
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, 2020 and 2019

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2020	2019	[Notes]
Revenues	596,905	556,879	[1]
Other income	10,161	6,215	[2]
Operating income	607,066	563,094	
Cost of goods and services	-23,682	-20,246	[3]
Personnel expenses	-267,065	-239,427	[4]
Depreciation of property, plant and equipment and amortization of intangible assets	-49,778	-42,052	[5]
<i>thereof amortization of intangible assets due to purchase price allocation</i>	-24,498	-17,062	
Other expenses	-144,027	-137,757	[6]
Operating expenses	-484,552	-439,483	
Operating result (EBIT)	122,515	123,611	
Interest income	278	858	[7]
Interest expenses	-2,979	-3,165	[7]
Other financial expenses/income	-61	1,907	[9]
Net finance costs	-2,761	-400	
Share of net profit of associates	274	531	[18]
Gain on disposal of shares in associates	0	29,927	[8]
Earnings before taxes (EBT)	120,027	153,669	
Income taxes	-22,334	-26,415	[10]
Net income for the year	97,693	127,254	
Other comprehensive income:			
Difference from currency translation	-30,894	3,173	
Items of other comprehensive income that are reclassified subsequently to profit or loss	-30,894	3,173	
Gains/losses from the revaluation of defined benefit pension plans	-200	-184	
Tax effect	57	55	
Items of other comprehensive income that will not be reclassified to profit or loss	-143	-129	
Subtotal other comprehensive income	-31,036	3,044	
Total comprehensive income for the year	66,657	130,298	
Net profit or loss for the period attributable to:			
Equity holders of the parent	96,947	127,155	
Non-controlling interests	747	99	
Net income for the year	97,693	127,254	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	67,813	130,196	
Non-controlling interests	-1,156	102	
Total comprehensive income for the year	66,657	130,298	
Earnings per share (undiluted) in euros	0.84	1.10	[11]
Earnings per share (diluted) in euros	0.84	1.10	[11]
Average number of shares outstanding (undiluted)	115,500,000	115,500,000	[24]
Average number of shares outstanding (diluted)	115,500,000	115,500,000	[24]

Consolidated statement of financial position

as at December 31, 2020 and December 31, 2019

STATEMENT OF FINANCIAL POSITION

Assets	Thousands of €	December 31, 2020	December 31, 2019	[Notes]
Current assets				
Cash and cash equivalents		139,320	209,143	[12]
Trade receivables		64,571	62,046	[13]
Inventories		642	1,012	[14]
Income tax receivables		6,010	3,945	[10]
Other financial assets		1,624	1,089	[14], [23]
Other non-financial assets		24,204	18,268	[14]
Current assets, total		236,371	295,503	
Non-current assets				
Property, plant and equipment		21,628	27,620	[15]
Intangible assets		138,176	127,660	[16]
Goodwill		416,706	325,041	[16]
Right-of-use assets		61,328	66,163	[17]
Investments in associates		1,344	1,101	[18]
Deferred tax assets		7,465	6,250	[10]
Other financial assets		4,835	5,613	[14], [23]
Other non-financial assets		1,809	2,253	[14]
Non-current assets, total		653,290	561,701	
Total assets		889,661	857,204	

Equity and liabilities	Thousands of €	December 31, 2020	December 31, 2019	[Notes]
Current liabilities				
Short-term borrowings and current portion of long-term loans		59,601	58,623	[19], [23]
Trade payables		11,229	12,404	[19], [23]
Provisions and accrued liabilities		56,250	43,999	[20]
Deferred revenue		129,469	118,474	[1]
Income tax liabilities		9,253	10,967	[10]
Other financial liabilities		1,618	2,131	[19], [23]
Lease liabilities		13,369	12,589	[19], [23]
Other non-financial liabilities		15,023	12,455	[21]
Current liabilities, total		295,813	271,642	
Non-current liabilities				
Long-term borrowings without current portion		70,670	129,500	[19], [23]
Deferred tax liabilities		25,222	23,342	[10]
Pensions and related obligations		3,083	1,940	[22]
Provisions		4,153	3,235	[20]
Deferred revenue		2,406	3,711	[1]
Income tax liabilities		3,050	3,103	[10]
Other financial liabilities		8,731	7,085	[19], [23]
Lease liabilities		54,254	57,738	[19], [23]
Other non-financial liabilities		4,986	7,292	[21]
Non-current liabilities, total		176,556	236,946	
Equity				[24]
Subscribed capital		115,500	115,500	
Capital reserve		12,485	12,485	
Retained earnings		315,341	230,924	
Other comprehensive income		-39,408	-10,396	
Equity (group shares)		403,919	348,513	
Non-controlling interests		13,373	103	
Equity, total		417,292	348,616	
Total equity and liabilities		889,661	857,204	

Consolidated cash flow statement

for the period from January 1 to December 31, 2020 and 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	2020	2019	[Notes]
Profit (before tax)	120,027	153,669	
Depreciation and amortization of fixed assets	49,778	42,052	
Net finance costs	2,761	400	
Share of net profit of associates	-274	-30,458	
EBITDA	172,293	165,663	[26]
Other non-cash transactions	5,202	-520	
Cash flow for the period	177,494	165,143	[26]
Change in trade working capital	6,816	15,900	
Change in other working capital	9,246	4,964	
Dividends received from associates	31	22	
Interests received	208	829	
Income taxes received	6,966	1,527	
Income taxes paid	-43,270	-28,010	
Cash flow from operating activities	157,490	160,375	[26]
Capital expenditure	-9,100	-19,273	
Cash received from disposal of shares in associate	0	33,345	
Changes in liabilities from acquisitions	-637	0	
Cash received from disposal of fixed assets	421	67	
Cash paid for acquisition of subsidiaries, net of cash acquired	-101,689	-97,921	
Cash flow from investing activities	-111,005	-83,782	[26]
Dividend payments	-32,340	-31,185	
Dividend payments to non-controlling interests	-938	-93	
Cash received from bank loans	6,850	0	
Repayment of borrowings	-65,385	-72,480	
Changes in bank liabilities due to company acquisitions	0	130,000	
Principal elements of lease payments	-13,156	-11,255	
Interests paid	-2,670	-2,811	
Payments for acquisitions of non-controlling interests	-1,500	-1,500	
Cash flow from financing activities	-109,139	10,676	[26]
Changes in cash and cash equivalents	-62,653	87,269	
Effect of exchange rate differences on cash and cash equivalents	-7,170	1,126	
Cash and cash equivalents at the beginning of the period	209,143	120,747	
Cash and cash equivalents at the end of the period	139,320	209,143	[12]

Consolidated statement of changes in equity

for the period from January 1, 2019 to December 31, 2020

EQUITY

Thousands of €	Equity attributable to the parent company's shareholders				Total	Non-controlling interests	Total equity
	Subscribed capital	Capital reserve	Retained earnings	Translation reserve			
As of January 1, 2019	38,500	12,485	212,084	- 13,566	249,503	94	249,597
Other comprehensive income	-	-	- 129	3,170	3,041	3	3,044
Net income for the year	-	-	127,155	-	127,155	99	127,254
Total comprehensive income for the year	0	0	127,026	3,170	130,196	102	130,298
Capital increase from the company's funds	77,000	-	- 77,000	-	0	-	0
Dividend payments to non-controlling interests	-	-	-	-	0	- 93	- 93
Dividend payment	-	-	- 31,185	-	- 31,185	-	- 31,185
As of December 31, 2019	115,500	12,485	230,924	- 10,396	348,513	103	348,616
As of January 1, 2020	115,500	12,485	230,924	- 10,396	348,513	103	348,616
Other comprehensive income	-	-	- 121	- 29,012	- 29,133	- 1,903	- 31,036
Net income for the year	-	-	96,947	-	96,947	747	97,693
Total comprehensive income for the year	0	0	96,825	- 29,012	67,813	- 1,156	66,657
Acquisition of a subsidiary	-	-	19,932	-	19,932	15,364	35,296
Dividend payments to non-controlling interests	-	-	-	-	0	- 938	- 938
Dividend payment	-	-	- 32,340	-	- 32,340	-	- 32,340
As of December 31, 2020	115,500	12,485	315,341	- 39,408	403,919	13,373	417,292

For more information, reference is made to the notes [business combinations](#) and [\[24\] Equity](#).

Notes to the consolidated financial statements for the fiscal year 2020

General information

Nemetschek SE is the ultimate parent company of Nemetschek Group. Its headquarters are located at Konrad-Zuse-Platz 1, 81829 Munich, Germany, and it is entered into the commercial register at the Local Court of Munich (HRB 224638). Nemetschek SE and its subsidiaries (collectively "Nemetschek Group", "Nemetschek") provide software for the AEC/O (Architecture, Engineering, Construction and Operation) industry.

Nemetschek SE, as the ultimate parent has been quoted on the German stock exchange in Frankfurt am Main since March 10, 1999. Nemetschek is listed on the TecDAX and MDAX.

The consolidated financial statements of Nemetschek SE as at December 31, 2020 comprise Nemetschek SE and its subsidiaries and are prepared in compliance with International Financial Reporting Standards and the relevant interpretations (IFRS) as to be applied in the European Union (EU) as at December 31, 2020, and the additional requirements pursuant to § 315e HGB German Commercial Code (HGB).

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 presentation of certain prior-year information has been changed to conform to the current year presentation to reflect the market practice as well as for reasons of usability and materiality,

Accounting standards applied for the first time in 2020

The Group has initially adopted *Definition of a Business (Amendments to IFRS 3)* from January 1, 2020. A number of other new standards are also effective from January 1, 2020 but they do not have a material effect on the Group's financial statements.

The Group applied *Definition of a Business (Amendments to IFRS 3)* to business combinations whose acquisition dates are on or after January 1, 2020 in assessing whether it had acquired a business or a group of assets.

Accounting standards that are not yet effective

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.

PUBLISHED FINANCIAL REPORTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

Amendments to standards/interpretations	Mandatory application	Anticipated effects
IFRS 16	Covid-19-Related Rent Concessions June 1, 2020	No material effects expected
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform - Phase 2 Jan. 1, 2021	No material effects expected
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 Jan. 1, 2021	No effects expected
IFRS 3	References to the Conceptual Framework Jan. 1, 2022	No material effects expected
IAS 37	Onerous Contracts - Costs of Fulfilling a Contract Jan. 1, 2022	No material effects expected
IAS 16	PP&E: Proceeds before Intended Use Jan. 1, 2022	No material effects expected
AIP 2018-2020	IFRS 1, IFRS 9, IFRS 16, IAS 41 Jan. 1, 2022	No material effects expected
IFRS 17	Including Amendments to IFRS 17 Jan. 1, 2023	No effects expected
IAS 1	Classification of Liabilities as Current or Non-current including Deferral of Effective Date Jan. 1, 2023	No material effects expected

Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with the consolidation accounting and valuation principles described below.

Consolidation principles

The consolidated financial statements include subsidiaries and associates. The financial statements of the individual consolidated companies are prepared as of the closing date of the Group financial statements.

In **2020** the scope of consolidation changed as follows:

- » In the first quarter, 100% of the shares in Red Giant LLC were acquired.
- » In the fourth quarter, 100% of the shares in DEXMA Sensors S.L. were acquired.
- » The liquidation of NEVARIS BIM Software GmbH was completed. The entity was deconsolidated in the fiscal year.
- » The liquidation of SDS/2 Ltd. was completed. The entity was deconsolidated in the fiscal year.

In **2019** the scope of consolidation changed as follows:

- » In the first quarter, 100% of the shares in Axxerion Group B.V. were acquired.
- » In the second quarter, 100% of the shares in Redshift Rendering Technologies Inc. were acquired.
- » The liquidation of Nemetschek OOO was completed. The entity was deconsolidated in the fiscal year.

A schedule of the shareholdings of Nemetschek SE is shown in section [33] of the consolidated financial statements.

Subsidiaries

Subsidiaries are companies over which Nemetschek is currently able to exercise power by virtue of existing rights. Power means the ability to direct the relevant activities that significantly affect a company's profitability. Control is therefore only deemed to exist if Nemetschek is exposed, or has rights, to variable returns from its involvement with a company and has the ability to use its power over that company to affect the amount of that company's returns. Inclusion of an entity's accounts in the consolidated financial statements begins when the Nemetschek Group is able to exercise control over the entity and ceases when it is no longer able to do so.

Acquired businesses are accounted for using the acquisition method, which requires that the assets acquired and liabilities assumed be recorded at their respective fair values on the date Nemetschek obtains control. For significant acquisitions, the purchase price allocation is carried out with assistance from inde-

pendent third-party valuation specialists. The related valuations are based on the information available at the acquisition date. Ancillary acquisition costs are recognized as expenses in the periods in which they occur. The initial value recognized includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On the acquisition date, the fair value of the contingent consideration is recognized as part of the consideration transferred in exchange for the acquiree. According to IFRS 3, for each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net assets (partial goodwill method).

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized immediately in the consolidated statement of comprehensive income.

Non-controlling interests

Non-controlling interests have a share in the earnings of the reporting period. Their interests in the shareholders' equity of subsidiaries are reported separately from the equity of the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For transactions with non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

Associates

Associates are companies over which Nemetschek SE exerts significant influence, generally through an ownership interest between 20% and 50%. They are accounted for using the equity method. The carrying amounts of companies accounted for using the equity method are adjusted annually to reflect the share of earnings, dividends distributed and other changes in the equity of the associates attributable to the investments of Nemetschek.

An impairment loss is recognized on investments accounted for using the equity method, including goodwill in the carrying amount of the investment, if the recoverable amount falls below the carrying amount. Impairment losses and their reversals are recognized in the line item "share of net profit of associates." Gains or losses from the disposal are recognized in financial income or expenses.

Unless stated otherwise, the financial statements of the associates are prepared as of the same balance sheet date as Nemetschek SE. Where necessary, adjustments are made to comply with the Group's accounting policies.

Valuation methods

The following table shows the most important subsequent valuation principles:

SUBSEQUENT VALUATION METHODS

Item	Valuation Methods
Assets	
Cash and cash equivalents	Nominal amount
Trade receivables	Amortized costs
Inventories	Lower of cost and net realizable value
Other financial assets	See separate table
Other non-financial assets	Amortized costs
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant and equipment	Amortized costs
Intangible assets	
<i>With definite useful life</i>	<i>Amortized costs</i>
<i>With indefinite useful life</i>	<i>Impairment-only approach</i>
Goodwill	Impairment-only approach
Right-of-use assets	Amortized costs
Equity and liabilities	
Borrowings	Amortized costs
Trade payables	Amortized costs
Provisions	Present value of future settlement amount
Deferred revenue	Expected settlement amount
Other financial liabilities	Amortized costs or fair value through profit or loss
Other non-financial liabilities	Amortized costs
Pensions and related obligations	Projected unit credit method
Accrued liabilities	Amortized costs

Financial assets are classified and measured according to IFRS 9. Purchase and sale of financial assets are recognized on the trade date and are initially measured at fair value. Subsequently, a financial asset is measured at 1) amortized cost, 2) at fair value through other comprehensive income or 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: the business model under which the financial asset is held as well as the cash flow conditions of the instrument.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss: financial asset which is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

All financial assets which are not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through 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, in which case all affected financial assets are reclassified.

The subsequent measurement of financial assets is as follows:

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS ACCORDING TO IFRS 9

IFRS 9 category	Subsequent measurement principle
Amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by loss allowances. Interest income, foreign exchange gains and losses and loss allowances are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Fair value through other comprehensive income (debt instrument)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and loss allowances are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, accumulated gains and losses are reclassified to profit or loss.
Fair value through other comprehensive income (equity instrument)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. When available, management uses external resources like market studies to support the assumptions. Revisions to estimates are recognised prospectively. Besides other risk factors impacting the Groups business, additional uncertainties arising from the Covid-19 pandemic have been factored in.

Information about assumptions and estimation uncertainties at December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year is included in the following notes:

- » Note [16] - Impairment of goodwill: key assumptions underlying recoverable amounts.
- » Note **business combinations**: fair value of the consideration transferred (including contingent consideration), fair value of intangible assets acquired as well as their useful lives.
- » Note [10] - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized.
- » Notes [13] and [23] - measurement of loss allowances for trade receivables: The determination of loss allowances is based on historical values which are adjusted to account for information relating to the future. Material (special) items from the past may distort risk provisioning, which may make correction necessary.

Fair value estimation

IFRS 7 requires for financial instruments that are measured in the statement of financial position at fair value in accordance with IFRS 13 a disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- » Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- » Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is derived from prices), and
- » Level 3: Inputs for asset or liability that are not based on observable market data (that is unobservable inputs).

On December 31, 2020 and 2019, the Group's financial instruments carried in the statement of financial position at fair value are categorized within Level 3 of the fair value hierarchy. They are reported in the statement of financial position as other financial liabilities. In accordance with IFRS 13, the following overview shows the valuation methods as well as the unobservable inputs used:

- » **Type**
Contingent consideration
- » **Valuation method**
The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value adjustments are recognized under other financial expenses/income.
- » **Significant unobservable input**
Probability adjusted revenues and profits
- » **Relationship of unobservable inputs to fair value**
An increase in the probability adjusted revenues and profits used in isolation would result in an increase in the fair value.

The fair value of financial assets and financial liabilities that are not measured at fair value but for which fair value disclosures are required are included in Level 3 categories. The fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are prepared in EUR, which is the Group's presentation currency.

Group companies

In the consolidated financial statements, the assets and liabilities of companies that do not use the euro as their functional currency are translated as follows:

- » Assets and liabilities are translated at the closing rate on the date of that consolidated statement of financial position. Goodwill and fair value adjustments arising through the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Equity components are translated at the historical exchange rates prevailing at the respective dates of their first-time recognition in the Group equity.
- » Income and expenses are translated at average exchange rates; and
- » all resulting exchange differences are recognized as a separate component of equity.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the actual exchange rates on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. There is an exception for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand, and short-term deposits with maturities of three months or less from the date of acquisition. Cash equivalents are highly liquid short-term financial investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash not available from rental guarantee deposits is disclosed as other financial assets. For the purposes of the consolidated cash flow statement, cash and cash equivalents as described above are net of outstanding bank overdrafts.

Trade receivables

Trade receivables are recognized at the transaction price, which represents the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Subsequently, these are measured at amortized cost.

Inventories

Inventories mainly comprise hardware and third party licenses, which are 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.

Other financial assets

Other financial assets are classified based on the business model for managing these assets and the contractual cash flow characteristics. Those other financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the respective business model for managing the financial assets. Financial assets held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured at amortized cost. Nemetschek mainly has security deposits which fall under this category.

Impairment of financial assets

Impairment losses for debt instruments measured at amortized cost or at fair value through other comprehensive income are recognized in accordance with IFRS 9 *Financial Instruments*. The standard requires that not only historical data but also future expectations and projections are taken into consideration when accounting for impairment losses (expected credit loss model).

For trade receivables and contract assets as per IFRS 15, Nemetschek consistently applies the simplified approach and recognizes lifetime expected credit losses. In order to calculate the collective loss allowance, the Nemetschek Group determines a default rate on the basis of historical defaults and adjusts these with forward looking information if appropriate. The rates are reviewed on a regular basis to ensure that they reflect latest data on credit risk. In case objective evidence of credit impairment is observed for trade receivables from a specific customer, a detailed analysis of the credit risk is performed, and an appropriate individual loss allowance is recognized for this customer. Trade receivables are considered to be in default when it is expected that the debtor will not fulfill its credit obligations toward Nemetschek. Loss allowances on trade receivables are presented as other operating expenses in the consolidated statement of comprehensive income.

For other financial assets, Nemetschek Group applies the general impairment approach. As it is the policy of Nemetschek Group to invest only in high-quality assets of issuers with a minimum internal or external rating of at least investment grade, the low credit risk exception is used. Thus, these assets are always allocated to stage 1 of the three-stage credit loss model and, if material, a loss allowance for an amount equal to 12-month expected credit losses will be recorded. Impairment losses on other financial assets are shown in the line item "Other financial expenses". The credit risk of cash and cash equivalents measured at amortized cost is

insignificant due to their short-term maturity, counterparties' investment grade credit ratings and established exposure limits. Therefore, Nemetschek Group did not recognize any credit impairment losses of those financial assets.

Other non-financial assets

Accrued items and other non-financial assets are carried at amortized cost. The Group recognizes contract assets under the balance sheet position "Other non-financial assets." A contract asset is a right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Property, plant and equipment

Property, plant and equipment are measured at amortized cost. This comprises any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized for those assets, with the exception of land and construction in progress, over the estimated useful life utilizing the "straight-line method" and taking into account any potential residual value. Parts of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately.

The estimated useful lives of property, plant and equipment are as follows:

TABLE OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

	Useful life in years
Vehicles	5
Office equipment	3 – 10
Leasehold improvements	5 – 10

Expenditure for repairs and maintenance is expensed as incurred. Renewals and improvements are capitalized and depreciated separately if the recognition criteria are met.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income/expenses."

Intangible assets and goodwill

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. For purposes of internal and external reporting, the activities of Nemetschek Group are broken down into the Design, Build, Manage and Media & Entertainment segments. The budget for 2021 and the medium-term planning for the subsequent years were drawn up on the basis of this reporting structure.

Intangible assets (except goodwill)

Separately acquired intangible assets are shown at historical cost less accumulated amortization. Intangible assets acquired in a business combination are recognized at fair value on the acquisition date. Intangible assets which have a finite useful life will be amortized over their estimated useful lives. Amortization is calculated using the straight-line method. Intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually. Furthermore, intangible assets which are determined to have indefinite useful lives and therefore are not amortized, will be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for these assets. As in the previous year, the Group has no intangibles with an indefinite useful life.

The Group's intangibles are not qualifying assets in accordance with IAS 23. Therefore no borrowing costs are capitalized.

The useful lives of intangible assets acquired in a business combination are estimates based on the economics of each specific asset which were determined in the process of the purchase price allocation. The major part of these assets are brand names, software, customer relationships and non-compete agreements. Intangibles acquired in a business combination are amortized as follows:

USEFUL LIFE OF INTANGIBLE ASSETS FROM THE PURCHASE PRICE ALLOCATION

	Useful life in years
Brand name	10 – 15
Software	5 – 12
Customer relationship	10 – 25
Non-compete agreement	2 – 3

Development costs

Costs of research are expensed in the period in which they are incurred. Costs for development activities, whereby research findings are applied to a plan or design for the development of new or substantially improved intangible asset, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable. Furthermore, Nemetschek Group intends, and has sufficient resources, to complete development and use or sell the intangible asset. In the fiscal year 2020, as well as in the previous year, none of the development projects fulfilled the capitalization criteria. Development costs in the amount of EUR 142,006k (previous year: EUR 133,253k) and amortization of software acquired in business combinations in the amount of EUR 14,516k (previous year: EUR 9,055k) are carried as expenses.

Impairment of non-financial assets

Assets with a finite useful life

For assets with a finite useful life, an impairment test is needed if there are indications that those assets may be impaired. If such indications exist, the amortized carrying value of the asset is compared to the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the discounted present value of future cash flows expected to arise from the continuing use of the asset. In the case of an impairment, the difference between the amortized carrying amount and the lower recoverable amount is recognized as an expense in profit or loss. If evidence exists that the reasons for the impairment no longer exist, the impairment loss is reversed. The reversal cannot result in an amount exceeding amortized cost.

Goodwill and other assets with an indefinite useful life

Intangible assets with an indefinite useful life, intangible assets not yet ready for use or advance payments on such assets as well as goodwill must be tested for impairment annually. A test is also performed whenever there is any indication that an asset might be impaired. Where the reasons for an impairment no longer exist, the impairment loss is reversed, except in the case of goodwill.

The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of those from other assets or other groups of assets or cash-generating units. In these cases, the impairment test is performed at the relevant level of cash-generating units to which the asset is attributable. 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.

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.

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 fiscal year 2021 is prepared applying certain uniform Group assumptions "from the bottom to the top" (bottom-up method). The cash flows for the 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 do not account for capacity expanding investments for which cash flows have not yet been incurred. 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 fiscal year 2020 a growth rate of up to 2.0% (previous year: 2.0%) was assumed.

The budgets are driven by a strongly growing business during the planning period of three to five years. In the terminal value a growth rate between 1,5% and 2,0% is estimated leading to a gap between the last year of the detail plan and the terminal value. To derive a more realistic recoverable amount, a three years convergence period is applied. Within that period the growth rate at the end of the detail planning period converges to the growth rate applied in the terminal value.

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 or group of cash-generating units 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 (with a floor applied by 0%), 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 specific risk of the respective cash-generating unit or group of cash-generating units. The discount rate applied to derive the present value of the cash flow forecasted ranges between 8.29% and 10.24% (previous year: 12.92% and 13.50%) before tax.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of vehicles and office equipment, the Group has elected not to separate non-lease components and instead account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group recognizes leasehold improvements as an item of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted by using the incremental borrowing rate, as the interest rate implicit in the lease cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- » fixed payments, including in-substance fixed payments
- » variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- » amounts expected to be payable under a residual value guarantee; and
- » the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, when there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, when the Group changes its assessment of whether it will exercise a purchase, extension or termination option or when there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial liabilities

Financial liabilities primarily include trade payables, borrowings and other financial liabilities. Upon initial recognition, financial liabilities are measured at fair value. 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 be recognized.

Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are carried at amortized cost using the effective interest method. Trade payables, borrowings and other financial liabilities, in particular, are classified in this category.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss primarily include contingent consideration. Gains or losses on financial liabilities that are measured at fair value through profit or loss are included in profit or loss. Financial liabilities are derecognized when the contractual obligation is discharged or canceled, or has expired.

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.

Provisions

Provisions are recognized when the Group has a present obligation (legal or factual) 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 if the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Deferred revenue

Deferred revenue relates to the advance consideration received from customers for which revenue is recognized over time.

Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, social security contributions, vacation and sickness pay. They are recognized with the undiscounted amount to be paid in exchange for the service rendered by the employee.

Pensions

The Group provides company pension plans for certain employees. The provisions are measured every year by reputable independent appraisers. Provisions for pensions are determined using the projected unit credit method. 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 in other comprehensive income. Effects resulting from interests are disclosed accordingly in interest result.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognized as a liability and expense on the earlier date of:

- » when the entity can no longer withdraw the offer of those benefits; or
- » when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Provisions for other long-term employee benefits

Other long-term employee benefits such as anniversary allowances are comprised of the present value of future payment obligations to the employee less any associated assets measured at fair value. Gains and losses from the remeasurement are recognized in profit or loss in the period in which they are incurred.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are not recognized in the consolidated financial statement of financial position but are disclosed and explained in the Notes.

Taxes

Current income taxes

Current income taxes are calculated within the Nemetschek Group on the basis of tax legislation applicable in the relevant countries. To the extent that judgement was necessary to determine the treatment and amount of tax items presented in the financial statements, there is in principle a possibility that local tax authorities may take a different position.

Deferred taxes

Deferred taxes are recognized on all temporary differences between the tax and accounting bases of assets and liabilities and on consolidation procedures. No deferred tax is recognized for non-tax-deductible goodwill. The deferred taxes are measured at the applicable tax rates related to the period when the temporary differences are expected to reverse. Changes in tax rates are recognized once the rate has been substantially enacted. Deferred tax assets are not recognized if it is not probable that they will be realized in the future.

Revenues

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer.

The following is a description of principal activities from which the Group generates its revenue.

Software

Standard software

Standard software only includes the software performance obligation. Revenue from standard software is recognized when control of the software passes on to the customer. Control of the software 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.

Software rental models

The Nemetschek Group's software rental models usually include the performance obligations "Software" and "User support" or "Upgrade." The performance obligation "User support"/"Upgrade" 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:

- » For software rental models that include access to the most recent version of the corresponding application via servers provided by Nemetschek Group companies, revenue is recognized straight-line over the term of the contract.
- » In case the customer runs the application directly on the customer's own system, revenue is recognized at the point in time the customer has control over the software. The allocation of revenue to "Software" and other performance obligations is based on the residual value method or on the adjusted market assessment approach. The latter includes judgements about technology lifetime cycles.

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 an agent 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.

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 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 stand-ready obligations according to IFRS 15, for which revenue is recognized straight-line over 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 twelve months.

Consulting

Consulting services constitute in general separate performance obligations for which 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.

Hardware

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

Training

Revenue from trainings is recognized after the service has been rendered due to the short service performance period.

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.

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 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 organized the Group into four operational business segments: Design, Build, Manage and Media & Entertainment which form four reportable segments.

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.

Business combinations

Acquisitions in 2020

Red Giant LLC, Portland, United States

Under the purchase agreement of December 17, 2019, Maxon Computer GmbH acquired 100% of the shares of Red Giant LLC. The Group obtained control as at January 7, 2020. Red Giant offers a comprehensive product portfolio of motion graphics and innovative visual effects. With the acquisition Nemetschek expects to capture significant growth and technology synergies in the Media & Entertainment segment through better market and customer access and by leveraging the worldwide sales and reseller team.

The consideration transferred consists of EUR 79,553k in cash and 16% shares in Maxon Computer GmbH with a fair value of EUR 52,673k. The net cash flow on acquisition amounts to EUR 78,978k. The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

RED GIANT

Thousands of €	2020
Intangible assets	33,702
Property, plant and equipment	70
Trade receivables	667
Other current assets	164
Cash and cash equivalents	575
Deferred tax assets	330
Total assets acquired	35,509
Deferred tax liabilities	8,318
Accounts payable	215
Other current liabilities	971
Provisions and accruals	428
Deferred revenue	1,653
Total liabilities assumed	11,585
Net assets acquired	23,924

The carrying amount of the software acquired at December 31, 2020 amounted to EUR 18,784k with a remaining amortisation period of 4 years.

The fair value of the trade receivables amounts to EUR 667k which is also the gross amount of trade receivables. It is expected that the full contractual amounts can be collected.

The non-controlling interest (16% ownership interest in Maxon Computer GmbH) recognized at the acquisition date in the amount of EUR 15,364k was measured by applying the partial goodwill method.

The goodwill arising from the acquisition has been recognized as follows.

RED GIANT

Thousands of €	2020
Consideration transferred - total	132,226
Net assets acquired	-23,924
Goodwill allocated to non-controlling interests (not capitalized due to partial goodwill method)	-17,377
Goodwill	90,925

The identified goodwill represents synergies in the Media & Entertainment segment. None of the goodwill recognized is expected to be deductible for tax purposes. The net exchange rate differences arising on goodwill during the reporting period amounted to EUR -7,988k.

As part of the transaction, hidden reserves of Maxon Computer GmbH in the amount of EUR 19,932k were realized in equity.

Since January 2020, the company has generated revenues of EUR 18.8 million and an EBITDA of EUR 3.5 million.

DEXMA Sensors S.L., Barcelona, Spain

With the purchase agreement of December 11, 2020, Axxerion Group B.V., acquired 100% of the shares of DEXMA Sensors S.L. The company is a provider of innovative Software-as-a-Service solutions with artificial intelligence / machine learning capabilities for energy data management. Axxerion Group B.V. acquired DEXMA Sensors S.L. because it complements the existing portfolio for facility management, property management and smart building. The purchase price amounted to EUR 19,269k in cash which results in a net cash flow on acquisition of EUR 18,474k. As part of the purchase agreement with the previous owners, a contingent consideration has been agreed. There will be additional cash payments to the previous owners of up to EUR 5,000k if specified revenue targets and earnings targets as well as technical milestones are met. As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 3,968k. On the basis of the current information obtained, the residual goodwill amounted to EUR 20,609k. The goodwill is not expected to be deductible for tax purposes.

The impact on the Groups profit or loss in 2020 is immaterial.

RISA Tech, Inc., Foothill Ranch, United States

Under the purchase agreement of April 14, 2020, RISA Tech, Inc., acquired assets of ADAPT Corporation within the scope of an asset deal, meeting the criteria for a business combination. The Group obtained control as at May 1, 2020. The purchase price amounted to EUR 4,237k. On the basis of the preliminary purchase price allocation, customer relationships amounting to EUR 1,106k, brand name amounting to EUR 372k and technology amounting to EUR 279k were recognized. On the basis of the preliminary purchase price allocation, the resulting goodwill amounted to EUR 2,882k.

Acquisitions in 2019

Axxerion Group B.V., MR Heteren, Netherlands

Under the purchase agreement of January 11, 2019, Spacewell acquired 100% of the shares of Axxerion Group B.V., MR Heteren, Netherlands. The transfer of benefits and encumbrances was completed as at the end of January 19, 2019. Axxerion Group B.V. is one of the leading providers of cloud-based software solutions for facility management and property management. Spacewell acquired the company because it strengthens competence in building operations. The fair values of the identifiable assets and liabilities of Axxerion Group B.V. as at the date of acquisition were:

AXXERION	
Thousands of €	2019
Goodwill	54,905
Intangible assets	31,333
Property, plant and equipment	201
Right-of-use assets	1,670
Trade receivables	2,479
Other current assets	88
Cash and cash equivalents	3,383
Total assets acquired	94,058
Deferred tax liabilities	8,006
Long-term debts	1,660
Trade payables	353
Other current liabilities	3,957
Deferred revenue	3,236
Total liabilities assumed	17,211
Net assets acquired	76,848
Purchase consideration transferred	76,848

The identified goodwill represents synergies in the Manage segment. None of the goodwill recognized is expected to be deductible for tax purposes. The fair value of the trade receivables amounts to EUR 2,479k, the gross amount of trade receivables is EUR 2,488k. It is expected that the full contractual amounts can be collected.

The purchase consideration transferred consists of EUR 76,848k in cash which results in a net cash flow on acquisition of EUR 73,465k.

Since joining the Group, the company has generated revenues of EUR 12.1 million and an EBITDA of EUR 3.0 million. If Axxerion Group B.V. had been in the Group for the entire fiscal year 2019, it would have contributed to the consolidated earnings with revenue in the amount of EUR 12.6 million and an EBITDA of EUR 3.1 million.

Redshift Rendering Technologies, Inc., Newport Beach, United States

With the purchase agreement of April 5, 2019, Maxon Computer, Inc., acquired 100% of the shares of Redshift Rendering Technologies, Inc. Redshift offers a powerful and flexible GPU-based rendering solution for the creation of visual effects, animations and animated graphics. Maxon acquired Redshift because it strengthens competence in the market for 3D content creation and rendering.

The fair values of the identifiable assets and liabilities of Redshift Rendering Technologies, Inc. as at the date of acquisition were:

REDSHIFT

Thousands of €	2019
Goodwill	24,334
Intangible assets	9,807
Property, plant and equipment	24
Right-of-use assets	227
Other non-current assets	8
Trade receivables	41
Other current assets	139
Cash and cash equivalents	3,098
Total assets acquired	37,677
Deferred tax liabilities	2,932
Long-term debts	142
Current debts	85
Other current liabilities	32
Deferred revenue	1,377
Total liabilities assumed	4,568
Net assets acquired	33,109
Purchase consideration transferred	33,109

The fair value of the trade receivables amounts to EUR 41k which is also the gross amount of trade receivables. It is expected that the full contractual amounts can be collected. The identified goodwill represents synergies in the Media & Entertainment segment. None of the goodwill recognized is expected to be deductible for tax purposes.

As part of the purchase agreement with the previous owner, a contingent consideration has been agreed. There will be additional cash payments to the previous owners of up to EUR 7,567k if specified revenue targets and earnings targets as well as technical milestones are met. As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 5,778k. As at December 31, 2019 the first technical milestone was met and the contingent consideration proportionately paid in 2020. As at December 31, 2020 the second technical milestone was also met. The fair value of the contingent consideration determined at December 31, 2020 amounts to EUR 6,039k (previous year: EUR 6,078k). The remeasurement charge has been recognized through profit or loss.

The purchase consideration transferred consists of EUR 27,331k in cash as well as a contingent consideration liability in the amount of EUR 5,778k which results in a net cash flow on acquisition of EUR 24,233k.

Since joining the Group, the company has generated revenues of EUR 4.7 million and an EBITDA of EUR 1.9 million. If Redshift had been in the Group for the entire 2019 fiscal year, it would have contributed to the consolidated earnings with revenue in the amount of EUR 6.3 million and an EBITDA of EUR 2.6 million.

Vectorworks, Inc., Columbia, Maryland, United States

Under the purchase agreement of August 7, 2019, Vectorworks, Inc. acquired the technology and 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 223k. On the basis of the purchase price allocation, technology amounting to EUR 85k and customer relationships amounting to EUR 27k were recognized. The resulting goodwill amounted to EUR 111k.

Notes to the consolidated statement of comprehensive income

[1] Revenue

Revenue recognized in the period related to the following:

REVENUES

Thousands of €	2020	2019
Standard software	209,995	228,200
Recurring revenues (software service contracts and rental models)	359,009	299,519
Services (consulting and training)	26,581	28,263
Hardware	1,321	897
	596,905	556,879

Recurring revenue includes revenue from software rental models in the amount of EUR 90,406k (previous year: EUR 50,329k).

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

REVENUES BY REGION

Thousands of €	2020	2019
Germany	146,464	141,164
Europe without Germany	189,208	175,574
Americas	202,057	188,370
Asia/Pacific	57,090	50,028
Rest of World	2,086	1,742
	596,905	556,879

The contract balances at December 31 are as follows:

CONTRACT BALANCES

Thousands of €	December 31, 2020	December 31, 2019
Contract assets	1,009	839
Deferred revenue	131,875	122,185
<i>thereof short-term</i>	129,469	118,474
<i>thereof long-term</i>	2,406	3,711

During the reporting period there have been no significant changes with regard to contract assets. For reasons of materiality, no expected credit loss allowance was recorded for contract assets. Advance consideration received from customers is reported as deferred revenue. As soon as the contractual services are rendered, these are recorded as revenue.

Of the amount totaling EUR 122,185k (previous year: EUR 95,375k) reported at the beginning of the period in deferred revenue, EUR 118,474k (previous year: EUR 95,113k) was recognized as revenue in 2020.

No revenue from performance obligations fulfilled in previous years was recognized in the 2020 fiscal year (previous year: EUR 0). As most of the contracts have a term of one year, no information is provided with regard to the remaining performance obligations as at December 31, 2020.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the contract term is one year or less. Additionally, the Group does not capitalize the incremental cost of obtaining a contract if the amortization period of the asset is one year or less. The breakdown of revenues by segment can be seen under segment reporting [25].

[2] OTHER INCOME

Thousands of €	2020	2019
Income from foreign currency transactions	5,442	2,944
Subsidies	1,808	1,222
Income from sale of property, plant and equipment	821	67
Customer base rental income	203	201
Income from trade fairs	110	591
Other	1,776	1,190
	10,161	6,216

[3] COST OF GOODS AND SERVICES

Thousands of €	2020	2019
Cost of purchased software licenses and hardware	20,436	16,434
Cost of purchased services	3,246	3,812
	23,682	20,246

[4] PERSONNEL EXPENSES

Thousands of €	2020	2019
Wages and salaries	225,743	199,627
Social security, other pension costs and welfare	41,322	39,800
	267,065	239,427

[5] AMORTIZATION AND DEPRECIATION

Thousands of €	2020	2019
Amortization of intangible assets other than those acquired in a business combination	2,248	3,071
Depreciation of property, plant and equipment	7,575	7,176
Depreciation of right-of-use assets	15,457	14,742
Depreciation / amortization of tangible and intangible assets	25,280	24,990
Amortization of intangible assets due to purchase price allocation	24,498	17,062
Total amortization and depreciation	49,778	42,052

[6] OTHER EXPENSES

Thousands of €	2020	2019
Expenses for third-party services	30,515	26,898
Commissions	24,087	19,096
Marketing expenses	22,721	25,438
EDP equipment	15,552	11,834
Legal and consulting expenses	12,167	12,517
Expenses from foreign currency transactions	6,544	2,788
Training and recruiting expenses	5,177	4,933
Ancillary rent costs	4,462	4,507
Travel expenses and hospitality	2,994	11,274
Communication expenses	2,604	3,553
Vehicle expenses	2,054	2,404
Other	15,150	12,517
	144,027	137,757

The item "Other" consists of various immaterial items.

[7] INTEREST INCOME / EXPENSES

Thousands of €	2020	2019
Other interest and similar income	278	858
Interest and similar expenses	-2,979	-3,165
	-2,701	-2,307

[8] Other financial income and expenses

Other financial expenditure/income amount to EUR -61k in the reporting year (previous year: EUR 1,907k) and relate to the revaluation of contingent consideration liabilities. For more details, reference is made to the note for business combinations and financial instruments [23].

[9] Share of profit of associates and gain on disposal of shares in associates

The income / expenditure from associates of EUR 274k (previous year: EUR 531k) relate to the income from Nemetschek OOD, Bulgaria (previous year: EUR 168k). The previous year also includes the income from DocuWare GmbH, Germering, Germany with EUR 363k. The shares were sold in the 2019 fiscal year.

In the previous year the gain on disposal of shares in associates of EUR 29,927k relate to the sale of the 22.41% share in the associate DocuWare GmbH. For more information, see [18].

[10] Taxes

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

INCOME TAXES

Thousands of €	2020	2019
Current tax expenses	-29,225	-34,496
Deferred tax income	6,891	8,081
thereof from addition / release of temporary differences	6,775	7,527
	-22,334	-26,415

The tax expenses for the fiscal year 2020 include tax income from previous years amounting to EUR 2,225k (previous year: tax expense EUR 32k). Furthermore, in the fiscal year 2020, EUR 57k (previous year: EUR 55k) deferred taxes from the revaluation of pension obligations were recorded in other comprehensive income without impacting profit or loss.

The income tax rates of the individual entities range from 11.1% to 33.5% (previous year: from 11.1% to 33.3%).

The tax rate for the fiscal year 2020 applied by Nemetschek SE is 32.4% (fiscal year 2019: 31.6%). It is calculated as follows:

INCOME TAX RATE

in %	2020		2019	
Earnings before taxes	100.0		100.0	
Trade tax (weighted)	16.6	16.6	15.8	15.8
	83.4		84.2	
Corporate income tax	15.0	15.0	15.0	15.0
Solidarity surcharge	0.8	0.8	0.8	0.8
	67.6	32.4	68.4	31.6

Deferred taxes are measured on the basis of the nominal tax rate of Nemetschek SE or the tax rate applying to the respective subsidiary.

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 taxes at the balance sheet date comprise the following:

DEFERRED TAXES

Consolidated balance sheet		
Thousands of €	2020	2019
Deferred tax assets resulting from		
Intangible assets	5,276	4,402
Property, plant and equipment	90	273
Financial Assets	215	0
Receivables	1,139	181
Deferred revenue	1,565	298
Pensions and related obligations	664	565
Provisions	2,493	2,549
Liabilities	742	503
Tax loss carryforward	3,552	3,166
Tax credit	1,200	1,470
Other	509	24
Lease liabilities	13,484	17,583
Offsetting	-23,464	-24,764
	7,465	6,250
Deferred tax liabilities resulting from		
Intangible assets	31,693	29,462
Property, plant and equipment	950	419
Receivables	534	173
Deferred revenue	116	39
Provisions	7	24
Liabilities	1,999	666
Other	1,243	586
Right-of-use assets	12,144	16,737
Offsetting	-23,464	-24,764
	25,222	23,342

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2020) for the fiscal years ending December 31, 2020 and 2019 is as follows:

INCOME TAX RECONCILIATION

Thousands of €	2020	2019
Earnings before taxes	120,027	153,669
Expected tax 32.4% (previous year: 31.6%)	38,853	48,575
Differences to German and foreign tax rates	-10,864	-8,515
Tax effects on:		
Investments accounted for at-equity	0	-129
Change in the recoverability of deferred tax assets and tax credits	2,311	-1,120
Change of deferred taxes on permanent differences	244	23
Current and deferred taxes previous years	-2,225	32
Non-deductible expenses	2,307	2,565
Tax-free income and Tax Credits	-7,699	-14,469
Tax rate changes and adaptation	-295	-42
Other	-298	-507
Effective tax expense	22,334	26,415
Effective tax rate	18.6%	17.2%

At 18.6%, the Group tax rate was above the level of the previous year (17.2%). Both the 2019 and the 2020 financial years were characterized by significant effects. A change in the determination of state tax for the US state of California resulted in a material impact in the 2020 financial year. The interpretation of the law means that it was possible to exempt a portion of the profits previously taxable in California. This relates to EUR 2.2 million in taxes from previous years.

In the previous year, tax-free income and tax credits include in the amount of EUR 9,409k the sale of the shares in the associate DocuWare GmbH.

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

DEFERRED TAX ON LOSSES CARRIED FORWARD

Thousands of €	2020	2019
Deferred tax assets, gross	12,615	12,869
Allowances on tax losses carried forward	-9,063	-9,703
Deferred tax assets on unused tax losses, net	3,552	3,166

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 fiscal years 2021 – 2023.

LOSSES CARRIED FORWARD WITH LIMITED LIFE OF USAGE

Thousands of €	2020	2019
Unused tax loss carried forward		
Never expire	29,632	26,126
Expire by 2025	1,583	4,384
Expire from 2026	29,318	41,500
Sum of unused tax loss carried forward	60,533	72,010

TAX CREDITS WITH LIMITED LIFE OF USAGE

Thousands of €	2020	2019
Unused tax credits		
Never expire	8,515	6,239
Expire	377	284
Sum of unused tax credits	8,892	6,523

The temporary differences associated with investments in the Group’s subsidiaries for which a deferred tax liability has not been recognized in the periods presented, aggregate to EUR 2,812k (previous year: EUR 2,641k). They would result in a tax expense of EUR 579k (previous year: EUR 515k) in the future.

There are no income tax consequences attached to the payment of dividends in either 2020 or 2019 by Nemetschek SE to its shareholders.

[11] Earnings per share

Basic undiluted earnings per share are calculated by dividing the net income for the period attributable to shares by the average number of shares during the period. No diluting effects existed as of the reporting date.

EARNINGS PER SHARE

	2020	2019
Net income attributable to the parent (in thousands of EUR)	96,947	127,155
Weighted average number of ordinary shares outstanding as of December 31	115,500,000	115,500,000
Weighted average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	115,500,000	115,500,000
Earnings per share in EUR, undiluted	0.84	1.10
Earnings per share in EUR, diluted	0.84	1.10

For more details reference is made to note [24].

Notes to the consolidated statement of financial position

[12] Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated financial position as follows:

CASH AND CASH EQUIVALENTS

Thousands of €	December 31, 2020	December 31, 2019
Bank balances	134,123	207,517
Fixed term deposits (contract period up to 3 months)	5,197	1,626
	139,320	209,143

[13] TRADE RECEIVABLES

Thousands of €	December 31, 2020	December 31, 2019
Trade receivables (before allowances)	70,307	65,340
Lifetime expected credit loss allowance	-5,736	-3,293
	64,571	62,046

Trade receivables are non-interest bearing and are generally due within 30- to 90-day terms customary for the industry. Bad debt allowances developed as follows:

DEVELOPMENT OF EXPECTED CREDIT LOSS ALLOWANCES

Thousands of €	January 1	Utilization	Release	Addition	December 31
Lifetime expected credit loss allowance 2020	-3,293	902	599	-3,944	-5,736
Lifetime expected credit loss allowance 2019	-2,584	632	849	-2,190	-3,293

The aging structure of trade receivables together with the respective loss allowances recognized is as follows:

AGEING STRUCTURE OF TRADE RECEIVABLES

2020	Thousands of €	not past due	Past due (by < 90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by > 360 days)	December 31, 2020
Gross Trade receivables		46,930	14,275	3,322	2,338	3,442	70,307
Expected credit loss allowance		-705	-766	-450	-673	-3,142	-5,736
Net Trade receivables		46,224	13,509	2,872	1,665	300	64,571
Expected credit loss rate (weighted average)		1.50%	5.37%	13.53%	28.80%	91.29%	

AGEING STRUCTURE OF TRADE RECEIVABLES

2019	Thousands of €	not past due	Past due (by < 90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by > 360 days)	December 31, 2019
Gross Trade receivables		42,392	13,536	3,315	2,945	3,152	65,340
Expected credit loss allowance		-49	-314	-387	-500	-2,043	-3,293
Net Trade receivables		42,343	13,222	2,929	2,444	1,109	62,047
Expected credit loss rate (weighted average)		0.12%	2.32%	11.66%	17.00%	64.81%	

The increase in the valuation allowance reflects the increased credit risk (see note [23])

[14] ASSETS

Thousands of €	December 31, 2020	December 31, 2019
Inventories	642	1,012
Other financial assets	6,459	6,702
Other non-financial assets	26,013	20,518
	33,114	28,232

Inventories consist of third party licenses amounting to EUR 121k (previous year: EUR 539k) as well as hardware amounting to EUR 118k (previous year: EUR 167k). As in the previous year no write-downs or reversals of write-downs were recognized. On December 31, 2020 and 2019, the inventories were not collateralized.

Other financial assets mainly include security deposits from office rental agreements.

Other non-financial assets mainly consist of prepaid expenses in the amount of EUR 17,643k (previous year: EUR 14,171k), other taxes in the amount of EUR 4,179k as well as contract assets according to IFRS 15 in the amount of EUR 1,009k (previous year: EUR 839k).

[15] Property, plant and equipment

The acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment developed as follows:

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

Thousands of €	2020	2019
Cost		
As of January 1	62,004	51,368
Additions	6,097	16,895
Additions from business combinations	136	611
Disposal	-5,835	-7,348
Reclassification	-2,139	351
Foreign currency translation difference	-3,473	127
As of December 31	56,791	62,004
Depreciation and impairment		
As of January 1	34,384	33,794
Additions	7,575	7,176
Additions from business combinations	-	386
Disposal	-4,979	-7,197
Reclassification	2	-
Foreign currency translation difference	-1,819	225
As of December 31	35,163	34,384
Carrying amount December 31	21,628	27,620

No material impairment and no material write-ups were recognized on property, plant and equipment in 2020 and 2019. On December 31, 2020 and 2019, property, plant and equipment were not pledged.

[16] Intangible assets and goodwill

The acquisition costs as well as accumulated amortization and impairment of intangible assets consist of the following:

DEVELOPMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

In EUR million	2020					2019				
	Goodwill	Software and similar rights	Customer Relationship	Brand name	Non-compete agreements	Goodwill	Software and similar rights	Customer Relationship	Brand name	Non-compete agreements
Cost										
As of January 1	325,041	133,268	107,180	22,548	2,146	244,349	111,367	87,042	20,454	1,126
Additions	–	3,003	–	–	–	–	2,391	–	–	–
Additions from business combinations	114,415	29,936	6,660	2,348	–	78,807	18,481	20,266	2,117	1,020
Disposal	–	–2,131	–	–	–	–	–	–	–	0
Reclasses	–	2,150	–	–	–	–	–351	–	–	–
Foreign currency translation difference	–22,751	–9,893	–4,711	–907	–	1,885	1,381	–128	–24	0
As of December 31	416,706	156,334	109,128	23,988	2,146	325,041	133,268	107,180	22,548	2,146
Amortization and impairment										
As of January 1	0	72,347	51,624	12,810	701	–	60,577	45,896	11,287	145
Additions	–	16,767	7,644	1,668	667	–	12,253	5,794	1,530	556
Disposal	–	–1,545	–	–	–	–	–	–	–	0
Reclasses	–	–	–	–	–	–	–	–	–	–
Foreign currency translation difference	–	–6,650	–2,327	–286	–	–	–482	–66	–8	0
As of December 31	0	80,919	56,942	14,192	1,368	0	72,347	51,624	12,810	701
Carrying amount December 31	416,706	75,415	52,186	9,796	778	325,041	60,921	55,556	9,738	1,445

On December 31, 2020 and 2019, the intangibles were not pledged.

Goodwill

Nemetschek is organized into divisions, which is also the organization level where goodwill is monitored. The divisions represent the operating segments Design, Build, Manage and Media &

Entertainment. Please refer to note [26] for more information regarding the segment disclosures.

Goodwill is allocated as follows:

GOODWILL

Thousands of €	Carrying Amount per balance sheet Dec. 31, 2020	Discount rate after tax	Discount rate before tax	Terminal value growth rate
Division				
Design	92,817	6.69%	8.17%	1.50%
Build	104,346	6.68%	8.43%	1.50%
Manage	111,324	8.45%	10.24%	2.00%
Media & Entertainment	108,219	6.82%	8.94%	2.00%
Total group	416,706			

GOODWILL

Thousands of €	Carrying Amount per balance sheet Dec. 31, 2019	Discount rate after tax	Discount rate before tax	Terminal value growth rate
Division				
Design	95,352	10.24%	13.11%	1.50%
Build	111,636	10.24%	13.50%	1.50%
Manage	90,715	10.15%	13.01%	2.00%
Media & Entertainment	27,338	9.59%	12.92%	2.00%
Total group	325,041			

The main assumptions for the business plan, also used for impairment test purposes, are revenue and personnel cost. The development of sales volumes and prices is based on the expectations of market developments considering general economic factors as well as AEC/O sector specific factors. This also includes effects of the global Covid-19 pandemic. The development of personnel cost is a key driver to revenue because it enables the development of successful products as well addressing markets.

According to the impairment tests for goodwill conducted in fiscal year 2020 and in the previous year, the carrying amounts are recoverable. Thus, no impairments were recognized. As in the previous year, the impairment test was carried out as at the valuation date, December 31, 2020.

For goodwill for which the recoverable amount is not at least 30% above the carrying value of the cash-generating unit, the impairment test was complemented by sensitivity analyses for 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. For all divisions the recoverable amount exceeded the book value by more than 30%.

The key assumptions to which the recoverable amount is sensitive are the WACC, the terminal growth rate as well as the EBITA in the terminal value calculation. Main value drivers of the recoverable amount are the WACC, terminal value growth rate and the margin expected in perpetuity.

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. Given that the recoverable amount exceeds the book value significantly, management foresees no realistic scenario which could trigger an impairment.

For the impairment test as of 31 December 2020, the Group also factored in the effects of the global pandemic. Besides the impact on the budget, an impact on the WACC is recognized. The pandemic also affected global capital markets. In case of technology firms like NEMETSCHEK and its peers, the reaction of equity markets was quite favorably to the companies. Therefore, the derived Beta factor within the WACC calculation was observably lower than in the years before.

On the basis of the impairment testing performed, as well as on the basis of the sensitivity analyses conducted within this scope, the Group has come to the conclusion that in the reporting year goodwill needs not to be impaired.

[17] Leases

The right-of-use assets resulting from leases are as follows:

RIGHT-OF-USE ASSETS

Thousands of €	December 31, 2020	December 31, 2019
Right-of-use assets - Property	57,763	61,676
Right-of-use assets - Office Equipment	191	261
Right-of-use assets - Vehicles	3,374	4,227
	61,328	66,164

Property leases mainly include office space. Additions to the right-of-use assets during 2020 were EUR 14,786k (previous year: EUR 10,243k). The Group has estimated that potential future lease payments arising from extension options and leases not yet commenced but for which the Group is committed would result in cash outflows of EUR 1,368k (previous year: EUR 1,493k). Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation per asset class in the fiscal year is as follows:

DEPRECIATION

	Property	Vehicles	Office Equipment
Depreciation 2020	13,079	2,225	154
Depreciation 2019	12,454	2,116	172

Information on the corresponding lease liabilities can be found under financial liabilities [23]. Expenses recognized in profit or loss besides depreciation are shown in the overview below:

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

Thousands of €	2020	2019
Interest on lease liabilities	1,445	1,524
Expenses relating to short-term leases	509	1,134
Expenses relating to leases of low-value assets	97	86
Variable lease payments not included in the measurement of lease liabilities	2	8

AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	2020	2019
Total cash outflow for leases	14,601	12,779

[18] Investments in associates

Details of each of the Groups associates at the end of the reporting period are as follows:

Name, registered office of the entity	Thousands of €	Shareholding in %	Equity	pro rata	Shareholding in %	Equity	pro rata
			2020	2020	2019	2019	2019
Nemetschek OOD, Bulgaria		20.00	6,718	1,344	20.00	5,505	1,101
Sablono GmbH, Berlin, Germany		24.99	-509	-127	24.99	-414	-103

Nemetschek OOD 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.

On June 28, 2019, Nemetschek concluded the sale of its 22.41% share in the associate DocuWare GmbH to a company belonging to the Ricoh Group. The sale was completed on August 5, 2019, after approval was granted by antitrust authorities. The gain on disposal in the amount of EUR 29,927k was reported in the financial result for the 2019 fiscal year. The DocuWare Group develops and distributes software for electronic document management.

The following table summarizes financial information for the shares of the Group in its non-material associates, based on the amounts reported in the consolidated financial statements:

AGGREGATE INFORMATION OF ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

Thousands of €	December 31, 2020	December 31, 2019
Group's share of net income from continuing operations	274	531
Group's share of net income from discontinued operations	0	0
Group's share of net income for the year	274	531
Group's share of other comprehensive income	0	74
Group's share of total comprehensive income	274	605
Aggregate carrying amount of the Group's interests in these associates	1,344	1,101

UNRECOGNIZED SHARE OF LOSSES OF AN ASSOCIATE

Thousands of €	December 31, 2020	December 31, 2019
The unrecognized share of loss of an associate for the year	-24	-0
Cumulative share of loss of an associate	-127	-103

[19] Financial liabilities

FINANCIAL LIABILITIES

Thousands of €	December 31, 2020	December 31, 2019
Borrowings	130,271	188,123
Trade payables	11,229	12,404
Other financial liabilities	10,349	9,216
Lease liabilities	67,623	70,327
	219,472	280,070

Borrowings include acquisition loans in the amount of EUR 129,500k (previous year: EUR 185,800k). Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Debts from trade payables are usually settled on 60-day terms.

Other financial liabilities comprise subsequent purchase price obligations in connection with business combinations. As of December 31, 2020 these mainly consist of EUR 6,039k (previous year: EUR 6,078k) resulting from the acquisition of Redshift Rendering Technologies, Inc., and EUR 3,968k resulting from the acquisition of Dexma Sensors S.L. In the previous year, additional EUR 684k relate to the acquisition of 123erfasst.de GmbH and EUR 1,500k relate to the purchase of non-controlling interests in Maxon GmbH.

[20] Provisions and accrued liabilities

Provisions and accrued liabilities contain the following items:

PROVISIONS AND ACCRUED LIABILITIES

Thousands of €	December 31, 2020	December 31, 2019
Provisions		
Personnel	33,814	26,003
Warranty and liability risks	393	188
Other	416	440
Accruals		
Outstanding invoices	11,613	8,035
Personnel	8,297	6,986
Legal and consulting fees	1,694	1,567
Other	4,176	4,015
	60,403	47,234

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components and commissions. The increase is caused by an increased headcount and one-time costs. Long-term variable compensation components have a term of up to three years.

Provisions for warranty and liability risks arise due to the obligation of fulfilling customer claims with regard to goods and services sold. They are based on an individual assessment per entity.

Accruals for outstanding invoices mainly relate to commissions for distributors due to achievement of targets as well as goods and services not yet invoiced. Accruals for personnel mainly consist of outstanding vacation.

The development of provisions is as follows:

PROVISIONS

Thousands of €	As of January 1	Usage	Release	Additions	Reclassification	Currency translation	As of December 31	thereof long-term
Personnel	26,003	-14,855	-1,501	25,852	-	-1,685	33,814	3,787
Warranty and liability risks	188	-2	-38	245	-	-	393	-
Other	440	-	-	10	-	-34	416	366

[21] Other non-financial liabilities

Other current liabilities primarily comprise liabilities to the tax authorities on account of obligations to pay wage tax and value added tax (VAT) as well as to pay social security contributions to the social security authorities.

[22] Pensions and related obligations

In the current year, pensions and related obligations consist solely of defined benefit obligations. In the previous year, pensions and related obligations include the defined benefit obligation in the amount of EUR 1,926k and provisions for anniversary-related payments in the amount of EUR 14k.

German Plans

The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, up to a maximum amount of EUR 3,834 per month. These claims are vested. The term of

the pension obligation is 23 years. In the year ending December 31, 2020 there were no curtailments to the plan, as was the case in the previous year.

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.

Non-German plans

The plans in Austria comprise severance compensation according to § 23 and 23a of the Austrian Employee Act (Angestelltengesetz) .

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

PROVISIONS FOR PENSIONS

Thousands of €	As of January 1	Changes	As of December 31
Defined benefit obligation 2020	2,530	1,130	3,660
Less plan asset 2020	604	-26	578
Status of coverage (= pension provisions) 2020	1,926	1,157	3,083
Defined benefit obligation 2019	2,236	294	2,530
Less plan asset 2019	571	33	604
Status of coverage (= pension provisions) 2019	1,665	261	1,926

The determination of assets and liabilities for defined benefit plans is based upon statistical and actuarial valuations. The principal assumptions used for the purposes of the actuarial valuations were as follows:

DISCOUNT RATE

	German Plans	Non-German Plans	German Plans
in %	2020	2020	2019
Discount rate	0.85	0,6 - 1	1.25
Future pension increases	1.00	0.00	1.00
Compensation increase	0.00	2,4 - 2,7	0.00

The actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date as well as the pensions expense for the upcoming fiscal year. The mortality rates for German plans are based on the Heubeck 2018 G mortality tables. The ones for Austria are based on „AVÖ 2018-P–Angestellte“-tables of the Austrian association of actuaries (Aktuarvereinigung Österreich, AVÖ) .

Movements in the present value of the defined benefit obligation and in the fair value of the plan assets were as follows:

CHANGE IN DEFINED BENEFIT OBLIGATIONS (DBO)

	Thousands of €	2020		2019
		German Plans	Non-German Plans	German Plans
DBO at beginning of fiscal year		2,530	0	2,236
Adjustment / reclass DBO at beginning of fiscal year			1,046	
Current service cost		0	54	71
Interest expense		32	11	42
Actuarial changes arising from changes in demographic assumptions		0	-4	0
Actuarial changes arising from changes in financial assumptions		213	49	313
Experience adjustments		-4	-50	-132
Settlements			-218	0
DBO at end of fiscal year		2,771	889	2,530
Fair value of plan assets at beginning of fiscal year		604	0	571
Interest income		8	0	11
Actuarial gains / (losses)		6	0	-3
Employer contributions		23	0	25
Benefit payments		-63	0	
Fair value of plan assets at end of fiscal year		578	0	604

Significant actuarial assumptions for the determination of the defined obligation are presented below. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

SENSITIVITY

Changes in actuarial assumptions	Thousands of €	2020		2019
		German Plans	Non-German Plans	German Plans
Present value of pension obligation for the reporting date		2,771	889	2,530
Discount rate	increase by 0.5 percent points	2,508	837	2,284
	decrease by 0.5 percent points	3,071	945	2,810
Pension cost	increase by 0.5 percent points	2,982	-	2,717
	decrease by 0.5 percent points	2,581	-	2,360
Salary increase	increase by 0.5 percent points	-	916	-
	decrease by 0.5 percent points	-	866	-

The average duration of the benefit obligation at December 31, 2020 is 20.5 years (2019: 21.0 years) for German plans and 12.24 years for non-German plans. The expected payments in the 2021 fiscal year amount to EUR 19k (previous year: EUR 25k) and relate to employer contributions paid into the plan assets.

[23] Financial instruments

The financial assets and liabilities are presented in the following table according to their measurement categories and classes:

FINANCIAL INSTRUMENTS

2020	Thousands of €	Carrying amount per balance sheet Dec. 31, 2020	Measurement in accordance with IFRS 9			Fair value Dec. 31, 2020
			Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	
Trade receivables		64,571	64,571	–	–	64,571
Other financial assets		6,459	6,459	–	–	6,459
Cash and cash equivalents		139,320	139,320	–	–	139,320
Total financial assets		210,349	–	–	–	210,349
Borrowings		130,271	130,271	–	–	130,271
Trade payables		11,229	11,229	–	–	11,229
Other financial liabilities		10,349	342	10,007	–	10,349
Lease liabilities		67,623	67,623	–	–	–
Total financial liabilities		219,472	–	–	–	151,849

FINANCIAL INSTRUMENTS

2019	Thousands of €	Carrying amount per balance sheet Dec. 31, 2019	Measurement in accordance with IFRS 9			Fair value Dec. 31, 2019
			Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	
Trade receivables		62,046	62,046	–	–	62,046
Other financial assets		6,703	6,653	–	50	6,703
Cash and cash equivalents		209,143	209,143	–	–	209,143
Total financial assets		277,892	–	–	–	277,892
Borrowings		188,123	188,123	–	–	188,123
Trade payables		12,404	12,404	–	–	12,404
Other financial liabilities		9,216	954	8,262	–	9,216
Lease liabilities		70,327	70,327	–	–	0
Total financial liabilities		280,070	–	–	–	209,743

Due to the short-term maturities of cash and cash equivalents, trade receivables and payables, current financial assets and liabilities, the respective fair values correspond to their carrying amount.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

Thousands of €	2020	2019
Balance at January 1	8,262	5,614
Changes in scope of consolidation, currency adjustments	3,435	5,778
Changes with cash effect	-2,137	-1,500
Changes recognized in profit or loss	447	-1,630
Balance at December 31	10,007	8,262

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Thousands of €	2020	2019
Financial assets measured at amortized cost	-3,267	304
Financial liabilities measured at fair value through profit or loss	-447	1,630
Financial liabilities measured at amortized cost	-2,979	-3,165
	-6,693	-1,231

Net gains and losses from financial instruments comprise the results from valuations, the recognition and reversal of loss allowances, results from the translation of foreign currencies as well as interests. Financial assets measured at amortized costs include interest income in the amount of EUR 278k (previous year: EUR 858k). Financial liabilities measured at amortized cost include interest expenses in the amount of EUR -2,979k (previous year: EUR -3,165k).

Financial risk management

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.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers and from the Group's cash and cash equivalents. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Accounts receivables

At the end of 2020, there was no relevant concentration of credit risk by type of customer. The Group's credit risk exposure is mainly influenced by individual customer characteristics. Sales of goods and services are made to customers after having conducted appropriate internal credit risk assessment. At the end of 2020, no customer accounted for more than 10% of accounts receivable.

The Covid-19 pandemic added a systematic credit risk to our customers. As of December 31, 2020, the liquidity and insolvency risks increased in the markets where the group operates, as compared to pre-pandemic periods.

Cash and cash equivalents

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.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at the balance sheet date, the Group holds cash and cash equivalents amounting to EUR 139,320k (previous year: EUR 209,143k).

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

MATURITY ANALYSIS FINANCIAL LIABILITIES

Thousands of €	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
December 31, 2020					
Borrowings	130,271	131,235	60,145	71,090	0
Trade payables	11,229	11,229	11,229	0	0
Other financial liabilities	10,349	10,699	1,630	9,069	0
Lease liabilities	67,623	72,470	14,610	36,659	21,201
Total	219,472				
December 31, 2019					
Borrowings	188,123	189,976	59,512	130,464	0
Trade payables	12,404	12,404	12,404	0	0
Other financial liabilities	9,216	9,769	2,131	7,638	0
Lease liabilities	70,327	76,682	14,169	44,703	17,810
Total	280,070				

Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. 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 goods and services, personnel expenses and other expenses primarily in their local currency.

Sensitivity analysis of selected foreign currencies

The currency risk mainly relates to trade receivables held in foreign currency. These exist in a subsidiary in Hungary. The following table shows the foreign currency receivables:

TRADE RECEIVABLES

2020	Thousands of €	Change of exchange rate	Sensitivity effect on EBIT
Trade receivables			
HUF / EUR		+ 5%	-260
Total in kEUR: 5,450		- 5%	287
HUF / USD		+ 5%	-13
Total in kEUR: 265		- 5%	14

TRADE RECEIVABLES

2019	Thousands of €	Change of exchange rate	Sensitivity effect on EBIT
Trade receivables			
HUF / EUR		+ 5%	-246
Total in kEUR: 5,168		- 5%	272
HUF / USD		+ 5%	-18
Total in kEUR: 386		- 5%	20

Interest risk and interest risk management

As a result of the current Group financing structure, there are no material interest risks.

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, 2020 or as of December 31, 2019. The Group meets externally imposed minimum capital requirements.

The Group monitors its capital based on the key indicators of debt capacity and equity ratios.

Debt capacity

The debt capacity represents the relationship between net debt and EBITDA. Net debt is essentially defined as current and non-current loans less any cash and cash equivalents. Group net liquidity/debt as of December 31, 2020 amounted to EUR 9.0 million (previous year: EUR 21.0 million).

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio amounts to 46.9% (previous year: 40.7%).

Thus, external and internal key indicators have been met.

[24] 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 consolidated statement of changes in equity.

Nemetschek SE's **subscribed capital** as of December 31, 2020 amounted to EUR 115,500,000.00 (previous year: EUR 115,500,000.00) and is divided into 115,500,000 (previous year: EUR 115,500,000) no-par value bearer shares. Each share is attributed with EUR 1.00 of share capital. The capital is fully paid in.

The **capital reserve** comprises the share premium from the IPO.

The **translation reserve** comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

Maxon GmbH has non-controlling interests that are material to the group. The main non-current assets without goodwill amount to EUR 35,040, the current assets to EUR 21,383k, the non-current liabilities to EUR 17.514k and the current liabilities to EUR 42,208k.

Dividends

In the fiscal year 2020, a dividend of EUR 32,340,000.00 (previous year: EUR 31,185,000.00) was distributed to the shareholders. This represents EUR 0.28 (previous year: EUR 0.27) per share. The executive board proposes to the supervisory board that a dividend be paid in the fiscal year 2021 amounting to EUR 34,650,000. This corresponds to EUR 0.30 per share. The dividend policy of Nemetschek SE pursues a distribution of around 25% of the operating cash flow. This proposal is subject to the ongoing uncertain economic environment due to the Covid-19 pandemic.

[25] Segment reporting

The Nemetschek Group is managed centrally by the Executive Board of Nemetschek SE in its function as chief operating decision maker (CODM).

Operating segments

The operating segments of the Group are 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.

Management and reporting system

The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in the summary of significant accounting policies according to IFRS with the exception of intercompany leases, which are accounted as operating leases.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

In general, reconciliation includes corporate items for which headquarters are responsible as well as strategic projects. In the current fiscal year, strategic projects – which were shown in the column reconciliation in the previous year – were assigned to the segments based on their degree of maturity and where the respective benefits are expected. The disclosures of the previous year were adjusted accordingly.

Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are also included in the reconciliation.

SEGMENT REPORTING

2020	Thousands of €	Design	Build	Manage	Media & Entertainment	Reconciliation	Total
Revenue, total		314,919	193,029	40,873	55,222	-7,137	596,905
thereof revenue external		311,021	191,369	40,732	53,784	0	596,905
thereof intersegment revenue		28	1,660	54	1,438	-3,180	0
EBITDA		95,864	70,089	3,684	15,536	-12,880	172,293
Depreciation		-11,567	-8,066	-1,927	-749	-722	-23,032
EBITA		84,297	62,022	1,757	14,786	-13,602	149,261
Amortization							-26,746
Financial result							-2,488
EBT							120,027

SEGMENT REPORTING

2019	Thousands of €	Design	Build	Manage	Media & Entertainment	Reconciliation	Total
Revenue, total		314,652	177,653	38,487	33,913	-7,825	556,879
thereof revenue external		310,142	176,082	38,397	32,258	0	556,879
thereof intersegment revenue		3	1,570	90	1,655	-3,319	0
EBITDA		97,988	61,629	7,902	9,418	-11,273	165,664
Depreciation		-11,571	-7,453	-1,660	-683	-552	-21,918
EBITA		86,417	54,177	6,243	8,735	-11,826	143,746
Amortization							-20,134
Financial result							30,057
EBT							153,669

Information related to geographic areas

Segment reporting by geographical region is as follows:

SEGMENT REPORTING – GEOGRAPHICAL REGION

Thousands of €	Revenues 2020	Non-current assets 2020	Revenues 2019	Non-current assets 2019
Germany	146,464	59,711	141,164	58,968
Abroad	450,441	581,279	415,715	490,869
Total	596,905	640,990	556,879	549,837

With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer. Non-current assets are presented according to the physical location of these assets.

[26] 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.

Compared to prior years certain information has been aggregated for reasons of market practice, materiality and usability.

Cash flow from operating activities amounts to EUR 157,490k (previous year: EUR 160,375k).

The cash flow from investing activities amounts to EUR –111,005k (previous year: EUR –83,782k). In the current fiscal year, this mainly includes

- » payments for the acquisition of Red Giant LLC, Dexma Sensors S.L. as well as the asset deal of Risa
- » investments in intangible assets and office equipment

The previous fiscal year primarily includes payments for the acquisition of Axserion Group B.V. and Redshift Rendering Technologies, Inc and investments in intangible assets and office equipment.

[27] Financial commitments

There are guarantee obligations amounting to EUR 646k (previous year: EUR 706k) in total. These are mainly rental guarantees.

Contingent liabilities

As at the closing date, there are no contingent liabilities.

[28] Related party transactions

The Group enters into transactions with related parties. These transactions are part of ordinary activities and are treated at arm's length. Related parties are defined as parties who can exert influence on Nemetschek SE and its subsidiaries or over which Nemetschek SE and its subsidiaries exercise control or have a significant influence. They include associates accounted for using the equity method. Related parties also include the executive and supervisory boards as well as their family members and partners.

Sales and purchases of goods and services

During the year, the group entities entered into the following transactions with related parties:

- (1) Rental of space as well as repairs from Concentra GmbH & Co. KG, Munich, Germany, amounting to a total of EUR 1,514k (previous year: EUR 1,599k).
- (2) Use of services from Nemetschek OOD, Bulgaria, amounting to a total of EUR 4,459k (previous year: EUR 4,411k).

During the previous year, services from DocuWare GmbH, Germering, Germany, in the amount of EUR 456k were used.

As of December 31, 2020 trade payables to Concentra GmbH & Co. KG amounted to EUR 40k (previous year: EUR 2k) and trade payables to Nemetschek OOD amounted to EUR 158k (previous year: EUR 19k). As of December 31, 2020 loans given to the associate Sablono GmbH, Berlin, Germany, amounted to EUR 30k.

Compensation of members of the Executive Board

Total remuneration attributable to the Executive Board amounted to EUR 3,015k (previous year: EUR 3,110k). Thereof EUR 2,055k (previous year: EUR 2,356k) relate to short-term employee benefits and EUR 960k (previous year: 754k) relate to other long-term benefits.

Compensation of members of the Supervisory Board

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

2020	Thousands of €	2020	2019
Kurt Dobitsch		250	250
Prof. Georg Nemetschek		225	225
Rüdiger Herzog		200	200
Bill Krouch		200	200
		875	875

[29] Other information

Headcount

The average headcount breaks down as follows:

HEADCOUNT

	Number of employees	2020	2019
Sales/Marketing/Hotline		1,404	1,280
Development		1,158	1,103
Administration		446	383
Average headcount for the year		3,008	2,767
Headcount as of December 31		3,074	2,875

Auditor's fees

The following fees of the auditor of the consolidated financial statements were expensed in the fiscal year 2020:

AUDITORS' FEES

	Thousands of €	2020	2019
Financial statements audit services		477	332
Other audit services		11	12
Tax advisory services		0	0
Other services		24	71
		512	415

[30] Information on the "German Corporate Governance Code"

The Declaration of Conformity was submitted on December 18, 2020. The relevant current version is available to the shareholders on the website of Nemetschek SE (https://ir.nemetschek.com/download/companies/nemetschek/CorporateGovernance/18122020_Entsprechenserklaerung_EN.pdf).

[31] Events after the balance sheet date

Subsequent events

No significant events occurred after the balance sheet date.

Date of preparation

The Executive Board prepared and approved the consolidated financial statements on March 15, 2021, to be passed on to the Supervisory Board. It is the supervisory board's task to examine the consolidated financial statements and give its approval and authorization for issue.

[32] Supervisory Board

Kurt Dobitsch, (Businessman)

Chairman

Year of birth 1954, Nationality: Austrian

First appointed 1998

Term expires 2022

Member of the following Supervisory Boards:

- » Nemetschek SE, (publicly listed), Munich, Germany (Chairman)

Mandates affiliated with the Group:

- Graphisoft SE, Budapest, Hungary
- Vectorworks, Inc., Columbia, USA

- » Bechtle AG, (publicly listed), Gaildorf, Germany
- » Singhammer IT Consulting AG, (not listed), Munich, Germany
- » United Internet AG, (publicly listed), Montabaur, Germany (Chairman)

Mandates affiliated to the Group:

- 1 & 1 Telecommunication SE, Montabaur, Germany
- 1 & 1 Mail & Media Applications SE, Montabaur, Germany
- Drillisch AG, Maintal, Germany
- 1 & 1 IONOS Holding SE, Montabaur, Germany

Prof. Georg Nemetschek, (Businessman)

Deputy Chairman

Year of birth 1934, Nationality: German

First appointed 2001

Term expires 2022

Rüdiger Herzog, (Lawyer)

Year of birth 1950, Nationality: German

First appointed 2003

Term expires 2022

Member of the following supervisory boards:

- » DF Deutsche Finance Holding AG, (not listed), Munich, Germany (Chairman)
- » DF Deutsche Finance Investment GmbH, Munich, Germany (Chairman)
- » DBC Finance GmbH, Munich, Germany (Chairman)

Bill Krouch, (Businessman)

Year of birth 1959, Nationality: US American

First appointed 2018

Term expires 2022

Member of the following supervisory board:

- » INVESTCORP, (not listed), New York, USA

Executive Board

Dr. Axel Kaufmann

(Dipl.-Kfm.)

Spokesman of the Executive Board and CFOO

Born in 1969, Nationality: German

Further group-internal mandate:

» Managing Director Nemetschek Austria Beteiligungen GmbH

Member of Supervisory Boards of affiliated companies:

- » Bluebeam Holding, Inc., USA
- » Bluebeam Inc., USA
- » Maxon Computer GmbH (since June 15, 2020), Germany
- » Nemetschek Inc., USA

Jon Elliott

(Master of Business Administration, MBA)

Chief Division Officer, Build & Construct Division

Born in 1976, Nationality: US American

Further group-internal mandates:

- » CEO Bluebeam Holding, Inc., USA
- » CEO Bluebeam, Inc., USA
- » Director Bluebeam Ltd., UK
- » CEO Nemetschek Inc., USA

Member of the Supervisory Board of an affiliated company:

- » Design Data Corp., USA

Viktor Várkonyi

(Master of Computer Science, MBA)

Chief Division Officer, Planning & Design Division

Born in 1967, Nationality: Hungarian

Member of Supervisory Boards of affiliated companies:

- » Data Design System AS, Norway
- » dRofus AS, Norway
- » Graphisoft SE, Hungary
- » RISA Tech. Inc., USA
- » SCIA Group International NV, Belgium
- » SCIA NV, Belgium
- » Solibri Oy, Finland
- » Vectorworks , Inc., USA

Munich, March 15, 2021

Nemetschek SE

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

[33] For a detailed overview of Nemetschek Group's shareholdings, please refer to the following chart:

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*, Germany	100.00
Allplan France S.A.R.L., Paris, France	100.00
Allplan GmbH, Munich*, Germany	100.00
Allplan Infrastructure GmbH, Graz, Austria	100.00
Allplan Inc., West Chester, PA, United States	100.00
Allplan Italia S.r.l., Trient, Italy	100.00
Allplan Österreich GmbH, 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., Leeds, Great Britain	100.00
Dacoda GmbH, Rottenburg, Germany	100.00
Data Design System AS, Klepp Stasjon, Norway	100.00
Data Design System GmbH, Ascheberg, Germany	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
Friilo Software GmbH, Stuttgart*, Germany	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*, Germany	100.00
Graphisoft Italia S.R.L., Spinea, Italy	100.00
Graphisoft Japan Co., 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, Hasselt, Belgium	100.00
Scia Nederland B.V., Arnhem, Netherlands	100.00
Scia nv, Hasselt, Belgium	100.00
Scia SK s.r.o., Zilina, Slovakia	100.00
Solibri DACH GmbH, Hamburg, Germany	100.00
Solibri LLC, Scottsdale, United States	100.00
Solibri Oy, Helsinki, Finland	100.00

Solibri UK Ltd., Leeds, Great Britain	100.00
Vectorworks Canada, Inc., Vancouver, BC, Canada	100.00
Vectorworks UK, Ltd., Newbury, Great Britain	100.00
Vectorworks, Inc., Columbia, Maryland, United States	100.00
Build segment	
123erfasst.de GmbH, Lohne, Germany	100.00
Bluebeam AB, Kista, Sweden	100.00
Bluebeam Holding, Inc., Wilmington, Delaware, United States	100.00
Bluebeam GmbH, Munich, Germany	100.00
Bluebeam, Inc., Pasadena, United States	100.00
Bluebeam Limited UK, Ltd., London, Great Britain	100.00
Bluebeam Australia PTY, Ltd., Sydney, Australia (consolidated since July 1, 2020)	100.00
Design Data Corporation, Lincoln, United States	100.00
NEVARIS Bausoftware GmbH, Bremen*, Germany	100.00
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00
Manage segment	
Crem Solutions GmbH & Co. KG, Ratingen, Germany	100.00
Crem Solutions Verwaltungs GmbH, Munich, Germany	100.00
Spacewell International NV, Antwerp, Belgium	100.00
FASEAS NV, Antwerp, Belgium	100.00
MCS Americas Single Member LLC, New York, United States	100.00
MCS NV, Antwerp, Belgium	100.00
MCS Solutions Private Ltd., Hyderabad, India	100.00
myMCS AB, Knivsta, Sweden	100.00
Axxerion Group B.V., Heteren, Netherlands	100.00
Axxerion B.V., Heteren, Netherlands	100.00
Plandatis B.V., Apeldoorn, Netherlands	100.00
Dexma Sensors S.L., Barcelona, Spain (consolidated since December 31, 2020)	100.00
Media & Entertainment segment	
MAXON Computer Canada, Inc., Montreal, Canada	84.00
MAXON Computer GmbH, Friedrichsdorf, Germany	84.00
MAXON Computer, Inc., Newbury Park, United States	84.00
MAXON Computer Ltd., Bedford, Great Britain	84.00
Red Giant, LLC., Portland, United States (consolidated since January 1, 2020)	84.00
Redshift Rendering Technologies, Inc., Newport Beach, United States	84.00
Other	
Nemetschek, Inc., Washington, United States	100.00

* In the fiscal year 2020, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:

- Option not to prepare notes to the financial statements (Filo Software GmbH, Allplan Deutschland GmbH, Graphisoft Deutschland GmbH und NEVARIS Bausoftware GmbH).
- Option not to prepare a management report (Allplan GmbH, Allplan Deutschland GmbH, Graphisoft Deutschland GmbH and NEVARIS Bausoftware GmbH).
- Option not to publish the annual financial statements.
- Option not to audit the annual financial statements (Allplan GmbH, Allplan Deutschland GmbH and NEVARIS Bausoftware GmbH).

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 15, 2021

Dr. Axel Kaufmann

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, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January 2020 to 31 December 2020, the consolidated statement of financial position as of 31 December 2020, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report, which has been combined with the management report of Nemetschek SE, for the fiscal year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the non-financial statement contained in section 2 of the combined management report or of the corporate governance declaration, which is published on the website cited in the group management report and is a component of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- » the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (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 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, 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 content of the corporate governance declaration referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation

(No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2020 to 31 December 2020. 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 and software rental models

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

The business activities of the Nemetschek Group comprise the sale of software licenses, the rendering of services such as a telephone hotline and software upgrades as part of software service agreements (“service agreements”) as well as software rental models. Software rental models generally contain the software rental performance obligations as well as user support and software upgrades. Revenue from service agreements, which represents the largest share of revenue, is recognized ratably over the term of the agreement. For software rental models, revenue from the performance obligations user support/upgrades is also recognized ratably over the period in which services are rendered. The recognition of the performance obligation software rental

depends on whether the application is accessed via servers provided by Nemetschek group entities or whether the customer runs the application directly on its local system. In the latter case, revenue is recognized once a link to download the software has been sent to the customer. In the event that the application is accessed via servers provided by Nemetschek group entities, revenue is recognized ratably over the term of the agreement.

The allocation of the transaction price of the software rental agreements to individual performance obligations and the correct periodic allocation of revenue from service agreements and software rental models constitute an area associated with a significant risk of material misstatement in the consolidated financial statements due to the judgment this involves and the materiality of the corresponding revenue, and consequently also constitute a key audit matter.

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 and software rental models. We assessed the design and operating effectiveness of the accounting-related internal control system by verifying business transactions from initiation to its recognition in the financial statements as well as the controls implemented as part of the process.

Our substantive 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 this revenue were met. In particular, to assess whether revenue from service agreements and software rental models was allocated 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. In order to detect irregularities in the margin development over the course of the year and in comparison to the prior year, we carried out analytical audit procedures.

Our audit procedures did not lead to any reservations regarding the recognition of revenue from software service agreements and software rental models.

Reference to related disclosures

For information on the accounting policies applied to the recognition of revenue from software service agreements and software rental models, we refer to the disclosures in the notes to the consolidated financial statements in the section *Revenues* as well as to no. 1 *Revenue* and no. 25 *Segment reporting*.

2. Accounting for business combinations

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

The acquisition of Red Giant, LLC, Portland, Oregon, USA, as of 1 January 2020 was a key audit matter because of the complexity of the transaction 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 company involved verifying the assessment by the executive directors regarding control of the entity 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 consideration provided by Nemetschek SE with the contractual bases, our audit procedures in relation to the purchase price allocation involved assessing the methodology used by the external appraiser engaged by the executive directors for the identification of the acquired assets as well as the conceptual assessment of the measurement models, considering the rules in IFRS 3 Business Combinations. With the support of our internal valuation specialists, we verified the methods used to measure the fair values of the identified assets (including technology and the customer base). We also analyzed assumptions and estimates based on judgment made (for example growth rates, cost of capital rates, royalty rates or remaining useful lives) 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 largely with internal budgets.

In addition, we assessed the suitability of the measurement appraisal of an external expert, which was used by the executive directors, evaluated as audit evidence, conducted interviews with the expert and verified whether the assumptions made reflect the view of an external market participant on the acquisition date. With regard to the determination of goodwill, we verified the calculation as a residual amount between the consideration transferred 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 regarding the requirements in IFRS 3.

Our audit procedures did not lead to any reservations regarding the accounting for business combinations.

Reference to related disclosures

The disclosures on the accounting for business combinations are presented in the sections Summary of significant accounting policies, discretionary decisions and estimates, Business combinations – Acquisitions in fiscal year 2020, Acquisitions in fiscal year 2019, as well as in no. 16 Intangible Assets and Goodwill 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 at the level of the cash-generating unit for possible impairments was a key audit matter, as the measurements underlying the impairment tests highly depend on the estimate of future cash flows – particularly against the background of the effects of the Covid-19 pandemic – 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 examined the underlying processes associated with the identification of the cash-generating units and determination of fair values, and also carried out substantive audit procedures.

To test the cash-generating unit for possible impairments, we verified the underlying measurement models both methodologically and arithmetically, with the support of internal valuation specialists. In this context, we also examined whether the budgets reflect general and industry-specific market expectations and compared the measurement parameters used for the estimates of the fair values, including any implications from the Covid-19 pandemic – in particular the estimated growth rates, the weighted

average cost of capital rates and the tax rates – with publicly available data. To determine the reliability of the budgets, we compared historical budget data with actual figures on a sample basis. This also took effects caused by the Covid-19 pandemic into account.

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 Summary of significant accounting policies – *Intangible Assets and Goodwill, Impairment of non-financial assets*, as well as to no. 16 *Intangible Assets and Goodwill*.

Other information

The supervisory board is responsible for the supervisory board's report on the 2020 financial year of Nemetschek SE in the annual report 2020.

The executive directors and supervisory board are responsible for the declaration pursuant to Sec. 161 AktG [“Aktengesetz”: German Stock Corporation Act] on the German Corporate Governance Code, which is published on the website cited in the group management report and is a component of the corporate governance declaration. In all other respects, the executive directors are responsible for the other information.

The other information comprises the corporate governance declaration referred to above as well as the above mentioned non-financial statement. In addition, the other information comprises the prescribed elements of the annual report, which were provided to us prior to us issuing this auditor's report:

- » “Building lifecycle intelligence”,
- » The section “to our Shareholders”:
 - “Key Figures”,
 - “Letter to shareholders”,
 - “Management”,

- “Report of the Supervisory Board”,
- “Nemetschek on the Capital Market”,
- “Corporate Governance Declaration”,

- » Declaration of the members of the authorized body,
- » Reference projects and
- » “Other Information” (financial calendar 2021, Imprint),

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

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 doing so, 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 the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement

Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) 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

Report on the audit in accordance with Sec. 317 (3b) HGB of the electronic versions of the consolidated financial statements and the group management report prepared for disclosure

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file Nemetschek_KA+KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the “Group auditor’s responsibilities for the assurance work on the ESEF documents” section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: “Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis” [Requirements for Quality Control in the Practice of Public Auditors] (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- » Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- » Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- » Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- » Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- » Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 19 June 2020. We were engaged by the supervisory board on 23 November 2020. We have been the group auditor of Nemetschek SE without interruption since fiscal year 2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Sonja Bauer.

Munich, 17 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bauer	Turba
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial group statement 2020 of Nemetschek SE. The following text is a translation of the original German Independent Auditor's Limited Assurance Report.

Independent Auditor's Limited Assurance Report

To Nemetschek SE, Munich

We have performed a limited assurance engagement on the non-financial group statement of Nemetschek SE according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), , consisting of the disclosures in the chapter "Non-financial Group Statement" as well as the chapter "1.1 Business model" in the combined management report for the reporting period from 1 January 2020 to 31 December 2020 (hereafter non-financial group statement).

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial group statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial group statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial group statement that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial group statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial group statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between January 2021 and March 2021, we performed amongst others the following assurance and other procedures:

- » Inquiries of employees regarding the selection of topics for the non-financial group report, the risk assessment and the concepts for the topics that have been identified as material,
- » Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial group statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial group statement,
- » Identification of likely risks of material misstatement in the non-financial group statement,
- » Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating relevant data in the reporting period and testing such documentation on a sample basis,
- » Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- » Analytical evaluation of disclosures in the non-financial group statement,
- » Evaluation of the presentation of disclosures in the non-financial group statement.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial statement of Nemetschek SE for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Nemetschek SE. The assurance engagement has been performed for the purposes of the Company and the statement is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The statement is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 17 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Yvonne Meyer
Wirtschaftsprüferin
(German Public Auditor)