

with a continuous exchange of data and information as well as the management and provision of ever-increasing amounts of data for the planning, realization and management of buildings and infrastructure projects with continuous workflows. The focus of Nemetschek's solutions is therefore on reducing information loss and data disruption.

The various disciplines along the construction lifecycle still very often work in isolation, making collaboration and an integrated workflow difficult. This is where the development activities of the Nemetschek Group come into play. The aim is to provide workflow solutions for higher quality and efficiency in the planning and construction process, to avoid conflicts by eliminating redundancies and to reduce costs and time for coordination and quality inspection.

Acquisitions

In addition to organic growth, the Nemetschek Group also aims to grow inorganically through acquisitions. Suitable target companies in the respective segments are identified internally, e.g. by the brand companies themselves, and also by external partners and consultants.

The target companies should be aimed at either extending or rounding off the technological expertise in the workflow of construction processes. A further objective is to achieve complementary market shares in international markets. Strong management and an established business model are key parameters in the evaluation of potential acquisition companies. The focus regions include Europe and the North American market. Among the segments, the Build and Manage segments are particularly high on the list, as the Nemetschek Group is still underrepresented here compared with the Design segment. These markets also have greater potential due to the lower degree of digitalization.

After a successful acquisition, Nemetschek SE allows the acquired company to continue to participate in the market with their established brand and product names. At the same time, the Segment Manager gives the brands clear financial and strategic targets in their respective segment. The Segment Manager also establishes contact with other brands in the segment in order to promote exchange, especially in research and development and sales and marketing. The holding company assists the brands during their assimilation into the segments and integrates the new brands into the reporting system.

The brand structure makes the Nemetschek Group highly attractive to potential companies as a strategic buyer. Following the sale of their company to the Nemetschek Group, the company founders can continue to run the business and provide employees with a high degree of security. At the same time, the new brands belong to a financially strong, international group and benefit from potential synergy effects.

As well as acquisitions at holding company level, the company is also pursuing acquisitions at brand level. The brands are able to

directly identify suitable target companies and acquire them with the support of the holding company, provided that the key criteria such as expansion of technology, regional expansion, distribution structure and financial solidity are met.

Even though acquisitions represent an important growth option for the Nemetschek Group, it always has the alternative of "make or buy" thanks to its now very broad expertise along the construction lifecycle. It is therefore not under pressure to offer prices in bidding processes that are not economically justifiable, as its expertise also enables the company to develop solutions internally.

Target figures, target achievement, target agreement

A strategic plan sets out the main milestones and the time frame for each of the Nemetschek Group's strategic targets. Discussions about the status and whether the target has been achieved take place during regular Executive Board and management meetings. In the event of possible deviations from targets, countermeasures are discussed and, if necessary, the targets are adjusted accordingly. The key elements of the strategy were not changed in the 2019 financial year. No targets were adjusted.

The corporate targets and their achievement are part of the short-term and long-term variable remuneration scheme of the Executive Board and management. The remuneration is defined and noted at the beginning of each calendar year. In March of the following year, it is noted whether the targets have been achieved and the variable strategic remuneration components are paid. The remuneration report can be found under 7.3.

1.3 Corporate Management and Governance

General information

Key success factors in the Nemetschek Group's structure of holding company, customer-oriented segments and brand companies include the Group affiliation and the associated synergies along with the flexibility and entrepreneurial independence of the brands.

Strategic and operational corporate management is carried out by the Executive Board or by the Segment Managers of Nemetschek SE. This includes the strategic positioning of the Nemetschek Group on the global sales markets and its medium-term revenue and earnings planning. This orients the company towards the competitive and market environment.

The company is managed at the level of the four segments. The targets and annual objectives for the segments and for the respective brand companies are derived from the strategic targets. In the annual planning process, these are coordinated with the brand companies at profit-center level, specified by the brand companies and recorded with quantitative and qualitative sub-targets for marketing, sales and development. The annual planning, sub-targets and medium-term planning are coordinated between

the managing directors of the respective brands and the member of the Executive Board/manager responsible for the segment. The Supervisory Board monitors and advises the Executive Board throughout all processes.

Throughout the year, Group targets are monitored monthly using a Group-wide management information system with detailed reporting of key performance indicators on revenue, growth, earnings and risks. These indicators are compared with previous year and plan data. The respective Segment Managers discuss any deviations from the plan on a monthly basis and decide on any possible measures.

Financial performance indicators

The key financial performance indicators (core management

ratios) of the Nemetschek Group have not changed from the previous year. At both the holding company and segment level, these are sales revenue, year-on-year revenue growth and the operating result (EBITDA). EBITDA provides information on profitability and includes all items of the income statement relating to operating performance. Because of their importance for the financial success of the business, the key performance indicators of revenue and EBITDA are also essential components of the performance management system.

As of January 1, 2019, the new **IFRS 16** accounting standard had to be applied for the first time, according to which leases of all types must always be recognized in the balance sheet. In order to better compare with the previous year, EBITDA is also presented adjusted for IFRS 16.

FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

In EUR million	FY 2019	FY 2018	Δ in %	Δ in % currency adjusted	Δ in % organic	Δ in % organic + currency adjusted
Group sales	556.9	461.3	20.7%	18.0%	15.8%	13.1%
Design	314.6	285.4	10.2%	8.6%	–	–
Build	177.7	141.5	25.6%	20.7%	–	–
Manage	38.5	13.8	178.8%	178.5%	14.0%	14.0%
Media & Entertainment	33.9	27.5	23.2%	20.1%	–	–
EBITDA	165.7	121.3	36.6%	32.8%	33.0%	29.1%
Design	102.0	82.7	23.3%	21.3%	–	–
Build	61.6	41.8	47.3%	40.3%	–	–
Manage	7.9	2.9	171.8%	173.6%	29.3%	29.3%
Media & Entertainment	9.4	11.9	–20.5%	–22.1%	–	–
EBITDA before IFRS 16	150.5	121.3	24.1%	20.3%	21.4%	17.5%
Design	94.5	82.7	14.2%	12.2%	–	–
Build	56.2	41.8	34.3%	27.4%	–	–
Manage	6.5	2.9	123.8%	125.6%	–	–
Media & Entertainment	9.0	11.9	–23.9%	–25.5%	–	–

A detailed explanation of the development of the segments in 2019 compared with the previous year can be found under item 3.3. In addition, a comparison of actual and forecast business development can be found under item 4.