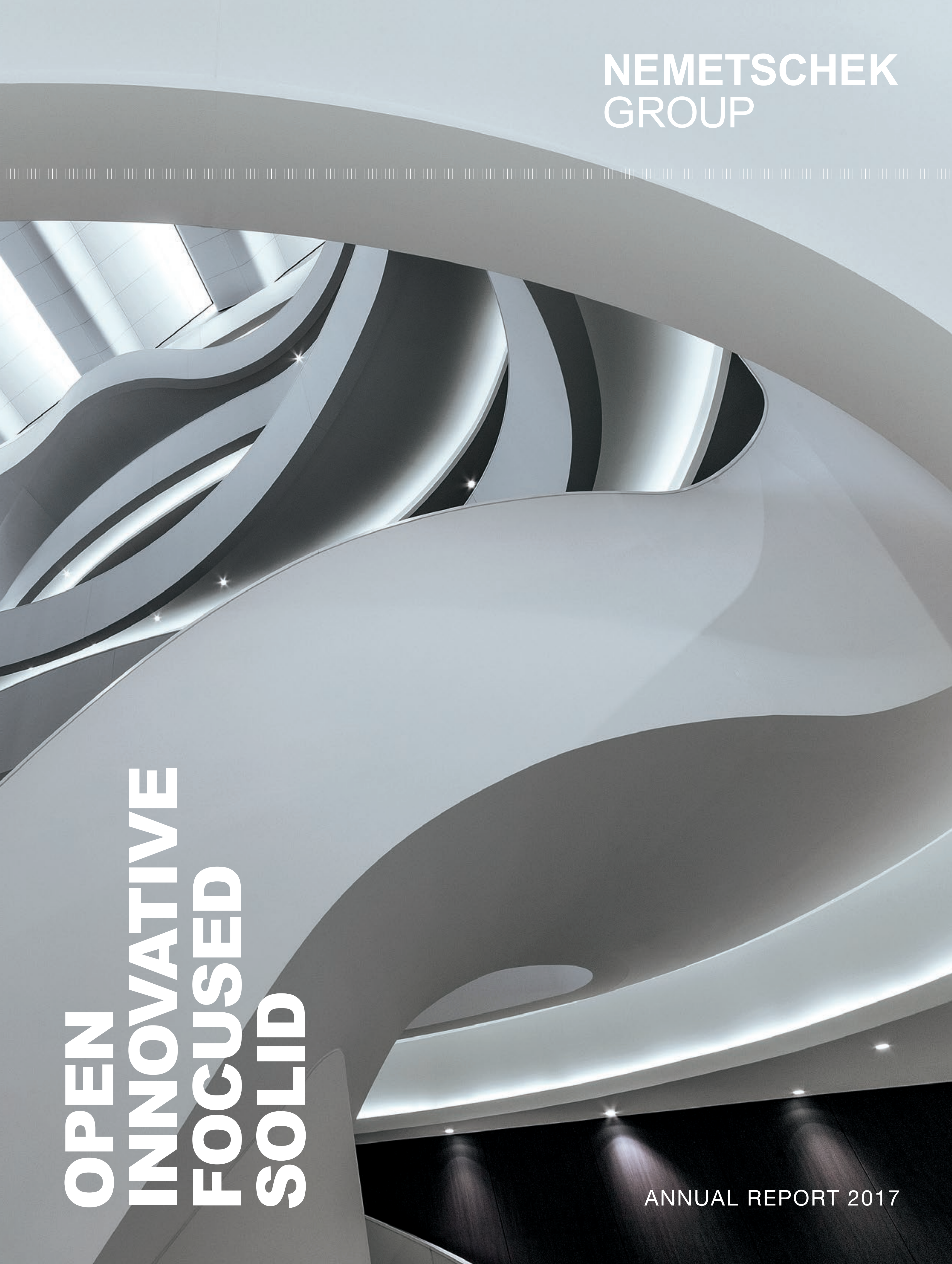


NEMETSCHEK GROUP

OPEN
INNOVATIVE
FOCUSED
SOLID

ANNUAL REPORT 2017

At a glance

67
Locations

2.7m
Users

15
Brands

1
Philosophy

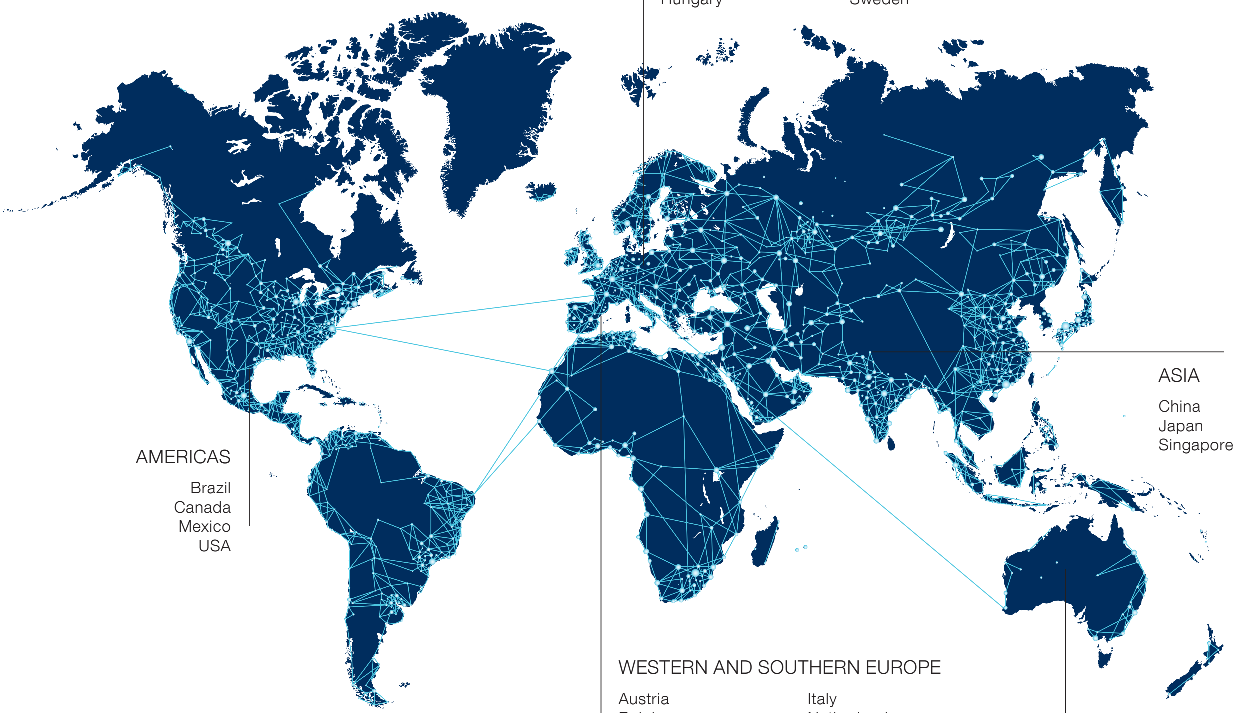
Users in
142
countries

Around
2,100
employees
worldwide

Founded
1963
by Professor
G. Nemetschek

OPEN
BIM

THE LOCATIONS



THE BRANDS

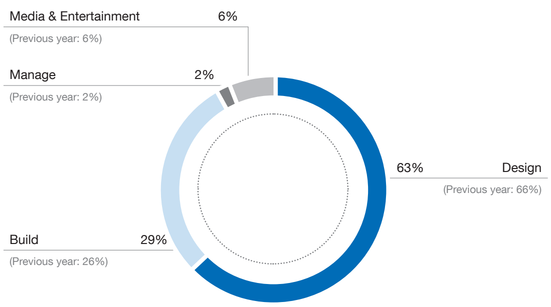
ALLPLAN BLUEBEAM CREM SOLUTIONS DATA DESIGN SYSTEM dRofus FRILO Software GRAPHISOFT MAXON
NEVARIS PRECAST SOFTWARE engineering RISA SCIA SDS/2 SOLIBRI VECTORWORKS

Key figures

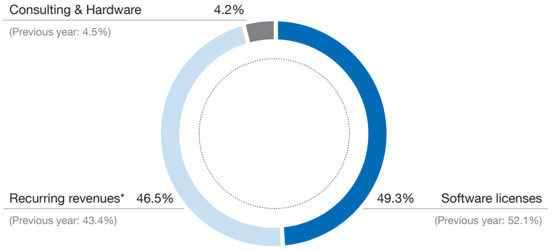
NEMETSCHEK GROUP

in EUR million	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Revenues	**395.6**	**337.3**	**285.3**	**218.5**	**185.9**
EBITDA	**108.0**	**88.0**	**69.5**	**56.8**	**46.3**
as % of revenue	27.3%	26.1%	24.4%	26.0%	24.9%
EBIT	**86.4**	**69.7**	**52.7**	**46.5**	**35.7**
as % of revenue	21.9%	20.7%	18.5%	21.3%	19.2%
Net income (group shares)	**74.7**	**46.9**	**35.9**	**31.5**	**24.0**
per share in €	1.94	1.22	0.93	0.82	0.62
Net income (group shares) before purchase price allocation	**85.2**	**55.1**	**42.8**	**35.3**	**29.7**
per share in €	2.21	1.43	1.11	0.92	0.77
Cash flow from operating activities	**97.4**	**79.7**	**65.1**	**44.2**	**40.2**
Free cash flow	**42.8**	**32.1**	**23.7**	**–35.2**	**18.7**
Net liquidity/net debt	**24.0**	**16.3**	**3.3**	**–3.0**	**48.6**
Balance sheet total	**460.8**	**454.7**	**370.8**	**291.7**	**178.5**
Equity ratio	**49.5%**	**44.4%**	**45.0%**	**46.8%**	**66.2%**
Headcount as of balance sheet date	**2,142**	**1,925**	**1,754**	**1,559**	**1,356**
Closing price (Xetra) in €	**74.84**	**55.26**	**46.03**	**20.90**	**12.58**

REVENUES BY SEGMENT IN %

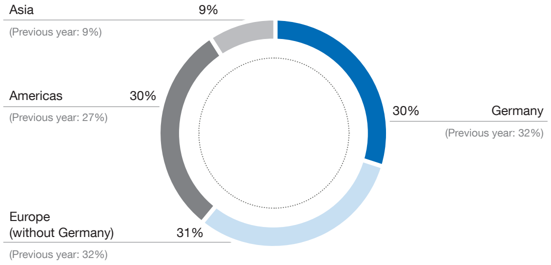


REVENUES BY TYPE IN %

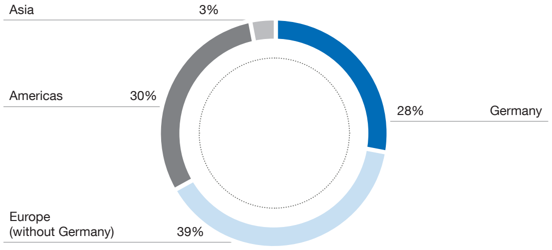


* Software services, rental models (subscription, software-as-a-service).

REVENUES BY REGION IN %



EMPLOYEES BY REGION IN %



Arena Pays d'Aix, Aix-en-Provence, France
Architects: Christophe Gulizzi & Auer Weber Assoziierte GmbH
Image: Lisa Ricciotti
Realized with ARCHICAD by GRAPHISOFT

CONTENTS

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The Nemetschek Group develops software solutions that enable a sustainable and efficient process for complex construction and infrastructure projects. The 15 brands of the Nemetschek Group operate largely independently, with close proximity to the market.

But they all have four characteristics in common: Open. Innovative. Focused. Solid. These cornerstones make the Group so successful.

Driving digitalization in the building industry

Prestigious buildings, affordable housing for a growing population or complex infrastructure projects: the building industry faces a wide range of challenges. These include cost and time pressure, difficult building structures, increasing numbers of project stakeholders, new provisions and requirements, and not least of all, the debate regarding sustainability in a sector that devours 40 percent of the world's energy production. The fact is that the industry could be a lot more efficient. While the processing industry, for example, has increased its productivity by 750 percent over the past 60 years, the building industry has only been able to achieve a rise of 60 percent, not least of all because it is about 15 years behind other industries, the automotive industry for instance, in terms of digitalization.

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Open standards ensure the exchange of data across various disciplines and software providers, and enable seamless collaboration between all those involved in the building process.

A major city somewhere on the globe: a renowned architecture office designs a state-of-the-art building, making exemplary use of 3D software. The project is then forwarded to the engineer, who plans the statics and building technology before it is passed on to a construction company. There too a modern software solution is in place. But how can the experts collaborate efficiently if the data cannot be exported to other software? Do new plans need to be made? Are new calculations necessary? Is this efficient?

Quite the contrary! This is how mistakes and redundancies happen, incurring avoidable costs. And what will occur in 15 years if the building is to be extended or walls are to be shifted? What data will then still be available? And how do you go about managing such a building of this size efficiently? The high costs of building are the topic of much discussion, however 80 percent of the costs incurred by a property are administration-related, i.e. after the building has been built. End-to-end digital collaboration for more efficiency and cost control are more important now than ever before.

Seamless exchange of data

Building Information Modeling (BIM) pursues this aim. This method is used to design, implement and manage buildings and other construction and infrastructure projects more efficiently with the support of software. All relevant building data is digitally modeled, combined and documented. The building is also geometrically visualized as a virtual model. BIM has arrived in the building industry: for widespread use there are still hurdles to be overcome, but in many countries the legislative foundations are currently being put in place.

The Nemetschek Group goes even one step further: by using and enhancing open standards, digital workflows are optimized across various disciplines and teams. The so-called Open BIM approach supports communication and collaboration of all those involved in designing and implementing construction. The parties who benefit are not just architects, expert designers and building companies, but also investors, owners and operators of a property or infrastructure project. The design quality achieved using Open BIM results in high degrees of detail and information content at an early stage. This generates transparency and efficiency in the design and avoids unforeseen costs and time lost in the building phase.

Open BIM initiative as a driver

The Open BIM method enables open standards and end-to-end information processing to make it possible to design and build efficiently and seamlessly. Together with other providers, the Nemetschek Group supports the Open BIM initiative to ensure that this happens beyond the bounds of the software. The initiative was jointly created with buildingSMART, an international association. The participating partners from the AEC industry collaborate across disciplines and platforms.

Since data is seamlessly exchanged via defined interfaces, architects and expert designers can choose which software they want to work with. Access to BIM data is continuously ensured, and the design remains transparent, consistent and up to date at all times throughout the design and building stages as well as for the entire lifecycle of the building.

Using open standards, professional planning across various disciplines is ensured even before the groundbreaking ceremony takes place. With increasing networking and quality assurance before the actual building process, it is possible to avoid time- and cost-intensive mistakes. The Nemetschek Group has always stood behind this approach and advances the use of Open BIM.

COLLABORATION WITH OPEN BIM

Consistent planning of Scott Sports' innovative headquarters with BIM software: General planner counted on solutions from the Nemetschek Group.

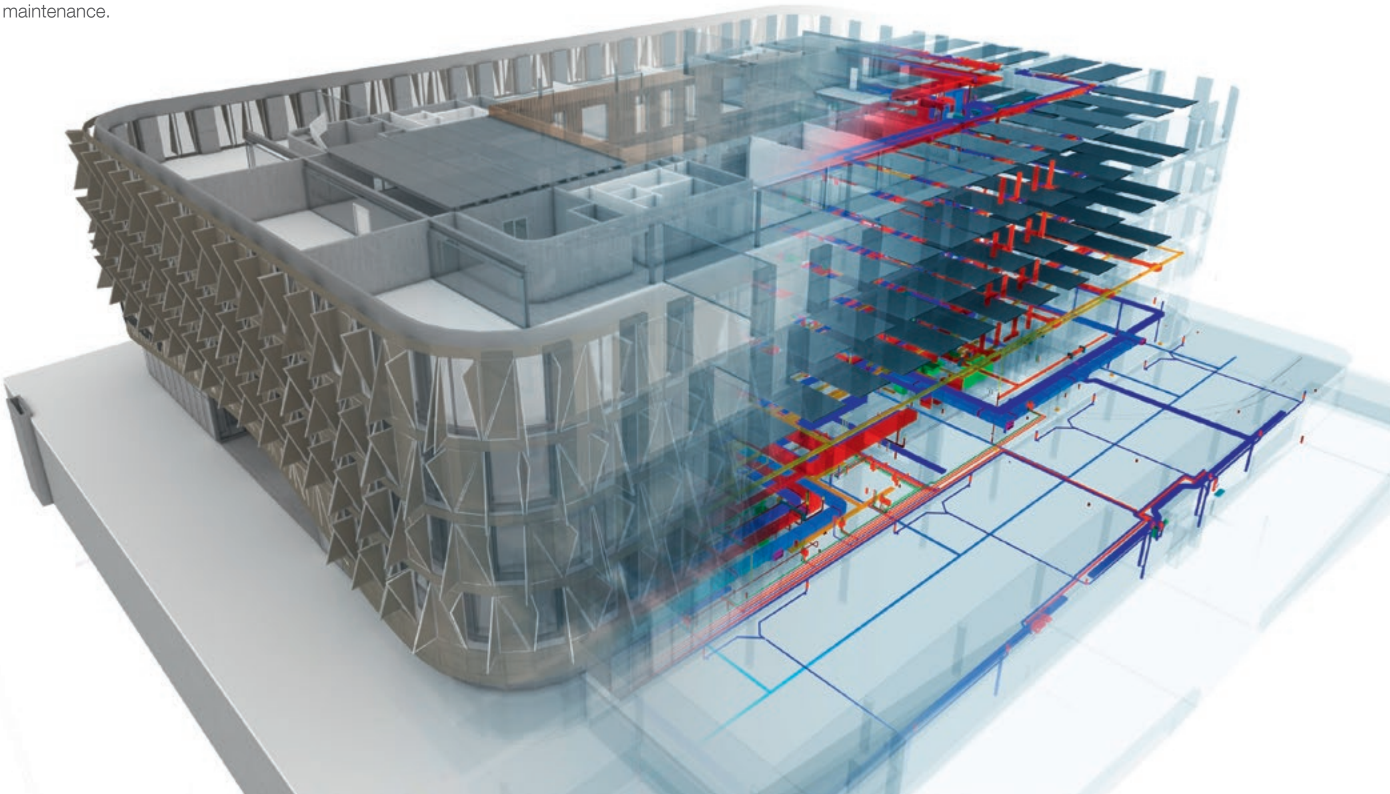
Building owner: Scott Sports SA, Givisiez, Switzerland

General planner / Architect: Itten+Brechbühl AG, Bern, Switzerland

Award-winning architecture: Building owner's specifications strategically implemented with Open BIM

The European headquarters of the American sporting goods brand Scott in Switzerland is a good example of how the concept of Open BIM can be brought to life. The new building, designed by architects Itten+Brechbühl from Bern, reflects the innovative and global nature of the brand, which is also expressed by the high-tech façade, among other aspects. A space-generating element in the interior of the striking aluminum-paneled cube takes the form of a light and airy atrium in which the five levels of the new building can be perceived. The building is connected via a main staircase which leads to the auditorium inside. A cafeteria and restaurant on the ground floor mark the inviting entrance area, which also contains the showroom.

The digital twin – a detailed BIM model supports successful collaboration from planning to building and maintenance.



The spacious showroom offers an appropriate framework to present the innovative bikes.

Cycling is the focus at the Scott site in Givisiez: visitors can view the test route for the brand's new sport bikes right from the ground floor.

The offices of the employees are on the four upper floors. The open office environment aims to promote communication between employees and enable flexible room layouts by means of the selected grid system. Thus Scott is preparing itself today for the requirements of tomorrow's working world.

Project plan specifies OPEN BIM

An important milestone for the success of the project was the design with the BIM method. Supported by the concept of Open BIM and the design work on the virtual building model across disciplines and platforms, architects and expert designers held coordination meetings every 14 days. All issues and problems were explained right in the BIM model. Besides the design software Vectorworks, the Model Checker from Nemetschek brand Solibri was used, which supported transparency in the design. Communication was thus always based on facts.

Industry Foundation Classes (IFC) was specified as the main data exchange format for Open BIM. The architects defined the cross-platform IFC format and the exchange cycles for data exchange and coordination in the project plan. Their architectural model was the basis for the BIM design. The expert designers and engineers involved used this as a basis to develop their technical models for the façade and building technology as well as the structural model.

Efficient and solution-oriented design

Even before the coordination meetings, architects and expert designers were exchanging individual design statuses and checking them for inconsistencies with the Model Checker. This simplified the meetings and enabled those involved to collaborate efficiently since it was then possible to discuss possible solutions right in the coordination meetings instead of just listing problems.

BIM applied to actual practice

The project won the Arc Award 2017. The jury honored the special quality of the cooperation of those involved in the design with the Gold "Collaboration" award. Most of all, the clear and practical integration of BIM in the main stages of the project and decisions was highlighted. The strategic implementation of the building client's specifications in the categories of "Façade", "Sustainability" and "Flexibility" were remarkable, according to the jurors.*

*** Source: Arc Award website, www.arc-award.ch**


The central point of the new building is the atrium, which provides access to public rooms located on the ground floor, such as a cafeteria, restaurant or showroom.

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With its ongoing further development of software solutions, the Nemetschek Group is driving the digitalization of the industry forward and sets standards in its markets.

The building industry is always on the lookout for creative solutions to new challenges. Building plans just keep getting bigger, faster-paced and more sustainable and complex. In China, for instance, a building with 57 stories was erected in just 19 days. An absolute first, which involved experimenting with prefabrication and modularization – thrilling new options for a booming industry.

Entrepreneurs and innovation drivers under one roof

The steady push towards forward thinking, making the design, execution and management of buildings more efficient, and enabling collaboration between architects, engineers, construction companies and facility managers has always driven entrepreneurs in the industry, among them Professor Georg Nemetschek, to develop technical innovations. The pioneers of the industry set the cornerstone for today's use of BIM more than 50 years ago.

Back in the early 1960s, Professor Nemetschek recognized the relevance of digital design for architectural and civil engineering. He developed the first design software for architects and engineers, and as an innovator he had a front-row seat in a still very young industry. It took another 15 years for "computer-aided design" to establish itself in offices. These were the first steps towards digitalized design and management, and which was not yet known by the name of BIM. Many of the innovation drivers and entrepreneurs in the industry have come under the Nemetschek Group umbrella over the decades. They are highly specialized and concentrate on specific segments of the industry in order to provide the best solutions. Belonging to a major corporate group provides the 15 subsidiaries with the backing and flexibility needed to act entrepreneurially and keep close to the customer.

Excellent innovations

The fact that innovative thinking happens within the Group is confirmed by users and independent juries time and again with awards for the various products in the lifecycle of a property. For instance, the Charles Perkins Centre building project (shown on the cover of the annual report), part of the campus of the University of Sydney in Camperdown, Australia, is award-worthy material. The two architect teams used ARCHICAD, a solution from the Nemetschek brand GRAPHISOFT, to design this complex project.

Firmly entrenched in universities

The Nemetschek Group aims to introduce today's students and trainees to the new technologies at an early stage in their studies to ensure that future building projects will be implemented efficiently and sustainably. The corporate group has its roots in the university arena, where its software has been taught and used for decades. Cooperation projects with universities are therefore a fundamental part of the company and are a matter of course throughout the Group. Innovation can thus begin at a very early stage. Innovations not only solve customers' challenges, they also provide them with a decisive competitive edge.

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The clear focus on the AEC (Architecture, Engineering, Construction) industry and vertical approach of the brands ensures that customers get precisely the solutions they need to meet their requirements.

Focusing on what matters has always been a virtue among architects. For the AEC industry, quality is the essence of a balanced interplay of design excellence, technology and benefit. Everyone involved in the building project needs the right tools to create this essence. Solutions which are adapted to suit their – often very different – requirements and which ensure seamless collaboration are essential for the various disciplines.

Close to the customer

The Nemetschek Group also focuses on what matters and has set itself the task of rising to the industry's complex challenges and developing software solutions which customers can use to design, build and manage buildings better and more efficiently. While other global software companies address additional industries besides the AEC sector, the Nemetschek Group has achieved a unique position with its clear focus.

This focus can be found at all levels: from investments and acquisitions all the way to the selection of employees. Many of them are architects or engineers themselves. They know where the shoe pinches and what challenges architecture offices, building companies and facility managers face. The proximity to the customer is also maintained by close collaboration in product development – in beta programs, customer surveys, proposal programs and statistics on product use. This means that the solutions are always being adapted to suit the requirements of the target groups more precisely. Every brand within the Group acts independently without losing track of the Group's comprehensive portfolio of services.

Focused variety

For the customer, the wide variety of brands means that the entire lifecycle of a building is covered: with 3D solutions for architecture, static engineering, building technology, quality control and collaboration, with 4D for scheduling and 5D for cost analysis. The portfolio is rounded with solutions for building management.

The Group is growing steadily with the addition of interesting providers that extend the offering further. Thus, in 2017, dRofus joined the Group as a leading provider of a BIM-based solution for design, data management and collaboration. dRofus considers the entire building lifecycle and supports workflows and processes. RISA, another new addition, has also established itself in the market with a clear focus as a leading provider of static engineering software in the USA. Customer benefit from this focus on what matters: with solutions that are exactly tailored to their needs.

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A sound company in a strongly growing market. The financial strength of the Nemetschek Group secures stability for further successful investments in the future.

Behind any successful company there is usually a charismatic entrepreneur. These are people with visions for the future and the necessary ability to look ahead and think in terms of decades and not financial years. Nemetschek is characterized by the pioneering spirit of Professor Georg Nemetschek, who to this day has close ties to the company. The entrepreneur experienced turbulent times since the founding of his engineering office in 1963, the origin of the Nemetschek Group. Solidity and the courage to make decisions and act strategically have turned the Nemetschek Group, then and now, into a groundbreaking company which is growing steadily and organically.

The structure of the Group is unique, and can be compared to that of the German SMEs. "German Mittelstand" is also a synonym internationally for successful small and medium-sized enterprises that have made Germany the hub of technology and innovation worldwide in many disciplines. These are businesses which last through generations. They rely on innovation and focus firmly on maintaining their position as global leaders in a special, often complex, discipline. This is precisely how the brands of the Nemetschek Group work. They are part of a solid corporate group, but at the same time act entrepreneurially, with close proximity to the customer and a strong focus on their segments. This is what makes them the best in their industry and ensures their growth.

Trust from customers and on the capital market

And the Nemetschek Group is growing, organically in the double digits, with innovative products and solutions that secure the workflow in the building process. Like the automotive industry 15 years ago, the building industry now has the technical and legal framework conditions to reestablish itself and become more efficient with the end-to-end use of software across various disciplines. The Nemetschek Group has been driving this development with foresight for years. Users prove this with their many years of loyalty to the brands and products, as do investors, as indicated by the positive course of the Nemetschek share over the past years.

Acting on the basis of values

Culture is based on values, and corporate culture on corporate values. The brands of the Nemetschek Group act individually and entrepreneurially, yet the code of values is consistent. The "Code of Conduct", a universal code that describes the ethical and moral principles, and that protects and supports the personal rights of every employee exists for all brands. It makes no difference which of the 15 companies the person is employed in, whether as a customer support person, accountant or software developer. The code of conduct connects all brands and makes them part of a strong, solid corporate group.

Tailor-made Solutions

Every construction project is unique, be it a university building, company headquarters, a bridge or a soccer stadium. Incredible buildings and infrastructure projects result from solutions that are tailored to the specific requirements.

For further references please visit the Nemetschek Group website: *www.nemetschek.com/en/references*

Reference Project No. 1:

GRAPHISOFT

On the Water
Japan

pages 16 – 17

Reference Project No. 2:

BLUEBEAM

Sint-Maarten Hospital
Belgium

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Reference Project No. 6:

RISA

Pterodactyl Office Building
USA

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Reference Project No. 7:

dROFUS

ICC (International Convention Centre)**, Australia**

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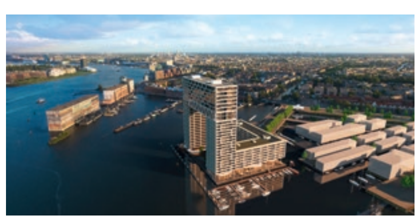
Reference Project No. 11:



SCIA

Pontsteiger
The Netherlands

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Reference Project No. 12:

PRECAST

Production Hall Lechner
Italy

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Reference Project No. 3:

VECTORWORKS

Azur Arena
France

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Reference Project No. 4:

ALLPLAN

Queensferry Crossing
Great Britain

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Reference Project No. 5:

NEVARIS

Leica Camera AG
Headquarters, Germany

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Reference Project No. 8:

SOLIBRI

The Blue Planet
Denmark

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Reference Project No. 9:

CREM SOLUTIONS

Greifweg
Germany

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Reference Project No. 10:

MAXON

Guest House – 3D study
Germany

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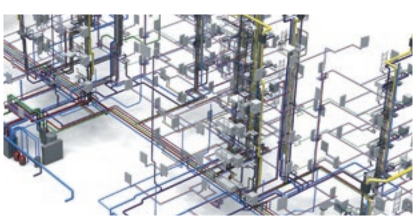
Reference Project No. 13:



DATA DESIGN SYSTEM

St. Johannis Quarter
Germany

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Reference Project No. 14:

FRILO SOFTWARE

High-bay Store Kolb Group
Germany

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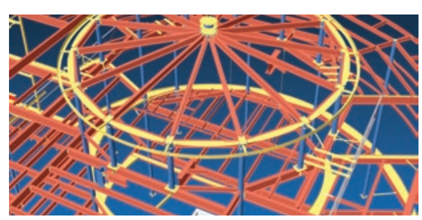
Reference Project No. 15:



SDS/2

Jefferson High School
USA

pages 184–185

Reference Project No. 1:

On the Water
Japan

Architects: Nikken Sekkei

“On the Water” is a guest house, which is located on the waterfront of Lake Chuzenji-ko in Japan. Built of reinforced concrete, glass and stainless galvanized plate, this two-story building opens the view to a unique scenery.

GRAPHISOFT®

GRAPHISOFT

GRAPHISOFT is a leading BIM software developer for architects and designers.

Segment:	Design
Company size:	508 employees
Locations:	Budapest, Beijing, Boston, Hong Kong, London, Mexico City, Moscow, Munich, São Paulo, Singapore, Tokyo, Venice
Website:	www.graphisoft.com

Solutions:

- ARCHICAD
- BIMcloud
- BIMx

Developed by GRAPHISOFT in Hungary, ARCHICAD is more than just a design software. Together with GRAPHISOFT's BIMcloud and BIMx, ARCHICAD supports the entire BIM workflow throughout the entire life-cycle of the building. Developed by architects for architects, ARCHICAD's BIM-based design and documentation tools offer effective and open collaboration opportunities across the various design and engineering trades. ARCHICAD, BIMcloud and BIMx ensure efficient, interactive client communication and cost-effective construction and building management workflows.

TO OUR SHAREHOLDERS

To our Shareholders

Patrik Heider,
Spokesman of the Executive Board and CFOO

Dear Shareholders,

In the 2017 financial year, the Nemetschek Group once again proved its operational strength and its exceptional position in the global AEC industry. We look back on an extraordinarily successful year in which we again grew well within the clear double-digit range and achieved top scores in terms of revenue and earnings.

We keep our promises

As in previous years, we were able to further increase revenue, profit, our market value, and the number of our customers. The material key figures show that we achieved our ambitious targets for 2017:

» Group revenue rose significantly to EUR 395.6 million, a rise of 17.3% compared to the previous year. In addition to strong organic growth of around 14%, the increase is also attributable to the acquisition of dRofus and RISA.

» Recurring revenues from software service contracts and software rental models, which rose by about 26% to EUR 183.9 million, were growth drivers.

» Internationalization is another growth driver. Nemetschek is especially successful in the USA, the trend-setting future market for new technologies. The United States is meanwhile the largest single market in our portfolio, with a 30% share of total revenue.

» All segments in the AEC environment were able to contribute to the extremely favorable revenue development. The main driver was the Build segment, which grew by 31%.

» Consolidated operating earnings before interest, taxes and depreciation (EBITDA) definitely increased at a faster rate than revenues. With a plus of 22.7%, EBITDA rose to EUR 108.0 million, which corresponds to an EBITDA margin that remains high at 27.3%.

“We are the only provider worldwide who offers software solutions across the entire lifecycle of buildings and infrastructure projects.”

With cash and cash equivalents amounting to more than EUR 100 million and an equity ratio of 49.5% as of the end of 2017, the Nemetschek Group maintained its strong position. Our extremely sound equity and financing base allows us to be independent and gives us room to maneuver. In the future as well, we will invest considerably and finance further growth in order to increase the value of the company in the long term. This is why one of our top priorities is the judicious and efficient use of our funds – for organic growth as well as growth through acquisitions.

Digitalization is driving the construction industry

The construction industry is in a state of transition. Growing interconnection and digitalization are changing our markets and our competitive environment. Industry-specific growth drivers are intact. These include:

» The level of digitalization in the building sector is some 15 years behind that in other industries, e.g. the automotive industry. This means that catch-up effects can be expected and consequently greater investments in software solutions that control processes more efficiently, increase quality, and save time and costs.

» In many countries worldwide, legislative regulations are going into effect for government building projects, which require the use and mandating of the digital work method Building Information Modeling (BIM), which Nemetschek has always supported.

» The BIM provisions require a model-based workflow. The prerequisite for this is the transition from 2D software solutions to model-oriented and cross-discipline 3D BIM solutions.

This transition is leading to greater demand for BIM and collaboration solutions and a digital workflow of the disciplines involved in construction projects found in the Design, Build and Manage segments. The Nemetschek Group is in a very good position for this transition in the industry, with high levels of innovative power, a wide and customer-specific solution portfolio and global alignment. We are the only provider worldwide who offers software solutions across the entire lifecycle of buildings and infrastructure projects and is thus able to comprehensively profit from the trends in our industry.

“The strong market position of the US companies makes it easier for the European brands to expand abroad and vice versa.”

Our actions focus on just one thing: The customer

The past, present and future of the Nemetschek Group have one constant: The customer. It is our aim to improve digital workflows in the construction industry and make them more efficient to ensure the success of our customers – who now number 2.7 million worldwide. This mission drives us to develop intelligent, cutting-edge solutions that our customers can use to master the growing challenges in the construction industry.

In addition to expanding the expertise of the individual brands and to the ongoing further development of the corresponding solution portfolios, we also advance cross-brand projects and initiatives. The objective is to address new customer segments, e.g. large customers from the architecture and civil engineering sectors as well as general contractors. In addition to the market for buildings, in future our focus will increasingly be on the strongly growing infrastructure market – including bridges and tunnels in particular.

Internationalization remains a major growth driver of the Nemetschek Group. In terms of regions, the USA will continue to be one of the most important individual markets and the one with the strongest growth. It is to our advantage that the Nemetschek brands in the USA and Europe mutually benefit each other in their expansion: the strong market position of the US companies makes it easier for the European brands to expand abroad and vice versa. Moreover, Nemetschek relies on the strong collaboration of the sales teams of the corresponding brands, e.g. for key account management and joint distribution channels.

In future, our brands will continue to offer their customers high levels of flexibility with regard to software, be it in the form of a license model including a service contract option or in the form of a rental solution. With rental models (subscriptions), Nemetschek can win over new customer groups since they allow customers to use the software flexibly in terms of time and without a one-time license fee.

Outlook for 2018

We have every reason to remain optimistic about the current financial year as well. Based on our earning power and sound balance sheet ratios, we will continue our corporate policy aimed at long-term growth and invest in new customer segments and solutions as well as in further internationalization. Our goal will continue to be a healthy combination of organic growth and high-potential acquisitions of new brands.

The current economic environment is helping to keep us on this course. On the basis of growth trends which will remain constant in the relevant markets in the long term, we anticipate continued positive business development for the current 2018 financial year.

From today's perspective, we expect Group revenue for 2018 to reach a corridor between EUR 447 million and EUR 457 million. In 2018 we will invest approximately EUR 10 million in strategic projects already started at Group and brand levels, which will sustainably ensure double-digit percentage growth in the future. Despite major investments, as in the past, Group EBITDA margin is forecast to remain in the corridor of 25% to 27% in the future as well.

Our successes to date serve as an incentive to consistently develop further and to not just be satisfied with what we have already achieved. Given our internationally active Group, our innovative solutions and our brands that are close to the market, we are opting for growth and profitability in all segments.

Our more than 2,000 employees worldwide dedicated their expertise, passion and hard work to drive the Nemetschek Group forward in 2017. On behalf of the entire executive board, I would like to express my gratitude for this commitment.

And you, dear shareholders, I thank for your trust in our company – which has often extended across many years – and for your support.

Best regards

Patrik Heider

*From left to right.
Sean Flaherty,
Patrik Heider,
Viktor Várkonyi*

The Executive Board

PATRIK HEIDER

Spokesman of the Executive Board and CFOO of Nemetschek SE

"Our focus on the AEC industry has again proven to be very successful. Our investment in this strongly growing market secures our future growth. Our customers benefit from our unique positioning on the market: As a result of our organizational structure, the teams are always close to the customer and are keenly aware of the complex needs and requirements of the industry. By investing in the development of our outstanding products, we advance digitalization in the AEC market and thus help our customers structure their construction projects more efficiently. Our acquisitions aim to further round our portfolio of solutions for the AEC market. The solid and transparent financial strength of the Nemetschek Group secures stability for further successful investments in the future. This is what sets the Nemetschek Group well apart from other competitors on the market."

SEAN FLAHERTY

CSO of Nemetschek SE

"2017 was a great year of performance and we also made visible progress on developing our strategic approach. We announced our strategy to meet the UK BIM requirements by using Bluebeam technologies to enable digital document workflows in a common data environment and then linking this to our innovative BIM model servers like Allplan Bimplus and GRAPHISOFT BIMcloud. This allows us to move the industry towards a completely digital workflow that merges documents and process needs as well as BIM model collaboration. The acquisition of RISA marked another milestone on our path to a complete structural workflow from design through fabrication. By acquiring the US-leader in structural analysis, in addition to the acquisition of SDS/2 in 2016, we have become a major player in the US structural engineering market. This complements our European strength and position."

VIKTOR VÁRKONYI

Executive Board of Nemetschek SE and CEO of GRAPHISOFT SE

"This last year was very exciting. The strategies the Group has been consistently implementing in past years received solid confirmation from the market. The ultimate, non-financial measurement of the business is the loyalty of customers. We are keeping business decisions as close to the market as possible; this way we deliver on real customer needs. Encouraging our brands to focus on specific market verticals means bringing competence, close business partnership with the customers and leadership in innovation. It is great to see the wide variety of appreciation that our brands were shown last year. This shows how successful our approach is. With the acquisition of the three companies SDS/2, dRofus, and RISA we could further expand and strengthen our portfolio to deliver best-in-class solutions to our customers."

BLUEBEAM

Bluebeam develops innovative technology solutions that set standards for collaboration and workflow efficiency for architects, engineers and construction professionals worldwide.

Segment:	Build
Company size:	302 employees
Locations:	Pasadena, Boston, Chicago, Manchester (USA), San Diego, Stockholm
Website:	www.bluebeam.com

Solutions:

- Bluebeam Revu
- Bluebeam Revu Mac
- Bluebeam Revu iPad
- Bluebeam Studio Prime
- Bluebeam Studio Enterprise

Bluebeam Revu is the end-to-end digital workflow and collaboration solution designed to improve project communication and streamline processes.

By utilizing the PDF format, Revu enables design and construction professionals to share metadata, hyperlinks, bookmarks, images, attachments, and 3D data across the entire project lifecycle.

Revu for Mac and Revu for iPad allow all project partners to share, create and collaborate on their desired platform. Integrated into every seat of Revu, Bluebeam Studio connects project partners worldwide in real time on the same set of centralized documents.

Reference Project No. 2:

Sint-Maarten Hospital

Belgium

Engineering office: MBG

MBG leveraged Bluebeam Revu on their first BIM project, the Sint-Maarten Hospital in Mechelen, to transmit information from complex BIM software to the field.

BLUEBEAM®

Supervisory board’s report on the 2017 financial year of Nemetschek SE

The supervisory board of Nemetschek SE involved itself extensively in the situation and development of the Group during the 2017 financial year. Over the course of the financial 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.

Constructive deliberations between supervisory board and executive board

The collaboration between the supervisory board and the executive board was always constructive and characterized by open and trustful discussions. The executive board instructed the supervisory board regularly, promptly and comprehensively, orally as well as 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, the segments and the individual brands, as well as on risk management and compliance.

The supervisory board regularly and critically discussed the developments in the respective reporting quarters, the short-term and medium-term prospects and the long-term growth and earnings strategy internally with the executive board. The supervisory board was very involved in decisions of fundamental importance for the company. Outside the regularly scheduled sessions as well, 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. Based on 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 at all times.

Meetings and topics of focus

In the financial year 2017, a total of four regular supervisory board meetings were held, namely in the months of March (balance sheet meeting for the 2016 annual financial statements), July, November 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, potential acquisition targets, strategic projects at holding and brand levels 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, there was debate in particular on the following topics:

- » Annual financial statements and consolidated financial statements for the 2016 financial year
- » Proposal on the appropriation of profits for the 2016 financial year
- » Invitation and agenda items for the regular 2017 annual general meeting with proposed resolutions to the annual general meeting as well as the supervisory board's report for the 2016 financial year
- » Executive board and general managers' specification of targets reached in 2016 and release of payment of variable remuneration shares as well as the definition of target agreements for the 2017 financial year; nominations for participation in the "Long-Term Incentive Plan" (LTIP)
- » Declaration of Conformity in accordance with the "German Corporate Governance Code"
- » Group planning, revenue planning, result planning and investment planning for 2017 as well as ongoing discussion on the current situation
- » Strategic projects at Group and brand levels and alignment of the Nemetschek Group and its internationalization as well as target achievement during implementation
- » Development of market conditions and competitive situation
- » Acquisition strategy and strategic partnerships
- » Integration of dRofus AS, headquartered in Oslo, Norway, and acquisition and integration of RISA Tech, Inc., headquartered in Foothill Ranch, California, USA
- » Internal control and early stage risk detection systems, audit and compliance report
- » Capital market and share price development
- » Group planning und investment projects for 2018

Composition of executive board and supervisory board

There were no changes in personnel on the three-man executive board of Nemetschek SE. For details concerning executive board remuneration, please refer to the remuneration report contained in the consolidated management report of the annual report.

As in the previous year, the supervisory board was made up of three members. At the 2017 annual general meeting all three members were confirmed in their offices for a further four years. The formation of supervisory board committees is not necessary in view of the fact that the supervisory board comprises three members.

Audit of the annual financial statements and consolidated financial statements

On June 1, 2017, the annual general meeting chose auditing firm Ernst & Young GmbH, Munich, for the audit of the individual financial statements and the consolidated financial statements for 2017 as well as the corresponding consolidated management report. The supervisory board was convinced as to the independence of the auditor and obtained a written declaration from the auditor.

The annual financial statements of Nemetschek SE for the 2017 financial year prepared by the executive board according to the German Commercial Code (HGB), as well as the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315e (1) of the German Commercial Code (HGB), and the consolidated management report for Nemetschek SE and the Group for the 2017 financial year were audited and approved without qualification by auditing firm Ernst & Young GmbH, Munich.

The specified final documents of the SE, the Group and the executive board's proposal on the appropriation of profits as well as the auditor's reports were available to the members of the supervisory board in good time prior to the balance sheet meeting on March 22, 2018. The auditor took part in the meeting, reported extensively on his auditing activities and the main audit results, explained the audit report and provided detailed answers to all of the supervisory board members' questions.

Taking the auditor's reports into consideration, the supervisory board has examined the annual financial statements, the consolidated financial statements and the consolidated management report for Nemetschek SE and the Group and is convinced of the correctness and completeness of the actual information. The supervisory board concurs with the result of the audit performed by the auditor and has determined that there are no reservations to be raised. The supervisory board approved the 2017 financial statements and consolidated financial statements of Nemetschek SE at the balance sheet meeting of March 22, 2018. The 2017 annual financial statements are thus final within the scope of § 172 of the German Stock Corporation Act (AktG).

Conflicts of interest

In the reporting year, there were no conflicts of interest on the part of the supervisory or executive board members.

Corporate Governance

The supervisory and executive boards were continuously occupied with the principles of good Corporate Governance in the 2017 financial year. The supervisory board defined a competence profile for the members of the supervisory board and the committee as a whole. In March 2018, the supervisory board and executive board submitted an updated Declaration of Conformity as per § 161 of the German Stock Corporation Act (AktG) and made this permanently available to shareholders via the website of the Nemetschek Group. Nemetschek SE conforms to the recommendations of the Government Commission of the German Corporate Governance Code as per the version of the code published in the Federal Gazette in April 2017 with the exception of the justified deviations specified in the Declaration of Conformity. For details on this subject, please refer to the "Corporate Governance" section of the annual report or visit www.nemetschek.com/investor-relations.

Thanks for dedicated performance

In the 2017 financial year, the Nemetschek Group again achieved double-digit revenue growth as well as an increase in operating result which was faster than revenue growth, and consequently continued on its successful course as a flourishing, highly profitable and technologically leading software company. The supervisory board thanks all employees worldwide for their dedication, motivation and high level of personal commitment. At the same time, the supervisory board would like to express its recognition and high level of appreciation to the executive board and the CEOs of all the brands for their great dedication and outstanding performance.

Munich, March 22, 2018

Kurt Dobitsch
Chairman of the Supervisory Board

Nemetschek on the Capital Market

2017 – a pleasing year for stock markets

Underpinned by strong economic growth around the world and good corporate earnings growth across almost all regions and industries, numerous stock markets posted new all-time highs in 2017. Central bank monetary policy which was favorable for capital markets also positively impacted performance on stock markets. On the other hand, there were negative factors operating in the political area, e.g. the tough Brexit negotiations or the tense situation in North Korea. Considerable relief was felt on the markets after the populist right-wing movements in the eurozone and the announced isolationist policy in the USA did not manifest themselves to the extent anticipated.

Overall, the global capital markets closed the 2017 stock exchange year in an extremely successful fashion. The MSCI World moved up by approximately 20% during the year, the Dow Jones by as much as 25%. The German indices also showed a good performance. The DAX blue chip index surged 12.5% over the year. The TecDAX, which contains the 30 largest technology stocks – including Nemetschek SE – advanced more strongly, posting a positive performance for the year of 39.6%.

Nemetschek's market capitalization rises by EUR 754 million

In line with the positive development of the company, the Nemetschek share gained in value in the reporting year. It started the year at EUR 55.26. While German stock markets gained ground, underpinned by the positive economic environment and rising company profits, the Nemetschek share suffered a considerable setback after publication of the preliminary figures for the 2016 financial year on January 27, 2017. At EUR 337.3 million consolidated revenues were in line with expectations. However, EBITDA was negatively impacted by an unexpected tax effect of EUR 1.4 million in Q4 2017, so that the guidance was not quite reached. The Nemetschek share then declined, on January 31, 2017 posting the annual low of EUR 47.28, a downturn of 14.4% since the beginning of the year.

Subsequently, the share price developed better than the market did until the middle of February, but was still down on the year-end price. Afterwards there was a lateral movement until the end of March 2017. With the publication of the annual financial statements for 2016 and the positive 2017 guidance on March 31, the share showed an upward trend, which was reinforced by the strong operating figures for the first quarter of 2017, which were published on April 28, 2017. It was at the beginning of June that the Nemetschek share moved over the EUR 70 mark for the first time. Until the middle of September, the stock price then drifted sideways as did the German stock markets as a whole. The publication of the half-year report for 2017 on July 28, 2017 was met with virtually no reaction, as the figures were in line with the guidance. In the fourth quarter, the Nemetschek share surged upwards, driven by the announcement of the RISA brand acquisition on October 13, 2017 and the good operating performance in the first nine months. The annual high of EUR 83.00 was posted on November 1, 2017 after the publication of the Q3 figures. The Nemetschek share closed trading on December 29, 2017 at EUR 74.84. Overall, the Nemetschek share gained 35.4% over the year, posting a performance just under that of the TecDAX, although the considerable gains from previous years should be taken into account. Including the distributed dividend of EUR 0.65, this meant a total return of 36.6% for 2017.

In line with the very positive performance, market capitalization at Nemetschek SE rose from EUR 2.13 billion at the end of 2016 to EUR 2.88 billion at the end of 2017, representing a gain of EUR 754 million. In the Deutsche Börse ranking, as of December 31, 2017 on a free-float basis Nemetschek was ranked 17 in the TecDAX (previous year: 16). In the 2017 financial year, an average of 52,035 shares a day were traded on the XETRA computer trading system (previous year: 45,286). As a result, the average daily trading volume on XETRA moved up from EUR 2.15 million in 2016 to EUR 3.23 million in 2017. For trading volume Nemetschek was ranked 21 in the TecDAX, the same as in the previous year.

NEMETSCHEK SHARE PRICE PERFORMANCE IN 2017 COMPARED TO THE DAX AND TECDAX (INDEXED)

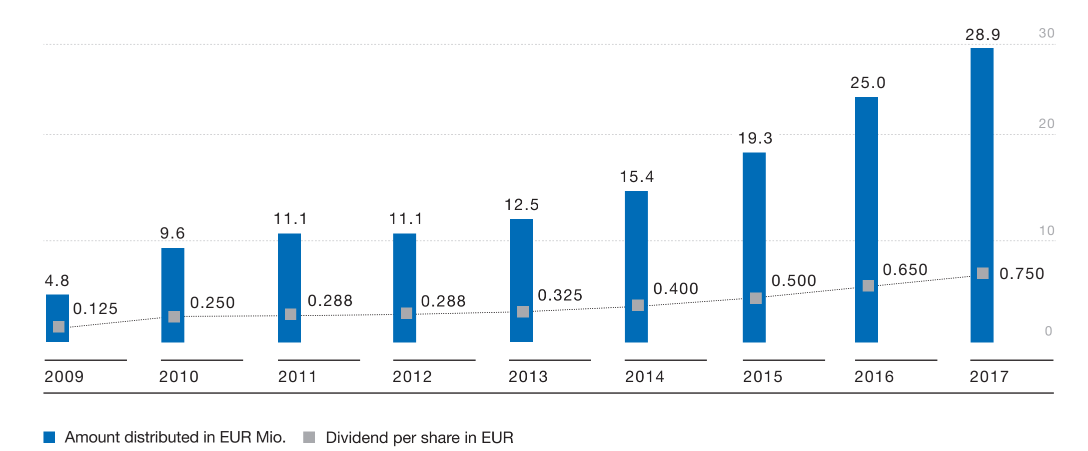
Annual General Meeting resolves dividend increase for 2016

On June 1, 2017, the Nemetschek Group Supervisory Board and Executive Board welcomed 160 shareholders to the Annual General Meeting in Munich. The company shareholders approved all agenda items with a large majority, including the reelection of the Supervisory Board. For the 2016 financial year, the Supervisory Board and Executive Board proposed a dividend of EUR 0.65 per share, an increase of approximately 30% on the previous year (EUR 0.50 per share). The considerable rise in the dividend took account of the very positive business development in 2016. With 38.5 million shares entitled to a dividend, the amount paid out rose to EUR 25.03 million (previous year: EUR 19.25 million). As a result the payout ratio for the financial year 2016 – in relation to the operating cash flow of EUR 79.7 million – was approximately 31%. This is in line with the defined dividend policy of distributing between 25% and 30% of operating cash flow.

Dividend proposal for 2017: EUR 0.75 per share

The Nemetschek Group pursues a dividend policy based on continuity and would like to have its shareholders participate in the success and business development of the company. For the 2017 financial year, on May 30, 2018 the Executive Board and Supervisory Board will propose to the Annual General Meeting to increase the dividend to EUR 0.75 per share (previous year: EUR 0.65 per share). Subject to approval from the Annual General Meeting, this would mean raising the dividend by 15%. The amount distributed would increase to 28,88 million (previous year: EUR 25.03 million). The payout ratio for the 2017 financial year – in relation to the operating cash flow of EUR 97,42 million – would be approximately 30%.

DIVIDEND PER SHARE AND AMOUNT DISTRIBUTED (YEAR-ON-YEAR COMPARISON)



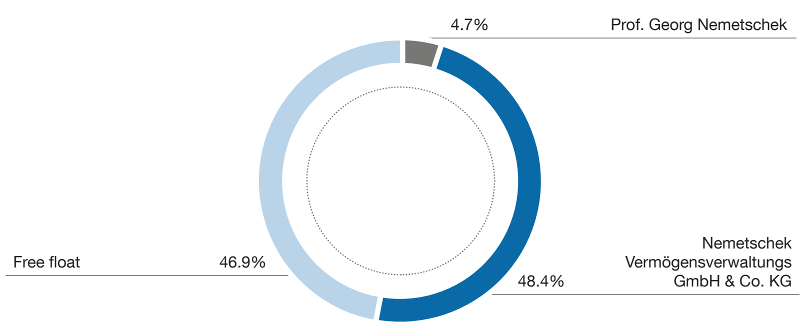
Shareholder structure

As of December 31, 2017, Nemetschek SE's share capital was unchanged at EUR 38,500,000, divided into 38,500,000 no-par value bearer shares.

As of December 31, 2017, the free float was 46.9%. It is distributed across a widely diversified investor structure in terms of geography, with a high share of international investors, primarily from the USA, France, the United Kingdom, Switzerland and Scandinavia.

The largest shareholder in the company remains Nemetschek Vermögensverwaltungs GmbH & Co. KG with a stake of 48.4% (18,622,928 shares). Furthermore, a 4.7% stake (1,800,000 shares) is directly held by Prof. Georg Nemetschek. For the shares held by Nemetschek Vermögensverwaltungs GmbH & Co. KG and those held directly by Prof. Nemetschek there is a pooling agreement between the KG and Prof. Georg Nemetschek, made with the objective of retaining a stable shareholder structure on a permanent basis.

SHAREHOLDER STRUCTURE*



* Direct shareholdings as of December 31, 2017.

Voting right notifications

As of December 31, 2017, the direct and indirect voting rights held by persons or institutions in Nemetschek SE were as follows:

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

All voting right notifications are published on the company's website. The figures are based on information reported to Nemetschek SE. The actual number of shareholder voting rights may deviate from the figures stated as a result of trades which have since been made which do not need to be reported or have not been reported.

Directors’ Dealings

Members of the Executive Board and the Supervisory Board or related parties must report reportable transactions in Nemetschek SE shares if the value of the transactions within a calendar year reaches or exceeds EUR 5,000.

In 2017, the following transactions were reported to Nemetschek SE in the context of directors’ dealings:

DIRECTORS’ DEALINGS

Buyer/Seller	Prof. Georg Nemetschek
Name of finance instrument	Nemetschek SE Aktie, ISIN DE0006452907
Type of transaction	Sale
Date of transaction	June 6, 2017
Place of transaction	Outside a trading venue
Average share price in EUR	13.045
Total value in EUR	2,609,000.00

Research coverage

The Nemetschek Group was covered by nine analysts from various banks and research institutes which regularly publish studies and commentary on the current development of the company (as of Dec. 31, 2017). Six analysts recommend holding the share. One analyst gives the share an Outperform recommendation. Two analysts have set the share to Reduce. As of the end of 2017, the average price target of EUR 68.89 had already been achieved.

RESEARCH INSTITUTES

Baader Bank	Kepler Cheuvreux
Berenberg	MainFirst Bank AG
Commerzbank AG	Oddo Seydler Bank AG
Equinet Bank	Warburg Research GmbH
Hauck & Aufhäuser	

Nemetschek is in regular and constructive dialog with all the institutions, something which is intensified by analyst visits to company headquarters, various conferences and joint roadshows.

Extensive communication with the capital market

It is Nemetschek SE’s aim to maintain open and reliable communication with all stakeholders. Ongoing and timely dialog promotes transparency and increases confidence in the Nemetschek Group.

In the 2017 financial year, there were again numerous contacts to existing and potential investors. In one-on-one meetings, at roadshows and at investor conferences, Nemetschek provided information on the business situation, corporate strategy and future prospects of the group. The focus was on the financial centers in Eu-rope and North America. In addition, many investors took the opportunity to obtain information about the Nemetschek Group during a visit to company headquarters in Munich.

In addition, on the occasion of the publication of the annual, half-year and quarterly reports, there are telephone conferences in which the Executive Board reports on the past and future business development and responds to questions from analysts and investors.

KEY FIGURES ON SHARES

	2017	2016
Earnings per share in €	1.94	1.22
Dividend per share in €	0.75*	0.65
Payout in € million	28.88	25.03
High in €	83.00	58.51
Low in €	47.28	34.28
Closing price in €	74.84	55.26
Price/earnings ratio	38.58	45.30
Market capitalization in € million	2,881.34	2,127.51
Average number of shares traded per day (Xetra)	52,035	45,286
Average number of outstanding shares	38,500,000	38,500,000

* Proposal to the annual general meeting on May 30, 2018.

Corporate Governance

The executive board and the supervisory board of the Nemetschek Group undertake responsible, long-term and substantial development of the enterprise. Good Corporate Governance is one main component of this. Open and transparent corporate communication, observance of shareholder interests, forward-looking handling of risks and opportunities, and efficient and trustful cooperation between the executive board and the supervisory board are important elements of good Corporate Governance. These are conducive to the Nemetschek Group's gaining the trust of shareholders, business partners, employees, and the general public. At the same time, these principles are important orientation standards for both committees. In the following, the executive board and supervisory board jointly report on Corporate Governance at Nemetschek SE as per Item 3.10 of the German Corporate Governance Code.

Leadership structure and company structure

Nemetschek SE has a two-tier management and monitoring structure with the two bodies of the executive board and the supervisory board.

DUAL MANAGEMENT SYSTEM OF NEMETSCHEK SE

Executive board

In 2017, the composition in terms of personnel remained unchanged vis-à-vis the previous year.

The three-man executive board leads the company under its own responsibility. In line with corporate interests, the executive board performs its leadership role with the objective of sustainably increasing corporate value. The executive board as a whole resolves matters which are of particular significance and affect the company or its subsidiaries.

VECTORWORKS

Vectorworks develops, sells, and distributes design software for the architecture, landscape, and entertainment industries.

Segment:	Design
Company size:	260 employees
Locations:	Columbia, Atlanta, Las Vegas, London, Newbury
Website:	www.vectorworks.net

Solutions:

- Vectorworks Designer
- Vectorworks Architect
- Vectorworks Landmark
- Vectorworks Spotlight
- Vectorworks Fundamentals
- Vision
- Braceworks

Vectorworks is a global design and BIM software developer serving over 650,000 professionals in the architecture, landscape, and entertainment industries. Since 1985, Vectorworks has been committed to helping designers find inspiration, nurture innovation, communicate effectively, and bring their visions to life. With their cross-platform software, designers can build data-rich, visual models without sacrificing the design process, while collaborating efficiently throughout the project life-cycle.

Reference Project No. 3:

Azur Arena
France

Architects: Auer Weber

Azur Arena is a multi-sports hall, its design reflects the dynamics of basketball: the elliptical shape and horizontal window slots conjure up the image of a rotating ball. Classified as a low energy house it is optimized for the use of alternative resources.

VECTORWORKS

The supervisory board is constantly involved and promptly provided with complete information concerning all decisions which may decisively affect the net asset situation, financial situation and earnings situation of the company. The executive board reports to the supervisory board regularly, quickly and comprehensively in written and verbal form about all relevant topics relating to business development, company planning, strategic alignment, the opportunity and risk situation, risk management, and compliance. In the case of acquisition projects, the executive board provides detailed information on project progress and project status at an early stage and coordinates the acquisition and integration processes in close collaboration with the supervisory board.

Supervisory board

As in the previous year, the supervisory board was made up of three members. In 2017 the annual general meeting reelected all three existing members in their offices for a further four years in office. Thus there were no changes in personnel. The supervisory board serves the executive board in an advisory capacity, monitors the executive board in its management of the company and verifies all significant business transactions for the executive board by examining the documents in question in terms of the German Stock Corporation Act (AktG), the company's articles of incorporation and articles of association. The supervisory board is also provided with information on the position of the individual brands and the Group as well as on major developments by the executive board outside of the regular supervisory board meetings. In this way, it can support operative business with advice and recommendations made on the basis of relevant information.

The supervisory board is elected by the annual general meeting. The election of the supervisory board conforms to the recommendations of the German Corporate Governance Code; all supervisory board members are elected individually. The members of the executive board are appointed by the supervisory board. For Nemetschek SE, the appointment of executive board members, like the filling of executive positions, is invariably subject to the relevant criteria of quality and suitability, and is done independent of gender. With this principle of neutral, qualification-based selection, Nemetschek SE will assuredly serve the best interests of the company.

The supervisory board defines a catalog of business which requires approval as well as a business allocation plan in the articles of association for the executive board. The supervisory board acts on the basis of its own rules of procedure. Moreover, the supervisory board declares the annual financial statements and approves the consolidated financial statements. The chairman of the supervisory board presents the activities of the supervisory board every year in his report to the shareholders as part of the annual report.

On March 20, 2018, with consideration of the recommendations of the German Corporate Governance Code, the supervisory board resolved a competence profile for the committee as a whole. Accordingly, the supervisory board is to be composed in such a way that its members as a whole are familiar with the sector in which the company is active and possess the knowledge, skills and professional experience required for due performance of their tasks. Supervisory board member Rüdiger Herzog has expertise in the areas of accounting and auditing.

According to the supervisory board and taking the owner structure of Nemetschek SE into account, all of the members of the supervisory board are independent in the context of Section 5.4.2. of the German Corporate Governance Code, i.e. none of the members of the supervisory board has a personal or business relationship with Nemetschek SE or its Group companies, the bodies of Nemetschek SE or a shareholder with controlling interest of Nemetschek SE, which would constitute a major conflict of interest which is not merely temporary.

For the purpose of self-assessment, the supervisory board regularly conducts efficiency evaluations. You will find additional information on the executive board and the supervisory board, in particular with regard to their working methods and further mandates performed by the members, in the supervisory board's report, in the notes to the consolidated financial statements and in the management report under "Report on enterprise controlling and declaration on corporate management".

Remuneration of executive board and supervisory board

In accordance with the recommendations of the German Corporate Governance Code, Nemetschek SE has been reporting the remuneration of each member of the executive board and supervisory board for some time now. The remuneration of members of the executive board consists of a base salary (fixed) and performance-dependent variable remuneration. The variable remuneration in turn contains a short-term and long-term component. The short-term, performance-dependent variable remuneration depends primarily on company targets achieved, which are agreed upon at the beginning of each year between the supervisory board and executive board. With a view to corporate management in the long term and in accordance with applicable provisions, the executive board remuneration system also contains a long-term component, the amount and payment of which depends on the achievement of defined targets for the development of revenue and earnings as well as personal targets. The period to be observed for this is always three financial years.

In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board receive fixed remuneration. The remuneration report is part of the certified consolidated financial statements. It contains detailed descriptions of the principles of the remuneration systems for the executive board and for the supervisory board as well as an individual declaration of the remuneration.

Compliance and the management of opportunities and risks

Weighing opportunities and risks continuously and responsibly is one of the principles of responsible company leadership. The objective of opportunity and risk management is to develop a strategy and define targets which generate a balanced equilibrium between growth targets and profit targets on the one hand and the risks inherent to such on the other. Please refer to the management report for detailed information on the opportunity and risk management system of the Nemetschek Group.

Compliance

Alignment of the business activities with all relevant laws and standards as well as with the company-internal principles is a basic prerequisite for successful economic activity in the long term. The success of the Nemetschek Group is therefore based not only on a good corporate policy but also on integrity in terms of business ethics, trust, and open and fair dealings with employees, customers, business partners, shareholders, and other stakeholders.

Compliance culture and targets

Compliance has always been an important component of risk prevention at the Nemetschek Group and is ingrained in the company culture. The objective is to act in compliance with all relevant laws and norms, international standards and internal guidelines at all times.

In this context, the Nemetschek Group pursues an approach of preventive compliance and aims for a corporate culture that sensitizes and educates the staff so that potential violations of the rules are avoided from the start. The executive board and executives bear special responsibility in this regard. They are role models and are therefore required to ensure adherence to compliance provisions within their area of responsibility, to clearly communicate this expectation to every employee and to consistently set an example for ethical behavior according to the rules within the context of compliance.

Compliance organization

Compliance activities are closely linked to risk management and our internal control system. The business unit Corporate Audit & Compliance controls compliance activities group-wide. The activities focus on creating suitable structures and processes as well as providing support for the efficient implementation of compliance measures. In addition, the business unit Corporate Audit & Compliance is available as a contact partner for individual questions arising from the organization. There is a direct line of reporting to the CFOO of the Nemetschek Group.

Compliance program and communication

The compliance structures and measures for ensuring adherence to laws, guidelines and ethical principles are consistently aligned with the risk situation of the Nemetschek Group and are continuously further developed. The point of departure for compliance activities is the Code of Conduct of the Nemetschek Group. This is binding for all employees of the Nemetschek Group, no matter what their position is. Besides the company website, employees can access the Code of Conduct as well as the latest versions of other company guidelines via the company-internal intranet platform “Nemetschek ONE”. Moreover, the Nemetschek Group uses a modern compliance training tool for disseminating this information group-wide with the greatest possible efficiency and sustainability.

Compliance reporting channels, reviews and further development

Reliable reporting channels and the protection of internal information providers against sanctions are major elements in identifying compliance risks.

In addition to directly contacting their supervisor, Nemetschek Group employees can provide information on possible violations of laws or guidelines directly to the Compliance business unit using a specially created separate e-mail account. Furthermore, employees can also report compliance violations to a commissioned international law firm without disclosing their identity. All reported information and violations will be promptly investigated and evaluated, and appropriate measures and sanctions undertaken as required.

Adherence to internal guidelines and applicable provisions is subject to regular internal audits by the business unit Corporate Audit & Compliance. The executive and supervisory boards are regularly informed about compliance-relevant issues and the extension of compliance structures as well as planned compliance-related action.

Financial reporting and year-end audit

Nemetschek SE prepares its consolidated financial statements as well as the consolidated interim reports as per the International Financial Reporting Standards (IFRS). The annual financial statements of Nemetschek SE (individual financial statements) are prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared by the executive board, examined by the auditor and approved by the supervisory board. The annual general meeting selected the Ernst & Young GmbH auditing firm, Munich, as auditors and Group auditors for the 2017 financial year. On March 22, 2018, Ernst & Young took part in the deliberations of the supervisory board concerning the annual financial statements and the consolidated financial statements, and reported on the results of its audit. Furthermore, the auditor was available to provide the supervisory board with additional information and answer questions concerning the year-end audit.

Shareholders and the annual general meeting

Shareholders can assert their rights and exercise their voting rights at the annual general meeting. One vote is granted for each Nemetschek SE share. The chairman of the supervisory board chairs the meeting. The executive board presents the consolidated financial statements and annual financial statements, explains the prospects of the company and, together with the supervisory board, answers the shareholders' questions. The invitation to the annual general meeting and the corresponding documents and information are made available on the Nemetschek Group website the day the meeting is called in accordance with stock corporation laws or are made available for viewing in the offices of the company. Nemetschek supports its shareholders in the assertion of their voting rights by appointing voting representatives, who vote according to the instructions of the shareholders.

Transparency and communication

The Nemetschek Group makes open and trustful communication with the shareholders and other stakeholders a priority and maintains a fair, timely, and reliable dialog with them. All capital market-relevant information is published simultaneously in German and English and made accessible on the company's website. This includes annual and quarterly reports, press releases, ad hoc notifications, information on the annual general meeting, and company presentations. The financial calendar, with the relevant publication and event dates, can also be found there.

Directors' dealings, voting rights and stock option scheme

Nemetschek SE provides information on the trading of company shares by executive board and supervisory board members (directors' dealings) as per Art. 19 of the Market Abuse Regulation (MAR) as well as on reported changes in the shareholdings if the voting thresholds defined in the German Securities Trading Act (WpHG) are reached, surpassed or fallen below. Information on the shares held by the executive board and supervisory board is included in the notes. Nemetschek SE does not have a stock option scheme at the present time.

Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) dated March 2018

In accordance with § 161 of the German Stock Corporation Act (AktG), the executive board and supervisory board of Nemetschek SE declare that the recommendations of the "Government Commission of the German Corporate Governance Code", version dated February 7, 2017, with the resolutions resulting from the plenary session of February 7, 2017, published in the official part of the Federal Gazette on April 24, 2017, (hereinafter "Code"), have been and are being met with the following exceptions:

» The D & O insurance does not include excess insurance for supervisory board members (Code Item 3.8 Clause 3). Nemetschek SE does not believe that excess insurance would increase the motivation and sense of responsibility of the members of the supervisory board.

» For the specification of executive board remuneration, the supervisory board made no vertical comparison of remuneration at the level of Nemetschek SE, as recommended by Code Item 4.2.2 Clause 2. As a holding company, Nemetschek SE does not offer any appropriate standards of comparison for either upper management circles or staff as a whole. Nevertheless, the supervisory board – as in the past – used the remunerations of the heads of the most important product organizations as a standard of comparison on which to base its remuneration decisions.

  The variable short-term incentive plan does stipulate upper limits, which however are not always expressed as a fixed amount but as a percentage of a fixed amount. Ultimately, the executive board employment contracts do not stipulate upper limits in terms of amount for the total remuneration (Code Item 4.2.3 Clause 2). Nemetschek SE is not of the opinion that this is required in the case of the existing remuneration system. If the amount of variable incentive plans is limited, this also applies for the total remuneration to be achieved.

» An age limit for members of the executive board and the supervisory board has not been defined explicitly and is not currently planned (Code Items 5.1.2 Clause 2 and 5.4.1 Clause 2). Such age limit would generally restrict the company in its selection of suitable members of the executive board and the supervisory board. With regard to the composition of the executive board, supervisory board and further management circles, the individual's experience, skills and knowledge are of primary importance to the company (Code Items 4.1.5, 5.1.2 Clause 1 and 5.4.1 Clause 2). In contrast, the supervisory board and, with reference to Code Item 4.1.5, the executive board regard diversity criteria as less important, even if these are expressly welcomed.

  The supervisory board did not specify any defined targets for its composition, nor did it specify any defined limit for the duration of the term of office on the supervisory board (Code Item 5.4.1 Clause 2). Consequently, such objectives are not published in the Corporate Governance Report (Code Item 5.4.1 Clause 4). The supervisory board consists of only three members at present, including the company founder, Prof. Georg Nemetschek. The members of the supervisory board have a great deal of experience and have performed their official duties in the interests of the company in the long term with proven success. The supervisory board sees continuity on the supervisory board as an advantage. In the event that the supervisory board requires new members, the supervisory board shall come to an informal agreement as to suitable candidates while taking the criteria specified in the Code into consideration, especially regarding any competence profile implemented.

» The Code's recommendation on the creation of qualified committees of the supervisory board is not followed (Code Item 5.3), as the supervisory board only has three members at present. The tasks for which the Code recommends the formation of such committees are all performed by the supervisory board of Nemetschek SE.

Munich, March 20, 2018

For the Executive Board	For the Supervisory Board
Patrik Heider	Kurt Dobitsch
Spokesman of the Executive Board	Chairman of the Supervisory Board

ALLPLAN

Allplan is a leading provider of open solutions for Building Information Modeling (BIM).

Segments:	Design, Build, Manage
Company size:	413 employees
Locations:	Munich, Ashby, Bratislava, Graz, Madrid, Paris, Prague, Salzburg, Trient, Zurich etc.
Website:	www.allplan.com

Solutions:

Allplan Architecture

Allplan Engineering Civil

Allplan Engineering Building

Allplan Bimplus

Allplan Allfa

The comprehensive ALLPLAN solution portfolio covers all of the stages in the life cycle of a building: For the design stage Allplan Architecture and Allplan Engineering are two powerful BIM design tools available to architects and engineers.

With Allplan Bimplus ALLPLAN offers a BIM platform for system-independent collaboration in BIM projects across all disciplines.

In the manage phase, Allplan Allfa is the ideal tool for sustainable, browser-based facilities management.

Reference Project No. 4:

Queensferry Crossing
Great Britain

General planner: Leonhardt, Andrä und Partner

The Queensferry Crossing near Edinburgh is a cable-stayed bridge with three pylons. It is more than 200m height and one of the largest infrastructure projects in Europe.

ALLPLAN

GROUP MANAGEMENT REPORT

Combined management report for the fiscal year 2017

About this report

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

1 Basic information on the group

1.1 Business model of the group

Legal structure

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

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

With15 independent brands and more than 67 locations worldwide, the Nemetschek Group serves around 2.7 million users in all regions of the world.

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

The holding comprises the four segments Design, Build, Manage and Media & Entertainment, to which 15 brands are allocated in total. The brands appear in the market as independently operating entities which simultaneously operate within a strategic corridor as agreed with the holding company. The executives of the operating subsidiaries enjoy a high degree of autonomy. Hence the brands can react quickly to customer demands and wishes, market trends and changes in circumstances. In addition, the holding company facilitates exchanges between the brands and initiates strategic multi-brand projects. This creates synergies in the portfolio, further enhancing its attractiveness to customers. High management efficiency is assured by continuous reporting to the holding company and ongoing dialogue.

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

Business activities

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

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

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

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

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

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

Business segments

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

ARCHITECTURE | ENGINEERING | CONSTRUCTION (AEC)

DESIGN			BUILD		MANAGE	MEDIA & ENTERTAINMENT
ALLPLAN	GRAPHISOFT	PRECAST SOFTWARE engineering	NEVARIS	SOLIBRI	CREM SOLUTIONS	MAXON
VECTORWORKS	SCIA	dRofus	BLUEBEAM	SDS/2		
DATA DESIGN SYSTEM	FRILO Software	RISA				

Design segment

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

The following brand companies are included in the Design segment:

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

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

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

Build segment

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

The following brands are allocated to the Build segment:

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

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

Manage segment

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

- Crem Solutions

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

Media & Entertainment segment

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

- Maxon Computer

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

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

Locations

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

NEMETSCHEK SE LOCATIONS WORLDWIDE

AMERICAS

Brazil
Canada
Mexico
USA

WESTERN AND SOUTHERN EUROPE	NORTHERN AND EASTERN EUROPE
Austria	Czech Republic
Belgium	Finland
France	Hungary
Great Britain	Norway
Germany	Slovakia
Italy	Sweden
Netherlands	
Spain	
Switzerland	

ASIA	OCEANIA
China	Australia
Japan	
Singapore	

Drivers, market and competition

Growth drivers

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

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

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

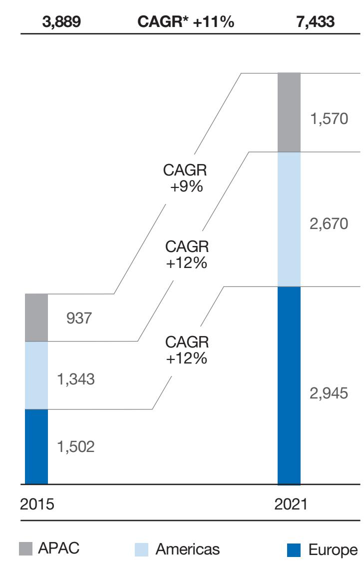
- **Digitalization** in the construction sector is around 20 years behind other industries, such as the motor vehicle or telecommunications industries. Catch-up effects and increased investment in industry-specific software solutions which manage the process more efficiently and, thus, improve quality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

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

Market and competition

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

END-USER-EXPENDITURES IN EUR MILLION



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

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

Nemetschek competes with different companies in all segments.

1.2 Objectives and strategy

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

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

Customer segments and distribution

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

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

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

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

Internationalization

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

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

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

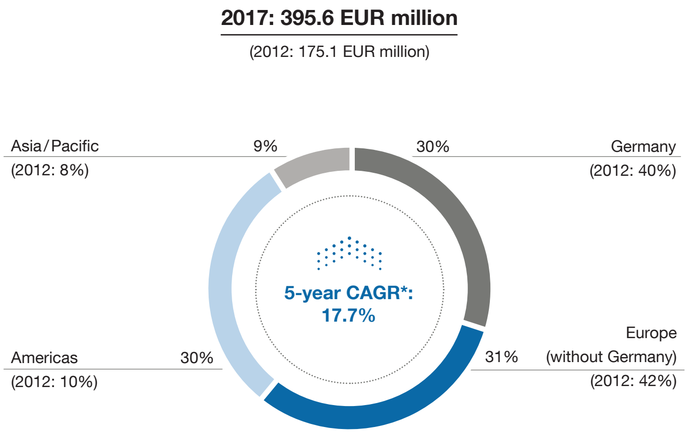
Also, with regard to acquisitions the USA is an extremely interesting market with innovative companies: Since 2014 Nemetschek has successfully acquired three companies namely Bluebeam (2014), SDS/2 (2016) and RISA (2017).

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

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

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

DEVELOPMENT OF REVENUES BY REGION



* CAGR: Compound Annual Growth Rate.

Strategic initiatives

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

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

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

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

Acquisitions

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

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

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

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

1.3 Corporate management and control

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

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

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

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

Financial performance indicators

The central financial performance indicators (key performance indicators) for the Nemetschek Group are revenues, revenue growth compared to the prior year and the operating result (EBITDA). The EBITDA gives information on profitability and includes all items of the income statement which relate to operating performance. The medium-term objective is organic revenue growth within the group of more than 10% and a stable EBITDA margin of between 25% and 27% of revenue. As a result of their importance for financial business success, the key performance indicators revenue and EBITDA are also major components of the performance management system.

FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

In EUR million	**FY 2017**	FY 2016	FY 2015	FY 2014	FY 2013
Group sales	**395.6**	**337.3**	**285.3**	**218.5**	**185.9**
Design	249.2	220.9	198.8	175.1	149.5
Build	114.6	87.5	60.1	20.1	15.4
Manage	8.1	7.1	6.3	5.3	5.0
Media & Entertainment	23.8	21.8	20.1	18.0	16.0
EBITDA	**108.0**	**88.0**	**69.5**	**56.8**	**46.3**
Design	70.3	63.2	49.5	43.8	33.1
Build	26.6	12.8	10.4	4.1	5.5
Manage	1.9	1.6	1.3	1.1	1.1
Media & Entertainment	9.2	8.4	8.2	7.8	6.5

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

Non-financial performance indicators

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

1.4 Employees

Nemetschek Group employees

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

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

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

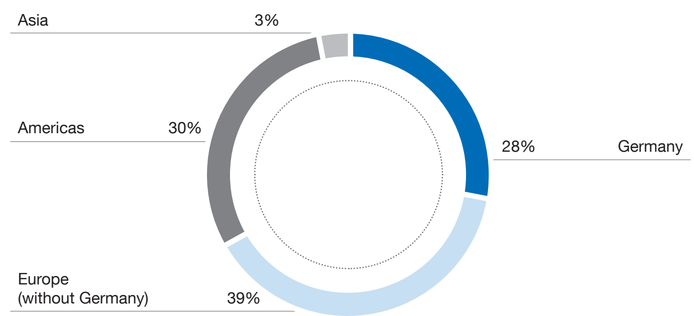
As of December 31, 2017, the Nemetschek Group employed 2,142 staff worldwide (previous year: 1,925). This represents growth of 217 persons, or rather 11.3%. This does not include employees on parent leave, freelancers and those ill long-term. The number at the year-end included 28 staff who joined the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

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

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

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

DISTRIBUTION OF EMPLOYEES BY REGION

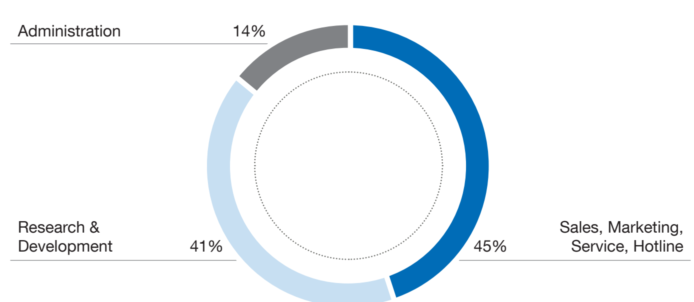


Personnel expenses rose in the first quarter 2017 by 14.2% to EUR 172.6 million (previous year: EUR 151.2 million) which led to a slightly lower personnel expense ratio (personnel expense / revenues) of 43.6% (previous year: 44.8%).

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

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

PERSONNEL STRUCTURE



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

1.5 Research and development

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

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

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

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

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

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

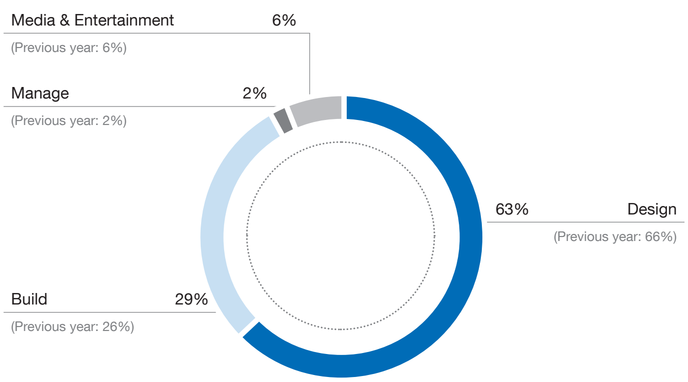
In the **Media & Entertainment** segment, Maxon successfully launched its new release 19 of the industry solution **Cinema 4D** to the market. It features numerous optimizations in the areas of modeling, rendering and animation, as well as a real-time representation in the processing of the building.

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

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

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

SHARE OF DEVELOPMENT COSTS BY SEGMENT



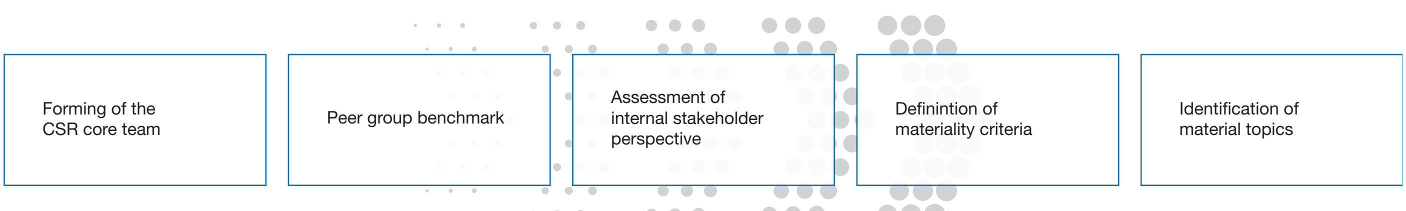
2 NON-FINANCIAL REPORT*

2.1 Materiality analysis, risk evaluation and reporting

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

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

THE PROCESSS



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

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

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

RESULTS OF THE MATERIALITY ANALYSIS

Reporting areas							
Human Rights	Prevention of corruption and bribery	Employees			Environment	Social Issues	
Discrimination Prevention	Compliance & Bribery Prevention	Talent attraction & retention	Health Management	Learning & Development	Sustainable Product Stewardship	University Cooperation	Customer Satisfaction
Material topics for Nemetschek							

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

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

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

2.2 Corporate social responsibility within the Nemetschek group

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

The "Code of Conduct" states: *"Each of us contributes significantly to the public image of the Nemetschek group, through our appearance, conduct and actions. All of us are jointly responsible for ensuring that the Nemetschek group lives up to its worldwide social responsibilities. Our strategy as well as our day-to-day operations are based on high ethical and legal principles."*

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

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

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

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

Human rights and fighting corruption

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

Compliance

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

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

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

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

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

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

Prevention of discrimination

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

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

The Nemetschek Group has an anti-discrimination guideline for the treatment of employees and this is anchored in the group-wide corporate culture. The "Code of Conduct" states: *"Any type of discrimination is not permitted. Nemetschek will not tolerate any form of discrimination or harassment on the basis of origin, gender, disability, religion, age, sexual orientation, political views or involvement in a labor/trade union".*

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

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

Employees

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

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

Attracting and retaining employees

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

For 2017 most of the brands offered the following:

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

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

Health management

The Nemetschek Group is convinced that sustainable health management support for staff can only be successful if all health-related measures and initiatives are aligned to the changing requirements of the constantly evolving working world. In the planned HR guideline, the setting of basic standards for sustainable health management is outlined for the whole group. The long-term objective is a health management system for the whole group that supports all employees in looking after their health.

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

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

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

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

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

Environment

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

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

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

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

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

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

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

Social commitment

Cooperation with universities

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

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

» Interaction and cooperation with universities and industrial associations via

- a job platform for customers and students
- Open day
- Academic advisers
- Grants or programs
- Cooperation with universities and student organizations
- Training for university lecturers

» Provision of software licenses for students and online training material for students and university lecturers as part of “Campus programs”.

Customer satisfaction

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

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

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

» Collection of customer feedback via

- Customer workshops
- Customer product previews
- Direct communication in online forums
- The promotion and implementation of product suggestions via various communication channels
- product road map considerations
- Analysis of requirements
- Use of case statistics

» Involvement of the customer in the development process

- Tests in the beta phase
- Application tests
- Joint development projects.

Reference Project No. 5:

Leica Camera AG Headquarters
Germany

Contractor: Adolf Lupp

The new construction of the company headquarters of Leica in Leitz-Park, Wetzlar is planned according to the latest energy-saving standards. The building’s shape is reminiscent of a camera lense and has room for 700 employees.

NEVARIS

NEVARIS

NEVARIS develops and distributes holistic structural engineering and construction business software for architects and construction companies – from small offices to large corporate construction groups.

Segments:	Design, Build
Company size:	119 employees
Locations:	Achim, Berlin, Wals-Siezenheim
Website:	www.nevaris.com

Solutions:

- NEVARIS BIM
- NEVARIS Build
- NEVARIS Finance

NEVARIS is an end-to-end software for designers and construction companies. The solution for building technology, NEVARIS Build, covers tenders, awarding of contracts, invoicing, calculation, subcontractor management, building accounting and construction scheduling, among other things.

NEVARIS Finance is an accounting tool for the construction industry. NEVARIS BIM is a complete, holistic 5D solution that enables, in combination with CAD software, the creation of an intelligent 3D building model (BIM model). This makes it possible to automatically generate tender specifications and incorporate them – together with the 3D model – into the calculation. NEVARIS thus covers the entire process flow from the CAD model to billing.

3 Economic report

3.1 Overall economic and sector-related conditions

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

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

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

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

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

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

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

Construction sector situation**

Europe
The European construction industry showed its strongest growth rate in 2017 since the year 2006. Thus, 2017 was not only the fourth growth year in a row, but also all19 member states of the Euroconstruct network were able to increase their building volume for the first time since the early 1990s. The sector experts from Euroconstruct expect in total an increase in building volume of 3.5% (previous year: 2.5%). A principal growth driver here was the residential building sector, which grew faster than average at a growth rate of 4.7%. The leader of these countries was Hungary with an expected growth of 26% which, as was the case for the Eastern European countries generally, was able to overcome the 2016 economic low. Very high growth rates are additionally forecast for Ireland (14.6%), Sweden (9.9%) and Norway (6.8%). The large economies of Germany and France were also able to continue their growth paths at 2.6% (previous year: 2.5%) or rather 3.6% (previous year: 2.6%). The growth rates in Great Britain fell, due to the uncertainties resulting from the imminent Brexit, however, an increase in building volume of 2.7% was still expected (previous year: 3.9%).

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

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

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

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

Emerging countries

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

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

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

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

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

Industry specific framework conditions**

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

The use of the BIM methodology is already widespread in the USA as well as in the Scandinavian countries, the Netherlands and Great Britain. With the coming into effect in Great Britain of the BIM-Level-2 mandate 2016, the use of which is obligatory in public building projects, a major step has been made in the widespread establishment of BIM. With the planned BIM Level 3 from 2020, the model-based cooperation of all disciplines in Great Britain, which requires the use of Open BIM shall reach a new level.

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

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

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

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

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

Acquisitions

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

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

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

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

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

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

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

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

Cooperations and partnerships

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

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

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

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

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

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

Development of revenues

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

Consolidation effects

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

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

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

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

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

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

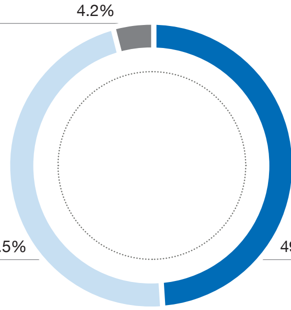
Revenue by software licences and recurrent revenues

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

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

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

REVENUES BY TYPE IN %



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

Internationalization

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

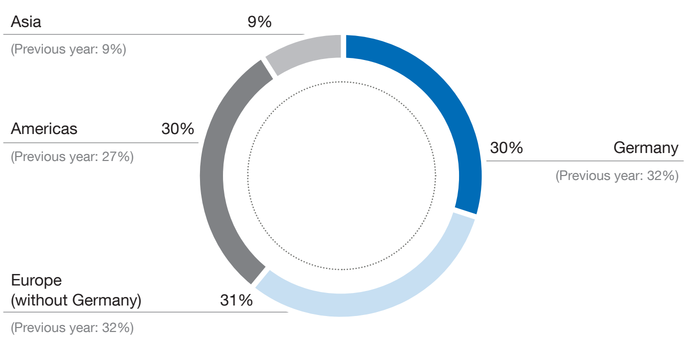
Apart from the DACH region, other European markets, including France, Great Britain and Scandinavia are the focus of the Nemetschek Group. Outside of Europe, interest is directed at both the USA and the Asian region, especially Japan.

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

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

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

REVENUES BY REGIONS IN %



Development of segments

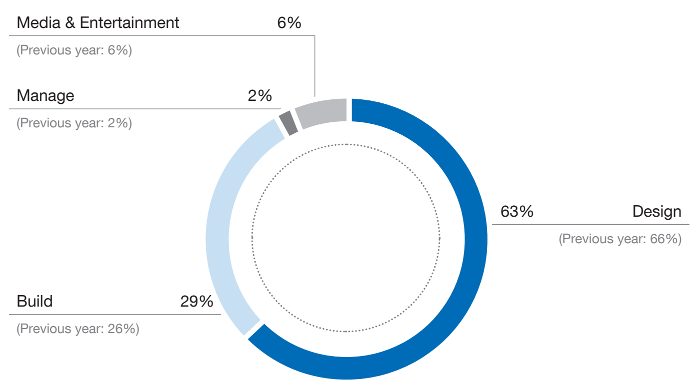
The **Design** segment again recorded a double-digit revenue growth for fiscal 2017. Revenues climbed by 12.8% (currency adjusted: 13.8% from EUR 220.9 million to EUR 249.2 million. Organic growth amounted to 10.1%. The Design segment contributes more than 63.0% to group revenues (previous year: 65.5%).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

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

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

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

REVENUES BY SEGMENTS IN %



QUARTERLY REVIEW: KEY RATIOS OF THE SEGMENTS

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

ANNUAL REVIEW: KEY RATIOS OF THE SEGMENTS

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

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

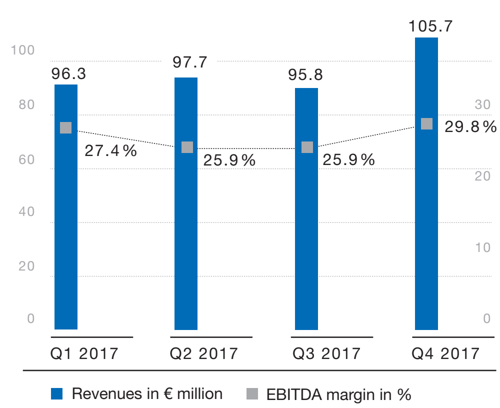
3.4 Earnings situation

Growth in earnings

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

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

QUARTERLY DEVELOPMENT OF REVENUE AND EBITDA MARGIN



The rise in the EBITDA margin results from development of costs lower proportionately compared to the rise in revenues. Operating expenses before depreciation/amortization rose by14.1% to EUR 292.4 million (previous year: EUR 256.3 million), above all due to higher personnel expenses and higher other operating expenses.

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

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

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

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

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

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

The group tax rate at 18.6% was clearly lower than in the previous year (29,4%). The reasons for this were mainly the impact of the US corporate tax reform, effective from 2017, as well as the release of deferred tax provisions for unrealized exchange differences on intragroup loans. As the result of the continued development of the EUR to USD, these exchange gains decreased significantly, such that the deferred tax provisions set up for these in previous years amounting to EUR 1.7 million could be released. The US tax reform had a positive effect of EUR 2.9 million on the tax result, primarily due to the measurement of the deferred tax liabilities from the prior year acquisitions at the new tax rate.

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

The period result (group result after taxes) improved because of the very good operative development and the effects mentioned in the financial and tax results by 57,3% to EUR 76.8 million (previous year: EUR 48.9 million). Net income for the year (equity holders of the parent company) rose by 59.1% to EUR 74.7 million (previous year: EUR 46.9 million). The earnings per share amounted to EUR 1.94 (previous year: EUR 1.22), a rise of 59.1%. Adjusted for special effects from the release of the earn-out liability and in the tax result, the net income (equity holders of the parent company) is calculated at EUR 62.4 million, representing a rise of 33.0%. The adjusted EPS thus amounts to EUR 1.62.

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

SUMMARY OF GROUP INDICATORS

In EUR million	FY 2017	FY 2016	Change in %
Revenue	**395.6**	**337.3**	**+17.3%**
EBITDA	**108.0**	**88.0**	**+22.7%**
EBITDA margin	27,3%	26,1%	
EBIT	**86.4**	**69.7**	**+24.1%**
EBIT margin	21.9%	20,7%	
Net income for the year (equity holders of the parent company)	**74.7**	**46.9**	**+59.1%**
Earnings per share in EUR	**1.94**	**1.22**	**+59.1%**
Adjusted net income after special effects – in financial result through earn-out liability of EUR 7.6 million – in income tax due to US tax reform and release of deferred tax provisions (EUR 4.6 million)	62.4	46.9	+33.0%
Adjusted earnings per share	1.62	1.22	+33.0%
Adjusted net income before amortization of PPA	85.2	55.1	+54.6%
Adjusted earnings per share before amortization of PPA in EUR	2.21	1.43	+54.6%

3.5 Determination of cost of capital

As in prior years, as part of the impairment testing of goodwill the Nemetschek Group developed its capital costs (WACC = Weighted Average Cost of Capital) for each cash-generating unit. The risk-free interest rate is determined by applying the “Svensson method” and as at December 31, 2017 amounted to 1.25% (previous year: 1.00%).

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

3.6 Financial position

Principles and objectives of financial management

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

Liquidity anyalysis

As at December 31, 2017 the Nemetschek Group held liquid funds of EUR 104.0 million, a decline of 7.6% compared to the previous year (EUR 112.5 million). This represents EUR 2.70 per share eligible for dividends (previous year: EUR 2.92) per share eligible for dividends. Despite the redemption options from the acquisition loan of EUR 26.0 million and the dividend distribution in 2017 amounting to EUR 25.0 million, the Nemetschek Group owns enough liquid reserves to undertake other growth projects, both organic and non-organic. At the same time the executive board follows a sustainable dividend policy which still intends to make a distribution of 25 to 30% of the operative cash flow to the shareholders.

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

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

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

Cash flow development

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

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

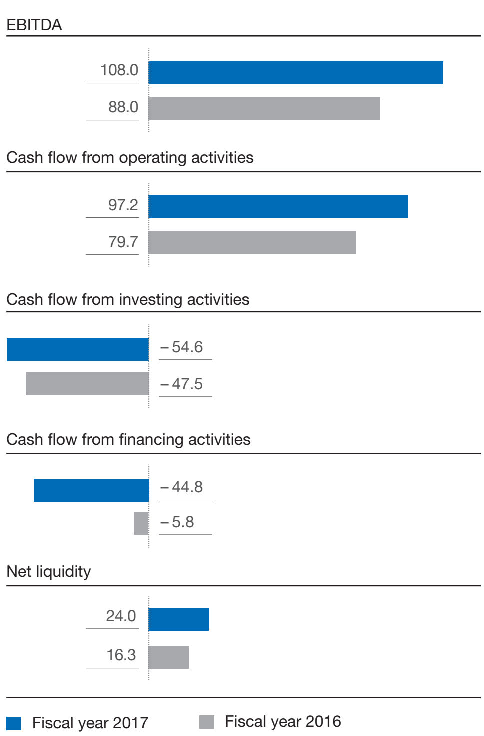
The cash flow from investing activities amounted to EUR –54.6 million (previous year: EUR –47.5 million). Whereas the previous year included the acquisition of SDS/2 for EUR 40.4 million minus purchased funds, the main items in fiscal 2017 were disbursements of

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

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

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

CASH FLOW ANALYSIS IN EUR MILLION



Management of liquidity risks

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

The high credit rating of the Nemetschek Group allows sufficient liquid funds to be procured. Furthermore, as at December 31, 2017 there were lines of credit of EUR 26.5 million that had not been taken. Nemetschek monitors its risk of a shortage of funds using monthly liquidity planning. This considers the maturity of both its financial assets (accounts receivable, fixed-term deposits etc.) and the projected cash flows from operating activities. The objective is the continuous fullfilment of financial funding requirements while at the same time maintaining flexibility.

Investment analysis

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

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

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

3.7 Net assets

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

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

On the shareholders' equity and liabilities side of the balance sheet, current debt increased by 13.4% to EUR 165.7 million (December 31, 2016: EUR 146.1 million). This item mainly comprises trade payables alongside provisions and accrued liabilities that fall due in less than one year and are covered by current operating cash flow. The item current loans of EUR 26.0 million includes the repayment amount of the long-term bank loan due in the coming 12 months as well as a short-term loan of EUR 10.0 million.

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

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

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

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

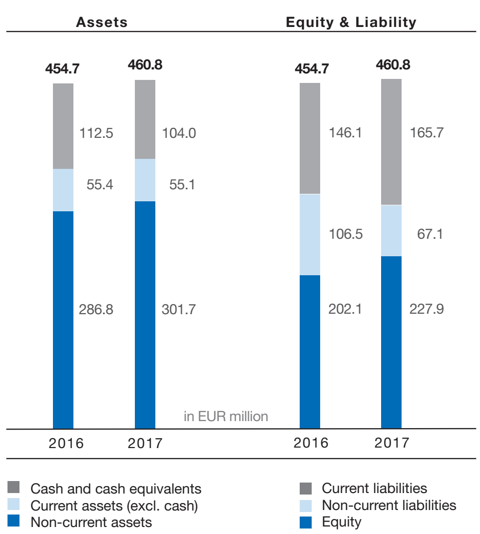
As at December 31, 2017 the balance sheet total had risen to EUR 460.8 million (previous year: EUR 454.7 million).

KEY BALANCE SHEET FIGURES

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

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

SUMMARY OF THE BALANCE SHEET IN EUR MILLION



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

Development of revenue and earnings situation

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

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

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

Net assets

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

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

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

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

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

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

Financial position

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

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

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

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

3.9 Comparison of actual and forecast business development

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

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

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

On a segment basis the Nemetschek Group expects in the **Design** and **Manage** segments growth in revenues within the same corridor as the planned organic growth of 13% to 15% at group level. In the **Build** segment growth rates above the group average are expected and, in the **Media & Entertainment** segment, revenue growth of slightly lower than average growth.

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

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

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

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

3.10 Overall presentation

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

RISA is a leading provider of structural design and analysis software for the structural engineering industry.

Segment:	Design
Company size:	26 employees
Location:	Foothill Ranch
Website:	www.risa.com

Solution:

RISA-3D

RISA has been developing cutting-edge structural design and optimization software for over 30 years.

RISA-3D, RISAFloor, RISAFoundation and RISAConnection enable customers to work with steel, concrete, timber, masonry, aluminum and cold-formed steel all in a single, seamlessly integrated model.

Reference Project No. 6:

Pterodactyl Office Building
USA

Engieering office: NAST Enterprises

This extraordinary structure – inspired by the shape of flying dinosaurs – is formed by the intersection of nine rectangular boxes, built on top of or adjacent to each other, connected by an interior second-floor bridge above a parking garage.

RISA®

4 Opportunity and risk report

Opportunity and risk management

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

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

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

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

Accounting-related risk management system and internal control system

The risk management and internal control systems generally also cover the accounting processes as well as all risks and checks regarding accounting. This relates to all parts of the risk management system and internal control system that could have a significant impact on the consolidated financial statements. The aim of risk management with regard to the accounting processes is to identify and assess risks that could prevent the consolidated financial statements from complying with the applicable regulations. Any impact of identified risks on the consolidated financial statements must be measured. The aim of the internal control system is to establish sufficient security through the set-up of controls so that the consolidated financial statements comply with the relevant regulations, despite any identified risks.

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

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

Significant elements of risk controlling and management in accounting are the assignment of responsibilities and controls during the preparation of the financial statements, group-wide requirements in the form of guidelines on accounting and the preparation of the financial statements, and appropriate rules for accessing the IT systems. The principles of dual control and functional separation are also important control principles in the accounting process.

An evaluation of the effectiveness of internal controls with regard to accounting was an integral part of the checks the internal audit department performed in 2017. Four times a year, the supervisory board is informed about the significant identified risks in the Nemetschek Group and the efficiency of the risk management system and accounting-relevant internal control system.

Opportunities and risks

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

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

Risk measurement and reporting

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

RISK POTENTIAL PROBABILITY OF MATERIALIZATION

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

RISK: POTENTIAL SEVERITY OF THE LOSS OR DAMAGE

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

Market risks

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

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

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

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

Market factors such as geographical and economically specific economic cycles as well as political and fiscal changes can affect the business activities. Above all, the global economic situation has become more volatile in recent years and therefore the economic risks greater. Similarly, technological changes can have a negative effect on single entities or entities of a specific segment. Market factors can change short-term. The Nemetschek Group plans its investments and corporate decisions medium-term to long-term such that short-term deviations do not significantly influence the long-term whole picture. Group or segment strategies are aligned as appropriate. For this purpose, it is necessary to closely follow the development of the brands and segments. The wide diversification of the portfolio including various end consumers and sectors as well as the wide internationalization of cyclical developments both counteract these risks.

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

Industry sector risks

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

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

However, revenue from Nemetschek Group solutions is distributed geographically across many countries. No one single customer accounts for a major share of revenues and, thus, there is no cluster risk. Moreover, the customers of the Nemetschek Group are very loyal. The Nemetschek Group is therefore very diversified in terms of regional spread and in terms of its customer structure. Consequently, the risks described above have not yet had any significant impact on the earnings situation of the SE or of the group. As a leading company in the AEC industry and thanks to its size and expertise, Nemetschek has a good chance of continuing to expand its market share and of profiting from technological trends.

The order situation and financial strength of the construction industry and its players influence the industry's investments in software, and, in turn, the development of the group's business. The fundamental willingness of private and institutional builders to invest also plays an important role in future development. The general conditions of the economies in which Nemetschek is active might therefore permanently impair the purchasing power of our target groups.

In addition, pessimism about further economic development could provoke a decline in investment. The Nemetschek Group tracks such trends by regularly analyzing the significant early indicators. Additionally, there is a focus on growth opportunities in the emerging countries which Nemetschek would also like to exploit fully, as well as on the demand for innovative solutions.

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

Risks from the competitive environment

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

Nemetschek, however, considers these risks to be manageable. The company invests to a great extent in research and development to further develop the solutions portfolio and to develop innovations. On average about 23% of the total group revenue is re-invested annually in research and development. The Nemetschek Group sees itself as a supplier of competence which is prepared to go to considerable lengths to accommodate the needs of its customers. With its segments Design, Build, Manage and Media & Entertainment, the Nemetschek Group covers the entire life cycle of buildings. In addition, the Media & Entertainment segment, which is substantially independent of any one sector, has made good progress over the last few years. As a result of this strategic positioning, Nemetschek is exposed to lower risks than other market participants.

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

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

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

Operative risks

Corporate strategy

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

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

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

Sales risks

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

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

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

Marketing risks

The Nemetschek Group generates revenues mainly from the sale of software licenses and income from maintenance contracts. In addition, rental models such as software-as-a-Service (SaaS) or subscriptions are offered. Some of our software is already offered as a rental model and is, as with maintenance contracts, part of recurring revenue. Some software houses have already converted their models from classical desktop use to SaaS and subscription. This changeover is being accelerated in the USA in particular. The Nemetschek Group consciously offers both possibilities to give customers maximum flexibility and to acquire new customers.

There is, however, the risk that the market might move faster in this direction than assumed by Nemetschek. Nemetschek observes the market very carefully and is in close dialogue with its customers.

Product risks

There is a basic risk that the innovative advantage achieved by the Nemetschek Group might be lost through innovations from competitors as well as through failure to acknowledge and adapt, at all or in time, to changing customer requirements and technological innovation. Thus, the future business success depends above all on our ability to offer innovative products which are tailored to the relevant needs of the customers. Nemetschek counters this risk with its keen focus on research and development and the related new releases of its software products. This gives an opportunity to win additional market shares, thanks to the extensive product range tailored to local customer requirements. Nemetschek has, additionally, the ability to react to changes quickly through its fifteen autonomous brand companies. Only by constantly optimizing the product range can the advantage over competitors be maintained and increased. Due to its proximity to customers and its innovative solutions, the Nemetschek Group has good chances for future profitable growth.

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

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

Project risks

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

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

Technology risks

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

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

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

Process risks

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

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

Personnel

Recruiting and permanently retaining highly qualified employees is a key factor for the entire software sector and therefore also for the Nemetschek Group. If managers or other qualified employees were to leave the Nemetschek Group and suitable replacements could not be found, this would adversely affect business development. This is especially significant if it involves the loss of specialist knowledge. To prevent this risk, the Nemetschek Group offers attractive working conditions and continually improves the processes in its knowledge management. The general skills shortage globally presents a challenge to the Nemetschek Group. In order to win young employees, the Nemetschek Group works very closely together with universities, awards scholarships and grants doctorate jobs.

Acquisition and integration risks

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

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

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

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

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

Legal, tax and compliance risks

Tax risks

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

Compliance and governance risks

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

A small number of customers of the Nemetschek Group are governments or publicly owned companies. Business in the engineering area is in part characterized by orders of high volume. The occurrence of - or indeed merely allegations of - corruption might hinder participation in public tendering and have adverse effects on further economic activity, net assets, the financial position and results of operations, the share price or in the company’s reputation. Considering this, Nemetschek has instituted an anti-corruption program alongside the Code of Conduct for all employees. Compliance and corporate responsibility have always been important components of the corporate culture at the Nemetschek Group. In order to communicate the issue sustainably and group-wide, a modern training tool is used so that employees can recognize and correctly react to potentially critical situations.

Legal risks

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

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

The Nemetschek Group distributes not only through its own sales forces but also with external dealers and cooperation partners. In the case of the external sales forces, the risk is naturally present that the distribution agreements may be negatively influenced with the consequent potential of loss of new business and of existing customers. Distribution partners might not renew their contracts with Nemetschek or might wish to do so only under unacceptable conditions. Distribution agreements might be terminated, something that could give rise to litigation and so affect adversely the group's business activity and the financial and earnings position.

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

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

Financial risks

Where there are high financial liabilities there is basically a liquidity risk should the earnings situation of the group deteriorate. Currently the Nemetschek Group has bank liabilities of about EUR 80 million (previous year: EUR 96 million). However, Nemetschek generated clearly positive cash flows which make it possible to continoue to invest in organic growth as well as in acquisitions. The availability of decentralized funds is ensured by Nemetschek SE using a centralized cash pooling system. The objective of the Nemetschek Group with regard to financial risk management is to mitigate the risks presented below by the methods described. The Group basically follows conservative and risk-avoiding strategies.

Currency risks

The Nemetschek Group is exposed to fluctuations in exchange rates in its operating business especially in the United States, Japan, Great Britain, Sweden, Hungary and Switzerland. with the further internationalization of group activities, exchange rate fluctuations are analyzed precisely and are of increasing significance for the operating activities of the Group. The company's strategy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group occur because the group operates and has production sites and sales establishments in different countries worldwide. All hedging measures are centrally agreed and coordinated with Group Treasury. Exchange rate fluctuations only have a limited effect at group level because the operating subsidiaries outside of the Euro region record revenue as well as cost of materials, personnel expenses and other expenses predominantly in their local currencies. Despite this, exchange rate fluctuations in one of the countries may lead to effects, especially on sales and pricing, which might ultimately influence the revenue and earnings situation of individual brands. In the year 2017 the Nemetschek Group experienced, in particular due to the weak US Dollar in the second half year, negative currency driven effects on revenues and EBITDA.

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

Default risk and risk management

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

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

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

Within the group there is no material concentration of default risks from today's perspective. With respect to the other financial assets of the group, which comprise cash and cash equivalents, the group's maximum exposure to credit risk, arising from default of the counter-party, is equal to the carrying amount of these instruments.

Interest risk

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

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

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

Opportunity assessment

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

Summary assessment of the group's opportunity and risk situation

In summary, the management of Nemetschek SE is convinced that none of the main risks identified above, neither individually nor as a whole, threatens the going concern, and that the group will continue to successfully master challenges and opportunities. Compared to the previous year there were no material changes in 2017 in the overall risk position or the specific risks described. Management is convinced that the risks are limited and manageable. The financial basis of the company is solid. The equity ratio of 49.5% is very good and the liquidity situation comfortable.

5 Other disclosures

5.1 Report on enterprise controlling and declaration on corporate management

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

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

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

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

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

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

The composition of the supervisory board is governed by the corporate statutes which are available on our website, as is the present membership of the supervisory board. The supervisory board consists of three members only, and for this reason no committees have been formed. The working method of the supervisory board is governed by procedural rules.

With regard to the working method of the executive and supervisory board, we refer to the corporate governance report of the company report and to the report of the supervisory board.

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

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

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

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

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

(1) Composition of the subscribed capital
The nominal capital of Nemetschek SE as of December 31, 2017 amounted to EUR 38,500,000.00 and is divided into 38,500,000 bearer shares.

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

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

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

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

(6) Legal provisions and statutes on the appointment and dismissal of members of the executive board and amendments to the statutes
The appointment and dismissal of executive board members is governed by §§ 84 and 85 of the German Stock Corporation Act in connection with § 8 of the statutes of Nemetschek SE. These stipulate that executive board members shall be appointed by the supervisory

Reference Project No. 7:

ICC (International Convention Centre) Australia

Administration: Lend Lease

The ICC, Australia's largest combined exhibition, convention and entertainment precinct, with a total exhibition capacity of 35,000 sqm, sits in the heart of Sydney in a prime waterfront location on Darling Harbour.

dRofus

dRofus

dRofus is a leading planning and data management tool for the global building industry, used throughout the building lifecycle by all project stakeholders.

Segment:	Design
Company size:	26 employees
Locations:	Oslo, Adelaide, Antibes, Cleveland, Lincoln, Malmö, Melbourne, San Francisco, Sydney
Website:	www.drofus.no

Solution:

dRofus

dRofus is a unique planning, data management and BIM collaboration tool that provides all stakeholders with extensive workflow support and access to building information throughout the building lifecycle. The collaboration platform is used by all project stakeholders, who use owner requirements to validate designed solutions (BIM). Building data evolves through each project stage, culminating in facilities management and operations. The team of programmers is continually improving and expanding the software, working closely with customers as well as the dRofus in-house team of industry practitioners, who possess an extensive experience in project briefing, design, construction, and facility management.

board for a maximum of five years. Re-appointment or prolongation of the term of office is allowed, for a maximum term of up to five years each time.

Any amendment to the statutes is subject to § 179 of the German Stock Corporation Act in connection with §§ 13 and 19 of the statutes of Nemetschek SE. These state that the annual general meeting shall decide on amendments to the statutes by a two-thirds majority of votes cast or, if at least half of the normal capital is represented, by a simple majority of the votes cast. Where the law also prescribes a majority of the nominal capital represented to pass a resolution at the annual general meeting, the simple majority of the nominal capital represented when the resolution is passed is sufficient, where legally permitted. Under § 14 of the statutes of Nemetschek SE, the supervisory board is authorized to resolve changes where these affect only the wording of the statutes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) Significant agreements of the company that are subject to a change in control as a result of a takeover bid

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

(9) Remuneration agreements of the company with the members of the executive board or employees in the event of a takeover bid

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

5.3 Remuneration report

Supervisory board

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

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

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

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

Executive board

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

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

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

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

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

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

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

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

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

		Viktor Várkonyi	
	Thousands of €	**2017 Initial Value**	2016 Initial Value
Fixed compensation		124	96
Fringe benefits		0	0
Total		**124**	**96**
One-year variable compensation		134	0
Multi-year variable compensation	LTIP 2014 – 2016	341	0
Total		**599**	**96**

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

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

6 Subsequent events report

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

7 Outlook for 2018

7.1 Framework conditions

Macro-economic background*

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

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

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

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

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

Construction industry**

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

According to experts of the sector service FMI, the US construction industry will also prove strong in the coming years. For the year 2018 an increase in construction spending of 4.7% is expected. In residential construction, a slight weakening in dynamic growth is expected, whereas infrastructure investments are likely to increase thanks to the infrastructure program announced by the US President Trump. The exact financial details of this program have, however, not yet been specified. The US government is supposedly planning state investments of around 200 billion dollars in the coming years. In addition to this, the federal states and local authorities are expected to contribute. The leader is the federal state of California, which has already approved a 52 billion dollar program for restructuring roads and for building bridges.

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

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

7.2 Corporate expectation

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

Market-specific strategies

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

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

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

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

* Sources: Annual Expert Report 2017/18 German Council of Economic Experts; GTAI/Economic Trends.
** Sources: Euroconstruct Summary Report Munich, Nov. 2017; GTAI/Construction Industry; 2018 FMI Overview, RICE:

Development of new markets and customer groups

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

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

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

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

The brands will also offer their customers high flexibility when it comes to software in future: either as a license model including the option of a service contract or as a rental model (subscription or software-as-a-service). With leasing models, Nemetschek can attract new customer groups since they allow the customer to remain flexible in terms of time and to use the software without a one-off license fee. Here customers of all sizes are addressed - from individual solutions through to major projects.

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

Growth organic and non-organic

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

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

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

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

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

Financing, investments and liquidity

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

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

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

Dividend policy

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

Overall evaluation of the expected development

Outlook of the Nemetschek Group

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

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

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

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

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

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

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

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

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

Outlook of Nemetschek SE

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

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

Note on outlook

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

Munich, March 19, 2018

Patrik Heider Sean Flaherty Viktor Várkonyi

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

SOLIBRI

Solibri offers a universally applicable software solution for quality check and BIM model analysis for an efficient construction process.

Segment:	Design
Company size:	35 employees
Locations:	Helsinki, Hamburg, Leeds, Madrid, Scottsdale
Website:	www.solibri.com

Solutions:

- Solibri Model Checker
- Solibri Model Viewer
- Solibri IFC Optimizer

Today there is more data than ever in BIM models, necessitating a very real requirement to manage, verify and validate the data, in addition to the model itself. This is where Solibri Model Checker (SMC) comes into its own.

SMC is like a ‘Swiss Army Knife’, with each blade addressing a different BIM use case. SMC defines and supports the Quality Assurance and Quality Control (QA/QC) processes in their clients’ businesses.

SMC finds faults before a single brick is laid. It manages QA/QC in the workflow for all team members – designers, construction companies and building owners.

Reference Project No. 8:

The Blue Planet
Denmark

Contractor: MT Højgaard

The aquarium, in the shape of a whirlpool made of 40,000 aluminum rhombuses with a seawater-resistant alloy, captivates visitors in underwater worlds. Reflected sunlight and adapted background sounds create an atmosphere similar to diving.

SOLIBRI

CONSOLIDATED FINANCIAL STATEMENTS

(IFRS)

Consolidated financial statements

(IFRS)

As a result of rounding it is possible that individual figures in these consolidated financial statements do not add up to the totals shown and that the percentages shown do not reflect the absolute values to which they relate.

Consolidated statement of comprehensive income

for the period from January 1 to December 31, 2017 and 2016

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2017	2016	[Notes]
Revenues	**395,568**	**337,286**	[1]
Own work capitalized	0	7	
Other operating income	4,845	6,957	[2]
Operating income	**400,413**	**344,250**	
Cost of materials / cost of purchased services	–12,911	–10,946	[3]
Personnel expenses	–172,591	–151,188	[4]
Depreciation of property, plant and equipment and amortization of intangible assets	–21,554	–18,314	[5]
thereof amortization of intangible assets due to purchase price allocation	*–13,494*	*–11,056*	[5]
Other operating expenses	–106,911	–94,129	[6]
Operating expenses	**–313,967**	**–274,577**	
Operating results (EBIT)	**86,446**	**69,673**	
Interest income	299	183	[8]
Interest expenses	–1,024	–1,046	[8]
Share of results of associated companies	1,058	380	[7]
Other financial expenses/income	7,622	–23	[9]
Earnings before taxes (EBT)	**94,401**	**69,167**	
Income taxes	–17,571	–20,325	[10]
Net income for the year	**76,830**	**48,842**	
Other comprehensive income:			
Difference from currency translation	–23,150	6,846	
Subtotal of items of other comprehensive income that will be reclassified to income in future periods:	**–23,150**	**6,846**	
Gains/losses on revaluation of defined benefit pension plans	–106	–105	
Tax effect	30	30	
Subtotal of items of other comprehensive income that will not be reclassified to income in future periods:	**–76**	**–75**	
Subtotal other comprehensive income	**–23,226**	**6,771**	
Total comprehensive income for the year	**53,604**	**55,613**	
Net profit or loss for the period attributable to:			
Equity holders of the parent	74,663	46,925	
Non-controlling interests	2,167	1,917	
Net income for the year	**76,830**	**48,842**	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	51,556	53,733	
Non-controlling interests	2,048	1,880	
Total comprehensive income for the year	**53,604**	**55,613**	
Earnings per share (undiluted) in euros	1.94	1.22	[11]
Earnings per share (diluted) in euros	1.94	1.22	
Average number of shares outstanding (undiluted)	38,500,000	38,500,000	
Average number of shares outstanding (diluted)	38,500,000	38,500,000	

The accompanying notes to this statement of comprehensive income form an integral part of these consolidated financial statements.

Consolidated statement of financial position

as of December 31, 2017 and December 31, 2016

STATEMENT OF FINANCIAL POSITION

ASSETS Thousands of €	December 31, 2017	December 31, 2016	[Notes]
Current assets			
Cash and cash equivalents	103,957	112,482	[24]
Trade receivables, net	41,011	38,794	[13]
Inventories	561	597	[14]
Tax refunded claims for income taxes	908	3,477	[14]
Other current financial assets	116	10	[14]
Other current assets	12,514	12,546	[14]
Current assets, total	**159,067**	**167,906**	
Non-current assets			
Property, plant and equipment	14,852	14,255	[12]
Intangible assets	86,857	89,729	[12]
Goodwill	192,736	177,178	[12]
Investments in associates and non-current available-for-sale assets*	3,553	2,474	
Deferred tax assets	2,569	2,234	[10]
Non-current financial assets	34	43	[14]
Other non-current assets	1,114	929	[14]
Non-current assets, total	**301,715**	**286,842**	
Total assets	**460,782**	**454,748**	

The accompanying notes to this statement of financial position form an integral part of these consolidated financial statements.
* See notes to the consolidated financial statements "investments in associates" and "non-current available-for-sale assets".

EQUITY AND LIABILITIES Thousands of €	December 31, 2017	December 31, 2016	[Notes]
Current liabilities			
Short-term borrowings and current portion of long-term loans	36,003	26,000	[18]
Trade payables	8,189	7,922	[18]
Provisions and accrued liabilities	35,465	32,778	[17]
Deferred revenue	68,097	55,293	[19]
Income tax liabilities	7,715	7,353	[18]
Other current financial obligations	601	1,224	[20]
Other current liabilities	9,677	15,539	[18]
Current liabilities, total	**165,747**	**146,109**	
Non-current liabilities			
Long-term borrowings without current portion	43,944	70,231	[18]
Deferred tax liabilities	13,527	20,600	[10]
Pensions and related obligations	1,703	1,660	[17]
Non-current deferred revenue	738	0	
Non-current financial obligations	1,738	9,721	[21]
Other non-current liabilities	5,440	4,309	[22]
Non-current liabilities, total	**67,090**	**106,521**	
Equity			
Subscribed capital	38,500	38,500	[15]
Capital reserve	12,485	12,485	[16]
Retained earnings	193,179	143,954	[16]
Other comprehensive income	–18,691	4,363	[16]
Equity (Group shares)	**225,473**	**199,302**	
Non-controlling interests	2,472	2,816	
Equity, total	**227,945**	**202,118**	
Total equity and liabilities	**460,782**	**454,748**	

The accompanying notes to this statement of financial position form an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the period from January 1 to December 31, 2017 and 2016

CONSOLIDATED CASH FLOW STATEMENT

Thousands of €	**2017**	2016	[Notes]
Profit (before tax)	94,401	69,167	
Depreciation and amortization of fixed assets	21,554	18,314	
Change in pension provision	−63	−189	
Other non-cash transactions	−6,482	−328*	
Portion of the result of non-controlling interests	−1,058	−380*	
Result from disposal of fixed assets	195	177	
Cash flow for the period	**108,547**	**86,761**	**[24]**
Interest income	−299	−183	
Interest expenses	1,024	1,046	
Change in other provisions	3,971	4,685	
Change in trade receivables	−3,919	−5,217	
Change in other assets	1,364	−2,716	
Change in trade payables	166	1,141	
Change in other liabilities	5,631	9,362*	
Interest received	284	127	
Income taxes received	2,230	1,749	
Income taxes paid	−21,582	−17,076*	
Cash flow from operating activities	**97,416**	**79,678**	**[24]**
Capital expenditure	−8,787	−7,370	
Cash paid for investments in financial assets	0	−50	
Changes in liabilities from acquisition	−620	0	
Cash received from disposal of fixed assets	198	311	
Cash paid for acquisition of subsidiaries, net of cash acquired	−45,366	−40,419	
Cash flow from investing activities	**−54,575**	**−47,528**	**[24]**
Dividend payments	−25,025	−19,250	
Dividend payments to non-controlling interests	−2,711	−1,162	
Cash received from bank loans	0	38,000	
Interest paid	−914	−904	
Repayment of borrowings	−26,000	−22,200	
Changes in bank liabilities due to company acquisitions	10,000	0	
Payments for acquisition of non-controlling interests	−151	0	
Cash flow from financing activities	**−44,801**	**−5,516**	**[24]**
Changes in cash and cash equivalents	**−1,960**	**26,633**	
Effect of exchange rate differences on cash and cash equivalents	**−6,565**	**1,883**	
Cash and cash equivalents at the beginning of the period	**112,482**	**83,966**	
Cash and cash equivalents at the end of the period	**103,957**	**112,482**	**[24]**

The accompanying notes to this cash flow statement form an integral part of these consolidated financial statements.
* Previous year values adjusted.

Consolidated statement of changes in equity

for the period from January 1, 2016 to December 31, 2017

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the parent company's shareholders						
Thousands of €	Subscribed capital	Capital reserve	Retained earnings	Currency conversion	**Total**	Non-controlling interests	**Total equity**
As of January 1, 2016	**38,500**	**12,485**	**116,345**	**–2,498**	**164,832**	**2,085**	**166,917**
Difference from currency translation	–	–	–	6,861	6,861	–15	6,846
Remeasurement gains/losses from pensions and related obligations	–	–	–53	–	–53	–22	–75
Net income for the year	–	–	46,925	–	46,925	1,917	48,842
Total comprehensive income for the year	**0**	**0**	**46,872**	**6,861**	**53,733**	**1,880**	**55,613**
Dividend payments to non-controlling interests	–	–	–13	–	–13	–1,149	–1,162
Dividend payment	–	–	–19,250	–	–19,250	0	–19,250
As of December 31, 2016	**38,500**	**12,485**	**143,954**	**4,363**	**199,302**	**2,816**	**202,118**
As of January 1, 2017	**38,500**	**12,485**	**143,954**	**4,363**	**199,302**	**2,816**	**202,118**
Difference from currency translation	–	–	–	–23,054	–23,054	–96	–23,150
Remeasurement gains/losses from pensions and related obligations	–	–	–54	–	–54	–23	–77
Net income for the year	–	–	74,663	–	74,663	2,167	76,830
Total comprehensive income for the year	**0**	**0**	**74,609**	**–23,054**	**51,555**	**2,048**	**53,603**
Transactions with non-controlling interests	–	–	–359	–	–359	319	–40
Dividend payments to non-controlling interests	–	–	–	–	0	–2,711	–2,711
Dividend payment	–	–	–25,025	–	–25,025	0	–25,025
As of December 31, 2017	**38,500**	**12,485**	**193,179**	**–18,691**	**225,473**	**2,472**	**227,945**

The accompanying notes to this statement of changes in equity form an integral part of these consolidated financial statements.

CREM **SOLUTIONS**

Crem Solutions is a leading supplier of software solutions for modern, commercial property management.

Segment:	Manage
Company size:	47 employees
Location:	Ratingen
Website:	www.crem-solutions.de

Solutions:

iX-Haus

iX-Haus plus IHS

Crem Solutions’ core product iX-Haus is an efficient instrument for the administration of real estate portfolios of all kinds, making it possible to cover all the requirements of the housing industry, commercial real estate management and corporate real estate management.

The program is flexible and modular, and meaningfully integrates related solutions from partner companies. These are the characteristics that make it suitable for the individual business processes and requirements of all clients. Moreover, iX-Haus plus IHS comprises a solution for technical real estate management.

Not part of the audited consolidated financial statements and combined management report.

Reference Project No. 9:

Greifweg
Germany

Project development: RALF SCHMITZ

For the construction of the GREIFWEG luxury apartments in the best Düsseldorf location, the family-run company in its fifth generation uses iX-Haus for complex invoice posting.

CREM **SOLUTIONS**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the financial year 2017

The company

The Nemetschek Group is a globally leading software provider for the AEC (Architecture, Engineering, Construction) industry. The company, founded by Prof. Georg Nemetschek in 1963, offers software solutions for the complete workflow in the building and infrastructure market:

» 3D design and visualization of a property including calculation of the factors of time (4D) and costs (5D) for the building process

» Tenders, awarding of contracts and commissioning as well as construction cost accounting

» Collaboration among the contractors involved in the project, documentation, data management, and quality control

» Management, administration, use, modernization and renovation of the properties.

With 15 independent brands, the Nemetschek Group serves around 2.7 million users in regions all over the globe from 67 locations worldwide. As a strategic management holding, Nemetschek SE, headquartered in Munich (Commercial registry at the District Court of Munich, HRB 224638), carries out main functions in the areas of corporate finance und controlling, risk management, investor relations and corporate communication, market research & development, mergers & acquisitions and strategic corporate planning, human resources and IT as well as corporate audits and compliance.

The holding company comprises the four segments Design, Build, Manage and Media & Entertainment, to which the 15 brands in total are allocated. The brands are presented on the market as independently acting enterprises. At the same time, they move within a strategic corridor in coordination with the holding company. The CEOs of the operating subsidiaries possess a high degree of personal responsibility. This makes it possible for the brands to respond quickly to customer requirements and wishes, trends and changing framework conditions. In addition, the holding company enables exchange between the brands and initiates strategic projects which cover several brands. Thus, synergies are generated in the portfolio which further increases the appeal of the offering to customers. High levels of controlling efficiency are ensured through continuous reporting to the holding company and ongoing dialog.

The Group structure with a strategic holding company and operatively powerful brands is a major strength of the Nemetschek Group. The brands are market leaders in their respective niche markets and know the special circumstances of their markets and the needs of their customers better than competitors who offer one complete solution for several customer requirements.

The brands under the umbrella of the Nemetschek Group offer a wide portfolio of graphical, analytical and commercial solutions. Among the customers are architecture, design and planning offices, engineers from all fields, design and service providers, construction companies and construction suppliers, process controllers and building administrators as well as building and asset managers.

The Nemetschek Group has always strived to provide customers with the best possible software solutions so that they are able to master the challenges arising in the building process. As a pioneer of the BIM concept, the Nemetschek Group has been following this holistic philosophy for more than 30 years. Nemetschek stands for an open approach (Open BIM). The open standard enables any software from the Nemetschek Group to communicate with any other software via open data and communication interfaces, even with the software of competitors. Thus, a seamless transition of building-relevant and digital information through all the stages of building creation and operation is supported and documented.

With its Open BIM software solutions, the Nemetschek Group increases quality levels in the building process and at the same time simplifies cooperation between all those involved in the building process. Project work is consequently more efficient and leads to greater adherence to schedules and cost certainty. Thus, the Nemetschek Group forms the cornerstone for integrated and open design and implementation in the AEC industry and enables – at times considerable – increases in efficiency in the building process.

Nemetschek SE (formerly Nemetschek Aktiengesellschaft), as the top Group company, was founded by the conversion of Nemetschek GmbH on September 10, 1997, and has been quoted on the German stock exchange in Frankfurt am Main since March 10, 1999. Today Nemetschek is listed on the TecDAX. With its filing in the commercial register on March 22, 2016, Nemetschek Aktiengesellschaft was converted into Nemetschek SE. The 2017 annual report can be ordered from Nemetschek SE or accessed via the company website: www.nemetschek.com.

Information on the “German Corporate Governance Code”

The Declaration of Conformity was submitted on March 20, 2017. The relevant current version is available to the shareholders on the website of Nemetschek SE (https://www.nemetschek.com/investor-relations/corporate-governance/).

General information

Nemetschek SE prepares and publishes the consolidated financial statements in euros. Information is shown in the consolidated financial statements in EURk (€k) unless otherwise specified.

The consolidated financial statements of Nemetschek SE, including previous year comparisons, were prepared in accordance with the International Financial Reporting Standards (“IFRS”) and related interpretations issued by the International Accounting Standards Board (“IASB”) which were required to be applied as of December 31, 2017, to the extent that the IFRS and the interpretations are adopted by the European Union, and also according to the provisions of the German Commercial Code § 315a HGB.

The financial year of the Nemetschek Group and Nemetschek SE ends on December 31 of any year for both entities.

The consolidated statement of financial position and consolidated statement of comprehensive income have been prepared in accordance with IAS 1 “Presentation of Financial Statements”. The statement of comprehensive income has been prepared using the nature of expense method as well as according to the definition of the “one statement approach”. The consolidated financial statements are prepared on the basis of historical acquisition and manufacturing costs unless other specifications are made in the section “Accounting policies”. The statement of financial position has been classified by applying the current/non-current distinction.

Summary of material accounting policies

Accounting policies adopted in the financial year 2017 are consistent with those policies adopted in the previous year.

Companies consolidated and basis of consolidation

Subsidiaries

The consolidated financial statements encompass Nemetschek SE, Munich, and all domestic and foreign subsidiaries. Subsidiaries are consolidated in full from the date of acquisition, i.e. the date on which control is transferred to the Group. Full consolidation ends when the parent company ceases to have control.

Nemetschek has control of an investment entity to the extent that it has power over the investment entity. This means that Nemetschek has existing rights which give Nemetschek the ability to redirect relevant activities. These are activities which significantly affect the investment entity’s returns. Furthermore, Nemetschek is exposed to variable returns from its involvement with the investment entity or has the rights to these and has the ability to use its power over the investment entity to affect its returns from its involvement with the investment entity. Where Nemetschek holds less than the majority of the voting rights, other facts and circumstances (including contractual agreements which give Nemetschek power over the investment entity) can lead to the company’s controlling the investment entity. With regard to the control of investment entities, Nemetschek performs a revaluation where facts and circumstances indicate that there are changes in factors that evidence control. In the 2017 financial year, control was ensured for all fully consolidated investment entities through the holding of the majority of voting rights.

Shares without controlling interest represent the portion of net income/loss and net assets not attributable to the Group. Shares without controlling interest are disclosed separately in the consolidated statement of comprehensive income and in the consolidated statement of financial position. In the consolidated statement of financial position, these shares without controlling interest are disclosed in equity, separately from the equity attributable to owners of the parent company. Measurement of non-controlling interests is at the proportional fair value of assets and liabilities purchased (partial goodwill method). After initial measurement, profits and losses are allocated in proportion to the investment without limitation, as a result of which a negative balance can arise for non-controlling interests.

The following table shows information on the Maxon Group entity with material non-controlling interests before Group-internal eliminations:

NON-CONTROLLING INTERESTS

Name, registered office of the parent entity	**MAXON GmbH, Friedrichsdorf**	
Thousands of €	**2017**	2016
Percentage of non-controlling interests	**30%**	**30%**
Non-current assets	2,914	3,254
Current assets	14,794	15,437
Non-current liabilities	−2,012	−1,839
Current liabilities	−8,483	−7,354
Net assets	**7,213**	**9,498**
Carrying amount of the non-controlling interests	**2,164**	**2,849**
Revenues	25,311	23,355
Net income	6,311	5,852
Other comprehensive income	−75	78
Total comprehensive income	**6,236**	**5,930**
Non-controlling interests associated profit	**1,893**	**1,756**
Non-controlling interests associated other comprehensive income	**−23**	**23**
Cash flow from operating activities	8,706	7,828
Cash flow from investing activities	−314	−1,052
Cash flow from financing activities	−8,228	−3,176
(thereof: Dividends paid to non-controlling interests)	*−228*	*−1,076*
Currency changes on cash and cash equivalents	−577	−50
Net increase in cash and cash equivalents	**−413**	**3,550**

The financial statements of subsidiaries are prepared as of the s ame balance sheet date as the parent company, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses from intercompany transactions are eliminated in full.

As part of the capital consolidation, business combinations are accounted for using the acquisition method. Under this method, the cost of the business combination is allocated to the identifiable assets acquired, as well as the adopted liabilities and contingent liabilities assumed in accordance with their fair values at the acquisition date. Any excess of the cost of the business combination over the interest of the Group in the fair value of the identifiable assets, liabilities and contingent liabilities acquired is reported as goodwill. Ancillary acquisition-related costs are recorded as expenses when they are incurred. The entities purchased or disposed of during the year are included in the consolidated financial statements from the time of acquisition or time of loss of control. Transactions with non-controlling interests which do not lead to a loss of control are recorded to comprehensive income as equity transactions without impacting profit or loss. When a business relationship existing between Nemetschek and the entity purchased before the business combination is offset as part of the business combination and a gain or loss arises, this is recorded to profit or loss. In the event of loss of control, any remaining shares are remeasured at fair value in profit or loss at this point in time. More on information on this topic is provided in the section “Company acquisitions”.

Shares in associates

Investments in associates are generally accounted for using the equity method. Nemetschek SE defines associates (generally investments of between 20% and 50% of capital) as entities subject to significant influence that are neither subsidiaries nor joint ventures. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group’s share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The statement of comprehensive income reflects the Group’s share of the results of operations of the associate.

Unless stated otherwise, the financial statements of the associates are prepared as of the same balance sheet date as the parent company. Where necessary, adjustments are made to comply with the Group’s uniform accounting policies. The DocuWare group develops and distributes software for electronic document management. Nemetschek OOD, Bulgaria, develops customer-specific software within the scope of order developments. Sablono GmbH develops software solutions for the digital design, control and monitoring of complex building projects. The following table summarizes financial information for the shares of the Group in non-material associates, based on the amounts reported in the consolidated financial statements:

ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Name, registered office of the entity Thousands of €	Shareholding in %	Equity	**pro rata**
2017			
DocuWare GmbH, Germering	22.41	11,855	2,657
Nemetschek OOD, Bulgaria	20.00	4,407	881
Sablono GmbH, Berlin	24.99	–457	–114
2016			
DocuWare GmbH, Germering	22.41	8,470	1,898
Nemetschek OOD, Bulgaria	20.00	3,699	740
Sablono GmbH, Berlin	24.99	–42	–10

DOCUWARE GROUP

Thousands of €	December 31, 2017	December 31, 2016
Other current assets	39,887	33,113
Other non-current assets	2,615	3,571
Other current liabilities	30,190	27,814
Other non-current liabilities	457	400
Group's carrying amount of investment	2,622	1,950
Revenues	43,987	37,142
Net income from continuing operations	3,001	3,022
Net income from non-continuing operations	0	0
Net income for the year	**3,001**	**3,022**
Group's share of profit for the year	673	677
Difference from currency translation	–264	–647
Other comprehensive income	**2,737**	**2,375**
Dividends received from associated company	0	0

NEMETSCHEK OOD, BULGARIA

Thousands of €	December 31, 2017	December 31, 2016
Other current assets	3,971	3,563
Other non-current assets	545	420
Other current liabilities	110	284
Other non-current liabilities	0	0
Group's carrying amount of investment	881	740
Revenues	7,867	6,830
Net income from continuing operations	707	790
Net income from non-continuing operations	0	0
Net income for the year	**707**	**790**
Group's share of profit for the year	141	158
Difference from currency translation	0	0
Other comprehensive income	**707**	**790**
Dividends received from associated company	0	0

Nemetschek OOD, Bulgaria, was included in the consolidated financial statements of Nemetschek SE as an associate for the first time in the 2017 financial year. The reason for this is in particular the extension of business relations within the scope of joint projects. For reasons of comparability, the previous year's amounts were specified. The share value was recognized at cost in the previous year.

In addition, Sablono GmbH, Berlin, being an associate, is accounted for using the equity method. As in the previous year, the percentage shareholding amounts to 24.99%. The carrying value of these shares after complete allowance amounts to EUR 0k as of December 31, 2017 (previous year: EUR 457k). The share result in 2017 from the business divisions continued amounted to EUR –134k (previous year: EUR –117k). As a result of the loss history, in the 2017 financial year allowances in the amount of EUR 323k were made for the carrying value of Sablono GmbH.

NON-CURRENT AVAILABLE-FOR-SALE ASSETS

Name, registered office of the entity	Thousands of €	Shareholding in %	Equity Dec. 31, 2017	**Net income/ loss for the year 2017**
Planen Bauen 4.0 GmbH, Berlin*		6.29	310	–37

* Preliminary figures as of December 31, 2017.

The costs of acquiring assets held for sale long term are specified due to a lack of market. No sale of assets is planned at present. The carrying value of the assets available for sale long term listed above amounts to EUR 50k (previous year: EUR 67k). In the 2017 financial year, shares in Sidoun GmbH and in rivera GmbH were completely sold. In total, an accounting profit of EUR 13k was made as a result of share sales.

Affiliated companies included in the consolidated financial statements

The following companies listed are fully consolidated at the closing date in the consolidated financial statements of Nemetschek SE:

AFFILIATED ENTITIES

Name, registered office of the entity	Shareholding in %
Design segment	
Allplan Česko s.r.o., Prague, Czech Republic	100.00
Allplan Deutschland GmbH, Munich*	100.00
Allplan Development Germany GmbH, Munich*	100.00
Allplan France S.A.R.L., Paris, France	100.00
Allplan GmbH, Munich*	100.00
Allplan Infrastructure GmbH, Graz, Austria (consolidated since March 1, 2017)	100.00
Allplan Italia S.r.l., Trient, Italy	100.00
Allplan Österreich Ges.m.b.H., Wals-Siezenheim, Austria	100.00
Allplan Schweiz AG, Wallisellen, Switzerland	93.33
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00
Allplan Systems España S.A., Madrid, Spain	100.00
Allplan UK Ltd., Ashby-de-la-Zouch, Great Britain** (consolidated since July 1, 2017)	100.00
Dacoda GmbH, Rottenburg	100.00
Data Design System AS, Klepp Stasjon, Norway	100.00
Data Design System GmbH, Ascheberg	100.00
Data Design System UK Ltd., Wiltshire, Great Britain	100.00
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00
dRofus AB, Malmö, Sweden (consolidated since January 1, 2017)	100.00
dRofus AS, Oslo, Norway (consolidated since January 1, 2017)	100.00
dRofus Inc., Lincoln, United States (consolidated since January 1, 2017)	100.00
dRofus Pty Ltd, North Sydney, Australia (consolidated since January 1, 2017)	100.00
Frilo Software GmbH, Stuttgart*	100.00
Graphisoft Asia Ltd., Hong Kong, China	100.00
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00
Graphisoft Deutschland GmbH, Munich	100.00
Graphisoft Japan K.K., Tokyo, Japan	100.00
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00
Graphisoft SE, Budapest, Hungary	100.00
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00
Online Projects BVBA, Herk-de-Stad, Belgium - in liquidation	70.00
Precast Software Engineering Co. Ltd., Shanghai, China	100.00
Precast Software Engineering GmbH, Wals-Siezenheim, Austria	100.00
Precast Software Engineering Pte. Ltd., Singapore	100.00
RISA Tech, Inc., Foothill Ranch, United States** (consolidated since November 1, 2017)	100.00
Scia CZ s.r.o., Brno, Czech Republic	100.00
Scia do Brasil Software Ltda, São Paulo, Brazil	99.90
Scia France S.A.R.L., Roubaix, France	100.00
SCIA Group International nv, Herk-de-Stad, Belgium	100.00
SCIA Inc., Columbia, United States	100.00
Scia Nederland B.V., Arnhem, Netherlands	100.00

SCIA nv, Herk-de-Stad, Belgium	100.00
Scia SK, s.r.o., Zilina, Slovakia	100.00
Vectorworks UK, Ltd., Newbury, Great Britain (consolidated since September 1, 2017)	100.00
Vectorworks, Inc., Columbia, United States	100.00
Build segment	
Bluebeam AB, Krisa, Sweden	100.00
Bluebeam Software, Inc., Pasadena, United States	100.00
Design Data Corporation, Lincoln, United States	100.00
NEVARIS Bausoftware GmbH, Achim	100.00
NEVARIS Bausoftware GmbH, Wals-Siezenheim, Austria	100.00
Nevaris BIM Software GmbH, Berlin	100.00
Solibri DACH GmbH, Hamburg	100.00
Solibri LLC, Scottsdale, United States	100.00
Solibri Oy, Helsinki, Finland	100.00
Solibri UK Ltd., Leeds, Great Britain	100.00
Manage segment	
Crem Solutions GmbH & Co. KG, Ratingen	100.00
Crem Solutions Verwaltungs GmbH, Munich	100.00
Media & Entertainment segment	
MAXON Computer Canada Inc., Varennes, Canada	70.00
MAXON Computer GmbH, Friedrichsdorf	70.00
MAXON Computer, Inc., Newbury Park, United States	63.00
MAXON Computer Ltd., Bedford, Great Britain	70.00
Other	
Bluebeam Holding, Inc., Delaware, United States	100.00
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00
Nemetschek, Inc., Washington, United States	100.00
NEMETSCHEK OOO, Moscow, Russia - in liquidation	100.00

* In the fiscal year 2017, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:

- Option not to prepare notes to the financial statements (Frilo GmbH) so that the annual financial statements comprise a balance sheet and income statement.
- Option not to prepare a management report (Allplan GmbH, Allplan Deutschland GmbH and Allplan Development Germany GmbH) so that the annual financial statements comprise a balance sheet, income statement and notes.
- Option not to publish the annual financial statements.

** These companies were founded in 2017.

MAXON Computer is a worldwide leading developer of professional solutions for 3D modeling, painting, animation and rendering.

Segment:	Media & Entertainment
Company size:	126 employees
Locations:	Friedrichsdorf, Bedford, Montreal, Newbury Park, Paris, Singapore, Tokyo
Website:	www.maxon.net

Solutions:

Cinema 4D

BodyPaint 3D

MAXON's 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, along with the visualization of architecture, medicine, product design and info-graphics.

When it comes to architectural visualization in particular, Cinema 4D is the perfect choice for anyone on the lookout for an extremely powerful product that is also easy to learn.

Cinema 4D's legendary reliability makes it the perfect partner for demanding day-to-day production work. That's why Allplan, ARCHICAD and Vectorworks depend on the high-performance rendering technology of Cinema 4D for image rendering.

Not part of the audited consolidated financial statements and combined management report.

Reference Project No. 10:

Guest House - 3D Study

Germany

Visualization: Benjamin Springer, EXORBITART

Inspired by the work of American architecture studio Allied Works, this project was developed as free work. It is one of the best-known works from Exorbitart to date.

Accounting and valuation principles

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The costs for replacing a part of an item of property, plant and equipment are included in its carrying amount at the time the costs are incurred, provided they meet the recognition criteria. The costs of ongoing repairs and maintenance are expensed immediately in profit or loss.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

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

Property, plant and equipment are derecognized upon disposal or when no further economic benefits are expected from the continued use or sale of the asset. Gains or losses arising on derecognition of the asset are calculated as the difference between the net recoverable value and the carrying amount of the asset and are included in profit or loss in the period in which the asset is derecognized. The historic cost and accumulated depreciation of the asset are eliminated from the balance sheet.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each financial year at the latest and adjusted if necessary.

Borrowing costs

Borrowing costs are recognized as an expense when incurred. There is no capitalization of borrowing costs since the production of qualified assets is not financed externally.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the fair values of the acquired identifiable assets, liabilities and contingent liabilities and agreed conditional considerations. Subsequent changes to the fair value of a conditional consideration which represents an asset or a liability are recorded through profit or loss in accordance with IAS 39.

Where put options are agreed on the additional purchase of minorities, the Group applies the so-called "anticipated acquisition method". Any resulting measurement changes in the purchase price liability are included in goodwill and do not impact income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units of the Group which are expected to benefit from the synergy effects of the business combination, irrespective of whether other assets or liabilities of the company acquired are assigned to those units.

Goodwill is tested for impairment at least once a year or whenever facts or changes in circumstances indicate that the carrying value may be impaired.

Each unit or group of units to which the goodwill has been allocated represents the lowest level in the group at which goodwill can be monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment losses relating to goodwill may not be reversed in future reporting periods.

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under those circumstances is measured based on the relative values of the operation disposed of and the remaining part of the cash-generating unit.

Intangible assets

The useful lives of assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with an indefinite useful life and intangible assets not yet ready for use are tested for impairment at least once a year either individually or at the cash-generating unit level. Such intangible assets are not amortized systematically. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. Except for goodwill, as of December 31, 2017, there were no intangible assets with an indefinite life.

Intangible assets not acquired in a business combination are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. At each closing date, a review is conducted to check whether the reasons for impairment still exist. The maximum amount for reversals of impairment losses is represented by acquisition costs less accumulated scheduled amortization.

Intangible assets not resulting from a purchase price allocation are amortized using the straight-line method over their normal useful lives of between three and eight years.

The intangible assets from the purchase price allocation are amortized as follows:

USEFUL LIFE OF INTANGIBLE ASSETS FROM THE PURCHASE PRICE ALLOCATION

	Useful life in years
Brand name	10 – 15
Software	7 – 12
Customer Relationship	12 – 17
Non-compete agreement	2

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net realizable value and the carrying amount of the asset and are recorded to profit or loss when the asset is derecognized.

Research and development expenses

Research costs are expensed in the period in which they are incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can cumulatively demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to complete the intangible asset and use or sell it;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied. This requires that the asset be carried at production costs less any accumulated amortization. Amortization is charged upon completion of the development phase as soon as the asset can be used. It is amortized over the period in which future benefits are expected (estimated 3–8 years). During the development phase the assets are tested for impairment once a year.

Development subsidies

Development subsidies for basic research are recorded on the basis of hours worked. These are recognized as other operating income in the consolidated financial statements. Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all related conditions will be complied with. Special-purpose development subsidies are treated as deductions from acquisition costs.

Inventories

Inventories mainly comprise merchandise, which is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Estimated costs of completion are accounted for where appropriate. Inventory risks relating to reduced salability are accounted for using appropriate mark-downs.

Prepaid expenses

Prepaid expenses are expenses paid before the balance sheet date that relate to a certain period after that date.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash in hand, bank balances and short-term deposits with a maturity of three months or less or which can be accessed in the short term (within three months or less). Cash and cash equivalents are measured at cost. Cash not available from rental guarantee deposits is disclosed as other assets.

Composition of cash and cash equivalents in the consolidated cash flow statement

Cash and cash equivalents in the consolidated cash flow statement also include cash equivalents with original maturities of three months or less.

Impairment of non-financial assets

At each balance sheet date the Group assesses whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for each individual asset value, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount.

To the extent that no observable market value can be used as a basis, in order to determine value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations with regard to the interest effect and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by measurement multiples or other available fair value indicators.

For assets, excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in previous years. The reversal of an impairment loss is recognized in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Group determines at each balance sheet date whether there is any indication that goodwill is impaired. Goodwill is tested for impairment at least once a year. Impairment tests are also conducted if events or circumstances indicate that the carrying amount may be impaired.

The impairment loss is determined by calculating the recoverable amount of the cash-generating unit to which goodwill has been allocated. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recorded. Any impairment loss recognized on goodwill may not be reversed in a subsequent reporting period. The Group performs its impairment test of goodwill at least once a year, by December 31 at the latest.

Intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet ready for use are tested for impairment at least once a year, by December 31 at the latest. Impairment testing is performed, depending on the individual case, at asset level or at cash-generating unit level. Testing is also carried out if circumstances indicate that a value may be impaired.

Associated companies

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the amount of impairment is recorded in profit or loss as the difference between the fair value of the investment in the associate and the cost of the investment.

Financial investments and other financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Nemetschek does not use the category financial instruments held-to-maturity.

Financial assets are recognized initially at fair value. In the case of financial investments, which are not classified at fair value through profit or loss, the directly attributable transaction costs are additionally accounted for which are directly attributable to the purchase of the asset.

Purchases or sales of financial assets that intend the delivery of assets within a time frame, established by regulation or convention in the marketplace (regular way purchases), are recognized at the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade receivables, receivables from loans granted and other receivables and derivative financial instruments.

Subsequent measurement

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

Financial assets measured at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separately recognized embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value, whereby gains or losses are recognized in income. The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized through profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise have resulted from the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. In addition to cash and cash equivalents, the Group currently carries financial assets consisting almost exclusively of loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains or losses are recognized directly in equity. If the fair value cannot be determined reliably, Nemetschek measures financial instruments available for sale at cost. This is the case for equity instruments where there is no quoted price on an active market and material parameters for determining the fair value with the help of valuation models cannot be determined with adequate certainty. If such an asset is derecognized, the cumulative gain or loss previously recorded directly in equity is recognized in profit or loss. If such an asset is impaired, the cumulative loss previously recorded in equity is recognized in profit or loss.

Fair value

The fair value of financial investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, or discounted cash flow analysis and other valuation models.

Amortized cost

Loans and receivables are measured at the amortized cost. This is calculated using the effective interest method net of any impairment losses, taking into account any discount or premium on acquisition, and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from customers

For amounts due from customers carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent reporting period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced through profit or loss by adjusting the allowance account. If a receivable that has been written off is later deemed recoverable due to an event that occurred after it was written off, the relevant amount is recognized directly in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (with the exception of future credit defaults) discounted at the financial asset's original effective interest rate, i.e. the effective interest rate determined upon initial recognition. The carrying amount of the asset is reduced through an allowance account. The impairment loss is recognized in profit or loss. If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The new carrying amount of the asset may not exceed the amortized cost at the time the impairment loss is reversed. The impairment loss is reversed through profit or loss.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount is transferred from equity to profit or loss representing the difference between its cost (net of any principal repayment and amortization) and current fair value (less any impairment loss on that asset previously recognized in profit or loss). Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments classified as available for sale are accounted for through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following three conditions is met:

- » The contractual rights to receive cash flows from the asset have expired.
- » The Group retains the right to receive cash flows from the financial asset, but has assumed a contractual obligation to pay them in full without material delay to a third party under a pass-through arrangement that meets the criteria of IAS 39.19 (pass-through arrangement).
- » The Group has transferred its contractual rights to receive cash flows from the financial asset and either
- » (a) has substantially transferred all the risks and rewards of the asset or

» (b) has neither substantially transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its contractual rights to receive cash flows from an asset, and has neither substantially transferred nor retained all the risks and rewards which are connected with ownership of this asset, and retains control of the asset, the transferred asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition

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

Financial liabilities are recognized initially at fair value and, in the case of loans, less directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft facilities, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on financial liabilities held for trading are recognized in profit or loss in the financial results. As of December 31, 2017, only financial liabilities for conditional purchase price payments were measured at fair value in profit or loss.

Loans

After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities

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

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

Derivative financial instruments

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Where the Group holds a derivative as an economic hedge for a period beyond twelve months after the balance sheet date, the derivative is classified as non-current, or separated into current and non-current portions, consistent with the classification of the underlying item.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward exchange contracts is determined by referring to the current currency rates for forward exchange contracts.

Derivatives not designated as hedging instruments

The Group uses foreign currency denominated loans and forward exchange contracts to manage some of its transaction exposures. These forward exchange contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally 1 to 24 months. Such derivatives do not qualify for hedge accounting. At the closing date there were no open forward exchange contracts.

Offsetting of financial instruments

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

Liabilities

Trade payables and other liabilities are recognized at amortized cost.

Deferred revenue

Deferred revenue is income received before the balance sheet date that relates to a certain period after that date.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions and accrued expenses which do not already lead to an outflow of resources in the subsequent year are measured at their discounted settlement amount at the balance sheet date where the interest effect is material. Where the Group expects some or all of a provision to be reimbursed (e.g. under an insurance contract) the reimbursement is recognized as a separate asset provided the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Contingent liabilities

Obligations are not recognized in the consolidated financial statements until their utilization is more than 50% likely. Contingent liabilities are disclosed in the notes to the consolidated financial statements when the probability of their utilization is between 5% and 50%.

Pensions and similar obligations

The company provides a company pension plan for certain employees. The provisions are measured every year by reputable independent appraisers. Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The pension obligation less plan assets is recorded as the provision in the balance sheet. Actuarial gains and losses are recorded without an effect on results in other comprehensive income. Effects relevant to interest are disclosed accordingly in interest result.

Reserves

Reserves are set up in accordance with statutory requirements.

Shares without controlling interest

The share of fair values of the identifiable assets and liabilities attributable to shares without controlling interest is allocated at the time the subsidiary is acquired. The losses allocable to shares without controlling interest in a consolidated subsidiary may exceed the interest in the equity of the subsidiary related to these shares.

Leasing

The determination of whether an arrangement is, or contains, a lease is based on the economic substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group as lessee

Finance leases, which substantially transfer to the Group all the risks and rewards incidental to ownership of the leased asset, are capitalized at the inception of the lease. The leased asset is recognized at fair value, or at the present value of the minimum lease payments if this value is lower. A liability item of the same value is recorded as a lease liability. The lease liability is reduced and carried forward in subsequent years according to the effective interest method.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Operating leases comprise office buildings, motor vehicles and other technical equipment.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation is based on the tax rate and tax laws applicable as of the balance sheet date.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred tax

Deferred tax is recognized using the liability method on all temporary differences as of the balance sheet date between the carrying amounts of the assets and liabilities in the balance sheet and their tax bases. Deferred tax liabilities are recognized for all taxable temporary differences.

The following are exceptions to this:

(a) Where the deferred income tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, it may not be recognized.

(b) The deferred tax liability in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures may not be recognized if the entity controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforwards of unused tax credits and unused tax losses can be utilized.

The following are exceptions to this:

(a) Deferred tax assets relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, may not be recognized.

(b) Deferred tax assets in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures may only be recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow at least part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability settled, based on tax rates (and tax laws) that are applicable at the balance sheet date. Future changes in tax rates are taken into account at the balance sheet date to the extent that their material effectiveness conditions have been fulfilled in the course of the legislative process.

Deferred tax relating to items recognized directly in equity is similarly recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax related to the same taxable entity and the same taxation authority.

Value-added tax

Revenue, expenses and assets are generally recognized net of VAT.

The following are exceptions to this:

(a) Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable.

(b) Trade receivables and trade payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of assets or liabilities in the balance sheet.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company from the transaction and the revenue can be reliably measured. Revenue is recognized net of VAT and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue from the provision of services is recognized by reference to the percentage of completion when it can be measured reliably. The percentage of completion is determined based on surveys of work performed and is generally based on the hours worked in proportion to the budgeted total number of hours.

Basic information on revenue recognition

The Nemetschek Group generally distinguishes between the recognition of revenue from the sale of goods and merchandise, revenue from the provision of services and revenue from licenses.

Revenue from the sale of goods and merchandise must be recognized (time) when all the following conditions have been satisfied (IAS 18.14):

- The significant risks and rewards incidental to ownership of the goods and merchandise sold have been transferred (transfer of title);
- The entity does not retain control over the goods and merchandise sold;
- The amount of revenue can be measured reliably;
- The cash flow from the economic benefit of the sale is reasonably certain (receipt of receivable);
- The costs incurred in respect of the sale can be measured reliably.

Revenue from the provision of services must be recognized when (IAS 18.20):

- The amount of revenue can be measured reliably;
- It is sufficiently probable that the economic benefit associated with the transaction will flow to the entity (receipt of receivables);
- The stage of completion of the transaction at the balance sheet date can be measured reliably;
- The costs incurred for the transaction and the costs to fully complete the transaction can be measured reliably.

Customized construction contracts are concluded as contracts for work or services or fixed price contracts. In such cases, revenue and income are calculated using the percentage of completion method provided that the prerequisites set out in IAS 11.23 are met. This involves recognizing the individual revenue components in accordance with the percentage of completion, measured by reference to the percentage of contract costs incurred up to the closing date as a percentage of estimated total contract costs.

This has the following implications for the Nemetschek Group:

1 Software and licenses

1.1 Standard software

The aforementioned criteria for the sale of goods and merchandise are generally applied, i.e. revenue is recognized when the software is sold.

The transfer of licenses in return for fixed compensation (non-recurring licenses), which give the licensee unrestricted use, is a sales transaction from an economic perspective and can be fully recognized as income.

License fees and usage fees resulting from the use of company assets (software) are recorded in accordance with the economic substance of the agreement. Revenue is recorded on a straight-line basis over the term of the license agreement unless otherwise agreed.

1.2 Sales transactions via sales representatives/agents

In the case of sales transactions with end customers via sales representatives, the income from the sale is recorded as of the point in time that ownership is transferred to the end customer. The sales representative serves only in the function of a broker in such transactions, for which he/she receives a commission.

2 Maintenance/software service contracts

In general, the aforementioned criteria for the sale of services are applied, i.e. revenue from maintenance contracts or maintenance services is recognized straight-line over the period during which the service is rendered.

3 Consulting

3.1 Contract for services

The aforementioned criteria for the sale of services generally apply.

Revenue is recognized using the percentage of completion method.

3.2 Servicing contract

For pure servicing contracts, revenue is recognized in the period in which the service is rendered (consulting agreements).

4 Hardware

The aforementioned criteria for the sale of goods and merchandise generally apply, i.e. revenue is recognized when the hardware is sold (when the goods are delivered).

5 Training

In general, the aforementioned criteria for the sale of services are applied, i.e. revenue is recognized when the service is rendered.

Interest income

Interest income is recognized when interest accrues (using the effective interest method, i.e. the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Dividends are recognized when the right to receive the payment is established.

Segment reporting

The resource allocation and the measurement of profitability of the business segments are performed by the executive board as the main decision-maker. The allocation of segments and regions as well as the selection of key figures is in agreement with the internal controlling and reporting system (“management approach”). The same accounting provisions are applicable as described for the Group in the notes to the financial statements.

The operating business segments are organized and managed separately according to the nature of the products and services provided. Each segment represents a strategic business unit whose product range and markets differ from those of the other segments.

For the purpose of managing the company, management has split the Group into business segments and has four reportable segments worldwide: Design, Build, Manage and Media & Entertainment. The business segments Design, Build, Manage and Media & Entertainment form the basis for the segment reporting.

Transfer prices between operating segments are fixed on an arm’s length basis in a manner similar to transactions with third parties.

Post balance sheet events

Events after the balance sheet date that provide additional information about the Group’s position at the balance sheet date (reportable events) have been taken into account in the financial statements as required. Non-adjusting events after the balance sheet date are stated in the notes to the consolidated financial statements if they are material.

Accounting standards applied for the first time in the financial year 2017

Compared to the consolidated financial statements for the year ending December 31, 2016, the following standards and interpretations have changed or were applied for the first time as a result of being adopted by EU law or because they had become mandatory for the first time:

Amendment to IAS 12: recognition of deferred tax assets for unrealized losses

The amendment clarifies how a company must consider whether tax laws restrict the sources for income which is taxable in future, against which deductions from the divestment of the corresponding deductible temporary differences can be utilized. Furthermore, the amendment contains guidelines as to how a company is to determine future taxable income, and explains the circumstances in which future taxable income can contain amounts from the recognition of assets which exceed their carrying amount. This amendment is to be applied to financial years that begin on or after January 1, 2017. There were no material effects resulting from this amendment.

Amendment to IAS 7: publication initiative

The amendment to IAS 7 Cash flow statements is part of the publication initiative of the IASB and obliges companies to make disclosures which enable users of financial statements to recognize cash and non-cash changes to debts resulting from financing activities. The first time the amendment is used, companies do not need to disclose comparative information for previous reporting periods. This amendment is to be applied to financial years that begin on or after January 1, 2017. There were no material effects resulting from this amendment.

Future changes in accounting policies

Prospects for future ifrs amendments

The following IFRS were issued at the balance sheet date by the IASB but are not mandatorily applicable until later reporting periods or have not yet been adopted into EU law. The Nemetschek Group has decided not to exercise the possible option of early application of standards and interpretations which are not mandatorily applicable until later reporting periods.

Clarifications concerning IFRS 15: revenue from contracts with customers

In the middle of April 2016, the International Accounting Standards Board (IASB) published the final clarifications on its new standard for revenue realization, IFRS 15 Revenue from contracts with customers. The amendments clarify implementation issues expressed by the *Joint Transition Resource Group for Revenue Recognition (TRG)*.

These issues concern the identification of performance obligations, application guidelines for principal-agent relationships and licenses for intellectual property (IP) as well as transition provisions. In addition, the amendments are to ensure a more consistent procedure for the implementation of IFRS 15 and reduce the cost and complexity associated with this application. The amendments go into effect January 1, 2018. Entities must apply these amendments retroactively.

IFRS 15: revenue from contracts with customers

The new standard for recognizing revenue “IFRS 15 Revenue from contracts with customers” went into effect as of January 1, 2018. The Group will record the conversion effects cumulatively in equity for the time of transition. In order to determine the conversion effect, in the 2017 financial year, the Group continued a detailed analysis from the 2016 financial year to identify potential changes in revenue definition compared to IAS 11 and IAS 18. Moreover, the Group considers the clarifications published by the IASB in April 2016 and will keep an eye on further developments. The analysis was performed for the material product and revenue categories:

a) Sale of software licenses

Contracts with customers for whom the sale of software licenses constitutes the only performance obligation are subject to no changes in terms of revenue definition as per the current analysis status. Revenue is recognized at the point in time that control of the asset is transferred to the customer in the form of a right of use. As in the past, this is the case for the delivery of the software license. In this area, no conversion effect has been determined on the basis of the analysis to date.

b) Performance obligation within the scope of software service contracts

The performance obligations in the case of software service contracts can basically be divided into two material obligations. On the one hand, user support, which is available to the customer for the entire term of the contract. On the other hand, with software service contracts, customers get the most recent version of the corresponding Nemetschek software. However, it is at the discretion of the Group to decide the intervals at which new versions of the software will be provided and what functionalities and/or modules of the corresponding software will be changed, modified, reduced or extended. In the case of demand for software versions and user support which are not further defined, these are so-called “stand-ready obligations” according to IFRS 15, for which revenue is recognized beyond the term of the contract. In the case of software service contracts, no need for adaptation in terms of revenue definition was determined.

c) Performance obligation within the scope of software rental models

Within the Nemetschek Group there are software rental models which can be classified into two materially different models with regard to their features in connection with (software) access as well as in connection with new versions::

» On the one hand, access to the software solution is via servers which are provided by the Nemetschek Group companies (Model 1)

» On the other hand, the customer can also install the software solution via download and use it on the customer’s own computers (Model 2)

With Model 1 revenue is recognized in the course of the term of the contract, while with Model 2 part of the revenue is recognized at the time of the first download of the software by the customer, while other components are recognized beyond the term of the contract. Based on Model 2, the Nemetschek Group anticipates a conversion effect in the range of EUR 0.7 million to EUR 1.0 million as of January 1, 2018.

d) Costs of obtaining contracts

As of January 1, 2018, provisions regarding the capitalization of the costs of obtaining contracts are to be observed. As per IFRS 15, additional costs incurred to bring about a contract with a customer are to be recognized as assets if the company anticipates recovery of these costs. Nemetschek intends to exercise the exemptions for contracts with terms of up to 12 months for which capitalization is not necessarily required.

e) Representation and disclosure requirements

The representation and disclosure requirements in IFRS 15 go well beyond the provisions of the current standards. IFRS 15 requires quantitative and qualitative information on the categorization of revenue, on performance obligations and contract balances as well as on discretionary decisions and capitalized contract costs, whereby many of these disclosure requirements are completely new. The Nemetschek Group anticipates that extended note disclosures on discretionary decisions will need to be made. In addition, as required by IFRS 15, Nemetschek will disaggregate revenue in such a way as to show the impact of economic conditions on the type, amount and time of revenue definition. Moreover, the connection between note disclosures and segment reporting will be shown.

IFRS 16: Leasing

The IASB published the new standard on accounting for leases in January 2016. This requires that the lessee recognizes the right of use of the leasing asset and a corresponding leasing liability for most leasing arrangements. There are, on the other hand, slight changes for lessors compared to the classification of and accounting for leases under IAS 17. IFRS 16 requires extended note disclosures from both the lessee and the lessor. IFRS 16 initially applies to financial years which begin on or after January 1, 2019. Earlier application is permitted under the condition that IFRS 15 is already being applied or will be applied at the same time as IFRS 16 and together with IFRS 16. The Group intends to apply the new standard as of the date it becomes effective. Based on an initial analysis, the following effects listed below were determined. However, the analysis is not yet concluded and is updated on an ongoing basis by the Group in light of the development of interpreting IFRS 16.

To date, the Group mainly has operating leasing arrangements for real estate as well as for movable assets (office equipment and motor vehicles). Up to now, payment obligations for operating lease arrangements needed to be disclosed only in the notes. In future, however, the rights and obligations resulting from these leasing arrangements must be recognized in the statement of financial position as an asset (right to the use of the leasing asset) and as a debt (leasing liability). The Group expects this to result in an increase in the balance sheet total at the time of first use.

In view of the scope of the leasing arrangements to be recorded in the financial statements in future periods by the lessee, we draw attention further to the disclosures regarding financial obligations. To date, the expense arising from operating lease arrangements has been disclosed in the statement of comprehensive income under other operating expenses. Instead, in future, depreciation of the right of use and interest expenses for leasing liabilities will be disclosed. In the cash flow statement, payments for operating lease arrangements to date have been disclosed in cash flow from operating activities. In future, payments for operating leasing arrangements will be split into interest payments and principal payments. While interest payments will continue to be disclosed in cash flow from operating activities, principal payments will be allocated to cash flow from financing activities.

IFRS 9: Financial instruments
In July 2014 IASB issued the final version of IFRS 9 Financial instruments, which replaces IAS 39 as well as all previous versions of IFRS 9. IFRS 9 unites the three project phases of accounting for financial instruments: "Classification and measurement", "Impairment" and "Hedge accounting". IFRS 9 initially applies to financial years which begin on or after January 1, 2018. Earlier application is permitted. With the exception of hedge accounting, the standard is to be applied retrospectively, but disclosure of comparative information is not required. The rules for hedge accounting are to be applied prospectively except for a few exceptions. Within the scope of analyzing the changes resulting from the introduction of IFRS 9, it is estimated at present that the use of the "expected loss model" will lead to a changed process of determining and recording impairment for financial assets. In individual cases it is possible that impairments are to be recorded earlier than under IAS 39. The Nemetschek Group will apply the simplified impairment model. As things stand, the Nemetschek Group does not expect any material effects on its consolidated financial statements.

IFRIC 22: transactions in foreign currencies and considerations paid for in advance
The interpretation clarifies that for the purpose of determining the exchange rate which is applied on initial recording of the asset, expenditure or earnings in question (or part thereof) for the derecognition of a non-monetary asset or non-monetary liability arising from considerations paid for in advance, the point in time of the transaction corresponds with the date of the initial recording of the non-monetary asset or non-monetary liability arising from the advance payment. If there are several advance incoming or outgoing payments, the entity must specify the point in time of the transaction for every incoming or outgoing payment made for a consideration paid for in advance. Entities can apply the changes retrospectively in full. Alternatively, an entity can apply the interpretation prospectively to all assets, expenditures and revenues which are covered by the application area of this interpretation and which are initially recorded at or after the following points in time:

(i) Beginning of the reporting period in which the entity applies the interpretation for the first time or

(ii) Beginning of an earlier reporting period which is represented in the financial statements as a comparison for the reporting period in which the entity first applies the interpretation
The interpretation is to be applied for financial years starting on or after January 1, 2018. Advance application is permitted and must be specified in the notes.

The Group intends to apply the interpretation as of the date it becomes effective. The current accounting methods are in accordance with the clarifications. The Group therefore does not expect any effect on the consolidated financial statements.

IFRIC 23: Uncertainty regarding income tax treatment
The interpretation is to be applied to the accounting of income taxes as per IAS 12 if there are uncertainties regarding income tax treatment. It does not apply to taxes or deductions which are not covered by the application area of IAS 12, and does not contain any provisions regarding interest or penalties for late payment in connection with uncertain income tax treatments.

The interpretation deals with the following subjects in particular:

» Decision whether an entity should individually assess uncertain income tax treatments

» Assumptions made by an entity in connection with the auditing of income tax treatments by the taxation authorities

» Determination of the taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates

» Consideration of changes of facts and circumstances

An entity must specify whether it assesses every uncertain income tax treatment separately or together with one or more uncertain income tax treatments. The approach chosen should enable better forecasting for the purpose of resolving uncertainty. The interpretation goes into effect for reporting periods beginning on or after January 1, 2019. However, it is possible to make use of certain exceptions for the transition.

The Group intends to apply the interpretation as of the date it becomes effective. Since the Group acts in a multinational tax environment, the interpretation may have effects on the consolidated financial statements. The Group carries out further processes and procedures in order to obtain the necessary information required for timely application of the interpretation.

Reference Project No. 11:

Pontsteiger
The Netherlands

Engineering office: Van Rossum Raadgevende Ingenieurs

Pontsteiger is a spectacular building in the Houthaven, the upcoming neighborhood of Amsterdam, where history continues through creative initiatives. Built in the IJ river, the project features a “bridge” hung between two 90m tall towers.

Not part of the audited consolidated financial statements and combined management report.

SCIA is one of the world's leading software developers for structural engineering that supports the Open BIM process.

Segment:	Design
Company size:	118 employees
Locations:	Herk-de-Stad, Arnhem, Brno, Columbia, Gurmels, Lille, Prague, Žilina
Website:	www.scia.net

Solution:

SCIA Engineer

SCIA Engineer is an integrated, multi-material structural analysis and design software for a wide variety of projects: office and residential buildings, industrial plants or infrastructural projects.

The state-of-the-art software enables modeling, analysis, design and reporting – all done in one intuitive and easy-to-use environment.

SCIA Engineer is continuously being further developed – and adapted to suit customer requirements. SCIA Engineer supports Open BIM and is IFC certified for import and export.

Improvements to IFRS (2014–2016)
The improvements to IFRS 2014–2016 relate to a common standard which was published in December 2016. The improvements to IFRS include the following changes:

- IFRS 1: Short-term exemptions were deleted since they had fulfilled their purpose.
- IFRS 12: it was clarified that an entity must also fulfill the disclosure obligations of IFRS 12 for entities held for sale, with the exception of the provisions in IFRS 12.B10 – B16.
- IAS 28: It was clarified that for the voting rights in IAS 28.18 and IAS 28.36A the principle of individual assessment applies. Consistent calculation of the fair value for all investments is not mandatory.

The amendments to IFRS 1 and IAS 28 are applicable for financial years beginning on or after January 1, 2018. The amendments to IFRS 12, subject to pending EU endorsement, must be applied for financial years beginning on or after January 1, 2017. The Group does not expect any effect on the consolidated financial statements.

Amendments to IFRS 9: prepayment features with negative compensation
The amendments to IFRS 9 Prepayment features with negative compensation were published in October 2017. They treat the classification provisions of IFRS 9 for financial assets with negative compensation in case of early repayment. It is clarified that such assets fulfill cash flow conditions. The amendments, subject to pending EU endorsement, must be applied for financial years beginning on or after January 1, 2019. Advance application is permitted. The amendments are to be applied retrospectively. The transitional provisions allow for certain transitional exceptions.

The Group intends to apply the amendment standard as of the date it becomes effective. Based on an initial analysis, this amendment standard will have no effect on the consolidated financial statements given the narrow application area.

Amendments to IAS 28: long-term interests in associates and joint ventures
The amendments to IAS 28 long-term interests in associates and joint ventures were published in October 2017. They include the provision that an entity first applies IFRS 9 to financial instruments which are not accounted for using the equity method but which represent a part of the net investment in the associate or joint venture.The entity then applies IAS 28.38 and IAS 28.40–43. The amendments, subject to pending EU endorsement, must be applied for financial years beginning on or after January 1, 2019. Advance application is permitted. The amendments are to be applied retrospectively. The transitional provisions allow for certain transitional exceptions.

The Group intends to apply the amendment standard as of the date it becomes effective. The amendments may have an effect on the consolidated financial statements. The Group carries out further processes and procedures in order to obtain the necessary information required for timely application of the amendments.

Improvements to IFRS (2015–2017)
The improvements to IFRS 2015–2017 relate to a common standard which was published in December 2017, the content of which consisted of amendments to various IFRS, which are applicable for financial years commencing on or after January 1, 2019. The improvements to the IFRS include the following changes:

- IFRS 3: Clarification that an entity must revaluate its previously held equity interests when it gains control of a joint activity.
- IFRS 11: Clarification that an entity does not have to revaluate its previously held equity interests when it gains joint leadership of a joint activity.
- IAS 12: Clarification that the tax consequences of dividends relate more to the original business transactions which have led to distributable profits. As a result, an entity recognized the tax consequences of dividends paid out corresponding to the underlying transaction either in profit or loss, in the statement of other comprehensive income or in equity.
- IAS 23: Clarification that an entity has to include any existing borrowings specifically incurred for the acquisition of an asset in the calculation of the weighted average of all borrowing costs as of the point in time that all tasks are materially completed in order to prepare the asset for its intended use or sale.

The Group intends to apply the amendment standard as of the date it becomes effective. The current accounting methods are in accordance with the clarifications. The Group therefore does not expect any effect on the consolidated financial statements.

The new provisions listed below are not applicable to the Group and therefore have no effect on the Group's net assets, financial position or results of operations:

- Amendments to IAS 40 Transfers of investment property
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions
- IFRS 17: Insurance contracts
- Amendment to IFRS 4: Use of IFRS 9 Financial instruments together with IFRS 4 Insurance contracts

Significant discretionary decisions, estimates and assumptions when preparing the consolidated financial statements
In the process of preparing the consolidated financial statements, management has made discretionary decisions, estimates and assumptions that have an effect on the income, expenses, assets and liabilities recognized as at the closing date as well as on the disclosure of contingent liabilities. The uncertainty relating to these assumptions and estimates could lead to results that may require material adjustment to the carrying amounts of the assets and liabilities concerned in the future. The most important assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are analyzed below:

Impairment of non-financial assets

The Group assesses at each balance sheet date whether there are any indications that a non-financial asset may be impaired. Goodwill and other intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment at least once a year or whenever there is evidence that they might be impaired. The determination of the recoverable amount of an asset or cash-generating unit, in connection with which the asset generates independent cash inflows, is associated with estimates by company management. These estimates are influenced by certain factors such as expected economic development or successful integration of acquired companies. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Nemetschek generally determines these amounts using discounted cash flow measurements. The discounted cash flows are generally based on three- or four-year forecasts. The forecasts account for experiences of the past and current operating results and are based on market assumptions as well as management's best estimate of future developments. Cash flows outside the forecast period are extrapolated, with the application of individual growth rates. Important assumptions upon which the recoverable amount is based include growth rates and weighted average capital cost rates. The estimates and the method on which these are based can have a substantial influence on the relevant values and, ultimately, on the amount of a potential impairment loss on the asset to be tested. The estimates of growth rates account for inflation and market growth expectations. Other non-financial assets are tested for impairment when there is evidence that their carrying amount might exceed their recoverable amount. Estimating a value in use requires management to make an estimate of the expected future cash flow of the asset or cash-generating unit and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Determination of fair values as part of the purchase price allocation

As part of the purchase price allocation, the purchased assets and liabilities adopted are firstly identified. The fair value of the material intangible assets is determined using the relief from royalty method and the residual value method. The relief from royalty method accounts for the discounted payments of usage fees which are expected to be saved since the patents or brand names are owned by the company itself. The residual value method accounts for the expected net cash flows generated by customer relationships, with the exception of all cash flows which are connected to supporting assets. If, within one year from the time of acquisition, new information on facts and circumstances becomes known which existed at the time of acquisition and would have led to adjustments to the fair values recognized as part of the purchase price allocation, the accounting value of the business acquisition is adjusted.

Determination of fair values for conditional purchase price payments

If within the scope of company acquisitions, in addition to a fixed purchase price component, there is a variable (or conditional) purchase price component to be paid, the amount of which results from the future development of specific indicators of success, these are considered at fair value as of the time of the acquisition. For the estimate of the fair value, scenarios which could possibly occur, together with probabilities, are used as a basis for the initial measurement as well as for subsequent measurement. If within the scope of subsequent measurement there are changes to the fair value, these are recognized in profit or loss in the financial results.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available in the future so that the loss carryforwards can actually be utilized. A significant degree of judgement must be exercised by management to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Trade receivables

The provision for doubtful trade receivables uses estimates and judgements of individual receivables which are based on the creditworthiness of the relevant customer, current economic development and analysis of the aging structure of receivables.

Pensions

The cost of defined benefit plans is determined using actuarial valuations. The actuarial calculation is based on assumptions concerning discount rates, expected future increases in salaries and pensions and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are reviewed at each balance sheet date.

Development costs

Development costs are capitalized in accordance with the accounting policies in these notes. In the financial year 2017 none of the development projects fulfilled the capitalization criteria of IAS 38 and consequently nothing was capitalized.

Currency translation

The Group's consolidated financial statements are prepared in EUR, which is the Group's presentation currency. Each entity in the Group determines its own functional currency, which is the currency of the primary economic environment in which the company operates. Items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange spot rate as at the balance sheet date. Foreign exchange differences are recognized in profit or loss.

Non-monetary items that are measured at historical acquisition or production cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates applicable at the date when the fair value is determined.

Currency translation differences on foreign currency borrowings represent the exception to this where these are accounted for as hedges to a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss. Deferred taxes attributable to exchange differences on those foreign currency borrowings are also taken directly to equity. The assets and liabilities of the foreign company are translated into EUR at the closing date (including any hidden reserves realized as part of a purchase price allocation, as well as goodwill). Income and expenses are translated at the average exchange rate. Any resulting exchange differences are recognized separately in equity.

Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the period are recognized as other operating income or other operating expenses in the period in which they arose.

The following exchange rates are used for translation of currencies in countries outside the European Currency Union:

EXCHANGE RATES

Currency	**Average exchange rate in 2017**	**Exchange rate as of December 31, 2017**	Average exchange rate in 2016	Exchange rate as of December 31, 2016
EUR / USD	1.13	1.20	1.11	1.05
EUR / CHF	1.11	1.17	1.09	1.07
EUR / CZK	26.33	25.54	27.03	27.02
EUR / RUB	65.94	69.39	74.14	64.30
EUR / JPY	126.71	135.01	120.20	123.40
EUR / HUF	309.19	310.33	311.44	309.83
EUR / GBP	0.88	0.89	0.82	0.86
EUR / BRL	3.61	3.97	3.86	3.43
EUR / MXN	21.33	23.66	20.67	21.77
EUR / NOK	9.33	9.84	9.29	9.09
EUR / SGD	1.56	1.60	1.53	1.52
EUR / CNY	7.63	7.80	7.35	7.32
EUR / CAD	1.46	1.50	1.47	1.42
EUR / AUD	1.47	1.53	–	–
EUR / SEK	9.64	9.84	9.47	9.55

Company acquisitions in the financial year 2017

The group of companies consolidated is the same as at December 31, 2016, except for the following changes:

Company acquisitions

dRofus Group, Oslo, Norway
Under the purchase agreement of December 20, 2016, Nemetschek SE acquired 100% of the shares of the dRofus Group, Oslo, Norway. The transfer of benefits and encumbrances was completed as of the end of January 3, 2017. The acquisition of shares resulted in payments in the amount of EUR 25,786k in the 2017 financial year. As part of the purchase price allocation, mainly intangible assets in the amount of EUR 9,950k were recorded for technology, customer relationships and brand names. Goodwill in the amount of EUR 16,488k includes intangible assets that are not separable, such as the technical knowledge of the employees and expected synergy effects. It was not possible to recognize goodwill for tax purposes.

dRofus is a leading provider of design, data administration and collaboration tools based on integrated work methods for designing and implementing building processes (Building Information Modeling – BIM). The company offers all those involved in the process comprehensive workflow support and access to building information throughout the entire building life cycle, including the handover to facility management – and does this using a centralized, cloud-based platform. dRofus is a globally active company with a focus on Europe, USA and Australia. dRofus' customer base includes public and private sector building clients, designers, civil engineers and general contractors. Today dRofus has already established a leading position in building processes in the healthcare and airport sectors. The software is offered as a pure rental model, with almost 100% of their customers renewing their subscriptions. Since joining the Group, the company has generated revenues of EUR 5.2 million and an EBITDA* of EUR 0.9 million.

DROFUS GROUP

Thousands of €	2017
Goodwill	**16,488**
Intangible Assets	9,955
Property Plant & Equipment	43
Deferred tax assets	7
Accounts receivable and other current assets	1,522
Cash & Cash equivalents	1,306
Total assets acquired	**29,321**
Deferred tax liabilities	2,457
Accounts payable	77
Other current liabilities	784
Tax liabilities	217
Total liabilities assumed	**3,535**
Net assets acquired	**25,786**
Purchase price	**25,786**

* EBITDA = EBIT + depreciation / amortization

RISA Tech, Inc., Foothill Ranch, United States

Under the purchase agreement of October 12, 2017, the newly founded RISA Tech, Inc. acquired the operative business of Risa Technologies, Inc. within the scope of an asset deal, meeting the criteria for a business combination. The transfer of benefits and encumbrances was completed as of the end of November 1, 2017. The acquisition of the business operation resulted in payments in the amount of EUR 20,500k in the 2017 financial year. As part of the preliminary purchase price allocation, mainly intangible assets in the amount of EUR 9,861k were recorded for technology, customer relationships and brand names. Goodwill of EUR 12,827k includes intangible assets that are not separable, such as the technical knowledge of the employees and expected synergy effects. For tax purposes, goodwill in the amount of EUR 12,827k was recognized. Tax-relevant goodwill is amortized over 15 years.

RISA offers one of the most widely used software solutions for structural design and static engineering in the USA, with applications for structural elements made of various materials such as steel, concrete, masonry or wood. With around 10,000 users, RISA holds a leading market position in the USA. Its customers include practically all top US engineering offices. RISA is a perfect strategic addition to the Nemetschek Group for global expansion in the area of structural engineering software solutions. Since joining the Group on November 1, 2017, the company has generated revenues of EUR 0.7 million and an EBITDA of EUR –0.2 million. If the company had been in the Group for the entire 2017 financial year, it would have contributed to the consolidated earnings with revenue in the amount of EUR 6.1 million and an EBITDA* of EUR 0.3 million.

RISA TECH, INC.

Thousands of €	2017
Goodwill	**12,827**
Other intangible assets	9,861
Property, plant and equipment	45
Other non-current assets	21
Trade accounts receivable	107
Other current assets	36
Total assets acquired	**22,896**
Other current provisions	343
Trade accounts payable	8
Other current liabilities	2,046
Total liabilities assumed	**2,397**
Net assets acquired	**20,500**
Purchase price	**20,500**

Vectorworks UK, Ltd., Newbury, Great Britain

Under the purchase agreement of August 14, 2017, Vectorworks, Inc., Columbia, acquired 100% of the shares of its British dealer, extending its European sales network and integrating the dealer in the Vectorworks group entity. The purchase price amounted to EUR 441k. On the basis of the preliminary purchase price allocation, the resulting goodwill amounted to EUR 334k. Moreover, the purchase agreement in the amount of EUR 660k with the selling shareholders, who are also key persons in the company's management, includes a conditional purchase price obligation. Due to the direct link to the conditional purchase obligation, with the employment relationship, this was qualified as a personnel expense and not as a purchase price component. As of December 31, 2017, EUR 44k were reported for this under other non-current obligations.

Company acquisitions in the financial year 2016

The group of companies consolidated is the same as at December 31, 2015, except for the following changes:

Company acquisitions

Design Data Corporation, Lincoln, United States
Under the purchase agreement of July 27, 2016, Nemetschek SE purchased 100% of the shares of Design Data Corporation, Lincoln, USA. The transfer of benefits and encumbrances was completed as of the end of August 1, 2016. For this acquisition of shares, there were payments amounting to EUR 42,436k (USD 47,375k) in the 2016 financial year. In addition to this fixed purchase price component, a further, variable purchase price payment was agreed. The variable purchase price payment is calculated on the basis of the revenues invoiced and EBITDA in the financial year 2018. In accordance with the preliminary budgets for the financial year 2018, the company is expecting subsequent purchase price payments of EUR 1,903k (discounted: EUR 1,835k). The estimation is based on the anticipated value of the target amount of “invoiced revenue” in the 2018 financial year of USD 16,180k. Depending on the level of target achievement, there may be a subsequent purchase price payment of up to EUR 2,239k (USD 2,500k); if the target amount of “invoiced revenue” is not reached, there will be no subsequent purchase price payment. Design Data is allocated to the Build segment due to the strong customer link to construction companies.

As part of the purchase price allocation, mainly intangible assets in the amount of EUR 15,962k were recorded for technology, customer relationships and brand names in the financial year. The allocation to individual intangible assets is shown under Note 12. Goodwill of EUR 29,110k includes intangible assets that are not separable, such as the technical knowledge of the employees and expected synergy effects. For tax purposes, it was possible to recognize goodwill in the amount of EUR 25,083k. This is amortized over 15 years.

Design Data is a leading provider of software solutions for steel detailing that uses the digital work method Building Information Modeling (BIM) in the building process. The BIM platform from Design Data is an innovative complete solution that covers the entire workflow in steel construction, from structural engineering calculations and detailing all the way to production and execution of the building work. Design Data’s premium solution – SDS/2 Detailing – offers the highest level of automation and intelligence in 3D detailing for steel constructions.

Customers include engineering offices, steel construction companies, building companies and detailers. With around 6,000 users, Design Data holds a market share of about 45% in North America. As an advocate of open standards, Design Data fits in with the philosophy of the Nemetschek Group, which promotes and advances the linking of various software solutions throughout the design and building process (Open BIM). At the same time, the Nemetschek Group’s image in the USA as an Open BIM provider will be greatly reinforced. If the company had been in the Group for the entire 2016 financial year, it would have contributed revenue in the amount of EUR 11.8 million and an EBITDA* of EUR 2.0 million to the consolidated earnings. Since joining the Group on August 1, 2016, the company has generated revenues of EUR 4.9 million and an EBITA of EUR 0.7 million.

DESIGN DATA

Thousands of €	2016
Goodwill	**29,110**
Other intangible assets	15,962
Property, plant and equipment	120
Other non-current assets	46
Trade accounts receivable	3,065
Other current assets	113
Cash and cash equivalents	2,016
Total assets acquired	**50,433**
Deferred tax liabilities	169
Other current provisions	1,909
Trade accounts payable	116
Other current liabilities	3,967
Total liabilities assumed	**6,161**
Net assets acquired	**44,271**
Purchase price	**44,271**

In the reporting year, there was a subsequent adjustment of the purchase price by EUR 208k. Goodwill increased accordingly.

PRECAST | SOFTWARE engineering

Precast Software Engineering is a leading software company in the precast concrete parts industry.

Segments:	Design, Build
Company size:	42 employees
Locations:	Salzburg, Shanghai, Singapore
Website:	www.precast-software.com

Solutions:

PLANBAR

TIM

The PLANBAR and TIM software systems make it possible to carry out all tasks involved in BIM precast parts design.

PLANBAR is the comprehensive solution for high-quality industrialized precast parts design – from precast parts of all kinds and various production types to series production and complex architectural elements as well as special parts.

TIM is a centralized hub that makes information and design functions available to all company divisions on the basis of 3D models. Serving as an integration platform, it combines CAD, ERP, production systems and mobile end devices.

Not part of the audited consolidated financial statements and combined management report.

Reference Project No. 12:

Production Hall Lechner

Italy

Precast elements: CONCRETE Rudolph

The production hall shows the diversified applications which are possible with precast concrete parts. Without foregoing any of the advantages of concrete façades, matrices allow for especially detailed designing – an optimum synthesis of function and aesthetics.

PRECAST | SOFTWARE engineering

Notes to the Consolidated Financial Statements

[1] REVENUES

Thousands of €	2017	2016
Software and licenses	194,960	175,814
Recurring revenues (software service contracts and rental models)	183,872	146,512
Services (consulting and training)	16,579	14,730
Hardware	157	230
	395,568	**337,286**

Revenues for software and services for the financial year 2017 include EUR 5k (previous year: EUR 97k) relating to the application of the percentage of completion method. These revenues are matched by expenses amounting to EUR 2k (previous year: EUR 39k). In the financial year 2017, profit from projects based on application of the percentage of completion method amounts to EUR 3k (previous year: EUR 58k). Contract costs include the costs that are directly and indirectly attributable to the contract, as well as costs specifically chargeable to the customer under the terms of the contract. The progress of the project is determined by the costs incurred to date compared to planned costs. The stage of completion of the project is determined by the current project controlling. Revenue recognition is based on this. A security deposit appropriate for the market is accounted for. As at the closing date, customer contracts with an asset balance amounted to EUR 5k (previous year: EUR 97k) as well as customer contracts with a liability balance of EUR 12k (previous year: EUR 8k).

The breakdown of revenues by segment, as well as regional allocation, can be seen under segment reporting (Note 26).

[2] OTHER OPERATING INCOME

Thousands of €	2017	2016
Foreign exchange rate gains	1,928	2,092
Income from compensation claims	0	1,900
Offsetting other services	1,512	1,690
Development subsidies	509	729
Income from disposal of fixed assets	198	311
Other	698	235
	4,845	**6,957**

The item "Other" consists of various individual items, all of which are less than EUR 100k.

[3] COST OF MATERIALS

Thousands of €	2017	2016
Cost of purchased materials	11,108	9,268
Cost of purchased services	1,803	1,678
	12,911	**10,946**

Cost of merchandise mainly includes purchased software licenses.

[4] PERSONNEL EXPENSES

Thousands of €	2017	2016
Wages and salaries	143,455	125,886
Social security, other pension costs and welfare	29,136	25,302
	172,591	**151,188**

The headcount developed as follows:

HEADCOUNT

Number of employees	2017	2016
Sales/marketing/hotline	928	789
Development	849	781
Administration	288	259
Average headcount for the year	**2,065**	**1,829**
Headcount as of December 31	**2,142**	**1,925**

[5] AMORTIZATION AND DEPRECIATION

Thousands of €	2017	2016
Amortization of intangible assets excluding intangible assets, which were disclosed as part of purchase price allocation	2,702	2,433
Depreciation of property, plant and equipment	5,358	4,825
Depreciation / amortization of tangible, intangible and long-term available-for-sale assets	**8,060**	**7,258**
Amortization due to purchase price allocated intangible assets	13,494	11,056
Total amortization and depreciation	**21,554**	**18,314**

[6] OTHER OPERATING EXPENSES

Thousands of €	**2017**	2016
Marketing expenses	19,873	18,460
Commissions	14,973	13,250
Expenses for third-party services	14,469	12,998
Rents	13,002	11,052
Travel expenses and hospitality	9,100	7,811
Legal and consulting expenses	8,575	8,724
EDP equipment	5,701	4,477
Retraining expenses and recruiting expenses	3,704	2,486
Currency translation expenses	3,311	2,377
Vehicle expenses	3,079	2,789
Communication expenses	2,374	2,086
Other	8,750	7,619
	106,911	**94,129**

The item "Other" consists of various individual items, all of which are less than EUR 1,500k.

[7] The income/expenditure from associates of EUR 1,058k (previous year: EUR 380k) include the income from DocuWare GmbH amounting to EUR 673k, the income from the initial recognition of Nemetschek OOD as an associate amounting to EUR 871k. In contrast, for Sablono GmbH in 2017, proportional losses in the amount of EUR –134k (previous year: EUR –117k), allowances for loans in the amount of EUR 30k (previous year: EUR 180k) and allowances for at equity carrying value in the amount of EUR 323k were recognized.

[8] INTEREST INCOME/EXPENSES

Thousands of €	**2017**	2016
Other interest and similar income	299	183
Interest and similar expenses	–1,024	–1,046
	–725	**–863**

[9] Other financial expenditure/income amount to EUR 7,622k in the reporting year (previous year: EUR –23k). This includes financial income amounting to EUR 7,639k resulting from the dissolution of the earn-out obligation arising from the acquisition of the Solibri Group. The target amount of "invoiced revenue" of EUR 9,000k agreed upon in the purchase agreement of December 18, 2015, was not achieved in the 2017 financial year.

[10] The major components of the income tax expenses are as follows.

INCOME TAXES

Thousands of €	**2017**	2016
Current tax expenses	–25,954	–22,114
Deferred tax income	8,383	1,789
thereof from addition/release of temporary differences	*7,964*	*943*
Total income taxes, total	**–17,571**	**–20,325**

The tax expenses for the financial year 2017 include tax income from previous years amounting to EUR 491k (previous year: tax expenses EUR 326k). Furthermore, in the financial year 2017, EUR 30k (previous year: EUR 30k) deferred taxes from the revaluation of pension obligations were recorded in equity without impacting profit or loss. The change in deferred taxes is mainly a result of a positive effect arising from the adjustment of deferred taxes due to the US tax reform (EUR 2,887k). Moreover, as a result of EUR/USD exchange fluctuations, income tax provisions formed in previous years for the reporting year for unrealized exchange rate gains for Group-internal loans in the amount of EUR 1,745k could be released to income. The income tax rates of the individual entities range from 9.0% to 42.8% (previous year: from 10.0% to 42.8%). The income tax rate of Nemetschek SE is calculated as follows:

INCOME TAX RATE

in %	**2017**		2016	
Earnings before taxes	100.0		100.0	
Trade tax (weighted)	16.7	16.7	16.7	16.7
	83.3		**83.3**	
Corporate income tax	15.0	15.0	15.0	15.0
Solidarity surcharge	0.8	0.8	0.8	0.8
	67.5	**32.5**	**67.5**	**32.5**

Deferred taxes are measured on the basis of the nominal tax rate of Nemetschek SE or the tax rate applying to the respective subsidiary.

The tax rate for the financial year 2017 applied by Nemetschek SE is 32.5% (financial year 2016: 32.5%).

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

Deferred income taxes at the balance sheet date comprise the following:

DEFERRED TAXES

	Consolidated balance sheet	
Thousands of €	**2017**	2016
Assets		
Intangible assets	2,374	836
Property, plant and equipment	229	371
Receivables	504	550
Pensions and related obligations	362	312
Provisions	1,248	1,893
Liabilities	551	803
Tax loss carryforward	638	1,056
Foreign tax credit	936	2,078
Other	1	7
Offsetting	−4,275	−5,672
	2,569	**2,234**
Liabilities		
Intangible assets	16,026	21,970
Property, plant and equipment	386	747
Receivables	64	126
Provisions	22	48
Liabilities	561	2,936
Other	742	445
Offsetting	−4,275	−5,672
	13,527	**20,600**

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2017) for the financial year ending December 31, 2017 and 2016 is as follows:

INCOME TAX RECONCILIATION

Thousands of €	**2017**	2016
Earnings before taxes	**94,401**	**69,167**
Theoretical tax rate 32,5% (previous year: 32.5%)	30,671	22,452
Differences to German and foreign tax rates	−2,826	−1,879
Tax effects on:		
At equity consolidation of non-controlling interests	−500	−220
Change in the recoverability of deferred tax assets and tax credits	135	−545
Change of deferred taxes on permanent differences	−1,972	522
Effect of taxes, previous years	−491	326
Non-deductible expenses	394	745
Effect of functional currency	−1,745	617*
Tax-free income	−3,740	−2,079
Tax rate changes and adaptation	−2,968	14
Other	613	372*
Effective tax expense	17,571	20,325
Effective tax rate	**18.6%**	**29.4%**

* For better comparability the previous year figures were reclassified.

The income in the row Tax rate changes and adaptation is mainly as a result of the US tax reform.

With an amount of EUR 2,887k, this had a positive effect on the tax result with the new tax rate for measuring deferred tax assets resulting from acquisitions of previous years.

The deferred tax assets on tax losses carried forward are as follows:

DEFERRED TAX ON LOSSES CARRIED FORWARD

Thousands of €	2017	2016
Losses according to entities	58,519	58,189
Deferred tax assets, gross	8,811	9,726
Allowances on tax losses carried forward	–8,173	–8,670
Deferred tax assets on unused tax losses, net	**638**	**1,056**

The items contain deferred taxes on unused tax losses which are likely to be realized in the future. The deferred tax assets on tax losses carried forward were recognized on the basis of the income and expense budgets of Nemetschek SE subsidiaries for the financial years 2018–2020.

The companies' detailed budgeting relates to a one-year period. The deferred tax assets on losses carried forward in the Group entity Graphisoft are now equivalent to, in terms of their amounts, the deferred tax liabilities recognized in connection with the purchase price allocation as of the closing date December 31, 2017.

LOSSES CARRIED FORWARD WITH LIMITED LIFE OF USAGE

Thousands of €	2017	2016
Unused tax loss carried forward		
Non-forfeitable	18,980	20,935
Forfeitable until	1,212	1,051
Forfeitable from	33,751	28,927
Sum of unused tax loss carried forward	**53,943**	**50,913**

The temporary differences in connection with the shares in subsidiaries amounting to EUR 3,724k, for which no deferred tax liabilities were provided, would lead to a tax charge of EUR 874k in future.

There were no tax consequences attached to the payment of dividends in 2017 by Nemetschek SE to its shareholders.

[11] Earnings per share

Basic undiluted earnings per share do not take into account any options, and are calculated by dividing the net income for the period attributable to shares by the average number of shares during the period.

At the closing date, as in the previous year, there were no matters requiring a dilution of the earnings per share result.

EARNINGS PER SHARE

	2017	2016
Net income attributable to the parent (in thousands of EUR)	74,663	46,925
Weighted average number of ordinary shares outstanding as of December 31	38,500,000	38,500,000
Weighted average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	38,500,000	38,500,000
Earnings per share in EUR, undiluted	**1.94**	**1.22**
Earnings per share in EUR, diluted	**1.94**	**1.22**

Notes to the Consolidated Statement of Financial Position

[12] A statement of fixed assets is presented on the last page of these notes to the consolidated financial statements. The carrying value of internally generated software amounts to EUR 1,535k (previous year: EUR 2,659k).

Pursuant to IAS 38, development costs must be capitalized unless they are incurred for basic research or are not related to projects, provided that the prerequisites of IAS 38.57 are fulfilled (see also "Accounting policies"). The Group was involved in non-project related product development in the financial year 2017. This included direct personnel costs plus directly allocable overheads. The development costs of projects that did not satisfy the criteria of IAS 38.57, and the research costs, are recorded as expenses amounting to EUR 92,021k (previous year: EUR 80,796k).

The development of the fair values of intangible assets from the purchase price allocations of major acquisitions were as follows:

INTANGIBLE ASSETS FROM MATERIAL PURCHASE PRICE ALLOCATION

Thousands of €	Fair value at time of acquisition	Useful life in years	Amortization 2017	**Net book value as of Dec. 31, 2017**	Net book value as of Dec. 31, 2016
Brand name	15,860	10–15	902	17,684	6,930
Software	76,271	7–12	4,757	31,490	35,301
Customer Relationship	75,566	12–17	7,639	31,744	39,031
Non-compete agreements	145	2	73	0	73
Intangible assets	**167,843**	**–**	**13,370**	**80,919**	**81,335**

Goodwill

Goodwill developed as follows:

GOODWILL DEVELOPMENT

Thousands of €	**2017**	2016
Amount carried forward as of January 1	177,178	143,771
Additions	29,885	29,354
Disposals	0	0
Foreign currency translation difference	–14,327	4,053
Balance as of December 31	**192,736**	**177,178**

The goodwill acquired from business combinations was allocated to the cash-generating unit for impairment testing. The cash-generating unit represents either the relevant Group company or the relevant Group entity as the case may be.

The foreign currency translation difference represented in the following table mainly reflects the currency translation of goodwill accounted for in USD.

Carrying amounts of the goodwill were allocated to the respective cash-generating units as follows:

GOODWILL ALLOCATION

Thousands of €	**2017**	2016
Bluebeam Software, Inc., Pasadena, USA	51,211	58,243
Design Data Corporation, Lincoln, USA	27,304	30,825
Solibri Oy, Helsinki, Finland	23,997	24,195
Graphisoft SE, Budapest, Hungary	22,155	22,215
dRofus Group	15,141	0
NEVARIS Group	14,166	14,145
RISA Tech, Inc., Foothill Ranch, USA	12,419	0
Data Design System AS, Klepp Stasjon, Norway	9,580	10,374
Vectorworks, Inc., Columbia, Maryland, USA	5,937	6,365
MAXON Computer GmbH, Friedrichsdorf	3,007	3,007
SCIA Group NV, Herk-de-Stad, Belgium	2,785	2,785
CREM Solutions GmbH & Co. KG, Ratingen	2,028	2,028
Frilo Software GmbH, Stuttgart	1,293	1,293
Allplan GmbH, Munich	1,713	1,703
Total goodwill	**192,736**	**177,178**

Fundamental assumptions for significant cash-generating units

The fundamental assumptions for the significant cash-generating units are explained below, on the basis of which management prepared its cash flow projections to test the goodwill for impairment. Nemetschek determines the recoverable amount of the relevant unit to which the goodwill is allocated based on the value in use. The value in use is calculated using a discount rate from the present value of the future cash flows from the use of this unit.

Planned revenue development / gross profit margin

The determination of the future cash flows and their underlying parameters such as revenue growth and EBITDA margin is performed on the basis of the knowledge gained in the past, the current economic results and the budgets approved over a period of three to four years. The budgeting for the financial year 2018 is prepared applying certain uniform Group assumptions "from the bottom to the top" (bottom-up method). The cash flows for the two further budget years follow similar premises, however they are not at the same level of detail as the first budget year. Estimates for periods beyond the budgeting horizon are made using the perpetuity method. The growth rates applied here do not account for capacity expanding investments for which cash flows have not yet been made. These are derived from available market studies by market research institutes and do not exceed the long-term average historical growth rates of the relevant cash-generating units. In the financial year 2017 a growth rate of up to 1.9% (previous year: 1.9%) was assumed.

Discount rates

The discount rate required for discounting future cash flows is calculated from the weighted average cost of capital (WACC) of the related cash-generating unit after tax. The relevant pre-tax WACC in accordance with IAS 36 is derived from future cash flows after tax and the after-tax WACC applying typical tax rates for each cash-generating unit. Then, the risk-free interest rate according to the Svenson method with accounting for risk premiums, and the beta as well as the gearing ratio are derived from a group of comparable entities. The discount rate thus estimated reflects the current market returns as well as the special risks of the respective cash-generating unit. The discount rate underlying the cash flow forecasts ranges between 11.12% and 13.21% before tax (previous year: between 10.90% and 13.83%).

Assumptions pertaining to market share

These assumptions are important to the extent that they help management – as with the definition of assumptions for growth rates – to assess how the position of the cash-generating unit might change compared to its competitors during the budget period. Management expects the market share held by the Group to increase during the budget period.

Increase in personnel expenses

Employee remuneration includes cost developments typical for the sector.

Sensitivity of assumptions made

As a result of the goodwill impairment test, there was no impairment necessary for any cash-generating unit since the recoverable amount was higher than the carrying amount in all cases.

For goodwill for which the recoverable amount is not at least 30% above the carrying value of the cash-generating unit, additional sensitivity analyses were performed, in which assumptions deviating from original forecasts are made for EBITA, WACC and growth rates in perpetuity. These scenarios are deemed by management as improbable yet possible. In the case of the cash-generating units Solibri and Design Data, the recoverable amount is 22% or 21% above the carrying value (previous year: 7% or 1%). The following deviating assumptions were taken into account within the scope of the sensitivity analyses:

» Rise in WACC by 1% percentage point

» Reduction of the growth rate in perpetuity by 0.5% percentage points

» Deduction of 20% on the EBITA in perpetuity

Thus, the group accounts for uncertainties within the scope of forecasts and analyzes the goodwill for impairment as well as for scenarios which are less favorable than forecast. Changes to the specified parameters considered possible would have no effect on goodwill in terms of impairment. On the basis of the impairment testing performed, as well as on the basis of the sensitivity analyses conducted within this scope, the Group comes to the conclusion that in the reporting year there is no impairment of goodwill in any of the cash-generating units.

The carrying amounts of the goodwill allocable to Bluebeam Software, Inc., Pasadena, USA, Design Data Corporation, Lincoln, USA, Solibri Oy, Helsinki, Finland, Graphisoft SE European Company Limited by Shares, Budapest, Hungary, dRofus AS, Oslo, Norway, and the NEVARIS Group are materially compared to the total carrying amount of goodwill. The total goodwill of the Nemetschek Group as of December 31, 2017 amounts to EUR 192,736k (previous year: EUR 177,178k).

In total, 80% of this goodwill is allocable to the cash-generating units represented in the following table:

MATERIAL GOODWILL

2017	**Carrying amount of the goodwill allocable to the CGU in thousand €**	Share in total goodwill %	Discount rate (before taxes) in %	Discount rate (after taxes) in %	Growth rate in %	Description of the basic assumptions for corporate plan	Presentation of approach for determination of values for the basic assumptions
Bluebeam Software, Inc., Pasadena, USA	51,211	27	12.76	9.43	1.00	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development USD/SEK	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Design Data Corporation, Lincoln, USA	27,304	14	11.30	9.43	1.90	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development USD/EUR	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Solibri Oy, Helsinki, Finland	23,997	12	11.31	9.20	1.00	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Graphisoft SE, Budapest, Hungary	22,155	11	12.62	11.27	1.00	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development HUF/USD	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions, forecast of exchange rate developments as well as sector-related market studies are also included.
dRofus AS, Oslo, Norway	15,141	8	11.12	8.73	1.00	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development NOK/EUR	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
NEVARIS Group	14,166	7	12.03	8.73	1.00	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.

MATERIAL GOODWILL

2016	Carrying amount of the goodwill allocable to the CGU in thousand €	Share in total goodwill %	Discount rate (before taxes) in %	Discount rate (after taxes) in %	Growth rate in %	Description of the basic assumptions for corporate plan	Presentation of approach for determination of values for the basic assumptions
Bluebeam Software, Inc., Pasadena, USA	58,243	33	12.13	8.49	1.00	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development USD/SEK	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Design Data Corporation, Lincoln, USA	30,825	17	11.05	8.49	1.90	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development USD/EUR	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions, forecasts of exchange rate developments as well as sector-related market studies are also included.
Solibri Oy, Helsinki, Finland	24,195	14	10.90	9.18	1.50	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Graphisoft SE, Budapest, Hungary	22,215	13	13.80	12.30	1.00	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development HUF/USD	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions, forecast of exchange rate developments as well as sector-related market studies are also included.
NEVARIS Group	14,145	8	11.24	8.49	1.00	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Data Design System AS, Klepp Stasjon, Norway	10,374	6	11.17	8.49	0.00	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studiesare also included.

[13] TRADE RECEIVABLES

Thousands of €	2017	2016
Trade receivables (before bad debt allowances)	43,984	41,219
Specific bad debt allowance	–2,973	–2,425
Trade receivables	**41,011**	**38,794**

Provision was made for the bad debt risk by setting up appropriate specific bad debt allowances. Trade receivables are non-interest bearing and are generally due within 30 to 90 day terms customary for the industry. Pursuant to the Group guidelines, receivables that are past due by more than 360 days are provided for in full. The carrying amount of trade receivables corresponds to their fair value.

Bad debt allowances developed as follows:

DEVELOPMENT OF BAD DEBT ALLOWANCE

Thousands of €	January 1	Utilization	Release	Addition	December 31
Bad debt allowances 2017	–2,425	508	583	–1,639	–2,973
Bad debt allowances 2016	–2,734	1,216	642	–1,549	–2,425

The ageing structure of trade receivables is as follows:

AGEING STRUCTURE OF TRADE RECEIVABLES

2017 Thousands of €	not past due	Past due (by <30 days)	Past due (by 30–60 days)	Past due (by 60–90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by >360 days)	December 31, 2017
Gross Trade receivables 2017	28,455	6,697	1,977	1,433	1,617	1,366	2,439	43,984
Reduced specific allowance for bad debts	–273	–59	–57	–55	–376	–95	–2,058	–2,973
Net Trade receivables 2017	28,182	6,638	1,920	1,378	1,241	1,271	381	41,011

AGEING STRUCTURE OF TRADE RECEIVABLES

2016 Thousands of €	not past due	Past due (by <30 days)	Past due (by 30–60 days)	Past due (by 60–90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by >360 days)	December 31, 2016
Gross Trade receivables 2016	23,585	8,048	3,907	598	2,211	460	2,410	41,219
Reduced specific allowance for bad debts	–50	–13	–42	–15	–90	–78	–2,137	–2,425
Net Trade receivables 2016	23,535	8,035	3,865	583	2,121	382	273	38,794

[14] **ASSETS**

Thousands of €	2017	2016
Inventories	561	597
Tax refunded claims	908	3,477
Other current financial assets	116	10
Other current assets	12,514	12,546
Non-current financial assets	34	43
Other non-current assets	1,114	929
	15,247	**17,602**

Inventories mainly consist of hardware amounting to EUR 500k (previous year: EUR 589k) and unfinished goods amounting to EUR 33k (previous year: EUR 1k) as well as finished goods amounting to EUR 28k (previous year: EUR 7k). As in the previous year no allowances were recorded as an expense.

Tax refunded claims for income taxes will lead to cash inflows in the next six months. Current financial assets mainly consist of prepaid expenses of EUR 8,939k (previous year: EUR 8,793k), which will be reclassified in the next twelve months.

Other non-current assets mainly include rental security deposits.

Shareholders' equity

The development of subscribed capital, the capital reserve, the revenue reserve, foreign currency translation and the retained earnings/ accumulated losses of the Group as well as shares without controlling interest are presented in the statement of changes in Group equity.

[15] Nemetschek SE's **share capital** as of December 31, 2017 amounted to EUR 38,500,000.00 and 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.

[16] The **capital reserve** mainly comprises the share premium from the IPO. In the financial year 2015, EUR 28,875,000.00 was converted from company funds into share capital.

The **foreign currency translation** reserve within the shareholders' equity item records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Dividends

In the financial year 2017, a dividend of EUR 25,025,000.00 was distributed to the shareholders. This represents EUR 0.65 per share. The executive board proposes to the supervisory board that a dividend be paid in the fiscal year 2018 amounting to EUR 28,875,000. This corresponds to EUR 0.75 per share.

[17] Provisions and accrued liabilities

Provisions and accrued liabilities contain the following items and are mainly due within one year:

PROVISIONS AND ACCRUED LIABILITIES

Thousands of €	2017	2016
Personnel provisions	19,055	17,647
Outstanding invoices	5,102	5,765
Vacation accrued by employees	4,911	4,428
Provisions legal disputes	808	580
Legal and consulting fees	947	553
Guarantees and liability risks	173	135
Other accrued liabilities	4,469	3,670
	35,465	**32,778**

Provisions for personnel mainly comprise employee remuneration and commissions. In the financial year 2017, EUR 9,881k (previous year: EUR 6,534k) were utilized, EUR 1,573k (previous year: EUR 971k) were released and EUR 13,959k (previous year: EUR 11,969k) were added. From changes in the scope of consolidation, effects resulted in the amount of EUR 5k (previous year: EUR 0k); furthermore, currency changes in the amount of EUR 1,103k (previous year: EUR 331k) caused an decrease in personnel provisions. The increase in provisions for personnel continues to result from higher provisions for commissions caused by the positive business development in the financial year 2017.

Outstanding invoices mainly relate to subsequent commission calculations for distribution partners due to achievement of targets.

The guarantee and liability provisions were set up based on an individual assessment per company. In the financial year 2017, EUR 14k (previous year: EUR 0k) were utilized, EUR 26k (previous year: EUR 45k) were released and EUR 77k (previous year: EUR 31k) were added.

As a company with international operations working in various business fields, the Group is exposed to a whole range of legal risks. This is especially true of risks for warranties and other legal disputes. The outcome of currently pending or rather future litigation cannot be predicted with certainty and thus expenses may be incurred from decisions that are not fully covered by insurance and that may have significant effects on the business and its results. Management is of the opinion that litigation currently pending is not likely to result in decisions that will significantly and negatively influence the net asset position and earnings situation of the Group.

Other obligations in accordance with IAS 19

Other obligations in accordance with IAS 19 include provisions for anniversary-related payments in the amount of EUR 19k in addition to the pension provision in the amount of EUR 1,684k.

Domestic

The obligation resulting from pension plans to a subsidiary's general managers is determined using the projected unit credit method. On first-time application of IAS 19 (2011), from January 1, 2013, actuarial gains and losses are recorded without impacting profit or loss. In the year ending December 31, 2017 there were no curtailments to the plan. The plans were continued beyond this period. The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, however up to a maximum amount of EUR 3,834.69 (DM 7,500.00) per month.

These claims are vested. The term of the pension obligation is 23 years. Plan assets from these benefit plans have been invested in life insurances. Plan assets include any reinsurance plans entered into which are assigned to the pension beneficiary entitled to these.

In the 2017 financial year there are no longer any pension obligations arising from foreign subsidiaries.

The tables below show the development of the pension obligations and of plan assets:

PROVISIONS FOR PENSIONS

Thousands of €	January 1	Changes	**December 31**
Defined benefit obligation 2017	2,020	207	2,227
Reduced plan asset 2017	516	27	543
Status of coverage (= pension provisions) 2017	**1,504**	**180**	**1,684**
Defined benefit obligation 2016	3,120	–1,100	2,020
Reduced plan asset 2016	1,609	–1,093	516
Status of coverage (= pension provisions) 2016	**1,511**	**–7**	**1,504**

Change in defined benefit obligations (DBO): Thousands of €	**2017**	2016
DBO at beginning of fiscal year	**2,020**	**3,120**
Service cost	68	124
Interest cost	42	77
Actuarial losses	97	170
Benefit payments	0	–59
Settlements	0	–1,485
Effect from currency translation	0	73
DBO at end of fiscal year	**2,227**	**2,020**
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	**516**	**1,609**
Expected return on plan assets	11	33
Actuarial gains/(losses)	–8	4
Employer contributions	24	163
Benefit payments	0	–59
Settlements	0	–1,297
Effect from currency translation	0	63
Fair value of plan assets at end of fiscal year	**543**	**516**

SENSITIVITY

Changes in actuarial assumptions	Thousands of €	2017	2016
Present value of pension obligation for the reporting date		2,227	2,020
Discount rate	increase by 0,5 percent points	2,004	1,812
	decrease by 0,5 percent points	2,483	2,258
Pension cost	increase by 0,5 percent points	2,389	2,165
	decrease by 0,5 percent points	2,081	1,889

The “mortality tables 2005 G” from Dr. Klaus Heubeck, as well as discounted interest rates derived from observable market data at the balance sheet date, were applied to the domestic pension commitments in the same way as in the previous year. The principal actuarial assumptions used to determine pension obligations were as follows as of December 31:

DISCOUNT RATE

in %	2017		2016	
	Domestic	**Foreign Countries**	Domestic	Foreign Countries
Discount rate	1.80	0.00	2.05	0.00
Future pension increases	1.00	0.00	1.00	0.00
Compensation increase	0.00	0.00	0.00	0.00

The Group expects pension expenses of EUR 102k for the financial year 2018 as well as capital income of EUR 10k; the contributions to plan assets amount to EUR 25k.

In the next ten financial years, the following payments are expected from the pension plans:

FUTURE PENSION PAYMENTS

Thousands of €	Domestic
(for fiscal year)	
2018	1
2019	4
2020	6
2021	9
2022	14
2023–2027	268
Total	**302**

[18] The **liabilities**, classified by due date, comprise the following:

LIABILITIES

2017 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	79,947	36,003	43,944	0
Trade payables	8,189	8,189	0	0
Income tax liabilities	7,715	7,715	0	0
Other current liabilities	9,677	9,677	0	0
thereof taxes	*5,053*	*5,053*	*0*	*0*
thereof relating to social security	*1,339*	*1,339*	*0*	*0*
December 31, 2017	**105,528**	**61,584**	**43,944**	**0**

LIABILITIES

2016 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	96,231	26,000	70,231	0
Trade payables	7,922	7,922	0	0
Income tax liabilities	7,353	7,353	0	0
Other current liabilities	15,539	15,539	0	0
thereof taxes	*5,620*	*5,620*	*0*	*0*
thereof relating to social security	*1,326*	*1,326*	*0*	*0*
December 31, 2016	**127,045**	**56,814**	**70,231**	**0**

Trade payables are subject to the customary retention of title relating to the supply of movable fixed assets and inventories. Debts from trade are non-interest bearing and are normally settled on 60-day terms. Carrying amounts correspond to fair value.

Other liabilities primarily comprise liabilities to the tax authorities on account of obligations to pay wage tax and VAT as well as to pay social security contributions to the social security authorities. Other liabilities are non-interest bearing and have an average term of 60 days. Carrying amounts correspond to fair value.

Liabilities to banks

The above-mentioned current and non-current loans include liabilities to banks amounting to EUR 79,947k in connection with the company acquisitions undertaken. The most important conditions of this financing can be seen from the following table:

LIABILITIES TO BANKS

Thousands of €	Nominal value	term of loan until	Repayment	effective interest rate	due < 1 year	due > 1 year
	60,000	Dec. 30, 2019	quarter-year rates of mEUR 3 starting from March 31, 2015	1.03%	12,000	12,000
	32,000	Dec. 30, 2020	quarter-year rates of mEUR 1,6 starting from March 31, 2016	0.94%	6,400	12,800
	38,000	Jun. 30, 2021	quarter-year rates of mEUR 1,9 starting from September 30, 2016	0.77%	7,600	19,000

For the financing of the RISA acquisition, in addition to the long-term loan mentioned above, a further short-term loan in the amount of EUR 10,000k with a term ending April 30, 2018 was taken out. The interest for this amounts to 0.72% over the term of the loan and is due at the end of the term. The interest rates in connection with the long-term loans are set for the corresponding term; the interest payments are due quarterly. The interest payments will amount to EUR 568k in the financial year 2018. Interest payments of EUR 983k are due for the years 2018 to 2021.

Group net debt as of December 31, 2017 amounted to EUR –16.2 million. The gearing ratio correspondingly amounted to –0.16. Thus, external and internal key indicators have been met.

[19] Deferred revenue

Deferred revenue amounts to EUR 68,097k (previous year: EUR 55,293k). Compared to the previous year, the increase of EUR 12,804k is as a result of increased recurring revenues. The total amount will lead to revenue predominantly in the first half of 2018.

[20] Other current financial obligations

Other current financial obligations include subsequent purchase price obligations from acquisitions amounting to EUR 334k.

[21] Other non-current financial obligations

The other non-current liabilities comprise subsequent purchase price obligations in connection with the company acquisitions. As of December 31, 2017, these mainly consist of EUR 1,709k resulting from the purchase of Data Design Corporation on August 1, 2016. Subsequent purchase price obligations were measured at fair value as of December 31, 2017. The subsequent purchase price obligation incurred as of December 31, 2016 as a result of the acquisition of Solibri Oy in the amount of EUR 7,639k was recognized as other financial income in the 2017 financial year. The target amount of "invoiced revenue" of EUR 9,000k agreed upon in the purchase agreement was not achieved in the 2017 financial year.

[22] Other non-current liabilities

The other non-current liabilities comprise mainly non-current accrued rent amounting to EUR 2,598k as well as liabilities from non-current profit-related remuneration amounting to EUR 2,069k.

[23] FINANCIAL COMMITMENTS

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	36,951	11,003	21,895	4,053
Leases	3,283	1,332	1,916	35
Total financial commitments as of December 31, 2017	**40,234**	**12,335**	**23,811**	**4,088**
Rental agreements	32,449	10,825	19,143	2,481
Leases	3,219	1,481	1,687	51
Total financial commitments as of December 31, 2016	**35,668**	**12,306**	**20,830**	**2,532**

The rental agreements relate almost exclusively to office space with limited terms. The leases are subject to the customary escalation clauses and renewal options. The lease obligations materially consist of leases for vehicles and office and telecommunications equipment. Furthermore, there are guarantee obligations amounting to EUR 843k in total. These are mainly rental guarantees.

Contingent liabilities

As at the closing date, there are no contingent liabilities.

[24] Notes to the Cash Flow Statement and composition of the cash and cash equivalents

The **cash flow statement** is split into cash flows from operating, investing and financing activities. Whereas the cash flow from operating activities is derived using the indirect method, the cash flows from investing and financing activities are based on direct cash inflows and outflows.

Cash flow from **operating activities** amounts to EUR 97,416k (previous year: EUR 79,678k).

The cash flow from **investing activities** amounts to EUR –54,575k (previous year: EUR – 47,528k). In the current financial year, this primarily includes payments for the purchase of the dRofus Group, the taking over of the business operations of RISA Tech, Inc., USA, as well as investments in intangible assets and office and business equipment amounting to EUR 8,787k.

The cash flow from **financing activities** amounting to EUR –44,801k (previous year: EUR –5,516k) results from the taking out of a short-term bank loan for financing the RISA acquisition (EUR 10,000k). The payment of dividends to the shareholders of Nemetschek SE amounting to EUR –25,025k (previous year: EUR –19,250k) is one of the most significant cash outflows as are the repayment of loans amounting to EUR 26,000k and profit shares of non-controlling interests amounting to EUR –2,711k (previous year: EUR –1,162k). Further cash outflows were recorded from interest payments amounting to EUR –914k (previous year: EUR –904k).

The Group's **cash and cash equivalents** comprise cash and cash equivalents and break down as follows:

CASH AND CASH EQUIVALENTS

Thousands of €	2017	2016
Bank balances	100,347	110,976
Fixed term deposits (contract period up to 3 months)	3,610	1,506
Cash and cash equivalents	**103,957**	**112,482**

Bank balances earn interest at the floating rate for on-call deposits. Fixed-term deposits are made for terms of between one day and three months depending on the immediate cash requirements of the Group. These could be subject to slight fluctuations in value. Fixed-term deposits bear interest at the respectively applicable rates. Carrying amounts generally correspond with fair value.

[25] Financial instruments

The financial assets and liabilities are presented in the following table according to their measurement categories and classes:

FINANCIAL INSTRUMENTS

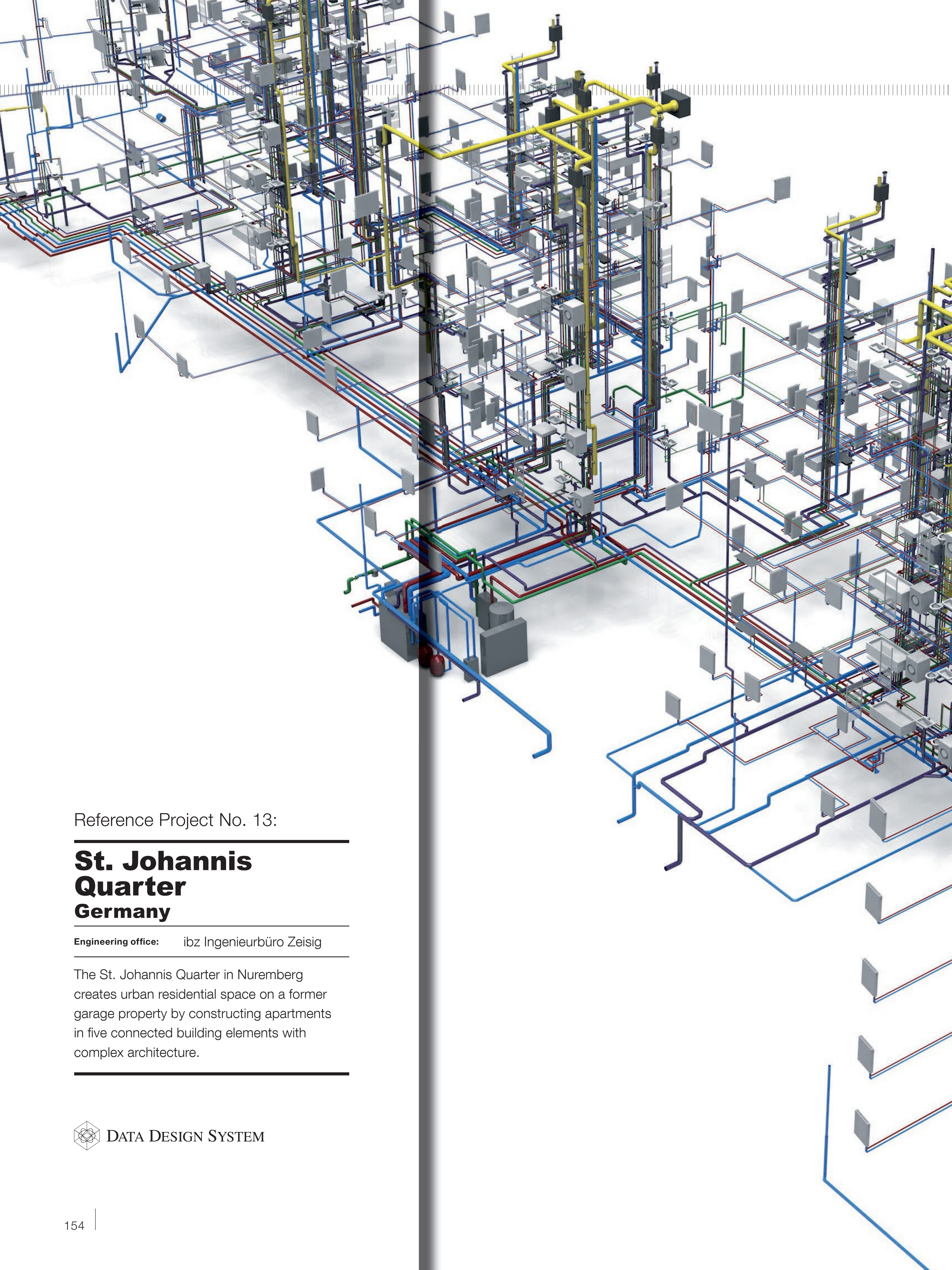
		Measurement in accordance with IAS 39			
2017 Thousands of €	Carrying amount per balance sheet Dec. 31, 2017	Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2017
Trade receivables (excluding finance leases)	41,011	41,011	–	–	41,011
Loans and receivables	*41,011*	*41,011*	–	–	*41,011*
Other financial assets	200	200	–	–	200
Loans and receivables	*150*	*150*	–	–	*150*
*Available-for-sale financial assets**	*50*	*50*	–	–	*50*
Cash and cash equivalents	103,957	103,957	–	–	103,957
Total financial assets	**145,168**	**–**	**–**	**–**	**–**
thereof in accordance with measurement categories of IAS 39:	–	–	–	–	–
Loans and receivables	*145,118*	*145,118*	–	–	*145,118*
*Available-for-sale financial assets**	*50*	*50*	–	–	*50*
Financial liabilities (excluding finance leases)	–	–	–	–	–
Financial liabilities measured at amortized cost	–	–	–	–	–
Trade payables	8,189	8,189	–	–	8,189
Other financial liabilities	82,286	80,119	2,167	–	82,286
Financial liabilities measured at amortized cost	*80,119*	*80,119*	–	–	*80,119*
Conditional purchase price obligation	*2,167*	–	*2,167*	–	*2,167*
Total financial liabilities	**90,475**	**–**	**–**	**–**	**–**
thereof in accordance with valuation categories of IAS 39:	–	–	–	–	–
Financial liabilities measured at amortized cost	*88,308*	*88,308*	–	–	*88,308*
Conditional purchase price obligation	*2,167*	–	*2,167*	–	*2,167*

* Contained Equity Instruments for which no quoted market price was available, and were therefore amortized at cost.

FINANCIAL INSTRUMENTS

2016 Thousands of €	Carrying value per balance sheet Dec. 31, 2016	Measurement in accordance with IAS 39 (Amortized) cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2016
Trade receivables (excluding finance leases)	38,794	38,794	–	–	38,794
Loans and receivables	*38,794*	*38,794*	–	–	*38,794*
Other financial assets	138	138	–	–	138
Loans and receivables	*71*	*71*	–	–	*71*
*Available-for-sale financial assets**	*67*	*67*	–	–	*67*
Cash and cash equivalents	112,482	112,482	–	–	112,482
Total financial assets	**151,414**	**–**	**–**	**–**	**–**
thereof in accordance with measurement categories of IAS 39:	–	–	–	–	–
Loans and receivables	*151,347*	*151,347*	–	–	*151,347*
*Available-for-sale financial assets**	*67*	*67*	–	–	*67*
Financial liabilities (excluding finance leases)	–	–	–	–	–
Financial liabilities measured at amortized cost	–	–	–	–	–
Trade payables	7,922	7,922	–	–	7,922
Other financial liabilities	107,086	96,231	10,855	–	107,086
Financial liabilities measured at amortized cost	*96,231*	*96,231*	–	–	–
Conditional purchase price obligation	*10,855*	–	*10,855*	–	*10,855*
Total financial liabilities	**115,008**	**–**	**–**	**–**	**–**
thereof in accordance with valuation categories of IAS 39:	–	–	–	–	–
Financial liabilities measured at amortized cost	*104,153*	*104,153*	–	–	*104,153*
Conditional purchase price obligation	*10,855*	–	*10,855*	–	*10,855*

* Contained Equity Instruments for which no quoted market price was available, and were therefore amortized at cost.



Reference Project No. 13:

St. Johannis Quarter
Germany

Engineering office: ibz Ingenieurbüro Zeisig

The St. Johannis Quarter in Nuremberg creates urban residential space on a former garage property by constructing apartments in five connected building elements with complex architecture.

DATA DESIGN SYSTEM

Not part of the audited consolidated financial statements and combined management report.

DATA DESIGN SYSTEM

Data Design System (DDS) develops innovative BIM solutions and has served to design, calculate, simulate and document building services projects since 1984.

Segment:	Design
Company size:	103 employees
Locations:	Stavanger, Ascheberg, Leonding, Utrecht
Website:	www.dds-cad.com

Solutions:

- DDS-CAD MEP
- DDS-CAD Architect & Construction
- DDS-CAD Viewer

DDS has two main product lines:

DDS-CAD MEP is a BIM tool for MEP (Mechanical, Electrical and Plumbing) with integrated calculations and interdisciplinary coordination. This also includes the building envelope, which is necessary for energy calculations.

The other product line is DDS-CAD Architect & Construction, which is a highly specialized solution for handling typical Scandinavian style residential units. It provides tailored features for timber frame, pre-cut, prefab elements and other industrialized production methods.

For trade receivables and other current receivables as well as cash and cash equivalents, the carrying value is equal to the fair value.

For trade payables, the carrying value is equal to the fair value. Financial liabilities (there are no financial assets) measured at fair value can be classified into the following three-tier measurement hierarchy:

MEASUREMENT HIERARCHY

2017 Thousands of €	Year-end Dec. 31, 2017	Level 1	Level 2	Level 3
Financial liabilities at fair value				
Fair value impacting profit/loss				
Contigent consideration	2,167	–	–	2,167
Derivatives without balance sheet hedging relationship (financial liabilities held for trading)	–	–	–	–
Derivatives with balance sheet hedging relationship (hedge accounting)	–	–	–	–
Fair value not impacting profit/loss				
Derivatives with balance sheet hedging relationship (hedge accounting)	–	–	–	–
Total	**2,167**	**0**	**0**	**2,167**

The measurement hierarchy reflects the significance of the factors included in the determination of the fair values. At Level 1, financial instruments are recorded, the fair value of which is calculated based on quoted market prices on active markets. Fair values at Level 2 are determined based on observable market data. At Level 3, financial instruments are recorded, the fair value of which is calculated using non-observable market data. In the reporting year 2017, subsequent purchase price payments of EUR 2,167k were measured at fair value. The measurement of the subsequent purchase price obligations was performed using the parameters stipulated by the contract. Primarily these include future revenue and EBITA developments of the companies. The measurement model accounts for the present value of the expected payment discounted at a risk-adjusted discount rate.

The expected payment is determined accounting for potential scenarios for the forecast revenues and the forecast EBITA margin and the probability of each of these scenarios.

In the financial year 2017, the conditional purchase price obligations decreased by a total of EUR 8,688k. Of the decrease, EUR 7,639k are primarily from the dissolution of the conditional purchase price obligation arising from the Solibri acquisition, recognized in profit or loss. The dissolution was a result of non-achievement of the agreed upon targets in the reporting year.

MEASUREMENT HIERARCHY

2016 Thousands of €	Year-end Dec. 31, 2016	Level 1	Level 2	Level 3
Financial liabilities at fair value				
Fair value impacting profit/loss				
Contigent consideration	10,855	-	-	10,855
Derivatives without balance sheet hedging relationship (financial liabilities held for trading)	–	–	–	–
Derivatives with balance sheet hedging relationship (hedge accounting)	–	–	–	–
Fair value not impacting profit/loss				
Derivatives with balance sheet hedging relationship (hedge accounting)	–	–	–	–
Total	**10,855**	**0**	**0**	**10,855**

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Thousands of €,	2017	2016
Assets and liabilities held for sale	13	0
Loans and receivables	–2,249	–676
Assets and liabilities through profit and loss	7,579	–94
Other financial liabilities	–1,024	–1,046
Held for trading	0	0
Total	**4,319**	**–1,816**

The net profits/losses resulting from loans and receivables mainly include changes in allowances, profits/losses resulting from the derecognition and reversal of loans and receivables, which were originally written off, as well as effects from currency fluctuations

The net profits/losses of liabilities to be classified at fair value through profit or loss primarily consist of the one-time effect from the liquidation the Solibri earn-out in financial year 2017.

The losses from other financial liabilities measured at amortized cost consist primarily of the interest expense for the financial year.

Derivative financial instruments

Depending on their maturity, the derivatives used as hedging instruments with positive (or negative) fair values are either classified as other current financial assets (or other current financial liabilities) or as other non-current financial assets (or other non-current financial liabilities). Derivative financial instruments not used as hedging instruments are classified as financial assets held for trading and measured at fair value; changes in fair value are included in the result for the period. There were no hedging transactions as of December 31, 2017.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties in an arm's length transaction, other than in a forced sale or liquidation. Depending on the situation, fair values are obtained from quoted market prices, discounted cash flow analyses or option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Financial assets and financial liabilities

There are no significant differences in the Group between the fair value and the carrying amount of financial instruments. The carrying amount of cash and cash equivalents, other current financial assets and current financial liabilities closely approximates fair value due to the relatively short-term maturity of these financial instruments. The fair value of non-current liabilities to banks and other non-current financial liabilities is determined by the discounting of expected cash flows. The fair value approximated the carrying value of the aforementioned obligations due to the use of market interest rates.

Where no quoted market prices are available, the fair value of publicly traded financial instruments is estimated based on quoted market prices for the same or similar investments. For all other instruments for which there are no market prices, a reasonable estimate of fair value was calculated based on the expected cash flow or the underlying net asset base for each investment. All carrying amounts approximate the fair value of the corresponding items.

Financial risk management objectives and policies

The objective of the Group with regard to financial risk management is to mitigate the risks presented below by the methods described. The Group generally pursues a conservative, risk-averse strategy.

The main financial liabilities used by the Group – except for derivative financial instruments – include bank loans and overdraft facilities, trade payables and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its business activities.

Credit risk related to financial instruments and cash deposits at banks

The credit risk from balances with banks and financial institutions of Group companies is managed in accordance with the Group's policy and in agreement with Group headquarters. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential default of a business partner. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The company's management reviews and agrees on policies for managing each of these risks which are summarized below. The Group generally pursues a conservative, risk-averse strategy.

Foreign exchange risk and foreign exchange risk management
In the course of ordinary operations, the Nemetschek Group is exposed to exchange rate fluctuations in particular. The Group's policy is to eliminate or contain these risks by entering into hedging transactions. The currency risks of the Group occur because 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 accounting.

Due to its international business operations, the Nemetschek Group is exposed to exchange rate fluctuations on the international money and capital markets. Group-wide foreign currency policy is governed by instructions which are guided by the minimum requirements for bank trading issued by the German Federal Financial Supervisory Agency (BaFin). Only first-class national banks whose credit rating is checked regularly by rating agencies may act as partners for hedging transactions.

As required, the Group companies enter into various types of foreign exchange business to manage their foreign exchange risk resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign currencies. As of the closing date December 31, 2017 there was no foreign exchange business.

The exchange rate fluctuation only has a limited effect at top Group level because the operating subsidiaries outside the euro area record revenue as well as cost of materials, personnel expenses and other expenses in their local currency.

Sensitivity analysis of selected foreign currencies
The table below shows the sensitivity of Group revenue and Group EBIT to a reasonably possible fluctuation in the US Dollar and the Hungarian Forint exchange rates. All other variables remain constant.

SENSITIVITY OF USD / EUR

Thousands of €	Change of exchange rate USD	Sensitivity effect on Revenues	Sensitivity effect on EBIT
Fiscal year 2017			
(average USD/EUR exchange rate = 1.13)	+ 5%	–7,186	–1,590
	–5%	7,943	1,758
Fiscal year 2016			
(average USD/EUR exchange rate = 1.11)	+ 5%	–6,008	–1,234
	–5%	6,640	1,364

SENSITIVITY OF HUF / EUR

Thousands of €	Change of exchange rate HUF	Sensitivity effect on Revenues	Sensitivity effect on EBIT
Fiscal year 2017			
(average HUF/EUR exchange rate = 309.19)	+ 5%	–1,401	–96
	–5%	1,549	107
Fiscal year 2016			
(average HUF/EUR exchange rate = 311.44)	+ 5%	–1,161	–79
	–5%	1,284	87

Foreign currency financial assets mainly exist in a subsidiary in Hungary. The following table shows the foreign currency receivables existing as at December 31, 2017, and changes in the closing date rate:

TRADE RECEIVABLES

2017 Thousands of €	**Change of exchange rate**	Sensitivity effect on EBIT
Trade receivables		
HUF/EUR	+5%	–200
total in kEUR: 4,207	**–5%**	**221**
HUF/USD	+5%	–12
total in kEUR: 244	**–5%**	**39**

TRADE RECEIVABLES

2016 Thousands of €	**Change of exchange rate**	Sensitivity effect on EBIT
Trade receivables		
HUF/EUR	+5%	–174
total in kEUR: 3,646	**–5%**	**192**
HUF/USD	+5%	–8
total in kEUR: 177	**–5%**	**9**

Liquidity risks and liquidity management

The Group needs sufficient cash and cash equivalents to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. The credit rating of the Group allows sufficient cash and cash equivalents to be procured. As at the balance sheet closing date of December 31, 2017, the Group holds cash and cash equivalents amounting to EUR 103,957k (previous year: EUR 112,482k). This amount comprises credit bank balances and cash on hand amounting to EUR 100,347k (previous year: EUR 110,977k) as well as fixed-term deposits with a term of up to three months in the amount of EUR 3,610k (previous year: EUR 1,506k). In addition, the Group had unused lines of credit totaling EUR 26,500k as of December 31, 2017.

To manage this risk, the company periodically assesses the credit rating of its customers. The Group monitors its risk of a shortage of funds using monthly liquidity planning.

This considers the maturity of both its financial assets (accounts receivable, fixed-term deposits, etc.) and projected cash flows from operating activities. The Group's objective is to maintain a balance between providing continuity of funding and ensuring flexibility.

Default risk and default risk management

Default risks, i.e. the risk of contractual parties not meeting their payment obligations, are managed by means of credit approvals, the setting of upper limits and monitoring procedures. Where appropriate, the company obtains additional collateral in the form of rights to securities.

The company does not expect that any of its business partners deemed highly creditworthy will fail to meet their obligations. The Nemetschek Group has no significant concentration of credit risks with any single customer or specific customer group. The maximum credit risk can be calculated from the amounts shown in the balance sheet. The terms of payment fall within the customary 30 to 90 days for the industry.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital payments to shareholders. No changes were made to the objectives, policies or processes as of December 31, 2017 or as of December 31, 2016. The Group meets externally imposed minimum capital requirements.

The Group monitors its capital based on the key indicators of gearing and equity ratios.

Gearing ratio

The gearing ratio represents the relationship between net debt and EBITDA. Net debt is essentially defined as current and non-current loans plus interest bearing liabilities (less pension provisions) less any cash and cash equivalents. Group net debt as of December 31, 2017 amounted to EUR –16.2 million. The gearing ratio correspondingly amounted to –0.16. Thus, external and internal key indicators have been met.

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio amounts to 49.5% (previous year: 44.4%). Thus, external and internal key indicators have been met.

Credit risk and credit risk management

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that customers who wish to trade materially on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without prior approval. There is no significant concentration of default risks within the Group.

With respect to the other financial assets of the Group, which comprise cash and cash equivalents, the Group's maximum credit risk arising from default of the counterparty is equal to the carrying amount of these instruments.

Interest risk and interest risk management

As a result of the current Group financing structure, there are no material interest risks.

[26] The company divides its activities into the segments Design, Build, Manage and Media & Entertainment. The Design segment contains the architecture and engineering division and is mainly characterized by the development and marketing of CAD, static engineering and tender software. The Build segment involves the creation and marketing of commercial software for construction companies. The Manage segment covers facility and property management, which involves the extensive administration and management of property development projects. Furthermore, with the Media & Entertainment segment, the Group is involved in the field of multimedia software, visualization and animation.

The following tables present segment revenue and results and certain assets and liabilities of the Group's business segments.

Statement of comprehensive income disclosures

SEGMENT REPORTING

2017 Thousands of €	Total	Elimination	Design	Build	Manage	Media & Entertainment
Revenue, external	**395,568**	**0**	**249,174**	**114,551**	**8,060**	**23,783**
Intersegment revenue	–	−2,886	11	1,347	0	1,528
Total revenue	**395,568**	**−2,886**	**249,185**	**115,898**	**8,060**	**25,311**
EBITDA	**108,000**	**–**	**70,271**	**26,612**	**1,886**	**9,231**
Amortization / depreciation	−21,554	–	−7,947	−13,043	−64	−500
Segment operating result (EBIT)	**86,446**	**–**	**62,324**	**13,569**	**1,822**	**8,731**
Interest income	299	–	–	–	–	–
Interest expenses	−1,024	–	–	–	–	–
Share of results of associated companies	1,058	–	–	–	–	–
Other financial result	7,622	–	–	–	–	–
Income tax	−17,571	–	–	–	–	–
Profit for the period	**76,830**	**–**	**–**	**–**	**–**	**–**

SEGMENT REPORTING

2016 Thousands of €	Total	Elimination/ Reconciliation	Design	Build	Manage	Media & Entertainment
Revenue, external	**337,286**	**0**	**220,899**	**87,472**	**7,082**	**21,833**
Intersegment revenue	–	−2,601	0	1,075	5	1,521
Total revenue	**337,286**	**−2,601**	**220,899**	**88,547**	**7,087**	**23,354**
EBITDA	**87,987**	**1,900**	**63,235**	**12,816**	**1,609**	**8,427**
Amortization / depreciation	−18,314	–	−7,087	−10,771	−54	−402
Segment operating result (EBIT)	**69,673**	**1,900**	**56,149**	**2,044**	**1,554**	**8,026**
Interest income	183	–	–	–	–	–
Interest expenses	−1,046	–	–	–	–	–
Share of results of associated companies	380	–	–	–	–	–
Other financial result	−23	–	–	–	–	–
Income tax	−20,325	–	–	–	–	–
Profit for the period	**48,842**	**–**	**–**	**–**	**–**	**–**

The item of depreciation/amortization of the Design segment includes amortization of purchase price allocation amounting to EUR 4,258k (previous year: EUR 3,836k) and of the Build segment amounting to EUR 9,236k (previous year: EUR 7,220k).

The secondary segment reporting format for financial reporting relating to the balance sheet that is used for the Group's internal organizational and management purposes does not show a geographical breakdown between Germany and other countries. It is therefore not presented in greater detail.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and the segment result also include transfers between business segments. These transfers are eliminated in consolidation.

Segment reporting by geographical region is as follows:

SEGMENT REPORTING – GEGRAPHICAL REGION

Thousands of €	**Revenues 2017**	**Fixed assets 2017**	**Additions to fixed assets 2017**	Revenues 2016	Fixed assets 2016	Additions to fixed assets 2016
Germany	119,180	24,831	1,835	106,746	22,244	2,063
Abroad	276,388	269,614	6,952	230,540	258,918	5,307
Total	**395,568**	**294,445**	**8,787**	**337,286**	**281,162**	**7,370**

The Group's geographical segment assets are based on the location of the assets. Correspondingly, total assets of EUR 59,985k (previous year: EUR 70,235k) can be allocated to the German segment and total assets of EUR 400,797k (previous year: EUR 384,513k) to the foreign segment.

Sales to external customers disclosed in the geographical segments are allocated to the various territories on the basis of the customer's location.

Balance sheet disclosures

SEGMENT REPORTING

2017 Thousands of €	**Total**	Design	Build	Manage	Media & Entertainment
Trade receivables	41,011	23,670	14,646	1,215	1,480
Inventories	561	491	17	6	47
Other assets	10,100	7,690	2,205	49	156
Fixed assets	294,445	108,139	179,890	2,139	4,278
thereof additions to fixed assets	*8,787*	*6,939*	*1,430*	*78*	*340*
thereof additions due to business combinations	*49,908*	*49,667*	*241*	*0*	*0*
Segment assets	**346,118**	**139,990**	**196,758**	**3,409**	**5,961**
Cash and cash equivalents	103,957	–	–	–	–
Investments in associates and long-term available-for-sale assets	3,553	–	–	–	–
Non-allocated assets*	7,154	–	–	–	–
Total assets	**460,782**	**–**	**–**	**–**	**–**
Liabilities	25,645	15,830	8,500	241	1,074
Provisions and accrued liabilities	35,465	18,491	12,900	609	3,465
Pensions and related obligations	1,703	19	0	0	1,684
Deferred revenue	68,835	41,254	23,233	138	4,210
Segment liabilities	**131,648**	**75,594**	**44,633**	**988**	**10,433**
Non-allocated liabilities**	101,188	–	–	–	–
Total liabilities	**232,837**	**–**	**–**	**–**	**–**

* Not allocated: Income tax assets (EUR 908k), Other current assets (EUR 3,678k) and Deferred tax assets (EUR 2,569k).
** Not allocated: Loans (EUR 79,946k), Deferred tax liabilities (EUR 13,527k), Income tax provisions (6,728k) and Income tax liabilities (EUR 987k).

SEGMENT REPORTING

2016 Thousands of €	**Total**	Design	Build	Manage	Media & Entertainment
Trade receivables	38,794	22,384	13,868	1,257	1,285
Inventories	597	530	6	0	61
Other assets	9,775	7,719	1,768	40	248
Fixed assets	281,161	65,209	209,373	2,125	4,454
thereof additions to fixed assets	*7,370*	*4,513*	*1,735*	*70*	*1,052*
thereof additions due to business combinations	*46,707*	*0*	*46,707*	*0*	*0*
Segment assets	**330,328**	**95,842**	**225,015**	**3,422**	**6,048**
Cash and cash equivalents	112,482	–	–	–	–
Investments in associates and long-term available-for-sale assets	2,474	–	–	–	–
Non-allocated assets*	9,464	–	–	–	–
Total assets	**454,748**	**–**	**–**	**–**	**–**
Liabilities	38,716	13,464	23,653	307	1,292
Provisions and accrued liabilities	32,778	18,279	11,810	508	2,181
Pensions and related obligations	1,660	155	0	0	1,505
Deferred revenue	55,293	34,621	16,658	243	3,771
Segment liabilities	**128,446**	**66,519**	**52,121**	**1,058**	**8,749**
Non-allocated liabilities**	124,184	–	–	–	–
Total liabilities	**252,630**	**–**	**–**	**–**	**–**

* Not allocated: income tax assets (EUR 3,477k), other current assets (EUR 3,753k) and deferred tax assets (EUR 2,234k).
** Not allocated: loans (EUR 96,231k), deferred tax liabilities (EUR 20,600k), income tax provisions (5,281k) and income tax liabilities (EUR 2,072k).

[27] There were no significant events subsequent to the balance sheet date.

[28] The Group enters into transactions with its associates and related parties. These transactions are part of ordinary activities and are treated at arm's length. Related parties are defined as parties who can at least be significantly influenced by the company or over whom the company can at least exercise significant influence. In addition to the executive and supervisory boards, these also include family members and partners of the relevant people.

The following are transactions of group companies:

(1) Rental of space as well as repairs from Concentra GmbH & Co. KG, Munich, amounting to a total of EUR 1,602k (previous year: EUR 1,539k).

(2) Use of services from Nemetschek OOD, Bulgaria, amounting to a total of EUR 2,514k (previous year: EUR 1,005k).

(3) Use of services from DocuWare GmbH, Germering, amounting to a total of EUR 843k (previous year: EUR 526k).

There was a trade payable of EUR 193k due to Concentra GmbH & Co. KG, Munich, as of the balance sheet date. Moreover, in the 2017 financial year, there was a further loan granted to the associate Sablono GmbH in the amount of EUR 30k, for which full allowance was made as of December 31, 2017. Above and beyond this, the balance sheet does not contain any material open items relating to significant transactions with associates and related parties.

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

On June 6, 2017 Prof. Nemetschek sold 200,000 shares of Nemetschek SE at an average price per share of EUR 13.045, amounting to a total value of EUR 2,609,000.00 of Nemetschek SE. The executive and supervisory boards informed us that there were no further purchases or sales of shares in the company pursuant to Art. 19 of the Market Abuse Regulation (MAR), so-called directors' dealings, by themselves or by related parties in the 2017 financial year. The actual obligatory information regarding directors' dealings can be viewed on the website of Nemetschek SE.

Disclosure requirements under § 33 (1) WpHG
The direct and indirect voting rights of the following persons/institutions in Nemetschek SE as of December 31, 2017, were as follows:

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

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

Supervisory board
In accordance with the current developments of the German Corporate Governance Code, at the annual general meeting held on June 1, 2017, it was proposed and resolved to change the remuneration of the supervisory board so that it comprises purely fixed remuneration.

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

The current, performance-based (variable) compensation mainly depends on corporate targets achieved (revenue, EBITA and earnings per share), which are agreed between the supervisory board and executive board at the beginning of each financial year.

The non-current performance-based (variable) executive board compensation – also known as the Long-Term Incentive Plan (LTIP) – depends on the achievement of fixed corporate targets with regard to the development of revenue and operating results (EBITA) as well as strategic project targets defined in advance. The period observed is always three financial 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 members of the executive board Patrik Heider, Sean Flaherty and Viktor Várkonyi were nominated for the Long-Term Incentive Plans 2015 – 2017, 2016 – 2018 and 2017 – 2019. In the 2017 financial year, non-current variable components in the amount of EUR 1,024k in total were paid out.

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

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

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

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

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

		Viktor Várkonyi	
	Thousands of €	**2017 Initial Value**	2016 Initial Value
Fixed compensation		124	96
Fringe benefits		0	0
Total		**124**	**96**
One-year variable compensation		134	0
Multi-year variable compensation	LTIP 2014 – 2016	341	0
Total		**599**	**96**

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

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi from Graphisoft SE received fixed remuneration of EUR 206k (previous year: EUR 198k) gross and a performance-related current remuneration of EUR 108k (previous year: EUR 108k) gross.

Sean Flaherty received a fixed amount from Nemetschek Inc. of EUR 120k (previous year: EUR 144k) gross and a performance-related current remuneration of EUR 33k (previous year: EUR 267k) gross. Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 467k (previous year: EUR 717k).

[29] The following fees of the auditor of the consolidated financial statements were expensed in the financial year 2017:

AUDITORS' FEES

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

[30] The executive board approved the consolidated financial statements on March 19, 2018, to be passed on to the supervisory board.

[31] Supervisory board

Kurt Dobitsch
(independent businessman)
Chairman

Member of the following supervisory boards:

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

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

Rüdiger Herzog
(Lawyer)
Member of the following supervisory boards:

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

Executive board

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

Member of the following supervisory boards:

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

Viktor Várkonyi
(Master of Computer Science, MBA)
Member of the Executive Board
CEO Graphisoft SE

Member of the following supervisory boards:

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

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

Member of the following supervisory boards:

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

Munich, March 19, 2018

Nemetschek SE

Patrik Heider Sean Flaherty Viktor Várkonyi

Patrik Heider

Sean Flaherty

Viktor Várkonyi

Statement of fixed assets of the group

As of December 31, 2017 and as of December 31, 2016

2017 Thousands of €	As of Jan. 1, 2017	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	As of Dec. 31, 2017
	Development of historic costs					
I. Intangible assets						
Software, industrial and similar rights	169,334	−11,071	19,820	1,753	279	179,557
Internally generated software	7,489	0	0	0	0	7,489
Goodwill	177,178	−14,327	29,885	0	0	192,736
	354,001	**−25,398**	**49,705**	**1,753**	**279**	**379,782**
II. Property, plant and equipment						
Other equipment, furniture and fixtures	37,657	−2,399	203	7,034	1,347	41,148
	37,657	**−2,399**	**203**	**7,034**	**1,347**	**41,148**
Total fixed assets of the Group	**391,658**	**−27,797**	**49,908**	**8,787**	**1,626**	**420,930**

2016 Thousands of €	As of Jan. 1, 2016	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	As of Dec. 31, 2016
	Development of historic costs					
I. Intangible assets						
Software, industrial and similar rights	147,508	4,129	16,099	2,068	470	169,334
Internally generated software	7,489	0	0	0	0	7,489
Goodwill	143,771	4,053	29,354	0	0	177,178
	298,768	**8,182**	**45,453**	**2,068**	**470**	**354,001**
II. Property, plant and equipment						
Other equipment, furniture and fixtures	32,480	680	1,254	5,302	2,059	37,657
	32,480	**680**	**1,254**	**5,302**	**2,059**	**37,657**
Total fixed assets of the Group	**331,248**	**8,862**	**46,707**	**7,370**	**2,529**	**391,658**

Development of accumulated depreciation / amortization						Carrying amount	
As of Jan. 1, 2017	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	**As of Dec. 31, 2017**	**As of Dec. 31, 2017**	As of Dec. 31, 2016
82,264	–2,946	4	15,072	159	94,235	85,322	87,070
4,830	0	0	1,124	0	5,954	1,535	2,659
0	0	0	0	0	0	192,736	177,178
87,094	**–2,946**	**4**	**16,196**	**159**	**100,189**	**279,593**	**266,907**
23,402	–1,461	71	5,358	1,074	26,296	14,852	14,255
23,402	**–1,461**	**71**	**5,358**	**1,074**	**26,296**	**14,852**	**14,255**
110,496	**–4,407**	**75**	**21,554**	**1,233**	**126,485**	**294,445**	**281,162**

Development of accumulated depreciation / amortization						Carrying amount	
As of Jan. 1, 2016	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	**As of Dec. 31, 2016**	**As of Dec. 31, 2016**	As of Dec. 31, 2015
68,072	2,216	0	12,394	418	82,264	87,070	79,436
3,735	0	0	1,095	0	4,830	2,659	3,754
0	0	0	0	0	0	177,178	143,771
71,807	**2,216**	**0**	**13,489**	**418**	**87,094**	**266,907**	**226,961**
18,688	427	1,086	4,825	1,624	23,402	14,255	13,792
18,688	**427**	**1,086**	**4,825**	**1,624**	**23,402**	**14,255**	**13,792**
90,495	**2,643**	**1,086**	**18,314**	**2,042**	**110,496**	**281,162**	**240,753**

FRILO
Software

FRILO Software has been one of the leading providers of calculation programs for structural engineering tasks for 40 years.

Segment:	Design
Company size:	42 employees
Locations:	Stuttgart, Dresden
Website:	www.frilo.eu

Solutions:

GEO	The FRILO Building Model with the engineering approach
PLT	Plates by Finite Elements
SCN	Panels by Finite Elements
BTII	Lateral Torsional Buckling Analysis
DLT	Continuous Beam for all Materials

and about 80 more programs in the building sectors wood, steel, reinforced concrete, masonry

Analysis programs are constantly subject to change. The engineers at FRILO analyze all the regulations down to the last detail and promptly integrate these into the programs.

FRILO sits on the standards committees and is therefore familiar with all the latest developments.

Support is provided by engineers who have hands-on experience and precise knowledge of the issues users face. With a service agreement, FRILO offers unlimited support, and the user-friendly license structure is appropriate for individual offices and large corporations alike. FRILO Software is capable of distributed work, work across multiple sites in a network as well as cloud solutions at any time.

Not part of the audited consolidated financial statements and combined management report.

Reference Project No. 14:

High-bay Store Kolb Group
Germany

Engineering office: bfb Takacs

Completed in just 15 months, the new high-bay store logistics center, offering 26,000 storage spaces, also features a fully automatic palette measurement system for optimized space-saving storage.

FRILO Software

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

"I hereby confirm that, to the best of my knowledge, in accordance with the applicable financial reporting framework, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group 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 and anticipated development of the Group."

Munich, March 19, 2018

Patrik Heider   Sean Flaherty   Viktor Várkonyi

Independent auditor's report

To Nemetschek SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Nemetschek SE, Munich, and its subsidiaries (the Group), which comprise of the consolidated statement of comprehensive income for the fiscal year from 1 January 2017 to 31 December 2017, the consolidated statement of financial position as at 31 December 2017, the consolidated statement of cash flows, consolidated statement of changes in equity for the fiscal year from 1 January 2017 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nemetschek SE, which has been combined with the management report of Nemetschek SE, for the fiscal year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements we have not audited the non-financial statement in section 2 and the report on enterprise controlling and declaration on corporate management in section 5.1 of the combined management report.

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

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017 and

» the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the non-financial statement and the report on enterprise controlling and declaration on corporate management referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Deferral of revenues from software service contracts

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

The business of the Group includes the sale of software licenses as well as the provision of services such as telephone hotline and updates in relation to the software within the scope of software service contracts (in the following: service contracts). Revenue from service contracts is realized ratable over the contract term. The deferral of revenues over the contract term is an area with a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because there is a high number of transactions and revenue is a financial performance indicator.

Auditor's response

As part of our audit, we have obtained an understanding of the Group's established methods and processes for revenue recognition and paid attention to the application of accounting principles for service contracts. We also assessed the design and operating effectiveness of the accounting-related internal controls by examining business transactions, from the initiation of the transaction through recognition in the consolidated financial statements, and testing internal controls over these processes.

Our audit procedures included, among others, the review of the sample contracts and their terms and conditions including contractually agreed services and termination rights.

As part of our substantive audit procedures, we evaluated management's accounting treatment and that the requirements for revenue recognition of service contracts are met. In order to evaluate that revenue from service contracts have been deferred to the appropriate period, we recalculated and agreed revenue recorded as of balance sheet date as well as the corresponding deferred revenue positions for not fully provided services to the contractual basis on a sample basis. Further, we agreed recorded cash receipts to bank statements for this respective sample. In this context, data analytical procedures were applied to analyze mass data. To identify anomalies in margin development throughout the current and prior fiscal year, we also applied analytical audit procedures.

Further, we obtained evidence from third parties regarding receivables open as of balance sheet date.

Our audit procedures did not lead to any reservations relating to deferred revenues from software service contracts.

Reference to related disclosures
With regard to the accounting and measurement policies applied for the deferral of revenues from software service contracts, refer to the chapter Accounting and Valuation Principles – Revenue Recognition, to Note 1 Revenues, Note 19 Deferred Revenue and to Segment Reporting in the notes to the consolidated financial statements.

2. Accounting for business combinations

Reasons why the matter was determined to be a key audit matter
Due to the complexity of the transaction and the associated significant risk of material misstatement, and considering the assumptions and estimates required to be made by management as part of the purchase price allocation, the acquisition of dRofus AS, Oslo, Norway, on 1 January 2017 as well as the acquisition of the operations of RISA Tech, Inc., Foothill Ranch, California, USA, on 1 November 2017 were a key audit matter.

Auditor's response
Our audit procedures for the acquisition of dRofus AS included the analysis of management's assertion regarding the control over the combined entity based on agreements under corporate law and the criteria defined in IFRS 10, Consolidated Financial Statements.

Our audit procedures in relation to the (preliminary) purchase price allocations included, in addition to agreeing the consideration transferred by Nemetschek SE to the contractual bases, the evaluation of the methodological approach of the external expert engaged by management with respect to the identification of assets acquired as well as the conceptual evaluation of valuation models considering the requirements of IFRS 3.

With the assistance of our internal valuation specialists, we examined the valuation methods applied in the measurement of the fair value. Furthermore, we analyzed whether assumptions and estimates (such as growth rates, cost of capital, royalty rates or remaining useful lives) used in determining the fair value of identifiable assets acquired and liabilities assumed as of the acquisition date correspond to general and industry-specific market expectations. Additionally, we reperformed the calculations in the models and reconciled the expected future cash flows underlying the measurements with, inter alia, internal business plans.

An area of focus was the determination of the fair values of technologies and customer base. In this regard, among other procedures, we assessed the appropriateness as audit evidence of the valuation report as well as the reports of the external experts engaged by management through inquiries of the experts, and evaluated whether the assumptions used reflect the perspective of an external market participant as of the acquisition date.

Regarding the determination of the goodwill, we have reviewed the calculation as residual value between the determined purchase price reduced by the fair value of identified acquired assets and liabilities taking into account the resulting deferred taxes.

We agreed the accounting treatment of assets and liabilities acquired in the course of the business combinations to the accounting and measurement policies applied for Nemetschek Group. We have assessed the tax implications of the business combination and the implementation of the first consolidation in the consolidation system. Further, we have evaluated the disclosures regarding the requirements resulting from the provisions of IFRS 3 in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the accounting for the business combinations.

Reference to related disclosures
The policies for the accounting for business combinations are disclosed in chapter Accounting and Valuation Principles – Business Combination and Goodwill, Company Purchases in Fiscal Year 2017, Company Purchases in Fiscal Year 2016 and in Note 12 Fixed Assets in the notes to the consolidated financial statements.

3. Recoverability of goodwill and intangible assets

Reasons why the matter was determined to be a key audit matter
The impairment test of the goodwill and the intangible assets was a key audit matter, as the valuations underlying the impairment tests are highly dependent on assumptions regarding future free cash flows and the applied discount rates and have significant influence on the consolidated financial statements.

Auditor's response
To assess the appropriateness of the valuations performed by management, we performed control based audit procedures, analyzed the processes and controls to determine the fair values and performed substantive audit procedures. With the assistance of internal valuation specialists, we analyzed and recalculated the valuation models underlying the impairment test for goodwill. In this context, we also examined whether the budget planning reflects general and industry-specific market expectations. The parameters used to esti-

mate fair value such as the estimated growth rates, the weighted average cost of capital and tax rates were assessed by comparing them to publicly available market data and considering changes in significant assumptions including future market conditions. We performed a budget to actual comparison of the historically forecasted data and the actual results on a sample basis to assess forecast accuracy. We also performed our own sensitivity analyses to assess the impairment risk in the case of a reasonably possible change in one of the significant assumptions.

Our audit procedures did not lead to any reservations relating to the recoverability of goodwill and intangible assets.

Reference to related disclosures

With regard to the accounting and measurement policies applied in for the recoverability of goodwill and intangible assets, refer to chapter Accounting and Valuation Principles – Business Combination and Goodwill, Impairment of non-financial assets, Significant discretionary decisions, estimates and assumptions when preparing the financial statements – Impairment of non-financial assets and to Note 12 Fixed Assets in the notes to the consolidated financial statements.

4. Completeness and valuation of uncertain tax positions and deferred taxes

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

Nemetschek Group operates in numerous countries and is subject to different local tax regulations. The accounting in terms of completeness and valuation for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter.

Auditor's response

With the assistance of internal tax specialists who have knowledge of relevant tax regulations, we assessed management's processes and analyzed internal controls implemented for the identification, recognition and measurement of tax positions. As part of our audit procedures for uncertain tax positions, we evaluated whether management's assessment of the tax effects of significant business transactions and events in fiscal year 2017, which could result in uncertain tax positions or impact the measurement of existing uncertain tax positions, comply with applicable tax law. This includes, in particular, tax effects from the acquisition or disposal of businesses, corporate (intragroup) restructuring activities, results of examinations by tax authorities, and cross-border transactions including the determination of transfer prices. In order to assess measurement and completeness, we also obtained confirmations from external tax advisors. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by considering current tax case law.

In assessing the recoverability of deferred tax assets, we particularly analyzed management's assumptions with respect to projected future taxable income and compared them to internal business plans. As part of our audit procedures for deferred tax liabilities, we especially assessed management's assumptions regarding the permanent reinvestment of undistributed earnings of subsidiaries considering the dividend plans.

Our audit procedures did not lead to any reservations relating to the accounting for uncertain tax positions and deferred taxes.

Reference to related disclosures

With regard to the accounting and measurement policies applied for the completeness and valuation of uncertain tax positions and deferred taxes, refer to chapter Accounting and Valuation Principles – Taxes, Note 10 Income Taxes and Deferred Taxes, regarding Tax Refunded Claims to Note 14 Assets and regarding Income Tax Liabilities to Note 18 Liabilities in the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the following other information:

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

The supervisory board is responsible for the following other information:

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

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

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

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

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

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

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

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

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

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

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

» Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

» Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 1 June 2017. We were engaged by the supervisory board on 2 November 2017. We have been the group auditor of Nemetschek SE without interruption since fiscal year 2013.

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

German Public Auditor responsible for the engagement

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

Munich, 19 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

FINANCIAL STATEMENTS
(HGB)

Financial Statements
of Nemetschek SE (German Commercial code)

Balance Sheet

as of December 31, 2017 and as of December 31, 2016

ASSETS — Thousands of €	December 31, 2017	December 31, 2016
A. FIXED ASSETS		
I. Intangible Assets		
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	150	74
2. Prepayments made on intangible assets	405	53
	556	**126**
II. Property, plant and equipment		
1. Leasehold improvements	121	58
2. Fixtures, fittings and equipment	145	61
	266	**119**
III. Financial assets		
1. Shares in affiliated companies	332,115	284,948
2. Loans due from affiliated companies	21,628	36,823
3. Investments	2,073	2,075
	355,816	**323,846**
TOTAL FIXED ASSETS	**356,637**	**324,091**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	4	0
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 339k (previous year: EUR 401k)	20,649	15,855
3. Other assets	49	826
	20,702	**16,681**
II. Cash and cash equivalents	**2,784**	**15,270**
TOTAL CURRENT ASSETS	**23,486**	**31,951**
C. DEFERRED AND PREPAID EXPENSES	**133**	**140**
D. DEFERRED TAX ASSET	**54**	**59**
	380,309	**356,242**

EQUITY & LIABILITIES	Thousands of €	December 31, 2017	December 31, 2016
A. EQUITY			
I. Subscribed capital		**38,500**	**38,500**
II. Capital reserve		**20,530**	**20,530**
III. Revenue reserve		**28,586**	**28,586**
IV. Retained earnings		**149,630**	**127,160**
TOTAL EQUITY		**237,245**	**214,776**
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Accrued tax liabilities		5,056	2,661
2. Other provisions and accrued liabilities		5,482	4,480
TOTAL PROVISIONS AND ACCRUED LIABILITIES		**10,538**	**7,141**
C. LIABILITIES			
1. Liabilities due to banks		79,800	95,800
2. Trade accounts payable		296	207
3. Accounts due to affiliated companies		50,436	36,494
4. Other liabilities – thereof taxes: EUR 1,104k (previous year: EUR 923k) – thereof social security EUR 7k (previous year: EUR 6k)		1,156	943
TOTAL LIABILITIES		**131,688**	**133,443**
D. DEFERRED TAX LIABILITIES		**838**	**881**
		380,309	**356,242**

Profit and loss account of Nemetschek SE

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

Thousands of €	**December 31, 2017**	December 31, 2016
1. Revenues	4,003	2,722
2. Other operating income	609	5,558
Operating Income	**4,611**	**8,280**
3. Personnel expenses		
a) Wages and salaries	–5,853	–4,258
b) Social security, pension and other benefit costs – thereof for pension: EUR 3k (previous year: EUR 2k)	–493	–382
4. Depreciation and amortization of intangible assets, property, plants and equipment	–104	–72
5. Other operating expenses	–5,385	–5,223
Operating expenses	**–11,835**	**–9,934**
Operating result	**–7,223**	**–1,654**
6. Income from investments – thereof from affiliated companies: EUR 35.749k (previous year: EUR 29,564k)	35,749	29,564
7. Income from profit and loss transfer agreements	24,834	21,213
8. Other interest and similar income – thereof from affiliates companies: EUR 1,046k (previous year: EUR 1,191k)	1,049	1,194
9. Interest and similar expenses – thereof from affiliated companies: EUR 0k (previous year: EUR 0k)	–899	–860
Result from ordinary operations	**53,509**	**49,457**
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR -38k (previous year: EUR 12k)	–6,013	–5,747
11. Earnings after tax	**47,496**	**43,710**
12. Other Taxes	–2	–1
13. Net Income	**47,494**	**43,709**
14. Profit carried forward from previous year	102,135	83,451
15. Retained earnings	**149,630**	**127,160**

SDS/2

SDS/2 is a leading provider of BIM software solutions for the structural steel detailing industry.

Segment:	Design
Company size:	62 employees
Location:	Lincoln
Website:	www.sds2.com

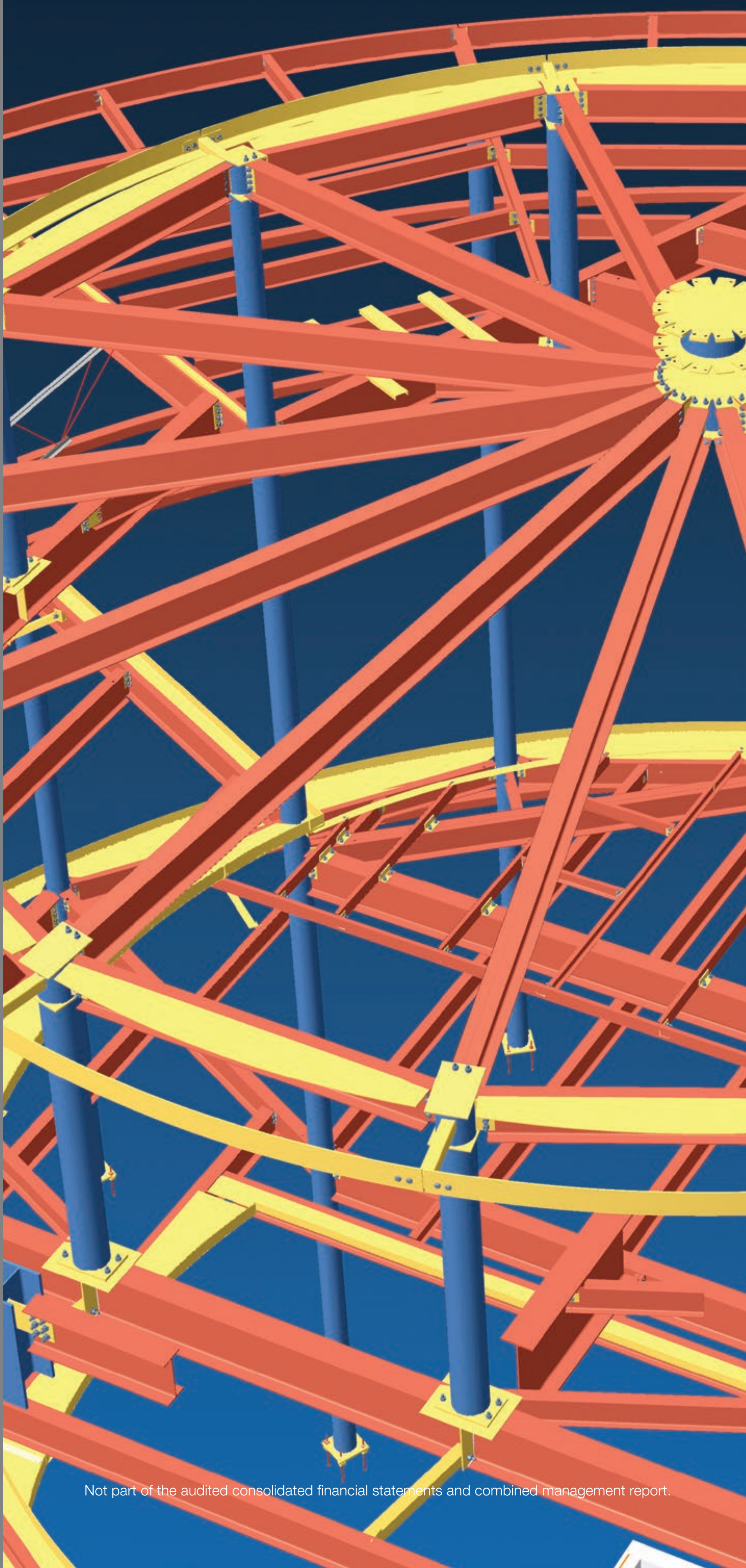
Solution:

SDS/2

The BIM platform SDS/2 is a complete solution covering the entire steel delivery workflow.

SDS/2 software products provide automatic detailing, engineering information, fabrication data and more, reducing the time required to design, detail, fabricate and erect steel.

SDS/2's flagship product, SDS/2 Detailing, offers the highest level of automation and intelligence available in any 3D steel detailing package.



Not part of the audited consolidated financial statements and combined management report.

Reference Project No. 15:

Jefferson High School
USA

Steel constructor: Sippel Steel Fab

The steel construction with a generously sized dome roof and pillars at the entry is patterned after American president Thomas Jefferson's estate Monticello.

SDS/2

Highlights 2017

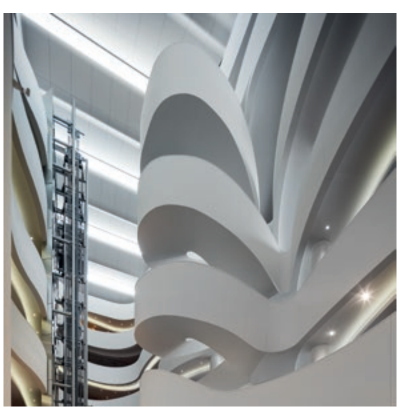
January

Bau 2017: Eleven brands exhibit at leading fair for construction software in Munich

Precast enters the US market with its software solutions for the precast parts industry

February

SDS/2 exhibits at NASCC 2017 (North American Steel Construction Conference)



May

ALLPLAN opens new UK office

GRAPHISOFT presents new software version ARCHICAD 21

Vectorworks continues partnership with American Institute of Architects

June

New version available: SCIA Engineer 17 – A Productivity Booster for Structural Engineers

SDS/2 starts SDS/2 Solid Steel Competition 2017

September

MAXON Cinema 4D Release 19 available now

Vectorworks releases version 2018

October

Three brands with new releases: Allplan 2018, DDS-CAD 13 and Solibri Model Checker v9.8

Nemetschek acquires leading US software provider RISA for structural engineering

March

Bluebeam Revu 2017 maximizes workflow efficiency across the entire project lifecycle

Nemetschek Group anticipates further strong growth in revenue and earnings following record year 2016

April

ALLPLAN presents Allplan Allfa 2017 for efficient facility management

New version of dRofus 1.10 available now for all users

July

Strategic co-operation of NEVARIS and initions (software for transport management) decided

Bluebeam eXtreme Conference in Los Angeles

August

GRAPHISOFT wins Gold Stevie® Award for ARCHICAD 21 marketing campaign

Vectorworks opens new corporate office in Great Britain

Solibri expands partner network in North & South America

November

ARCHICAD awarded “BIM product of the year” for the seventh time in a row

Nemetschek Group receives AXIA Award 2017

Best ranking once again for iX-Haus from Crem in Bell Management Consultants’ Real Estate Software Report

December

GRAPHISOFT announces ARCHICAD – Bluebeam Revu connectivity

Product release PLANBAR and TIM 2018 from Precast available now

Crem Solutions and Audicon set up new software partnership

Financial calendar 2018

March 29, 2018 Publication Annual Report 2017	April 27, 2018 Publication Quarterly Statement 1st Quarter 2018	May 30, 2018 Annual General Meeting, Munich
July 27, 2018 Publication Quarterly Statement 2nd Quarter 2018	October 30, 2018 Publication Quarterly Statement 3rd Quarter 2018	November 26–28, 2018 German Equity Forum, Frankfurt am Main

Publication details

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Nemetschek Group (Investor Relations)

All Photos Executive Board
Gunnar Menzel

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Charles Perkins Centre, Sydney, Australia; Architects: fjmt, fjmtstudio.com; Image: John Gollings

COVER INSIDE AND PAGE 187
Arena Pays d'Aix, Aix-en-Provence, France; Architects: Christophe Gulizzi & Auer Weber Assoziierte GmbH; Image: Lisa Ricciotti

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Scott Sports Headquarters, Givisiez, Switzerland; Architects: Itten+Brechbühl

PAGES 16–17
On the Water, Nikko, Japan; Architects: Nikken Sekkei; Image: Harunori Noda

PAGES 26–27
Sint-Maarten Hospital, Mechelen, Belgium; Engineering Office: MBG

PAGES 36–37
Azur Arena, Antibes, France; Architects: Auer Weber Assoziierte GmbH; Image: Aldo Amoretti

PAGES 42–43
Queensferry Crossing, Edinburgh, Great Britain; General Planner: Leonhardt, Andrä und Partner; Image: Liam Anderstrem

PAGES 60–61 AND PAGE 187
Leica Camera AG Headquarters, Wetzlar, Germany; Contractor: Adolf Lupp

PAGES 74–75
Pterodactyl Office Building, Culver City, USA; Engineering Office: Nast Enterprises; Image: Tom Bonner

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ICC (International Convention Centre), Sydney, Australia; Administration: Lend Lease; Image: Guy Wilkinson

PAGES 94–95
The Blue Planet, Kopenhagen, Denmark; Contractor: MT Højgaard; Image Tom Roe

PAGES 104–105
Greifweg, Düsseldorf, Germany; Architect: Sebastian Treese Architekten;
Project Development: RALF SCHMITZ GmbH & Co. KGaA

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Guest House – 3D Study, Germany; Visualization: Benjamin Springer, Exorbitart, exorbitart.de

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Pontsteiger, Amsterdam, The Netherlands; Engineering Office: Van Rossum

PAGES 136–137 AND PAGE 187
Production Hall Lechner, Laas, Italy; Precast Elements: Concrete Rudolph GmbH; Image: Green Code GmbH

PAGES 154–155
St. Johannis Quarter, Nuremberg, Germany; Engineering Office: ibz Ingenieurbüro Zeisig

PAGES 170–171
High-bay Store Kolb Group, Memmingen, Germany; Engineering Office: bfb Takacs

PAGES 184–185
Jefferson High School, Jefferson Hills, USA; Steel Constructor: Sippel Steel Fab

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