CAD 13**. dRofus integrates an automatic hyperlink conversion of web addresses into the version **dRofus 1.10**.

In the **Build** segment, Nevaris offers numerous commercial and technical functions with its eponymous software. The three core components **Nevaris BIM**, **Nevaris Build** and **Nevaris Finance**, which were combined or used individually depending on activity and customer requirements, were further tailored to customer requests in 2017. Bluebeam presented the new version of its platform **Bluebeam Revu 2017**: The high-performance PDF processing, notation and collaboration software was equipped with new tools for preparing precise cost quotes and the automatic production of forms. SDS/2 presented in its new eponymous release **SDS/2 for 2017** a new solution for the detailed planning and production of reinforced concrete. With its solution **Solibri Model Checker v9.8**, **Solibri** prevents defects in advance of building and raises the quality of the BIM model with the collision determination.

In the **Manage** segment, Crem Solutions constantly further developed its modularly constructed **iX-Haus** solution.

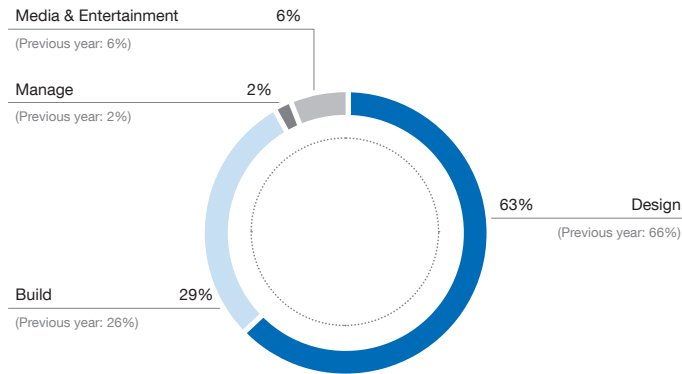
In the **Media & Entertainment** segment, Maxon successfully launched its new release 19 of the industry solution **Cinema 4D** to the market. It features numerous optimizations in the areas of modeling, rendering and animation, as well as a real-time representation in the processing of the building.

In developing new products and continuing the development of trusted solutions, it was mostly internal group resources that were utilized, and third-party services were used only to a limited extent.

The fact that around a quarter of the group revenues regularly flow into product and process innovation underlines the high importance of research and development for the Nemetschek Group, just as the fact that a substantial proportion of employees work in this area (41%).

In the financial year 2017 a total of EUR 92.0 million (previous year: EUR 80.8 million) was invested in research and development. This corresponds to 23.3% (previous year: 24.0%) of group revenues. The following diagram shows how development costs are allocated to the segments. As in previous years, development costs were not capitalized in the consolidated balance sheet.

SHARE OF DEVELOPMENT COSTS BY SEGMENT



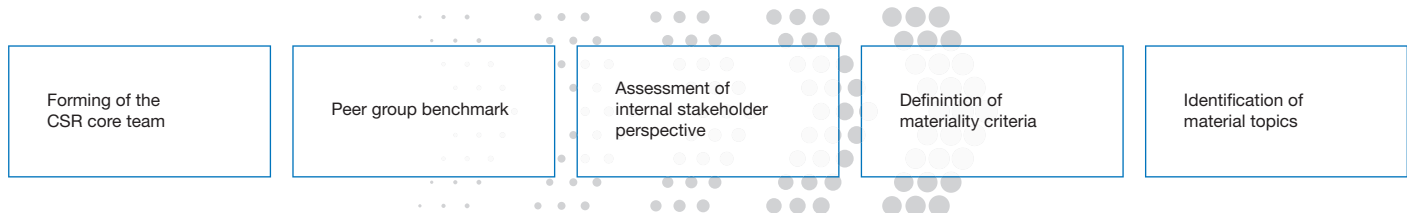
2 NON-FINANCIAL REPORT*

2.1 Materiality analysis, risk evaluation and reporting

The Nemetschek Group is organized as a strategic holding company with operating subsidiaries. With more than 2,000 employees globally, this holding structure enables the individual brands to have close contact with their customers and to act independently as corporations. This approach has great advantages, but also hides challenges with regard to the cultural differences, market access and differing management approaches of each brand.

The corporate group is conscious that corporate social responsibility plays an increasingly important role for all those involved. As a result of the special organizational structure of the Nemetschek Group (see management report under section 1.1 and the notes to the financial statements) the non-financial key performance indicators (KPI) are currently only monitored at brand level. As part of the growing importance of corporate social responsibility, the Nemetschek Group 2017 implemented a process for recognizing material topics at group level.

THE PROCESS

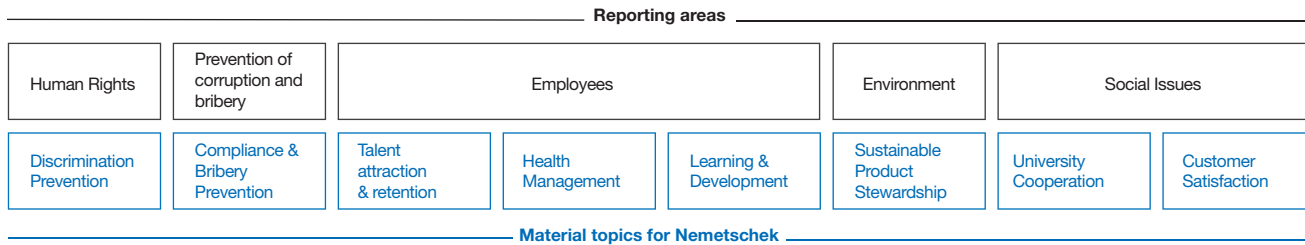


In order to recognize material aspects for the Nemetschek Group and to enable an efficient method of approach, the company formed a CSR core team, to which representatives from the departments corporate finance, corporate controlling, corporate audit and compliance, investor relations, and corporate communication as well as the human resources department of the holding company belong. The CSR core team conducted a benchmark investigation of comparable companies, prepared an overview of sustainability initiatives of the Nemetschek Group, and evaluated current sustainability topics in the software industry.

As a next step, the view of the internal stakeholders in the Nemetschek Group, including the major brands, was investigated. As a result of this, findings and ideas were obtained with regard to questions of sustainability from various corporate areas. For the materiality of sustainability criteria, it was essential that these may have a direct or indirect impact on the financial result, the resources and the reputation of the company. At the same time, the implications of the direct and indirect business activities of the company on the appropriate sustainability aspect were determined. This led to a common understanding of the term materiality. In a cross-departmental workshop on the topic of materiality, in which the executive board also participated, the most important topics were determined according to the following materiality criteria:

* In accordance with Sec.315b et seq. HGB, is not subject to the statutory audit.

RESULTS OF THE MATERIALITY ANALYSIS



For these eight topics the CSR core team analyzed the existing processes, guidelines and data by way of a survey across all brands and the group headquarters. The non-financial statement shows the selected topics across all brands, except for RISA*.

Based on the risk management method of the Nemetschek Group a systematic approach to the analysis and evaluation of non-financial risks was developed and applied. Risks are evaluated with regard to their probability and expected scope in each category. No material risks were identified (as defined by high probability and high effect) in connection with social issues, human rights, environment, employees or compliance.

The CSR core team decided to concentrate on those structures and topics already in existence. For this reason, the non-financial statement is not based on a framework for the sustainability reporting.

2.2 Corporate social responsibility within the Nemetschek group

The Code of Conduct of the Nemetschek Group deals with sustainable corporate practices designed to encourage the exercising of social, environmentally relevant and commercial responsibility for all brands.

The “Code of Conduct” states: *“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 worldwide social responsibilities. Our strategy as well as our day-to-day operations are based on high ethical and legal principles.”*

As part of the preparation of the non-financial declaration 2017, the Nemetschek Group set itself the objective of developing a definition of sustainability and obligation which also covers customer-related and product-related areas.

Currently, there are only a few group-wide steering, monitoring and control mechanisms with regard to CSR topics. Most of the eight topics determined as significant for the company in 2017 are managed decentrally by responsible persons or departments within the brands. As part of the process started in 2017, the Nemetschek Group aims at setting basic standards for the whole Group to achieve sustainable business practices in all brands, including the group head office.

In order to achieve scalable effects, the Nemetschek Group 2017 also decided that with regard to revenues from major brands, compliance with additional standards, which are higher than the minimum requirements for all brands, shall become obligatory. These shall have the clear purpose of addressing a socially or environmentally relevant issue and developing products which advance sustainable innovations. Major brands are subsidiaries with an annual revenue of more than EUR 20 million each. These include at the last count the five brands Allplan, Bluebeam, Graphisoft, Maxon and Vectorworks. These brands generated 75% of total group revenues in 2017 and employed around 70% of all employees. The Nemetschek Group head office in Munich and the headquarters in Washington D.C. shall be included in this process.

It is planned that the additional standards for the major brands will be developed in close cooperation with the subsidiaries by the end of 2018. The standards should include a strategy for health management, a concept for cooperation with universities, a concept for the regular and consistent monitoring, evaluation and integration of the fulfilment of the quality requirements of products and/or services, a concept for customer satisfaction as well as a strategy for sustainable product responsibility. The major brands should comply with these standards by 2020.

Human rights and fighting corruption

The aim of the Nemetschek Group is to avoid compliance problems including corruption and discrimination. Violations or suspected violations against applicable legal regulations on compliance, internal rules or ethical standards could have negative financial consequences and/or long-lasting effects on the reputation of the Nemetschek Group.

Compliance

The Nemetschek Group follows a preventative compliance approach and strives for a corporate culture where employees are sensitized and further educated. The most important principles and regulations, ethical standards and standards for dealing with business partners are summarized in the “Code of Conduct” of the Nemetschek Group. It is binding for all employees – regardless of their position - and was announced throughout the company.

* The RISA brand purchased as of November 1, 2017 is not included in the current non-financial report.

Corporate Audit and Compliance monitors the compliance activities and reports directly to the Chief Financial and Operating Officer of the Nemetschek Group. 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 activities in this connection are managed by the relevant brands.

Along with the "Code of Conduct", a modern training instrument is used to raise awareness and to educate employees long-term on issues such as compliance and anti-corruption. Employees shall in this way recognize potential critical situations and be able to react appropriately. To date, most employees within the group have already taken part in a compliance training course.

The Nemetschek Group encourages employees to report behaviors which, in their opinion, violate the "Code of Conduct". They have the option of reporting violations or inappropriate behavior to their superiors, personnel managers or anonymously to a hotline which is set up outside of the company. In the year under report it was decided that communication via these reporting channels be encouraged to enhance awareness of their availability and to promote compliance training courses.

In the year 2017 no substantiated, noteworthy problems concerning anti-corruption efforts were detected.

Prevention of discrimination

The Nemetschek Group aspires to be perceived globally as a responsible company with high ethical and legal standards. It expects its employees to behave fairly and respectfully both within the company and towards third parties.

The existence of any form of discrimination or harassment could have a huge negative effect on group culture, the motivation of employees as well as on the reputation of Nemetschek.

The Nemetschek Group has an anti-discrimination guideline for the treatment of employees and this is anchored in the group-wide corporate culture. 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"*.

Anti-discrimination measures are part of the compliance management of the Nemetschek Group, which is centrally managed by Corporate Audit and Compliance. Employees who feel that they are being subject to any form of discrimination or behavior are encouraged to report this via the reporting channels mentioned above.

In the year 2017, no substantiated, noteworthy problems relating to fighting discrimination were reported.

Employees

The so-called "War for Talent" is a great challenge for the Nemetschek Group. Particularly software developers and IT experts are rare in several key markets such as, for example, Germany or the USA. The fact that Nemetschek is a medium-sized company in competition with larger employers from the software sector, such as Microsoft, Apple and Google, also plays a role here.

The objective is to attract and retain the best talent in the market. Currently, most personnel matters are not managed centrally but decentrally by the brands. The cultures within the Nemetschek Group are very diverse. Since this individuality is an important driver for innovative strength the executive board has resolved to continue to respect this in the future. Notwithstanding this, the business of attracting and retaining employees, training and continuing education, and health management shall be improved in the future. Therefore, it was decided in 2017 to develop basic standards such as, for example, minimum requirements for the whole group in an HR guideline, as well as additional standards for the major brands by the end of 2018. The brands can decide freely to determine additional standards relevant to the brands. The HR guideline shall be implemented and binding for all brands by the end of 2020. Furthermore, an HR instrument shall be set up and in the first few countries installed as a pilot project by the end of 2018.

Attracting and retaining employees

The Nemetschek Group constantly attempts to create attractive employment conditions and a positive working environment to attract and retain the best talents for the company. The group also offers so-called high potentials promising career opportunities. All brands as well as the holding company place a high value on enabling their employees to be able to combine work and family.

For 2017 most of the brands offered the following:

- » Flexible working models: The exact structure depends on the business model and the local requirements.
- » Part-time work and family leave.
- » Job offers on the internal platform ONE, which enable the exchange of talent within the company.

In 2017 it was also resolved that a group-wide job portal would be developed by the end of 2018 on the website www.nemetschek.com. This should assist qualified staff to select the brand that suits them best. Furthermore, this should enable the group-internal exchange of qualified staff, creating synergies and opportunities for the transmission of know-how.

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 working world. In the planned HR guideline, the setting of basic standards for sustainable health management is outlined for the whole group. The long-term objective is a health management system for the whole group that supports all employees in looking after their health.

More than four fifths of the brands offered a health-related activity in 2017, for example:

- » Sponsored sport or fitness activity.
- » Wellness programs
- » Regular health examinations
- » Special offers for office fittings such as, for example, ergonomic office furniture.
- » Seminars and workshops on the topic of health
- » Offering drinks and fruit free of charge

Training and continuing education

The aim of the Nemetschek Group is to regularly train employees so that they can offer their customers optimum services and solutions. The planned HR guideline shall serve as a guide and set basic training standards. Furthermore, the Nemetschek Group has a guideline for the performance management of top managers and their continuing professional development within the group.

For the year 2017 the majority of the Nemetschek brands reported that they

- » constantly monitor the training requirements in their organizations and develop targeted courses;
- » have offered various training measures such as, for example, specific technical courses, language courses, IT courses as well as management courses and seminars;
- » have invested in training programs and set themselves the target of constantly training their employees using technically relevant programs. For example, in the year under report a program was started, that trains dual students across the whole group.

Environment

Sustainable product development

A responsible approach to natural resources is already anchored in the "Code of Conduct". For the future the Nemetschek Group is determined to reduce the environmental impact of its products and solutions.

In the year 2017 the executive board decided to, in future, introduce the concept of sustainable product responsibility to the group. "Sustainable" in this sense means that the Nemetschek Group offers its customers products that increase project efficiency, which, in turn, brings environmental benefits.

In the year 2018 a CSR working group with representatives from all subsidiaries and the group head office shall define how project efficiency should be described, measured, and managed in terms of sustainable product responsibility. The objective is to support those involved in the construction process in building energy-efficient buildings and in minimizing the use of raw materials. Customers using Nemetschek Group solutions shall improve the quality of buildings through more precise planning and the minimization of the risk of error during the construction process, thus reducing the required building time and enabling the saving of resources.

As part of this, the underlying standards, with minimum requirements, shall be established for all Nemetschek brands along with additional standards for the major brands.

In the year under report most of the brands were already able to implement aspects of sustainable product responsibility in their solutions:

- » Bluebeam, with its solutions for efficient working processes, contributes by saving large quantities of paper.
- » Allplan supports the AEC sector in various areas of sustainable planning, for example, in the building orientation (reduction in energy costs), energy analysis (reduction in energy consumption) or in the efficient use of materials (reduction in material requirement and waste).
- » The solution Energos from Vectorworks monitors the consumption of energy for every project at the touch of a button at any time during the planning phase, i.e. from the initial design draft to the final plans. It is also possible to export the energy data for further analyses.
- » Planbar by Precast enables comprehensive planning of the principal processes, from the prefabricated parts facilities to the building site logistics.
- » The Solibri Model Checker raises the quality of the whole planning and construction process, reducing costs and time spent. The software is also beneficial to the environment because it precisely calculates the required quantity of materials at the beginning of the planning process, and then again during the actual building process.

- » With EcoDesigner STAR Graphisoft offers an integrated solution to determine the energy balance of a building. With this tool, architects can conduct a reliable and dynamic evaluation of the energy requirement of the building model to optimize the energy behavior of their design drafts. Additionally, it is also possible to document the necessary evidence for the energy certificate.

Social commitment

Cooperation with universities

The Nemetschek Group has its roots in a university environment, where its software has been present for decades. Thus, cooperation with universities is an integral part of group activities. The aim of the company is to be present in all significant universities in core markets and to inform students in their studies how buildings and infrastructures can be sustainably designed, built and managed using open standards. One effect of this early training is that customers have access to professionally trained, talented students. These activities are currently organized and managed by the brands on a decentralized basis. In the year 2017 the Nemetschek Group decided to develop underlying standards for cooperation with universities for all brands as well as additional standards for the major brands. These standards shall be centrally evaluated, although the activities continue to be managed on a decentralized basis.

In the year under report, most brands offered a selection of the following activities:

- » Interaction and cooperation with universities and industrial associations via
 - a job platform for customers and students
 - Open day
 - Academic advisers
 - Grants or programs
 - Cooperation with universities and student organizations
 - Training for university lecturers
- » Provision of software licenses for students and online training material for students and university lecturers as part of “Campus programs”.

Customer satisfaction

Currently, most brands of the Nemetschek Group decentrally monitor and evaluate customer satisfaction regarding products and/or services. To achieve high customer satisfaction and to tailor solutions exactly to the needs of customers, all brands of the group develop their products in close cooperation with their customers. At Vectorworks, for example, 70% of the new functions in any product release are based on concrete customer requirements.

In the year 2017 the Nemetschek Group decided to introduce certain group-wide key performance indicators (KPI) to increase and evaluate customer satisfaction as well as additional standards for the major brands by 2019. These standards shall be implemented by the brands by the end of 2020.

For the year under report the brands that analyze customer satisfaction communicated mainly positive evaluation results. They undertook, among other things, the following activities in this connection in 2017:

- » Collection of customer feedback via
 - Customer workshops
 - Customer product previews
 - Direct communication in online forums
 - The promotion and implementation of product suggestions via various communication channels
 - product road map considerations
 - Analysis of requirements
 - Use of case statistics
- » Involvement of the customer in the development process
 - Tests in the beta phase
 - Application tests
 - Joint development projects.

3 Economic report

3.1 Overall economic and sector-related conditions

Global economy*

In 2017 the world economy was in recovery. The United States of America, where economic recovery noticeably accelerated, contributed significantly to this. There was also a strong upwards trend in 2017 in the Eurozone. On the other hand, Great Britain was characterized by lower growth rates probably due to uncertainties stemming from the Brexit vote. China enjoyed unabated, strong growth, which made it the biggest contributor to global growth in 2017.

In its current appraisal, the German Council of Economic Experts forecast growth in the global gross domestic product (GDP) of 3.2% in 2017 (previous year: 2.6%).

Eurozone

The economic upturn in the Eurozone continued to stabilize. Even many of the euro countries were able to participate in the economic recovery in 2017.

The Council of Economic Experts showed consumer spending as the largest growth driver. Additionally, investment remained at a high level, even exports developed positively again after a weaker phase in 2016. Beside the generally positive development of the global economy and the continuing expansive monetary and fiscal policy, structural reforms and diminished political risks led to a higher growth dynamic in the Eurozone. The Council of Economic Experts last expected a rise in GDP in 2017 of 2.3% (previous year: 1.8%).

USA

The USA was able to continue its recovery in the year 2017. The unemployment rate fell to 4.2%, its lowest level since 2001. The improved state of the employment market, and thus slightly increased income and significantly higher gross capital investment by companies provided important growth impulses for the economy. The somewhat tighter monetary policy of the American central bank has had until now no significant effect on economic performance. Whereas the GDP in the year 2016 climbed by 1.5%, an economic growth of 2.2% is expected for 2017.

Japan

The moderate growth trend also continued in Japan, principally borne by private consumer spending, the result of the continued good situation in the employment market. The constant major investments by large companies also contributed positively to economic growth. Against the backdrop of a steadily low inflation rate, the Bank of Japan continued unwaveringly on its expansive monetary policy course. For the year 2017 an increase in economic performance of 1.6% is expected (previous year: 1.0%).

Emerging countries

In the emerging countries growth accelerated again slightly overall even if not all countries were able to benefit from the positive overall trend. China was able to exceed the expectations of the market experts, with a forecast economic growth of 6.8% in the year 2017. In India, on the other hand, the growth trend weakened with a GDP increase of 6.0% (previous year: 7.8%). Brazil showed a positive development by returning to a growth course in 2017. Supported by the stabilization of crude oil prices, the Russian economy showed a positive turnaround trend. Overall an increase in GDP of 5.3% was expected for the emerging economies (previous year: 4.7%).

Construction sector situation**

Europe

The European construction industry showed its strongest growth rate in 2017 since the year 2006. Thus, 2017 was not only the fourth growth year in a row, but also all 19 member states of the Euroconstruct network were able to increase their building volume for the first time since the early 1990s. The sector experts from Euroconstruct expect in total an increase in building volume of 3.5% (previous year: 2.5%). A principal growth driver here was the residential building sector, which grew faster than average at a growth rate of 4.7%. The leader of these countries was Hungary with an expected growth of 26% which, as was the case for the Eastern European countries generally, was able to overcome the 2016 economic low. Very high growth rates are additionally forecast for Ireland (14.6%), Sweden (9.9%) and Norway (6.8%). The large economies of Germany and France were also able to continue their growth paths at 2.6% (previous year: 2.5%) or rather 3.6% (previous year: 2.6%). The growth rates in Great Britain fell, due to the uncertainties resulting from the imminent Brexit, however, an increase in building volume of 2.7% was still expected (previous year: 3.9%).

North America

The expansion of the American construction industry continued overall in 2017, however with a substantially lower growth rate. For 2017 a rise in the building volume of 3.6% is expected (previous year: 6.5%). The residential building sector represents a material support, as in previous years. On the other hand, this was countered by an investment backlog in the infrastructure area. Public infrastructure expenses have been caught up for many years in a conflict between politically necessary budget cuts and the necessary renovation and modernization measures called for after many years of under-investment. An infrastructure package planned by the Trump administration is expected to contribute to its modernization and thus the maintenance of competitiveness.

Asia

Despite moderate economic development and a shrinking population, Japanese building volume is at a high level. Consequently, the building sector generated more than 10% of the gross domestic product in Japan in 2017. About one third of this relates to the infrastructure construction of the public sector, which was able to grow

* Sources: Annual Expert Report 2017/18 German Council of Economic Experts; GTAI/Economic Trends.

again in the year under report. In accordance with the sector experts from Germany Trade & Invest, this was not least due to the economic package of the Japanese government passed in the year 2016. On the other hand, there was a slight reduction in private residential building. Overall the Japanese RICE (Research Institute of Construction and Economy) expects a moderate increase in building volume of 1.8% (previous year: 3.2%).

Emerging countries

The development of the building industry in emerging countries showed a mixed picture in 2017.

In China the construction boom continued in 2017 despite the steadily rising property prices in residential building. In the meantime, the demand for renovations and conversions of buildings is growing strongly. A further growth driver is civil engineering, which could benefit from the state infrastructure measures especially in road and railway construction. For both segments double-digit growth rates are forecast for 2017.

India's construction sector is strongly affected by urbanization. Thus, there is a huge backlog for the creation of affordable residential property. The civil engineering sector showed positive development, with strong growth in road and railway construction in particular.

After three years of recession, the Brazilian construction sector showed the first signs of a turnaround. As part of the restructuring of the sector, foreign multi-nationals are becoming more important, as has been reported.

The Russian construction sector developed positively and was able to emerge from its crisis behind in 2017. Thus, the demand for residential property increased. Additionally, investments were made in the modernization and expansion of the road network. Overall sector experts from the rating agency of the construction economy (RASK) expected only low growth of 0.3% for the year 2017.

Industry specific framework conditions**

The economic development of the construction industry is only one of many indicators of the development in the markets of the Nemetschek Group. At just over one percent of sales, the IT costs are below average in the construction industry compared to other sectors. Despite an upwards trend in the last few years there is still significant potential for catching up in this area. Thus, IT expenditure is expected to climb on average by 17% p.a. in the construction industry by 2025. The fact that designers and construction companies have in the meantime also recognized this can be seen from the increased use of digital methods in the office and at the building site. The digital transformation in the construction industry is principally driven by the working method Building Information Modeling (BIM).

The use of the BIM methodology is already widespread in the USA as well as in the Scandinavian countries, the Netherlands and Great Britain. With the coming into effect in Great Britain of the BIM-Level-2 mandate 2016, the use of which is obligatory in public building projects, a major step has been made in the widespread establish-

ment of BIM. With the planned BIM Level 3 from 2020, the model-based cooperation of all disciplines in Great Britain, which requires the use of Open BIM shall reach a new level.

In the EU there is a directive, recommending the use of computer-aided methods such as BIM for the award of public building projects and invitations to tender. In the meantime, many European countries have implemented the recommendations of the EU in national initiatives or plan to do so in the near future. In order to accelerate this process in 2016 the EU BIM Task Group was set up, assembling representatives of the biggest public commissioning authorities in the EU member states. The aim is to unite the national initiatives in a common and coordinated European approach.

In Germany, the application of the BIM method is being advanced by the multi-phased plan "Digital Design, Building and Operation". In order to define the necessary quality standards, experience has been gained since 2015 in BIM pilot projects under the wings of the Federal Ministry for Transport and Digital Infrastructure (BMVI) and competencies are being bundled. Since 2017, in an extended pilot phase, BIM has been used in numerous transport infrastructure projects. Starting in 2020 BIM shall be deployed for all new projects in the public sector.

3.2 Business performance 2017 and events with a significant effect on business performance

The Nemetschek Group continued its growth path of the past years in 2017 with clear double-digit revenue growth and an above-average increase in results. The strong operative company development went hand in hand with the expansion of its global presence, the continued development of the solutions portfolio and the acquiring of new customers. The Nemetschek Group will invest further in 2018 in strategic projects commenced to secure future double-digit growth.

In addition to double-digit organic gains, growth was again accelerated in 2017 by acquisitions.

Acquisitions

As at January 1, 2017 the Nemetschek Group acquired 100% of the shares in **dRofus AS** registered in Oslo, Norway. dRofus is a leading provider of planning, data administration and collaboration tools based on the integrated working process BIM. The company offers all participants in the process extensive support in their workflows and access to building information over the entire building lifecycle, including its handover to facility management.

dRofus AS was founded 2011 and has subsidiaries in the USA, Australia and Sweden, which act as sales and support branches. Customers of dRofus include public and private building investors, planners, construction engineers and general contractors. dRofus solutions have been used by building investors to support the investment process for new buildings, which gives the Nemetschek

** Sources: Euroconstruct Summary Report Munich, Nov. 2017; GTAI/Construction Industry; 2018 FMI Overview, RICE: Quarterly Outlook of Construction and Macro Economy January 2018, Dodge Data & Analytics: Newsroom January 2018, EU BIM Task Group, Step-by-step plan Digital Planning and Building by BMVI, IT Software & Services von Kepler Chevreux 11/2015.

Group access to the decision-makers in the AEC industry. dRofus already today has a leading position in building processes in the health sector and at airports. The software will be offered as a pure rental model, whereby almost 100% of the customers extend their subscription.

The purchase price for 100% of the shares amounted to approx. EUR 24.5 million (cash-/debt-free). The purchase price was financed from equity and the use of credit facilities.

Furthermore, on November 1, 2017 the Nemetschek Group took over the company **RISA Tech, Inc.**, which is located in Foothill Ranch, California, USA.

RISA offers the most used software solutions for structural planning and construction design in the USA for projects involving the carrying of structures made of varying materials such as steel, concrete, brick or wood. With approx. 10,000 users RISA holds a leading position in the US market. Its customers include almost all reputable US engineering firms. RISA is a perfect strategic addition for the Nemetschek Group for its global expansion in structural software solutions.

The purchase was managed in the form of an asset deal. The purchase price amounted to approx. USD 24.9 million (cash-/debt-free). The purchase price was financed from equity and the use of credit facilities.

Cooperations and partnerships

In order to expand its market position and to satisfy the diverse customer demands, the Nemetschek Group relies on cooperation and on collaboration with partners from the sector who, themselves, offer leading solutions in specialist areas or scientific facilities. Partnerships exist both within the group among the brand companies as well as between brand companies and external partners.

In July 2017 the University of Applied Sciences Karlsruhe, the Vollaack Group and Allplan jointly developed a course of study Building Information Modeling (BIM), which started in October 2017 in the university's own Institute for Scientific Further Education. The seminar rooms were equipped with up-to-date software from Allplan and enable hands-on training.

Similarly, in July a strategic cooperation was agreed between NEVARIS and initions, the supplier of the transport management system Opheo. Opheo provides, among other things, route planning and provides various types of transport and vehicles for the building industry. It thus complements the future NEVARIS enterprise resource planning system.

In December Crem Solutions concluded a software partnership with Audicon. As a result, users now have access to an interface between software for property management iX-Haus and the Audicon software solution FinancialSolutions. Thus, iX-Haus users can easily prepare monthly reports, annual reports, trial balances and consolidated financial statements efficiently, consistently and simultaneously.

Partnerships already in existence are maintained. More information on this can be found in the annual reports of the Nemetschek Group already published from the years 2015 and 2016.

3.3 Results of operations, financial position and net assets Nemetschek group

Development of revenues

The Nemetschek Group looks back at a very successful fiscal year which was again characterized by double-digit growth from organic growth and acquisitions.

Consolidation effects

In the fiscal year two companies were acquired, dRofus as at January 1, 2017 and RISA as at November 1, 2017. After SDS/2 (acquired as at August 1, 2016) which was consolidated for the first time for a full 12 months in 2017, the company also counts in the year under report as one of the non-organic companies. The two new acquisitions are allocated to the Design segment, SDS/2 to the Build segment. There were no disinvestments in the fiscal year 2017.

In all four **quarters** revenue increased compared to the previous year periods. In the first quarter the Nemetschek Group showed extremely strong growth. Revenues climbed by 24.0% (currency adjusted: 22.3%) to EUR 96.3 million (previous year: EUR 77.7 million). Organic growth amounted to 18.3% (currency adjusted: 16.8%). In the second quarter revenues rose by 16.5% (currency adjusted: 15.6%) to EUR 97.7 million (previous year: EUR 83.8 million). Organic growth in Q2/2017 amounted to 11.6% (currency adjusted: 10.8%). With a plus of 14.3% (currency adjusted: 17.3%) to EUR 95.8 million (previous year: EUR 83.9 million), whereas organic growth reached 12.0% (currency adjusted: 14.9%). In the fourth quarter 2017 double-digit growth of 15.1% (currency adjusted: 19.4%) was achieved again from EUR 91.9 million in the prior year to EUR 105.7 million. Organic growth amounted to 13.6% (currency adjusted: 17.6%).

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	FY 2017	FY 2016	Growth in %	Growth in % Currency-adjusted	Growth LFL* in %
Total year	395.6	337.3	17.3%	18.6%	13.8%
Q1	96.3	77.7	24.0%	22.3%	18.3%
Q2	97.7	83.8	16.5%	15.6%	11.6%
Q3	95.8	83.9	14.3%	17.3%	12.0%
Q4	105.7	91.9	15.1%	19.4%	13.6%

* LFL (Like for Like): revenue growth = organic revenue growth.

For the whole year 2017 **group revenues** climbed clearly to EUR 395.6 million, an increase compared to the prior year of (EUR 337.3 million) from 17.3% (currency adjusted: 18.6%). In addition to strong organic growth of 13.8% (currency adjusted: 15.0%) the plus is due to the new acquisitions dRofus and RISA as well as SDS/2. The revenue contribution from dRofus amounted to EUR 5.2 million in the year under report, from RISA EUR 0.7 million and from SDS/2 EUR 11.0 million.

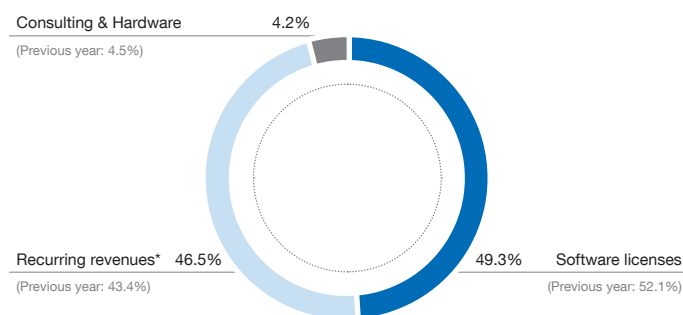
Revenue by software licences and recurrent revenues

The high revenue growth in the year 2017 is attributable to software licenses, mainly from recurrent revenues. Income from software licenses climbed by 10.9% (currency adjusted: 12.3%) to EUR 195.0 million (previous year: EUR 175.8 million). The share of software licenses to total revenues decreased to 49.3% (previous year: 52.1%).

The recurrent revenues from software service contracts and rental models increased by 25.5% (currency adjusted: 26.7%) to EUR 183.9 million (previous year: EUR 146.5 million). The share of total revenues climbed accordingly from 43.4% and to 46.5%.

The percentage double-digit growth in both areas ensures strong sustainable growth for the Nemetschek Group as a whole.

REVENUES BY TYPE IN %



* Software services, rental models (subscription, software-as-a-service).

Internationalization

The Nemetschek Group sells its software solutions worldwide at 67 locations. In the last few years the Nemetschek Group has consistently strengthened its market position outside of its core markets in the DACH region, above all in the USA. The geographical extension of the group's business activities makes it possible, on the one hand, to recognize additional regional growth opportunities while, on the other hand, to better allocate risks.

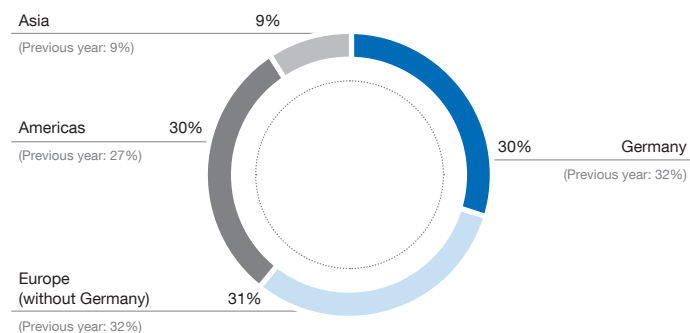
Apart from the DACH region, other European markets, including France, Great Britain and Scandinavia are the focus of the Nemetschek Group. Outside of Europe, interest is directed at both the USA and the Asian region, especially Japan.

The Nemetschek Group was able to strengthen or expand its market position in 2017 in all the regions it focuses on. Also, in its home market, Germany, it achieved double-digit percentage growth of 11.6%. Growth in the USA amounted to 31.1% in 2017.

Through the strong expansion achieved by Nemetschek abroad in the past few years, including 2017, the USA, in addition to Germany, is now the largest sales market of the group with a revenue share of around 30%. In Europe the strongest growth was generated in Scandinavia not least because of the already widespread use of the BIM method. Presence in Scandinavia was strengthened again by the acquisition of dRofus with its registered office in Sweden. The US subsidiary Bluebeam has had its European headquarters in Sweden since mid-2015 to expand business opportunities in Scandinavian countries. In other European countries like France, which suffered a few years ago under the economic crises, growth rates continued to improve. Overall the European markets outside of Germany contributed 31% to group revenues.

In the past year in Asia about 9% of group revenues were generated. In Germany revenues climbed by 11.6% to EUR 119.2 million (previous year: EUR 106.7 million). Revenues outside Germany climbed significantly by 19.9% to EUR 276.4 million (previous year: EUR 230.5 million). The share of revenues generated abroad rose compared to total revenues in accordance with strategy to 69.9% (previous year: 68.4%).

REVENUES BY REGIONS IN %



Development of segments

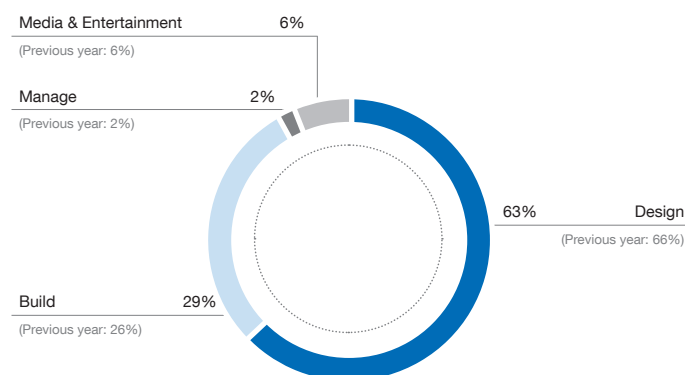
The **Design** segment again recorded a double-digit revenue growth for fiscal 2017. Revenues climbed by 12.8% (currency adjusted: 13.8% from EUR 220.9 million to EUR 249.2 million). Organic growth amounted to 10.1%. The Design segment contributes more than 63.0% to group revenues (previous year: 65.5%). The EBITDA also climbed significantly by 11.1% (currency adjusted: 14.1%) to EUR 70.3 million (previous year: EUR 63.2 million). The EBITDA margin was almost at the same high level as in the previous year at 28.2% (previous year: 28.6%).

The **Build** segment remained the segment with the strongest revenue growth. Revenues rose by 31.0% (currency adjusted: 33.1%) to EUR 114.6 million (previous year: EUR 87.5 million). Organic growth, which is particularly driven by the US brand Bluebeam Software and Solibri was also at a very high level of 25.1%. EBITDA was more than doubled and climbed from EUR 12.8 million to EUR 26.6 million. The Group EBITDA margin rose accordingly clearly from 14.7% in the prior year to 23.2%. As a result of the over proportional growth of the segment, the share of the Build segment in group revenues in the year under report climbed to 29.0% (prior year: 25.9%).

In the **Use** segment revenue climbed compared to the prior year by 13.8% on EUR 8.1 million (previous year: EUR 7.1 million). In this segment there were no currency fluctuations due to the focus on German-speaking countries. The EBITDA increased higher than proportionally to revenues by 17.2% to EUR 1.9 million (previous year: EUR 1.6 million). Accordingly, the EBITDA margin rose to 23.4% (previous year: 22.7%). The Manage segment contributed 2.0% to group revenues.

The **Media & Entertainment** segment increased the revenue in the fiscal year 2017 by 8.9% (currency adjustment: 10.9%) to EUR 23.8 million (previous year: EUR 21.8 million). The EBITDA increased slightly higher than proportionally to revenues by 9.5% (currency adjusted 12.7%) to EUR 9.2 million (previous year: EUR 8.4 million), so that the EBITDA margin increased again slightly to 38.8% (previous year: 38.6%).

REVENUES BY SEGMENTS IN %



QUARTERLY REVIEW: KEY RATIOS OF THE SEGMENTS

In EUR million	Q1	Growth in %	Q2	Growth in %	Q3	Growth in %	Q4	Growth in %
Group								
Revenue	96.3	24.0%	97.7	16.5%	95.8	14.3%	105.7	15.1%
EBITDA	26.3	25.5%	25.3	3.1%	24.8	18.1%	31.5	47.2%
EBITDA margin	27.4%	-	25.9%	-	25.9%	-	29.8%	-
Design								
Revenue	60.7	18.0%	60.2	8.6%	61.0	10.0%	67.3	14.9%
EBITDA	17.2	27.7%	15.9	0.9%	17.4	5.2%	19.8	13.2%
EBITDA margin	28.3%	-	26.5%	-	28.5%	-	29.4%	-
Build								
Revenue	27.9	42.9%	29.2	40.4%	27.5	27.0%	30.0	17.5%
EBITDA	6.3	26.0%	6.5	58.1%	5.6	126.7%	8.3	552.0%
EBITDA margin	22.6%	-	22.3%	-	20.2%	-	27.6%	-
Manage								
Revenue	1.8	20.3%	2.0	15.0%	2.1	18.0%	2.2	4.8%
EBITDA	0.3	24.8%	0.4	20.0%	0.5	23.0%	0.7	9.7%
EBITDA margin	14.2%	-	21.7%	-	23.8%	-	32.1%	-
Media & Entertainment								
Revenue	5.9	13.2%	6.4	7.3%	5.3	5.6%	6.3	9.7%
EBITDA	2.6	11.9%	2.5	1.8%	1.4	-16.0%	2.8	36.4%
EBITDA margin	44.6%	-	38.8%	-	25.9%	-	44.3%	-

ANNUAL REVIEW: KEY RATIOS OF THE SEGMENTS

In EUR million	FY 2017	FY 2016	Growth in %	Growth in % Currency adjusted	Growth LFL* in %
Group					
Revenue	395.6	337.3	17.3%	18.6%	13.8%
EBITDA	108.0	88.0	22.7%	25.7%	22.6%
EBITDA margin	27.3%	26.1%	-	-	-
Design					
Revenue	249.2	220.9	12.8%	13.8%	10.1%
EBITDA	70.3	63.2	11.1%	14.1%	9.9%
EBITDA margin	28.2%	28.6%	-	-	-
Build					
Revenue	114.6	87.5	31.0%	33.1%	25.1%
EBITDA	26.6	12.8	107.6%	111.6%	108.7%
EBITDA margin	23.2%	14.7%	-	-	-
Manage					
Revenue	8.1	7.1	13.8%	-	-
EBITDA	1.9	1.6	17.2%	-	-
EBITDA margin	23.4%	22.7%	-	-	-
Media & Entertainment					
Revenue	23.8	21.8	8.9%	10.9%	-
EBITDA	9.2	8.4	9.5%	12.7%	-
EBITDA margin	38.8%	38.6%	-	-	-

*LFL (Like for Like): revenue growth = organic revenue growth.

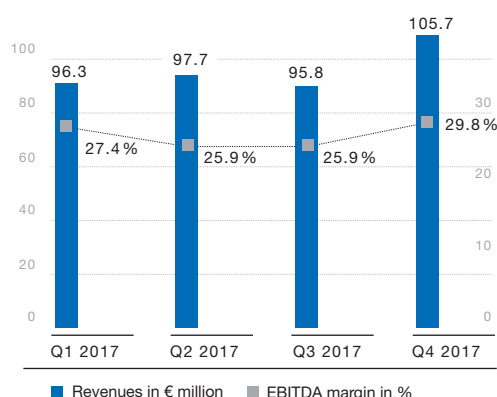
3.4 Earnings situation

Growth in earnings

The operative group **earnings before interest, taxes and depreciation/amortization (EBITDA)** grew disproportionately compared to revenues in 2017. With a plus of 22.7% (currency adjusted: +25.7%) it climbed from EUR 88.0 million in the prior year to EUR 108.0 million and was thus above the forecast corridor of EUR 100 million to EUR 103 million. Organically the EBITDA climbed by 22.6% (currency adjusted: 25.1%). The EBITDA margin rose across the group by 1.2 percentage points to 27.3%.

In the fourth quarter Nemetschek showed an extraordinarily strong EBITDA growth of 47.2% (currency adjusted: +53.4%) to EUR 31.5 million (Q4 2016: EUR 21.4 million). This was, however, also influenced by closing date effects from current investments which, in part only become effective in the new fiscal year. The Nemetschek Group will intensify investment in 2018 in strategic projects already started to secure future double-digit percentage growth.

QUARTERLY DEVELOPMENT OF REVENUE AND EBITDA MARGIN



The rise in the EBITDA margin results from development of costs lower proportionately compared to the rise in revenues. Operating expenses before depreciation/amortization rose by 14.1% to EUR 292.4 million (previous year: EUR 256.3 million), above all due to higher personnel expenses and higher other operating expenses.

The personnel expenses increased by 14.2%, mainly due to the 12.9% increase in average number of employees, to EUR 172.6 million (previous year: EUR 151.2 million). Other operating expenses increased by 13.6% to EUR 106.9 million (previous year: EUR 94.1 million), primarily as a consequence of the dynamic growth in operative business of the Nemetschek Group and the related investments in personnel and infrastructure.

Currency effects from foreign exchange transactions amounting to EUR -1.4 million (previous year: EUR -0.3 million) had a negative effect on earnings. This currency effect is included in other operating income and expenses.

The depreciation/amortization on fixed assets increased on account of higher amortization of the purchase price allocation (PPA amortization) as well as higher investments in fixed assets of EUR 183 million to EUR 21.6 million. The amortization of the purchase price allocation ran to EUR 13.5 million in 2017 (previous year: EUR 11.1 million) due to the acquisitions in 2017 of dRofus (January 1, 2017) and RISA (November 2017) and of SDS/2 purchased in 2016.

Earnings before taxes and interest (EBIT) improved in 2017 to EUR 86.4 million, which is 24.1% higher than in the previous year (EUR 69.7 million).

The financial result in the fiscal year was mainly shaped by the release to income of the conditional purchase price obligation (earn-out liability) amounting to EUR 7.6 million from the acquisition of the Solibri Group at the end of 2015. The target figure agreed in the purchase contract for the key indicator "invoiced income" was not achieved for the fiscal year 2017.

Furthermore, the first-time inclusion of Nemetschek OOD in Bulgaria in the consolidation as an associated company at EUR 0.9 million contributed positively to the share of results of associated companies. Otherwise, interest expenses for the reporting year amounted to EUR 1.0 million (previous year: EUR 1.0 million). The financial result amounted overall to EUR 8.0 million (previous year: EUR 0.5 million).

The group tax rate at 18.6% was clearly lower than in the previous year (29.4%). The reasons for this were mainly the impact of the US corporate tax reform, effective from 2017, as well as the release of deferred tax provisions for unrealized exchange differences on intra-group loans. As the result of the continued development of the EUR to USD, these exchange gains decreased significantly, such that the deferred tax provisions set up for these in previous years amounting to EUR 1.7 million could be released. The US tax reform had a positive effect of EUR 2.9 million on the tax result, primarily due to the measurement of the deferred tax liabilities from the prior year acquisitions at the new tax rate.

Taxes on income decreased as a result of the above-mentioned effects from EUR 20.3 million to EUR 17.6 million.

The period result (group result after taxes) improved because of the very good operative development and the effects mentioned in the financial and tax results by 57.3% to EUR 76.8 million (previous year: EUR 48.9 million). Net income for the year (equity holders of the parent company) rose by 59.1% to EUR 74.7 million (previous year: EUR 46.9 million). The earnings per share amounted to EUR 1.94 (previous year: EUR 1.22), a rise of 59.1%. Adjusted for special effects from the release of the earn-out liability and in the tax result, the net income (equity holders of the parent company) is calculated at EUR 62.4 million, representing a rise of 33.0%. The adjusted EPS thus amounts to EUR 1.62.

Adjusted for PPA amortization net income amounted to EUR 85.2 million and thus climbed by 54.6% (previous year: EUR 55.1 million). This works out to earnings per share of EUR 2.21 (previous year: EUR 1.43).

SUMMARY OF GROUP INDICATORS

In EUR million	FY 2017	FY 2016	Change in %
Revenue	395.6	337.3	+17.3%
EBITDA	108.0	88.0	+22.7%
EBITDA margin	27,3%	26,1%	
EBIT	86.4	69.7	+24.1%
EBIT margin	21.9%	20,7%	
Net income for the year (equity holders of the parent company)	74.7	46.9	+59.1%
Earnings per share in EUR	1.94	1.22	+59.1%
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)	62.4	46.9	+33.0%
Adjusted earnings per share	1.62	1.22	+33.0%
Adjusted net income before amortization of PPA	85.2	55.1	+54.6%
Adjusted earnings per share before amortization of PPA in EUR	2.21	1.43	+54.6%

3.5 Determination of cost of capital

As in prior years, as part of the impairment testing of goodwill the Nemetschek Group developed its 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 at December 31, 2017 amounted to 1.25% (previous year: 1.00%).

The market risk premium of 7.00% was applied unchanged compared to the prior year. Additionally, country risk premiums were applied where necessary. Capital cost rates before taxes resulting from this are in a range of from 11.10% to 13.24%.

3.6 Financial position**Principles and objectives of financial management**

The prime objective of our financial management is to secure the financial stability and flexibility, as well as the liquidity of the Nemetschek Group. This is done by ensuring an equilibrium between equity and debt capital. Liabilities to banks decreased in the group as at December 31, 2017 to EUR 79.9 million (previous year closing date: EUR 95.8 million) primarily due to the scheduled repayment of capital on the existing bank loan amounting to EUR 26.0 million. With an equity ratio of 49.5% (previous year: 44.4%) the balance sheet structure became more solid.

Liquidity analysis

As at December 31, 2017 the Nemetschek Group held liquid funds of EUR 104.0 million, a decline of 7.6% compared to the previous year (EUR 112.5 million). This represents EUR 2.70 per share eligible for dividends (previous year: EUR 2.92) per share eligible for dividends. Despite the redemption options from the acquisition loan of EUR 26.0 million and the dividend distribution in 2017 amounting to EUR 25.0 million, the Nemetschek Group owns 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 which still intends to make a distribution of 25 to 30% of the operative cash flow to the shareholders.

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

At the balance sheet date December 31, 2014 there were euro loan liabilities amounting to EUR 79.8 million due to the company acquisitions. The interest on the loan is between 0.72% and 1.03% p.a. Net liquidity at the balance sheet date thus climbed to the closing date December 31 it reached EUR 24.0 million (previous year closing balance: EUR 16.3 million).

To ensure efficient cash and liquidity management Nemetschek SE, as the group’s ultimate parent, 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 development

The group cash flow for the period rose by 25.1% in 2017 to EUR 108.5 million (previous year: EUR 86.8 million), primarily due to the higher annual net income before tax.

Cash flows from operations increased in 2017 by 22.3% to EUR 97.4 million (previous year: EUR 79.7 million). The growth in operating cash flow was primarily characterized by the effects described above on the period cash flows as well as continuing high growth in software service contracts with the corresponding recurring revenues. There was a countervailing effect in the operating cash flow from increases in trade receivables on account of growth. Prepaid expenses and other current assets increased too due to extended business activity.

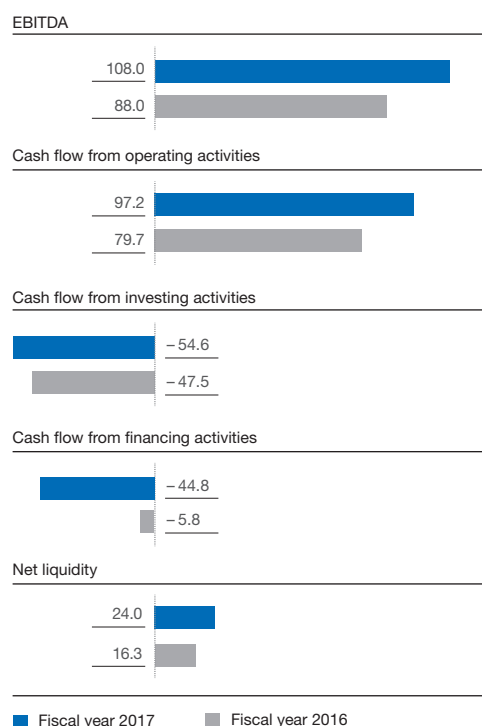
The cash flow from investing activities amounted to EUR –54.6 million (previous year: EUR –47.5 million). Whereas the previous year included the acquisition of SDS/2 for EUR 40.4 million minus purchased funds, the main items in fiscal 2017 were disbursements of

EUR 24.5 million for the acquisition of dRofus and of EUR 20.5 million for the acquisition of the business operations of RISA Tech, Inc., and investment for expansion and replacement in fixed assets amounting to EUR 8.8 million (previous year: EUR 7.4 million).

Cash flow from financing activities came to EUR 44.8 million (previous year: EUR -5.5 million). This mainly reflects the taking of a short-term loan for EUR 10.0 million to finance the purchase of the business operations of RISA Tech, Inc. Further factors were the dividend distribution (EUR 25.0 million), repayments of loans (EUR 26.0 million) as well as distributions to companies with minority shareholders (EUR 2.7 million).

Cash and cash equivalents amounted to EUR 104.0 million at the year-end (previous year: EUR 112.5 million).

CASH FLOW ANALYSIS IN EUR MILLION



Management of liquidity risks

Liquidity risks arise from the possibility that customers may not be 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 at December 31, 2017 there were lines of credit of EUR 26.5 million that had not been taken. Nemetschek monitors its risk of a shortage of funds using monthly liquidity planning. This considers the maturity of both its financial assets (accounts receivable, fixed-term deposits etc.) and the projected cash flows from operating activities. The objective is the continuous fulfillment of financial funding requirements while at the same time maintaining flexibility.

Investment analysis

In order to secure a leading market position in the AEC market and to constantly secure and expand new fields of application, investments are made for capacity expansion, as well as for replacement and rationalization measures. These investments are financed from cash flow derived from operations. The dividend distribution is also based on operating cash flow.

The Nemetschek Group invested EUR 8.8 million in tangible and intangible assets (previous year: EUR 7.4 million). The Design segment invested about EUR 6.9 million (previous year: EUR 4.5 million) in fixed assets, the Build segment EUR 1.4 million (previous year: EUR 1.7 million) and Media & Entertainment EUR 0.3 million (previous year: EUR 1.0 million). In the Manage segment, capital expenditure was some EUR 0.1 million (previous year: EUR 0.07 million).

Amortization of internally generated assets ran to EUR 1.1 million in 2017 (previous year: EUR 1.1 million).

3.7 Net assets

On the assets side of the balance sheet, current assets decreased by 5.3% from EUR 167.9 million to EUR 159.1 million as per December 31, 2017. The causes of the decrease were mainly a fall in liquid funds of EUR 8.5 million since the investments made in the reporting year were primarily financed from the company's own funds. In the other direction, trade receivables rose by 5.7% to EUR 41.0 million, resulting partly from the continuing organic growth of the Nemetschek Group and partly as a result of the acquisitions of the dRofus Group and the RISA Tech, Inc., (EUR 1.3 million).

Non-current assets increased by EUR 14.9 million to EUR 301.7 million of which goodwill rose from EUR 177.2 million to EUR 192.7 million due to the acquisitions of dRofus and RISA. The rise in tangible assets from EUR 14.3 million to EUR 14.9 million results from the higher expansion and replacement expenditure in the fiscal year 2015. The interests held in associated companies increased on account of the earnings due to Nemetschek from the DocuWare Group, as well as the first-time inclusion of Nemetschek OOD as an associated company, to EUR 3.6 million (previous year closing date: EUR 2.5 million).

On the shareholders' equity and liabilities side of the balance sheet, current debt increased by 13.4% to EUR 165.7 million (December 31, 2016: EUR 146.1 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 item current loans of EUR 26.0 million includes the repayment amount of the long-term bank loan due in the coming 12 months as well as a short-term loan of EUR 10.0 million.

As at December 31, 2017 the balance sheet total had risen to EUR 460.8 million (previous year: EUR 454.7 million).

Trade payables climbed slightly by 3.4% to EUR 8.2 million (previous year closing date: EUR 7.9 million). The rise in provisions to EUR 35.5 million (previous year: EUR 32.8 million) as well as the revenue accruals to EUR 68.1 million (previous year: EUR 55.3 million) is also due to expanded business volume. Other current debts fell mainly as a result of the payment of an earn-out liability from the Bluebeam acquisition amounting to EUR 5.1 million.

Non-current debts decreased principally as a result of the scheduled repayment of bank loans. Deferred tax liabilities declined to EUR 13.5 million (December 31, 2016: EUR 20.6 million). The decrease resulted both from scheduled releases as a consequence of amortization on hidden reserves realized as well as from the application of the US tax reform on the deferred tax liabilities. Other non-current financial obligations fell from EUR 9.7 million to EUR 1.7 million, mainly as a result of the release of the retrospective purchase price obligation from the acquisition of Solibri amounting to EUR 7.6 million. As at December 31, 2017 this item included the retrospective purchase price obligation from the purchase of SDS/2 amounting to EUR 1.7 million.

The shareholders' equity ratio improved at the end of the year to a very solid 49.5% (prior year closing date: 44.4%). The current borrowing ratio was 36.0% of the balance sheet total (previous year: 32.2%) and the non-current borrowing ratio was 14.6% (previous year: 23.4%).

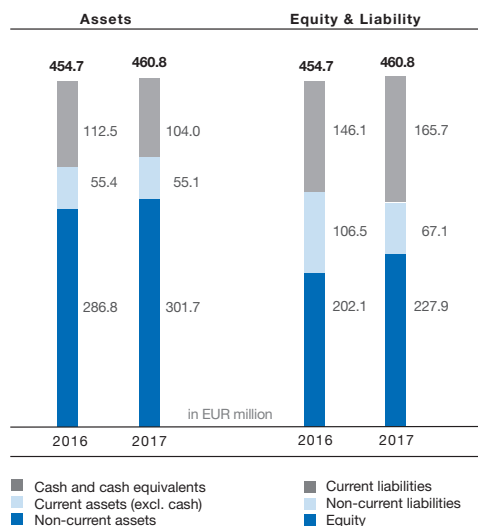
In fiscal 2017 exchange rate fluctuations had a negative effect on the consolidated financial statements, i.e. changes in the translation of those financial statements which are disclosed in foreign currency, having a negative effect on exchange differences in equity of EUR 23.1 million.

KEY BALANCE SHEET FIGURES

In EUR million	FY 2017	FY 2016	Change in %
Cash and cash equivalents	104.0	112.5	-7.6%
Goodwill	192.7	177.2	+8.8%
Equity	227.9	202.1	+12.8%
Balance sheet total	460.8	454.7	+1.3%
Equity ratio in %	49.5%	44.4%	

Key balance sheet figures on the segments can be seen in the notes to the financial statements.

SUMMARY OF THE BALANCE SHEET IN EUR MILLION



3.8 Earnings situation, financial position and net assets of Nemetschek SE

Development of revenue and earnings situation

Revenue of Nemetschek SE in the reporting year amounting to EUR 4.0 million (previous year: EUR 2.7 million) mainly results from income from licensing of the umbrella brand "A Nemetschek Company".

Other operating income fell from EUR 5.6 million in the prior year to EUR 0.6 million. In the prior year this included special effects from an insurance reimbursement of EUR 1.9 million as well as a revaluation of financial assets of EUR 2.9 million. Other operating expenses amounting to EUR 11.8 million (previous year: EUR 9.9 million) include personnel expenses, consultancy costs and other operating expenses to be recharged to a subsidiary.

Income from participations of EUR 35.7 million (previous year: EUR 29.6 million) relate to distributions by the subsidiaries. Income from profit/loss transfer agreements of EUR 24.8 million (previous year: EUR 21.2 million) results from the profit/loss transfers of Allplan GmbH, Allplan Deutschland GmbH, Allplan Development Germany GmbH and of Frilo Software GmbH. Net income for the year increased to EUR 47.5 million (previous year: EUR 43.7 million).

Net assets

The balance sheet of Nemetschek SE is mainly characterized by the financial assets amounting to EUR 355.8 million (prior year closing date: EUR 323.8 million). The largest category here is affiliated companies at EUR 332.1 million (previous year closing date: EUR 284.9 million). The increase mainly results from the purchase of shares in dRofus AS (EUR 26.0 million) and the new formation of RISA Tech, Inc., USA (EUR 21.1 million). Loans to affiliated companies fell compared to the prior year by EUR 15.2 million due to capital repayments of loans.

Within current assets there were amounts due from affiliated companies from trade transactions and profit/loss transfer contracts amounting to EUR 20.6 million (previous year: EUR 15.9 million). At the end of 2017 cash and cash equivalents amounted to EUR 2.8 million (previous year closing date: EUR 15.3 million) due to the financing of acquisitions in the year under report.

The equity and liabilities side of the balance sheet is shaped by liabilities to banks. As a result of scheduled capital repayments and a new take-up these fell to EUR 79.8 million (previous year closing date EUR 95.8 million). Equity increased to EUR 22.5 million: The net result for the current fiscal year of EUR 47.5 million is matched by dividend payments of EUR 25.0 million for the prior year. The equity ratio of Nemetschek SE amounted to a very solid 62.4% (previous year 60.3%) at the closing date.

Provisions rose by EUR 3.4 million to EUR 10.5 million, mainly as a result of higher tax provisions as well as increased personnel related provisions.

The amounts due to affiliated companies mainly result from cash pooling and other financing activities within the Nemetschek Group. The increase of EUR 13.9 million to EUR 50.4 million is mainly due to higher liabilities from the cash-pooling with group companies.

In the fiscal year 2017 there were profit and loss transfer and controlling agreements with the following subsidiaries: Allplan GmbH and Frilo Software GmbH. Profit and loss transfer agreements and controlling agreements also existed between Allplan GmbH and Allplan Deutschland GmbH and Allplan GmbH and Allplan Development Germany GmbH.

Financial position

The investing activities of Nemetschek SE were mainly affected by the purchase of dRofus AS, Norway and the formation of RISA Tech., Inc., USA in the fiscal year 2017. The acquisition costs including ancillary costs amounted in total to EUR 47.1 million.

The financing activity of Nemetschek SE primarily consists of capital repayments of EUR 26.0 million and the dividend payment of EUR 25.0 million (previous year: EUR 19.3 million). In the other direction, there were cash inflows of EUR 10.0 million due to the taking of a short-term loan. In the fiscal year interest payments of EUR 0.8 million were made for bank liabilities taken.

Within its financing activities cash inflows to the company primarily came from financial funds from cash pooling transactions as well as from distributions by selected subsidiaries.

Cash and cash equivalents amount to EUR 2.8 million (previous year: EUR 15.3 million) at the closing date.

3.9 Comparison of actual and forecast business development

The Nemetschek Group first published its forecast for the fiscal year 2017 at the end of March 2017 together with the publication of its consolidated financial statements for 2016.

Without taking into account exchange influences, the executive board forecasts for the fiscal year 2017 **revenues** within a range of EUR 395 to EUR 401 million (+17% to +19% compared to the prior year amount). In addition to organic growth, non-organic growth effects were expected in the Design segment through the acquisition of dRofus and in the Build segment through the acquisition of SDS/2. Pure organic growth was estimated to be within a corridor of from 13% to 15%.

For **Group-EBITDA** the executive board forecasts a range of between EUR 100 million and EUR 103 million, growth compared to the prior year (EUR 88.0 million) of from 14% to 17%.

On a segment basis the Nemetschek Group expects in the **Design** and **Manage** segments growth in revenues within the same corridor

as the planned organic growth of 13% to 15% at group level. In the **Build** segment growth rates above the group average are expected and, in the **Media & Entertainment** segment, revenue growth of slightly lower than average growth.

Despite negative currency effects, the Nemetschek Group reached, or rather, exceeded its economic targets in 2017. Group revenue rose by +17.3% to EUR 395.6 million, thus within the forecast corridor of EUR 395 to EUR 401 million. Currency adjusted, Nemetschek still showed strong growth in revenue of 18.6% and thus reached the top end of the target range. Organic growth climbed by 13.8% (currency adjusted: +15.0%), and thus the forecast range of 13% to 15% was achieved. The targets set were also met at the level of the individual segments.

The group result before interest, taxes and depreciation (EBITDA) with a plus of 22.7% (currency adjusted +25.7%) was above the forecast corridor of EUR 100 million to EUR 103 million. The higher than expected EBITDA is mainly due to an extraordinarily strong EBITDA growth in the fourth quarter, which was characterized by closing date effects on current investments.

OVERVIEW OF THE FORECAST TO ACTUAL FIGURES IN THE FISCAL YEAR 2017

In EUR million	Actual financial year 2016	Forecast 03/2017	Expected growth (organic)	Actual financial year 2017	Growth (organic)	Growth (organic) Currency-adjusted
						18,6%
Revenue	337.3	395 – 401	17 – 19% (13 – 15%)	395.6	17,3% (13,8%)	(15,0%)
EBITDA	88.0	100 – 103	14 – 17%	108.0	22.7%	25.7%

3.10 Overall presentation

The Nemetschek Group looks back on a very strong fiscal year 2017 with significant double-digit revenue growth and an above-proportional increase in EBITDA. The high growth targets for 2017 for revenue and EBITDA were achieved and exceeded. Growth drivers were both organic business as well as the acquisitions of the brands dRofus, RISA and of SDS/2, which was consolidated for the first time over 12 full months in 2017. In the fiscal year 2017 the material strategic initiatives were further developed, above all the internationalization, continuing development of the solutions portfolio, and the winning of new customers. Parallel to this, Nemetschek created the basis for further growth with forward-looking investments, while investments in 2018 are to be intensified. The EBITDA climbed above-proportionally to revenue such that the already high profitability of the group could be further improved.

4 Opportunity and risk report

Opportunity and risk management

The corporate activity of the Nemetschek Group involves both opportunities and risks which reflect the diversity of the business. A risk management and control system is implemented for early detection, assessment and the correct management of business opportunities and risks. The aim of the Nemetschek Group is to continually expand its national and international market position, to further develop its solutions and to adjust these to market and customer needs. To this end, all opportunities should be used as best as possible.

The management of opportunities is governed by the leitmotiv of sustainable and profitable growth and a long-term increase in corporate value. The imminent, inherent risks here must be recognized early, and their severity assessed, and they need to be communicated and handled professionally, thereby ensuring the future success of the Nemetschek Group.

General responsibility for detecting risks at an early stage and dealing with them generally rests with the executive board. The general managers of the subsidiaries as well as defined risk owners and the risk managers of the subsidiaries and of Nemetschek SE support the executive board in exercising its functions. The scope of responsibility of the risk managers comprises the summary, measurement, assessment, and reporting of risks and pertinent counter-measures. The risk owners are responsible for continually identifying, assessing and managing risks in their respective strategic and operational areas. The internal auditor is also a key player in the risk management system and, during his or her activities, continually monitors the proper functioning and effectiveness of the processes.

To improve comparability, risks are assessed across the whole group based on uniform quantitative and qualitative criteria. As part of a risk inventory, the current risk status of the Nemetschek Group is subject to updates and is documented.

Accounting-related risk management system and internal control system

The risk management and internal control systems generally also cover the accounting processes as well as all risks and checks regarding accounting. This relates to all parts of the risk management system and internal control system that could have a significant impact on the consolidated financial statements. The aim of risk management with regard to the 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 through the set-up of controls so that the consolidated financial statements comply 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 all processes relevant for preparation of the financial statements. The controls relevant for accounting primarily concern the risk of a significant misstatement in the consolidated financial statements.

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

Significant elements of risk controlling and management in accounting are 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 principles of dual control and functional separation 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 checks the internal audit department performed in 2017. Four times a year, the supervisory board is informed about the significant identified risks in the Nemetschek Group and the efficiency of the risk management system and accounting-relevant internal control system.

Opportunities and risks

The Nemetschek Group is faced with strategic risks of a medium to long-term nature. These are related to changes in environmental and market factors, competitive conditions, technological progress and management processes such as, for example, development and marketing, or organizational or leadership processes. There are also operating risks that tend to be of a more short-term nature, and that can arise from changes in the market environment, inadequate or erroneous internal processes, systems or external factors as well as human error. As a result, the efficiency of the organization and the recoverable value of assets might be impaired.

The Nemetschek Group's factors for success are based on its decades of experience in the development and marketing of software solutions in the AEC environment (Architecture, Engineering, Construction) and in the Media & Entertainment industry, its well-qualified, innovative and highly motivated employees at all levels, as well as stringent and efficient business processes. Opportunities for further development of the business base and for the expansion of the portfolio are systematically identified and exploited where possible.

Risk measurement and reporting

The Nemetschek Group analyses and measures risks systematically. That is, the risks are quantified and categorized. In order to undertake appropriate measures for risk management, in particular any going concern risks, the risks identified are assessed with regard to

their estimated probability of occurrence or materialization and, should they occur, on the expected scale of their effect on the earnings, net assets and financial position, the share price, and the reputation of the Nemetschek Group and are subsequently classified as “low”, “medium” or “high”.

RISK POTENTIAL PROBABILITY OF MATERIALIZATION

Level	Probability of materialization
Very low	≤ 10%
Low	>10% ≤ 25%
Medium	> 25% ≤ 50%
High	> 50% ≤ 75%
Very high	> 75% ≤100%

RISK: POTENTIAL SEVERITY OF THE LOSS OR DAMAGE

Level	Potential severity
Very low	EUR 0.0 ≤ 0.25 million
Low	> EUR 0.25 ≤ 0.75 million
Medium	> EUR 0.75 ≤ 2.0 million
High	> EUR 2.0 ≤ 4.5 million
Very high	> EUR 4.5 million

Market risks

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

The order situation of customers 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 might enter a recession or undergo a crisis due to cuts in state spending, new financial laws to limit spending and debt, high unemployment, or due to natural disasters or conflicts. There is generally the possibility that, due to rapid change in the economic situation or state regulation in individual countries or in commercial communities, conditions may arise that threaten the existing business models or market opportunities of the subsidiaries. Such changes may in turn also negatively affect the sales, the financial and earnings situation and the existing assets of the company.

Nemetschek tracks the development of the important 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 continually observes those markets where it is most strongly present, i.e. Europe, North and Latin America, and Asia.

Market factors such as geographical and economically specific economic cycles as well as political and fiscal changes can affect the business activities. Above all, the global economic situation has become more volatile in recent years and therefore the economic

risks greater. Similarly, technological changes can have a negative effect on single entities or entities of a specific segment. Market factors can change short-term. The Nemetschek Group plans its investments and corporate decisions medium-term to long-term such that short-term deviations do not significantly influence the long-term whole picture. Group or segment strategies are aligned as appropriate. For this purpose, it is necessary to closely follow the development of the brands and segments. The wide diversification of the portfolio including various end consumers and sectors as well as the wide internationalization of cyclical developments both counteract these risks.

It cannot be ruled out that the economic conditions in central markets may have lasting negative influence on the business activities, financial position and results of operations of the Nemetschek Group. However, as the Nemetschek Group proceeds in its internationalization, the more it is able to spread risks.

Industry sector risks

The main opportunities and risks, which could lead to a significant change to the Nemetschek Group’s economic situation, lie in the market and industry environments.

The AEC market is characterized by high-speed innovation. The significance of information technology and digitalization is growing constantly. Therefore, there is still a great and increasing growth potential in our target markets. The Nemetschek Group has a leading competitive position and can react quickly and flexibly, given its structure comprising strong and independent companies and it is therefore able to realize additional revenue potential. Conversely, a fall in demand might negatively impact the 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 one single customer accounts for a major share of revenues and, thus, there is no cluster risk. Moreover, the customers of the Nemetschek Group are very loyal. The Nemetschek Group is therefore very diversified in terms of regional spread and in terms of its customer structure. Consequently, the risks described above have not yet had any significant impact on the earnings situation of the SE or of the group. As a leading company in the AEC industry and thanks to its size and expertise, Nemetschek has a good chance of continuing to expand its market share and of profiting from technological trends.

The order situation and financial strength of the construction industry and its players influence the industry’s investments in software, and, in turn, the development 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 might therefore permanently impair the purchasing power of our target groups.

In addition, pessimism about further economic development could provoke a decline in investment. The Nemetschek Group tracks such trends by regularly analyzing the significant early indicators. Additionally, there is a focus on growth opportunities in the emerging

countries which Nemetschek would also like to exploit fully, as well as on the demand for innovative solutions.

Risks are further diversified at Nemetschek through involvement in markets in different countries, which are generally also characterized by different economic and competition risks. The risk is further spread by maintaining a broad client base and a wide product portfolio, while the large portion of revenue from maintenance work also serves to mitigate risk.

Risks from the competitive environment

The Nemetschek Group is active in a very competitive and technologically fast-moving market in which there are not many large providers active. Risks may arise because of the pace of technological change, competitors' innovations or the appearance of new players in the market.

Nemetschek, however, considers these risks to be manageable. The company invests to a great extent in research and development to further develop the solutions portfolio and to develop innovations. On average about 23% of the total group revenue is re-invested annually in research and development. The Nemetschek Group sees itself as a supplier of competence which is prepared to go to considerable lengths to accommodate the needs of its customers. With its segments Design, Build, Manage and Media & Entertainment, the Nemetschek Group covers the entire life cycle 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 remains a risk that competitors may offer software solutions with less functionality but at substantially lower prices to win over existing customers from the Nemetschek Group. In order to counter this risk, the subsidiaries constantly strive to fulfill individual customer wishes, offering innovative solutions and comprehensive service and support.

In summary, this means that with regard to the current market situation the executive board has assessed the probability of economic risks arising from political and overall economic instabilities as "medium". The severity has also been evaluated as "medium". Risks arising from the competitive environment have been assessed, in terms of probability and their severity, as "medium". For all other risks described here the executive board currently sees nothing which would affect on the net assets, financial and earnings situation.

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

Operative risks

Corporate strategy

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

It remains that the demand of customers for products, solutions and services is subject to constant change. The measures introduced for the continued development of our business, for further product development, for expansion of business fields or marketing measures initiated could prove not to be successful. The risk also exists that the corporate decisions taken are wrong, and the allocation of resources for the permanent securing of the company is inadequate, which might jeopardize the substance of the company.

In order to control these risks there is a close cooperation with target groups between development and marketing of products and solutions. The competitive situation is regularly analyzed in terms of technology, market participants and business models. Furthermore, the brand companies constantly engage in close dialogue regarding the development of the AEC and the Media & Entertainment segment.

Sales risks

The various sales models of the Group are based on the respective approaches of technically reliable sales partners, re-sellers and well-qualified employees with expertise. These contribute to the optimal processing of the customer segments and to ensuring high customer satisfaction; they guarantee the sustainability of earnings. The brand companies approach the various markets with different sales and business models. As a result of the rather high complexity of the solutions, marketing them is very demanding. Knowledge of the technologies and products is subject to constant change due to fast pace of technical progress.

Any loss of sales partners or of parts of sales personnel may adversely affect the revenue and earnings of the Nemetschek Group. The brand companies counter this risk through careful selection and training of their distribution partners and sales personnel, offering incentive and performance systems to ensure quality. The sales employees are paid performance-related premiums or commission in addition to their fixed remuneration.

Sales risks would also exist if the subsidiaries decided to establish their own selling team or own sales location in regions where a sales partner has previously been operative. As a consequence of the transition, discrepancies could arise with the previous sales partner or there could be negative customer reactions. Such decisions are, however, analyzed precisely before implementation and are discussed both internally and with market experts.

Marketing risks

The Nemetschek Group generates revenues mainly from the sale of software licenses and income from maintenance contracts. In addition, rental models such as software-as-a-Service (SaaS) or subscriptions are offered. Some of our software is already offered as a rental model and is, as with maintenance contracts, part of recurring revenue. Some software houses have already converted their models from classical desktop use to SaaS and subscription. This changeover is being accelerated in the USA in particular. The Nemetschek Group consciously offers both possibilities 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 assumed by Nemetschek. Nemetschek observes the market very carefully and is in close dialogue 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. Thus, the future business success depends above all on our ability to offer innovative products which are tailored to the relevant needs of the customers. Nemetschek counters this risk with its keen focus on research and development and the related new releases of its software products. This gives an opportunity to win additional market shares, thanks to the extensive product range tailored to local customer requirements. Nemetschek has, additionally, the ability to react to changes quickly through its fifteen autonomous brand companies. Only by constantly optimizing the product range can the advantage over competitors be maintained and increased. Due to its proximity to customers and its innovative solutions, the Nemetschek Group has good chances for future profitable growth.

Potential risks are entailed in the process of developing software products in that they might fail to sufficiently fulfill customers' needs or internal quality standards.

The technology of third-parties is partly included in the software products of the brand companies. Where this is lost or there is a lack of quality in technology, this can lead to delays in own software supply, as well as to increased expenses for the procurement of replacement technology or for quality improvement. The brand companies reduce this risk through careful selection of suppliers and an appropriate quality assurance.

Project risks

To a limited extent Nemetschek generates revenues through project contracts with customers in various countries. This kind of business has a different profile from the classical software license business since to render its services Nemetschek must have some recourse to external personnel with key expertise. In some cases, Nemetschek is reliant on the support of the customer for project realization and on exact customer documentation for provision of the service (systems specification).

It is possible that, if the performances rendered were inadequate, compensation for damages would be claimed from the brand companies. For example, as a consequence of divergent country-specific legal requirements, Nemetschek might not fully meet contractual conditions. To avoid such risks Nemetschek has issued guidelines on the awarding of contracts which require a legal and commercial examination of such projects.

Technology risks

The Nemetschek Group examines and uses the opportunities of digitalization continually. The risk exists that technology used is no longer "state of the art". This could relate to both existing and future products. The product portfolio strategy currently pursued with Open BIM and 5D solutions, the provision of rental models and cloud services, and catering for mobile end devices should help the company to develop new markets and to secure its market position.

Should the expected market demand for open BIM solutions and web services become weaker, or should completely different web technologies prevail, the situation could arise in which income does not make up for the investments made. Nemetschek manages this risk by continually evaluating technology and by regularly updating market estimates, as well as by focusing the product portfolio strategy on current market conditions. Overall, Nemetschek is convinced that new business opportunities will arise from the trend to open BIM.

Risks arise if technologies such as rental models or the cloud are demanded sooner than expected and the matching solutions do not yet have the level of maturity expected by the customer. Nemetschek meets this risk through rapid alignment and by intensifying its development activities.

Process risks

The core processes of software development, marketing and organization in the Nemetschek Group are subject to continuous checks and improvements by management. The performance and goal orientation of these processes is put to the test and optimized during strategic and operational planning. Nevertheless, fundamental risks might still exist 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.

Further risk potential exists in the restructuring of the product lines. Thus, the migration of a product which has been on the market for a long time to a new solution 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 the communication between the brands is strengthened and that a comprehensive marketing 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 the processes in its knowledge management. The general skills shortage globally presents a challenge to the Nemetschek Group. In order to win young employees, the Nemetschek Group works very closely together with universities, awards scholarships and grants doctorate jobs.

Acquisition and integration risks

Company acquisitions are an essential component of a corporate strategy aimed at long-term profitable growth. The group will, therefore, strengthen and expand its own market position through acquisitions in the future too. In order to make the most of these opportunities, the internal staff of the Nemetschek Group from Market Research & Development survey the markets continually in search of suitable candidates while also working with M&A consultants to identify possible acquisitions. Furthermore, the brands 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.

In looking for appropriate companies to acquire, Nemetschek finds itself competing with other corporations. The structure of the Nemetschek Group, with its independent brands, gives it a considerable advantage in winning the tender process. Experience shows that company founders prefer belonging to a strong international group, but still wish to preserve their identity and a high degree of operative independence. This Group structure offers considerable opportunities for the acquisition of attractive companies. Simultaneously the entrepreneurial risk exists that the entity acquired fails to develop commercially as expected and that the revenue and earnings goals pursued with its acquisition are not achieved. After the acquisition, the companies are rapidly integrated into the reporting, controlling and risk management system of the Nemetschek Group.

Goodwill is subject to an annual impairment test. There was no need to record impairment in the fiscal year 2017. However, future impairment cannot be excluded.

In view of the current market situation, the executive board considers the probability and extent of distribution, marketing, product, and technological risks to be “low” and the project risk to be “medium”. With respect to all other risks described above, nothing is expected to affect the financial, economic and earnings situation.

Risk category	Probability 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	very low	very low
Acquisition and integration risks	very low	very low

Legal, tax and compliance risks

Tax risks

With its branches 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 might also have a positive effect on the results of operations of the Nemetschek Group. Thus, Nemetschek benefits in the USA 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, listed in the German TecDAX, is complex and has a great concentration of regulations. Any potential infringement of the regulations can have a negative effect on the net assets, financial situation and results of operations, the share price, or the reputation of the company.

A small number of customers of the Nemetschek Group are governments or publicly owned companies. Business in the engineering area is in part characterized by orders of high volume. The occurrence of - or indeed merely allegations of - corruption might hinder participation in public tendering and have adverse effects on further economic activity, net assets, the financial position and results of operations, the share price or in the company's reputation. Considering this, Nemetschek has instituted an anti-corruption program alongside the Code of Conduct for all employees. 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 group-wide, a modern training tool is used so that employees can recognize and correctly react 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 using legal checks of the legal department and by external legal advisers.

In the software sector, developments are increasingly protected by patents. The patent activities mainly relate to the American market, though protection of software by patents is also steadily increasing in other markets. An infringement of patents might have a negative effect on the net assets, financial position and results of operations, the share price, or the reputation of the company.

The Nemetschek Group distributes not only through its own sales forces but also with external dealers and cooperation partners. In the case of the external sales forces, the risk is naturally present that the distribution agreements may be negatively influenced with the consequent potential of loss of new business and of existing customers. 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 affect adversely the group’s business activity and the financial and earnings position.

With regard to the current market situation the board assesses the probability of legal risks materializing as “medium”. Severity is evaluated as “medium”. For all other risks described here we currently see nothing which would affect the net assets, financial and earnings situation.

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

Financial risks

Where there are high financial liabilities there is basically a liquidity risk should the earnings situation of the group deteriorate. Currently the Nemetschek Group has bank liabilities of about EUR 80 million (previous year: EUR 96 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 decentralized 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 and risk-avoiding strategies.

Currency risks

The Nemetschek Group is exposed to fluctuations in exchange rates in its operating business especially in the United States, Japan, Great Britain, Sweden, Hungary and Switzerland. With the further internationalization of group activities, exchange rate fluctuations are analyzed precisely and are of increasing significance for the operating activities of the Group. The company’s strategy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group occur because the group 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 only have a limited effect at group level because the operating subsidiaries outside of the Euro region record 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 year 2017 the Nemetschek Group experienced, in particular due to the weak US Dollar in the second half year, negative currency driven effects on revenues and EBITDA.

In order to control exchange fluctuations, the brand companies conclude various types of forward exchange contract as required.

Default risk and risk management

Risks of default are managed by means of credit approvals, the setting of 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, the maximum credit risk can be calculated from the amounts shown in the balance sheet.

The Nemetschek Group only does business 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 risks of default are identified, appropriate accounting precautions will be taken.

Within the group there is no material concentration of default risks from today's perspective. 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 counter-party, 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.

With regard to the current market situation, the executive board estimates the probability of currency risks occurring as "high", and the default risks management risks as "medium", and severity of the above risks as "low". For all other risks described here we currently see nothing which would impact on the net assets, financial position or results of operations.

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

Opportunity assessment

In the categories described above there are numerous opportunities for the Nemetschek Group. In the market area the company benefits from a good construction economy and growing investments in building and infrastructure projects. In particular, the state investment in infrastructure announced by numerous governments offer further growth potential. Decisions by competitors, such as the conversion of the sales system to rental models can have positive effects for Nemetschek. The group's chances of expanding its market position as the leading supplier of integrated software solutions for the work flow of the whole life cycle of buildings result from stronger internationalization, as well as from the systematic exploitation of the potential within existing markets, supported by the consistent implementation of new technologies. With the ever-increasing internationalization, Nemetschek will become less dependent on individual regions. Through the consistent implementation of the M&A strategy, the competence in the Group is shared and gaps in the portfolio closed. Furthermore, the continued internationalization may accelerate revenues and earnings growth and increase cross and co-selling-activities of the brands.

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 2017 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 49.5% is very good and the liquidity situation comfortable.

5 Other disclosures

5.1 Report on enterprise controlling and declaration on corporate management

Declaration of conformity in accordance with § 161 AktG

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

Company management practises exceeding legal requirements

Our aim is for Nemetschek to be perceived worldwide as a responsible enterprise with high ethical and legal standards.

The common basis of our action is the culture of the Nemetschek Group. It 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.

We have summarized these principles in the "Code of Conduct" of the Nemetschek Group. This Code is a binding guide for all employees of the Nemetschek Group, whatever their function or standing in the group. Only continual reflection on our values and their integration into all our action represents a commitment to the culture of our company and ensures our entrepreneurial success long-term. The Code of Conduct is available on the company website.

On matters of the company control and management, reference is also made to chapter 1.3 of this combined management report for Nemetschek SE and the group.

Working methods of the executive and supervisory boards

The make-up of the executive board can be seen on the website. The executive board has not formed any committees. The manner of working of the executive board is governed by the procedural rules for the executive board. The distribution of duties within the executive board can be inferred from a business distribution plan.

The composition of the supervisory board is governed by the corporate statutes which are available on our website, as is the present membership of the supervisory board. The supervisory board consists of three members only, and for this reason 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 board, we refer to the corporate governance report of the company report and to the report of the supervisory board.

Target numbers for proportion of women, §§ 76 (4), 111 (5) AktG

Pursuant to § 111 (5) AktG the supervisory board shall regularly specify target figures for the proportion of women in the supervisory

and executive boards. Pursuant to § 76 (4) AktG the executive board shall specify target figures for the proportion of women at the two management levels directly below the executive board.

On March 20, 2017 the supervisory board set the target figure for the proportion of women in the supervisory and in the executive boards in the period extending until December 31, 2018, at 0%, since what is important in the composition of the supervisory and the executive boards is the experience, ability and knowledge of the individual members.

Nevertheless, the supervisory board will of course, in the case of a vacancy in the supervisory or executive boards, consider women in the search for candidates.

On March 20, 2017 for the period extending to December 31, 2018, the executive board set a target of at least 20% women in the first management level below executive board level. There is only one management level below the executive board at Nemetschek SE.

5.2 Explanatory report of the executive board on the disclosures under sec. 289a HGB and sec. 315a HGB

(1) Composition of the subscribed capital

The nominal capital of Nemetschek SE as of December 31, 2017 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) which 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 §§ 84 and 85 of the German Stock Corporation Act in connection with § 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 § 179 of the German Stock Corporation Act in connection with §§ 13 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, the simple majority of the nominal capital represented when the resolution is passed is sufficient, where legally permitted. Under § 14 of the statutes of Nemetschek SE, the supervisory board is authorized to resolve changes where these affect only the wording of the statutes.

(7) Authorization of the executive board to issue or redeem shares

According to § 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 by May 20, 2020 on one or more than one occasion, i.e. 10% of the nominal capital, 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 is increased instead by the inclusion of the proportion of other shares within share capital in accordance with § 8 (3) German Stock Corporation Act. The executive board is authorized in this case to adjust the number of shares in the statutes.

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

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.

5.3 Remuneration report

Supervisory board

In accordance with the current developments of the German Corporate Governance Codex, it was decided and resolved at the annual general meeting on June 1, 2017 to convert the remuneration of the supervisory board to a solely fixed remuneration model.

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

2017	Thousands of €	2017
Kurt Dobitsch		250.0
Prof. Georg Nemetschek		225.0
Rüdiger Herzog		200.0
Total		675.0

2016	Thousands of €	Fixed components	Variable components	2016
Kurt Dobitsch		30.0	199.0	229.0
Prof. Georg Nemetschek		22.5	199.0	221.5
Rüdiger Herzog		15.0	199.0	214.0
Total		67.5	597.0	664.5

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 corporate objectives achieved (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) executive board remuneration – also known as Long-Term-Incentive-Plan (LTIP) – depends on the achievement of fixed corporate objectives with regard to the development of revenue and operative results (EBITA). The period to be observed is always three fiscal years.

Participation of the executive board in the LTIP requires an appropriate nomination by the supervisory board at the annual balance sheet meeting of the supervisory board. The three executive board members Patrik Heider, Sean Flaherty and Viktor Várkonyi have been nominated for the LTIP 2015 – 2017, 2016 – 2018 and for 2017 – 2019. In the fiscal year 2017 non-current variable components amounting to EUR 1,024k in total were paid.

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

	Patrik Heider				Sean Flaherty			
Thousands of €	2016 Initial Value	2017 Initial Value	2017 Minimum	2017 Maximum	2016 Initial Value	2017 Initial Value	2017 Minimum	2017 Maximum
Fixed compensation	242	250	250	250	115	125	125	125
Fringe benefits	18	18	18	18	0	0	0	0
Total	260	268	268	268	115	125	125	125
One-year variable compensation	415	438	0	500	137	105	0	500
Multi-year variable compensation								
LTIP 2014 – 2016	88	0	0	0	88	0	0	0
LTIP 2015 – 2017	109	104	0	104	109	104	0	104
LTIP 2016 – 2018	143	263	0	388	143	263	0	388
LTIP 2017 – 2019	0	174	0	219		174	0	219
Total	1,015	1,247	268	1,479	592	771	125	1,336

	Viktor Várkonyi			
Thousands of €	2016 Initial Value	2017 Initial Value	2017 Minimum	2017 Maximum
Fixed compensation	96	124	124	124
Fringe benefits	0	0	0	0
Total	96	124	124	124
One-year variable compensation	0	134	0	250
Multi-year variable compensation				
LTIP 2014 – 2016	88	0	0	0
LTIP 2015 – 2017	109	104	0	104
LTIP 2016 – 2018	143	263	0	388
LTIP 2017 – 2019	0	174	0	219
Total	436	799	124	1,084

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

	Patrik Heider		Sean Flaherty	
	2017 Initial Value	2016 Initial Value	2017 Initial Value	2016 Initial Value
Thousands of €				
Fixed compensation	250	242	125	115
Fringe benefits	18	18	0	0
Total	268	260	125	115
One-year variable compensation	438	415	105	137
Multi-year variable compensation LTIP 2014 – 2016	341	0	341	0
Total	1,047	675	571	252
	Viktor Várkonyi			
Thousands of €				
Fixed compensation	124	96		
Fringe benefits	0	0		
Total	124	96		
One-year variable compensation	134	0		
Multi-year variable compensation LTIP 2014 – 2016	341	0		
Total	599	96		

Total remuneration granted to the executive board by Nemetschek SE for the fiscal year 2017 amounted to EUR 2,817k (previous year: EUR 2,047k).

Besides the remuneration paid by Nemetschek SE, Viktor Várkonyi received EUR 206k gross as a fixed salary from Graphisoft SE (previous year: EUR 198k) and performance-related current remuneration of EUR 108k gross (previous year: EUR 108k). Sean Flaherty received a fixed amount of EUR 120k gross from Nemetschek Inc. (previous year: EUR 144k) and performance-related current remuneration of EUR 33k gross (previous year: EUR 267k). Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 467k gross (previous year: EUR 717k).

6 Subsequent events report

The subsequent events report is included in the notes to the financial statements.

7 Outlook for 2018

7.1 Framework conditions

Macro-economic background*

In its current report the German Council of Economic Experts assumes that the positive growth in the world economy will continue. The expectation for 2018 is that the global gross domestic product (GDP) will rise by 3.2%

For the advanced economies, the council expects similar growth rates in GDP as for the year 2017. Thus, the USA is predicted to achieve economic growth of 2.4%. For the Eurozone, continuation of the economic upturn with GDP growth of 2.1% is expected. On account of the uncertainties surrounding the Brexit negotiations, weaker economic growth of 1.4% is forecast for Great Britain.

As a result of the high capacity, a light weakening in economic growth to 1.3% is predicted for Japan.

The continuing growth dynamic of the advanced economies occurs against the backdrop of a still very expansive fiscal policy of the large central banks. The European Central Bank (ECB) announced the continuation of its program of purchasing bonds until at least September 2018, whereas the US National Bank (Fed) started a slight trend reversal in 2017 with the introduction of its low interest policy.

For the emerging economies, the experts of the council expect a rise in gross domestic product of 5.3% in 2018 and thus a continuation of the growth development to date.

Construction industry**

For Europe the experts from Euroconstruct expect a continuation of the growth course in the construction industry for the coming years. As in 2017, an increase in the volume of construction for all 19 member states of the Euroconstruct network is predicted for 2018, even if their expansion course loses some momentum. However, it is expected that Spain (+3.8%), France (+2.7%) and Switzerland (+2.5%) will also be able to maintain their upward trend in 2018. On the other hand, moderate growth is expected for Germany and Great Britain. According to the sector experts from EUROconstruct Hungary (+21.4%) and Ireland (+12.7%) are expected to head the growth tables. Overall, a rise in construction volume of 2.6% is expected in the Eurozone in the current year.

According to experts of the sector service FMI, the US construction industry will also prove strong in the coming years. For the year 2018 an increase in construction spending of 4.7% is expected. In residential construction, a slight weakening in dynamic growth is

expected, whereas infrastructure investments are likely to increase thanks to the infrastructure program announced by the US President Trump. The exact financial details of this program have, however, not yet been specified. The US government is supposedly planning state investments of around 200 billion dollars in the coming years. In addition to this, the federal states and local authorities are expected to contribute. The leader is the federal state of California, which has already approved a 52 billion dollar program for restructuring roads and for building bridges.

The sector experts from Germany Trade & Invest expect a stable order situation in the Japanese construction industry until at least 2020, when Tokyo will be the venue for the Olympic and Paralympic Sommer Games. Independent of this major event, the constantly growing streams of tourists require the expansion of the existing infrastructure. The construction sector still benefits from an economic package passed in August 2016, which includes a budget of 1.7 billion (one million million) Yen (approx. EUR 13 milliard (one thousand million)) for infrastructure. Furthermore, the reconstruction of the earthquake regions in Fukushima as well as disaster protection in general has highest priority.

Overall, market experts are expecting a favorable development in the construction industry in the year 2018. For the Nemetschek Group, this means that the markets relevant to it are continuing to experience positive growth impulses.

7.2 Corporate expectation

The Nemetschek Group will also continue its corporate policy aimed at sustained growth in the future and invest in new customer segments, solutions and further internationalization.

Market-specific strategies

As one of the top players in the global AEC market, the Nemetschek Group focuses on the markets that currently offer the highest potential and have already implemented or are in the process of establishing measures in the BIM regulation. In addition to the DACH region, in Europe the countries Great Britain, Ireland and France are those focused on by the Nemetschek Group.

In Asia the group addresses the markets of Japan, China, Australia/New Zealand, and India.

The USA is the largest single market worldwide for AEC software and, meanwhile, also the most important market for the Nemetschek Group. It has developed above-averagely in this highly competitive and strongly growing market. The USA will also remain the most important single market and show the strongest growth.

Internationalization remains a major growth driver of the Nemetschek Group: The brands in the USA and Europe mutually support each other in their expansion. The strong market positioning of the US companies facilitates the expansion of European Nemetschek brands abroad and vice versa.

* Sources: Annual Expert Report 2017/18 German Council of Economic Experts; GTAI/Economic Trends.

** Sources: Euroconstruct Summary Report Munich, Nov. 2017; GTAI/Construction Industry; 2018 FMI Overview, RICE:

Development of new markets and customer groups

In addition to the strong competence of the individual brands and the continued development of solutions offered, the strategic focus is on cross-market development projects and strategic initiatives which shall ensure the double-digit organic growth of the group into the future. The objective is to address new customer segments, to support the cooperation of the brand companies in their international growth strategies and to share "Best Practices" 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.

Furthermore, cross-market strategic development projects support the aim of the Nemetschek Group: to address more and more major customers from the areas of architecture, civil engineering and general contractors. Through the merging and integration of planning and implementation in the building process, the trend in the AEC sector is moving towards architectural or civil engineering companies as well as building companies which cover the entire work flow within the building process. The focus is primarily on the American market in which there is a large share of large customers.

The Nemetschek Group will in future focus more strongly on the infrastructure market – in particular on bridges and tunnels, since in almost all countries worldwide investment in infrastructure measures is substantial.

The brands will also offer their customers high flexibility when it comes to software in future: either as a license model including the option of a service contract or as a rental model (subscription or software-as-a-service). With leasing models, Nemetschek can 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. Here customers of all sizes are addressed - from individual solutions through to major projects.

Additionally, 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

In addition to the positive impulses from the construction industry the sector-specific growth drivers in the industry are intact. These include:

- » the progressive digitalization in the construction sector and the related high investment in software solutions,
- » the state regulations worldwide, which require the use of BIM software for state construction projects,
- » the evolution of 2D software solutions to model-based BIM 3D solutions as well as the change in the AEC sector, alongside demand for collaborative solutions and a digital workflow of the disciplines from the Design, Build and Manage segments.

In this environment, the Nemetschek Group again expects successful business development and double-digit percentage organic revenue growth, for the year 2018. Growth is supported by the financial strength of the group, its strong competitive position and close customer relations within the individual brands.

This organic growth shall be accelerated through value enhancing acquisitions that will close gaps in the group portfolio and expand and round the technical competence of the workflow of building processes. Target enterprises are found mainly from internal strategic projects in civil engineering and structural engineering, collaboration technologies and the expansion of the Manage segment. A further acquisition objective is to obtain complementary market shares in international markets.

Thanks to its high cash flows and solid balance sheet ratios, the Nemetschek Group has access to the necessary financial funds to finance its planned future growth, whether organically or non-organically through acquisitions, co-operations and partnerships.

Financing, investments and liquidity

With its extremely solid balance sheet the Nemetschek Group views itself as being well positioned for the planned growth in 2018. As in the prior years, a high operating cash flow shall increase liquidity and offer enough scope for planned investments by the brand companies in development, sales and marketing. Furthermore, the group invests in the strategic projects described as well as in groupwide ERP harmonization to reduce the complexity of processes and reporting structures in the growing group.

As before, acquisitions can be funded from the current cash flow, existing liquidity and the borrowing of external capital.

Major cost items within the Nemetschek Group are personnel expenses and other operating expenses. In 2018 the Nemetschek Group will also recruit additional experts globally and it assumes therefore that there will be a further moderate increase in personnel expenses. Other operating expenses include primarily selling expenses and they, too, are expected to rise slightly in 2018 as a result of the continued planned international expansion.

Dividend policy

At the same time, the executive board follows a sustainable dividend policy which intends, unchanged, a distribution of 25 to 30% of the operative cash flow to the shareholders. For the fiscal year 2017 the supervisory and executive boards will propose a dividend to the general meeting on May 30, 2018 of EUR 0.75 per share (previous year: EUR 0.65 per share). Subject to the consent of the general meeting, the distribution proposal corresponds to an increase in the dividend of 15%. Measured against the operating cash flow this represents a distribution ratio of about 30%.

Overall evaluation of the expected development

Outlook of the Nemetschek Group

On account of the long-term intact growth trends in the relevant markets, the executive board looks to the future with optimism and assumes a continuing positive development for the present fiscal year 2018.

From today's perspective, the **Nemetschek Group** expects **for the fiscal year 2018 revenue** to reach the corridor of EUR 447 million to EUR 457 million*.

The Nemetschek Group will invest approximately EUR 10 million in 2018 in strategic projects already started at group and brand level in order to secure sustainable double-digit growth in future.

Despite investments, the **Group EBITDA margin** is still expected to reach the same corridor which has been sought in the past and will be sought in the future: between 25% and 27%.

For 2018 the tax rate within the group is expected to be about 3 percentage points lower than expected within the group, at 25% to 28%, due to the US corporation tax reform, which came into effect last year. These positive effects will be seen in subsequent years.

On a segment basis the Nemetschek Group sees itself very well positioned in the **Design** segment due to the strong market positioning of its brands, with BIM-orientated and intelligent solutions for the planning and drafting phase through to documentation and construction planning. For the fiscal year 2018 revenue growth is expected to lie in the same corridor as the planned organic growth at group level. This positive evaluation is supported by innovations, further development of the solutions portfolio, and continued internationalization with reinforced distribution performance.

In the **Build** segment the brands are promoting further internationalization and investing in the development of their solutions portfolio. Overall growth rates are predicted in the Build segment which lie above the group average.

In the **Manage** segment the focus will continue to be on addressing the residential market and stronger sales activities to win more customers. For the fiscal year 2018 the Nemetschek Group expects revenue growth at group level.

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

Outlook of Nemetschek SE

The future development of Nemetschek SE is significantly influenced by the forecasts for the Nemetschek Group described above. Nemetschek SE therefore expects a continued positive development in the earnings development and a result for the financial year 2018 slightly above the result for the past fiscal year.

Generally, it can be observed that the development of the exchange rates important to the Nemetschek Group, in particular the relationship of the Euro to the US Dollar, to the Swiss Franc, to the Japanese Yen, to the British Pound, to the Hungarian Forint and to the Norwegian and Swedish Krone, influence the development of revenue and results, and can, consequently, also have an effect on the prospects.*

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 our 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, affect the Nemetschek Group's business activity, success, business strategy, and its results. This can lead to the actual results, success, and performance of the Nemetschek Group materially deviating from the information on results, success, or performance explicitly or implicitly mentioned in these forward-looking statements.

Munich, March 19, 2018



Patrik Heider

Sean Flaherty

Viktor Várkonyi

* The revenue forecast is based on a planned exchange rate of 1.18 EUR/USD

Balance Sheet Nemetschek SE

as of December 31, 2017 and as of December 31, 2016 (German Commercial Code)

ASSETS	in EUR €	December 31, 2017	December 31, 2016
A. FIXED ASSETS			
I. Intangible Assets			
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets		150,172.00	73,549.28
2. Prepayments made on intangible assets		405,344.67	52,625.00
		555,516.67	126,174.28
II. Property, plant and equipment			
1. Leasehold improvements		121,045.99	57,613.63
2. Fixtures, fittings and equipment		144,770.84	61,283.28
		265,816.83	118,896.91
III. Financial assets			
1. Shares in affiliated companies		332,114,646.66	284,948,270.70
2. Loans due from affiliated companies		21,627,764.18	36,822,775.04
3. Investments		2,073,253.93	2,075,303.93
		355,815,664.77	323,846,349.67
TOTAL FIXED ASSETS		356,636,998.27	324,091,420.86
B. CURRENT ASSETS			
I. Accounts receivable and other assets			
1. Accounts receivable from trading		3,718.04	60.00
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 339,140.10 (previous year: EUR 400,873.48)		20,649,351.32	15,854,804.10
3. Other assets		48,681.99	826,119.21
		20,701,751.35	16,680,983.31
II. Cash and cash equivalents		2,783,820.85	15,270,404.20
TOTAL CURRENT ASSETS		23,485,572.20	31,951,387.51
C. DEFERRED AND PREPAID EXPENSES		132,563.19	140,234.36
D. DEFERRED TAX ASSET		53,675.46	58,611.30
		380,308,809.12	356,241,654.03

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 EUR €	December 31, 2017	December 31, 2016
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		149,629,716.57	127,160,327.60
TOTAL EQUITY		237,245,294.86	214,775,905.89
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Accrued tax liabilities		5,055,939.16	2,660,983.67
2. Other provisions and accrued liabilities		5,482,403.96	4,480,405.64
TOTAL PROVISIONS AND ACCRUED LIABILITIES		10,538,343.12	7,141,389.31
C. LIABILITIES			
1. Liabilities due to banks		79,800,000.00	95,800,000.00
2. Trade accounts payable		296,041.82	206,509.44
3. Accounts due to affiliated companies		50,435,916.25	36,494,060.87
4. Other liabilities			
– thereof taxes: EUR 1,104,121.52 (previous year: EUR 922,637.16)		1,155,669.43	942,834.64
– thereof social security EUR 6,543.74 (previous year: EUR 5,998.76)			
TOTAL LIABILITIES		131,687,627.50	133,443,404.95
D. Deferred tax liability		837,543.64	880,953.88
		380,308,809.12	356,241,654.03

Profit and Loss Account

Nemetschek SE

for the period from January 1 to December 31, 2017 and 2016 (German Commercial Code)

in EUR €	December 31, 2017	December 31, 2016
1. Revenues	4,002,509.23	2,721,709.76
2. Other operating income	608,973.45	5,558,476.40
Operating Income	4,611,482.68	8,280,186.16
3. Personnel expenses		
a) Wages and salaries	-5,852,778.25	-4,257,932.62
b) Social security, pension and other benefit costs – thereof for pension: EUR 2,954.33 (previous year: EUR 2,454.33)	-492,903.89	-382,202.62
4. Depreciation and amortization of intangible assets, property, plants and equipment	-103,666.17	-71,555.19
5. Other operating expenses	-5,385,192.70	-5,222,692.24
Operating expenses	-11,834,541.01	-9,934,382.67
Operating results	-7,223,058.33	-1,654,196.51
6. Income from investments – thereof from affiliated companies: EUR 35,748,644.27 (previous year: EUR 29,564,289.83)	35,748,644.27	29,564,289.83
7. Income from profit and loss transfer agreements	24,833,745.61	21,213,418.01
8. Other interest and similar income – thereof from affiliates companies: EUR 1,046,158.17 (previous year: EUR 1,191,474.88)	1,048,718.66	1,193,640.20
9. Interest and similar expenses – thereof from affiliated companies: EUR 0 (previous year: EUR 0)	-898,805.91	-860,249.32
	53,509,244.30	49,456,902.21
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR -38,474,40 (previous year: EUR 12,122,22)	-6,013,233.33	-5,746,772.71
Earnings after tax	47,496,010.97	43,710,129.50
11. Other Taxes	-1,622.00	-1,285.00
Net Income	47,494,388.97	43,708,844.50
12. Profit carried forward from previous year	102,135,327.60	83,451,483.10
13. Retained earnings	149,629,716.57	127,160,327.60

Notes to the Financial Statement of Nemetschek SE

Accounting policies

The annual financial statements as of December 31, 2017 of Nemetschek SE, Munich, are prepared in accordance with § 264 d of the German Commercial Code (HGB) in conjunction with § 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, 2017 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 to be 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 410.00 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 which 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 noncurrent assets, which also shows the amortization of the financial year, on the last page of these notes.

Investments held by NEMETSCHKE 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	Shareholding in %	Equity 31.12.2017	Net Income 2017
Design segment			
Allplan Česko s.r.o., Prague, Czech Republic	100.00	429	157
Allplan Deutschland GmbH, Munich*/**	100.00	2,532	15,727
Allplan Development Germany GmbH, Munich*/**	100.00	25	335
Allplan France S.A.R.L., Paris, France	100.00	2,511	1,996
Allplan GmbH, Munich*/**	100.00	7,985	6,603
Allplan Infrastructure GmbH, Graz, Austria (consolidated since March 1, 2017)	100.00	-64	-73
Allplan Italia S.r.l., Trient, Italy	100.00	766	92
Allplan Österreich Ges.m.b.H., Wals-Siezenheim, Austria	100.00	1,632	754
Allplan Schweiz AG, Wallisellen, Switzerland	93.33	1,894	1,323
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00	801	286
Allplan Systems España S.A., Madrid, Spain	100.00	176	-98
Allplan UK Ltd., Ashby-de-la-Zouch, Great Britain*** (consolidated since July 1, 2017)	100.00	141	-426
Dacoda GmbH, Rottenburg	100.00	941	477
Data Design System AS, Klepp Stasjon, Norway	100.00	2,393	1,340
Data Design System GmbH, Ascheberg	100.00	5,076	1,481
Data Design System UK Ltd., Wiltshire, Great Britain	100.00	-125	0
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00	491	75
dRofus AB, Malmö, Sweden (consolidated since January 1, 2017)	100.00	99	57
dRofus AS, Oslo, Norway (consolidated since January 1, 2017)	100.00	2,383	509
dRofus Inc., Lincoln, United States (consolidated since January 1, 2017)	100.00	-36	121
dRofus Pty Ltd, North Sydney, Australia (consolidated since January 1, 2017)	100.00	20	84
Frilo Software GmbH, Stuttgart*/**	100.00	2,438	2,242
Graphisoft Asia Ltd., Hong Kong, China	100.00	-2,805	-52
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00	38	-210
Graphisoft Deutschland GmbH, Munich	100.00	1,618	1,439
Graphisoft Japan KK, Tokyo, Japan	100.00	1,082	105
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00	-62	5
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00	-2,202	169
Graphisoft SE, Budapest, Hungary	100.00	53,211	21,649
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00	384	70
Online Projects BVBA, Herk-de-Stad, Belgium - in liquidation	70.00	-86	-0
Precast Software Engineering Co. Ltd., Shanghai, China	100.00	70	-126
Precast Software Engineering GmbH, Wals-Siezenheim, Austria	100.00	1,816	1,638
Precast Software Engineering Pte. Ltd., Singapore	100.00	-232	-131
RISA Tech, Inc., Foothill Ranch, United States*** (consolidated since November 1, 2017)	100.00	14,175	-0
Scia CZ s.r.o., Brno, Czech Republic	100.00	506	191
Scia do Brasil Software Ltda, São Paulo, Brazil	99.90	-1,459	-142
Scia France S.A.R.L., Roubaix, France	100.00	215	28
SCIA Group International nv, Herk-de-Stad, Belgium	100.00	3,146	493

Continued:

SCIA Inc., Maryland, United States	100.00	-167	-460
Scia Nederland B.V., Arnhem, Netherlands	100.00	1,076	399
SCIA nv, Herk-de-Stad, Belgium	100.00	3,412	572
Scia SK, s.r.o., Zilina, Slovakia	100.00	154	53
Vectorworks UK, Ltd., Newbury, Great Britain (consolidated since September 1, 2017)	100.00	405	298
Vectorworks, Inc., Columbia, Maryland, United States	100.00	16,096	9,988
Build segment			
Bluebeam AB, Krisa, Sweden	100.00	680	456
Bluebeam Software, Inc., Pasadena, United States	100.00	11,161	13,513
Design Data Corporation, Lincoln, United States	100.00	-301	1,459
NEVARIS Bausoftware GmbH, Achim	100.00	3,113	618
NEVARIS Bausoftware GmbH, Wals-Siezenheim, Austria	100.00	5,354	-161
Nevaris BIM Software GmbH, Berlin	100.00	-803	1,557
Solibri DACH GmbH, Hamburg	100.00	276	225
Solibri LLC, Scottsdale, United States	100.00	-157	-128
Solibri Oy, Helsinki, Finland	100.00	1,859	1,320
Solibri UK Ltd., Leeds, Great Britain	100.00	-133	-81
Manage segment			
Crem Solutions GmbH & Co. KG, Ratingen	100.00	2,700	1,702
Crem Solutions Verwaltungs GmbH, Munich	100.00	67	2
Media & Entertainment segment			
MAXON Computer Canada Inc., Varennes, Canada	70.00	95	48
MAXON Computer GmbH, Friedrichsdorf	70.00	3,307	6,382
MAXON Computer, Inc., Newbury Park, United States	63.00	2,241	1,859
MAXON Computer Ltd., Bedford, Great Britain	70.00	800	494
Other			
Bluebeam Holding, Inc., Delaware, United States	100.00	63,791	24,649
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	6,501	1,400
Nemetschek, Inc., Washington, United States	100.00	60,081	-1,228
NEMETSCHKEK OOO, Moscow, Russia - in liquidation	100.00	166	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 2017, 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 income statement.
- Option not to prepare a management report (Allplan GmbH, Allplan Deutschland GmbH and Allplan Development Germany GmbH) so that the annual financial statements comprise a balance sheet, income statement and notes.
- Option not to publish the annual financial statements.

***These companies were founded in 2017.

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, 2017: EUR 11,855k; net income for the year 2017: EUR 3,001k), in Nemetschek OOD, Sofia, Bulgaria, amounting to 20% (equity as of December 31, 2017: EUR 4,407k; net income for the year 2017: EUR 787k), and in Planen Bauen 4.0 GmbH, Berlin, amounting to 6.29% (equity as of December 31, 2017: EUR 310k; net income for the year 2017: EUR -37k). 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, 2017: EUR -457k; net income for the year 2017: EUR -534k). Full allowance is made for the investment in Sablono GmbH.

Loans due from affiliated companies

Nemetschek SE gave noncurrent interest-bearing loans to affiliated companies in the amount of EUR 21,628k (previous year: EUR 36,823k). These include the loan granted to Bluebeam Holding, Inc. in 2014 in the amount of EUR 20,438k (previous year: EUR 34,694k), part of which is due for repayment on October 31, 2021 and on October 31, 2024. In addition, the loans to affiliated companies include a loan to the acquired Solibri Oy in 2015 in the amount of EUR 1,190k (previous year: EUR 2,129k), which is to be paid back on December 30, 2018. Partial repayments were made on both loans in 2017. The amount of the loan to Solibri Oy increased by the contractual addition of the interest on the loan incurred in the 2017 financial year.

Accounts receivable and other assets

Other assets in the amount of EUR 49k (previous year: EUR 826k) include receivable with a remaining term of more than one year in the amount of EUR 34k (previous year: EUR 43k).

Accounts due from affiliated companies

Accounts due from affiliated companies mainly constitute receivables from profit and loss transfer agreements.

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, 2017 in the amount of EUR 54k (previous year: EUR 59k).

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 § 266 (3A) III No. 4 HGB.

Retained earnings

Retained earnings developed as follows:

	in €	
As of December 31, 2016		127,160,327.60
- Dividend		25,025,000.00
+ Net income 2017		47,494,388.97
As of December 31, 2017		149,629,716.57

Proposal on the appropriation of profits

The executive board proposes to the supervisory board that a dividend be paid for the financial year 2017 amounting to EUR 28,875,000.00. This represents EUR 0.75 per share.

Provisions

Income tax provisions in the amount of EUR 5,056k contain provisions for corporate income tax (EUR 1,560k for the 2016 assessment period and EUR 1,135k for the 2017 assessment period) as well as trade tax (EUR 1,006k for the 2016 assessment period and EUR 1,355k for the 2017 assessment period).

Other provisions include the following amounts:

Thousands of €	As of Jan. 1, 2017	Reclassification	Utilization	Resolution	Supply	As of Dec. 31, 2017
Outstanding invoices	1,322	0	1,226	31	1,145	1,210
Commission/bonuses for employees	2,928	0	1,606	15	2,699	4,006
Legal and consulting fees	179	0	164	10	188	193
Other	51	0	34	0	56	73
Total	4,480	0	3,030	56	4,088	5,482

Liabilities

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

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Liabilities to banks	79,800	36,000	43,800	0
Dec. 31, 2016	95,800	26,000	69,800	0
Trade accounts payable	296	296	0	0
Dec. 31, 2016	207	207	0	0
Accounts payable to affiliated companies	50,436	50,436	0	0
Dec. 31, 2016	36,494	36,494	0	0
Tax liabilities	1,104	1,104	0	0
Dec. 31, 2016	923	923	0	0
Other liabilities	52	52	0	0
Dec. 31, 2016	20	20	0	0
Dec. 31, 2017	131,688	87,888	43,800	0
Dec. 31, 2016	133,444	63,644	69,800	0

Liabilities to banks are the result of loans for acquisitions. Interest amounts to between 0.72% and 1.03%. Liabilities vis-à-vis affiliated companies mainly comprise liabilities arising from cash pooling.

Deferred tax liabilities

In the 2017 financial year, deferred tax liabilities in the amount of EUR 838k (previous year: EUR 881k) 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 4,833k (previous year: EUR 5,108k), which were recognized with a tax rate of 15.825%.

Notes to the statement of profit and loss account

The revenues in the amount of EUR 4,003k (previous year: EUR 2,722k) mainly comprise umbrella brand license remuneration with affiliated companies EUR 3,675k (previous year: EUR 2,417k). Of this, EUR 1,307k were realized domestically.

In the 2017 financial year, other operating income amounts to EUR 609k (previous year: EUR 5,558k). Other operating income includes income from charging out to affiliated companies amounting to EUR 454k (previous year: EUR 382k), insurance reimbursements arising from litigation for compensation claims amounting to EUR 83k (previous year: EUR 2,017k), income from divesting provisions unrelated to the accounting period amounting to EUR 55k (previous year: EUR 158k) and income from currency translations amounting to EUR 0.4k (previous year: EUR 92k). There was no appreciation in value of financial assets in the 2017 financial year (previous year: EUR 2,925k).

Other operating expenses include expenses resulting from currency translation in the amount of EUR 74k (previous year EUR 85k).

Other disclosures

Contingencies

thousands of €	Dec. 31, 2017	Dec. 31, 2016
Bank guarantees	360	354

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 which would lead to utilization.

Other financial obligations

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	1,200	406	794	0
Leases	108	43	65	0
Total financial commitments as of December 31, 2017	1,308	449	859	0
Rental agreements	1,383	346	1,037	0
Leases	70	38	32	0
Total financial commitments as of December 31, 2016	1,453	384	1,069	0

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 Allplan Deutschland GmbH, Munich, and Allplan GmbH, Munich, and Allplan Development Germany GmbH, Munich. The agreements with Allplan Development Germany GmbH were concluded in December 2016.

Personnel

Nemetschek SE employed a staff of 37 on average for the year (previous year: 33), who work in the administration department. Of these, 6 serve as executives (previous year: 5), 22 as employees (previous year: 20) and 9 as part-time staff (previous year: 8).

Information on the German “Corporate Governance Code”

The Declaration of Conformity was submitted on March 20, 2017. The relevant current version is available to the shareholders on the website of Nemetschek SE (www.nemetschek.com).

In the 2017 financial year as well, Nemetschek SE submitted a letter of moral intent for GRAPHISOFT Deutschland GmbH valid until the next balance sheet date (December 31, 2018). 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, 2017) 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 2017 financial year Nemetschek SE provided an unlimited rental guarantee for RISA Tech, Inc. Utilization is improbable at the present time.

Executive board remuneration

Total remuneration granted to the executive board by Nemetschek SE for the financial year 2017 amounts to EUR 2,817k (previous year: EUR 2,047k). Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 467k (previous year: EUR 717k). Executive board remuneration is disclosed and explained in detail in the management report of the company.

Supervisory board remuneration

The members of the supervisory board of Nemetschek SE are remunerated for the 2017 financial year with EUR 675k (previous year: EUR 664.5k) in total. As of 2017, the remuneration is made as fixed remuneration. In the previous year EUR 67.5k was paid as fixed remuneration and EUR 597k as a variable component. Supervisory board remuneration is disclosed in detail in the management report of the company.

Auditors' remuneration

AUDITORS' FEES

Thousands of €	2017	2016
Financial statements audit services	368	250
Tax advisory services	0	24
Other services	46	15
Total	414	289

Supplementary report

No significant events occurred after the balance sheet date which would require disclosure.

Disclosure requirements under § 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, 2017, are as follows:

- » Prof. Georg Nemetschek, Munich: 53.05% (previous year: 53.57%)

- » Nemetschek Vermögensverwaltungs GmbH & Co. KG, Grünwald: 53.05% (previous year: 53.57%)
- » Nemetschek Verwaltungs GmbH, Grünwald: 53.05% (previous year: 53.57%)
- » Allianz SE, Munich: 3.35% (previous year: 5.08%)
- » Groupama Asset Management S.A., Paris, France: 3.04%
- » Union Investment Privatfonds GmbH, Frankfurt am Main: 2.85% (previous year: 3.05%)

The disclosures are based on the information reported to Nemetschek SE under §§ 33ff. WpHG. The actual number of shareholder voting rights can deviate from the number disclosed due to interim, non-reportable or unreported trading.

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 %
Allianz SE, Germany	12/21/2017	3 (+)	3.35	1,288,432	0.00	3.35
Prof. Georg Nemetschek, Germany	6/6/2017	50, 30, 25, 20, 15, 10, 5, 3 (+)	53.05	20,422,928	4.68	48.37
Union Investment Privatfonds GmbH, Germany	1/9/2017	3 (-)	2.85	1,097,324	0.00	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

Member of the following supervisory boards:

- » United Internet AG, Montabaur (Chairman)
Companies related to the Group:
 - 1 & 1 Internet SE, Montabaur (until March 16, 2017)
 - 1 & 1 Telecommunication SE, Montabaur
 - 1&1 Mail & Media Application SE, Montabaur
 - Drillisch AG, Maintal (since October 16, 2017)
 - Drillisch Online AG, Maintal (since January 1, 2018)
- » Nemetschek SE, Munich (Chairman)
Companies related to the Group:
 - Graphisoft SE, Budapest, Hungary
 - Vectorworks, Inc., Columbia, USA
- » Bechtle AG, Gaildorf
- » Singhammer IT Consulting AG, Munich

Prof. Georg Nemetschek

(Dipl.-Ing. [Engineering degree], independent businessman)
Deputy Chairman

Rüdiger Herzog

(Lawyer)

Member of the following supervisory boards:

- » DF Deutsche Finance Holding AG, Munich, Germany (Chairman)
- » DF Deutsche Finance Investment GmbH, Munich (Chairman)
- » Kaufhaus Ahrens AG, Marburg

Munich, March 19, 2018

Nemetschek SE



Patrik Heider



Sean Flaherty



Viktor Várkonyi

Executive board

Patrik Heider

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

Member of the following supervisory boards:

- » Bluebeam Software, Inc., USA
- » SCIA Group International nv, Belgium (until June 19, 2017)
- » Solibri Oy, Finland
- » Data Design System AS, Norway

Viktor Várkonyi

(Master of Computer Science, MBA)
Member of the executive board

CEO Graphisoft SE

Member of the following supervisory boards:

- » Graphisoft SE, Hungary
- » Data Design System AS, Norway
- » Solibri Oy, Finland
- » dRofus AS, Norwegen (since January 3, 2017)

Sean Flaherty

(Bachelor of Computer Science)
CSO
CEO Nemetschek, Inc.

Member of the following supervisory boards:

- » Vectorworks, Inc., USA
- » Bluebeam Software, Inc., USA
- » Design Data Corporation, USA
- » SCIA Group International nv, Belgium (since June 19, 2017)
- » Risa Tech, Inc., USA (since November 1, 2017)

Statement of fixed assets Nemetschek SE

from December 31, 2016 to December 31, 2017 (German Commercial Code)

2017	Thousands of €	Development of historic costs			As of Dec. 31, 2017	
		As of Jan. 1, 2017	Additions	Reclassification		Disposal
I. Intangible assets						
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets		284,161.49	20,068.65	105,250.00	0.00	409,480.14
2. Prepayments on intangible assets		52,625.00	457,969.67	-105,250.00	0.00	405,344.67
		336,786.49	478,038.32	0.00	0.00	814,824.81
II. Property, plant and equipment						
1. Leasehold improvements		362,256.13	78,988.90	0.00	0.00	441,245.03
2. Fixtures, fittings and equipment		773,460.76	122,901.26	0.00	0.00	896,362.02
		1,135,716.89	201,890.16	0.00	0.00	1,337,607.05
III. Financial assets						
1. Shares in affiliated companies		288,336,902.56	47,166,375.96	0.00	0.00	335,503,278.52
2. Loans due from affiliated companies		36,822,775.04	60,754.34	0.00	15,255,765.20	21,627,764.18
3. Investments		3,219,566.46	0.00	0.00	1,146,312.53	2,073,253.93
		328,379,244.06	47,227,130.30	0.00	16,402,077.73	359,204,296.63
Total fixed assets		329,851,747.44	47,907,058.78	0.00	16,402,077.73	361,356,728.49

Development of accumulated depreciation/amortization					Carrying amount	
As of Jan. 1, 2017	Additions	Attributions	Disposal	As of Dec. 31, 2017	As of Dec. 31, 2016	
210,612.21	48,695.93	0.00	0.00	259,308.14	150,172.00	
0.00	0.00	0.00	0.00	0.00	73,549.28	
210,612.21	48,695.93	0.00	0.00	259,308.14	405,344.67	
					126,174.28	
304,642.50	15,556.54	0.00	0.00	320,199.04	121,045.99	
712,177.48	39,413.70	0.00	0.00	751,591.18	57,613.63	
1,016,819.98	54,970.24	0.00	0.00	1,071,790.22	144,770.84	
					118,896.91	
3,388,631.86	0.00	0.00	0.00	3,388,631.86	332,114,646.66	
0.00	0.00	0.00	0.00	0.00	284,948,270.70	
1,144,262.53	0.00	0.00	1,144,262.53	0.00	21,627,764.18	
4,532,894.39	0.00	0.00	1,144,262.53	3,388,631.86	36,822,775.04	
					2,073,253.93	
5,760,326.58	103,666.17	0.00	1,144,262.53	4,719,730.22	2,075,303.93	
					355,815,664.77	
					323,846,349.67	
					356,636,998.27	
					324,091,420.86	

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 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, 2018



Patrik Heider



Sean Flaherty



Viktor Várkonyi

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 2017, and the income statement for the fiscal year from 1 January 2017 to 31 December 2017, 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 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the non-financial statement contained in section 2 of the combined management report and the report on enterprise controlling and declaration on corporate management contained in section 5.1 of the combined management report.

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 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017 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 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, 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 2017 to 31 December 2017. 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 matters:

Recoverability of non-current financial assets

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

The impairment test of non-current financial assets, especially of shares in affiliated companies, constitutes a significant risk of material misstatement due to the materiality of these assets as well as the judgment involved in assessing whether there is objective evidence to indicate a lower fair value and permanent impairment. The valuations also depend to a large extent on the assessment of future cash inflows and the discount rate applied. Consequently, the impairment of non-current financial assets was determined to be a key audit matter.

Auditor's response

With regard to the lower fair value calculated and the assessment of permanent impairment by management, we examined the underlying processes and controls used to calculate fair value and assessed the operating effectiveness of the controls implemented in the process for budgeting future cash flows. We assessed the underlying valuation models for the determination of fair value in terms of methodology and reperformed the calculations with the assistance of internal valuation specialists. We also 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 fair 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 considering changes in significant assumptions including future market conditions. We also performed our own sensitivity analyses to assess the impairment risk in the case of a reasonably possible change in one of the significant assumptions.

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

Reference to related disclosures

With regard to the accounting and measurement policies applied for the impairment of non-current financial assets, refer to the chapters Accounting policies and methods, Investments held by Nemetschek SE and to the notes to the income statement in the notes to the financial statements.

Other information

The executive directors are responsible for the following other information:

- » Letter to the Shareholders
- » “The Executive Board” in the Chapter “To our shareholders” in the annual report 2017
- » “Nemetschek on the Capital Market” in the Chapter “To our shareholders” in the annual report 2017
- » Declaration of the legal representatives
- » Corporate Governance in the annual report 2017
- » Non-financial statement in the combined management report and
- » Report on enterprise controlling and declaration on corporate management contained in the combined management report.

The supervisory board is responsible for the following other information:

- » Report of the Supervisory Board in the annual report 2017.

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.

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 1 June 2017. We were engaged by the supervisory board on 2 November 2017. We have been the auditor of Nemetschek SE without interruption since 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).

German Public Auditor responsible for the engagement

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

Munich, 19 March 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Bostedt
Wirtschaftsprüfer
[German Public Auditor]

Weininger
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NEMETSCHKE GROUP



FINANCIAL STATEMENTS
(GERMAN COMMERCIAL CODE)
NEMETSCHKE SE 2016

**BUILDING
THE FUTURE
TOGETHER**

FINANCIAL STATEMENTS NEMETSCHKE SE

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Management report of Nemetschek SE for the financial year 2016

1 BASIC INFORMATION

1.1 BUSINESS MODEL OF THE GROUP

LEGAL STRUCTURE

Since Nemetschek SE is indirectly dependent on the developments of the individual investments the reporting in this management report also relates to the business development of the Nemetschek Group.

The Nemetschek Group is a world-leading manufacturer of software for the AEC industry (Architecture, Engineering, Construction). It offers an innovative and comprehensive portfolio of solutions for the integrated planning of 3D models, combined with professional planning of the time (4D) and cost (5D) dimensions. With sixty locations across the world, the Nemetschek Group serves about 2.3 million users in all regions with meanwhile fourteen independent brands. At the end of the financial year 2016 the number of brands was thirteen. A further brand was added effective January 1, 2017, as the result of an acquisition. With its software solutions the company, which was founded in 1963 by Professor Georg Nemetschek, addresses the needs of all those involved in construction and covers the complete life cycle of buildings, from the planning and visualization of a building, time and cost calculation, invitation to tender and contract award, the actual construction process through to management and administration, utilization, modernization and renovation.

Nemetschek SE, with its head office in Munich, assumes as the holding company the central functions in the areas of corporate finance and controlling, risk management, investor relations and corporate communication, market research & development, M&A and strategic corporate planning, human resources, IT, as well as corporate audit and compliance.

The holding company comprises the four segments Design, Build, Manage, and Media & Entertainment, which together encompass fourteen brands. The brands appear in the market as independently operating entities. The executives of the operating subsidiaries enjoy a high degree of autonomy. Hence the brands can react quickly to customer demands and wishes, market trends and changes in circumstances. In addition, the holding company facilitates exchanges between the brands and initiates strategic projects that involve more than one brand. This creates synergies in the portfolio, enhancing further the attractiveness of the offer for customers. High management efficiency is assured by continuous reporting to the holding company and ongoing dialogue.

A complete overview of the legal corporate structure is given in the notes to the financial statements.

BUSINESS ACTIVITIES

The brands encompassed by the Nemetschek Group offer a broad portfolio of graphics, analytic and business solutions. Their customers include architectural and design offices, structural planners, engineers of all disciplines, planning and service companies, building companies and their suppliers, process controllers as well as property, facility and asset managers.

A central feature in the planning, construction and administrative process is Building Information Modeling (BIM), the digital transformation of the construction industry. Using BIM, all design, quality, timing and business targets and data are recorded and linked digitally. A virtual, three-dimensional building model is created. The simulation adds time and cost as a fourth and a fifth dimension. BIM 5D makes it possible for all those involved in a project to collaborate efficiently and transparently over the entire process of planning, constructing and managing a property. In the five-dimensional future, building will first be virtual and then real.

The Nemetschek Group has always been concerned with providing the best possible software solutions in order to master the challenges inherent in the building process. As the pioneer of the BIM idea, the Nemetschek Group has followed this holistic approach for more than thirty years. Nemetschek advocates an open approach (Open BIM). The open standard enables each piece of software from the Nemetschek Group to communicate with every other piece of software, and even with software from competitors, via open data and communications

interfaces. Thus, there is seamless transition of all digital information relevant to construction, with documentation at all levels of creation right through to the management of buildings.

With its Open BIM software solutions the Nemetschek Group covers all five dimensions and facilitates simultaneously the collaboration of all those engaged in the building process. Consequently, project work proceeds faster, costings are more reliable and timetables adhered to. Errors are avoided or reduced. Thus, the Nemetschek Group is paving the way for integrated and open 5D planning and realization in the AEC sector and enables – in some cases very considerable – efficiency increases in the building process.

BUSINESS SEGMENTS

The Nemetschek Group allocates its activities to its four segments Design, Build, Manage, and Media & Entertainment. The fourteen brands under the umbrella of the Nemetschek Group are allocated to the four segments below. dRofus only joined as the 14th brand thanks to the takeover on January 1, 2017, and was assigned to the Design segment.

ARCHITECTURE ENGINEERING CONSTRUCTION (AEC)				MEDIA & ENTERTAINMENT
DESIGN		BUILD	MANAGE	

DESIGN SEGMENT

With the solutions of the Nemetschek Group for the Design segment, customers can perform their tasks creatively and with precision from the earliest planning and design phase through to the works and building planning. The portfolio includes Open BIM solutions for Computer Aided Design (CAD) and Computer Aided Engineering (CAE), which set global standards in the 2D and 3D design and visualization of buildings. In addition, there are BIM-based design and data management tools. Customers include architects, designers, engineers from all disciplines, structural planners, in-house technicians, landscape planners as well as developers and general contractors.

The following brand companies are included in the Design segment:

- || Allplan
- || Graphisoft
- || Vectorworks
- || Scia
- || Data Design System
- || Frilo Software
- || Precast Software Engineering and
- || dRofus

Whereas Graphisoft and Vectorworks cater for architects and designers, the brands Data Design System, Scia, Frilo Software and Precast Software Engineering are targeted at civil engineers. Allplan's customers are architects, engineers and facility managers. The brand dRofus, which was acquired on January 1, 2017, targets public and private developers, planners, civil engineers and general contractors.

Allplan, which has its headquarters in Germany, has supplied innovative software to architects, civil engineers, building contractors and facility managers for more than 30 years for both planning and operational purposes. It is a leading European supplier of open BIM solutions. The CAD software family Allplan covers the entire life cycle of buildings and provides one of the biggest platforms for BIM. It comprises Allplan Architecture for planners, designers and architects, Allplan Engineering for civil engineering, the open BIM-platform bim+ for collaboration over the entire construction phase, and Allplan Alfa, a comprehensive CAFM-Software (Computer-Aided Facility-Management). Allplan has numerous locations in Europe. The software, which is available in twenty languages, is sold mainly in Europe.

The Hungarian company **Graphisoft** is one of the global leaders in the manufacture of architecture software. The BIM solution Archicad allows a high degree of design freedom and guarantees a smooth and efficient workflow through all planning phases of a building project. The portfolio includes solutions for smooth collaboration in real time from different locations, for example, using the Graphisoft BIM Server for small and medium-sized planning teams or Graphisoft BIM Cloud for medium-sized and large teams. Furthermore, with BIMx, Graphisoft offers an innovative and interactive presentation tool that is also suitable for use with mobile end devices. Apart from its head office in Budapest, Graphisoft has eleven branches worldwide. The solutions, which are available in 25 languages, are sold around the globe in over 100 countries.

The US company **Vectorworks** develops and distributes CAD and BIM software that can handle different platforms. The specific sector solutions for design, architecture, landscape, interior design and events have been tailored to the requirements of the relevant professions. Vectorworks is the most used CAD program for macOS in the world and is one of the leading programs for Windows. With Vectorworks Cloud Services, users can additionally centrally save, share, retrieve and process data from any place. Today, designers and planners in over 85 countries work with Vectorworks technology.

Scia, which is headquartered in Belgium, is one of the leading suppliers of software for structural construction applications and structural analysis for the building industry. The product range includes Scia Engineer, a structural construction program for calculating and measuring all kinds of projects with multiple materials, as well as Scia Design Forms. This is a new script technology specially developed for civil engineers. The software is available in fourteen languages, supports construction standards for twenty countries, and is distributed in more than fifty countries.

Data Design System (DDS), which is headquartered in Norway, is a leading supplier of proven and intelligent CAD projection software for technical building equipment. DDS solutions are targeted at the disciplines of electrical engineering, sanitary, heating, ventilation and air conditioning applications and photovoltaic power plants. The DDS-CAD product family supports the Open BIM planning method, it is modular and it can be used for planning across several trades. With branches in Germany, Austria and the Netherlands, DDS mainly sells its solutions in Europe.

Frilo Software is one of the leading suppliers of calculation programs for structural construction tasks and efficient structural engineering. With over eighty programs for structural construction, Frilo Software covers a large part of applied structural calculations. The company offers solutions oriented to customer requirements and corresponding to the latest status in technology and standards. At present, the software is mainly in use in the German-speaking region.

Precast Software Engineering develops and markets software for planning pre-fabricated concrete slabs. Considerations such as quality, productivity, improved ability to plan the building process and cost efficiency are leading to the increased use of prefabricated concrete parts. The solutions include the software Planbar, a comprehensive sector solution for high quality industrialized planning of ready-made parts, as well as the Technical Information Manager (TIM), which centrally supplies information and planning functions for all company areas based on 3D models. With its branches in Singapore and Shanghai, Precast also distributes its products outside of Europe.

After the closing date of December 31, 2016, **dRofus AS**, which is domiciled in Oslo, Norway, and was consolidated for the first time as at January 1, 2017, joined the Design segment. dRofus is a leading supplier of software for BIM-based planning, equipment and data management in the construction industry. The customers of dRofus include public and private building owners, civil engineers and general contractors. dRofus has subsidiaries in the USA, Australia and Sweden, which function as distribution and support branches.

BUILD SEGMENT

In the Build segment, the Nemetschek Group offers holistic 5D solutions that cover the whole range of Building Information Modeling (BIM), from tender, award and final accounting, to costing, scheduling and cost accounting. Included here are commercial ERP solutions for the accounting of construction operations. Further components are PDF-based workflow solutions for digital work processes, collaboration and documentation. The Nemetschek Group also offers solutions for BIM quality assurance and control as well as BIM 3D software for steel structures. In the Build segment the relevant Nemetschek companies address building companies, developers, suppliers and general contractors as well as planning offices, architects and civil engineers. The following brands are allocated to the Build segment:

- Nevaris Bausoftware
- Bluebeam Software
- Solibri
- Design Data (consolidated for the first time on August 1, 2016)

Nevaris Bausoftware produces and distributes holistic software solutions for operating and cost tracking for buildings. The product family comprises different modules that, depending on the line of business of the customer, can be combined or else deployed separately. The product family Nevaris includes the three areas iceBIM, Build and Finance. Nevaris iceBIM is a holistic BIM 5D solution to facilitate time-keeping (4D) and cost-tracking (5D) in construction work. Nevaris Build offers numerous features such as the planning of construction costs, award of contracts and final accounts, costing, determination of quantities, building accounting and controlling. Nevaris Finance is the business part and that is based on a sector-independent ERP solution for construction companies. The range of performances includes financial bookkeeping and cost accounting, detailed material and equipment accounting, as well as payroll functions. As software of the newest generation Nevaris also supports use in the Cloud.

Bluebeam Software in the USA develops and distributes PDF-based workflow and collaboration solutions. The platform Bluebeam Revu handles paperless routines for the communication between all involved in the building project and improves the documentation of the measures taken. With Bluebeam Studio, which is the cloud-based collaboration solution from Revu, teams have access to projects from anywhere, and can direct them remotely. Customers can store an unlimited number of files in the Cloud, share them, and collaborate in real time.

Solibri, which is domiciled in Finland, is a world leader in solutions for quality assurance and control of BIM. The Solibri Model Checker examines in particular BIM models to verify integrity, quality and conformity to local standards during the entire planning and construction process. One globally unique feature is the review of entire projects using logical analysis rules to detect any defects. The customers include building and general contractors, architects, engineers and facility owners.

A new member of the Build segment is **Design Data Corporation**, which is registered in Lincoln/Nebraska, USA, and joined on August 1, 2016. Design Data is a leading supplier of BIM-3D software for precision planning in steel constructions. The BIM platform is an innovative complete solution that covers the entire work routine in steel construction via structural analysis and detailed planning right through to manufacture and implementation. The premium solution of Design Data – SDS/2 Detailing – offers a high degree of automation and intelligence in the 3D detail planning for steel construction. Customers include engineering offices, steel construction firms, building companies and detail planners.

MANAGE SEGMENT

The focus in the Manage segment is on business and technical software solutions for the administration of complex commercial properties. Additionally, Nemetschek offers software solutions for the management of housing associations and residential management firms as well as comprehensive solutions for computer-aided facility management. The Manage segment includes the following brand:

■ Crem Solutions.

Crem Solutions is a leading German supplier of software solutions for the business aspect of property management. Its core product iX-Haus offers flexible and efficient instruments to manage property. It covers the entire range of modern commercial property management duties. Together with its clients, Crem Solutions develops its software continually, thereby adapting it to changing customer demands. The customers come from all areas of property management, including property and asset 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 from this segment for visualizations, 3D modeling, animations or visual effects. The Media & Entertainment segment includes the following brand:

■ Maxon Computer.

Maxon Computer is a leading developer of 3D modeling, painting, animation and rendering applications. The much-acclaimed software packages Cinema 4D and Body Paint 3D are deployed worldwide in numerous productions from the areas of film, television, advertising and games alongside the visualization of architecture, medicine, product design and info-graphics. Headquartered in Germany, the company maintains branches and offices in the USA, Great Britain, Canada, France, Japan and Singapore.

LOCATIONS

The Nemetschek Group has its headquarters in Munich and through its brands is represented at sixty locations worldwide. Nemetschek Group solutions are sold around the globe.

				
AMERICAS	WESTERN AND SOUTHERN EUROPE	NORTHERN AND EASTERN EUROPE	ASIA	OCEANIA
Brazil Canada Mexico USA	Austria Belgium France Great Britain Germany Italy Netherlands Spain Switzerland	Czech Republic Finland Hungary Norway Russia Slovakia Sweden	China Japan Singapore	Australia

SIGNIFICANT SALES MARKETS AND COMPETITIVE POSITION

The AEC sector has consolidated increasingly over the past few decades. The Nemetschek Group has been actively involved in this process through its acquisitions. Today there are only a few global suppliers alongside many small companies that only operate locally. In the regional AEC markets, the Nemetschek Group finds itself needing to cope with numerous disciplines involved in the building process, various standards, and regionally different specifications, norms and regulations.

Unlike other major competitors, the Nemetschek Group concentrates almost exclusively on the AEC market with its software solutions. It is only in the Media & Entertainment segment that it also addresses the media and film industry. In all four segments, it is competing with different companies. In the target markets of the Design segment, which accounts for 65% of group sales, the Nemetschek Group is the market leader in Europe, and number two worldwide. In all segments there are several local and international competitors.

The brands of the Nemetschek Group offer custom-made solutions and react quickly to market changes. Each brand works continually on improvements and innovations. These are integrated in the releases of the individual software solutions. To meet the variety of customer demands, the Nemetschek Group offers an assortment of solutions that are tailored to the different distinct working requirements and to local guidelines and norms. Direct proximity to customers and the transformation of customer requirements into solutions are part of the group's philosophy.

With its historical roots in Germany, the Nemetschek Group has a strong base particularly in the DACH region (the German speaking countries of Germany, Austria, and Switzerland). However, in recent years it has expanded the revenue share from countries outside of DACH by organic growth and acquisitions such that these now contribute 57% (2016) of revenues. One of the growing markets alongside Europe, with its share of 64%, is America. In 2015 and 2016, the Nemetschek Group increased its sales share there by some 14% to about 27%. This favorable development was helped particularly by the acquisition of Bluebeam Software. The focus of growth efforts outside the American markets is on Asia, and especially Japan, where Nemetschek meanwhile occupies a leading position with its BIM software solutions. The revenue share of Asia in 2016 was about 9%.

The Nemetschek Group has numerous branches and offices worldwide whose purpose is to keep close contact with its customers and to enable it to respond early to trends in the markets. The brand companies handle their own distribution, organized worldwide in the form of dedicated sales teams. Additionally, the brands cooperate with distribution partners and so-called resellers who exclusively sell brand solutions globally.

1.2 CORPORATE MANAGEMENT AND CONTROL

Nemetschek SE, with its registered office in Munich, acts as a strategic holding company. It holds majority shares in national and international brand companies which operate in their different markets with their own identity vis-à-vis customers and with a high degree of autonomy. The operational and strategic management of the group is organized through the four segments Design, Build, Manage, and Media & Entertainment. A key factor behind the success of the structure of the holding company and brand companies lies in the relationship of group membership and synergies on the one hand, and flexibility and independence on the other. This is coupled with a high innovative strength since the brands can respond quickly to customer requirements and requests.

The corporate management is based on the corporate strategy approved by the executive and supervisory boards. This covers the strategic positioning of the Nemetschek Group and its solutions portfolio in the global sales markets, as well as its medium-term revenue and income projections. Corporate management is performed at the level of the reportable segments. The parameters and annual targets for the segments and for the different brand companies are derived from the strategic goals. In the annual planning process at profit center level these targets are agreed with the brand companies, substantiated by them and assigned individual quantitative and qualitative targets for marketing, sales and development. The reconciliation of annual planning, individual targets and medium-term planning is performed with the general managers of the relevant brands and with the executive and supervisory boards of the holding company.

During the year the group targets are monitored based on a group-wide management information system with detailed reporting of the key performance indicators for revenue, growth, earnings and risk. The central controlling indicators for the Nemetschek Group are revenues and growth over the previous year as well as the operating result (EBITDA) per segment. There are no non-financial performance indicators as control measures at the holding company level. Non-financial performance indicators such as customer satisfaction are measured at brand level. Customer satisfaction is measured through external surveys, feedback via direct sales, through

selling or reselling partners or via service channels. The results of the surveys represent an important source of information for future solutions, product improvements, marketing and selling activities.

Strategic and operative corporate management is the responsibility of the executive board. There is regular discussion with the relevant management about business developments and expected-to-actual comparisons of the individual brand companies at intervals during the year. Furthermore, there are regular cross-company reconciliation processes in all functional areas of the holding company.

1.3 OBJECTIVES AND STRATEGY

The Nemetschek Group pursues a growth strategy focused in particular on the worldwide AEC markets.

The major factors driving the growth of the Nemetschek Group are continuing internationalization, innovations, and new strategic fields which result from technological trends. In addition to growing organically, Nemetschek seeks growth by well-considered, value-enhancing acquisitions. The strategy is to grow organically faster than the market average with turbo-charging of this growth through acquisitions. For acquisition projects, the focus is on growth over the life cycle in the AEC market, the rounding off of the product portfolio and on further internationalization. The international character of the Nemetschek Group and the membership of the brands in a larger corporate group is publicized by a common global philosophy: each brand features in its logo the addendum "A NEMETSCHKEK COMPANY". This means that customers see first and foremost the brands and their individuality. At the same time, they can be seen as globally integrated in a corporate group.

INTERNATIONALIZATION – WORLDWIDE DISTRIBUTION

In its growth strategy, the Nemetschek Group focuses on three major regions: Europe, North & Latin America, and Asia. In recent years it has continually expanded its market position, especially in North America, while strengthening its position in legacy sales markets. In 2016, already 68.4% (previous year: 66.4%) of the group revenue was generated outside of Germany. This enables the exploitation of regional growth opportunities and also a better spread of risks. The global distribution network, consisting of in-house selling, in particular in the core markets, plus distributors and resellers, ensures proximity to customers in all markets. The steady expansion of a worldwide service and sales business is a central concern and will remain an important growth driver over the coming years.

INNOVATIONS – ADDRESSING TECHNOLOGICAL TRENDS

The digital transformation in the construction industry (key words: five-dimensional building, collaboration and "Baustelle 4.0") will transform the building industry. In the value creation chain in the construction industry, with its complex planning and process routines, it may be assumed that the potential for innovation is still considerable. Significant process improvements can be achieved by digitalization of all planning and implementation construction data – and through their thoroughgoing combination and networking as a virtual construction model.

The Nemetschek Group addresses these trends with its solutions and enables its customers to meet the requirements for more quality, transparency and efficiency in the building process. The basis of the success of Nemetschek is continual innovation, with the brand companies setting new benchmarks and standards in the AEC and Media & Entertainment market.

The Nemetschek Group is a pioneer and the brand owner of Open BIM, and leader in the area of five-dimensional construction. It is also an important trendsetter and opinion leader and, with the help of its solutions, is contributing to changing the working methods of the sector. This is demonstrated by the numerous innovation prizes that have been awarded to the brand companies.

Around a quarter of the revenues generated therefore flow regularly into research and, thus, into new and further development of the solutions portfolio. Further information on innovation activity can be found in the section "Research and development".

STRATEGIC INITIATIVES – MULTI-BRAND PROJECTS

With the establishment of a strategy board in the holding company in 2016, Nemetschek placed more focus on projects involving more than one brand and on strategic initiatives that generate synergies within the group.

The aim is to support the brand companies in their international growth strategies, close gaps in the group's portfolio of solutions, to address new customer segments and to share best practice within the group.

During this process the following key topics have emerged: The digital transformation in the construction industry and the path to a networked building site (“Baustelle 4.0”) go hand in hand with the handling and generation of an increasing data volume for the planning and realization of buildings and their complete integration. Of key importance here are solutions for collaboration and associated mobile applications. At center stage of the activities of Nemetschek is the development of a collaborative platform for all customers along the value creation chain in the building process. The aim is to boost efficiency in collaboration via core functions such as project management, document management and the sharing of information and models.

Furthermore, the Nemetschek Group plans to address increasingly large companies working in architecture and civil engineering. The focus of the activity is on complete workflow solutions that are elaborated using more than one brand. The idea is to model the workflows of organizations of architects and civil engineers and thus enhance its competence as a supplier of multiple solutions. This involves adding various functions from other brand companies to the 3D CAD and CAE solutions.

Furthermore, as the group grows, Nemetschek is internally working on group-wide ERP harmonization to reduce the complexity of processes and reporting structures.

ACQUISITIONS

The attractiveness of the worldwide AEC market, the positioning of the group, the solid balance sheet and high cash generation open up good acquisition possibilities for the Nemetschek Group to generate further growth. Suitable enterprises in the AEC industry are identified internally by the strategy board and the brand companies themselves or otherwise by external partners and consultants.

Generally, three kinds of acquisition can be considered:

- Firstly, directly under the umbrella of the Nemetschek Group. The precondition here is that the target company should have a certain size and generate an end user revenue of about EUR 10 million or be able to reach this level quickly by strong growth. The background is that the more brands there are under the umbrella of the Nemetschek Group the more complex control becomes. Further parameters are the rounding and/or extension of technological competence along the life cycle of buildings (horizontal extension). A so-called vertical development, i.e. the extension of the portfolio to fewer but distinct end-user segments such as infrastructure or town planning, are also conceivable. Further parameters are internationalization, a strong management and a business model that has already established itself in the market and thus has demonstrated a certain profitability.
- Secondly, the brand companies can acquire interesting target companies directly, to the extent that the framework conditions such as the expansion of technology, regional expansion, sales structure and a healthy balance sheet allow.
- Thirdly, the Nemetschek Group can invest in innovative and young companies – incubators – to position itself early with forward-looking topics such as collaboration in an up-and-coming field. This way the Nemetschek Group pools its many years of experience in the BIM market with novel ideas and principles.

The Nemetschek Group leaves the enterprises it acquires with their own identity. At the same time the brands have clear targets regarding financial and strategic topics. Furthermore the Nemetschek Group accompanies them in their integration into its segments and establishes the contact within the group to the other brands to promote exchanges, in particular in research and development or in distribution and marketing. By virtue of its policy of soft integration, the Nemetschek Group is very attractive as a strategic buyer for entrepreneurs. Following the sale of their company to the Nemetschek Group the founders can continue managing their enterprises while offering their employees security. At the same time, they belong to a financially strong, international group and benefit from possible synergies..

1.4 EMPLOYEES

Nemetschek SE employs an annual average of 33 staff over the year (previous year: 27). All employees receive appropriate compensation as well as various special benefits, for example offers of company pensions, company cars and subsidies for canteen meals. Additionally, Nemetschek SE offers performance-related remuneration, which is crucial to high employee motivation. The development of revenues and earnings of the relevant company, as well as the achievement of personal targets, are usually the criteria for measuring this. In some cases, a differentiation is made such that managers are primarily measured based on the overall success of the company, whereas the variable remuneration for the other employees depends on the achievement of individual or also team targets.

1.5 RESEARCH AND DEVELOPMENT

Innovative products are the basis for the success of the group. Therefore, approximately one quarter of group revenues usually flow into product and process innovations. The high importance of research and development is also highlighted by the fact that a major proportion of the employees work in this area.

The strategy of the Nemetschek Group in research and development is focused on innovation, customer benefits and an improvement in the efficacy of the solutions. Close cooperation with customers is essential with a view to the continued development of solutions, to commit customers and to be able to meet their requirements. In the internationalization activities of the different brands, a key role is played by alignment to national standards. Regarding trends such as Open BIM, 5D, Cloud, rental models, collaboration or mobile application possibilities, the brands of the Nemetschek Group are working steadily on new bespoke solutions. With respect to Cloud solutions and mobile use the highest attention is paid to data security.

As a pioneer of Building Information Modeling (BIM), Nemetschek adheres to the principle of Open BIM as the basis for cooperation, independently of which software a user has chosen. All brands that address the AEC sector contribute to the Open BIM approach with their solutions. Together with partners, and also as part of the global buildingSMART initiative, Nemetschek is intensively committed to the continued development and implementation of the appropriate standards, in particular of the Industry-Foundation-Classes (IFC). IFC is a manufacturer-independent and freely-available data exchange format that has proved particularly powerful for the exchange of 3D building-oriented planning data in the construction industry – regardless of which software the project partners use. The brand companies are constantly working on improving, testing and certifying their interfaces for the seamless exchange with other Open BIM solutions. Furthermore, the brand companies are working on the development of collaborative additional functions – for example, in order to follow which project participant received, read and possibly amended or approved which detailed information when.

In the **Design** segment the three major CAD brands Allplan, Graphisoft and Vectorworks once again presented innovative releases, as is reflected not least in their strong organic growth. For all three brands with their solutions **Allplan 2017**, **Archicad 20** and **Vectorworks 2017**, the focus was on the optimization of BIM workflow, with the goal of efficient, multi-locational collaboration with fast data transfer, independent of manufacturer, and reduced information losses in the exchange of project data.

The other brands also published their releases as well as numerous new features; these include Scia with its flagship solution **Scia Engineer** for structural analysis and drafting. The current version 16 offers improvements in quality and ease of use. Frilo Software offers a continual development of the more than 80 structural construction programs; meanwhile, Precast Software has again fine-tuned the Planbar solution to customer requirements. With its solution **DDS-CAD 12**, Data Design System offers the user a fast overview of all project data. With **dRofus 1.9**, dRofus facilitates a comprehensive document management and BIM-based exchange of building data.

In the **Build** segment, with its eponymous software Nevaris offers numerous business and technical functions. Depending on the activity concerned and customer wishes, the three core modules **Nevaris iceBIM**, **Nevaris Build** and **Nevaris Finance** can either be combined with each other or deployed separately, and in 2016 they were further adapted to customer wishes. Bluebeam presented the new version of its platform **Bluebeam Revu 2016**. The powerful PDF processing, commenting and collation functions were combined with new functions to improve the digital handling of project documentation, reporting and navigation. Design Data performed numerous additions and automations in its **SDS/2** Release for 2016.

In the **Manage** segment, Crem Solutions developed further its modularly conceived iX-Haus solution.

In the **Media & Entertainment** segment Maxon met with success with its launch of Release 18 of the industry solution **Cinema 4D**. It is characterized by numerous optimizations in the areas of Modeling, Rendering and Animation, as well as even greater stability of the workflows.

In developing new products and continuing the development of trusted solutions, mostly internal group resources were utilized and third-party services were used only to a limited extent.

In the fiscal year 2016 the Nemetschek Group invested EUR 80.8 million (previous year: EUR 67.9 million) in research and development. This corresponds to about 24% (previous year: 24%) of the group revenue. As in previous years, development performances were not capitalized in the consolidated balance sheet.

1.6 SUSTAINABLE AND RESPONSIBLE BEHAVIOR

An underlying prerequisite for long-term success is adherence to sustainable economic principles. Sustainability means preparing the company to be secure in the future and creating conditions for a successful future. As a world leader in software, the Nemetschek Group is keen to assume its social and ecological responsibilities. Here the focus is on three aspects: the environment, workforce and society at large.

ENVIRONMENT*

The Nemetschek Group continually seeks to link innovation and commercial success with the highest quality expectations and conservative treatment of resources and the environment. The building sector plays a significant role in the discussion about global climate change. Meanwhile, in Europe, it is obligatory to provide an energy certificate when letting or selling a building. Any extra costs for energy efficient design and building have usually been amortized within a few years. Against this background the pressure on the designers has grown. Today, developers expect more than a good design – they want to know what effects the planned building will have on energy consumption and they place value on using environmentally acceptable materials. It is not “only” the aesthetic and functional requirements of a building that must be implemented, it is even more important to harmonize these factors with a positive ecological assessment of a building. Energy efficiency, freedom from contamination, and recyclability of the building materials play a significant role in the planning process.

The software solutions of the Nemetschek Group cater for sustainability, promoting efficient and environmentally resilient construction. The solution portfolio of Nemetschek supports architects and engineers in designing energy-efficient buildings and in minimizing the consumption of raw materials. Almost all brands under the umbrella of the Nemetschek Group have appropriate solutions in their portfolio.

For example, Archicad from Graphisoft has an integrated solution, the EcoDesigner STAR, for determining the energy profile of a building. This enables architects to conduct a reliable and dynamic evaluation of the energy requirement of the building model to optimize the energy behavior of their design draft. It is also possible to document the necessary evidence for the energy certificate. With Allplan it is possible to undertake energy and ecological appraisals of buildings with the optional module Energy Certificate. With the tool Energos, which is integrated into the CAD software Vectorworks, the energy consumption of any project can be monitored at the touch of a button any time during planning, i.e. from first draft through to execution plans. It is also possible to export the energy data for further analysis. A further subject is the trend to just-in-time deployment of precision concrete parts. Consequently, there is a reduction in the consumption of materials and transport to the building site. Here the solution Planbar from Precast Software comes into its own. Planbar enables the comprehensive planning of the relevant processes in the prefabrication plants – through to the logistics at the building site. Solibri in Norway offers the Solibri Model Checker to increase quality in the entire planning and building process, to lower costs and reduce time needed. The software also helps the environment since, right from the beginning of the planning process, and later in the building process itself, the necessary material quantities can be calculated exactly using the tool Information Takeoff.

* Source(s): German-American Chambers of Commerce – “The US Market for Sustainable Construction”

The trend to sustainable construction can be observed worldwide. In the USA, for example, the demand for environmentally acceptable building methods is increasing especially in public areas. Green Building Initiatives – that is, projects in which higher demands are made of the sustainability and energy efficiency of the buildings – have increasingly caught the attention of town planners, covering currently 40% of the entire building area of the United States. Current market developments show that between 2015 and 2023 about USD 960 billion were invested in the USA in measures to increase energy efficiency for existing buildings.* Changes to the framework conditions such as greater economic growth or international climate treaties might boost this figure even further.

Internally in the Nemetschek Group, too, environmental considerations have high priority. For example, almost all brand companies use telephone and video conferencing to keep business trips to a minimum. Furthermore, innovative training methods such as e-learning, for example for compliance services or for language courses, and learning videos are used instead of printed manuals and operating instructions; this approach leads to a significant reduction in paper consumption. Step by step, downloads from the internet are replacing the shipment of DVDs.

EMPLOYEES AND WORKING ENVIRONMENT

A high degree of motivation and identification of its employees is a core element for the global success of the Nemetschek Group. The company promotes this by creating attractive working conditions and a positive working environment.

The brand companies are keen to enable their employees to reconcile work and family. This is supported not least by flexible working time rules. The exact structure varies and is also dependent on local regulations. The same applies for the scope of part-time work and parental leave.

Optimal working conditions also involve a comprehensive further education program with internal and external training. The choice of training events ranges from specific technical training to foreign-language and IT courses through to management training and seminars. There is also an offer of various sports facilities. The success of these measures is reflected in the high number of speculative applications submitted to the different brand companies and also directly to Nemetschek SE.

Inevitably, on account of the company's international orientation, corporate compliance also features high on the agenda. The Nemetschek Group insists on the integrity of employees in their dealings with stakeholders and on good relations with one another within the Nemetschek Group. To this end, a Code of Conduct has been developed for all those employed in the Nemetschek Group. The principles, which are also stated on the Nemetschek Group website under the heading "Companies", are conveyed to employees through special training courses.

COMPANY

Nemetschek has its roots in the university environment, where its software has been present for decades. The brand companies provide free software licenses and online training material to students and university teachers as part of their “Campus programs”. This currently applies to many markets beyond the core ones in Europe and above all the USA. Nemetschek regularly supports university programs by staging student competitions for the next generation of architects and engineers.

In addition, there is close cooperation with universities and colleges. For example, Nemetschek is a partner to the Leonhard-Obermeyer-Center of the Technical University Munich, thereby promoting the next generation of architects and engineers. Simultaneously, Nemetschek ensures a high affinity of potential customers for its own software solutions.

Management personnel of the group also hold teaching posts at various colleges of further education in Germany. For this, each brand has its own emphasis. The Coach Program of Allplan has already trained and counseled more than fifty students. In 2016 these coaches passed on their knowledge to more than 1,000 students. In 2016 the US subsidiary Vectorworks again awarded a scholarship for which the students of all architectural and design institutions worldwide submit their best work and can win prizes worth USD 10,000 in total.

Graphisoft offers Archicad training through various channels, whether in the context of free workshops for beginners and advanced students or for lecturers that are performed each semester at numerous universities and technical colleges.

The US subsidiary Bluebeam Software organizes free webinars and offers favorable student licenses so that students can learn how to use Bluebeam Revu at an early stage. By supporting students and universities in competitions of the AEC industry, Bluebeam Software helps them gain practical experience in the real world of work.

Scia is running a user competition for engineers for the tenth time. In December 2016, a new international user competition was initiated under the title “The Art of Structural Design”. In March 2017, a jury will begin the process of choosing the most outstanding among the submissions of civil engineering projects that have a connection to Scia, and there will be awards for those that excel in terms of originality, difficulty or prestige. One essential aspect is the use of Building Information Modeling (BIM) as an integrated planning method.

On account of its extensive commitment, the Nemetschek Group has enjoyed a very good reputation among universities and educational establishments since the inception of the company.

2 ECONOMIC REPORT

2.1 OVERALL CONDITIONS

GLOBAL ECONOMY*

In 2016 growth in the global economy was generally subdued. However, the recovery in the industrialized countries continued. The United States, the Eurozone and Great Britain each reported moderate growth. The referendum in the United Kingdom with the unexpected vote for Brexit in June 2016 led briefly to volatility on the financial markets, but there were no major repercussions on the economy. In the emerging countries, after recent falls in growth rates, the outlook improved. The transformation of the Chinese economy and the connected turbulence at the beginning of 2016 did not have any substantial effect on the overall positive trend, either.

In its current appraisal, the German Council of Economic Experts has forecast a growth in the global gross domestic product (GDP) of 2.5% in 2016 (previous year: 3.0%).

EUROZONE

For a third year in a row the economy in the Eurozone grew in 2016. Hence the recovery continued and the output of the countries using the euro returned to and exceeded the levels enjoyed before the 2008 financial crisis. The upturn was mainly due to internal demand. It must be borne in mind that the member states diverge greatly in output and growth. Another consideration is that, according to the German Council of Economic Experts, the impetus was largely attributable to the expansionary monetary policy of the European Central Bank. Whereas the gross domestic product of the Eurozone in 2015 grew by 2.0%, this is thought to have fallen back to 1.6% in 2016.

USA

The labor market in the USA was in good shape, which favored high private consumption. This was in contrast to the stagnation of exports, which can be explained by the considerable revaluation of the dollar. There was a decline in expenditure on the construction of residential property. All in all, this led to a weakening of growth. Whereas GDP climbed 2.6% in 2015, it is expected to have risen just 1.5% in 2016.

JAPAN

The Japanese economy experienced a subdued upturn mainly on the strength of increased consumer spending. Output continues to be strongly determined by the expansionary monetary and fiscal policy. As a result of the revaluation of the Yen since the middle of 2015, the foreign demand in 2016 was lower. Overall the expectation for the year under review is that there was a slight increase in output of 0.6% (previous year: +0.5%).

EMERGING COUNTRIES

The somewhat moderate growth compared to earlier years continued in 2016. There was, though, generally a wide-ranging stabilization of the situation of the emerging countries. This was helped by the strengthening of the Chinese economy, which grew solidly notwithstanding some turbulence at the start of the year. The end of the recession was expected in Russia and in South America. The GDP in the emerging countries is predicted to have been 4.4% in 2016 (previous year: +4.7%).

* Sources: Annual Report 2016/17 German Council of Economic Experts; GTAI/Economic Trends

CONSTRUCTION SECTOR SITUATION**

EUROPE

The European construction industry did not live up to the high expectations that the sector experts of Euroconstruct had for 2016. Instead of an expected rise in construction volume of 2.0% and a continuation of the recovery, there were again some dampeners for the sector. Declines were expected for the eastern European countries and for Portugal. As a result of the referendum outcome for the United Kingdom, too, there was an assumption of a slight decline in the construction activity. This was in contrast to high growth forecasts for the Scandinavian countries such as Sweden (+6.9%), Finland (+6.8%) and Norway (+6.7%). The major economies of Germany, France, Spain and Italy recorded moderate growth that, as in the previous year, was displayed mainly by the residential building sector.

NORTH AMERICA, USA

After four years of strong growth the US construction industry was noticeably weaker in the reporting year. Nonetheless, the sector experts Dodge Data & Analytics assume that the upturn will continue, albeit at a slower pace. The growth was sustained to a considerable degree by the high-rise sector with growth rates in the mid one-digit percentage range. Infrastructure, too, is seen as gaining in importance. After a decline in 2015, expenditure on infrastructure was higher in the first half of 2016 by 2.2%, supported by the so-called FAST Act, which is an executive order of the US government from the end of 2015 for a financial package of USD 300 billion for the transport sector in the period extending to 2020.

SOUTH AMERICA, BRAZIL

In 2016 the construction industry in Brazil continued in a difficult phase. Following the downturn in 2015 the sector experts of Sinduscon-SP again forecast a decline in market volume. The one positive factor is that a slight increase in building activity is forecast as from 2017. Because there has long been under-investment the infrastructure sector offers growth opportunities in the medium term. In September 2016, the Brazilian government passed the Projeto Crescer, which consists of several concession projects for infrastructure, including airports, motorways and ports.

ASIA, JAPAN

Despite a subdued economy and falling population, the construction sector in Japan plays an important role, contributing about 10% of gross domestic product. About one third of this is the infrastructure of the public sector. After subdued development in previous years, the sector is now looking ahead with confidence. The situation in private residential construction recovered somewhat and here, as for private commercial construction, a moderate growth is expected for the year 2016. In total, the Ministry of Land, Infrastructure and Transport (MLIT) expects an increase in construction output of 1.6% for the fiscal year 2016.

SUMMARY***

The performance indicators of the construction sector presented above represent only some of many indicators for the development of the Nemetschek Group markets. In digitalization the expenditure for IT and Software in the construction industry plays an important role. The average expenditure on IT for industry as a whole is about 3.4% of revenue. Hence with average IT expenditure of 1.2% of revenue the companies in the construction trade have considerable catching up to do. For example, IT expenditure in the building sector from 2015 to 2025 is predicted to grow by an average of 19% a year. This is currently recognized not only by planners and construction companies, and is demonstrated not only by surveys and studies, but is apparent much more by the increased deployment of digital methods in the office and on the building site.

In terms of digitalization, the construction industry in Germany remains far behind other sectors such as telecommunications and the automotive industry. The digital transformation in the construction industry will be largely governed by the work method BIM 5D. The creation of a digital – i.e., virtual – building model that is afterwards realized on site, with the model subsequently serving as documentation and the basis for the operating phase, is often already a reality today, and this modeling is set to become an essential part of everyday working in construction.

** Sources: Euroconstruct Summary Report Barcelona, Nov. 2016; GTAI/Bauwirtschaft; DATAMARK, Market Intelligence Brazil, 2017 Dodge Construction Outlook, 2017 Germany Trade & Invest

*** Sources: EU BIM Task Group; Construction Technology Report 2016; Phased plan Digital Planning and Building by BMVI

The deployment of BIM is widespread in the USA and Singapore but also far advanced in Scandinavia, the Netherlands and the United Kingdom. Scandinavia and the United Kingdom have taken a decisive step towards universal establishment of BIM with the entry into law of the BIM Level 2 mandate in April 2016, which prescribes the application of BIM Level 2 as mandatory for public projects. Since 2014 there has been an EU directive recommending the use of computer-aided methods such as BIM for the awarding of public building projects and invitations to tender. In order to press ahead with this directive, at the beginning of 2016 the EU BIM Task Group was set up, assembling representatives of the biggest public commissioning authorities for building projects in the EU member states. The aim is to unite the national initiatives in a common and coordinated European approach.

In Germany, the application of BIM is being advanced by the multi-phased plan “Digital Design, Building and Operation”. In order to define the necessary quality standards, experience is being gathered in BIM pilot projects under the wings of the Federal Ministry for Transport and Digital Infrastructure (BMVI) and competencies are being put together. Following a preparatory phase lasting until 2017 and a pilot phase, starting in 2020, BIM is to be deployed for all new projects in the public sector.

Worldwide the foundations are being laid for BIM 5D to establish itself strongly in the coming years and to develop as the basis for optimizing the planning, execution and management of buildings in the construction process. Thus, the potential and opportunities for software solution providers are excellent.

2.2 REPORT ON THE EARNINGS, FINANCIAL, AND ASSET

EARNINGS SITUATION

Revenues of Nemetschek SE amounting to EUR 2.7 million (previous year EUR 0.8 million under BilRUG) result primarily from income from trademark license fees of the umbrella brand “A Nemetschek Company”.

The other operating income of EUR 5.6 million (previous year EUR 0.5 million under BilRUG) includes the reversal of an impairment on financial assets written down in the past amounting to EUR 2.9 million, as well as an insurance reimbursement amounting to EUR 1.9 million from compensation litigation against a former member of the board. Operating expenses of EUR 9.9 million (previous year EUR 9.5 million) include personnel expenses, consultancy fees and other operating expenses that can be recharged to subsidiaries.

Income from investments amounting to EUR 29.6 million (previous year EUR 27.7 million) relates to distributions by the subsidiary companies. Income from profit and loss transfer agreements amounting to EUR 21.2 million (previous year EUR 16.5 million) result from profit transfers by Allplan GmbH, Allplan Deutschland GmbH and Frilo Software GmbH. Overall, net income amounted to EUR 43.7 million (previous year EUR 33.0 million).

ASSET SITUATION

The balance sheet of Nemetschek SE is, within fixed assets, mainly characterized by the financial assets amounting to EUR 323.8 million (previous year EUR 276.1 million). Of these EUR 284.9 million (previous year: EUR 237.3 million) relate to shares in affiliated companies. The increase mainly results from the purchase of shares in Design Data Corporation, USA, and the related new formation of Nemetschek Inc., USA, in the fiscal year 2016. In this connection investments were made including ancillary acquisition costs amounting to EUR 44.7 million. The impairment reversal of EUR 2.9 million also contributed to the increase in shares in affiliated companies.

Within current assets there are amounts due from affiliated companies from trade transactions and profit transfer contracts amounting to EUR 15.9 million (previous year EUR 14.2 million).

Liquid funds amount to EUR 15.3 million and climbed slightly compared to the prior year by EUR 0.6 million.

The equity and liabilities side of the company is shaped by the liabilities to banks. Due to the financing of the purchase of Design Data Corporation, USA, these rose from EUR 80.0 million to EUR 95.8 million. Equity increased compared to the previous year by EUR 24.5 million. The net result for the current fiscal year of EUR 43.7 million is matched by dividend payments of EUR 19.3 million. The equity ratio of Nemetschek SE amounts to 60.3 % (previous year 62.1 %) at the closing date.

Provisions rose by EUR 2.5 million to EUR 7.1 million. The cause of this was mainly to do with higher tax provisions as well as climbing personnel-related provisions.

The amounts due to affiliated companies mainly result from cash-pooling and other financing activities within the Nemetschek Group. The increase of EUR 29.3 million to EUR 36.5 million is mainly due to higher liabilities from the cash-pooling with group companies.

In the fiscal year 2016 there were profit and loss transfer agreements with the following subsidiaries: Allplan GmbH and Frilo Software GmbH. There was also a profit and loss transfer agreement between Allplan GmbH and Allplan Deutschland GmbH. In April 2016 additional controlling contracts were concluded.

FINANCIAL SITUATION

The investing activities of Nemetschek SE were mainly affected by the purchase of the Design Data Corporation, USA in the fiscal year 2016. The acquisition costs including ancillary costs amounted to EUR 44.7 million.

The financing activity of Nemetschek SE primarily consists of the taking up of a bank loan amounting to EUR 38.0 million, capital repayments amounting to EUR 22.2 and the dividend payment of EUR 19.3 million (previous year EUR 15.4 million). Furthermore, there were interest payments for bank liabilities taken up of EUR 0.9 million.

Within the financing activities cash inflows to the company primarily arose from financial funds from cash pooling transactions as well as from distributions from selected subsidiaries.

The liquid funds amount to EUR 15.3 million (previous year: EUR 14.7 million) at the closing date.

3 OPPORTUNITY AND RISK REPORT

OPPORTUNITY AND RISK MANAGEMENT

Nemetschek SE is indirectly dependent on the developments of the individual investments. The Opportunities and risks of the Nemetschek Group are therefore applicable to the Nemetschek SE.

The corporate activity of the Nemetschek Group involves both opportunities and risks which are, above all, characterized by the diversity of the business. A risk management and control system is implemented for early detection, assessment and the correct management of opportunities and risks. The aim of the Nemetschek Group is to continually expand its national and international market position, to further develop its solutions and to adjust these to market and customer requirements. To this end, all opportunities should be used as best as possible, with a focus on an active response to market changes.

The management of opportunities is governed by the leitmotif of sustainable and profitable growth and a long-term increase in corporate value. The materialization of any risks is connected with this process. Risks must be recognized early and their severity assessed, and they need to be discussed and handled professionally, thereby ensuring the future success of the Nemetschek Group.

General responsibility for detecting risks at an early stage and dealing with them rests with the executive board. The general managers of the subsidiaries as well as defined risk owners and the risk managers of the subsidiaries and of Nemetschek SE support the executive board in exercising its functions. The scope of responsibility of the risk managers comprises the summary, measurement, assessment and reporting of risks and pertinent counter-measures. The risk owners are responsible for continually identifying, assessing and managing risks in their respective strategic and operational areas. The internal auditor is also a key player in the risk management system and, in the course of his or her activities, continually monitors the proper functioning and effectiveness of the processes.

To improve comparability, risks are assessed across the whole group based on uniform quantitative and qualitative criteria. As part of a risk inventory, the current risk status of the Nemetschek Group is subject to updates and is documented.

ACCOUNTING-RELATED RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

The risk management and internal control systems generally also cover the accounting processes as well as all risks and checks with regard to accounting. This relates to all parts of the risk management system and internal control system that could have a significant impact on the consolidated financial statements. The aim of risk management with regard to the 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 through the set-up of controls so that the consolidated financial statements comply with the relevant regulations, despite any identified risks.

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

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

Significant elements of risk controlling and management in accounting are 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 principle of dual control and functional separation 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 checks the internal audit department performed in 2016. Four times a year, the supervisory board is informed about significant identified risks in the Nemetschek Group and the efficiency of the risk management system and accounting-relevant internal control system.

OPPORTUNITIES AND RISKS

The Nemetschek Group is faced with strategic risks of a medium to long-term nature. These are related to changes in environmental and market factors, competitive conditions, technological progress and management processes such as, for example, development and marketing, or organizational or leadership processes. There are also operating risks that tend to be of a more short-term nature, and that can arise from changes in the market environment, inadequate or erroneous internal processes, systems or external factors as well as human error. As a result, the efficiency of the organization and the recoverable value of assets might be impaired.

The Nemetschek Group's factors for success are based on its decades of experience in the development and marketing of software solutions in the AEC sector (Architecture, Engineering, Construction) and in the Media & Entertainment industry, its well-qualified and highly motivated employees as well as stringent and efficient business processes. Opportunities for further development of the business base and for expansion of the portfolio are systematically identified and exploited where possible.

RISK MEASUREMENT AND REPORTING

The Nemetschek Group analyzes and measures risks systematically. That is, the risks are quantified and categorized. In order to undertake appropriate measures for risk management, in particular any going concern risks, the risks identified are assessed with regard to their estimated probability of occurrence or materialization and, on occurrence, the expected scale of their effect on the earnings, net assets and financial position, the share price and the reputation of the Nemetschek Group. Subsequently they are classified as "low", "medium" or "high".

RISK POTENTIAL PROBABILITY OF MATERIALIZATION

Level	Probability of materialization
Very low	≤ 10 %
Low	>10 % ≤ 25 %
Medium	> 25 % ≤ 50 %
High	> 50 % ≤ 75 %
Very high	> 75 % ≤100 %

RISK: POTENTIAL SEVERITY OF THE LOSS OR DAMAGE

Level	Potential severity
Very low	EUR 0.0 ≤ 0.25 million
Low	>EUR 0.25 ≤ 0.75 million
Medium	>EUR 0.75 ≤ 2.0 million
High	>EUR 2.0 ≤ 4.5 million
Very high	>EUR 4.5 million)

MARKET RISKS

ECONOMIC RISKS (POLITICAL AND REGULATORY RISKS, SOCIAL CONFLICTS, INSTABILITIES, NATURAL DISASTERS)

The order situation of customers 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 might enter a recession or undergo a crisis due to cuts in state spending, new financial laws to limit spending and debt, high unemployment, or due to natural disasters or conflicts. There is generally the possibility that, due to rapid change in the economic situation or state regulation in individual countries or in commercial communities, conditions may arise that threaten the existing business models or market opportunities of the subsidiaries. Such changes may in turn also negatively affect the sales, the financial position and earnings situation and the existing assets of the company.

Nemetschek tracks the development of the important 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 continuously observes those markets where it is most strongly present, i.e., Europe, North and Latin America, and Asia.

Economic or political changes can affect the business activities of the Nemetschek Group. The global economic background has become more volatile in recent years and therefore the economic risks greater. The conflict in Syria intensified in the course of 2016 and could imperil the stability of the economic regions worldwide. Closely linked with this is the refugee crisis and its effects on the economic situation in the European Union and other regions of the world. In addition, in some countries of the European Union there are nationalist tendencies, for instance in France, Hungary and Poland, and there is the upcoming exit of the United Kingdom from the EU. In the light of the policies of the new US president, European companies in the USA may face higher uncertainty regarding the future business conditions there. A further point is the slowdown in economic growth in the BRIC countries, which might have adverse effects on other economic regions.

It cannot be ruled out that the economic conditions in central markets may have a lasting negative influence on the business activities, financial position and results of operations of the Nemetschek Group. However, the further advancement of internationalization of the Nemetschek Group offers the advantage of a greater spread of risk.

INDUSTRY SECTOR RISKS

The main opportunities and risks, which could lead to a significant change to the Nemetschek Group's economic situation, lie in the market and industry environments.

The AEC market is characterized by high-speed innovation. The significance of information technology and digitalization is growing constantly. Therefore, there is still a great and increasing growth potential in our target markets. The Nemetschek Group has a leading competitive position and is able to react quickly and flexibly due to its structure with strong and independent companies, and it is therefore able to realize additional revenue potential. Conversely, a fall in demand might negatively impact the earnings situation at short notice due to a delay in reducing costs.

However, revenue from Nemetschek Group solutions is distributed geographically across many countries. No individual customers account for a major share of revenues and, thus, there is no cluster risk. Moreover, the customers of the Nemetschek Group are characterized by a high degree of loyalty. The Nemetschek Group is therefore very diversified in terms of regional spread and in terms of its customer structure. Consequently, the risks described have not yet had any significant impact on the earnings situation of the Nemetschek Group. As a leading player in the AEC sector, and in view of its size and competence, Nemetschek has good prospects of extending its market share further and profiting from technological trends.

The order situation and financial strength of the construction industry and its players influence the industry's investments in software, and, in turn, the development 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 might therefore permanently impair the purchasing power of our target groups.

In addition, pessimism about further economic development could provoke a decline in investment.

The Nemetschek Group tracks such trends by regularly analyzing the significant early indicators. Additionally, there is a particular focus on growth opportunities in the emerging countries which Nemetschek would also like to exploit steadily, as well as a focus on the demand for innovative solutions.

Risks are diversified at Nemetschek additionally through involvement in markets in different countries, which are generally also characterized by different economic and competition risks. The risk is spread by a broad customer base and the varied product portfolio. The high proportion of repeat maintenance income also helps keep risk to a minimum. Risk of default, namely the risk of contractual parties failing to pay, is managed by means of credit approvals, limits, monitoring procedures and regular debt reminder routines.

RISKS FROM THE COMPETITIVE ENVIRONMENT

The Nemetschek Group is active in a very competitive and technologically fast-moving market. Apart from Nemetschek, there are not many large vendors active in the global AEC market. Risks may arise as a result of the pace of technological change, competitors' innovations or the appearance of new players in the market.

Nemetschek, however, considers these risks to be manageable. The company invests substantially in research and development in order to further develop the solutions portfolio and to bring out innovations. About 24% of the total group revenue is re-invested annually in research and development. The Nemetschek Group sees itself as a supplier of competence that is prepared to go to considerable lengths to accommodate the needs of its customers. With its segments Design, Build, Manage and Media & Entertainment the Nemetschek Group covers the entire life cycle 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. Nemetschek is therefore exposed to lower risks than other market participants.

Nonetheless, there remains a risk that competitors may offer software solutions with less functionality but at substantially lower prices in order to win over existing customers from the Nemetschek Group. In order to counter this risk the subsidiaries work continually on fulfilling individual customer wishes, offering innovative solutions and on comprehensive service and support.

With regard to the current market situation the board assesses the probability of economic risks arising from instability to be "medium". The extent is also classified as "medium". The probability of risks materializing from the competitive environment is assessed as "medium", whereas the severity of impact should they occur is assessed as "low". For all risks described here the executive board does not currently see anything which would impact on the financial, economic and earnings situation.

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

OPERATIVE RISKS

CORPORATE STRATEGY

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

Customer demand for products, solutions and services remains subject to constant change. Measures taken for product development, expansion of business fields or marketing might not meet with success. The risk also exists that the corporate decisions and the allocation of resources for the permanent securing of the company might be inadequate and the substance of the company jeopardized.

In order to control these risks there is close cooperation between the development and marketing of products and solutions and the requirements of the markets, and of our target groups. The competitive situation is regularly analyzed regarding technology, market participants and business models. Furthermore, the brand companies cultivate close dialogue on various sector forums dealing with the development of the AEC and the Media & Entertainment segments with allies, analysts and key customers.

SALES RISKS

The varying sales models of the group are based on the approach of technically reliable sales partners, re-sellers and well-qualified employees with expertise. These contribute to the optimal processing of the customer segments and to ensuring high customer satisfaction; they guarantee the sustainability of earnings. The brand companies work the various markets with different sales and business models. As a result of the partially high complexity of the solutions, marketing them is very demanding. Knowledge of the technologies and products is subject to constant change due to fast technical progress.

Any loss of sales partners or of sales personnel may adversely affect the revenue and earnings of the Nemetschek Group. The brand companies counter this risk through careful selection, training and control of their distribution partners and of their sales personnel. The sales employees are paid performance-related premiums or commission in addition to their fixed remuneration.

Sales risks would also arise if the subsidiaries decided to establish their own selling team or own sales offices in regions where a sales partner was already established. In connection with changeovers, conflicts might arise with the former distribution partner or there might be adverse customer reactions.

MARKET RISKS

The Nemetschek Group generates its revenues mainly from the sale of software licenses and income from maintenance contracts with its customers. In addition to these two forms, there is a trend towards software as a service (SaaS) and rental models (i.e., subscription). Some of our software, for example Nevaris, is already offered as SaaS, or in the case of Bluebeam as a rental model, although the volumes involved are still very low. Large software houses have already converted their models from the classical desktop use to SaaS and subscription. This changeover is being accelerated in the USA in particular. There is a risk that the market might move faster in this direction than Nemetschek assumes.

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 advances. Thus, future business success depends above all on the ability to offer innovative products which are tailored to the different needs of customers. Nemetschek counters this risk by generally offering annual release cycles for its software products. This is also an opportunity to win additional market shares thanks to the extensive product range tailored to local customer requirements. Nemetschek has, additionally, the ability to react to changes quickly through its fourteen autonomous brand companies. Only by constantly optimizing the product range can the advance on competitors be increased, or at the very last be maintained. As a result of its close proximity to customers and its innovative solutions, the Nemetschek Group sees a good chance of future profitable growth.

Potential risks are attached to the process of developing software products in that they might fail to sufficiently fulfill customers' needs or internal quality standards.

The technology of third parties is partly included in the software products of the brand companies. Where this is lost or there is a lack of quality in technology, this can lead to delays in own software supply, as well as to increased expenses for the procurement of replacement technology or for quality improvement. The brand companies account for this risk through careful selection of suppliers and appropriate quality assurance.

PROJECT RISKS

To a limited extent Nemetschek generates revenues as part of project contracts with customers in various countries. This kind of business has a different profile to the classical software license business since in order to render its services Nemetschek must have some recourse to external personnel with key expertise. In some cases Nemetschek must have recourse to the support of the customer for project realization and exact customer documentation in order to provide the service (systems specification).

It is possible that, if the performances rendered were inadequate, compensation for damages would be claimed from the brand companies. For example, as a consequence of divergent country-specific legal requirements, Nemetschek might not fully meet contractual conditions. To avoid such risks Nemetschek has issued guidelines on the awarding of contracts which prescribe a legal and commercial examination of such projects.

TECHNOLOGY RISKS

The Nemetschek Group examines and uses the opportunities of digitalization on a continual basis. However, the risk exists that the technologies used are no longer “state of the art”. This could relate to both existing and future products. The product portfolio strategy currently pursued with Open BIM and 5D solutions, the provision of rental models and cloud services, and catering for mobile end devices should help the company to develop new markets and to secure its market position.

Should the expected market demand for Open BIM and 5D solutions be weaker than expected, or should completely different technologies assert themselves, under some circumstances earnings might no longer cover the investments made.

Nemetschek bears this risk by continually evaluating technology and by regularly updating market estimates, as well as focusing the product portfolio strategy on current market conditions. Overall, Nemetschek is convinced that new business opportunities will arise from the trend to Open BIM and 5D.

Risks arise if technologies such as rental models or the cloud are demanded sooner than expected and the matching solutions do not yet have the level of maturity expected by the customer. Nemetschek meets this risk through rapid alignment and by intensifying its development activities.

PROCESS RISKS

The core processes of software development, marketing and organization in the Nemetschek Group are subject to continuous checks and improvements by management. The performance and goal orientation of these processes is put to the test and optimized during strategic and operational planning. Nevertheless, fundamental risks might still exist 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 quality.

Further risk potential exists in the restructuring of the product lines. Thus, the migration to a new solution of a product which has been on the market for a long time 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 the communication between the brands is strengthened and comprehensive marketing demonstrates to 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 the processes in its knowledge management. The general skills shortage in Germany presents a challenge to the Nemetschek Group. In order to win young employees, the Nemetschek Group works very closely together with universities, awards scholarships and grants doctorate jobs.

ACQUISITION AND INTEGRATION RISKS

Company acquisitions are an essential component of a corporate strategy aimed at long-term profitable growth. The Nemetschek Group will, therefore, continue to strengthen and expand its own market position through acquisitions. In order to make the most of these opportunities, the internal staff of the market research & development unit of the Nemetschek Group survey the markets continually in search of suitable candidates while also working with M&A consultants in order to identify possible acquisitions. Furthermore, the brands contribute their knowledge and market observations to a professional M&A process. Acquisitions are carefully and systematically checked before contracts are signed. A standardized process has been established for M&A with an emphasis on due diligence and post-merger integration.

In looking for appropriate companies to acquire, Nemetschek finds itself competing with other corporations. The structure of the Nemetschek Group with its independent brands represents a considerable advantage in the tender process. Experience shows that company founders prefer belonging to a strong international group, but still wish to preserve their identity and far-reaching independence. This structure offers considerable opportunities for the acquisition of attractive companies. Simultaneously, there is the entrepreneurial risk that the entity acquired fails to develop commercially as expected and that the revenue and earnings goals pursued via its acquisition are missed. After the acquisition the companies are rapidly integrated in the reporting, controlling and risk management system of the Nemetschek Group.

Goodwill is subject to an annual impairment test. There was no need to record impairment in the financial year 2016. However, future impairment cannot be excluded.

In view of the current market situation, the executive board considers the probability and extent of sales, marketing, product, project and technology risks to be "low". With respect to all risks described above, nothing is seen that would be expected to impact on the financial, economic and earnings situation

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

LEGAL, TAX AND COMPLIANCE RISKS

TAX RISKS

With its branches 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 might otherwise have a positive effect on the results of operations of the Nemetschek Group.

COMPLIANCE AND GOVERNANCE RISKS

The regulatory environment of Nemetschek SE, listed in the German TecDAX, is complex and has a high concentration of regulations. Any potential infringement of regulations can have a negative effect on the net assets, financial situation and results of operations, the share price or the reputation of the company.

A small number of the customers of the Nemetschek Group are governments or publicly owned companies. Business in the engineering field is in part characterized by orders of high volume. The occurrence of – or indeed merely allegations of – corruption might hinder participation in public tendering and have adverse effects on further economic activity, on net assets, the financial position and results of operations, on the share price or on the company's good name. Considering this, Nemetschek has instituted an anti-corruption program alongside the Code of Conduct for all employees. 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 group-wide, a modern training tool is used. The learning objective is that employees can recognize and correctly react to potentially critical situations.

LEGAL RISKS

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

The Nemetschek Group works in distribution not only with its own sales force but also with external dealers and several cooperation partners. In the case of the external sales forces, the risk is naturally that the distribution agreements might be subject to improper influence with the consequent potential of loss of new business and the erosion of the existing customer base. Distribution partners might not renew their contracts with Nemetschek or might wish to do so only under conditions that are not acceptable. Distribution agreements might be terminated, something that could give rise to litigation and so adversely affect the group's business activity, the financial and earnings position or the cash flow.

With regard to the current market situation the executive board assesses the probability of tax and legal risks materializing as "medium". The extent of tax risks is assessed as "medium" and the extent of legal risks as "low". For all other risks described above the executive board sees nothing which would impact on the net assets, financial situation or results of operations.

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

FINANCIAL RISKS

Where there are high financial liabilities there is a liquidity risk should the earnings situation of the group deteriorate. Currently the Nemetschek Group has bank liabilities of about EUR 96 million. However, the group generates pronounced positive cash flows, which allow investment in organic growth as well as acquisitions. The availability of decentralized 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. Nemetschek generally pursues a conservative, risk-averse strategy.

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. The company's strategy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group occur due to the fact that the group 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 only have a limited effect at group level because the operating subsidiaries outside of the Euro region record revenue as well as cost of materials, personnel expenses and other expenses predominantly in their local currencies. Nonetheless, currency fluctuations in one of these countries may lead to consequences for the Nemetschek Group, especially on sales and pricing, which in turn might influence the revenue and earnings of individual brands.

The brand companies enter into different types of forward exchange contracts, if required, in order to manage their foreign exchange risk resulting from cash flows from anticipated business activities and financing arrangements (in foreign currencies).

DEFAULT RISK AND RISK MANAGEMENT

Risks of default are controlled by the handling of credit approvals, the setting of upper limits and control processes as well as by regular reminder cycles.

The group's business partners are deemed to be 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, the maximum credit risk can be derived from the amounts shown in the balance sheet.

The Nemetschek Group only does business 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 risks of default are identified, appropriate accounting precautions will be taken.

Within the group there is currently no material concentration of default risks. 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 counter-party, is equal to the carrying amount of these instruments.

INTEREST RISK

As a result of the current financing structure of the Nemetschek Group there is no material interest risk in the opinion of management.

In view of the present market situation, the executive board considers the probability of materialization of currency risks to be “high” and the default risks to be “medium”, but the severity on materialization for both to be “low”. For all other risks described nothing is currently seen that would impact on the net assets, financial or results of operations.

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

SUMMARY ASSESSMENT OF THE GROUP'S OPPORTUNITY AND RISK SITUATION

The executive board of Nemetschek SE is convinced that none of the risks identified above, whether individually or in aggregate, threaten Nemetschek as a 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 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 44.4% is good and the liquidity situation comfortable.

The executive board sees opportunities in a stronger market penetration of the solutions portfolio and the addressing of further vertical markets in the value-added chain of the AEC industry. Nemetschek's chances of expanding its market position as the leading supplier of integrated software solutions for the whole life cycle of buildings result from further internationalization, as well as from the systematic exploitation of the potential within existing markets, supported by the consistent implementation of new technologies. The Nemetschek Group will use the opportunities for further development of the company without losing sight of the associated risks and the need to counter potential risks.

4 OTHER DISCLOSURES

4.1 REPORT ON ENTERPRISE CONTROLLING AND DECLARATION ON CORPORATE MANAGEMENT

DECLARATION OF CONFORMITY IN ACCORDANCE WITH § 161 AKTG

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

CORPORATE MANAGEMENT PRACTICES THAT GO BEYOND THE MINIMUM LEGALLY REQUIRED

Our aim is for Nemetschek to be perceived worldwide as a responsible enterprise with high ethical and legal standards.

The common basis for our actions is the culture of the Nemetschek Group. It is mirrored in fair and respectful dealings with colleagues and third parties and is characterized by a willingness to perform, open communication, seriousness, trustworthiness and conservation of natural resources.

We have summarized these principles in the Code of Conduct of the Nemetschek Group. This Code is a binding guide for all employees of the Nemetschek Group, whatever their function or standing in the group. Only continual reflection on our values and their integration in all our action represents a commitment to the culture of our company and ensures long-term our entrepreneurial success. The Code of Conduct is available on the company website.

On matters of the company control and management, reference is also made to chapter 1.2 of this management report.

WORKING MANNER OF EXECUTIVE AND SUPERVISORY BOARDS

The supervisory board of Nemetschek SE involved itself extensively with the situation and development of the Group during the 2016 fiscal year. Over the course of the fiscal year, the committee followed the executive board closely, advised it regularly and monitored it in addition to carrying out the tasks assigned to the supervisory board by law and the articles of association with the utmost care.

The collaboration between the supervisory board and the executive board was always constructive and marked by open, trustful discussions. The executive board instructed the supervisory board regularly, promptly and comprehensively, as well as orally and in writing, about all relevant corporate strategy issues. Inherent opportunities and risks, corporate planning and the development of revenues, earnings and liquidity were extensively debated. Moreover, the supervisory board obtained information on planned and current investments, the fulfillment of the planning of the Group, of the segments and of the individual brands as well as on risk management and compliance.

The developments in the respective reporting quarters, the short-term and medium-term prospects and the long-term growth and earnings strategy were regularly and critically discussed. The supervisory board was very involved in decisions of fundamental importance for the company and obtained holistic information on backgrounds and contexts. Outside the regularly scheduled sessions,

the supervisory board and the executive board maintained close contact.

On the basis of the executive board's reports, the supervisory board supported the executive board's work and made decisions on actions requiring approval. As a result of the extensive information provided by the executive board as well as independent audits, the supervisory board was able to completely fulfill its monitoring and advisory role.

In the fiscal year 2016, four regular supervisory board meetings were held, namely in the months of March (balance sheet meeting for the 2015 annual financial statements), July, October and December. The supervisory board was completely represented at all meetings. In addition to the meetings, there were further resolutions on current topics, for which the written circular procedure was used.

The deliberations focused in particular on the further internationalization of company business, segment expansion, potential acquisition targets, strategic investments and the further development of the Group's solution portfolio. Detailed reports concerning the brand companies were requested by the supervisory board and discussed. Business performance which deviated from the corresponding annual targets was discussed in detail at the supervisory board meetings and analyzed. The executive board presented the acquisition strategy and actual projects and decided on them in close collaboration with the supervisory board. The supervisory board approved all transactions in the reporting year.

In the meetings and further discussions outside of the meetings, there was debate in particular on the following topics, which were the subject of intensive deliberation and verification:

- Annual financial statements and consolidated financial statements for the 2015 fiscal year
- Proposal on the appropriation of profits for the 2015 fiscal year
- Invitation and agenda items for the regular 2016 annual general meeting with proposed resolutions to the annual general meeting as well as the supervisory board's report for the 2015 fiscal year
- Executive board and managing directors' specification of targets reached in 2015 and release of payment of variable remuneration shares as well as the definition of target agreements for the 2016 fiscal year; nominations for participation in the "Long-Term Incentive Plan" (LTIP); appointment of the members of the executive board in office for a further three years and corresponding amendments to the executive board contracts
- Declaration of Conformity in accordance with the "German Corporate Governance Code"
- Strategic projects and alignment of the Nemetschek Group and its internationalization as well as target achievement during implementation
- Group planning, revenue planning, result planning and investment planning for 2016 as well as ongoing discussion on the current situation
- Conversion of Nemetschek AG into a Societas Europaea (SE)
- Product developments and innovations of the respective brand companies regarding topics such as Open BIM, 5D, collaboration platform and digitalization
- Development of market conditions and competitive situation
- Acquisition strategy, strategic investments and cooperations
- Acquisition and integration of Design Data Corporation headquartered in Lincoln, Nebraska, USA, as well as of dRofus AS headquartered in Oslo, Norway
- Internal control and early stage risk detection systems, audit and compliance report
- Increase in the forecast for revenue and operating result at the beginning of October
- Capital market and share price development
- Group planning and investment projects for 2017

TARGET NUMBERS FOR PROPORTION OF WOMEN, §§ 76 (4), 111 (5) AktG

Pursuant to § 111 (5) AktG the supervisory board shall regularly specify target figures for the proportion of women in the supervisory and executive boards. Pursuant to § 76 (4) AktG the executive board shall specify target figures for the proportion of women at the two management levels directly junior to the executive board.

The supervisory board set the target figure for the proportion of women in the supervisory and in the executive board in the period extending until December 31, 2016, at 0% since what is important in the composition of the supervisory and the executive boards is the experience, ability and knowledge of the individual members. The proportion of women in the supervisory board and in the executive board is currently 0%.

For the period extending to December 31, 2016, the executive board had set a target of at least 20% women in the first management level below board level. At Nemetschek SE there is only one management level below the executive board. This management level is currently constituted by five senior employees with the title "Director". They are, individually, the Directors for Finance, for Controlling, for Investor Relations & Corporate Communications, for Corporate Audit & Compliance, and for Market Research & Development. These positions are held by four men and one woman. Hence the proportion of women in the first management level is at present 20%.

The targets specified were achieved.

For the period extending to December 31, 2018, the supervisory board specified on March 20, 2017, that the targets for the proportion of women in the supervisory and in the executive board is again 0%. Nonetheless, in the event of a vacancy arising in the supervisory or the executive board, the supervisory board will of course also consider candidates who are female. On March 20, 2017, the executive board specified for the period extending until December 31, 2018, the target for the proportion of women at the management level below the executive board unchanged at 20%.

4.2 EXPLANATORY REPORT OF THE EXECUTIVE BOARD ON THE DISCLOSURES UNDER § 289 (4) HGB AND § 315 (4) HGB

(1) COMPOSITION OF THE SUBSCRIBED CAPITAL

The nominal capital of Nemetschek SE as of December 31, 2016, 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) which 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 ON AMENDMENTS TO THE STATUTES

The appointment and dismissal of executive board members is governed by §§ 84 and 85 of the German Stock Corporation Act about § 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 term of up to five years each time.

Any amendment to the statutes is subject to § 179 of the Stock Corporation Act in connection with §§ 13 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 nominal capital is represented, by a simple majority of the votes cast. Where the law prescribes for a majority of the nominal capital represented to pass a resolution at the annual general meeting, the simple majority of the nominal capital represented when the resolution is passed is sufficient, where legally permitted. Under § 14 of the statutes of Nemetschek SE the supervisory board is authorized to resolve changes where these affect only the wording of the statutes.

(7) AUTHORIZATION OF THE EXECUTIVE BOARD TO ISSUE OR REDEEM SHARES

According to § 71 (1) No. 8 AktG 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 by May 20, 2020, on one or more than one occasion, i.e., 10% of the nominal capital, 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. AktG (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 on the basis of 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 be increased instead by the inclusion of the proportion of other shares within share capital in accordance with § 8 (3) AktG. 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 above-mentioned 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 THAT ARE SUBJECT TO A CHANGE IN CONTROL AS A RESULT OF A TAKE-OVER 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.

REMUNERATION REPORT

SUPERVISORY BOARD

In addition to a fixed component, the remuneration paid to members of the supervisory board contains a variable profit-based component. The variable compensation component is based on the consolidated earnings (diluted earnings per share). It is the view of the supervisory board and the executive board that this important ratio constitutes a reliable benchmark for increasing the intrinsic value of the shares and, thus, the company's performance.

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

2016	Thousands of €	Fixed components	Variable components	2016
Kurt Dobitsch		30.0	199.0	229.0
Prof. Georg Nemetschek		22.5	199.0	221.5
Rüdiger Herzog		15.0	199.0	214.0
Total		67.5	597.0	664.5

2015	Thousands of €	Fixed components	Variable components	2015
Kurt Dobitsch		30.0	141.5	171.5
Prof. Georg Nemetschek		22.5	141.5	164.0
Rüdiger Herzog		15.0	141.5	156.5
Total		67.5	424.5	492.0

EXECUTIVE BOARD

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

The current performance-based (variable) remuneration mainly depends on corporate objectives achieved (revenue, EBITA 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) executive board remuneration – also known as Long-Term-Incentive-Plan (LTIP) – depends on the achievement of fixed corporate objectives with regard to the development of revenue and operative results (EBITA) as well as in reaching pre-defined strategic project goals. The period to be observed is always three fiscal years. Participation of the executive board in the LTIP requires an appropriate nomination by the supervisory board at the annual balance sheet meeting of the supervisory board. The three executive board members Patrik Heider, Sean Flaherty and Viktor Várkonyi have been nominated for the LTIP 2014 – 2016, for 2015 – 2017 and for 2016 – 2018. In the fiscal year 2016 no non-current variable component was disbursed, but was vested.

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

	Patrik Heider				Sean Flaherty			
	2015	2016	2016	2016	2015	2016	2016	2016
	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum
Thousands of €								
Fixed compensation	200	242	242	242	96	115	115	115
Fringe benefits	20	18	18	18	0	0	0	0
Total	220	260	260	260	96	115	115	115
One-year variable compensation	360	415	0	500	0	137	0	200
Multi-year variable compensation								
LTIP 2014 – 2016	161	88	0	88	161	88	0	88
LTIP 2015 – 2017	183	109	0	206	183	109	0	206
LTIP 2016 – 2018	–	143	0	258	–	143	0	258
Total	924	1,015	260	1,312	440	592	115	867

	Viktor Várkonyi			
	2015	2016	2016	2016
	Initial Value	Initial Value	Minimum	Maximum
Thousands of €				
Fixed compensation	96	96	96	96
Fringe benefits	0	0	0	0
Total	96	96	96	96
One-year variable compensation	0	0	0	0
Multi-year variable compensation				
LTIP 2014 – 2016	161	88	0	88
LTIP 2015 – 2017	183	109	0	206
LTIP 2016 – 2018	–	143	0	258
Total	440	436	96	648

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

	Patrik Heider		Sean Flaherty	
	2016	2015	2016	2015
	Initial Value	Initial Value	Initial Value	Initial Value
Thousands of €				
Fixed compensation	242	200	115	96
Fringe benefits	18	20	0	0
Total	260	220	115	96
One-year variable compensation	415	360	137	0
Multi-year variable compensation				
LTIP 2014 – 2016	0	0	0	0
LTIP 2015 – 2017	0	0	0	0
LTIP 2016 – 2018	0	0	0	0
Total	675	580	252	96

	Viktor Várkonyi	
	2016	2015
	Initial Value	Initial Value
Thousands of €		
Fixed compensation	96	96
Fringe benefits	0	0
Total	96	96
One-year variable compensation	0	0
Multi-year variable compensation		
LTIP 2014 – 2016	0	0
LTIP 2015 – 2017	0	0
LTIP 2016 – 2018	0	0
Total	96	96

Total remuneration of the executive board of Nemetschek SE for the fiscal year 2016 amounted to EUR 2,047k (previous year: EUR 1,804k).

Besides the remuneration paid by Nemetschek SE, Viktor Várkonyi received EUR 198k gross as a fixed salary from Graphisoft SE (previous year: EUR 198k) and as profit-related short-term remuneration EUR 108k (previous year EUR 96k) gross. Sean Flaherty received from Vectorworks, Inc. or from May 1, 2016, from Nemetschek Inc. EUR 144k (previous year: EUR 203k) gross as a fixed salary and EUR 267k (previous year: EUR 156k gross) as a profit-related short-term remuneration. Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 717k (previous year: EUR 653k).

5 SUBSEQUENT EVENTS REPORT

The subsequent events report is contained in the notes to the financial statements.

6 FORECAST 2017

6.1 FRAMEWORK CONDITIONS

MACRO-ECONOMIC BACKGROUND*

In its current report the German Council of Economic Experts assumes that the moderate growth in the world economy will continue. The expectation for 2017 is that global GDP will rise by 2.8%.

The USA is predicted to achieve GDP growth of 2.3% in 2017. Driven by the expansionary monetary policy of the European Central Bank, the Eurozone, too, is expected to continue its recovery. On account of the uncertainties following Brexit, the German Council of Economic Experts expects there to be a slight slowdown in output, but not a slump. As in the Eurozone, the forecast for the United Kingdom is for GDP to grow by 1.4%. On account of the very expansionary effects of its monetary and fiscal policy, for Japan, too, economic recovery is expected with a rise in GDP of 0.8%. For the threshold countries, the German Council of Economic Experts expects GDP growth rates of 4.8% and thus a continuation of the dynamic development.

CONSTRUCTION INDUSTRY**

Most of the customers of the Nemetschek Group are directly or indirectly involved in the construction industry. The economic situation of the construction industry is therefore a significant indicator for the Nemetschek Group. For the European region, the experts of Euroconstruct expect a continuation of the moderate growth in the sector for the years 2017 to 2019. For 2017 the assumption is that the volume of construction work will rise in all countries of Europe with the exception of the United Kingdom and the Czech Republic. Strong growth is forecast for Ireland (+8.5%), France (+3.6%) and Spain (+3.2%). However, in absolute terms, the construction volume in these three countries will remain well below their long-term average. For Germany and Switzerland the expectation is for comparatively low growth rates of +1.5% and +1.3% respectively, whereby the absolute construction volume in these two countries is already high. All in all, construction volume is expected to increase in 2017 by 2.1% in the Eurozone.

According to the sector experts of Dodge Data & Analytics, the US construction industry will also perform robustly in the coming years. They expect an increase in the number of building starts of about 5% in 2017 compared with the previous year. The main factor driving growth remains high-rise construction. The change in administration in the USA, too, is expected to lead to higher infrastructure spending. Already the Fast Act, as it is known, was passed in 2015 to provide funding for the transport sector of USD 300 billion in the years up to 2020.

Despite a declining population and only moderate growth, the order situation in the Japanese construction industry remains at a steady high in absolute terms. Japan remains therefore very interesting for the construction sector and hence also for our international brands. The Olympic Games in 2020 in Tokyo and the various associated construction projects promise the prospect of growth for the coming years. Further impetus is expected from the reconstruction of the regions in Japan that have suffered earthquakes, as well as from the demand for age-appropriate residential buildings. The building sector should benefit from a government economic boosting package which was passed in August 2016. This includes a budget of YEN 1.7 trillion (approx. EUR 14 billion) for infrastructure.

All in all, market experts anticipate a welcome development of the construction sector in 2017. For the Nemetschek Group this means that the markets it addresses will continue to enjoy impetus.

6.2 CORPORATE STRATEGY

As a market and technology leader in the AEC industry the Nemetschek Group plans for sustainable growth with high and stable profitability by offering innovative solutions to all those involved in the construction process in order to increase quality and efficiency throughout. Simultaneously there is the goal of expanding further internationally.

Strategically, the focus is on the following aspects:

GROWTH – ORGANIC AND NON-ORGANIC

Based on the strength of the largely favorable impetus coming from the construction industry and on the assumption that technological factors are driving growth in the AEC market, such as progressive digitalization, BIM, 5D and collaboration for further growth, in 2017 the Nemetschek Group expects again a successful business development and further growth in all segments. This growth will be supported by the strong financial base of the group, its strong competitive position and the close customer relationships enjoyed by the individual brands. Besides organic growth, the solutions portfolio and the market presence will also be expanded by targeted acquisitions. Thanks to its high cash flows and solid balance sheet, the Nemetschek Group has access to the necessary funds to finance its planned future growth, whether organic or through takeovers, cooperation or partnerships.

INNOVATIONS AND CUSTOMER REQUIREMENTS

The ambition is to offer innovative and customer-oriented solutions for the AEC industry and thereby to set criteria and standards. Challenges facing the sector such as the rising complexity of buildings, ever shorter planning and construction times, interdisciplinary and international collaboration that is being demanded more and more often, the digital availability of all data, and the growing cost pressure are to be handled with bespoke product solutions. Here digital transformation offers great opportunities in the construction industry. BIM enables information to be interconnected by creating a synchronized database that all involved in the project can access. A central prerequisite for the long-term success of the group is a profound understanding of our customers' problems as well as bespoke solution offers.

The Nemetschek Group secures its technological lead with continually high investments in research and development. The outstanding issues we address are Open BIM, 5D and collaboration coupled with seamless networking and data transfer across the AEC sector. In recent years, the share of expenditure for research and development compared to revenues came to about 24%. It is planned to invest a similar amount in 2017 in order to secure the company's innovatory force over the long term.

INTERNATIONALIZATION AND WORLDWIDE DISTRIBUTION

As a global group, in the coming years, it is intended that the revenue distribution over the different regions should be as balanced as possible. The Nemetschek Group is currently well positioned in the three strategic regions in the business of Europe, America, and Asia. In the future, the potential in all three regions should be used more strongly and in this way further sales growth generated. The board sees especially promising and long-term business prospects in America.

The Nemetschek Group will continually extend its geographical presence to win and support customers and drive forward the expansion of its worldwide selling and marketing activities.

STRATEGIC INITIATIVES – CROSS-GROUP PROJECTS

With the establishment of a strategy board in the holding in 2016 Nemetschek placed more focus on projects involving more than one brand and on strategic initiatives that generate synergies within the group.

The focus is on solutions on collaboration which are more and more in demand on account of the digital transformation of the construction industry and the management and provision of ever larger data quantities for the planning and realization of buildings, as well as their consistent interconnection. At center stage of the activities of Nemetschek is the development of a collaborative platform for all customers along the value creation chain in the building process. The aim is to boost efficiency in collaboration via core functions such as project management, document management and the sharing of information and models.

Furthermore, the Nemetschek Group plans to address increasingly large companies working in architecture and civil engineering. The focus of the activity is on complete workflow solutions that are elaborated using more than one brand. The idea is to model the workflows of architecture and civil engineering organizations and thus enhance our competence as a supplier of multiple solutions. This involves adding various functions of other brands to 3D CAD and CAE solutions.

FINANCING, INVESTMENTS AND LIQUIDITY

The financial strength of the Nemetschek Group ensures that it can grow continually from its own resources and respond flexibly to market demands. The Nemetschek Group sees itself as well placed for its planned growth in 2017 thanks to its very robust balance sheet. As in past years, a high operating cash flow should increase liquidity and offer enough scope for planned investments of the brand companies in development, sales and marketing. Furthermore, as it grows, the Nemetschek Group is working in the groupwide strategic projects that have been described as well as on an ERP harmonization in order to reduce the complexity of processes and reporting structures.

As before, acquisitions can be funded from the current cash flow, existing liquidity and the take-up of external capital.

Major cost items within the Nemetschek Group are personnel expenses and other operating expenses. In 2017 the Nemetschek Group will recruit additional experts globally and it assumes therefore that there will be a further moderate increase in personnel expenses. Other operating expenses feature primarily selling expenses and they, too, are expected to rise slightly in 2017 as a result of the unchanged planned international expansion.

DIVIDEND POLICY

The Nemetschek Group follows a long-term and sustained dividend policy and allows its shareholders to participate appropriately in the Company's development both now and in the future. The company will propose the distribution of a dividend to the annual general meeting for the fiscal year 2016. For the financial year 2016, the supervisory and executive boards propose a dividend of EUR 0.60 per share (previous year: EUR 0.50 per share). The general meeting will vote on the proposed dividend on June 1, 2017. Subject to the consent of the general meeting, the distribution proposal corresponds to an increase in the dividend of 20%.

OVERALL PRESENTATION ON PROBABLE DEVELOPMENT

On account of the long-term intact growth trend in the relevant markets, the board looks to the future with optimism and assumes a continuing positive business development for the present financial year 2017.

The very good competitive position, the great technical knowledge and the many years of experience along the life cycles in the AEC and the Media & Entertainment markets form a good basis for the Nemetschek Group for further sustained growth in all four segments.

From today's perspective and without taking into account any currency effects, the Nemetschek Group has planned for revenue for the financial year 2017 of between EUR 395 million and EUR 401 million (+17% to +19%). Besides the further organic growth, non-organic growth effects will play a role in the Design segment through the acquisition of dRofus that has been consolidated since the beginning of 2017. In the Build segment, Design Data, which was acquired on August 1, 2016, will be consolidated for the first time for a full 12 months. The purely organic growth (excluding the companies dRofus and Design Data) is expected to be in the corridor of 13% to 15% in 2017.

Group EBITDA will also increase noticeably despite further investments in strategic projects and the acquired entities having an EBITDA margin lower than the group average. The group EBITDA is expected to lie between EUR 100 million and 103 million, which represents growth compared with the adjusted EBITDA of the previous year (EUR 86.1) of 16% to 20%.

In terms of segments, the Nemetschek Group sees itself very well positioned in the Design segment on account of the strong market positioning of its brands with BIM-oriented and intelligent solutions for the planning and drafting phase through to the works and building planning. For the financial year 2017 a turnover growth is expected that will be in the same corridor as the planned organic growth at group level. This positive estimate is based on the innovations, the further development of the solutions portfolio and further internationalization with a strong sales thrust.

The Build segment will promote the further development of the Nevaris product family, which is the comprehensive BIM 5D solution, in order to guarantee an efficient and consistent model-based way of working in planning and execution. Solibri and Design Data will press ahead with their solutions in the direction of greater internationalization. Since its acquisition in 2014, Bluebeam Software has contributed materially to the disproportionately strong growth of the segment. All in all, growth rates for the segment are expected that are above the average for the group.

In the Manage segment the focus continues on addressing the residential market and on strong sales activities to win new customers. For the financial year 2017 the Nemetschek Group expects revenue growth in line with the general level for the group.

In the Media & Entertainment segment, investments are being made in the solutions portfolio in order to win the enthusiasm of new customers and to expand the customer basis with tried and tested solutions, and to grow internationally even more strongly. In this segment, growth is expected to be slightly under that of the average for the group.

In general it should be borne in mind that the revenue and results developments of the Nemetschek Group can be influenced by key exchange rates, in particular the rates of the euro compared with the US dollar, the Swiss franc, the Japanese yen, the British pound, the Hungarian forint, the Norwegian crown and the Swedish crown; fluctuations in exchange rates might therefore affect the accuracy of the forecasts.

The future development of Nemetschek SE is significantly influenced by the forecasts for the Nemetschek Group described above. Nemetschek SE therefore expects a continued positive trend in the earnings development and a net result for the financial year 2017 slightly above the result for the past fiscal year.

NOTE ON FORECASTS

This management report contains statements and information about transactions and processes that lie in the future. These forward-looking statements are identified from formulations such as “expect”, “intend”, “plan”, “evaluate” or similar terms. Such forward-looking statements are based on our expectations today and certain assumptions. They thus involve a number of risks and uncertainties. Numerous factors, many of which are outside the Nemetschek Group’s sphere of influence, affect the Nemetschek Group’s business activities, successes, business strategy, and its results. This can lead to the actual results, success, and performance of the Nemetschek Group materially deviating from the information on results, success, or performance explicitly or implicitly mentioned in these forward-looking statements.

Munich, March 10, 2017

Patrik Heider

Sean Flaherty

Viktor Várkonyi

BALANCE SHEET NEMETSCHKE SE

as of December 31, 2016 and December 31, 2015 (German Commercial Code)

ASSETS	in €	December 31, 2016	December 31, 2015
A. FIXED ASSETS			
I. Intangible Assets			
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets		73,549.28	19,525.89
2. Prepayments made on intangible assets		52,625.00	0.00
		126,174.28	19,525.89
II. Property, plant and equipment			
1. Leasehold improvements		57,613.63	13,712.70
2. Fixtures, fittings and equipment		61,283.28	51,182.41
		118,896.91	64,895.11
III. Financial assets			
1. Shares in affiliated companies		284,948,270.70	237,300,265.46
2. Loans due from affiliated companies		36,822,775.04	36,761,755.81
3. Investments		2,075,303.93	2,025,303.93
		323,846,349.67	276,087,325.20
TOTAL FIXED ASSETS		324,091,420.86	276,171,746.20
B. CURRENT ASSETS			
I. Accounts receivable and other assets			
1. Accounts receivable from trading		60.00	20,385.61
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 400,873.48 (previous year: EUR 322,382.18)		15,854,804.10	14,231,228.49
3. Other assets		826,119.21	1,283,288.45
		16,680,983.31	15,534,902.55
II. Cash and cash equivalents		15,270,404.20	14,719,120.07
TOTAL CURRENT ASSETS		31,951,387.51	30,254,022.62
C. DEFERRED AND PREPAID EXPENSES		140,234.36	96,672.10
D. DEFERRED TAX ASSET		58,611.30	66,678.62
		356,241,654.03	306,589,119.54

Note: As the result of rounding it is possible that the individual figures in these consolidated 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, 2016	December 31, 2015
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		127,160,327.60	102,701,483.10
TOTAL EQUITY		214,775,905.89	190,317,061.39
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Accrued tax liabilities		2,660,983.67	1,404,558.70
2. Other provisions and accrued liabilities		4,480,405.64	3,202,313.95
TOTAL PROVISIONS AND ACCRUED LIABILITIES		7,141,389.31	4,606,872.65
C. LIABILITIES			
1. Liabilities due to banks		95,800,000.00	80,000,000.00
2. Trade accounts payable		206,509.44	496,271.35
3. Accounts due to affiliated companies		36,494,060.87	29,264,397.92
4. Other liabilities			
– thereof taxes: EUR 922,637.16 (previous year: EUR 981,488.27)			
– thereof social security EUR 5,998,76 (previous year: EUR 3,867,43)		942,834.64	1,003,372.81
TOTAL LIABILITIES		133,443,404.95	110,764,042.08
D. Deferred tax liability		880,953.88	901,143.42
		356,241,654.03	306,589,119.54

PROFIT AND LOSS ACCOUNT NEMETSCHEK SE

for the period from January 1 to December 31, 2016 and 2015 (German Commercial Code)

in €	December 31, 2016	December 31, 2015
1. Revenues	2,721,709.76	595,417.64
2. Other operating income	5,558,476.40	774,117.97
Operating Income	8,280,186.16	1,369,535.61
3. Personnel expenses		
a) Wages and salaries	-4,257,932.62	-3,574,877.36
b) Social security, pension and other benefit costs – thereof for pension: EUR 2,454.33 (previous year: EUR 4,480.24)	-382,202.62	-315,394.86
4. Depreciation and amortization of intangible assets, property, plants and equipment	-71,555.19	-36,602.15
5. Other operating expenses	-5,222,692.24	-5,558,760.08
Operating expenses	-9,934,382.67	-9,485,634.45
Operating results	-1,654,196.51	-8,116,098.84
6. Income from investments – thereof from affiliated companies: EUR 29,564,289.83 (previous year: EUR 27,740,679.84)	29,564,289.83	27,740,679.84
7. Income from profit and loss transfer agreements	21,213,418.01	16,541,626.44
8. Other interest and similar income – thereof from affiliated companies: EUR 1,191,474.88 (previous year: EUR 1,170,500.57)	1,193,640.20	1,198,416.58
9. Interest and similar expenses – thereof from affiliated companies: EUR 0.00 (previous year: EUR 185.63)	-860,249.32	-618,720.89
Result from ordinary operations	49,456,902.21	36,745,903.13
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR 12,122.22 (previous year: EUR 4,928.23)	-5,746,772.71	-3,736,897.58
Earnings after tax	43,710,129.50	33,009,005.55
11. Other Taxes	-1,285.00	0.00
Net Income	43,708,844.50	33,009,005.55
12. Profit carried forward from previous year	83,451,483.10	69,692,477.55
13. Retained earnings	127,160,327.60	102,701,483.10

Notes to the Financial Statement of Nemetschek SE

ACCOUNTING POLICIES

The annual financial statements as of December 31, 2016 of Nemetschek SE, Munich, are prepared in accordance with § 264 d of the German Commercial Code (HGB) in conjunction with § 267 (3) HGB on the basis of the provisions of the German Commercial Code (in the version of the German Accounting Directive Implementation Act (BilRUG)) concerning the accounting of large corpora-

PRINCIPLES

The accounting principles of the annual financial statements as of December 31, 2016 are based on the provisions of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG).

As a result of the German Accounting Directive Implementation Act (BilRUG), the structure of the statement of comprehensive income has changed with regard to the disclosure of revenue and other operating income.

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 to be measured at cost, accounting for scheduled amortization, or at the lower fair value. They are amortized 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 410.00 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.

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

tions and the German Stock Corporation Act (AktG). The company is listed with the District Court of Munich under Commercial registry number HRB 224638.

The conversion of Nemetschek AG into Nemetschek SE went into effect with the entry made on March 22, 2016. This was based on the annual general meeting's resolution of May 20, 2015.

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 which 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 statement of comprehensive income.

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 noncurrent assets, which also shows the amortization of

the financial year, on the last page of these notes.

INVESTMENTS HELD BY NEMETSCHKE 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 31.12.2016	Net Income 2016
Nemetschek SE, Munich			
Direct equity investments			
Design segment			
Frilo Software GmbH, Stuttgart*	100.00	196	2,443
Vectorworks, Inc., Columbia, Maryland, United States	100.00	18,044	10,643
Data Design System AS, Klepp Stasjon, Norway	100.00	2,041	1,280
NEMETSCHKEK OOO, Moscow, Russia – in liquidation	100.00	180	0
SCIA Group International nv, Herk-de-Stad, Belgium	100.00	2,654	628
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	100.00	48,715	16,561
Allplan GmbH, Munich*	100.00	7,919	6,324
Nemetschek, Inc., Washington, United States***	100.00	45,957	-369
Build segment			
NEVARIS Bausoftware GmbH, Achim	98.50	2,494	1,203
NEVARIS Bausoftware GmbH, Mondsee, Austria	49.90	5,515	1,148
Bluebeam Holding, Inc., Delaware, USA (formerly: Nemetschek US, Inc.)	100.00	39,142	-3,452
Solibri Oy, Helsinki, Finland	100.00	539	-64
Manage segment			
Crem Solutions GmbH & Co. KG, Ratingen	100.00	2,498	1,452
Crem Solutions Verwaltungs GmbH, Munich	100.00	64	2
Media & Entertainment segment			
MAXON Computer GmbH, Friedrichsdorf	70.00	5,001	5,757
Other			
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	6,502	1,190
Indirect equity investments			
Design segment			
via Allplan GmbH, Munich:			
Allplan Deutschland GmbH, Munich*	100.00	2,540	12,695
Allplan Development Germany GmbH, Munich***	100.00	25	0
Allplan Schweiz AG, Wallisellen, Switzerland	93.33	1,951	1,232
Allplan France S.A.R.L., Paris, France	100.00	2,015	1,586
Allplan Österreich Ges.m.b.H., Wals, Austria	100.00	878	623
Allplan Systems Espana S.A., Madrid, Spain	100.00	73	7
Allplan Česko s.r.o., Prag, Czech Republik	100.00	253	113
Allplan Slovensko s.r.o., Bratislava, Slovakia Republik	100.00	516	96
Allplan Italia S.r.l., Trient, Italy	100.00	674	36
DACODA GmbH, Rottenburg	100.00	664	264
via Nemetschek Austria Beteiligungen GmbH:			
Precast Software Engineering GmbH, Wals, Austria	100.00	1,578	1,390
via Precast Software Engineering GmbH, Wals, Austria			

Table continued:

Precast Software Engineering Pte. Ltd., Singapore	100.00	-100	-192
via Precast Software Engineering Pte. Ltd., Singapore			
Precast Software Engineering Co. Ltd., Shanghai, China	100.00	206	46
via SCIA Group International nv, Herk-de-Stad, Belgium:			
SCIA nv, Herk-de-Stad, Belgium	100.00	3,339	1,576
SCIA do Brasil Ltda, São Paulo, Brasil	99.90	-1,461	-167
via SCIA nv, Herk-de-Stad, Belgium			
Scia Nederland BV, Arnhem, Netherlands	100.00	677	433
Scia France Sarl, Roubaix, France	100.00	187	-5
Online Projects BVBA, Herk-de-Stad, Belgium – in liquidation	70.00	-85	-4
Scia Inc., Maryland, United States***	100.00	303	-163
Scia CZ s.r.o., Brno, Czech Republic	100.00	696	400
via Scia CZ s.r.o., Brno, Czech Republic:			
Scia SK s.r.o., Zilina, Slovakia Republic	100.00	165	92
via Graphisoft SE European Company Limited by Shares, Budapest, Hungary:			
Graphisoft Deutschland GmbH, Munich	100.00	3,846	3,667
Graphisoft USA Inc, Waltham, Massachusetts, United States	100.00	-2,687	-432
Graphisoft Japan KK, Tokyo, Japan	100.00	1,076	924
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00	327	339
Graphisoft Hong Kong Ltd., Hong Kong, China	100.00	-3,136	-1,389
Graphisoft Mexico S.A. de C.V., Mexico D.F., Mexico	100.00	-72	80
GRAPHISOFT BRASIL SERVICOS DE TECNOLOGIA DA INFORMACAO LTDA, São Paulo, Brasil	100.00	31	-274
via Graphisoft UK Ltd., Uxbridge, Great Britain:			
Bite Design Ltd., London, Great Britain	100.00	7	1
via Data Design System AS, Klepp Stasjon, Norway:			
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00	455	109
Data Design System UK Ltd., Wiltshire, Great Britain	100.00	-129	0
Data Design System GmbH, Ascheberg	100.00	3,595	1,356
Build segment			
via Bluebeam Holding, Inc., Delaware, United States (formerly: Nemetschek US, Inc.)			
Bluebeam Software, Inc., Pasadena, United States	100.00	23,071	7,179
via Bluebeam Software, Inc., Pasadena, United States:			
Bluebeam AB, Krisa, Sweden	100.00	241	87
via Nemetschek Austria Beteiligungen GmbH:			
NEVARIS Bausoftware GmbH, Mondsee, Austria	50.10	5,515	1,148
via NEVARIS Bausoftware GmbH, Mondsee, Austria			
Nevaris BIM Software GmbH, Berlin	86.50	-2,360	-608
via Solibri Oy, Helsinki, Finland:			
SOLIBRI UK LTD., Newbury, Great Britain	100.00	-55	-179
Solibri LLC, Scottsdale, United States	100.00	-207	-264
Solibri DACH GmbH, Hamburg***	100.00	51	26
via Nemetschek, Inc., Washington, United States			
Design Data Corporation, Lincoln, United States	100.00	-476	457
Media & Entertainment segment			
via MAXON Computer GmbH, Friedrichsdorf:			
MAXON Computer Inc., Thousand Oaks, California, United States	90.00	2,930	1,631
MAXON Computer Canada Inc., Varennes, Canada	100.00	50	46
MAXON Computer Ltd., Bedford, Great Britain	100.00	745	469

* 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 is shown prior to the profit and loss transfer agreement with Allplan GmbH. In the fiscal year 2016, the three entities exercised the exemptions of Sec. 264 (3) HGB as follows:

- Option not to prepare notes to the financial statements so that the annual financial statements comprise a balance sheet and income statement
- Option not to prepare a management report
- Option not to publish the annual financial statements.

*** These companies were founded in 2016.

**** This company was acquired in 2016.

As of the balance sheet date, Nemetschek SE has indirect minority holdings in DocuWare GmbH, Germering, amounting to 22% (equity as of December 31, 2016: EUR 8,120k; net income for the year 2016: EUR 2,769k) and in Nemetschek OOD, Sofia, Bulgaria, amounting to 20% (equity as of December 31, 2016: EUR 3,787k;

net income for the year 2016: EUR 879k). The company has a direct minority holding through Allplan GmbH of 24.99% of the shares (previous year: 29%) of Sablono GmbH, Berlin (equity as of December 31, 2016: EUR –42k; net income for the year 2016: EUR –478k).

LOANS DUE FROM AFFILIATED COMPANIES

Nemetschek SE gave noncurrent interest-bearing loans to affiliated companies in the amount of EUR 36,823k (previous year: EUR 36,762k). These include the loan granted to Bluebeam Holding, Inc. (formerly Nemetschek US, Inc.) in 2014 in the amount of EUR 34,694k (previous year: EUR 34,694k), 50% of which is due for repayment on October 31, 2021 and on October 31, 2024 respec-

tively. In addition, the loans to affiliated companies include a loan to the acquired Solibri Oy in 2015 in the amount of EUR 2,129k (previous year: EUR 2,068k), which is to be paid back on December 30, 2018. The increase in the amount of the loan is as a result of the contractual addition of the interest on the loan incurred in the 2016 financial year.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Receivables with a remaining term of more than one year existed as of December 31, 2016, in other assets, EUR 826k, in the amount of

EUR 43k (previous year: EUR 51k). Moreover, tax receivables are generally disclosed under other assets.

ACCOUNTS DUE FROM AFFILIATED COMPANIES

Accounts due from affiliated companies mainly constitute receiv-

ables from profit and loss transfer agreements.

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 in the amount of EUR 59k (previous year: EUR 67k).

SUBSCRIBED CAPITAL

Subscribed capital of Nemetschek SE remained 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 § 266 (3A) III No. 4 HGB.

RETAINED EARNINGS

Retained earnings developed as follows:

	in €
As of December 31, 2015	102,701,483.10
– Dividend	19,250,000.00
+ Net income 2016	43,708,844.50
As of December 31, 2016	127,160,327.60

PROPOSAL ON THE APPROPRIATION OF PROFITS

The executive board proposes to the supervisory board that a dividend be paid for the financial year 2016 amounting to EUR 23,100,000.00. This represents EUR 0.60 per share.

PROVISIONS

Income tax provisions mainly contain provisions for corporate income tax for the reporting year (EUR 1,560k) and trade tax for the reporting year (EUR 996k).

Other provisions include the following amounts:

Thousands of €	As of Jan. 1, 2016	Reclassification	Utilization	Resolution	Supply	As of Dec. 31, 2016
Outstanding invoices	1,088	0	931	41	1,206	1,322
Commission/bonuses for employees	1,715	0	425	2	1,640	2,928
Partial retirement	82	0	63	19	0	0
Legal and consulting fees	177	0	164	13	179	179
Other	140	0	40	83	34	51
Total	3,202	0	1,623	158	3,059	4,480

LIABILITIES

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

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Liabilities to banks	95,800	26,000	69,800	0
Dec. 31, 2015	80,000	18,400	61,600	0
Trade accounts payable	207	207	0	0
Dec. 31, 2015	496	496	0	0
Accounts payable to affiliated companies	36,494	36,494	0	0
Dec. 31, 2015	29,264	29,264	0	0
Tax liabilities	923	923	0	0
Dec. 31, 2015	981	981	0	0
Other liabilities	20	20	0	0
Dec. 31, 2015	22	22	0	0
Dec. 31, 2016	133,444	63,644	69,800	0
Dec. 31, 2015	110,763	49,163	61,600	0

Liabilities to banks are the result of loans for acquisitions. Interest amounts to between 0.77% and 1.03%.

Liabilities vis-à-vis affiliated companies mainly comprise liabilities arising from cash pooling.

DEFERRED TAX LIABILITIES

In the 2016 financial year, deferred tax liabilities in the amount of EUR 881k (previous year: EUR 901k) were disclosed. The main reason for this are differences between commercial and tax-based val-

uation in the case of investment in a partnership in the amount of EUR 5,108k (previous year: EUR 5,535k), which was recognized with a tax rate of 15.825%

NOTES TO THE PROFIT AND LOSS ACCOUNT

The settlement figures specified in the statement of comprehensive income as of December 31, 2015 correspond to the pre-BiIRUG structure.

These revenues in the amount of EUR 2,722k (previous year: EUR 862k as per BiIRUG) mainly comprise brand license remuneration with affiliated companies (EUR 2,417k (previous year: EUR 595k). Of this, EUR 1,188k were realized domestically. The restructuring of umbrella brand licensing, which began in the 2015 financial year, was continued in the 2016 financial year.

In the 2016 financial year, other operating income amounts to EUR 5,558k (previous year: EUR 508k as per BiIRUG). This mainly

includes an appreciation in value of financial assets in the amount of EUR 2,925k and an insurance reimbursement in the amount of EUR 1,900k resulting from compensation litigation. Moreover, other operating income includes income from charging out to affiliated companies amounting to EUR 382k (previous year: EUR 283k as per BiIRUG), income from divesting provisions unrelated to the accounting period of EUR 158k (previous year: EUR 46k) and income from currency translations of EUR 92k (previous year: EUR 177k).

Other operating expenses include expenses resulting from currency translation in the amount of EUR 85k (previous year EUR 124k).

OTHER DISCLOSURES

CONTINGENCIES

	thousands of €	Dec. 31, 2016	Dec. 31, 2015
Bank guarantees		354	466

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 which would lead to utilization.

In the 2016 financial year, Nemetschek SE submitted a letter of moral intent for GRAPHISOFT Deutschland GmbH valid until the next balance sheet date (December 31, 2017). 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, 2016) 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.

OTHER FINANCIAL OBLIGATIONS

	Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements		1,383	346	1,037	0
Leases		70	38	32	0
Total financial commitments as of December 31, 2016		1,453	384	1,069	0
Rental agreements		1,366	273	1,093	0
Leases		56	26	30	0
Total financial commitments as of December 31, 2015		1,422	299	1,123	0

Profit and loss transfer agreements exist between Nemetschek SE and the following companies. Domination agreements were concluded with these companies in April 2016.

- I Frilo Software GmbH, Stuttgart
- I Allplan GmbH, Munich

PERSONNEL

Nemetschek SE employed a staff of 33 on average for the year (previous year: 27), who work in the administration department. Of

A profit and loss transfer agreement also exists between Allplan GmbH, Munich, and Allplan Deutschland GmbH, Munich, in addition to a domination agreement since April 2016.

these, 5 serve as executives (previous year: 4), 20 as employees (previous year: 17) and 8 as part-time staff (previous year: 6).

INFORMATION ON THE GERMAN "CORPORATE GOVERNANCE CODE"

The Declaration of Conformity was submitted on March 20, 2016. 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 2016 amounts to EUR 2,047k (previous year: EUR 1,804k). Total remuneration from subsidiaries for Mr.

Várkonyi and Mr. Flaherty amounted to EUR 717k (previous year: EUR 653k). Executive board remuneration is disclosed and explained in detail in the management report of the company.

SUPERVISORY BOARD REMUNERATION

The members of the supervisory board of Nemetschek SE are remunerated for the 2016 financial year with EUR 664.5k (previous year: EUR 492k) in total, with a fixed component in the amount of EUR 67.5k (previous year: EUR 67.5k) and a variable component in

the amount of EUR 597k (previous year: EUR 424.5k). Supervisory board remuneration is disclosed in detail in the management report of the company.

AUDITORS' REMUNERATION

With regard to the disclosure of the auditors' remuneration, disclosure in the individual financial statements of Nemetschek SE as per

§285 No. 17 HGB is waived. This information is contained in the consolidated financial statements of Nemetschek SE.

SUPPLEMENTARY REPORT

On December 20, 2016, Nemetschek SE agreed to acquire 100% of the shares of Norwegian software maker dRofus AS. This acquisition became legally effective as of January 3, 2017. As of January 1, 2017, is integrated in the consolidation of the Nemetschek Group. The purchase price for the shares amounted to EUR 25,786k. The

purchase price was financed using the company's own capital resources as well as lines of credit.

There were no further significant events after the end of the 2016 financial year.

DISCLOSURE REQUIREMENTS UNDER § 21 (1) SECURITIES TRADING ACT ("WERTPAPIERHANDELSGESETZ"/"WPHG")

The direct and indirect voting rights of the following persons/institutions in Nemetschek Aktiengesellschaft as of December 31, 2015 were as follows:

- I Prof. Georg Nemetschek, Munich: 53.57% (previous year: 53.57%)
- I Nemetschek Vermögensverwaltungs GmbH & Co. KG, Grünwald: 53.57% (previous year: 53.57%)
- I Nemetschek Verwaltungs GmbH, Grünwald: 53.57% (previous year: 53.57%)

- I Allianz SE, Munich: 5.08% (previous year: 5.08%)
- I Union Investment Privatfonds GmbH, Frankfurt am Main: 3.05% (below on January 10, 2017 reported: 2.85%)

The disclosures are based on the information reported by Nemetschek Aktiengesellschaft in accordance with §§ 21 ff. WpHG. The actual number of shareholder voting rights can deviate from the number disclosed due to interim, non-reportable or unreported trading.

VOTING RIGHTS DECLARATIONS BY NEMETSCHKE SE 22.07.2016

Union Investment Privatfonds GmbH, Frankfurt am Main, Germany informed us in accordance with § 21 (1) WpHG on July 21, 2016 that on July 20, 2016 its voting right share in Nemetschek SE, Munich,

Germany exceeded the threshold of 3% of the voting rights and, on this day, amounted to 3.05% (that is equivalent to 1175531 of the voting rights).

17.04.2015

Allianz SE reported on April 14, 2015 that its voting right share in Allianz Management AG and Allianz Global Investors in Nemetschek AG fell below the thresholds of 5% and 3% in Nemetschek

08.01.2014

Nemetschek Vermögensverwaltungs GmbH & Co. KG, Grünwald, Germany, informed us in accordance with § 21 (1) WpHG on 02.01.2014 that on 30.12.2013 its voting right share in Nemetschek AG, Munich, Germany exceeded the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and, on this day, amounted to 53.57% (that is equivalent to 5,155,732 of the voting rights).

Of these, the company has 5.19% (that is equivalent to the 500,000 voting rights) in accordance with § 22 (2) WpHG by Prof. Georg Nemetschek (shareholder whose voting right share amounts to more than 3% in Nemetschek AG).

Nemetschek Verwaltungs GmbH, Grünwald, Germany, informed us in accordance with § 21 (1) WpHG on 02.01.2014 that on 30.12.2013 its voting right share in Nemetschek AG, Munich, Germany exceeded the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and, on this day, amounted to 53.57% (that is equivalent to 5,155,732 of the voting rights). Of these, the company has 5.19% (that is equivalent to the 500,000 voting rights) in accordance with § 22 (2) WpHG by Prof. Georg Nemetschek (shareholder whose voting right share amounts to more than 3% in Nemetschek

10.10.2013

The Allianz SE, Munich, Germany informed us in accordance with § 21 (1) WpHG on 08.10.2013 that its voting right share in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany on 04.10.2013 exceeded the threshold of 5% and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights in total). The voting rights were attributed to Allianz SE in accordance with § 22 (1) sentence 1 No. 1 WpHG and § 22 (1) Sentence 1 No. 6 in connection with sentence 2 WpHG.

The voting rights attributable to Allianz SE in accordance with § 22 (1) sentence 1 No. 1 WpHG were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- ┆ Allianz Europe B.V.
- ┆ Allianz Holding France SAS
- ┆ Allianz France S.A.
- ┆ Allianz I.A.R.D. S.A.

At the same time these voting rights were attributed to Allianz SE in accordance with § 22 (1) No. 6 in connection with sentence 2 WpHG from a shareholder whose voting right share in Nemetschek AG amounted to 3% or more:

- ┆ Allianz I.A.R.D. S.A.

AG. The report of Allianz SE dated October 10, 2013, in which a capital share of over 5% in Nemetschek AG was reported remains unaffected by this and continues to be valid.

AG). A further 48.37% (that is equivalent to 4655732 voting rights) are attributable to the company in accordance with § 22 (1) No. 1 WpHG from Nemetschek Vermögensverwaltungs GmbH & Co. KG as its controlled company.

Professor Georg Nemetschek, Germany, informed us in accordance with § 21 (1) WpHG on 02.01.2014 that on 30.12.2013 his voting right share in Nemetschek AG, Munich, Germany exceeded the threshold of 30% and 50% of the voting rights and, on this day, amounted to 53.57% (that is equivalent to 515,5732 of the voting rights).

Of this a further 48.37% (that is equivalent to 4,655,732 voting rights) are attributable to the company in accordance with § 22 (1) No. 1 WpHG from Nemetschek Vermögensverwaltungs GmbH & Co. KG as its controlled company.

48.37% (that is equivalent to 4655732 voting rights) are attributable to Mr. Prof. Georg Nemetschek also in accordance with § 22 (2) WpHG from Nemetschek Vermögensverwaltungs GmbH & Co. KG (shareholder, whose voting right share in the Nemetschek AG amounts to more than 3%.

At the same time Allianz SE informed us in accordance with § 21 (1) WpHG in connection with § 24 WpHG:

1. The voting right share of Allianz Europe B.V., Amsterdam, Netherlands in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights). These voting rights were allocated to Allianz Europe B.V. in accordance with § 22 (1) sentence 1 No. 1 WpHG.

The voting rights attributable to Allianz Europe B.V. were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- ┆ Allianz Holding France SAS
- ┆ Allianz France S.A.
- ┆ Allianz I.A.R.D. S.A.

2. The voting right share of Allianz Holding France SAS, Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights). These voting rights were allocated to Allianz Holding France SAS in accordance with § 22 (1) sentence 1 No. 1 WpHG.

The voting rights attributable to Allianz Holding France SAS were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- I Allianz France S.A.
- I Allianz I.A.R.D. S.A.

3. The voting right share of Allianz France S.A., Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights in total). These voting rights were allocated to Allianz France S.A. in accordance with § 22 (1) sentence 1 No. 1 WpHG.

The voting rights attributable to Allianz France S.A. were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

4. The voting right share of Allianz I.A.R.D. S.A., Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights in total).

5. The voting right share of Allianz Asset Management AG, Munich, Germany in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights in total). These voting rights were allocated in accordance with § 22 (1) sentence 1 No. 6 in connection with sentence 2 WpHG.

These voting rights were attributed in accordance with § 22 (1) sentence 1, No. 6 in connection with sentence 2 WpHG from a shareholder whose voting right share amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

6. The voting right share of Allianz Global Investors GmbH, Munich, Germany in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights in total). These voting rights were allocated in accordance with § 22 (1) sentence 1 No. 6 in connection with sentence 2 WpHG.

These voting rights were attributed in accordance with § 22 (1) sentence 1, No. 6 in connection with sentence 2 WpHG from a shareholder whose voting right share amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

7. The voting right share of Allianz Global Investors France S.A., Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 5% on 04.10.2013 and amounted to 5.08% (488,753 voting rights of 9,625,000 voting rights in total). These voting rights were allocated in accordance with § 22 (1) sentence 1 No. 6 WpHG.

These voting rights were allocated in accordance with § 22 (1) sentence 1, No. 6 WpHG from a shareholder whose voting right share amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

Furthermore, Allianz SE, Munich, Germany informed us in accordance with § 21 (1) WpHG on 08.10.2013 that its voting right share in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany on 01.10.2013 exceeded the threshold of 3% and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights in total).

The voting rights were attributed to Allianz SE in accordance with § 22 (1) sentence 1 No. 1 WpHG and § 22 (1) Sentence 1 No. 6 in connection with sentence 2 WpHG.

The voting rights attributable to Allianz SE in accordance with § 22 (1) sentence 1 No. 1 WpHG were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- I Allianz Europe B.V.
- I Allianz Holding France SAS
- I Allianz France S.A.
- I Allianz I.A.R.D. S.A.

At the same time these voting rights were attributed to Allianz SE in accordance with § 22 (1) No. 6 in connection with sentence 2 WpHG from a shareholder whose voting right share in Nemetschek AG amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

At the same time Allianz SE informed us in accordance with § 21 (1) WpHG in connection with § 24 WpHG:

1. The voting right share of Allianz Europe B.V., Amsterdam, Netherlands in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 01.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights). These voting rights were allocated to Allianz Europe B.V. in accordance with § 22 (1) sentence 1 No. 1 WpHG.

The voting rights attributable to Allianz Europe B.V. were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- I Allianz Holding France SAS
- I Allianz France S.A.
- I Allianz I.A.R.D. S.A.

2. The voting right share of Allianz Holding France SAS, Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 01.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights). These voting rights were allocated to Allianz Holding France SAS in accordance with § 22 (1) sentence 1 No. 1 WpHG.

The voting rights attributable to Allianz Holding France SAS were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- I Allianz France S.A.
- I Allianz I.A.R.D. S.A.

3. The voting right share of Allianz France S.A., Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 01.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights in total). These voting rights were allocated to Allianz France S.A. in accordance with § 22 (1) sentence 1 No. 1 WpHG.

The voting rights attributable to Allianz France S.A. were allocated via the following enterprises controlled by it, the voting right share of each in Nemetschek AG amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

4. The voting right share of Allianz I.A.R.D. S.A., Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 01.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights in total).

5. The voting right share of Allianz Asset Management AG, Munich, Germany in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 01.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights in total). These voting rights were allocated in accordance with § 22 (1) sentence 1 No. 6 in connection with sentence 2 WpHG.

These voting rights were attributed in accordance with § 22 (1) sentence 1, No. 6 in connection with sentence 2 WpHG from a shareholder whose voting right share amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

6. The voting right share of Allianz Global Investors GmbH, Munich, Germany in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 04.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights in total). These voting rights were allocated in accordance with § 22 (1) sentence 1 No. 6 in connection with sentence 2 WpHG.

These voting rights were attributed in accordance with § 22 (1) sentence 1, No. 6 in connection with sentence 2 WpHG from a shareholder whose voting right share amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

7. The voting right share of Allianz Global Investors France S.A., Paris, France in Nemetschek AG, Konrad-Zuse-Platz 1, 81829 Munich, Germany exceeded the threshold of 3% on 01.10.2013 and amounted to 3.58% (344,504 voting rights of 9,625,000 voting rights in total). These voting rights were allocated in accordance with § 22 (1) sentence 1 No. 6 WpHG.

These voting rights were allocated in accordance with § 22 (1) sentence 1, No. 6 WpHG from a shareholder whose voting right share amounted to 3% or more:

- I Allianz I.A.R.D. S.A.

SUPERVISORY BOARD

Mr Kurt Dobitsch

(Independent businessman)

Chairman

Member of the following supervisory boards:

- I United Internet AG, Montabaur (Chairman)
Companies related to the group:
 - United Internet Ventures AG, Montabaur
 - 1 & 1 Internet SE, Montabaur (formerly: 1&1 Internet Holding SE)
 - 1 & 1 Telecommunication SE, Montabaur (formerly: 1&1 Telecommunication Holding SE)
 - 1&1 Mail & Media Application SE Montabaur (formerly: United Internet Mail & Media SE)
- I Nemetschek SE, München (Chairman)
Companies related to the group:
 - Graphisoft SE, Budapest, Hungary
 - Vectorworks, Inc., Columbia, USA
- I Bechtle AG, Gaildorf
- I Singhammer IT Consulting AG, Munich

Prof. Georg Nemetschek

(Degree in Engineering, independent businessman)

Deputy Chairman

Mr Rüdiger Herzog

(Lawyer)

Member of the following supervisory boards:

- I DF Deutsche Finance Holding AG (Chairman)
- I Kaufhaus Ahrens AG (Chairman)
- I DF Deutsche Finance Investment GmbH (Chairman since September 30, 2016)

EXECUTIVE BOARD

Mr Patrik Heider

(Business Degree FH)

Spokesperson for the executive board and CFOO

Member of the following supervisory boards:

- Bluebeam Software, Inc., USA
- SCIA Group International nv, Belgium
- Solibri Oy, Finland
- Data Design System AS, Norway

Mr Viktor Várkonyi

(Master in Computer Science, MBA)

Member of the executive board

CEO Graphisoft SE

Member of the following supervisory boards:

- Graphisoft SE, Hungary
- Data Design System AS, Norway
- Solibri Oy, Finland
- dRofus AS, Norway (since January 3, 2017)

Mr Sean Flaherty

(Bachelor in Computer Science)

CSO (since May 1, 2016)

Member of the executive board and CEO Vectorworks, Inc.
(until April 30, 2016)

Member of the following supervisory boards:

- Vectorworks, Inc., USA
- Bluebeam Software, Inc., USA
- Design Data Corporation, USA (since August 1, 2016)

Munich, March 10, 2017

Nemetschek SE

Patrik Heider

Sean Flaherty

Viktor Várkonyi

STATEMENT OF FIXED ASSETS NEMETSCHKE SE

as of December 31, 2016 and December 31, 2015 (German Commercial Code)

2016	Thousands of €	Development of historic costs			As of Dec. 31, 2016
		As of Jan. 1, 2016	Additions	Disposal	
I. Intangible assets					
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets		368,442.66	79,072.85	163,354.02	284,161.49
2. Prepayments on intangible assets		0.00	52,625.00	0.00	52,625.00
		368,442.66	131,697.85	163,354.02	336,786.49
II. Property, plant and equipment					
1. Leasehold improvements		309,782.23	52,473.90	0.00	362,256.13
2. Fixtures, fittings and equipment		725,427.13	48,033.63	0.00	773,460.76
		1,035,209.36	100,507.53	0.00	1,135,716.89
III. Financial assets					
1. Shares in affiliated companies		243,613,897.32	44,723,005.24	0.00	288,336,902.56
2. Loans due from affiliated companies		36,761,755.81	61,019.23	0.00	36,822,775.04
3. Investments		3,169,566.46	50,000.00	0.00	3,219,566.46
		283,545,219.59	44,834,024.47	0.00	328,379,244.06
Total fixed assets		284,948,871.61	45,066,229.85	163,354.02	329,851,747.44

Development of accumulated depreciation/ amortization					Carrying amount	
As of Jan. 1, 2016	Additions	Attributions	Disposal	As of Dec. 31, 2016	As of Dec. 31, 2016	As of Dec. 31, 2015
348,916.77	25,049.46	0.00	163,354.02	210,612.21	73,549.28	19,525.89
0.00	0.00	0.00	0.00	0.00	52,625.00	0.00
348,916.77	25,049.46	0.00	163,354.02	210,612.21	126,174.28	19,525.89
296,069.53	8,572.97	0.00	0.00	304,642.50	57,613.63	13,712.70
674,244.72	37,932.76	0.00	0.00	712,177.48	61,283.28	51,182.41
970,314.25	46,505.73	0.00	0.00	1,016,819.98	118,896.91	64,895.11
6,313,631.86	0.00	-2,925,000.00	0.00	3,388,631.86	284,948,270.70	237,300,265.46
0.00	0.00	0.00	0.00	0.00	36,822,775.04	36,761,755.81
1,144,262.53	0.00	0.00	0.00	1,144,262.53	2,075,303.93	2,025,303.93
7,457,894.39	0.00	-2,925,000.00	0.00	4,532,894.39	323,846,349.67	276,087,325.20
8,777,125.41	71,555.19	-2,925,000.00	163,354.02	5,760,326.58	324,091,420.86	276,171,746.20

DECLARATION OF THE LEGAL REPRESENTATIVES

"I hereby confirm that, to the best of my knowledge, in accordance with the applicable financial reporting framework, the financial statement gives a true and fair view of the net assets, financial position and results 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 group, and describes the main opportunities and risks of the anticipated development of the company."

Munich, March 10, 2017



Patrik Heider



Sean Flaherty



Viktor Várkonyi

AUDIT OPINION

We have issued the following opinion on the financial statements and management report:

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Nemetschek SE, Munich, for the fiscal year from 1 January 2016 to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company’s position and suitably presents the opportunities and risks of future development.”

Munich, 10 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt
Wirtschaftsprüfer
[German Public Auditor]

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