

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	
ALLPLAN	GRAPHISOFT.	NEVARIS	CREM SOLUTIONS	MAXON
VECTORWORKS	SCIA	BLUEBEAM		
DATA DESIGN SYSTEM	FRILO Software	SOLIBRI		
PRECAST SOFTWARE engineering	dRofus	DESIGN DATA		

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 NEMETSCHEK 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:

- 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.

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:

- 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 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
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[German Public Auditor]

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