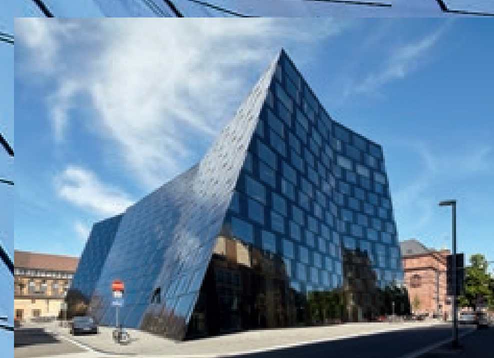
NEMETSCHEK GROUP

Building Software – Empowering The Entire AEC Lifecycle

ANNUAL REPORT **2018**


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

Contents



Reference project on title and cover:

University Library
Freiburg, Germany

Architects: DEGELO Architekten

Project description:

The building, reminiscent of a finely cut diamond, is located in Freiburg's historic downtown area, and offers users outstanding service and an ideal environment for learning and working. Within the scope of an innovative concept of light, energy and climate, the building was given a transparent façade exterior of metal and glass.

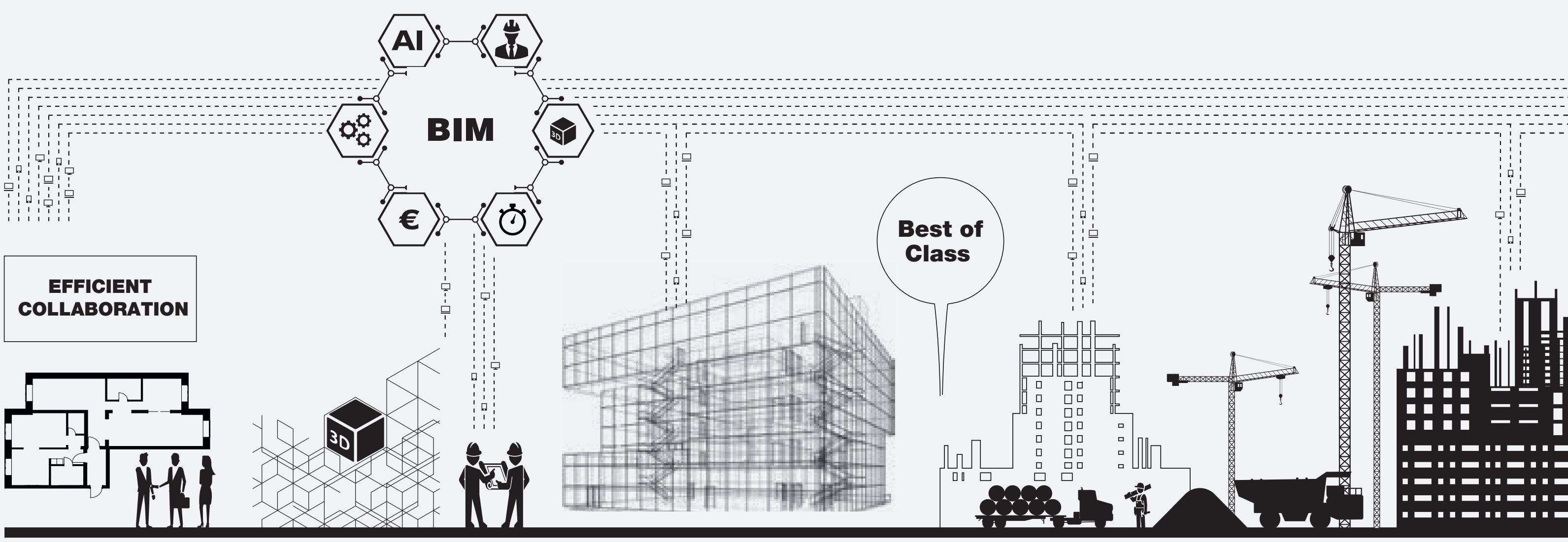
Participating brand: GRAPHISOFT

Building Software –
Empowering The Entire AEC Lifecycle

16 STRONG BRANDS

ALLPLAN BLUEBEAM CREM SOLUTIONS DATA DESIGN SYSTEM dRofus FRILO GRAPHISOFT MAXON

DIGITALIZATION IN THE AEC INDUSTRY (ARCHITECTURE, ENGINEERING, CONSTRUCTION)



01 DESIGN

Nemetschek solutions pave the way for creative, detailed, and precise design—from the early design phase to construction and building planning.

02 BUILD

04 MEDIA

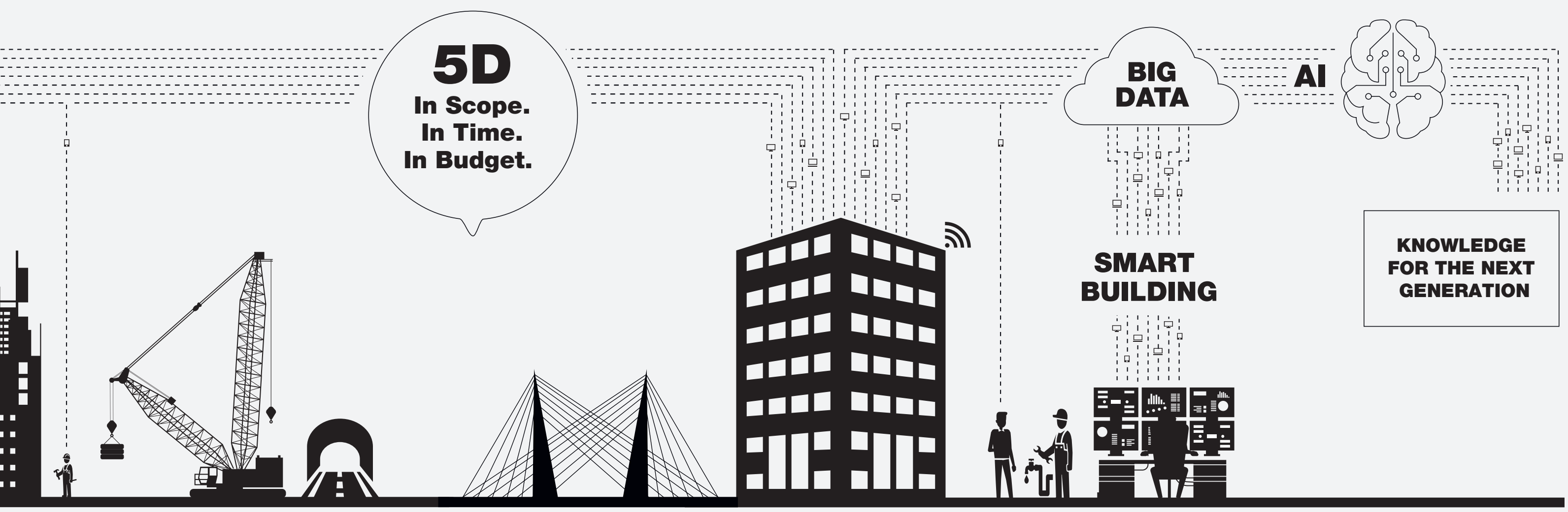
Using Nemetschek solutions, it's possible to create not only visualizations and 3D models of structures, but also animations and visual effects in the film and TV industry.

Application Areas: Building Projects (Commercial / Residential, Public and Private Buildings, Airports, Hotels, Hospitals, Hig

NEMETSCHEK
GROUP

NEVARIS PRECAST SOFTWARE engineering RISA SCIA SDS/2 SOLIBRI SPACEWELL VECTORWORKS

FACILITY MANAGEMENT



Nemetschek develops comprehensive BIM 5D solutions that cover the full spectrum of Building Information Modeling (BIM)—from efficient collaboration, tendering, awarding contracts, and final invoicing to determining costs, planning schedules, and industrial bookkeeping.

03
MANAGE

Nemetschek software is used successfully around the world in commercial and technical property management.

OPEN BIM™ Driver of the OPEN BIM Initiative | FOUNDED IN **1963** BY PROF. NEMETSCHEK | WORLDWIDE MORE THAN **5M** USERS | WORLDWIDE **82** LOCATIONS | **>2.500** EMPLOYEES WORLDWIDE

h-rises) and Infrastructure (Tunnels, Bridges, Roads)

www.nemetschek.com

Building Software – Empowering The Entire AEC Lifecycle

For over half a century, the Nemetschek Group has been driving digitalization in the AEC industry.
With its innovative solutions, the Group is the only company in the world that maps the entire workflow in the lifecycle of a building or infrastructure project – from the architect's first sketches to construction to managing and operating the building. Nemetschek software guides architects, engineers of all stripes, building contractors, developers, general administrators, and building managers into the future of digitalization.

Optimizing the interplay of all processes through systematic digitalization could improve efficiency in the industry by more than 20 percent by shortening construction times, improving quality, and lowering costs. Large parts of this transformation can be implemented efficiently even with existing technologies, thanks to the world-leading Building Information Modeling (BIM) method.

OPEN BIM™

The BIM working standard enables seamless communication and collaboration among all those involved in the construction process. Using BIM, it's possible to build first virtually, and then for real. All those involved in the building process generate transparency and planning efficiency, thereby avoiding unforeseen consequences or disruptions during the construction and subsequent management phases.

The Nemetschek Group is pioneering this digital work standard in the AEC industry. Today, BIM represents the Group's core technological competence, supporting the entire process of creating a property.

The Nemetschek Group takes this a step further: by using and refining open standards, digital workflows are optimized across various disciplines and teams, independent of the software provider. Called the Open BIM approach, this method encourages communication and collaboration of all the players involved in designing and carrying out construction. This benefits not just architects, engineers from all disciplines, and construction companies, but also the investors, owners, and operators of a property.

Just as a building keeps changing throughout its long lifecycle, a software company like Nemetschek must keep constantly evolving. People with vision, foresight, curiosity, and an innovative mindset have always driven the company forward – starting with the company's founder, Prof. Georg Nemetschek.

Nemetschek now has 2,500 such people across the Group's 16 strong, entrepreneurial brands, at 82 locations around the world. Over the past five years, they have generated average revenue growth of 20 percent.

Fiscal 2018 was another successful year: Group revenue climbed to EUR 461 million, an increase of 17 percent over the previous year.

16 STRONG BRANDS, 2,500 EMPLOYEES, 82 LOCATIONS

5 MILLION USERS IN 142 COUNTRIES

EUR 461 MILLION IN REVENUE

The AEC market harbors massive potential

GROWING AEC MARKET

AEC stands for architecture / engineering / construction – segments at the heart of a big and growing market.
Over the next 30 years, the world's population is expected to grow by 2.5 billion people. Most will live and work in megacities, in residential and commercial properties that have yet to be built. As the population increases, so will the need for social institutions like schools, hospitals, and retirement homes. This will be followed by enormous investment in infrastructure – in roads, bridges, and tunnels. And last but not least, ecological and climate-protection requirements will require investment in many existing buildings.

Growing market potential
The worldwide building sector is worth an estimated EUR 10 trillion. But the industry still has much room for improvement, since its structures and processes are often extremely inefficient. According to the latest estimates, 20 percent of basic resources, such as time, money, and building materials, are wasted as a result of inefficient planning (source: Timetrics – Global Construction Outlook 2020).

New growth drivers: Artificial intelligence and big data
What does the building of the future look like? How will it be built, and with what materials? How will it be used? Will artificial intelligence improve building plans?

THE POTENTIAL

Nobody can say for sure. What one can say is that artificial intelligence (AI) will augment human expertise with technology. There will continue to be demand for software solutions, and the Nemetschek Group will continue to play a leading role in every relevant technical development. Thanks to the unique network of its brands, Nemetschek is in a position to share and utilize findings quickly and efficiently across the entire Group.

In any case, big data is already a reality. Troughout its lifecycle, a property will generate an almost infinite volume of data, which must be collected, structured, and evaluated. Generation of this data starts with the best-case construction scenarios and continues through to who is using what areas of a building – or not – and how.

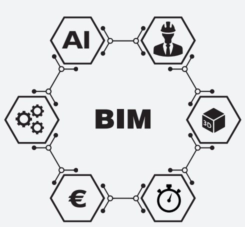
This creates data environments that are revolutionizing the working lives of users throughout the entire property cycle. Big data makes it possible to flag any problem areas at an early stage, avoid errors, and identify trends.

The Nemetschek Group pledges to be a pioneer and driver of the industry in this area, too, according to its maxim:

Building Software – Empowering The Entire AEC Lifecycle.

Perfectly seamless collaboration

EFFICIENT COLLABORATION



Throughout the lifecycle of a construction or infrastructure project, data and information loss may occur at any point, leading to planning errors and inefficiency. This is precisely where Nemetschek's Open BIM software solutions come into play, ensuring seamless data exchange between all those involved in the process. They integrate third-party software solutions smoothly into the process, thereby facilitating an optimum workflow and data transfer at every stage of construction.

CONSISTENT DIGITAL COLLABORATION

Open BIM is a joint initiative of the Nemetschek Group with other leading software manufacturers in the AEC industry that is seeking to BIM encourage the use of open BIM standards in the construction industry.

At the same time, the open BIM method makes it possible to design, build, and manage buildings efficiently and smoothly using end-to-end information processing and open standards.

The combination of Nemetschek end-to-end solutions and Open BIM enables all target groups to manage, execute, and document the entire building process efficiently and, above all, without losing any data. It records every stage and all parties involved: calling for tenders, planning the construction costs, preparing the bid, and awarding the contract, covering all supply chains, invoicing, quantity calculation, scheduling, management accounting, and documentation, right through to the final invoicing and construction accounting.

5D
In Scope.
In Time.
In Budget.

Ultimately, Open BIM solutions are indispensable for managing and operating a property in the long run. It has long been overlooked that most real estate costs are incurred only once construction is complete, when the building is being managed and used. This makes it all the more important to ensure that efficient building management is in place; the high degree of transparency in design and construction that Open BIM offers makes that a lot easier.

A unique network of the industry's leading companies

16
STRONG
SOFTWARE
BRANDS

Each of the 16 brands in the Nemetschek Group takes an entrepreneurial approach, thereby ensuring that their solutions are tailored to the specific requirements of their customer group. Closeness to the customer is key to the Group's success.

At the same time, Nemetschek customers also reap the benefits of a unique competitive edge: the vertical interplay of the 16 brands, which feed their expertise and broad experience back into the Group.

But it also advances the international growth strategy of the Nemetschek Group. The company currently holds approximately 10 percent of the AEC market. Nemetschek's aim is to increase this market share significantly over the coming years.

Given the tremendous attractiveness of the global AEC market, the Group's extremely sound balance sheet and decentralized structure constantly open up new acquisition opportunities for further growth. The focus is on the markets with the greatest potential. Consequently, the Nemetschek Group added the Spacewell brand to the corporate family in fiscal 2018. Spacewell offers modular and integrated software solutions for property, facility, and workplace management, as well as an intelligent smart building platform.

To forge ahead with cross-market development projects and strategic initiatives, and to advance the intelligent smart building platform, the Nemetschek Group reinvests approximately 25 percent of its revenue in research and development.

By the same token, five million customers currently benefit from the unique software solutions that are tailored to their specific requirements. For them, the wide variety of brands means that the entire lifecycle of a building is covered, including 3D solutions for architecture, structural engineering, and quality control, 4D solutions for scheduling, 5D solutions for cost analysis, as well as tools for collaboration, documentation, building management, and project visualization. This “single source” approach grants all parties full access to valuable information throughout the lifecycle of the building.

That’s because the Nemetschek Group provides support throughout a building’s entire lifecycle:

Building Software – Empowering The Entire AEC Lifecycle.

Palatinus Lido
Budapest, Hungary

Engineering Office: Èki Terv

Participating brand: FRILO

To our Shareholders

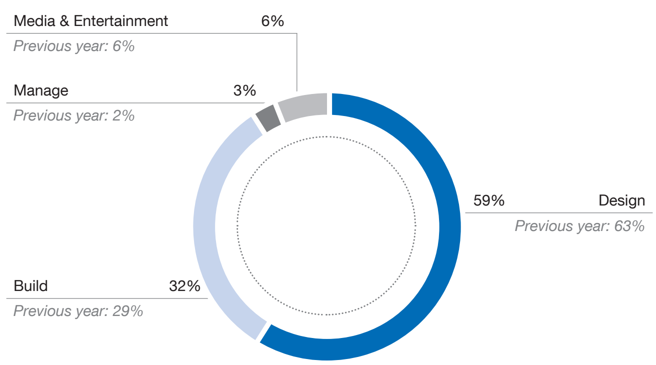
Key Figures

NEMETSCHEK GROUP

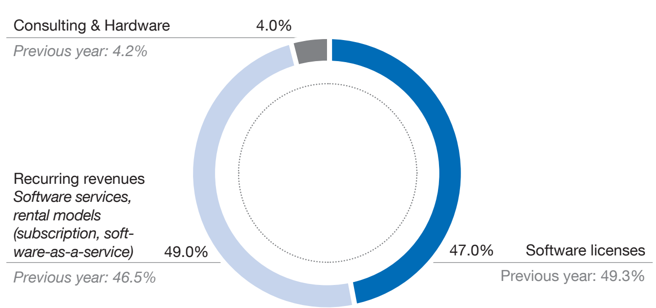
in EUR million	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Revenues	**461.3**	**395.6**	**337.3**	**285.3**	**218.5**
- thereof software licenses	216.8	195.0	175.8	150.4	105.0
- thereof recurring revenues	225.8	183.9	146.5	122.4	101.1
- subscription (as part of the recurring revenues)	22.1	13.5	–	–	–
EBITDA	**121.3**	**108.0**	**88.0**	**69.5**	**56.8**
as % of revenue	26.3%	27.3%	26.1%	24.4%	26.0%
EBITA	**112.5**	**99.9**	**80.7**	**62.8**	**51.3**
as % of revenue	24.4%	25.3%	23.9%	22.0%	23.5%
EBIT	**97.8**	**86.4**	**69.7**	**52.7**	**46.5**
as % of revenue	21.2%	21.9%	20.7%	18.5%	21.3%
Net income (group shares)	**76.5**	**74.7**	**46.9**	**35.9**	**31.5**
per share in €	1.99	1.94	1.22	0.93	0.82
Net income (group shares) before purchase price allocation	**88.1**	**85.2**	**55.1**	**42.8**	**35.3**
per share in €	2.29	2.21	1.43	1.11	0.92
Cash flow figures					
Cash flow from operating activities	99.7	97.4	79.7	65.1	44.2
Cash flow from investing activities	−74.4	−54.6	−47.5	−41.4	−79.3
Cash flow from financing activities	−10.4	−44.8	−5.5	0.0	42.7
Free cash flow	25.4	42.8	32.1	23.7	−35.2
Free cash flow before M&A investments	88.5	88.2	72.6	58.9	40.8
Balance sheet figures					
Cash and cash equivalents	120.7	104.0	112.5	84.0	57.0
Net liquidity/net debt	−9.9	24.0	16.3	3.3	−3.0
Balance sheet total	580.6	460.8	454.7	370.8	291.7
Equity ratio in %	43.0%	49.5%	44.4%	45.0%	46.8%
Headcount as of balance sheet date	2,587	2,142	1,925	1,754	1,559
Share figures					
Closing price (Xetra) in €	95.75	74.84	55.26	46.03	20.90
Market capitalization	3,686.38	2,881.34	2,127.51	1,772.16	804.65
Dividend per share in €	0.81*	0.75	0.65	0.50	0.40

* Proposal to the annual general meeting on May 28, 2019.

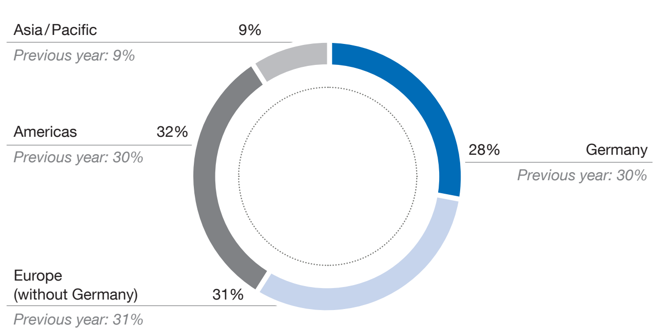
REVENUES BY SEGMENT IN %



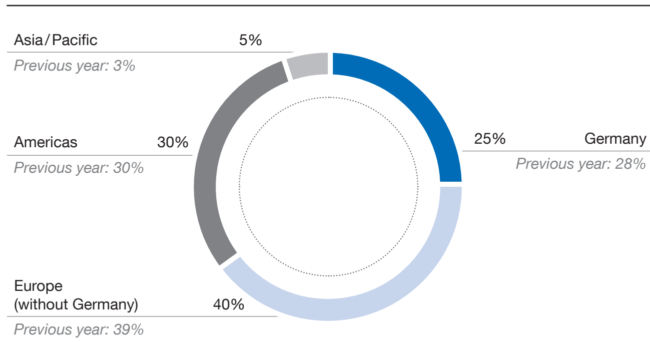
REVENUES BY TYPE IN %



REVENUES BY REGION IN %



EMPLOYEES BY REGION IN %



To our Shareholders

Patrik Heider,
Spokesman of the Executive Board and CFOO

Dear Shareholders,

The Nemetschek Group once again set standards and achieved record figures in the 2018 financial year. The year is yet another in a series of nine consecutive record-setting years in terms of revenue and earnings. This shows the unbroken dynamics by which Nemetschek has evolved and is still evolving.

2018 was also marked by double-digit percentage revenue growth in our Group and continued high profitability. The company's strong operating development was linked to the expansion of the company's position worldwide, further development of next-generation solutions and the acquisition of new customers. In addition to strong organic growth, we strategically reinforced the Manage segment by acquiring the Spacewell brand, and thus generated further growth. At the same time, we invested significantly – as announced – in strategic projects in order to secure double-digit growth rates in the future as well.

Targets reached / Financial key figures with record levels
As in previous years, all the indicators continued to point to growth for Nemetschek in 2018. We were able to further increase revenue, profit, market value and numbers of customers. We reached our highly ambitious targets to the full extent:

» Group revenue rose considerably to EUR 461.3 million, an increase of about 17% compared to the previous year. In addition to strong organic growth of about 14%, the gains are is attributable to the acquisition of the Spacewell brand. All segments in the AEC environment were able to contribute to this very favorable revenue development.

» Recurring revenues from software service contracts and subscriptions, which rose by about 23% to EUR 225.8 million, were growth drivers. The over-proportional increase reflects the strategic change in business model offering subscription in addition to licenses. Revenue from subscriptions rose with growth of about 64%, which caused this revenue element type to gain in importance.

» Continued internationalization remains a major growth driver. Nemetschek is extremely successful in North America, the trend-setting future market for new technologies. North America is the largest and fastest growing single market in our portfolio, with a share of total revenue of more than 30%.

“2018 was also marked by double-digit percentage revenue growth in our Group and continued high profitability.”

- Consolidated operating earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 12% to EUR 121 million. This corresponds to a continued high EBITDA margin of 26.3%, which is within our long-term forecast corridor of 25% to 27%. We were able to achieve this high yield level while additionally making high investments in our strategic growth initiatives which amounted to about EUR 10 million.

The sustainably dynamic operating development of the Nemetschek Group is based on an extremely sound equity and financing base. With cash and cash equivalents amounting to more than EUR 120 million and an equity ratio of 43% as of the end of 2018, we pursued our activities on the basis of an unchanged position of strength. Our financing power 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. For this, one of our top priorities is the cautious and value-generating use of our funds – for organic growth as well as growth through acquisitions.

Of course, this year we again want to include you, dear shareholders, in the successful business development. Therefore, at the annual general meeting in May, we are proposing an increase in the dividend to EUR 0.81 per share, which is 6 euro cents more than in the previous year. Thus, we would be paying out a dividend for the tenth time in a row; and this would be the sixth consecutive increase. If you accept the proposal, EUR 31.2 million will be used for the payout for the past year.

Pioneering digital transformation throughout the entire life cycle of buildings
At Nemetschek we continue to have every reason to be optimistic about the future. Our environment offers us considerable opportunities and potentials since there is an enormous need for the AEC industry to catch up in terms of digitalization and interlinking.

The optimized interplay between all those involved in the building project enabled by consistent digitalization and the use of state-of-the-art IT solutions offers the industry a chance to become more than 20 percent more efficient in terms of reduced construction times, improved quality and cost-savings.

With this development, the Nemetschek Group is a driver and pioneer, always consistently investing in optimized solutions and guiding its customers into the world of digitalization. As the sole corporate group worldwide, Nemetschek covers the entire life cycle of building and infrastructure projects with its software solutions.

“As one of the top players in the global AEC market, we focus on those markets that offer the greatest potential.”

New executive board structure with a stronger focus on customer and market segments
We are also anticipating further growth at the executive level of our Group. With this in mind, on February 1 of the current year, we established a new executive board structure with a stronger focus on the segments. Thus consideration is being given to the strategic objective, which involves even greater consolidation of the competencies of the brand companies in the customer-oriented segments of the AEC industry. Moreover, we are integrating the holding company more closely with the segments that are guiding the strategy.

Our executive board team consists of the following three people:

» Viktor Várkonyi, member of the executive board since December 2013, became Chief Division Officer, Planning & Design Division. He has stepped down from his previous function as CEO of Graphisoft.

» Jon Elliott, CEO of the Bluebeam brand, was appointed Chief Division Officer, Build & Construct Division. He remains CEO of Bluebeam.

» As before, Patrik Heider, member of the executive board since March 2014, remains Spokesman and CFOO for the main Group functions.

With this new leadership structure, we will be acting with even more strength in our markets, supporting our more than 5 million users worldwide so that they can master the challenges facing the AEC industry even better.

Key strategic aspects for the future
The strategy for the Nemetschek Group is clear: As one of the top players in the global AEC market, we are focused on those markets that offer the greatest potential and which are already making the digital work method Building Information Modeling (BIM) compulsory and/or are in the process of establishing BIM standards of this kind. These include North America, Europe and some markets in Asia. The 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 Nemetschek brands to expand abroad and vice versa.

In addition to the expansion of the high level of competence of our brands, there is a broad strategic focus on cross-brand development projects and strategic initiatives. The objective is to further extend our competence as a forerunner and driver of a completely digital workflow for the entire lifecycle of building projects. At the same time, we want to target new customer segments, intensify the collaboration of the sales teams of the brands – e.g. for key account management and the use of joint distribution channels – and share best practices within the Group.

Furthermore, in addition to the building market, we will be focusing more on the infrastructure market – including bridges and tunnels in particular – since there is considerable investment in infrastructure in practically every country in the world.

In the future as well, we will be offering our customers high levels of flexibility with regard to software provision. They can decide whether they want a license model, including a service contract option, or a rental model (subscription or software as a service). With our rental models, we can gain access to new customer groups since the customer can use the software flexibly in terms of time and without a one-time license fee.

Outlook for 2019

We look to the future with optimism and we again want to achieve double-digit percentage growth using our own means. The bases for this are growth trends in our relevant brands – which have remained intact in the long term –, the financial strength of our Group, our outstanding competitive position and the close customer relationships of our brands.

We want to accelerate this organic growth by means of value-generating acquisitions at holding and brand levels in order to extend the technology expertise in the workflow of building processes. In 2019 as well, we will additionally invest approximately EUR 10 million to 12 million in strategic projects which are already underway at Group and brand levels.

Considering all of the influencing factors together, for 2019 we expect Group revenue to reach a corridor between EUR 540 million and EUR 550 million, a growth of 17% to 19% compared to the previous year. With regard to the EBITDA margin, we expect that we will again achieve the high level of 25% to 27% of Group revenue (without effects from conversion to the new IFRS 16 leasing standard).

The outstanding performance of the Nemetschek Group in the previous year and the good financial situation of our company is most of all a result of the success of our more than 2,500 employees worldwide. We thank them very much for their dedicated work. And you, dear shareholders, I thank for the trust that you have placed in the Nemetschek Group. We will do everything we can to continue to be worthy of this trust in the future as well.

Best regards

Patrik Heider

The Executive Board

PATRIK HEIDER

born in 1973

Patrik Heider has been Spokesman of the Executive Board and CFOO of Nemetschek SE since March 2014. In this role, he holds responsibility for the Nemetschek Group's main functions and for the positioning of the Group on the financial markets.

After studying Business Administration at the Fachhochschule Konstanz, Patrik Heider began his professional career as a consultant at PwC Consulting and later at IBM Global Services. This was followed by a change to Hoffmann Group, a leading systems partner for quality tools, where he was instrumental in helping shape the company for more than ten years. Lastly, as Managing Director and CFO, Patrik Heider had responsibilities which included the strategic alignment and all of the M&A transactions of the corporate group. In addition, he was CEO of several international subsidiaries of Hoffmann's.

VIKTOR VÁRKONYI

born in 1967

Viktor Várkonyi has been a member of the executive board since December 2013, and was appointed as Chief Division Officer, Planning & Design Division, in February 2019. In this role, he is responsible for the division's global strategic alignment as well as for positioning the Nemetschek Group as a BIM market leader for connected end-to-end AEC workflows.

Viktor Várkonyi contributes more than 25 years of experience in the IT sector and is specialized in the development of BIM solutions for the AEC industry. Over the past 20 years, he has held various leadership positions. From January 2009 to end of February 2019 he was CEO of GRAPHISOFT, headquartered in Hungary. Viktor Várkonyi studied Electrical Engineering and holds a Master of Computer Sciences degree from the Technical University of Budapest as well as an Executive MBA from Purdue University – Krannert School of Management – in the USA.

JON ELLIOTT

born in 1976

Jon Elliott was appointed to the executive board as Chief Division Officer, Build & Construct Division, in February 2019. In this role, he is responsible for the global cross-brand strategic positioning and international expansion of the brands in his division.

Jon Elliott has been contributing his extensive international market expertise and his many years of experience in the software industry as CEO of Bluebeam, Inc., based in Pasadena, USA. Before being named CEO, Elliott served as COO at Bluebeam. Jon Elliott holds an MBA from Texas A&M University-Commerce and a Bachelor of Arts in Business Administration from the University of La Verne, California. Over the past 20 years, he has gained extensive experience in the areas of sales/distribution, operations and finance in globally active enterprises.

SEAN FLAHERTY

Retired as of December 31, 2018; born in 1969

Sean Flaherty served the Group for more than 18 years and spent the last five years as the Chief Strategy Officer of Nemetschek SE. He left the company of his own accord at the end of 2018.

Executive board structure of Nemetschek SE

At the beginning of 2019, the supervisory board established a new executive board structure that reflects a stronger focus on customer and market segments. Thus, consideration is being given to the strategic alignment of the Nemetschek Group, which involves even greater consolidation of the competencies of the brand companies in the customer-oriented segments of the AEC industry. Moreover, closer integration and interaction is established between the holding and the segments guiding the strategy with their corresponding operating brands.

The executive board currently consists of the following three members:

» Patrik Heider, Spokesman of the Executive Board and CFOO

» Viktor Várkonyi, Chief Division Officer, Planning & Design Division

» Jon Elliott, Chief Division Officer, Build & Construct Division, CEO of the Bluebeam brand

From left to right: Viktor Várkonyi, Patrik Heider, Jon Elliott

Supervisory Board's report on the 2018 financial year of Nemetschek SE

The supervisory board of Nemetschek SE involved itself extensively with the situation and development of the Group during the 2018 financial year. Over the course of the financial year, the committee followed the executive board closely, advised it with regard to important issues and monitored it in addition to carrying out with the utmost care the tasks assigned to the supervisory board by law, the Articles of Incorporation and the Articles of Association.

Constructive deliberations between supervisory board and executive board

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

The supervisory board regularly and intensively 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. This also included information on deviations in business developments regarding planning. The supervisory board was very involved in all 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. On the basis of the extensive information provided by the executive board as well as independent audits, the supervisory board was able to completely fulfill its monitoring and advisory role at all times.

Meetings and topics of focus

In the fiscal year 2018, four regular supervisory board meetings were held (March, July, October and December) at which the executive board informed the supervisory board of the economic situation and business development. 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. Due to its composition of three or four members, the supervisory board has no need to form committees.

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 received 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 strategy for acquisitions and actual projects and decided on them in close collaboration with the supervisory board.

In the meetings, there was debate on the following topics in particular:

- Annual financial statements and consolidated financial statements for the 2017 financial year
- Proposal on the appropriation of profits for the 2017 financial year
- Invitation and agenda items for the regular 2018 annual general meeting with proposed resolutions to the annual general meeting as well as the supervisory board's report for the 2017 financial year
- Sustainability reporting in the Group
- Development of the percentage of women and specification of new target figures
- Executive board and general managers' specification of targets reached in 2017 and release of payment of variable remuneration shares as well as the definition of target agreements for the 2018 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 2018 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 and competition
- Acquisition strategy and strategic partnerships at holding and brand levels
- Acquisition at holding level: Spacewell (formerly: FASEAS / MCS Solutions Group) based in Belgium
- Acquisition at brand level: Takeover of 123erfasst.de by Nevaris and Atlas by US subsidiary Bluebeam
- Internal control and early stage risk detection systems, audit and compliance report
- Capital market, investor development and share price development
- Extension of supervisory board and new executive board structure
- Group planning and investment projects for 2019

Composition of executive board and supervisory board

There were no changes in personnel on the three-man executive board of Nemetschek SE in the 2018 reporting year. At the beginning of the current year, the supervisory board established a new executive board structure that reflects a stronger integrated divisional set-up. Thus, consideration is given to the strategic alignment of the Nemetschek Group which involves even greater consolidation of the competencies of the brand companies in the customer-oriented segments of the AEC industry. Moreover, closer integration and interaction is established between the holding and the segments guiding the strategy with the corresponding operating brands.

The executive board currently consists of the following three members:

- Viktor Várkonyi, member of the executive board since December 2013, was appointed as Chief Division Officer, Planning & Design Division, to go into effect on February 1, 2019. Consequently, he has stepped down from his previous function as CEO of the Graphisoft brand.
- Jon Elliott, CEO of the Bluebeam brand, was appointed as Chief Division Officer, Build & Construct Division, to go into effect on February 1, 2019; he remains CEO of Bluebeam.
- As before, Patrik Heider, member of the executive board since March 2014, remains Spokesman and CFOO for the main Group functions.

Sean Flaherty, who served the Group for more than 18 years and spent the last five years as Chief Strategy Officer for Nemetschek SE, left the company of his own accord at the end of 2018. The supervisory board would like to take this opportunity to thank Sean Flaherty for his outstanding performance, his many years of commitment and his extremely valuable contribution to the successful development of the Nemetschek Group.

In addition, the supervisory board was extended from 3 members to 4 members. With votes in favor amounting to 99.72%, Bill Krouch was elected to the supervisory board by the annual general meeting on May 30, 2018. Bill Krouch, entrepreneur based in USA, is the first non-European member on the supervisory board and will support Nemetschek in particular with regard to further international expansion, primarily in the USA growth region.

The supervisory board has since consisted of the following four members:

- Kurt Dobitsch, Chairman of the supervisory board:
- Prof. Georg Nemetschek, Deputy Chairman
- Rüdiger Herzog, Member of the supervisory board
- Bill Krouch, Member of the supervisory board

Audit of the annual financial statements and consolidated financial statements

On May 30, 2018, 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 2018 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 2018 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 § 315a (1) of the German Commercial Code (HGB), and the consolidated management report for Nemetschek SE and the Group for the 2018 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 sufficiently in advance of the balance sheet meeting on March 21, 2019. 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 objections to be raised. The supervisory board approved the 2018 financial statements and consolidated financial statements of Nemetschek SE at the balance sheet meeting of March 21, 2019. The 2018 annual financial statements are thus final within the scope of § 172 of the German Stock Corporation Act (AktG).

Reporting on sustainability

Nemetschek SE integrated its nonfinancial declaration in the management report. The supervisory board checked the nonfinancial declaration and after conducting its own investigations has come to the conclusion that the nonfinancial declaration provides no grounds for objections.

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 board consistently adhered to the principles of good corporate governance in the 2018 financial year. In March 2019, 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 the company's website https://ir.nemetschek.com/websites/nemetschek/English/0/investor-relations.html.

Thanks for dedicated performance

In the 2018 financial year, the Nemetschek Group had another successful year with revenue growth in the double-digit percentage range coupled with high levels of profitability and achieved the objectives it set for itself. The supervisory board thanks all employees worldwide for their successful work and 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 outstanding performance.

Munich, March 21, 2019

Kurt Dobitsch
Chairman of the Supervisory Board

Nemetschek on the Capital Market

The year 2018

The development of share prices on global stock markets in 2018 was affected by dampened economic prospects and political uncertainty. This included the trade dispute between the USA and China, uncertainty regarding further Brexit negotiations and the monetary policy course taken by the US central bank.

All in all, the further development of the global share indices declined during the year 2018. In the course of the year, MSCI World dropped about 10%, Dow Jones about 6%. Some of the German indices also had to cope with strong losses: the leading German index DAX lost 18.3% for the year as a whole; the MDAX lost 17.6%. On the other hand, the TecDAX, which contains the 30 largest technology stocks, saw only a slight decline of 3.1%.

Nemetschek share with positive share price development despite declining stock markets

The Nemetschek share was able to withstand declining developments on stock markets and increased in value in 2018. The share kicked off the new year with a price of EUR 74.84 as of the end of the 2017. In the first quarter, similar to the German stock markets, it developed relatively volatilely and then plateaued, posting a low for the year of EUR 71.88 (–4% since the beginning of the year) on February 9, 2018. After this, the instrument was able to free itself from the overall market development trend and exhibited very positive development until the middle of December. The annual figures for 2017 and the forecast for 2018 were published at the end of March and for the first time a mid-term forecast was submitted in the form of Vision 2020, which predicts Group revenue of more than EUR 600 million coupled with an EBITDA margin continuing at a stable 25% to 27%. Positive quarterly figures for the first quarter, which were published at the end of April, the rise of the dividend at the annual general meeting at the beginning of June, a strong second quarter, which was published at the end of July, plus the acquisition of the brand Spacewell, which was completed in the Manage segment at the end of August, were further events which may have influenced the development of the share price. The share reached its highest point at EUR 153.40 on September 18, 2018, a plus of more than 100% since the beginning of that year.

Following a slight recovery lasting until mid-June, the upwards trend on the stock markets was halted as a result of the trade dispute flaring up again and negative political and monetary policy news. Influenced by a wide range of factors sewing uncertainty in the market as well as several profit warnings from major corporations, share prices dropped on a wide front, declining steadily until the end of the year. The Nemetschek share closed the financial year at a price of EUR 95.75. Despite the strong decrease in the price of the share in the last quarter of 2018, the share was able to enjoy a rise of 27.9% in total over the course of the year, and thus developed better than the comparative indices.

Yield and market capitalization

Including the Nemetschek SE dividend in the amount of EUR 0.75 per share paid out in May 2018, the total yield for the share for 2018 is calculated at 28.9%.

In keeping with the positive share price development, the market capitalization of Nemetschek SE increased from EUR 2.88 billion as of December 31, 2017 to EUR 3.69 billion as of the end of the reporting year. This corresponds to a rise in value of more than EUR 800 million.

Market development in the current financial year

There was a recovery of stock markets at the beginning of 2019, even though there were no material changes in terms of general policy or monetary policy. By the end of February, the Nemetschek share had considerably increased in value and closed February at a price of EUR 128.40. In addition to a positive market environment, this positive development may also be as a result of the announcement of a further acquisition in the Manage segment in mid-January as well as the preliminary company figures for 2018.

Nemetschek listed on the MDAX

As a result of the index conversion of the Deutsche Börse, as of September 24, 2018, the Nemetschek share was also included for the first time in the MDAX, in addition to the listing on the TecDAX. As of December 31, 2018, on the Deutsche Börse ranking Nemetschek was listed 78th for market capitalization (in terms of free float) on the MDAX and 16th on the TecDAX (previous year's ranking: 17th). During the 2018 financial year, an average of 73,641 shares were traded daily via the electronic computer trading platform Xetra, which was considerably more than in the previous year (52,035 shares). The average daily volume on Xetra increased accordingly from EUR 3.23 million in 2017 to EUR 7.99 million in 2018. Nemetschek ranked 85th on the MDAX and 19th on the TecDAX (previous year's ranking: 21st) for the volume of shares traded.

NEMETSCHEK SHARE PRICE PERFORMANCE IN 2018 COMPARED TO DAX, MDAX AND TECDAX (INDEXED)

Annual general meeting resolves to increase dividend for 2017

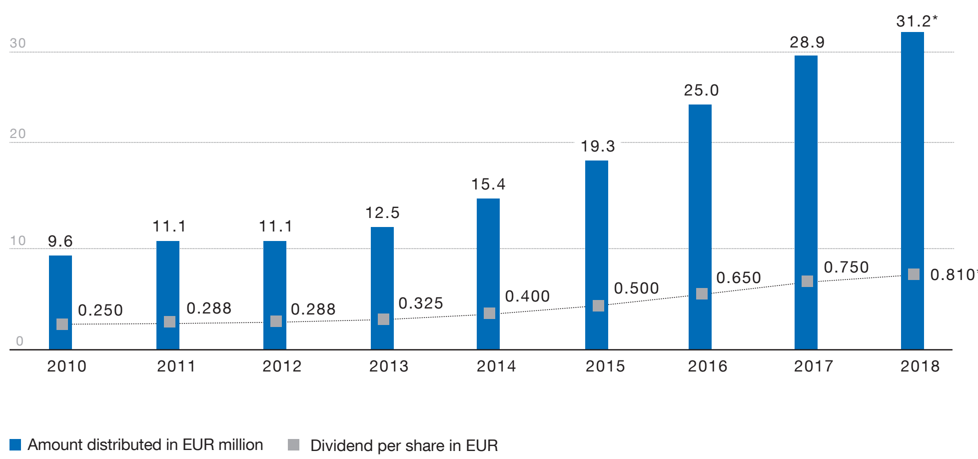
At the regular annual general meeting of Nemetschek SE held in Munich on May 30, 2018, the company's shareholders approved all agenda items with a large majority, including the election of the fourth supervisory board member, Bill Krouch. For the 2017 financial year, a dividend was resolved on in the amount of EUR 0.75 per share, an increase of about 15% compared to the previous year (EUR 0.65 per share). The company recognized for the very positive business development in 2017 by increasing the dividend. With 38.5 million shares entitled to a dividend, the total dividends to be distributed rose to EUR 28.88 million (previous year: EUR 25.03 million). The dividend payout ratio for the 2017 financial year was therefore approximately 30% – in relation to the operating cash flow amounting to EUR 97.42 million – and was thus at the upper end of the defined target range from 25% to 30%.

Dividend proposal for 2018: EUR 0.81 per share

The Nemetschek Group pursues a sustainable dividend policy, and would like to involve its shareholders in the success of the company. For the 2018 financial year, the supervisory board and the executive board propose an increased dividend in the amount of EUR 0.81 per share (previous year: EUR 0.75 per share) to the annual general meeting on May 28, 2019. Subject to approval by the annual general meeting, this would correspond to a dividend increase of 8%. This would be the sixth consecutive dividend increase.

The total amount of dividends to be distributed would rise to EUR 31.19 million (previous year: EUR 28.88 million). The dividend payout ratio for the 2018 financial year would therefore amount to approximately 31% – in relation to the operating cash flow totaling EUR 99.75 million.

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



* Proposal to the annual general meeting on May 28, 2019.

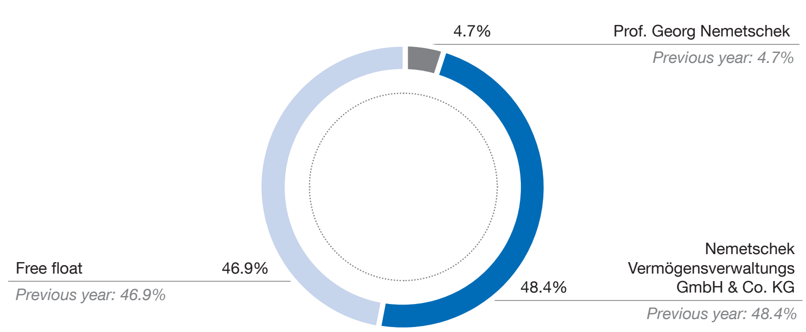
Shareholder structure

Nemetschek SE's share capital as of December 31, 2018 was unchanged at EUR 38,500,000 and was divided into 38,500,000 no-par value bearer shares.

The free float as of December 31, 2018 was 46.9%. It was spread across a regionally widely diversified shareholder structure with a high proportion of international investors, primarily from the USA, France, United Kingdom, Switzerland and Scandinavia.

Nemetschek Vermögensverwaltungs GmbH & Co. KG continues to be the biggest shareholder in the company, with a share of 48.4% (18,622,928 shares). Furthermore, 4.7 % (1,810,000 shares) is held directly by Prof. Georg Nemetschek. For the shares held by Nemetschek Vermögensverwaltungs GmbH & Co. KG and the shares held directly by Prof. Georg Nemetschek, there continues to be a pooling agreement between the KG and Prof. Georg Nemetschek, which serves to ensure a shareholder structure that is permanently stable.

SHAREHOLDER STRUCTURE*



* Direct shareholdings as of December 31, 2018.

Research coverage

The Nemetschek Group is covered by 12 analysts from various banks and research enterprises that regularly publish studies and commentaries on the current development of the company.

Nemetschek is in regular and constructive communication with all institutes, which has been intensified by visits by analysts to company headquarters, various conferences and jointly conducted road shows.

The current price targets of the corresponding analysts can be found on the website under https://ir.nemetschek.com/websites/nemetschek/English/1400/analyst-coverage.html.

Extensive communication with the capital market

The objective of Nemetschek SE is to maintain open and reliable communication with all stakeholders. An ongoing and timely dialogue is maintained to increase transparency and reinforce trust in the Nemetschek Group.

In the 2018 financial year as well, numerous contacts to existing and potential investors were made. The executive board provided information on the economic situation, corporate strategy and future prospects of the Group within the scope of individual dialogues, road shows and investor conferences, held primarily in financial centers in Europe and North America. Moreover, many investors took advantage of the opportunity to familiarize themselves with the company within the scope of a visit to the Group's headquarters in Munich.

Capital Markets Day, which took place for the first time in Frankfurt, was a special highlight in 2018. More than 50 financial analysts participated in the event. In addition to Spokesman of the Executive Board Patrik Heider, other board members and CEOs of the individual brands reported for the first time on market potential, strong positioning, customer acquisitions, and the corresponding competencies in the four segments, and in addition provided a strategic outlook.

On the occasion of the publication of the statements for the year, half year and quarter, telephone conferences were held during which the board reported on past and future business development and responded to questions from analysts and investors.

KEY FIGURES ON SHARES

	2018	2017
Earnings per share in €	1.99	1.94
Dividend per share in €	0.81*	0.75
Payout in € million	31.19*	28.88
High in €	153.40	83.00
Low in €	71.88	47.28
Closing price in €	95.75	74.84
Price/earnings ratio	48.12	38.58
Market capitalization in € million	3,686.38	2,881.34
Average number of shares traded per day (Xetra)	73,641	52,035
Average number of outstanding shares	38,500,000	38,500,000

* Proposal to the annual general meeting on May 28, 2019.

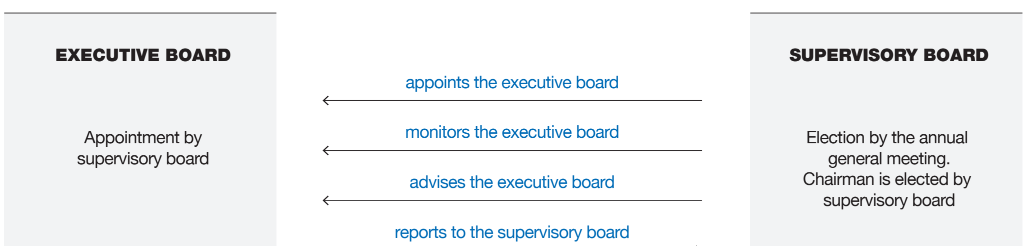
Corporate Governance

In view of the fact that Nemetschek is a globally active Group with an international shareholder structure, the executive and supervisory boards place particular importance on responsible, transparent company leadership and control which is aligned with value creation in the long term. 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 major aspects 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 2018 the composition in terms of personnel remained unchanged vis-à-vis the previous year and comprised three executive board members. At the beginning of the current year, the supervisory board established a new executive board structure with a stronger focus on segments. Thus, consideration is given to the strategic alignment of the Nemetschek Group which involves even greater consolidation of the competencies of the brand companies in the customer-oriented segments of the AEC industry. Moreover, closer integration and interaction is established between the holding and the segments guiding the strategy with the corresponding operating brands.

After introduction of the new executive board structure, the executive board consists of the following three members:

» Viktor Várkonyi, member of the executive board since December 2013, was appointed as Chief Division Officer, Planning & Design Division, to go into effect on February 1, 2019. Consequently, he has stepped down from his previous function as CEO of the Graphisoft brand.

» Jon Elliott, CEO of the Bluebeam brand, was appointed as Chief Division Officer, Build & Construct Division, to go into effect on February 1, 2019; he remains CEO of Bluebeam.

» As before, Patrik Heider, member of the executive board since March 2014, remains Spokesman and CFOO for the main Group functions.

Sean Flaherty, who served the Group for more than 18 years and spent the last five years as Chief Strategy Officer for Nemetschek SE, left the company of his own accord at the end of 2018.

The executive board leads the company under its own responsibility. In compliance with corporate interests, the executive board performs its leadership role with the objective of sustainably increasing corporate value. The executive board resolves all matters which are of particular significance and impact for the company or its subsidiaries.

The supervisory board is promptly involved and provided with complete information concerning all decisions which may materially 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

In the reporting year, the supervisory board was extended from 3 members to 4 members. Bill Krouch was elected to the supervisory board by the annual general meeting on May 30, 2018. Bill Krouch, entrepreneur based in USA, is the first non-European member on the supervisory board and will support Nemetschek in particular with regard to further international expansion, primarily in the USA growth region.

The supervisory board has since consisted of the following four members:

- Kurt Dobitsch, Chairman of the supervisory board
- Prof. Georg Nemetschek, Deputy Chairman
- Rüdiger Herzog, member of the supervisory board
- Bill Krouch, member of the supervisory board

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 Regulation (EC) No. 2157/2001 of the Council on the statute of the European Company (SE-VO), the German SE Implementation Act (SEAG), 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 accompany operative business with advice and recommendations made on the basis of appropriate 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 without regard to gender. With this principle of qualification-based neutrality, Nemetschek SE is assured to best serve the 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.

Since March 2017, with consideration of the recommendations of the German Corporate Governance Code, there has been a competence profile for the committee of the supervisory board 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. They are to possess the knowledge, skills and professional experience required for due performance of their tasks.

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 according to the terms defined in 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 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 noncurrent 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.

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 variable component, also referred to as the Long-Term Incentive Plan (LTIP). The amount and payment of this depends on the achievement of specified targets for revenue, operating result and earnings per share as well as previously defined strategic project 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 individual declarations 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 details 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 entrenched 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, for this reason, 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 continuously further developed. The point of departure for compliance activities is the Code of Conduct of the Nemetschek Group, which is binding for all employees. Besides the company website, employees can access the Code of Conduct as well as other company guidelines via the company-internal intranet platform "Nemetschek ONE". Moreover, the Nemetschek Group uses a modern compliance training tool for imparting this subject 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 the option of 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 2018 financial year. On March 21, 2019, 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, prompt 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 2019

The supervisory and executive boards consistently adhered to the principles of good Corporate Governance in the 2018 financial year. In March 2019, 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. 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.

» Neither an age limit for members of the executive board and the supervisory board nor a defined limit for the duration of the term of office on the supervisory board have been specified explicitly and are not currently planned (Code Items 5.1.2 Clause 2 and 5.4.1 Clause 2). Such an age limit or defined limit for the duration of the term of office on the supervisory board 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 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 four 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, 2019

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

Port House
Antwerp, Belgium

Engineering Office: Studieburo Mouton

Participating brand: SCIA

Group Management Report

Combined Management Report for Fiscal Year 2018

About this report

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

1 General information on the Group

1.1 Business model

Organization

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

» 3D planning and building imaging including calculation of time (4D) and cost (5D) factors for construction processes

» Invitations to bid, contract awarding processes and accounting activities during the construction phase

» Collaboration between participating contractors, documentation, data management and quality assurance

» Management, administration, use, modernization, and renovation.

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

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

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

Please refer to the Annex on page 110 for a detailed overview of the Group's legal and financial corporate structure.

Business activities

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

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

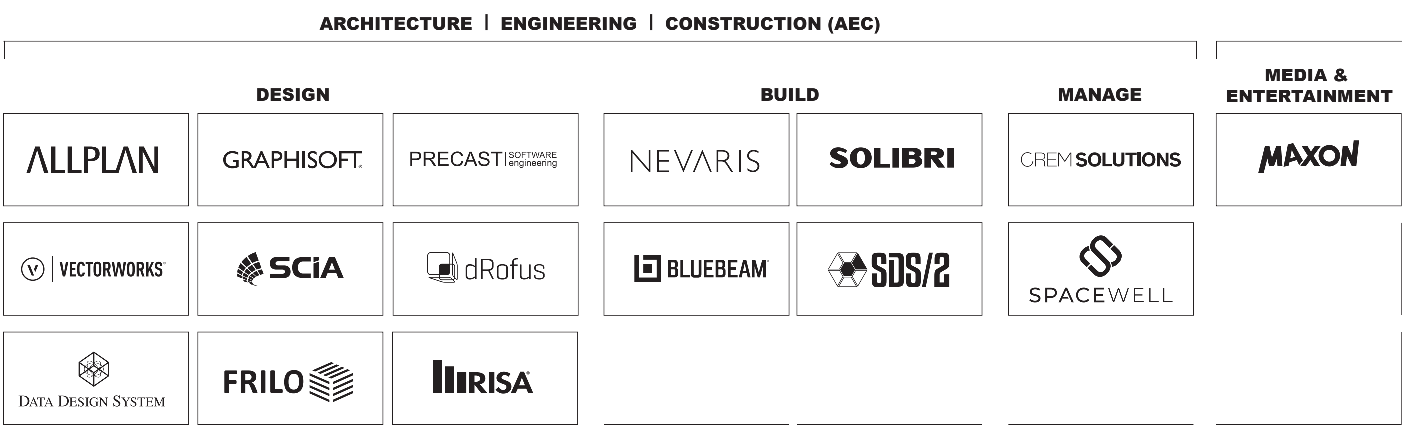
A central feature in the planning, construction, and administrative process is Building Information Modeling (BIM), a term that stands for the digitalization of the construction industry. Using BIM, all design, quality, timing, and business targets and data can be recorded and linked digitally. This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

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

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

Segments

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



Design segment

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

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

Build segment

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

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

Manage segment

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

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

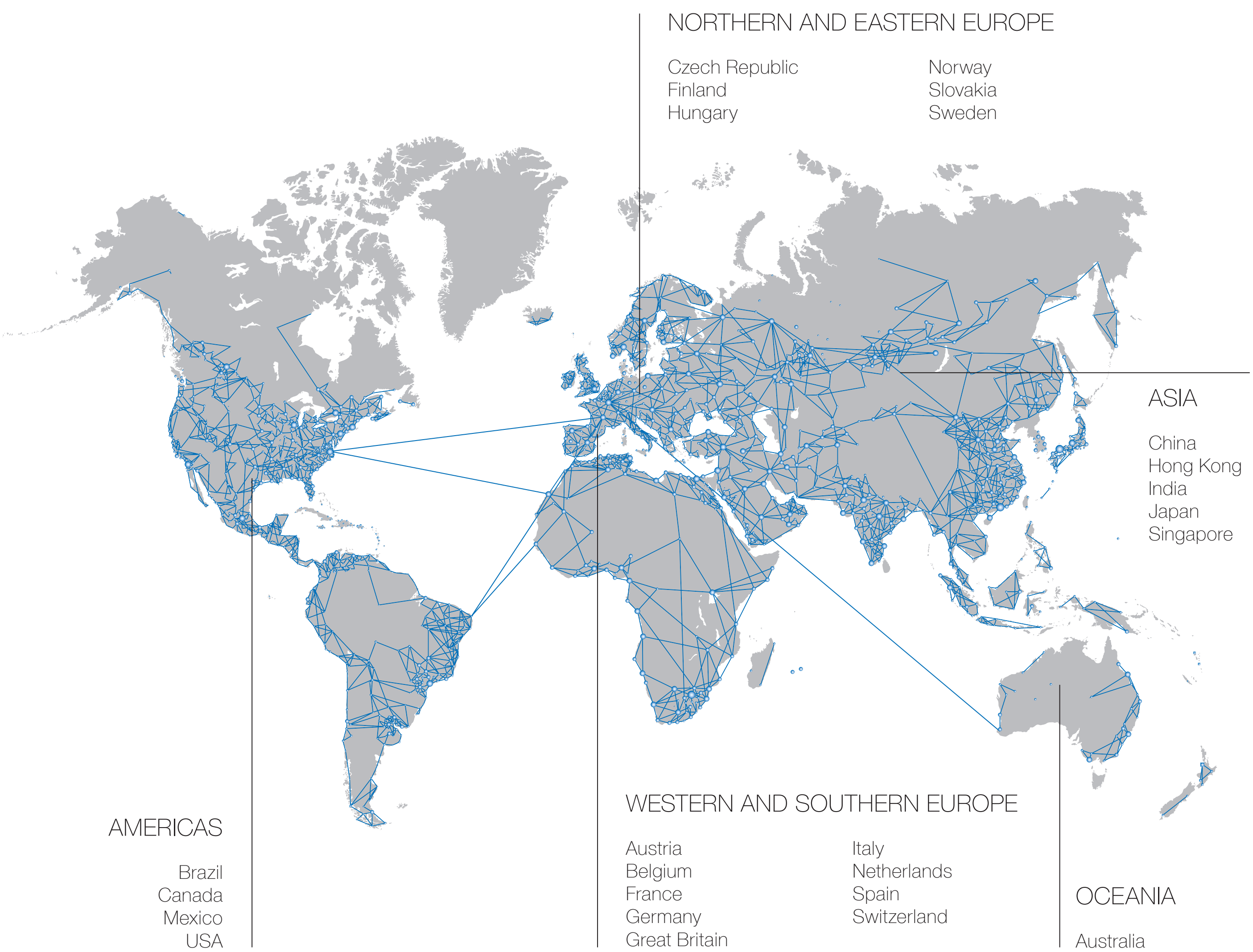
Media & Entertainment segment
Architects and engineers, designers and especially the media & entertainment industry use the solutions provided by the Maxon brand for rendering (model imaging), 3D modeling, animation, and visual effects.

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

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

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

NEMETSCHEK SE LOCATIONS WORLDWIDE



Drivers, market and competition

Growth drivers*

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

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

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

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

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

» **State regulations** that require the use of BIM software for state-financed building projects are paving the way for further growth of the Nemetschek Group on a global scale. In addition to the US, Europe—particularly the UK and Scandinavian countries—is pioneering BIM regulations and the use of BIM-capable software solutions. Nemetschek is the market leader when it comes to Open BIM solutions and benefits from BIM regulations that are applicable in other countries as well.

» BIM policies and regulations encourage the transformation from **2D software solutions to 3D model-based BIM solutions** as a way to enable model-based workflows. For the Nemetschek Group as a developer of 3D software, this represents another growth driver for its brands.

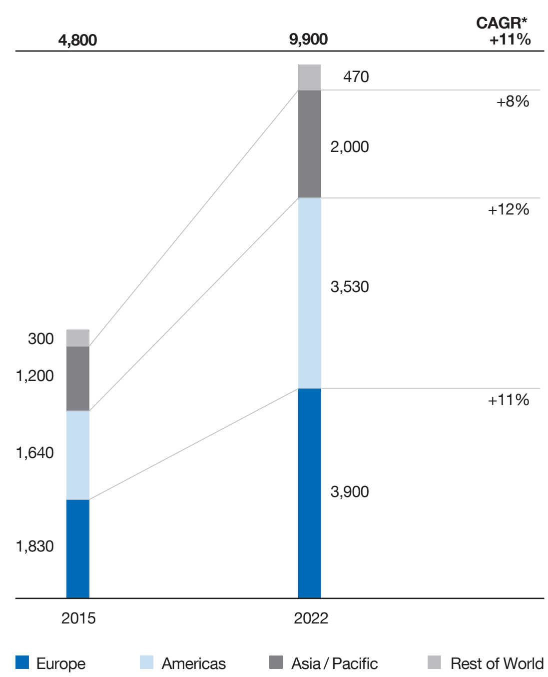
* Source: Deloitte 2016–2017 Global CIO Survey.

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

Market and competition

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

AEC SOFTWARE MARKET: END-USER EXPENDITURES IN EUR MILLION



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

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

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

1.2 Objectives and strategy

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

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

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

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

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

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

Internationalization

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

The Nemetschek Group's focus regions

REGIONS BY END-USER SPENDING

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

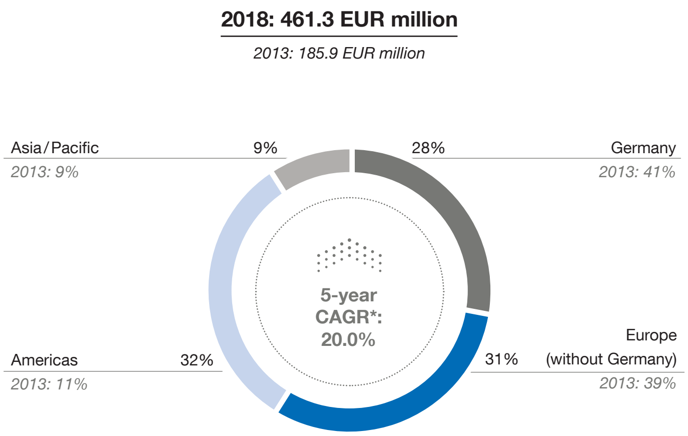
Not only a country's market potential but also the BIM regulations in place in that country are key. Some countries, such as the US, the UK, the Nordics, and Japan, have already made it mandatory for government-funded projects to use BIM software solutions. These countries offer excellent general conditions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

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

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

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

CHANGE IN REVENUE SHARE BY REGION WITHIN THE PAST 5 YEARS



* CAGR: compound annual growth rate.

Next-generation solutions and sales approach

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

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

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

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

Strategic initiatives

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

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

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

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

Acquisitions

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

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

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

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

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

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

1.3 Corporate management and control

General information

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

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

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

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

Financial performance indicators

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

FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

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

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

1.4 Research and development

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

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

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

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

Key innovations by segment

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

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

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

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

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

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

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

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

2 Non-financial statement*

2.1 General information

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

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

2.2 Corporate social responsibility (CSR) at the Nemetschek Group

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

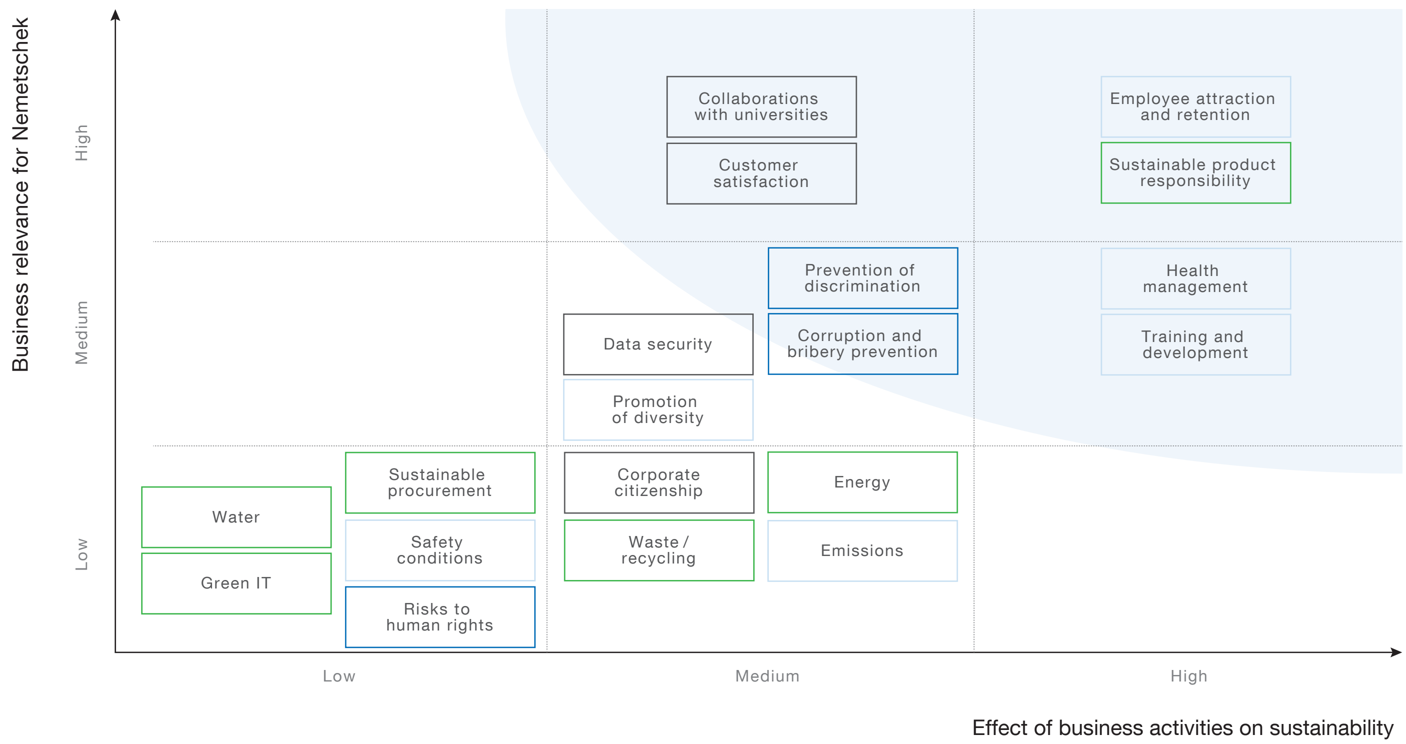
We have summarized these principles of sustainable business conduct in the Nemetschek Group's Code of Conduct. More specifically, these principles can be described as follows: *"Each of us contributes significantly to the public image of the Nemetschek Group through our appearance, conduct and actions.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

Key non-financial topics

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

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

THE NEMETSCHEK GROUP'S MATERIALITY MATRIX



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

The following table illustrates their organizational structure:

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

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

Controlling of non-financial topics

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

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

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

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

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

2.4 Key CSR topics at the Nemetschek Group

Human rights and anti-corruption

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

Compliance management

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

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

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

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

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

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

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

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

Employees

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

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

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

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

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

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

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

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

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

Health management

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

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

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

Learning & development

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

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

Environment

Sustainable product stewardship

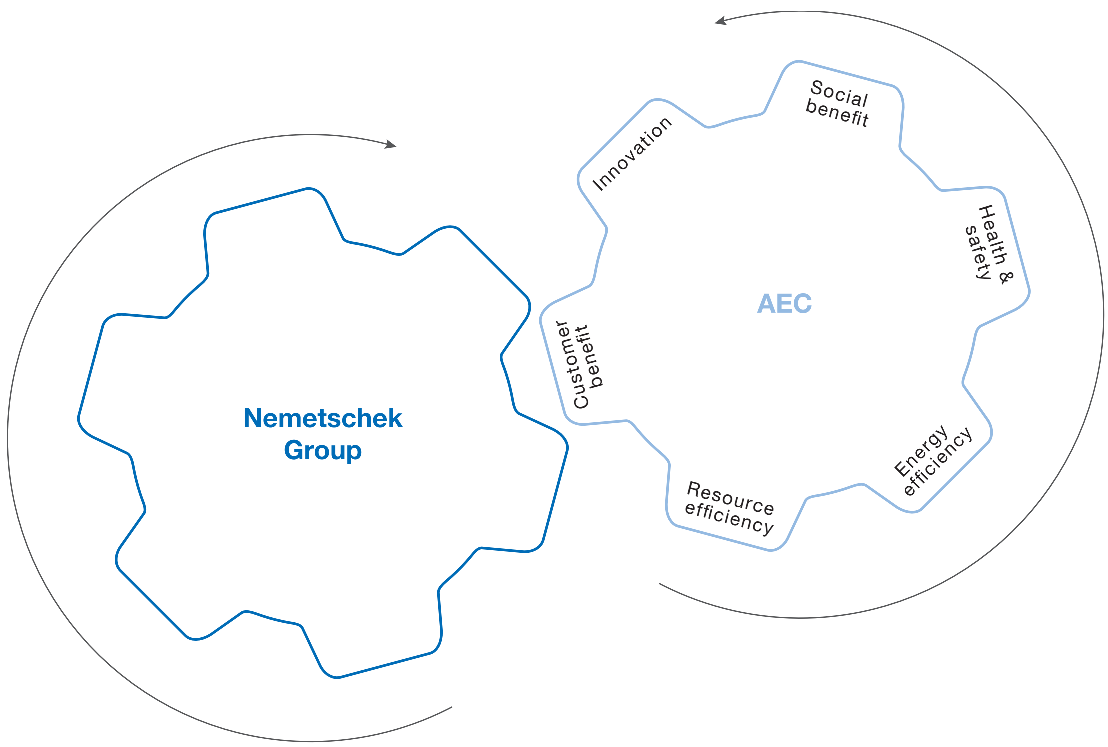
In 2017, the Nemetschek Group identified the topic of sustainable product stewardship as material. The responsible use of natural resources is already anchored at the Group under our Code of Conduct. We select our materials, suppliers and external service providers in compliance with environmental, ethical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

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

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

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

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



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

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

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

» Process efficiency

» Time and cost efficiency

» Materials efficiency

» Energy efficiency

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

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

Social responsibility

Cooperation with universities

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

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

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

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

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

Customer satisfaction

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

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

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

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

3 Economic report

3.1 Overall economic and sector-related conditions

General economic conditions

Global economy*

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

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

Eurozone

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

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

United States

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

Japan

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

Emerging countries

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

Construction sector**

Europe

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Acquisitions

Holding-company level

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

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

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

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

Brand level

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

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

Consolidation effects

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

Cooperations and partnerships

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

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

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

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

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

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

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

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

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

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

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

Results of operations

Development of revenue

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

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

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

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

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

Revenue performance: recurring revenue and software licenses

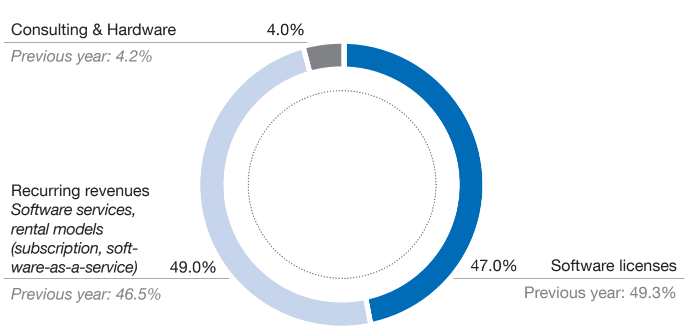
The high revenue growth in 2018 can primarily be attributed to recurring revenues as well as income from software licenses.

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

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

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

REVENUES BY TYPE IN %



Revenues by region

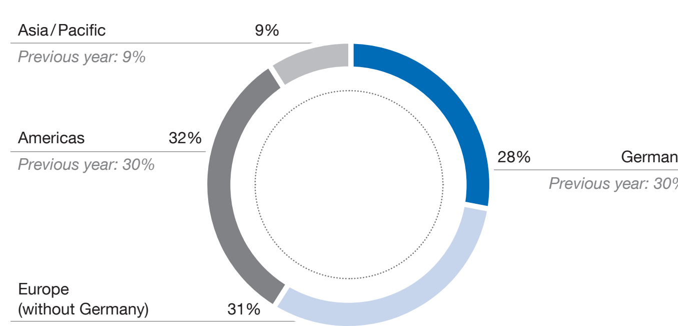
Revenues generated abroad grew in 2018 by 19.8% to EUR 331.2 million (previous year: EUR 276.4 million), a significantly steeper increase than those generated in Germany. In its domestic market of Germany, where the Nemetschek Group already holds a strong market position, revenues were up by 9.2% to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

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

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

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

REVENUES BY REGION IN %



Segment performance

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

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

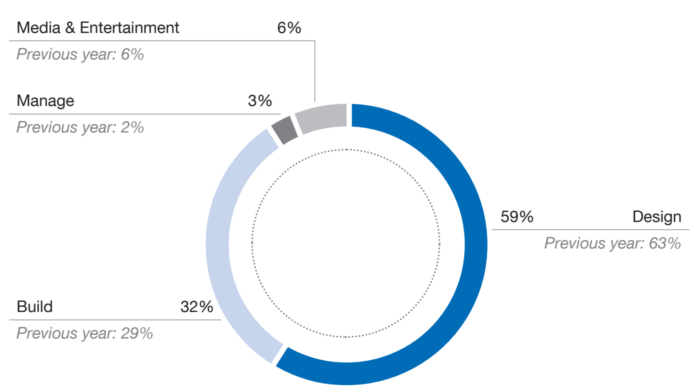
The **Build** segment once again generated the strongest revenue growth in 2018. Revenues rose by 29.2% (currency adjusted: 34.0%) to EUR 148.0 million (previous year: EUR 114.6 million). This corresponds to 32.1% (previous year: 29.0%) of Group revenues. Bluebeam, which is currently the Nemetschek Group's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

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

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

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

REVENUES BY SEGMENT IN %



QUARTERLY REVIEW: KEY RATIOS OF THE SEGMENTS

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

QUARTERLY REVIEW: KEY RATIOS OF THE SEGMENTS

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

ANNUAL REVIEW: KEY RATIOS OF THE SEGMENTS

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

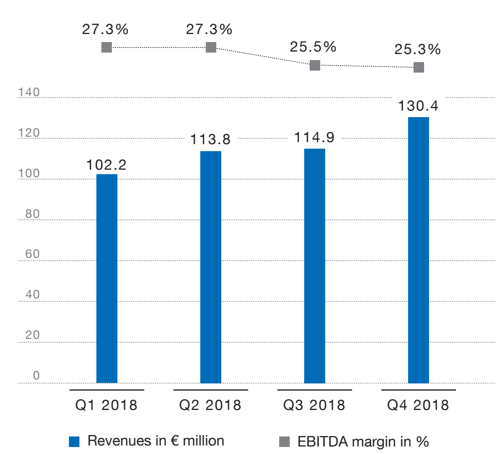
Growth in earnings

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

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

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

QUARTERLY REVENUE PERFORMANCE AND EBITDA MARGIN



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

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

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

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

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

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

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

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

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

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

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

OVERVIEW OF GROUP INDICATORS

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

Financial position

Principles and objectives of financial management

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

Liquidity analysis

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

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

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

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

Cash flow performance

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

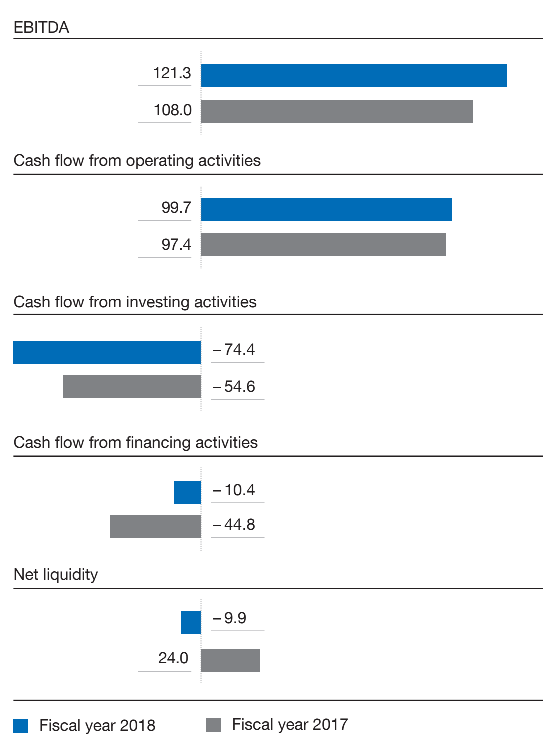
Operating cash flow increased slightly in 2018 by 2.4% to EUR 99.7 million (previous year: EUR 97.4 million). This result was primarily affected by an increase in trade receivables, which was due to sustainable growth in previous fiscal years. Other assets also increased significantly, taking into account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

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

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

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

CASH FLOW IN EUR MILLIONS



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

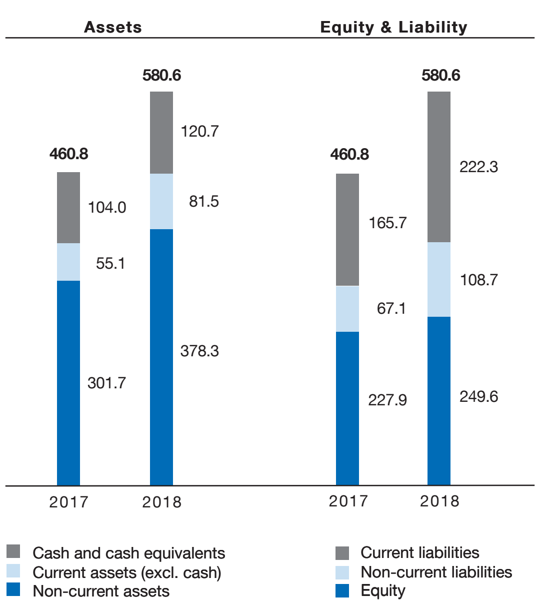
Market risk premium was applied at 6.5% (previous year: 7.0%). Additionally, country risk premiums were applied where necessary. Capital cost rates before taxes resulting from this range from 11.48% to 13.83% (previous year: 11.12% to 13.21%).

KEY BALANCE SHEET FIGURES

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

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

BALANCE SHEET OVERVIEW IN EUR MILLION



Nemetschek Group employees

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

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

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

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

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

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

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

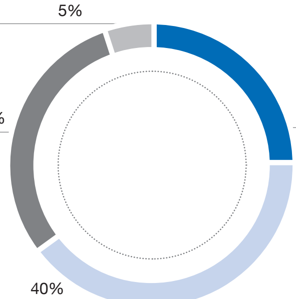
Competitive remuneration and continuing development possibilities are important incentives for recruiting and retaining employees. In addition to their salaries, and depending on their location and the size of the brand company, they receive special benefits such as a company car, a company pension,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

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

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

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

DISTRIBUTION OF EMPLOYEES BY REGION

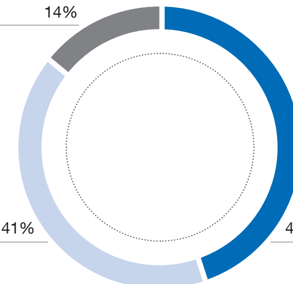


Personnel expenses rose in 2018 by 16.2% to EUR 200.6 million (previous year: EUR 172.6 million), which resulted in a personnel expense ratio (personnel expense/revenues) of 43.5% (previous year: 43.6%).

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

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

PERSONNEL STRUCTURE



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

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

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

Revenue performance and earnings situation

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

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

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

Net assets

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

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

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

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

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

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

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

Financial position

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

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

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

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

Employees of Nemetschek SE

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

Nemetschek SE outlook

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

4 Comparison of current and anticipated business performance

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

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

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

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

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

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

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

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

General statement on the Group's economic performance

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

5 Opportunity and risk report

Opportunity and risk management

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

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

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

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

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

Accounting-related risk management and internal control systems

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

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

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

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

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

Opportunities and risks

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

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

Risk assessment and reporting

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

PROBABILITY OF OCCURRENCE AND POTENTIAL SEVERITY OF LOSS OR DAMAGE

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

Market risks

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

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

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

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

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

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

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

Sector risks

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

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

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

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

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

Risks from the competitive environment

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

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

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

This is summarized below:

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

Operative risks

Corporate strategy

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

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

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

Sales risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This is summarized below:

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

Legal, tax and compliance risks

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

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

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

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

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

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

This is summarized below:

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

Financial risks

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

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

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

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

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

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

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

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

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

This is summarized below:

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

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

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

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

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

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

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

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

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

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

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

Summary assessment of the Group's opportunity and risk situation

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

6 Outlook report 2019

Macroeconomic conditions*

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

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

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

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

Construction industry**

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

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

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

Digitalization in construction

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

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

Corporate expectation

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

Internationalization

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

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

Next-generation solutions and sales approach

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

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

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

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

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

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

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

Growth—organic and non-organic

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

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

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

Investments and liquidity

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

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

Dividends

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

General statement on expected performance

Forecast for the Nemetschek Group

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

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

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

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

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

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

Segment outlooks

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

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

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

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

Note on outlook

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

7 Other disclosures, remuneration report

7.1 Report on corporate controlling and statement on corporate management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.3 Remuneration report

Supervisory board
Remuneration of the supervisory board is as follows

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

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

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

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

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

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

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

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

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

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

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

Munich, March 19, 2019

Patrik Heider

Viktor Várkonyi

Jon Elliott

Kindergarten
La Fouillouse, France

Architects: Novae Architecture

Participating brand: VECTORWORKS

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, 2018 and 2017

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2018	2017	[Notes]
Revenues	**461,299**	**395,568**	[1]
Other operating income	5,478	4,845	[2]
Operating income	**466,777**	**400,413**	
Cost of materials / cost of purchased services	–14,283	–12,911	[3]
Personnel expenses	–200,562	–172,591	[4]
Depreciation of property, plant and equipment and amortization of intangible assets	–23,460	–21,554	[5]
thereof amortization of intangible assets due to purchase price allocation	*–14,713*	*–13,494*	[5]
Other operating expenses	–130,677	–106,911	[6]
Operating expenses	**–368,982**	**–313,967**	
Operating results (EBIT)	**97,795**	**86,446**	
Interest income	470	299	[8]
Interest expenses	–1,124	–1,024	[8]
Share of results of associated companies	536	1,058	[7]
Other financial expenses / income	2,131	7,622	[9]
Earnings before taxes (EBT)	**99,808**	**94,401**	
Income taxes	–23,248	–17,571	[10]
Net income for the year	**76,560**	**76,830**	
Other comprehensive income:			
Difference from currency translation	5,032	–23,150	
Subtotal of items of other comprehensive income that will be reclassified to income in future periods:	**5,032**	**–23,150**	
Gains / losses on revaluation of defined benefit pension plans	98	–106	
Tax effect	–28	30	
Subtotal of items of other comprehensive income that will not be reclassified to income in future periods:	**70**	**–76**	
Subtotal other comprehensive income	**5,102**	**–23,226**	
Total comprehensive income for the year	**81,662**	**53,604**	
Net profit or loss for the period attributable to:			
Equity holders of the parent	76,467	74,663	
Non-controlling interests	93	2,167	
Net income for the year	**76,560**	**76,830**	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	81,481	51,556	
Non-controlling interests	181	2,048	
Total comprehensive income for the year	**81,662**	**53,604**	
Earnings per share (undiluted) in euros	1.99	1.94	[11]
Earnings per share (diluted) in euros	1.99	1.94	
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, 2018 and December 31, 2017

STATEMENT OF FINANCIAL POSITION

ASSETS Thousands of €	**December 31, 2018**	December 31, 2017	[Notes]
Current assets			
Cash and cash equivalents	120,747	103,957	[24]
Trade receivables, net	55,758	41,011	[13]
Inventories	1,156	561	[14]
Tax refunded claims for income taxes	4,239	908	[14]
Other current financial assets	4,209	116	[14]
Other current assets	16,140	12,514	[14]
Current assets, total	**202,249**	**159,067**	
Non-current assets			
Property, plant and equipment	17,574	14,852	[12]
Intangible assets	102,085	86,857	[12]
Goodwill	244,349	192,736	[12]
Investments in associates*	3,964	3,553	
Deferred tax assets	3,157	2,569	[10]
Non-current financial assets	5,315	34	[14]
Other non-current assets	1,865	1,114	[14]
Non-current assets, total	**378,309**	**301,715**	
Total assets	**580,558**	**460,782**	

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."

EQUITY AND LIABILITIES Thousands of €	**December 31, 2018**	December 31, 2017	[Notes]
Current liabilities			
Short-term borrowings and current portion of long-term loans	56,348	36,003	[18]
Trade payables	12,878	8,189	[18]
Provisions and accrued liabilities	40,647	35,465	[17]
Deferred revenue	95,113	68,097	[19]
Income tax liabilities	5,441	7,715	[18]
Other current financial obligations	1,698	601	[20]
Other current liabilities	10,180	9,677	[18]
Current liabilities, total	**222,305**	**165,747**	
Non-current liabilities			
Long-term borrowings without current portion	74,280	43,944	[18]
Deferred tax liabilities	17,198	13,527	[10]
Pensions and related obligations	1,677	1,703	[17]
Non-current deferred revenue	262	738	
Non-current financial obligations	4,115	1,738	[21]
Other non-current liabilities	11,124	5,440	[22]
Non-current liabilities, total	**108,656**	**67,090**	
Equity			
Subscribed capital	38,500	38,500	[15]
Capital reserve	12,485	12,485	[16]
Retained earnings	212,084	193,179	[16]
Other comprehensive income	–13,566	–18,691	[16]
Equity (Group shares)	**249,503**	**225,473**	
Non-controlling interests	94	2,472	
Equity, total	**249,597**	**227,945**	
Total equity and liabilities	**580,558**	**460,782**	

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, 2018 and 2017

CONSOLIDATED CASH FLOW STATEMENT

Thousands of €	**2018**	2017	[Notes]
Profit (before tax)	99,808	94,401	
Depreciation and amortization of fixed assets	23,460	21,554	
Change in pension provision	72	−63	
Other non-cash transactions	−1,575	−6,482	
Portion of the result of non-controlling interests	−536	−1,058	
Result from disposal of fixed assets	72	195	
Cash flow for the period	**121,301**	**108,547**	**[24]**
Interest income	−470	−299	
Interest expenses	1,124	1,024	
Change in other provisions	3,313	3,971	
Change in trade receivables	−10,459	−3,919	
Change in other assets	−15,096	1,364	
Change in trade payables	4,553	166	
Change in other liabilities	25,522	5,631	
Dividend payments from associated companies	28	0	
Interest received	278	284	
Income taxes received	1,067	2,230	
Income taxes paid	−31,414	−21,582	
Cash flow from operating activities	**99,747**	**97,416**	**[24]**
Capital expenditure	−11,295	−8,787	
Changes in liabilities from acquisition	−40	−620	
Cash received from disposal of fixed assets	39	198	
Cash paid for acquisition of subsidiaries, net of cash acquired	−63,092	−45,366	
Cash flow from investing activities	**−74,388**	**−54,575**	**[24]**
Dividend payments	−28,875	−25,025	
Dividend payments to non-controlling interests	−1,711	−2,711	
Interest paid	−846	−914	
Repayment of borrowings	−38,000	−26,000	
Changes in bank liabilities due to company acquisitions	86,000	10,000	
Payments for acquisition of non-controlling interests	−26,962	−151	
Cash flow from financing activities	**−10,394**	**−44,801**	**[24]**
Changes in cash and cash equivalents	**14,965**	**−1,960**	
Effect of exchange rate differences on cash and cash equivalents	**1,825**	**−6,565**	
Cash and cash equivalents at the beginning of the period	**103,957**	**112,482**	
Cash and cash equivalents at the end of the period	**120,747**	**103,957**	**[24]**

Consolidated statement of changes in equity

for the period from January 1, 2017 to December 31, 2018

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, 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**
As of January 1, 2018	**38,500**	**12,485**	**193,179**	**–18,691**	**225,473**	**2,472**	**227,945**
Difference from currency translation				5,125	5,125	–93	5,032
Remeasurement gains/losses from pensions and related obligations			–111		–111	181	70
Net income for the year			76,467		76,467	93	76,560
Total comprehensive income for the year	**0**	**0**	**76,356**	**5,125**	**81,481**	**181**	**81,662**
Transition effects of new International Financial Reporting Standards (IFRS)			538		538	0	538
Transactions with non-controlling interests			–29,114		–29,114	–848	–29,962
Dividend payments to non-controlling interests					0	–1,711	–1,711
Dividend payment			–28,875		–28,875	0	–28,875
As of December 31, 2018	**38,500**	**12,485**	**212,084**	**–13,566**	**249,503**	**94**	**249,597**

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

Notes to the consolidated financial statements

Notes to the consolidated financial statements for the financial year 2018

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.

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 and controlling, risk management, investor relations and corporate communication, market research and development, mergers and 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 16 brands in total are allocated.

The brands of the Nemetschek Group offer a wide portfolio of graphical, analytical and commercial solutions for an improved workflow in the building and infrastructure market. Small and large architecture and design offices, structural designers, engineers from all fields, design and service providers, construction companies and construction suppliers, process controllers, and general and building administrators as well as building and asset managers are among the customers.

It is the vision of Nemetschek SE to build future-oriented, safe cities and buildings that sustainably improve the lives of the people who live there. In order to achieve this, Nemetschek provides its customers with forward-thinking technologies that enable complete digitalization of the design, building and management process.

As a forerunner 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 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, 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 and MDAX. With its filing in the commercial register on March 22, 2016, Nemetschek Aktiengesellschaft was converted into Nemetschek SE. The 2018 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, 2018. The relevant current version is available to the shareholders on the website of Nemetschek SE (https://ir.nemetschek.com/websites/nemetschek/English/5100/declaration-of-conformity.html).

General information

Nemetschek SE prepares and publishes the consolidated financial statements in euros. Information is shown in the consolidated financial statements in EUR k (€ 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, 2018, 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 § 315e HGB.

The financial year of the Nemetschek Group and Nemetschek SE ends respectively on December 31 of any year.

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 and valuation policies." The statement of financial position has been classified by applying the current/noncurrent distinction.

Summary of material accounting policies

The accounting and valuation policies adopted in the financial year 2018 are consistent with those policies adopted in the previous year with the exception of the new IFRS standards "Revenue from contracts with customers" in the area of revenue recognition as well as IFRS 9 in the area of financial instruments, which went into effect as of January 1, 2018.

Companies consolidated and basis of consolidation

Subsidiaries

The consolidated financial statements comprise 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 2018 financial year, control resulted for all fully consolidated investment entities from the holding of the majority of voting rights, as was the case in the previous year.

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 noncontrolling 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 noncontrolling interests.

Under the purchase agreement of June 28, 2018, shares in MAXON GmbH were increased from 70% to 100%. The transfer of benefits and encumbrances was completed with the purchase price payment in the amount of EUR 25,500k on July 9, 2018. Dependent on the revenue targets agreed upon for the 2018 and 2019 financial years, subsequent purchase price payments of up to EUR 3,000k may fall due.

Moreover, in November 2018, shares of MAXON GmbH in Maxon Inc. were increased from 90% to 100%. The purchase price amounted to USD 1,757k.

From the acquisition of shares without controlling interest, a total of EUR 29,114k was offset with the revenue reserves in the 2018 financial year.

The following table shows information on the Maxon Group entity as of December 31, 2017, before Group-internal eliminations:

NON-CONTROLLING INTERESTS

Name, registered office of the parent entity	MAXON GmbH, Friedrichsdorf
Thousands of €	2017
Percentage of non-controlling interests	**30%**
Non-current assets	2,914
Current assets	14,794
Non-current liabilities	−2,012
Current liabilities	−8,483
Net assets	**7,213**
Carrying amount of the non-controlling interests	**2,164**
Revenues	25,311
Net income	6,311
Other comprehensive income	−75
Total comprehensive income	**6,236**
Non-controlling interests associated profit	**1,893**
Non-controlling interests associated other comprehensive income	**−23**
Cash flow from operating activities	8,706
Cash flow from investing activities	−314
Cash flow from financing activities	−8,228
(thereof: Dividends paid to non-controlling interests)	*−228*
Currency changes on cash and cash equivalents	−577
Net increase in cash and cash equivalents	**−413**

The financial statements of subsidiaries are prepared as of the same 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. Acquisition-related costs are disclosed 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 until the 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 nonmaterial 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
2018			
DocuWare GmbH, Germering	22.41	13,847	3,103
Nemetschek OOD, Bulgaria	20.00	4,773	955
Sablono GmbH, Berlin	24.99	–675	–169
2017			
DocuWare GmbH, Germering	22.41	11,855	2,657
Nemetschek OOD, Bulgaria	20.00	4,407	881
Sablono GmbH, Berlin	24.99	–249	–62

DOCUWARE GROUP

Thousands of €	December 31, 2018	December 31, 2017
Other current assets	47,665	39,887
Other non-current assets	2,395	2,615
Other current liabilities	35,660	30,190
Other non-current liabilities	553	457
Group´s carrying amount of investment	3,009	2,622
Revenues	46,647	43,987
Net income from continuing operations	1,957	3,001
Net income for the year	**1,957**	**3,001**
Group´s share of profit for the year	435	673
Difference from currency translation	–212	–264
Other comprehensive income	**1,745**	**2,737**
Dividends received from associated company	0	0

NEMETSCHEK OOD, BULGARIA

Thousands of €	December 31, 2018	December 31, 2017
Other current assets	4,442	3,971
Other non-current assets	478	545
Other current liabilities	125	110
Group´s carrying amount of investment	955	881
Revenues	9,117	7,867
Net income from continuing operations	508	707
Net income for the year	**508**	**707**
Group´s share of profit for the year	101	141
Difference from currency translation	0	0
Other comprehensive income	**508**	**707**
Dividends received from associated company	28	0

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 amounts to EUR 0k as of December 31, 2018 (previous year: EUR 0k). The share result in 2018 from the business divisions continued amounted to EUR -106k (previous year: EUR -82k).

The following assessments are in connection with an investment which was classified as held for sale under IAS 39. As a result of the application of IFRS 9 as of January 1, 2018, there was a restructuring of other noncurrent financial assets. The section “Accounting standards applied for the first time in the financial year 2018” is referred to for classification and valuation as per IFRS 9. The carrying value of the assets held for sale amounts to EUR 50k in the previous year.

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

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	100.00
Allplan Inc., West Chester, United States** (consolidated since April 1, 2018)	100.00
Allplan Italia S.r.l., Trento, 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	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, Stockholm, Sweden	100.00
dRofus AS, Oslo, Norway	100.00
dRofus Inc., Lincoln, United States	100.00
dRofus Pty Ltd, North Sydney, Australia	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
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00
Precast Software Engineering Co. Ltd., Shanghai, China	100.00
Precast Software Engineering GmbH, Puch bei Hallein, Austria	100.00
Precast Software Engineering Pte. Ltd., Singapore	100.00
RISA Tech, Inc., Foothill Ranch, United States	100.00
Scia CZ s.r.o., Prague, Czech Republic	100.00
Scia France S.A.R.L., Lille, France	100.00
SCIA Group International nv, Herk-de-Stad, Belgium	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 Canada, Inc., Vancouver, BC, Canada (consolidated since October 1, 2018)	100.00
Vectorworks UK, Ltd., Newbury, Great Britain	100.00
Vectorworks, Inc., Columbia, Maryland, United States	100.00
Build segment	
123erfasst.de GmbH, Lohne (consolidated since July 1, 2018)	100.00
Bluebeam AB, Kista, Sweden	100.00
Bluebeam Holding, Inc., Delaware, United States	100.00
Bluebeam GmbH, Munich** (consolidated since September 1, 2018)	100.00
Bluebeam, Inc., Pasadena, United States	100.00
Bluebeam Limited UK, Ltd., London, Great Britain** (consolidated since October 1, 2018)	100.00
Design Data Corporation, Lincoln, United States	100.00
NEVARIS Bausoftware GmbH, Bremen	100.00
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00
Nevaris BIM Software GmbH, Berlin – in liquidation	100.00
SDS/2 Ltd., London, Great Britain** (consolidated since November 1, 2018)	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
FASEAS International NV, Antwerp, Belgium (consolidated since September 1, 2018)	100.00
FASEAS NV, Antwerp, Belgium (consolidated since September 1, 2018)	100.00
MCS Americas Single Member LLC, New York, United States (consolidated since September 1, 2018)	100.00
MCS NV, Antwerp, Belgium (consolidated since September 1, 2018)	100.00
MCS Solutions Private Ltd., Hyderabad, India (consolidated since September 1, 2018)	100.00
myMCS AB, Knivsta, Sweden (consolidated since September 1, 2018)	100.00
Media & Entertainment segment	
MAXON Computer Canada, Inc., Varennes, Canada	100.00
MAXON Computer GmbH, Friedrichsdorf	100.00
MAXON Computer, Inc., Newbury Park, United States	100.00
MAXON Computer Ltd., Bedford, Great Britain	100.00
Other	
Nemetschek, Inc., Washington, United States	100.00
NEMETSCHEK OOO, Moscow, Russia – in liquidation	100.00

* In the fiscal year 2018, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:
- Option not to prepare notes to the financial statements (Frilo Software 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;
- Option not to audit the annual financial statements (Allplan GmbH, Allplan Deutschland GmbH).

** These companies were founded in 2018.

Accounting and valuation policies

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 historical 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 (until December 31, 2017) or IFRS 9 (from January 1, 2018 on).

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, 2018, there were no intangible assets with an indefinite life, as was the case in the previous year.

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 – 20
Non-compete agreement	2 – 3

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.

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 nonfinancial 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

The following accounting and valuation policies are based on IAS 39 *Financial Instruments: Recognition and Measurement.* Since the standard was replaced by IFRS 9 on January 1, 2018, the following assessments are relevant for the comparable period unless specified otherwise. With regard to material accounting and valuation policies as per IFRS 9 *Financial Instruments*, the section “Accounting standards applied for the first time in the financial year 2018” is referred to.

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 nonderivative 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, in the previous year the Group carries financial assets consisting almost exclusively of loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are nonderivative 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

Under IAS 39, at each balance sheet date the Group assessed whether there is any objective evidence that a financial asset or a group of financial assets has been 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. The section “Accounting standards applied for the first time in the financial year 2018” is referred to in connection with impairments as per IFRS 9.

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.

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 noncurrent, or separated into current and noncurrent 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

Prepayments from customers are reported as deferred revenue. As soon as the contractual services are rendered, these are recognized as revenue.

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

The following accounting and valuation policies are with reference to IAS 18 *Revenue* as well as IAS 11 *Construction Contracts.* The standards were replaced by IFRS 15 on January 1, 2018, which has resulted in following assessments being exclusively relevant for the comparable period. With regard to material accounting and valuation policies as per IFRS 15 *Revenue from Contracts with Customers,* the section “Accounting standards applied for the first time in the financial year 2018” is referred to.

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 (point in 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 2018

Compared to the consolidated financial statements for the year ending December 31, 2017, 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:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 introduces a 5-step model for recognizing revenue resulting from customer contracts. The standard went into effect as of January 1, 2018 and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and their interpretations. IFRS 15 is to be applied to all revenue resulting from customer contracts unless these are subject to the application of a different standard.

Details on IFRS 15 *Revenue from Contracts with Customers:*

Revenue is recognized in an amount that reflects the consideration which the company receives in return for the transfer of goods to the customer.

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. The 5-step model comprises the following steps:

» 1. Identification of the contract with the customer

» 2. Identification of the performance obligations in the contract

» 3. Determination of the transaction price for the contract

» 4. Allocation of the transaction price to the individual performance obligations

» 5. Recognition of revenue upon fulfillment of the performance obligations

The Nemetschek Group's revenue recognition for the various product categories breaks down as follows:

1. Software and licenses

1.1 Standard software

Standard software only includes the Software performance obligation. After completion of the 5 steps, revenue from standard software is recognized when control of the software passes on to the customer. Control of the software (saved on hardware, i.e. USB-Stick, CD-Rom) passes on to the customer after the hardware is shipped to the customer or a link for downloading the software is sent to the customer.

1.2 Software rental models (subscriptions)

The Nemetschek Group's software rental models usually include the performance obligations "Software" and "User support." The performance obligation "User support" is a "stand-ready obligation" which is recognized straight-line over the period during which the service is rendered. For recognition of the performance obligation "Software," the Nemetschek Group distinguishes between two different models:

» Most of the software rental models include access to the most recent version of the corresponding application via servers provided by Nemetschek Group companies. The revenue for this form of provision is recognized straight-line over the term of the contract.

» In a very few instances, the customer runs the application directly on the customer's own system. With this model, the part of the revenue allocated to the performance obligation "Software" using the residual value method is recognized at the point in time of the first download of the software by the customer.

1.3 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. The Nemetschek Group acts as the principal; Nemetschek has primary responsibility for fulfillment of the contract and influence on pricing of such.

2. Maintenance / Software maintenance contracts

The performance obligations in the case of software service contracts can be subdivided 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 receive the respectively most recent version of the corresponding Nemetschek software by getting software updates. 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 straight-line beyond the term of the contract. Advance payments received from customers for software maintenance contracts are carried as deferred revenue (contract liability) and normally lead to revenue within the next six months.

3. Consulting

In the case of consulting services, inasmuch as such constitute a separate performance obligation, revenue is recognized in the period in which they were rendered. In the case that they do not constitute separate performance obligations, consulting services are combined with other contract components to a bundle and recognized in accordance with the provisions of IFRS 15.

4. Hardware

Revenue from hardware sales is usually recognized at the point in time of the transfer of risk to the customer. Hardware revenue is of minor significance to the Nemetschek Group.

5. Training

Revenue from trainings is recognized after the service has been rendered on account of the short period of time during which the service is rendered.

Effect as a result of the application of IFRS 15 as of January 1, 2018:

As of the transition date January 1, 2018, the Nemetschek Group applies the modified retrospective method to contracts whose terms have not expired.

As a result of the earlier revenue recognition within the scope of the IFRS 15 transition, in the case of the "Download" variation for software rental models, the revenue reserves of the Nemetschek Group rose by EUR 538k as of January 1, 2018.

On the one hand, the change resulted from the release of deferred expenses which were restructured to revenue reserves due to the earlier (partial) recognition of revenue.

On the other hand, as of January 1, 2018, additional revenue which had not yet been invoiced was recognized. Consequently, a contract asset was recorded. This is recorded in "Other current assets" and successively released in the subsequent periods.

The effect of adopting IFRS 15 is, as follows:

IFRS 15 TRANSITION EFFECT

Thousands of €	**Balance sheet as of January 1, 2018**	Balance sheet as of December 31, 2017	Transition effect
ASSETS			
Contract assets	399	0	399
LIABILITIES			
Deferred revenue	67,745	68,097	–352
Deferred tax liabilities	13,740	13,527	213
EQUITY			
Retained earnings	193,717	193,179	538

The additional revenue from IFRS 15 compared to IAS 18 is disclosed as follows for the year 2018:

TRANSITION EFFECT ON REVENUES FOR THE YEAR 2018

Thousands of €	**P&L as of December 31, 2018**	P&L as of December 31, 2018 without adoption of IFRS 15	Transition effect
P&L			
Subscription revenues	23,427	23,124	303

The effect on diluted and undiluted earnings per share amounts to EUR 0,03 as at December 31, 2018.

The group did not recognize costs to obtain a contract at the date of initial application because the amortization period of the asset that the Group otherwise would have used is one year or less.

IFRS 9 *Financial instruments*

The Nemetschek Group applies the provisions of IFRS 9 Financial Instruments as well as the corresponding subsequent changes to other standards for the first time as of January 1, 2018. In particular, IFRS 9 includes new provisions for the classification, measurement and impairment of financial instruments as well as for hedge accounting. The Nemetschek Group applies the provisions of IFRS 9 retrospectively, yet in compliance with the transitional provisions, forgoes adjustment of the comparative periods.

Classification und measurement

IFRS 9 contains three measurement categories: 1) amortized cost, 2) at fair value without impacting profit or loss and 3) at fair value through profit or loss. The classification and measurement of financial assets which are not equity instruments depend on two factors which are to be checked at the time of acquisition (and for the first application of IFRS 9 in the case of transition): the business model under which the financial asset is held as well as the cash flow conditions of the instrument. A measurement at amortized cost is required if the cash flows of the instrument consist only of interest payments on the nominal amount and repayments (cash flow criterion) and the instrument is held for the purpose of recognizing the contractual cash flows ("hold" business model). If the cash flow criterion is fulfilled and the instrument is held under a business model that recognizes cash flow arising from the instrument as a result of holding it to maturity and as a result of sales ("hold or sell" business model), it is to be measured at fair value without impacting profit or loss. If the cash flow criterion is not fulfilled and/or, in the case of all business models which are not based on "hold" or "hold or sell," the instrument is to be measured at fair value in profit or loss.

Reclassification of a financial asset between measurement categories of IFRS 9 requires a change to the business model for the corresponding group of instruments. The actual occurrence of such a change is extremely rare in practice and must be: 1) specified by the executive board as the consequence of external or internal changes, 2) significant for the operations of the Nemetschek Group and 3) documentable vis-à-vis external parties.

Trade receivables and other financial assets (which were previously allocated to the category loans and receivables) and contract assets as per IFRS 15 fulfill the cash flow criterion. The instruments are held in a business model that aims to recognize cash flows by means of holding the instruments to maturity. For this reason, a measurement continues to be made with amortized cost with consideration of the effective interest method.

Investments in equity instruments do not fulfill the cash flow conditions. Generally, the instruments are to be measured at fair value through profit or loss. The Nemetschek Group exercises the option of measuring investments in equity instruments at fair value without impacting profit or loss. As a result of this, the investment previously disclosed in the consolidated financial statements classified as available for sale (AfS) under IAS 39 is classified at fair value without impacting profit or loss under IFRS 9. The change in classification has resulted in no material difference in terms of amount.

Financial assets continue to be recognized initially at fair value, as was already the case under IAS 39. In the case of all financial assets 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. Under IFRS 9 as well, all regular way purchases and sales of financial assets continue to be recorded in the financial statements at the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial liabilities continue to be classified as financial liabilities which are measured at fair value through profit or loss, or as other financial liabilities which are measured at amortized cost. In the Nemetschek Group, there were no effects resulting from the classification of financial liabilities as per IFRS 9.

Upon initial recognition, financial liabilities are measured at fair value, as was already the case under IAS 39. In the case of all financial liabilities which are subsequently not classified at fair value through profit or loss, the transaction costs which are directly attributable to the purchase will also continue to be recognized.

Impairment

IFRS 9 turns away from the model of incurred losses in IAS 39 to a model of anticipated losses. In order to record changes in credit risk since the recognition of a financial asset, the Nemetschek Group adjusts the anticipated losses within the scope of risk provisioning at each closing date. This means that a so-called loss incident is no longer required as a trigger for an impairment, as required under IAS 39, in order to record impairment for financial assets.

IFRS 9 differentiates between three levels for recording anticipated losses. The anticipated losses of a financial asset are to be quantified at the time of acquisition using one of the following three measures of value:

- The "anticipated 12-month loss" (present value of the anticipated payment defaults resulting from possible default incidents within the next 12 months after the balance sheet date) – Level 1
- The total anticipated loss over the remaining term of the instrument (present value of the anticipated payment defaults as a result of all possible default incidents over the remaining term of the financial instrument), whereby the gross carrying value continues to serve as the basis for the effective interest – Level 2
- Or the total anticipated loss over the remaining term of the instrument (present value of the anticipated payment defaults as a result of all possible default incidents over the remaining term of the financial instrument), whereby the net carrying value continues to serve as the basis for the effective interest – Level 3

For trade receivables and contract assets as per IFRS 15 which contain no significant financial components as per IFRS 15, IFRS 9 provides for a simplified process for the measurement of the anticipated credit losses. In the event of a significant financial component, IFRS 9 provides for an option to apply the simplified method for the measurement of the anticipated credit losses.

As a result of the short-term nature of the instruments, in the case of the simplified procedure, direct recognition of the anticipated losses over the entire remaining term is required. The instruments are thus to be directly allocated to Level 2 of the impairment model (unless these are already impaired in value upon approval, which would lead to allocation to Level 3).

The Nemetschek Group makes use of the option of the simplified procedure for the measurement of the anticipated losses over the entire remaining term. For other financial assets, however, anticipated losses are, as a rule, recognized using the general 3-level model. The effect on the Nemetschek Group arising from the use of the 3-level model is however immaterial since the other financial assets amounted to EUR 150k as of January 1, 2018.

Increase in credit risk

The recognition of losses over the entire remaining term of the anticipated loss must be carried out for instruments whose credit risk has significantly increased since acquisition (Level 2). If there are objective indications of impairment, the asset is to be reallocated to Level 3 and risk provisioning is to be adapted accordingly.

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. The Group applies the disputable presumption that the credit risk has significantly increased since acquisition of the asset if contractual payments are more than 30 days in arrears. Moreover, the Group makes use of the simplification of financial assets whose credit risk is deemed slight. Accordingly, it can be assumed that the credit risk has not increased significantly for financial assets whose credit risk is deemed slight. Financial assets of the Nemetschek Group have a slight credit risk if their internal or external credit rating lies in the “investment grade” category. The simplification is applied to other financial assets.

As per IFRS 9, a financial asset shows objective indications of impairment if one or more incidents occur which have a significant impact on the anticipated future cash flows of the financial asset. These objective indications were already relevant under IAS 39. These include, for example, considerable financial difficulties on the part of the issuer or debtor or breach of contract, e.g. default or delay in interest payments or principal payments. As a result of past experiences, a default of financial assets measured at amortized cost is assumed in the case of various facts such as payment arrears over a specified time period, initiation of measures of constraint, imminent illiquidity or overextension, filing for or opening insolvency proceedings or the failure of reorganization measures. Furthermore, for other financial assets, the Nemetschek Group uses the disputable presumption that objective indications of impairment are given at the latest when the contractual payments for an instrument are outstanding for more than 90 days. For trade receivables and contract assets as per IFRS 15, the estimate is made on an individual case basis. As of every balance sheet date, the Group checks whether there are objective indications of impairment with regard to a trade receivable/contract asset as per IFRS 15. Receivables and the corresponding accumulated risk provisioning are not derecognized until they are categorized as irrecoverable, i.e. no further cash flow is expected. In this case, the amount of the receivable is adjusted against the risk provision.

Measurement of anticipated credit losses

For trade receivables (simplified model), at each closing date, the Nemetschek Group itself determines a default rate on the basis of historical defaults and adjusts these as required in keeping with anticipated future developments. For contract assets as per IFRS 15, which amounted to EUR 399k as of January 1, 2018, no risk provisioning was recognized for reasons of insignificance.

At each closing date, the Group checks whether the credit risk has significantly increased since initial recognition or whether there are objective indications of impairment. Financial assets affected are reclassified accordingly into the corresponding level of the impairment model; the measurement of the anticipated loss is likewise adjusted to the corresponding level.

Disclosure of anticipated credit losses

The Group does not disclose anticipated credit losses and their changes separately, but instead under other operating expenses in the statement of comprehensive income.

Table-format reconciliation of the effects arising from IFRS 9

As of January 1, 2018, the Nemetschek Group analyzed its financial assets and liabilities in order to identify the allocation to the measurement categories. There have been no material impacts as a result of the initial application of IFRS 9 for the Nemetschek Group, and for this reason no adjustment has been made.

The following overview shows the carrying values and classes of assets and liabilities as per IAS 39 as of December 31, 2017, as well as the reconciliation to IFRS 9 as of January 1, 2018:

IAS 39		IFRS 9		
Thousands of €	Carrying amount per balance sheet Dec. 31, 2017	Fair value impacting profit/loss	Fair value not impacting profit/loss	Amortized cost
Trade receivables (excluding finance leases)	41,011	–	–	–
Loans and receivables	*41,011*	–	–	*41,011*
Other financial assets	200	–	–	–
Loans and receivables	*150*	–	–	*150*
Available-for-sale financial assets	*50*	–	*50*	–
Cash and cash equivalents	103,957	–	–	103,957
Total financial assets	**145,168**	–	**50**	**145,118**
thereof in accordance with measurement categories of IAS 39:				
Loans and receivables	*145,118*	–	–	–
Available-for-sale financial assets	*50*	–	–	–
Trade payables	8,189	–	–	8,189
Other financial liabilities	82,286	–	–	–
Financial liabilities measured at amortized cost	*80,119*	–	–	*80,119*
Conditional purchase price obligation measured at fair value through profit or loss	*2,167*	*2,167*	–	–
Total financial liabilities	**90,475**	**2,167**	**0**	**88,308**
thereof in accordance with valuation categories of IAS 39:				
Financial liabilities measured at amortized cost	*88,308*	–	–	–
Fair Value through profit or loss	*2,167*	–	–	–

The allowance of trade receivables amounts to EUR 2,973k as per IAS 39 as of December 31, 2017 and as per IFRS 9 as of January 1, 2018.

The following amended standards and interpretations had no effects or no material effects on the consolidated financial statements:

» IFRIC 22 *Transactions in Foreign Currencies and Considerations paid for in advance*

» Improvements to IFRS (2014 – 2016)

» IAS 40 *Transfers of Investment Property*

» IFRS 4 *Use of IFRS 9 with IFRS 4 Insurance Contracts*

» IFRS 2 *Classification and Measurement of Share-based Remunerations*

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.

IFRS 16 *Leases*
IFRS 16 replaces the existing provisions on leasing, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The Group intends to apply IFRS 16 for the first time as of January 1, 2019, on the prescribed date it goes into effect, with application of the modified, retrospective method. For this reason, any cumulative effect arising from the application of IFRS 16 is recorded as an adjustment of the opening balance sheet of revenue reserves as of January 1, 2019. Comparative information is not adjusted.

IFRS 16 introduces a consistent accounting model according to which leases are to be recorded in the financial statements of the lessee. A lessee records a right of use (right-of-use asset), which represents the lessee's right to the use of the underlying asset, as well as a payable arising from the lease which represents the lessee's obligation to make lease payments. There are simplification provisions for short-term leases and leases of inconsequential value.

The Group intends to use the simplification provision with regard to retaining the definition of a lease for the conversion. This means that the Nemetschek Group will apply IFRS 16 to all contracts which were concluded before January 1, 2019, and which were identified as leasing arrangements as per IAS 17 and IFRIC 4.

The Group has assessed the anticipated effects of the first application of IFRS 16 on the consolidated financial statements as shown below. The actual effects arising from the application of this standard as of January 1, 2019 may deviate from those shown here since

- the Group has not yet completed tests and assessments of the controls of its new IT system and
- up to the publication of the first consolidated financial statements, the new accounting methods may be subject to changes after the time of the first application.

The Nemetschek Group will use new assets and liabilities for its operating leasing arrangements for real estate as well as for movable assets (office equipment and motor vehicles). The type of expenses relating to these leasing arrangements will change since the Group now applies amortization and depreciation to rights of use (right-of-use assets) as well as interest expenses arising from leasing liabilities.

Previously, the Group recognized expenses from operating leasing arrangements on a straight-line basis over the lease term and recognized assets and debts only in the amount for which there was a time difference between the actual lease payments and the recognized expenses.

Based on the currently available information, the Group estimates that it will apply additional leasing liabilities and assets of approximately EUR 66 million to EUR 70 million as of January 1, 2019.

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.

IFRIC 23 *Uncertainty over Income Tax Treatment*
The IASB issued the Interpretation IFRIC 23 developed by the IFRS Interpretations Committee to clarify the accounting for uncertainties in income taxes. The Interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The Group is currently examining the impact of IFRIC 23.

The following amendments and interpretations are not expected to have any material effects on the consolidated financial statements:

- Prepayment features with negative compensation (amendments to IFRS 9)
- Long-term interests in associates and joint ventures (amendments to IAS 28)
- Plan amendment, curtailment or settlement (amendments to IAS 19)
- Improvements to IFRS (2015 – 2017)
- Amendments to the references to the framework concept in the IFRS standards
- Amendments to IFRS 3 *Definition of a Business*
- IFRS 17 *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 nonfinancial assets

The Group assesses at each balance sheet date whether there are any indications that a nonfinancial 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 nonfinancial 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.

Determination of expected credit defaults as per IFRS 9

The determination of expected credit defaults in the case of trade receivables is based on historical values which are adjusted to account for information relating to the future. Material (special) effects from the past may distort risk provisioning, which may make correction necessary.

Trade receivables (IAS 39; valid until December 31, 2017)

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 2018, as well as in the previous year, 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. That 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.

Nonmonetary 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. Nonmonetary 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 2018**	**Fix exchange rate as of December 31, 2018**	Average exchange rate in 2017	Fix exchange rate as of December 31, 2017
EUR/USD	1.18	1.15	1.13	1.20
EUR/CHF	1.16	1.13	1.11	1.17
EUR/CZK	25.65	25.72	26.33	25.54
EUR/RUB	74.04	79.72	65.94	69.39
EUR/JPY	130.40	125.85	126.71	135.01
EUR/HUF	318.89	320.98	309.19	310.33
EUR/GBP	0.88	0.89	0.88	0.89
EUR/BRL	4.31	4.44	3.61	3.97
EUR/MXN	22.71	22.49	21.33	23.66
EUR/NOK	9.60	9.95	9.33	9.84
EUR/SGD	1.59	1.56	1.56	1.60
EUR/CNY	7.81	7.88	7.63	7.80
EUR/CAD	1.53	1.56	1.46	1.50
EUR/AUD	1.58	1.62	1.47	1.53
EUR/INR	82.80	79.73	–	–
EUR/SEK	10.26	10.25	9.64	9.84

Company acquisitions in the financial year 2018

The group of companies consolidated is the same as at December 31, 2017, except for the following changes: Company acquisitions

Spacewell (formerly: FASEAS / MCS Solutions Group), Antwerp, Belgium

Under the purchase agreement of August 28, 2018, Nemetschek SE acquired 100% of the shares of Spacewell, Antwerp, Belgium. Spacewell was initially included in the consolidated financial statements of the Group as at September 1, 2018. For this acquisition of shares, there were payments amounting to EUR 46,103k in the 2018 financial year. As part of the preliminary purchase price allocation, mainly intangible assets in the amount of EUR 18,295k were recorded for technology, customer relationships and brand names. Goodwill of EUR 34,151k 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.

Spacewell offers modular and integrated software solutions for real estate management, facility management and workplace management of large privately owned and public organizations. Moreover, Spacewell developed the intelligent smart building platform COBUNDU™, which uses Internet of Things (IoT) sensors and big data analyses in order to optimize productivity and efficiency for building administrators. With the acquisition of Spacewell, the Nemetschek Group is opening up the dynamically growing market in building management.

The incidence of payment defaults in connection with trade receivables is not anticipated. This estimation is based on historical values from the past. Thus, the gross amount of trade receivables corresponds to their fair value.

Since joining the Group, the company has generated revenues of EUR 5.0 million and an EBITDA of EUR 0.5 million. If Spacewell had been in the Group for the entire 2018 financial year, it would have contributed to the consolidated earnings with revenue in the amount of EUR 14.5 million and an EBITDA of EUR 1.6 million.

SPACEWELL

Thousands of €	2018
Goodwill	**34,151**
Other intangible assets	18,295
Property, plant and equipment	410
Other non-current assets	642
Trade accounts receivable	4,000
Other current assets	464
Cash and cash equivalents	656
Total assets acquired	**58,618**
Deferred tax liabilities	3,278
Long-term debts	1,005
Current debts	2,887
Trade accounts payable	2,598
Other current liabilities	1,268
Deferred income	1,479
Total liabilities assumed	**12,515**
Net assets acquired	**46,103**
Purchase price	**46,103**

123erfasst.de GmbH, Lohne, Germany

Under the purchase agreement of June 14, 2018, NEVARIS Bausoftware GmbH acquired 100% of the shares in 123erfasst.de GmbH, Lohne, Germany. The transfer of benefits and encumbrances was completed as of the end of July 2, 2018. The acquisition of shares resulted in payments in the amount of EUR 14,492k in the 2018 financial year. In addition, there is a subsequent purchase price obligation (earn-out component) based on the achievement of revenue targets in the 2020 financial year. Within the scope of the preliminary estimate, this obligation was estimated at EUR 2,653k. As part of the preliminary purchase price allocation, mainly intangible assets in the amount of EUR 8,104k were recorded for technology, customer relationships and brand names. Goodwill of EUR 11,035k 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.

123erfasst offers an advanced app which uses a conventional smartphone to transmit data such as time, performance, location, weather, material, device use and photos for documenting construction sites in real time straight from the employee to the office. This makes it possible to simplify and accelerate final costing, billing and payroll accounting for the contractor. With the acquisition, NEVARIS has made an ideal addition to its product portfolio and has strengthened its technology-based edge in the global mobile solutions growth market.

The incidence of payment defaults in connection with trade receivables is not anticipated. This estimation is based on historical values from the past. Thus, the gross amount of trade receivables corresponds to their fair value.

Since joining the Group, the company has generated revenues of EUR 1.3 million and an EBITDA of EUR 0.5 million. If 123erfasst.de GmbH had been in the Group for the entire 2018 financial year, it would have contributed to the consolidated earnings with revenue in the amount of EUR 2.4 million and an EBITDA of EUR 0.9 million.

123ERFASST.DE GMBH

Thousands of €	2018
Goodwill	**11,035**
Other intangible assets	8,172
Property, plant and equipment	69
Other non-current assets	
Trade accounts receivable	308
Other current assets	65
Cash and cash equivalents	285
Total assets acquired	**19,935**
Deferred tax liabilities	2,237
Other current provisions	274
Trade accounts payable	59
Other current liabilities	165
Other non-current financial liabilities	55
Total liabilities assumed	**2,790**
Net assets acquired	**17,145**
Purchase price	**17,145**

Vectorworks Canada, Inc., Vancouver, BC, Canada

Under the purchase agreement of September 25, 2018, Vectorworks, Inc., Columbia, USA acquired 100% of a Canadian distributor, extending its Canadian sales network and integrating the distributor in the Vectorworks Group entity. The purchase price amounted to EUR 141k. On the basis of the purchase price allocation, mainly intangible assets for customer relationships amounting to EUR 103k were recognized.

Under the purchase agreement of September 24, 2018, Vectorworks, Inc., Columbia acquired the customer relationships of a distributor within the scope of an asset deal, meeting the criteria for a business combination. The purchase price amounted to EUR 320k. On the basis of the purchase price allocation, customer relationships amounting to EUR 224k were recognized. On the basis of the purchase price allocation, the resulting goodwill amounted to EUR 96k.

Project Atlas

On June 12, 2018, within the scope of an asset deal, Bluebeam, Inc. acquired all material assets of the private company Project Atlas, LLC. Project Atlas developed a digital mapping module that organizes and visualizes 2D plans and construction data using site data instead of traditional folder structures. This location-based approach makes it possible for experts from the architecture and building sectors to create and search through a flawless digital overview of their project.

The purchase price amounted to EUR 3,100k; within the scope of the preliminary purchase price allocation, the amount of EUR 362k was distributed for technology, EUR 82k for the customer base and EUR 106k for the brand names. The goodwill resulting from the acquisition amounted to EUR 2,559k.

Company acquisitions in the financial year 2017

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. For this acquisition of shares, there were payments amounting to 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 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 on the basis of 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. In the financial year 2017, 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 and equipment	43
Deferred tax assets	7
Accounts receivable and other current assets	1,522
Cash and 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 and Amortization

RISA Tech, Inc., Foothill Ranch, USA
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. For the acquisition of business operations, there were payments amounting to 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 noncurrent obligations.

Notes to the consolidated statement of comprehensive income

[1] REVENUES

Thousands of €	2018	2017
Software and licenses	216,830	194,960
Recurring revenues (software service contracts and rental models)	225,806	183,872
Services (consulting and training)	18,501	16,579
Hardware	162	157
	461,299	**395,568**

Revenue from the previous period is disclosed as per IAS 18 or IAS 11. Recurring revenue includes revenue from software rental models in the amount of EUR 23,427k (previous year: EUR 13,743k).

Categorized by geographic sector, the following allocation of revenues in 2018 results:

REVENUES BY REGION

Thousands of €	2018
Germany	130,100
Europe without Germany	131,278
USA	130,442
Rest of the world	69,479
Total	**461,299**

With regard to regional allocation for the 2017 financial year, reference is made to the segment reporting (Note 26).

The contract balances as of December 31, 2018 are disclosed as follows:

CONTRACT BALANCES

Thousands of €	December 31, 2018
Contract assets	458
Deferred revenue	95,375

Contract assets are based on the claim to a consideration for the complete fulfillment of the contractual services. Receivables are recorded if the claim to consideration received becomes unconditional. During the reporting period there have been no significant changes with regard to contract assets. For reasons of insignificance, no risk provisioning as per IFRS 9 was recorded for contract assets.

The Group receives prepayments from customers which are reported as deferred revenue. As soon as the contractual services are rendered, these are recorded as revenue. Of the amount totaling EUR 67,745k reported at the beginning of the period in deferred revenue, EUR 67,007k was recognized as revenue in the 2018 financial year.

Revenue arising from performance obligations which were fulfilled in previous years were not recognized in the 2018 financial year.

The increase in deferred revenue in 2018 is mainly attributable to the increase in customer base for software rental models.

Since the contracts of the Nemetschek Group predominantly have terms of one year, no information is provided with regard to the remaining performance obligations as of December 31, 2018.

The breakdown of revenues by segment can be seen under segment reporting (Note 26).

[2] OTHER OPERATING INCOME

Thousands of €	2018	2017
Foreign exchange rate gains	2,960	1,928
Offsetting other services	1,392	1,512
Development subsidies	287	509
Income from disposal of fixed assets	39	198
Other	800	698
	5,478	**4,845**

The item “Other” consists of various individual items, all of which are less than EUR 100k.

[3] COST OF MATERIALS

Thousands of €	2018	2017
Cost of purchased materials	12,313	11,108
Cost of purchased services	1,970	1,803
	14,283	**12,911**

Cost of merchandise mainly includes purchased software licenses.

[4] PERSONNEL EXPENSES

Thousands of €	2018	2017
Wages and salaries	166,383	143,455
Social security, other pension costs and welfare	34,179	29,136
	200,562	**172,591**

The headcount developed as follows:

HEADCOUNT

Number of employees	2018	2017
Sales/Marketing/Hotline	1,084	928
Development	962	849
Administration	321	288
Average headcount for the year	**2,367**	**2,065**
Headcount as of December 31	**2,587**	**2,142**

[5] AMORTIZATION AND DEPRECIATION

Thousands of €	2018	2017
Amortization of intangible assets excluding intangible assets, which were disclosed as part of purchase price allocation	2,226	2,702
Depreciation of property, plant and equipment	6,521	5,358
Depreciation/amortization of tangible, intangible and long-term available-for-sale assets	**8,747**	**8,060**
Amortization due to purchase price allocated intangible assets	14,713	13,494
Total amortization and depreciation	**23,460**	**21,554**

[6] OTHER OPERATING EXPENSES

Thousands of €	2018	2017
Marketing expenses	22,782	19,873
Commissions	16,595	14,973
Expenses for third-party services	21,087	14,469
Rents	15,115	13,002
Travel expenses and hospitality	11,368	9,100
Legal and consulting expenses	12,665	8,575
EDP equipment	8,448	5,701
Retraining expenses and recruiting expenses	4,087	3,704
Currency translation expenses	2,793	3,311
Vehicle expenses	3,707	3,079
Communication expenses	2,874	2,374
Other	9,156	8,750
	130,677	**106,911**

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 536k (previous year: EUR 1,058k) include the income from DocuWare GmbH, Germering, amounting to EUR 435k, as well as the income from Nemetschek OOD, Bulgaria, as an associate, amounting to EUR 101k.

[8] INTEREST INCOME/EXPENSES

Thousands of €	2018	2017
Other interest and similar income	470	299
Interest and similar expenses	–1,124	–1,024
	–654	**–725**

[9] Other financial expenditure/income amount to EUR 2,131k in the reporting year (previous year: EUR 7,622k). This includes financial income amounting to EUR 1,736k resulting from the dissolution of the earn-out obligation arising from the acquisition of the Design Data Corporation as well as EUR 339k resulting from the dissolution of an earn-out obligation in connection with an asset deal. The release was made as a result of nonachievement of the agreed upon targets in the reporting year.

[10] The major components of the income tax expense are as follows:

INCOME TAXES

Thousands of €	2018	2017
Current tax expenses	–25,605	–25,954
Deferred tax income	2,357	8,383
thereof from addition/release of temporary differences	387	7,964
Total income taxes, total	**–23,248**	**–17,571**

The tax expenses for the financial year 2018 include tax expenses from previous years amounting to EUR 220k (previous year: tax income EUR 491k). Furthermore, in the financial year 2018, EUR –28k (previous year: EUR 30k) deferred taxes from the revaluation of pension obligations were recorded in other comprehensive income without impacting profit or loss. In the previous year, the change in deferred taxes was mainly as a result of a positive effect arising from the adjustment of deferred taxes due to the US tax reform (EUR 2,887k).

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 33k could be released to income. The income tax rates of the individual entities range from 9.0% to 33.3% (previous year: from 9.0% to 42.8%).

The income tax rate of Nemetschek SE is calculated as follows:

INCOME TAX RATE

in %	2018		2017	
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 2018 applied by Nemetschek SE is 32.5% (financial year 2017: 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 €	**2018**	2017
Assets		
Intangible assets	3,016	2,374
Property, plant and equipment	240	229
Receivables	99	504
Pensions and related obligations	342	362
Provisions	1,572	1,248
Liabilities	617	551
Tax loss carryforward	2,607	638
Foreign tax credit	313	936
Other	1	1
Offsetting	–5,651	–4,275
	3,157	**2,569**
Liabilities		
Intangible assets	20,329	16,026
Property, plant and equipment	450	386
Receivables	23	64
Provisions	23	22
Liabilities	509	561
Other	1,514	742
Offsetting	–5,651	–4,275
	17,198	**13,527**

Due to the acquisition of Spacewell (former: FASEAS / MCS) there are tax credits in the amount of EUR 985k for which no deferred taxes were recognized.

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2018) for the financial years ending December 31, 2018 and 2017 is as follows:

INCOME TAX RECONCILIATION

Thousands of €	2018	2017
Earnings before taxes	**99,808**	**94,401**
Theoretical tax rate 32.5% (previous year: 32.5%)	32,458	30,671
Differences to German and foreign tax rates	–8,040	–2,826
Tax effects on:		
At equity consolidation of non-controlling interests	–174	–500
Change in the recoverability of deferred tax assets and tax credits	1,779	135
Change of deferred taxes on permanent differences	180	–1,972
Effect of taxes, previous years	220	–491
Non-deductible expenses	1,425	394
Effect of functional currency	–33	–1,745
Tax-free income	–4,617	–3,740
Tax rate changes and adaptation	30	–2,968
Other	20	613
Effective tax expense	23,248	17,571
Effective tax rate	**23.3%**	**18.6%**

The deferred tax assets on losses carried forward are determined as follows:

DEFERRED TAX ON LOSSES CARRIED FORWARD

Thousands of €	2018	2017
Losses according to entities	70,203	58,519
Deferred tax assets, gross	11,364	8,811
Allowances on tax losses carried forward	–8,757	–8,173
Deferred tax assets on unused tax losses, net	**2,607**	**638**

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 2019 – 2021.

The companies' detailed budgeting relates to a one-year period. The deferred tax assets on losses brought 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, 2018.

LOSSES CARRIED FORWARD WITH LIMITED LIFE OF USAGE

Thousands of €	2018	2017
Unused tax loss carried forward		
Non-forfeitable	19,153	18,980
Forfeitable until 2024	4,854	1,212
Forfeitable from 2024	35,496	33,751
Sum of unused tax loss carried forward	**59,503**	**53,943**

The temporary differences in connection with the shares in subsidiaries amounting to EUR 3,762k, for which no deferred tax liabilities were provided, would lead to a tax charge of EUR 885k in future.

There were no tax consequences attached to the payment of dividends in 2018 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

	2018	2017
Net income attributable to the parent (in thousands of EUR)	76,467	74,663
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	**1.99**	**1.94**
Earnings per share in EUR, diluted	**1.99**	**1.94**

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 780k (previous year: EUR 1,535k).

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 and valuation policies"). The Group was involved in non-project related product development in the financial year 2018. 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 110,416k (previous year: EUR 92,021k).

The development of intangible assets from the purchase price allocations of major acquisitions were as follows:

INTANGIBLE ASSETS FROM MATERIAL PURCHASE PRICE ALLOCATION OF GROUP

Thousands of €	Fair value at time of acquisition	Useful life in years	Amortization 2018	**Net book value as of Dec. 31, 2018**	Net book value as of Dec. 31, 2017
Brand name	18,066	10 – 15	1,074	8,911	7,599*
Software	89,693	7 – 12	5,731	45,839	37,495*
Customer relationship	84,917	12 – 20	7,562	39,149	35,825*
Non-compete agreements	1,126	2 – 3	0	981	0
Intangible assets	**193,803**		**14,367**	**94,881**	**80,919**

* Previous year's values adjusted.

Goodwill

Goodwill developed as follows:

GOODWILL DEVELOPMENT

Thousands of €	**2018**	2017
Amount carried forward as of January 1	192,736	177,178
Additions	47,862	29,885
Disposals	0	0
Foreign currency translation difference	3,751	–14,327
Balance as of December 31	**244,349**	**192,736**

The currency translation difference represented in the following table mainly reflects the currency translation of goodwill accounted for in USD.

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.

Carrying amounts of the goodwill were allocated to the respective cash-generating units as follows:

GOODWILL ALLOCATION

Thousands of €	**2018**	2017
Bluebeam Software, Inc., Pasadena, USA	56,262	51,211
Spacewell (formerly: FASEAS International NV), Antwerp, Belgium	34,151	0
Design Data Corporation, Lincoln, USA	28,599	27,304
NEVARIS Group	25,201	14,166
Solibri Oy, Helsinki, Finland	24,039	23,997
Graphisoft SE, Budapest, Hungary	21,463	22,155
dRofus Group	14,974	15,141
RISA Tech, Inc., Foothill Ranch, USA	13,267	12,419
Data Design System AS, Klepp Stasjon, Norway	9,477	9,580
Vectorworks, Inc., Columbia, Maryland, USA	6,090	5,937
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
Allplan GmbH, Munich	1,713	1,713
Frilo Software GmbH, Stuttgart	1,293	1,293
Total goodwill	**244,349**	**192,736**

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 five years. The budgeting for the financial year 2019 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 2018 a growth rate of up to 2.0% (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 Svensson 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 11.48% and 13.83% before tax (previous year: between 11.12% and 13.21%).

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 Spacewell (formerly: FASEAS / MCS Solutions Group), Nevaris, dRofus, Solibri, the recoverable amount exceeds the carrying amount by a range of between 11% and 28%. The following deviating assumptions were taken into account within the scope of the sensitivity analyses:

» Increase 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 material effect on goodwill in terms of impairment with the exception of Spacewell (formerly: FASEAS / MCS) acquired as of August 28, 2018. In the case of the acquisitions of the 2018 financial year, the recoverable amount is only slightly higher than the carrying value.

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, FASEAS International NV, Antwerp, Belgium, Design Data Corporation, Lincoln, USA, Solibri Oy, Helsinki, Finland, Graphisoft SE European Company Limited by Shares, Budapest, Hungary and the NEVARIS Group are material compared to the total carrying amount of goodwill. The total goodwill of the Nemetschek Group as of December 31, 2018 amounts to EUR 244,349k (previous year: EUR 192,736k). In total, 78% of this goodwill is allocable to the cash-generating units represented in the following table:

MATERIAL GOODWILL

2018	Carrying value of the goodwill allocable to the CGU in thousand €	Share in total goodwill in %	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	56,262	23	13.54	10.02	1.50	» 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.
Spacewell (FASEAS International NV), Antwerp, Belgium	34,151	14	12.57	10.16	2.00	» 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.
Design Data Corporation, Lincoln, USA	28,599	12	12.09	10.02	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	24,039	10	12.03	9.88	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	21,463	9	13.83	12.39	2.00	» 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	25,201	10	12.89	9.33	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.

MATERIAL GOODWILL

2017	Carrying value of the goodwill allocable to the CGU in thousand €	Share in total goodwill in %	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.

[13] TRADE RECEIVABLES

Thousands of €	**2018**	2017
Trade receivables (before bad debt allowances)	58,342	43,984
Specific bad debt allowance	−2,584	−2,973
Trade receivables	**55,758**	**41,011**

Trade receivables are non-interest bearing and are generally due within 30- to 90-day terms customary for the industry. The carrying amount of trade receivables corresponds to their fair value.

Bad debt allowances developed as follows. Comparable values for 2017 indicate the allowance account as per IAS 39.

DEVELOPMENT OF BAD DEBT ALLOWANCE

Thousands of €	January 1	Utilization	Release	Addition	**December 31**
Bad debt allowances 2018	−2,973	888	1,013	−1,512	−2,584
Bad debt allowances 2017	−2,425	508	583	−1,639	−2,973

The aging structure of trade receivables is as follows. Comparative values are shown as per IAS 39.

AGEING STRUCTURE OF TRADE RECEIVABLES

2018 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, 2018**
Gross Trade receivables 2018	39,701	8,490	3,073	1,025	2,147	2,047	1,859	58,342
Expected credit loss	−229	−145	−48	−17	−76	−339	−1,730	−2,584
Net Trade receivables 2018	39,472	8,345	3,025	1,008	2,071	1,708	129	55,758
Expected credit loss rate (weighted average)	0.58%	1.71%	1.56%	1.66%	3.54%	16.56%	93.06%	

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

[14] **ASSETS**

Thousands of €	2018	2017
Inventories	1,156	561
Tax refunded claims	4,239	908
Other current financial assets	4,209	116
Other current assets	16,140	12,514
Non-current financial assets	5,315	34
Other non-current assets	1,865	1,114
	32,924	**15,247**

Inventories mainly consist of hardware amounting to EUR 790k (previous year: EUR 500k) and unfinished goods amounting to EUR 345k (previous year: EUR 33k) as well as finished goods amounting to EUR 21k (previous year: EUR 28k). 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 financial year.

The other current financial assets mainly include a receivable vis-à-vis a lessor. The receivable arises from an agreement to bear costs for leasehold improvements. Current financial assets mainly consist of prepaid expenses of EUR 12,140k (previous year: EUR 8,939k), which will be reclassified in the next twelve months.

Noncurrent financial assets mainly include cash not available from rental guarantee 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, 2018 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 2018, a dividend of EUR 28,875,000.00 was distributed to the shareholders. This represents EUR 0.75 per share. The executive board proposes to the supervisory board that a dividend be paid in the fiscal year 2019 amounting to EUR 31,185,000. This corresponds to EUR 0.81 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 €	2018	2017
Personnel provisions	22,644	19,055
Outstanding invoices	7,459	5,102
Vacation accrued by employees	6,203	4,911
Provisions legal disputes	100	808
Legal and consulting fees	1,015	947
Guarantees and liability risks	227	173
Other accrued liabilities	2,999	4,469
	40,647	**35,465**

Provisions for personnel mainly comprise employee remuneration and commissions. In the financial year 2018, EUR 12,604k (previous year: EUR 9,881k) were utilized, EUR 3,182k (previous year: EUR 1,573k) were released and EUR 18,250k (previous year: EUR 13,959k) were added. From changes in the scope of consolidation, effects resulted in the amount of EUR 675k (previous year: EUR 5k); furthermore, currency changes in the amount of EUR 451k (previous year: EUR 1,103k) caused an increase in provisions for personnel. The increase in provisions for personnel continues to result from higher provisions for commissions caused by the positive business development in the financial year 2018.

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 2018, EUR 33k (previous year: EUR 14k) were utilized, EUR 6k (previous year: EUR 26k) were released and EUR 94k (previous year: EUR 77k) 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 12k (previous year: EUR 19k) in addition to the pension provision in the amount of EUR 1,665k (previous year: EUR 1,684k).

DOMESTIC

The obligation resulting from pension plans to a subsidiary's former 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, 2018 there were no curtailments to the plan, as was the case in the previous year. 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 (DEM 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 2018 financial year there are no longer any pension obligations arising from foreign subsidiaries, as was the case in the previous year.

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 2018	2,227	9	2,236
Reduced plan asset 2018	543	28	571
Status of coverage (= pension provisions) 2018	**1,684**	**–19**	**1,665**
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**

Change in defined benefit obligations (DBO): Thousands of €	**2018**	2017
DBO at beginning of fiscal year	**2,227**	**2,020**
Service cost	73	68
Interest cost	40	42
Actuarial losses	–103	97
Benefit payments	–1	0
Settlements	0	0
Effect from currency translation	0	0
DBO at end of fiscal year	**2,236**	**2,227**
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	**543**	**516**
Expected return on plan assets	10	11
Actuarial gains/(losses)	–7	–8
Employer contributions	25	24
Benefit payments	0	0
Settlements	0	0
Effect from currency translation	0	0
Fair value of plan assets at end of fiscal year	**571**	**543**

SENSITIVITY

Changes in actuarial assumptions	Thousands of €	2018	2017
Present value of pension obligation for the reporting date		2,236	2,227
Discount rate	increase by 0,5 percent points	2,017	2,004
	decrease by 0,5 percent points	2,485	2,483
Pension cost	increase by 0,5 percent points	2,395	2,389
	decrease by 0,5 percent points	2,091	2,081

The “mortality tables 2018 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 %	2018		2017	
	Domestic	Foreign Countries	Domestic	Foreign Countries
Discount rate	1.90	0.00	1.80	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 2019 as well as capital income of EUR 10k; the contributions to plan assets amount to approximately 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)	
2019	1
2020	3
2021	5
2022	7
2023	9
2024 – 2028	348
Total	**373**

[18] The **liabilities,** classified by due date, comprise the following:

LIABILITIES

2018 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	130,628	56,348	74,280	0
Trade payables	12,878	12,878	0	0
Income tax liabilities	5,441	5,441	0	0
Other current liabilities	10,180	10,180	0	0
thereof taxes	*5,537*	*5,537*	*0*	*0*
thereof relating to social security	*1,653*	*1,653*	*0*	*0*
December 31, 2018	**159,127**	**84,847**	**74,280**	**0**

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**

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 noncurrent loans include liabilities to banks amounting to EUR 127,800k 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 3.0 starting from March 31, 2015	1.03%	12,000	0
	32,000	Dec. 30, 2020	Quarter-year rates of mEUR 1.6 starting from March 31, 2016	0.94%	6,400	6,400
	38,000	Jun. 30, 2021	Quarter-year rates of mEUR 1.9 starting from September 30, 2016	0.77%	7,600	11,400
	28,000	Jun. 30, 2021	Quarter-year rates of mEUR 2.0 (2019), mEUR 3.0 (2020), mEUR 4.0 (until June 30, 2021) starting from March 31, 2019	0.42%	8,000	20,000
	23,000	Jun. 30, 2022	Quarter-year rates of mEUR 1.0 (2019/2020), mEUR 2.5 (2021), mEUR 2.0 (until June 30, 2022) starting from March 31, 2019	0.58%	4,000	18,000
	23,000	Jun. 30, 2022	Quarter-year rates of mEUR 1.0 (2019/2020), mEUR 2.5 (2021), mEUR 2.0 (until June 30, 2022) starting from March 31, 2019	0.55%	4,000	18,000

For the financing of the 123erfasst.de GmbH acquisition, in addition to the long-term loan mentioned above, a further short-term loan in the amount of EUR 12,000k with a term ending June 28, 2019 was taken out. The interest for this amounts to 0.45% per annum 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 664k in the financial year 2019. Interest payments of EUR 511k are due for the years 2020 to 2023.

Group net debt as of December 31, 2018 amounted to EUR 26.8 million. The gearing ratio correspondingly amounted to 0.23. Thus, external and internal key indicators have been met.

[19] Deferred revenue

Deferred revenue amounts to EUR 95,113k (previous year: EUR 68,097k; as a result of IFRS 15 going into effect as of January 1, 2018: EUR 67,745k). The increase in 2018 is as a result of the expansion of the customer base in the case of software rental models.

[20] Other current financial obligations

Other current financial obligations include subsequent purchase price obligations from acquisitions amounting to EUR 1,500k.

[21] Other noncurrent financial obligations

The other noncurrent liabilities comprise subsequent purchase price obligations in connection with company acquisitions. As of December 31, 2018, these mainly consist of a subsequent purchase price obligation of EUR 2,653k resulting from the purchase of 123erfasst.de, Lohne, as of July 1, 2018, as well as from the purchase of non-controlling interests in Maxon GmbH in the amount of EUR 1,461k. Subsequent purchase price obligations were measured at fair value as of December 31, 2018. The subsequent purchase price obligation incurred as of December 31, 2017 as a result of the acquisition of the Data Design Corporation in the amount of EUR 1,735k was recognized as other financial income in the 2018 financial year. The target amount of “invoiced revenue” of EUR 16,180k agreed upon in the purchase agreement was not achieved in the 2018 financial year.

[22] Other noncurrent liabilities

The other noncurrent liabilities comprise mainly noncurrent accrued rent amounting to EUR 8,312k (previous year: EUR 2,598k) as well as liabilities from noncurrent profit-related remuneration amounting to EUR 1,214k (previous year: EUR 2,069k).

[23] FINANCIAL COMMITMENTS

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	73,670	11,019	35,888	26,763
Leases	4,765	2,056	2,577	132
Total financial commitments as of December 31, 2018	**78,435**	**13,075**	**38,465**	**26,895**
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**

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 935k (previous year: 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 99,747k (previous year: EUR 97,416k).

The **cash flow from investing activities** amounts to EUR –74,388k (previous year: EUR –54,575k). In the current financial year, this primarily includes payments for the purchase of Spacewell (formerly: FASEAS Group), 123erfasst.de GmbH and investments in intangible assets and office and business equipment amounting to EUR 11,295k.

The cash flow from **financing activities** amounting to EUR –10,394k (previous year: EUR –44,801k) results from taking out loans for financing the acquisitions (EUR 86,000k). The most significant cash outflows include the payment of dividends to the shareholders of Nemetschek SE amounting to EUR –28,875k (previous year: EUR –25,025k), payments for the acquisition of noncontrolling interests in the amount of EUR 29,962k (previous year: EUR 151k), the repayment of loans amounting to EUR 38,000k and profit shares of noncontrolling interests amounting to EUR –1,711k (previous year: EUR –2,711k). Further cash outflows were recorded from interest payments amounting to EUR –846k (previous year: EUR –914k).

The Group's **cash and cash equivalents** comprise cash and cash equivalents and break down as follows:

CASH AND CASH EQUIVALENTS

Thousands of €	2018	2017
Bank balances	116,884	100,347
Fixed term deposits (contract period up to 3 months)	3,863	3,610
Cash and cash equivalents	**120,747**	**103,957**

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 IFRS 9			
2018	Thousands of €	Carrying amount per balance sheet Dec. 31, 2018	Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2018
Trade receivables (excluding finance leases)		55,758	55,758	–	–	55,758
Other financial assets		9,524	9,474	–	50	9,524
Cash and cash equivalents		120,747	120,747	–	–	120,747
Total financial assets		**186,029**	**–**	**–**	**–**	**–**
Trade payables		12,878	12,878	–	–	12,878
Other financial liabilities		136,441	130,827	5,614	–	136,441
Total financial liabilities		**149,319**	**–**	**–**	**–**	**–**

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 where therefore amortized at cost.

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 in the following three-tier measurement hierarchy:

MEASUREMENT HIERARCHY

2018 Thousands of €	Year-end Dec. 31, 2018	Level 1	Level 2	Level 3
Financial liabilities at fair value				
Fair value impacting profit/loss				
Contingent consideration	5,614	–	–	5,614
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	**5,614**	**0**	**0**	**5,614**

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 nonobservable market data. In the reporting year 2018, subsequent purchase price payments of EUR 5,614k 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.

Of the conditional purchase price obligations as of December 31, 2017 in the amount of EUR 2,167k, in the financial year EUR 2,075k were released to income. The release was made as a result of non-achievement of the agreed upon targets in the reporting year.

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				
Contingent 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**

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Thousands of €	2018
Financial liabilities measured at fair value through profit or loss	2,075
Financial assets measured at amortized cost	148
Financial liabilities measured at amortized cost	−1,124
Total	**1,099**

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Thousands of €	2017
Assets and liabilities held for sale	13
Loans and receivables	−2,249
Assets and liabilities through profit and loss	7,579
Other financial liabilities	−1,024
Held for trading	0
Total	**4,319**

The net profits/losses resulting from payables and receivables mainly include changes in allowances, profits/losses resulting from the derecognition and reversal of financial assets measured at amortized cost which were originally written off, as well as effects arising from currency translation.

In the 2018 financial year, the net profits/losses of liabilities to be classified at fair value through profit or loss mainly include the one-off effect resulting from the dissolution of a conditional purchase price obligation (earn-out).

The losses arising from other financial liabilities mainly include the interest expenses of the corresponding 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 noncurrent financial assets (or other noncurrent financial liabilities). Derivative financial instruments not used as hedging instruments are measures at fair value through profit or loss. There were no hedging transactions as of December 31, 2018.

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 noncurrent liabilities to banks and other noncurrent 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 due to the fact that the Group operates and has production sites and sales establishments in different countries worldwide. All hedging measures are centrally agreed and coordinated with Group 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, 2018 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 2018			
(average USD/EUR exchange rate = 1.18)	+ 5%	–8,837	–1,873
	– 5%	9,767	2,071
Fiscal year 2017			
(average USD/EUR exchange rate = 1.13)	+ 5%	–7,186	–1,590
	– 5%	7,943	1,758

SENSITIVITY OF HUF/EUR

Thousands of €	Change of exchange rate HUF	Sensitivity effect on revenues	Sensitivity effect on EBIT
Fiscal year 2018			
(average HUF/EUR exchange rate = 318.89)	+ 5%	–1,520	–98
	– 5%	1,681	108
Fiscal year 2017			
(average HUF/EUR exchange rate = 309.19)	+ 5%	–1,401	–96
	– 5%	1,549	107

Foreign currency financial assets mainly exist in a subsidiary in Hungary. The following table shows the foreign currency receivables existing as at December 31, 2018, and changes in the closing date rate:

TRADE RECEIVABLES

2018 Thousands of €	Change of exchange rate	Sensitivity effect on EBIT
Trade receivables		
HUF/EUR	+ 5%	–230
Total in kEUR: 4,823	**– 5%**	**254**
HUF/USD	+ 5%	–14
Total in kEUR: 284	**– 5%**	**6**

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**

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, 2018, the Group holds cash and cash equivalents amounting to EUR 120,747k (previous year: EUR 103,957k). This amount comprises credit bank balances and cash on hand amounting to EUR 116,884k (previous year: EUR 100,347k) as well as fixed-term deposits with a term of up to three months in the amount of EUR 3,864k (previous year: EUR 3,610k). In addition, the Group had unused lines of credit totaling EUR 24,500k as of December 31, 2018.

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 risks 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, 2018 or as of December 31, 2017. 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 noncurrent loans plus interest bearing liabilities (less pension provisions) less any cash and cash equivalents. Group net debt as of December 31, 2018 amounted to EUR 26.8 million. The gearing ratio correspondingly amounted to 0.23. 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 43.0% (previous year: 49.5%). 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

2018 Thousands of €	Total	Elimination	Design	Build	Manage	Media & Entertainment
Revenue, external	**461,299**	**0**	**273,559**	**147,993**	**13,806**	**25,941**
Intersegment revenue		−4,034	33	2,414	0	1,587
Total revenue	**461,299**	**−4,034**	**273,593**	**150,407**	**13,806**	**27,528**
EBITDA	**121,255**	**–**	**69,532**	**38,204**	**2,478**	**11,041**
Amortization/depreciation	−23,460	–	−9,516	−12,700	−767	−477
Segment operating result (EBIT)	**97,795**	**–**	**60,016**	**25,504**	**1,711**	**10,564**
Interest income	470	–	–	–	–	–
Interest expenses	−1,124	–	–	–	–	–
Share of results of associated companies	536	–	–	–	–	–
Other financial result	2,131	–	–	–	–	–
Income tax	−23,248	–	–	–	–	–
Profit for the period	**76,560**	**–**	**–**	**–**	**–**	**–**

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**	**–**	**–**	**–**	**–**	**–**

The item of depreciation/amortization of the Design segment includes amortization of purchase price allocation amounting to EUR 5,071k (previous year: EUR 4,258k), of the Build segment amounting to EUR 9,039k (previous year: EUR 9,236k) and of the Manage segment amounting to EUR 603k (previous year: EUR 0).

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 2018**	**Fixed assets 2018**	**Additions to fixed assets 2018**	Revenues 2017	Fixed assets 2017	Additions to fixed assets 2017
Germany	130,100	43,351	7,960	119,180	24,831	1,835
Abroad	331,199	320,657	3,335	276,388	269,614	6,952
Total	**461,299**	**364,008**	**11,295**	**395,568**	**294,445**	**8,787**

The Group's geographical segment assets are based on the location of the assets. Correspondingly, the German segment held total assets of EUR 84,992k (previous year: EUR 59,985k) and the non-German segment counted total assets of EUR 495,566k (previous year: EUR 400,797k).

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

2018 Thousands of €	Total	Design	Build	Manage	Media & Entertainment
Trade receivables	55,758	28,791	21,196	4,566	1,205
Inventories	1,156	501	266	350	39
Other assets	23,529	9,418	13,291	470	350
Fixed assets	364,008	106,570	198,563	54,712	4,163
thereof additions to fixed assets	*11,295*	*7,269*	*3,482*	*190*	*354*
thereof additions due to business combinations	*77,490*	*496*	*22,466*	*54,528*	*0*
Segment assets	**444,451**	**145,280**	**233,316**	**60,098**	**5,757**
Cash and cash equivalents	120,747	–	–	–	–
Investments in associates and long-term available-for-sale assets	3,964	–	–	–	–
Non-allocated assets*	11,397	–	–	–	–
Total assets	**580,558**	**–**	**–**	**–**	**–**
Liabilities	39,995	18,996	18,768	1,259	972
Provisions and accrued liabilities	40,647	18,861	17,285	2,526	1,975
Pensions and related obligations	1,677	13	0	0	1,664
Deferred revenue	95,375	52,689	36,453	1,274	4,959
Segment liabilities	**177,694**	**90,559**	**72,506**	**5,059**	**9,570**
Non-allocated liabilities**	153,267	–	–	–	–
Total liabilities	**330,961**	**–**	**–**	**–**	**–**

* Not allocated: Income tax assets (EUR 4,239k), Other current assets (EUR 4,001k) and Deferred tax assets (EUR 3,157k).

** Not allocated: Loans (EUR 130,628k), Deferred tax liabilities (EUR 17,198k), Income tax provisions (4,636k) and Income tax liabilities (EUR 805k).

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).

[27] **Post balance sheet events**
Under the purchase agreement of January 11, 2019, Spacewell (formerly: MCS Solutions Group) acquired 100% of the shares of Axxerion Group B.V., MR Heteren, Netherlands. The purchase price amounted to EUR 77,500k (cash and debt free). The transfer of benefits and encumbrances was completed as of the end of January 19, 2019. More detailed information pursuant to IFRS 3.B66 were not available at the time of the preparation of the consolidated financial statements.

Axxerion Group B.V. is one of the leading providers of cloud-based software solutions for facility management and property management. The company develops products for the optimization of operations in facility management, systems management and maintenance management as well as property management and contract management. The solutions from Axxerion are based on a scalable, client-enabled SaaS platform with all required security measures and approvals. The wide range of functions offered is suitable for many areas of business. Axxerion uses an attractive, flexible price model (pay per use), which accordingly provides the customer with options for module extension and addition that suit the customer's size and requirements. The merger with Axxerion strengthens Nemetschek's positioning as a significant, broadly based global player in the software market for property management and workplace management.

At the beginning of the current year, the supervisory board established a new executive board structure with a stronger focus on segments. The new executive board structure consists of the following three members:

Viktor Várkonyi, member of the executive board since December 2013, was appointed to the board for the Design segment to go into effect as of February 1, 2019. Consequently, he has stepped down from his previous function as CEO of the Graphisoft brand.

Jon Elliott, CEO of the Bluebeam brand, was appointed to the board of the Build segment to go into effect as of February 1, 2019; he remains executive board member and CEO of Bluebeam.

As before, Patrik Heider, member of the executive board since March 2014, remains Spokesman and CFOO for the main Group functions.

[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 1,531k (previous year: EUR 1,602k).

(2) Use of services from Nemetschek OOD, Bulgaria, amounting to a total of EUR 3,472k (previous year: EUR 2,514k).

(3) Use of services from DocuWare GmbH, Germering, amounting to a total of EUR 777k (previous year: EUR 843k).

There was a trade payable of EUR 20k (previous year: EUR 193k) due to Concentra GmbH & Co. KG, Munich, as of the balance sheet date. Moreover, in the 2018 financial year, there was a further loan granted to the associate Sablono GmbH in the amount of EUR 30k. For the loan granted in the 2017 financial year in the amount of EUR 30k a 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 September 21, 2018, Patrik Heider, executive board, purchased 500 shares of Nemetschek SE at an average price per share of EUR 125.620 with a total value of EUR 62,991.53 of Nemetschek SE. On December 18, 2018, Prof. Georg Nemetschek purchased 1,000 shares of Nemetschek SE at an average price per share of EUR 92.155 with a total value of EUR 92,155.00 of Nemetschek SE. On December 19, 2018, Prof. Georg Nemetschek purchased a further 9,000 shares of Nemetschek SE at an average price per share of EUR 92.177 with a total value of EUR 829,593.60 of Nemetschek SE. The executive and supervisory boards informed us that there were no further purchases or sales of shares in the company pursuant to Art. 19 of the Market Abuse Regulation (MAR), so-called directors' dealings, by themselves or by related parties in the 2018 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, 2018, are as follows:

- Prof. Georg Nemetschek, Munich, Germany: 53.07% (previous year: 53.05%)
- Nemetschek Vermögensverwaltungs GmbH & Co. KG, Grünwald, Germany: 53.07% (previous year: 53.05%)
- Nemetschek Verwaltungs GmbH, Grünwald, Germany: 53.07% (previous year: 53.05%)
- Allianz Global Investors GmbH, Frankfurt, Germany: 4.98% (previous year: 3.35%)
- Groupama Asset Management S.A., Paris, France: 3.04% (previous year: 3.04%)
- BlackRock, Inc., Wilmington, United States of America: 3.36% (previous year: 0%)

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

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

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

Executive board
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 noncurrent 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 noncurrent 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, operating results (EBITA) and earnings per share 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. As at December 31, 2018 the members of the executive board Patrik Heider and Viktor Várkonyi were nominated for the Long-Term Incentive Plans 2016 – 2018, 2017 – 2019 and 2018 – 2020. In the 2018 financial year, noncurrent variable components in the amount of EUR 1,250k in total (previous year: EUR 1,024k) were paid out. Sean Flaherty, who was a member of the executive board until December 31, 2018 was granted a compensation in the amount of EUR 350k for the multi-year variable compensation earned so far. Payment was in 2019.

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

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

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

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

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

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

Total remuneration granted to the executive board by Nemetschek SE for the financial year 2018 amounts to EUR 2,267k (previous year: EUR 2,817k).

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi from Graphisoft SE received fixed remuneration of EUR 192k (previous year: EUR 192k) gross, fringe benefits of EUR 14k (previous year: EUR 14k) and a performance-related current remuneration of EUR 76k (previous year: EUR 108k) gross.

Sean Flaherty received a fixed amount from Nemetschek, Inc. of EUR 115k (previous year: EUR 120k) gross, fringe benefits of EUR 11k (previous year: EUR 0) and a performance-related current remuneration of EUR 427k (previous year: EUR 33k) gross. Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Flaherty amounted to EUR 835k (previous year: EUR 467k).

[29] The following fees of the auditor of the consolidated financial statements were expensed in the financial year 2018:

AUDITORS' FEES

Thousands of €	**2018**	2017
Financial statements audit services	265	360
Other audit services	10	8
Tax advisory services	20	0
Other services	0	46
Total	**295**	**414**

[30] The executive board approved the consolidated financial statements on March 19, 2019, to be passed on to the supervisory board.

[31] Supervisory board

Kurt Dobitsch, (Businessman)
Chairman
Year of birth 1954
First appointed 1998
Term expires 2022

Member of the following supervisory boards:

- United Internet AG, Montabaur (Chairman)
  Mandates associated with the Group:
  - 1&1 Telecommunication SE, Montabaur, Germany
  - 1&1 Mail & Media Applications SE, Montabaur, Germany
  - Drillisch AG, Maintal, Germany
  - Drillisch Online AG, Maintal, Germany (since January 1, 2018)
- Nemetschek SE, Munich, Germany (Chairman)
  Mandates related to the Group:
  - Graphisoft SE, Budapest, Hungary
  - Vectorworks, Inc., Columbia, USA
- Bechtle AG, Gaildorf, Germany
- Singhammer IT Consulting AG, Munich, Germany

Prof. Georg Nemetschek, (Businessman)
Deputy Chairman
Year of birth 1934
First appointed 2001
Term expires 2022

Rüdiger Herzog, (Lawyer)
Year of birth 1950
First appointed 2003
Term expires 2022

Member of the following supervisory boards:

- DF Deutsche Finance Holding AG, Munich, Germany (Chairman)
- DF Deutsche Finance Investment GmbH, Munich, Germany (Chairman)
- Kaufhaus Ahrens AG, Marburg/Lahn, Germany (until October 30, 2018)
- DBC Finance GmbH, Munich, Germany (Chairman, since December 1, 2018)

Bill Krouch, (Businessman)
Year of birth 1959
First appointed 2018
Term expires 2022

Member of the following supervisory board:

- INVESTCORP, New York, USA

Executive board

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

Member of the following supervisory boards:
- Bluebeam Holding, Inc., USA
- Bluebeam Inc., USA
- Data Design System AS, Norway
- Design Data Corp., USA
- Spacewell (formerly: FASEAS International NV/MCS Solutions), Belgium (since August 28, 2018)
- Nemetschek Inc. USA
- RISA Tech. Inc., USA (since January 1, 2019)
- SCIA Group International NV, Belgium (since January 1, 2019)
- SCIA NV, Belgium (since January 1, 2019)
- Solibri Oy, Finland

Viktor Várkonyi
(Master of Computer Science, MBA)
Chief Division Officer, Planning & Design Division
CEO Graphisoft SE (until March 1, 2019)

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

Jon Elliott
(Master in Business Administration, MBA)
Chief Division Officer, Build & Construct Division
(since February 1, 2019)
CEO Bluebeam Holding, Inc., USA
CEO Bluebeam, Inc., USA
CEO Bluebeam Ltd., UK

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

Member of the following supervisory boards:
- Bluebeam, Inc., USA (until December 31, 2018)
- Design Data Corporation, USA (until December 31, 2018)
- Spacewell (formerly: FASEAS International NV/MCS Solutions), Belgium (until December 31, 2018)
- SCIA Group International NV, Belgium (until December 31, 2018)
- SCIA NV, Belgium (until December 31, 2018)
- RISA Tech, Inc., USA (until December 31, 2018)
- Vectorworks, Inc., USA (until December 31, 2018)

Munich, March 19, 2019

Nemetschek SE

Patrik Heider

Viktor Várkonyi

Jon Elliott

Statement of fixed assets of the group

As of December 31, 2018 and as of December 31, 2017

2018 Thousands of €	Development of historic costs					
	As of Jan. 1, 2018	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	**As of Dec. 31, 2018**
I. Intangible assets						
Software, industrial and similar rights	179,557	2,231	28,425	2,366	78	212,501
Internally generated software	7,489	0	0	0	0	7,489
Goodwill	192,736	3,727	47,636	251	1	244,349
	379,782	**5,958**	**76,061**	**2,617**	**79**	**464,339**
II. Property, plant and equipment						
Other equipment, furniture and fixtures	41,148	684	1,429	8,678	571	51,368
	41,148	**684**	**1,429**	**8,678**	**571**	**51,368**
Total fixed assets of the Group	**420,930**	**6,642**	**77,490**	**11,295**	**650**	**515,707**

2017 Thousands of €	Development of historic costs					
	As of Jan. 1, 2017	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	**As of Dec. 31, 2017**
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	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**

Development of accumulated depreciation/amortization						Carrying amount	
As of Jan. 1, 2018	Foreign currency translation difference	Additions from business combinations	Additions	Disposal	**As of Dec. 31, 2018**	**As of Dec. 31, 2018**	As of Dec. 31, 2017
94,235	63	774	16,185	61	111,196	101,305	85,322
5,954	0	0	755	0	6,709	780	1,535
0	0	0	0	0	0	244,349	192,736
100,189	**63**	**774**	**16,940**	**61**	**117,905**	**346,434**	**279,593**
26,296	571	884	6,520	477	33,794	17,574	14,852
26,296	**571**	**884**	**6,520**	**477**	**33,794**	**17,574**	**14,852**
126,485	**634**	**1,658**	**23,460**	**538**	**151,699**	**364,008**	**294,445**

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**

Declaration Confirmation of the members of the authorized body

"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, 2019

Patrik Heider

Viktor Várkonyi

Jon Elliott

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 and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January 2018 to 31 December 2018, the consolidated statement of financial position as of 31 December 2018, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 January 2018 to 31 December 2018, and notes to the consolidated 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 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the non-financial statement contained in section 2 and the report on enterprise controlling and declaration on corporate management contained in section 7.1.

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

- the accompanying 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 (1) HGB ("Handelsgesetzbuch": German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2018, and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018, 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 Section 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 Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 2018 to 31 December 2018. 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. Recognition of revenue from software service agreements

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

The business activities of the Group comprise the sale of software licenses as well as the rendering of services such as a telephone hotline and updates in connection with this software under software service agreements ("service agreements"). Revenue from these service agreements is recognized on a pro rata basis over the term of the agreement. Recognizing revenue over the term of these service agreements is an area that carries significant risk of material misstatement in the consolidated financial statements (including the potential risk of managers circumventing controls) and is thus a key audit matter, as there are a large number of these transactions and revenue is a financial performance indicator. In addition, due to the necessary group-wide assessment of contractual agreements with regard to the new criteria relevant for accounting, the first-time application of IFRS 15 in fiscal year 2018 was relevant for our audit.

Auditor's response

In the course of our audit, we examined the processes associated with revenue recognition as well as the application of the accounting policies for service agreements. We assessed the design and operating effectiveness of the accounting-related internal control system by verifying business transactions from when the transaction is made to its recognition in the financial statements as well as by controls implemented as part of the process.

Our audit procedures included, but were not limited to, a review of the contractual bases including contractually agreed regulations regarding services rendered and termination rights. To assess the accounting performed by the executive directors, we performed substantive testing to verify that the prerequisites for the recognition of revenue were met for service agreements. In particular, to assess whether revenue from service agreements was matched to the correct period, we reconciled and recalculated on a sample basis the revenue recognized as of the reporting date as well as the corresponding deferred items for work in process with the contractual bases and compared records of payments received with bank statements. Data analysis procedures were also used in this context to evaluate mass data. To detect irregularities in the margin development over the course of the year and compared to the prior year, we carried out analytical audit procedures.

Furthermore, we obtained documents from third parties for the receivables outstanding as of the reporting date.

With regard to the first-time application of IFRS 15, we examined the processes established to implement the new standard. As part of the assessment of the analysis of the contracts performed by the executive directors, we particularly assessed – on a test basis – whether the requirements for revenue recognition over time in the case of software service agreements are met. Furthermore, we reviewed the disclosures on the effects of the first-time application of IFRS 15 in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations regarding the recognition of revenue from software service agreements.

Reference to related disclosures

For information on the accounting policies applied to the recognition of revenue from software service agreements, we refer to the disclosures in the notes to the consolidated financial statements in the section Accounting policies – *Revenue recognition, IFRS 15: Revenue from Contracts with Customers* as well as to no. 1 *Revenue*, no. 19 *Deferred items* and no. 26 *Segment reporting.*

2. Accounting for business combinations

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

The purchase of the Spacewell Group (former FASEAS/MCS Solutions Group), Antwerp, Belgium, on 28 August 2018 and the acquisition of 123erfasst.de GmbH, Lohne, Germany, on 2 July 2018 were key audit matters because of the complexity of the transactions as well as the assumptions and estimates required by the executive directors as part of the purchase price allocation.

Auditor's response

Our audit procedures in relation to the purchase of the companies involved verifying the assessment by the executive directors regarding control of the entities acquired. To this end, we compared, among other things, the corporate law agreements with the criteria for control defined in IFRS 10 Consolidated Financial Statements.

In addition to comparing the counterperformance made by Nemetschek SE with the contractual bases, our audit procedures in relation to the (preliminary) purchase price allocations involved assessing the methodology used by the external appraiser engaged by the executive directors to identify the acquired assets as well as the conceptual assessment of the measurement models, taking into account the rules in IFRS 3. With the support of our internal measurement specialists, we verified the methods used to measure fair value. We also analyzed assumptions and estimates based on judgment (for example growth rates, cost of capital rates, royalty rates or remaining useful lives) made to determine the fair values of the acquired, identifiable assets as well as of the liabilities assumed on the acquisition date in order to check whether they correspond to general and industry-specific market expectations. In addition, we verified the models arithmetically and reconciled the future expected cash flows used for measurement with internal budgets and other items.

Another focus was on the determination of the fair values for technologies and the customer list. Among other things, we assessed the suitability of the measurement appraisal and of the appraisals by external experts engaged by the executive directors as audit evidence by interviewing the experts to determine whether the assumptions made reflect the view of an external market participant on the acquisition date. With regard to the determination of goodwill, we examined the calculation as a residual amount between the purchase price calculated less the fair value of identified, acquired assets and liabilities, taking into account the resulting deferred taxes.

We compared the accounting treatment of the assets and liabilities acquired in the business combinations with the accounting policies used in the Nemetschek Group. We also examined the tax effects of the combination and the presentation of the first-time consolidation in the consolidation system. Additionally, we assessed the disclosures in the notes to the consolidated financial statements in terms of the requirements stemming from the rules in IFRS 3.

Our audit procedures did not lead to any reservations as regards the accounting for business combinations.

Reference to related disclosures
The disclosures on the accounting for business combinations are presented in the sections Accounting policies – *Business combinations and goodwill, Acquisitions in fiscal year 2018, Acquisitions in fiscal year 2017* as well as in no. 12 *Fixed assets* in the notes to the consolidated financial statements.

3. Impairment of goodwill and intangible assets

Reasons why the matter was determined to be a key audit matter
Testing goodwill and intangible assets for possible impairments was a key audit matter, as the measurements underlying the impairment tests depend heavily on the estimate of future cash flows and the discount rate used and have a material effect on the consolidated financial statements.

Auditor's response
To assess the appropriateness of the measurements performed by the executive directors, we carried out control-based audit procedures and examined the underlying processes associated with the determination of fair values and also carried out substantive audit procedures.

To check the goodwill for possible impairments, we verified the underlying measurement models in particular both methodologically and arithmetically, with the support of international measurement specialists. In this context, we examined whether the budgets reflect general and industry-specific market expectations and compared the measurement parameters used for the estimates of the fair values – in particular the estimated growth rates, the weighted average cost of capital rates and the tax rates – with market data in the public domain and assessed these compared to the change in significant assumptions, including future market conditions. To determine the reliability of the budgets, we compared historical budget data with actual figures on a sample basis.

To be able to assess a possible impairment risk in the event of a potential change in one of the main assumptions, we also carried out our own sensitivity analyses.

Our audit procedures did not lead to any reservations regarding the impairment of goodwill and intangible assets.

Reference to related disclosures
For information on the accounting policies applied to the impairment of goodwill and intangible assets, we refer to the disclosures in the notes to the consolidated financial statements in the section Accounting policies – *Business combinations and goodwill, Impairment of non-financial assets, Significant accounting judgments, estimates and assumptions in the preparation of the consolidated financial statements* as well as to no. 12 *Fixed assets.*

4. Completeness and measurement of uncertain tax positions as well as deferred taxes

Reasons why the matter was determined to be a key audit matter
The Nemetschek Group operates in numerous countries with different local tax laws. The completeness and measurement of uncertain tax positions as well as deferred taxes was one of the key audit matters for our audit because it requires accounting judgments, assumptions and estimates by the executive directors to a large extent.

Auditor's response
Involving internal specialists with a corresponding knowledge of the respective local tax laws, we analyzed the processes and the internal controls put in place by the executive directors with respect to identifying, recognizing and measuring tax positions. In the course of our audit procedures for uncertain tax positions, we examined whether the assessment by the executive directors of tax implications of significant business transactions or events in fiscal year 2018, from which uncertain tax positions may result or could influence the measurement of existing uncertain tax positions, was in compliance with tax law. In particular, this includes the tax implications arising from the acquisition of company shares, restructuring required by corporate law, findings from tax field audits as well as matters that are relevant across country borders, such as determining transfer prices. We also obtained confirmations from external tax advisors to assess the completeness. Furthermore, we evaluated the assessment by the executive directors as regards the prospects

for success of appeals procedures or fiscal court proceedings, taking into account current tax rulings.

When assessing the recoverability of deferred tax assets, we examined in particular the assumptions by the executive directors regarding the forecast for the expected future taxable income and compared this with the internal budget. In the course of our audit procedures regarding deferred tax liabilities, we examined in particular the assumptions regarding reinvestment of subsidiaries' accumulated income for an indefinite period and assessed these taking into account dividend planning.

Our audit procedures did not lead to any reservations relating to the completeness and measurement of uncertain tax positions and deferred taxes.

Reference to related disclosures

For information on the accounting policies applied to the completeness and measurement of uncertain tax positions and deferred taxes, we refer to the disclosures in the notes to the consolidated financial statements in the section Accounting policies – Taxes as well as Accounting policies – *Deferred tax assets* as well as to no. 10 *Taxes on income,* for tax refund entitlements to no. 14 *Assets* and for liabilities from taxes on income to no. 18 *Liabilities*.

Other information

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

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

The supervisory board is responsible for the following other information:

- the Report of the Supervisory Board 2018.

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.

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

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of 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) 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 audit opinions.

» Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) 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, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 30 May 2018. We were engaged by the supervisory board on 16 October 2018. We have been the auditor of Nemetschek SE without interruption since the fiscal year 2013.

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

In addition to the financial statement audit, we have provided to the Group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

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

German Public Auditor responsible for the engagement

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

Munich, March 19, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt	Turba
Wirtschaftsprüfer	Wirtschaftsprüferin

Financial Statements
(HGB)

Financial Statements
of Nemetschek SE (German Commercial Code)

Balance Sheet

as of December 31, 2018 and as of December 31, 2017

ASSETS Thousands of €	December 31, 2018	December 31, 2017
A. FIXED ASSETS		
I. Intangible Assets		
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,322	150
2. Prepayments made on intangible assets	69	405
	1,390	**556**
II. Property, plant and equipment		
1. Leasehold improvements	84	121
2. Fixtures, fittings and equipment	242	145
3. Prepayments made on tangible assets	57	0
	383	**266**
III. Financial assets		
1. Shares in affiliated companies	423,328	332,115
2. Loans due from affiliated companies	1,750	21,628
3. Investments	2,073	2,073
	427,151	**355,816**
TOTAL FIXED ASSETS	**428,924**	**356,637**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	5	4
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 676k (previous year: EUR 339k)	23,296	20,649
3. Other assets	1,663	49
	24,964	**20,702**
II. Cash and cash equivalents	**8,136**	**2,784**
TOTAL CURRENT ASSETS	**33,099**	**23,486**
C. DEFERRED AND PREPAID EXPENSES	**167**	**133**
D. DEFERRED TAX ASSET	**70**	**54**
	462,260	**380,309**

EQUITY & LIABILITIES Thousands of €	December 31, 2018	December 31, 2017
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	**182,184**	**149,630**
TOTAL EQUITY	**269,799**	**237,245**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	1,839	5,056
2. Other provisions and accrued liabilities	5,036	5,482
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**6,875**	**10,538**
C. LIABILITIES		
1. Liabilities due to banks	127,800	79,800
2. Trade accounts payable	391	296
3. Accounts due to affiliated companies	54,258	50,436
4. Other liabilities – thereof taxes: EUR 832k (previous year: EUR 1,104k) – thereof social security EUR 6k (previous year: EUR 6k)	2,402	1,156
TOTAL LIABILITIES	**184,851**	**131,688**
D. DEFERRED TAX LIABILITIES	**735**	**838**
	462,260	**380,309**

Profit and loss account of Nemetschek SE

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

Thousands of €	**December 31, 2018**	December 31, 2017
1. Revenues	5,254	4,003
2. Other operating income	3,047	609
Operating Income	**8,300**	**4,611**
3. Personnel expenses		
a) Wages and salaries	–5,616	–5,853
b) Social security, pension and other benefit costs – thereof for pension: EUR 8k (previous year: EUR 3k)	–624	–493
4. Depreciation and amortization of intangible assets, property, plants and equipment	–235	–104
5. Other operating expenses	–6,584	–5,385
Operating expenses	**–13,059**	**–11,835**
Operating result	**–4,759**	**–7,223**
6. Income from investments – thereof from affiliated companies: EUR 48,178k (previous year: EUR 35,749k)	48,207	35,749
7. Income from profit and loss transfer agreements	24,924	24,834
8. Other interest and similar income – thereof from affiliates companies: EUR 319k (previous year: EUR 1,046k)	320	1,049
9. Interest and similar expenses – thereof from affiliated companies: EUR 0k (previous year: EUR 0k)	–859	–899
Result from ordinary operations	**67,833**	**53,509**
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR 119k (previous year: EUR – 38k)	–6,403	–6,013
11. Earnings after tax	**61,430**	**47,496**
12. Other Taxes	–1	–2
13. Net Income	**61,429**	**47,494**
14. Profit carried forward from previous year	120,755	102,135
15. Retained earnings	**182,184**	**149,630**

Financial calendar 2019

March 29, 2019 Publication Annual Report 2018	April 30, 2019 Publication Quarterly Statement 1st Quarter 2019	May 28, 2019 Annual General Meeting, Munich
July 26, 2019 Publication Quarterly Statement 2nd Quarter 2019	October 31, 2019 Publication Quarterly Statement 3rd Quarter 2019	November 25–27, 2019 German Equity Forum, Frankfurt am Main

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