

NEMETSCHKE GROUP

Building Lifecycle Intelligence



NEMETSCHKE GROUP



Building Lifecycle Intelligence

The Nemetschek Group offers market-leading software solutions for the entire AEC/O lifecycle. As a pioneer in the digital transformation of the building industry and one of the leading corporate groups worldwide, Nemetschek covers the entire lifecycle of building projects and is guiding its customers into the future of digitalization.

CONTENTS

- 4** To our Shareholders
- 26** Group Management Report
- 78** Consolidated Financial Statements (IFRS)
- 136** Financial Statements (HGB)
- 142** Other information

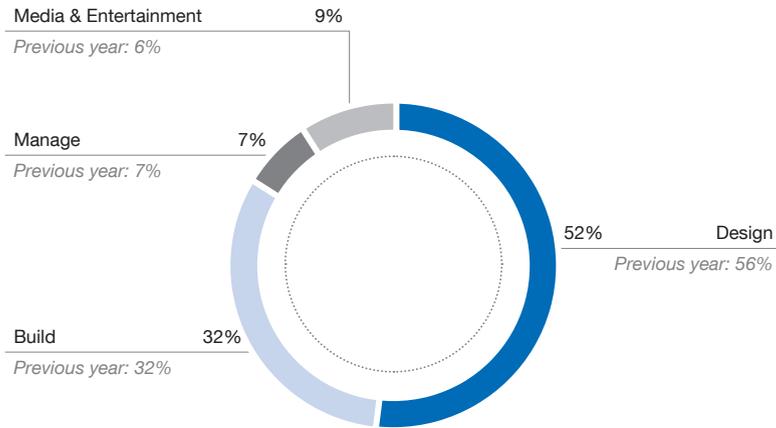
Key Figures

NEMETSCHEK GROUP

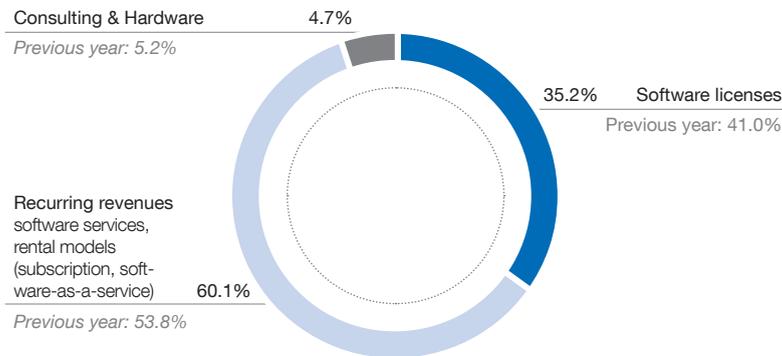
in EUR million	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Revenues	596.9	556.9	461.3	395.6	337.3
- thereof software licenses	210.0	228.2	216.8	195.0	175.8
- thereof recurring revenues	359.0	299.5	225.8	183.9	146.5
- subscription (as part of the recurring revenues)	90.4	50.3	23.4	13.7	–
EBITDA	172.3	165.7	121.3	108.0	88.0
as % of revenue	28.9%	29.7%	26.3%	27.3%	26.1%
EBITA	149.3	143.7	112.5	99.9	80.7
as % of revenue	25.0%	25.8%	24.4%	25.3%	23.9%
EBIT	122.5	123.6	97.8	86.4	69.7
as % of revenue	20.5%	22.2%	21.2%	21.9%	20.7%
Net income (group shares)	96.9	127.2	76.5	74.7	46.9
per share in €	0.84	1.10	0.66	0.65	0.41
Net income (group shares) adjusted for DocuWare effect	96.9	97.7	76.5	74.7	46.9
per share in €	0.84	0.85	0.66	0.65	0.41
Net income (group shares) before purchase price allocation	115.2	140.3	88.1	85.2	55.1
per share in €	1.00	1.21	0.76	0.74	0.48
Cash flow figures					
Cash flow from operating activities	157.5	160.4	99.7	97.4	79.7
Cash flow from investing activities	–111.0	–83.8	–74.4	–54.6	–47.5
Cash flow from financing activities	–109.1	10.7	–10.4	–44.8	–5.5
Free cash flow	46.5	76.6	25.4	42.8	32.1
Free cash flow before M&A investments	148.2	174.5	88.5	88.2	72.6
Balance sheet figures					
Cash and cash equivalents	139.3	209.1	120.7	104.0	112.5
Net liquidity/net debt	9.0	21.0	–9.9	24.0	16.3
Balance sheet total	889.7	857.2	580.6	460.8	454.7
Equity ratio in %	46.9%	40.7%	43.0%	49.5%	44.4%
Headcount as of balance sheet date	3,074	2,875	2,587	2,142	1,925
Share figures					
Closing price (Xetra) in €	60.40	58.80	31.92	24.95	18.42
Market Capitalization	6,976.20	6,791.40	3,686.38	2,881.34	2,127.51

Share-based comparable figures (2016 - 2018) have been adjusted due to share splits.

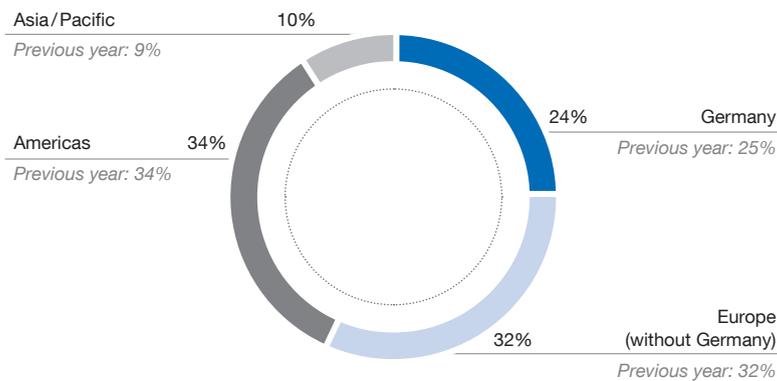
REVENUES BY SEGMENT IN %



REVENUES BY TYPE IN %



REVENUES BY REGION IN %



Letter to Shareholders



DR. AXEL KAUFMANN
SPOKESMAN OF THE
EXECUTIVE BOARD AND
CHIEF FINANCIAL &
OPERATIONS OFFICER
(CFO)

Dear shareholders,

The Nemetschek Group successfully got through the difficult corona year 2020 posting business development which exceeded the expectations of the beginning of the global pandemic.

In this complex macroeconomic environment, we were able to achieve revenue growth of 7.2%, rising to about EUR 597 million, and an EBITDA margin amounting to 28.9% of revenue, thus completely meeting our forecast, which was increased in October 2020. Therefore, we were also able to continue on our course of profitable growth in the crisis year 2020.

This favorable development was made possible not least of all because we responded to the changed situation very quickly when the pandemic broke out. The top priority was to provide the best possible protection for our employees and, at the same time, to continue to conduct operations without limitations. In particular, by using virtual sales and support as well as online tutorials, we were able to maintain close contact to our customers during the corona crisis. Parallel to this, we intensified cost management in the Group in coordination with all executives worldwide. As a result of these decisive countermeasures, and as a result of good ordinary business, we were also able to secure the strong financial basis of the Nemetschek Group in the crisis year. Overall, our business model proved itself weatherproof and resistant during the crisis.

It is to be highlighted that, in addition to managing the crisis, in 2020 we advanced all of our strategic initiatives. The main focus was on further internationalization, reducing complexity in the Group, expanding our recurring revenue – which was driven by rental models – further developing of our solutions and gaining new customers.

Digital transformation and sustainability as growth drivers

In many industries and areas of our lives, the Covid-19 pandemic reinforced an awareness of the importance of digitalization – also in our sector since there is still a considerable need for the AEC/O industry to catch up. We therefore continue to see great potential in our markets in the medium and long term. It is our aim to make considerable contributions to shaping digitalization and to future-oriented initiatives such as machine learning, artificial intelligence (AI) and the use of sensors driven by the Internet of Things (IoT). We will also support our customers in the course of their digital transformation. Essentially, this involves structuring the building life cycle more intelligently and more efficiently.

Likewise, sustainability is becoming more and more relevant in the investment decisions of our customers. The construction sector is one of the most resource-intensive industries; it needs to become more efficient, and it needs to design, build and manage buildings more sustainably. The optimized interplay between all those involved in a building project enabled by consistent digitalization and end-to-end workflows offers the entire AEC/O industry a chance to become significantly more efficient through reduced construction times, improved quality and cost-savings. This is precisely where our solutions come into play. This is how the Nemetschek Group is also making an important contribution to climate and environmental protection.

Key strategic aspects

Greater networking and advancement of innovations – for the benefit of the customer

Our actions are taken in accordance with high-level requirements in terms of quality, efficiency and sustainability as well as with a focus on innovations. The leadership structure, which was implemented in 2019 with a special emphasis on our segments, helped us have a greater impact in our markets and allowed us to consolidate our expertise in the corresponding segments. The next step will involve reducing our Group-internal complexity, which has arisen as a result of our having 15 brands, while also

simultaneously retaining the entrepreneurial spirit of the brands. For this, we need to strike the right balance between integration and independence. It is our objective to share best practices, create synergies and develop solutions for our customers from a single source which can be used across the board.

Worth mentioning here is the Design segment, which successfully launched two cross-brand development projects on the market in 2020. With Integrated Design, for instance, a workflow solution was presented that is revolutionizing collaboration between architects and civil engineers. Using this integrated approach, architects and engineers can collaborate on one model across disciplines for the first time and thus considerably increase the efficiency of the planning process. This is the path to continue on in 2021.

Even before the Covid-19 pandemic, investments in the public sector were increasing worldwide, especially in the case of infrastructure measures. This trend was further reinforced by the corona crisis. The Nemetschek Group will continue to expand its activities in this segment and at the same time we will be reinforcing our strong position in the residential and commercial building sector.

Increase in our recurring revenues, driven by rental models

It has always been Nemetschek's principle to offer customers high levels of flexibility with regard to software provision. They can choose between the classic license model, including the option of a service agreement, and rental models. The rental models in particular provide us with access to new customer groups since customers can use the software flexibly in terms of time and without a one-time license fee. Another effect of the pandemic is that customers have been inquiring about this option even more. In the four segments of our Group, the offering and implementation of rental models has advanced to various degrees. For this, we respect the different needs of our customer groups, which vary according to the discipline and region.

It is our aim to increase the plannability of revenue development by successively increasing recurring revenues from service agreements and rental models. We also aim to maintain close customer contact and raise the level of customer satisfaction. The increase

in recurring revenues – which today now make up more than 60% of our revenues – will secure long-term, sustainable growth and provide our Group with even greater planning reliability.

Outlook for 2021: securely aligned for the future

In the corona year 2020, the Nemetschek Group demonstrated that it has a crisis-resistant business model at its disposal, one that will be successful in the long term. The clearly growing proportion of recurring revenues, the international alignment of the Group and the targeting of different customer groups across the four segments provide for broad risk diversification. This is complemented by the traditionally very sound equity and financing base of our Group with an equity ratio of approximately 47% and high levels of cash generation.

A look ahead to the future shows that the uncertainties resulting from the Covid-19 pandemic have not yet been eliminated in the current financial year. Thanks to our strong operational and financial basis, we nevertheless have an optimistic outlook for the year 2021. In view of stable currency exchange rates and the current brand portfolio, and assuming that economic framework conditions do not take a turn for the worse, we anticipate organic revenue growth in the high single-digit range for the current year. We envision the EBITDA margin in the 27% – 29% corridor, a level we have already achieved in the past and anticipate for the future.

The favorable performance in the crisis year 2020 is attributable to the great dedication and the rapid willingness to accept change on the part of our more than 3,000 employees. On behalf of my executive board colleagues, I thank all of them very much. Our thanks also go out to all customers, business partners and, of course, you, the shareholders of our company. We look forward to the future together with you.

Best regards,



Dr. Axel Kaufmann

Management



DR. AXEL KAUFMANN
SPOKESMAN OF THE
EXECUTIVE BOARD AND
CHIEF FINANCIAL & OPERA-
TIONS OFFICER (CFOO)



VIKTOR VÁRKONYI
CHIEF DIVISION OFFICER,
PLANNING & DESIGN
DIVISION

»Our subscription offering is growing continuously. The recurring revenues mean additional stability for us and the greatest possible flexibility for our customers.«

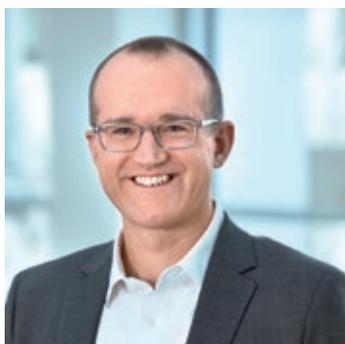
Dr. Axel Kaufmann has been appointed Spokesman of the Executive Board and Chief Financial & Operations Officer (CFOO) of Nemetschek SE, effective January 1, 2020. In this role, he is responsible for all the main Group functions of the Nemetschek Group as well as its global operating and strategic positioning including M&A strategy. In addition, he is responsible for the Media & Entertainment division.

Born in 1969 / Nationality: German

»The industry is in a rapid transformation enabled by BIM and integrated workflows based on open standards. We are driving this development with our customer oriented solutions.«

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

Born in 1967 / Nationality: Hungarian



JON ELLIOTT
CHIEF DIVISION OFFICER,
BUILD & CONSTRUCT
DIVISION

»Accelerating technology adoption is radically changing construction project delivery, reshaping the daily lives of our customers. We are dedicated to empowering them to advance the way our world is built.«

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

Born in 1976 / Nationality: US American



KOEN MATTHIJS
CHIEF DIVISION OFFICER,
OPERATE & MANAGE
DIVISION

»With Building Lifecycle Intelligence and digital twins, data can be leveraged across the entire building lifecycle – for more efficient planning, better decisions and more sustainable buildings.«

Koen Matthijs was appointed as Chief Division Officer, Operate & Manage Division in February 2019. In this role, he focuses on creating a strong portfolio for his division, including the further development of the software solutions.

Born in 1971 / Nationality: Belgian

Supervisory board's report on the 2020 financial year of Nemetschek SE

The supervisory board of Nemetschek SE involved itself extensively with the situation and development of the Nemetschek Group during the 2020 financial year. Over the course of the financial year, the committee followed the executive board closely, advised it with regard to important issues and monitored it in addition to carrying out the tasks assigned to the supervisory board by law, the Articles of Incorporation and the Articles of Association with the utmost care.

The supervisory board was involved directly and at an early stage in all decisions of fundamental importance to the company, and debated these intensively and in detail with the executive board.

Constructive deliberations between supervisory board and executive board

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

The supervisory board regularly and intensively discussed the developments in the respective months and reporting quarters, the short-term and medium-term prospects and the long-term growth and earnings strategy internally and with the executive board. This also included information on deviations in business development vis-à-vis planning as well as the impacts of the Covid-19 pandemic on business development. Outside the regularly scheduled sessions as well, the supervisory board and the executive board maintained close contact.

On the basis of the executive board's reports, the supervisory board supported the executive board's work in an advisory capacity and made decisions on actions requiring approval. On the basis of the extensive information provided by the executive board as well as independent audits, the supervisory board was able to completely fulfill its monitoring and advisory role at all times.

Meetings, participation and topics of focus

In the financial year 2020, four regular supervisory board meetings were held, at which the executive board informed the supervisory board of the economic situation and business develop-

ment. The complete supervisory board was in attendance at all meetings, which were held in hybrid mode and thus also as video conferences because of contact restrictions. In addition to the meetings, there were further resolutions on current topics, for which the written circular procedure was used. Because of its composition with four members, the supervisory board formed no committees.

The deliberation also focused in particular on the impacts of the Covid-19 pandemic on short-term business performance and the long-term alignment of the enterprise, further internationalization of company business, potential acquisition targets, strategic projects at holding and segment levels and the further development of the Nemetschek Group's solution portfolio. Detailed reports concerning the four segments and the brand companies were received by the supervisory board. Business performance which deviated from the corresponding annual targets was discussed in detail at the supervisory board meetings and analyzed. The executive board presented its planning for acquisitions and corresponding actual projects and decided on them in close collaboration with the supervisory board. In addition, in the 2020 financial year, the supervisory board again dealt with corporate governance matters.

The members of the supervisory board are responsible for the training and development measures required for their tasks, such as changes in the legal framework, new solutions and forward-looking technologies, and are supported in this by the company. In the reporting period, the company held information meetings on the expansion of the compliance management and risk management system and on the topics of executive board compensation systems. In addition, the members of the Supervisory Board are informed about current changes in legislation, new accounting and auditing standards, and innovations in corporate governance matters.

In all plenary sessions, the supervisory board was provided with information on the current course of business, which also took into account the impacts of the Covid-19 pandemic; internal control and early stage risk detection systems; and the audit and compliance report. Moreover, in the meetings, there was debate in particular on the following matters:

Meeting on March 27, 2020:

- » Annual financial statements and the consolidated financial statements as well as the combined management report for the 2019 financial year including the non-financial declaration
- » Proposal on the appropriation of profits for the 2019 financial year

- » Supervisory board's report for the 2019 financial year
- » Invitation and agenda items for the regular 2020 annual general meeting with proposed resolutions to the annual general meeting
- » Executive board and general managers' specification of targets reached and release of payment of variable remuneration shares for the 2019 financial year
- » Definition of target agreements for the 2020 financial year and nominations for participation in the "Long-Term Incentive Plan" (LTIP)
- » Strategic projects at brand level, segment level and Group level, including M&A activities
- » Financial market communication, including outlook for the 2020 financial year

Meeting on July 29, 2020:

- » Half-year financial reporting for the 2020 business year
- » Strategic projects on segment level and Group level, including cross-brand and cross-segment initiatives
- » Current M&A activities

Meeting on October 28, 2020:

- » Planning process and planning premises for the 2021 financial year
- » Strategic projects on segment level and Group level, including cross-brand and cross-segment initiatives
- » Current M&A activities

Meeting on December 18, 2020:

- » Discussion of planned projects and initiatives on brand level, segment level and holding level
- » Current M&A activities and M&A planning on brand level, segment level and holding level
- » Business planning on brand level, segment level and Group level for the 2021 financial year, including consideration of the impacts resulting from the Covid-19 pandemic
- » Business planning, including investment planning, on Group level for the 2021 financial year, including consideration of the impacts resulting from the Covid-19 pandemic
- » Cash flow and liquidity planning for the financial years 2021 to 2023, including consideration of the impacts resulting from the Covid-19 pandemic
- » Passing of resolution on the remuneration system of members of the executive board in connection with ARUG II (German Act Implementing the Second Shareholder Rights Directive)
- » Passing of resolution on Declaration of Conformity in accordance with the "German Corporate Governance Code"

Audit of the annual financial statements and consolidated financial statements

On June 19, 2020, the regular annual general meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors for the audit of the individual financial statements and the consolidated financial statements for 2020 as well as the corresponding consolidated management report. The supervisory board was convinced as to the independence of the auditor and obtained a written declaration from the auditor.

The annual financial statements of Nemetschek SE for the 2020 financial year prepared by the executive board according to the German Commercial Code (HGB), as well as the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315e (1) of the German Commercial Code (HGB), and the consolidated management report for Nemetschek SE and the Group for the 2020 financial year were audited and approved without qualification by auditing firm Ernst & Young GmbH, Munich.

The specified final documents of the SE, the Group and the executive board's proposal on the appropriation of profits as well as the auditor's reports were available to the members of the supervisory board sufficiently in advance of the balance sheet meeting on March 18, 2021. The auditor took part in the meeting, reported extensively on his auditing activities and the main audit results, explained the audit report and provided detailed answers to all of the supervisory board members' questions.

Taking the auditor's reports into consideration, the supervisory board has examined the annual financial statements, the consolidated financial statements and the consolidated management report for Nemetschek SE and the Group and is convinced of the correctness and completeness of the actual information. The supervisory board concurs with the result of the audit performed by the auditor and has determined that there are no reservations to be raised. The supervisory board approved the 2020 financial statements and consolidated financial statements of Nemetschek SE at the balance sheet meeting of March 18, 2021. The 2020 annual financial statements are thus final within the scope of § 172 of the German Stock Corporation Act (AktG).

Furthermore, the supervisory board assessed the services rendered by the auditor and resolved to evaluate the quality of the year-end audit. The current situation of auditing firm Ernst & Young GmbH as the auditor was debated and possible effects on the Nemetschek SE year-end audit were evaluated. No obstacles were ascertained which would be in opposition of a year-end audit performed by auditing firm Ernst & Young GmbH.

Reporting on sustainability / Investor communication

Nemetschek SE integrated its non-financial declaration in the consolidated management report. Auditing firm Ernst & Young GmbH subjected the non-financial Group declaration of the Nemetschek Group to an audit for obtaining limited assurance.

The supervisory board also checked the non-financial declaration and has come to the conclusion that the non-financial declaration provides no grounds for reservations.

The chairman of the supervisory board additionally conducts regular dialogs with investors in order to increase transparency. The main topics of the talks are especially issues in connection with the governance structure of the Nemetschek Group.

Conflicts of interest / Self-assessment

In the reporting year, there were no conflicts of interest on the part of the supervisory board members. In addition, no conflicts of interest involving members of the executive board were reported to the chairman of the supervisory board.

The supervisory board regularly assesses how effectively it discharges its duties. General subject areas include the conducting of supervisory board meetings, collaboration of supervisory board members, working together with the executive board as well as the quality of the provision of information to the supervisory board. In the 2020 financial year, no self-assessment of the supervisory board was made. This is, however, planned for the year 2021.

Corporate Governance

The supervisory board was continuously occupied with the principles of good corporate governance in the 2020 financial year. On December 18, 2020, the executive board and supervisory board resolved to submit a Declaration of Conformity as per §161 of the German Stock Corporation Act (AktG), in accordance with which the company has, since submission of the previous Declaration of Conformity of December 19, 2019, conformed and in future will also conform to the recommendations of the German Corporate Governance Code in the versions of February 7, 2017 (published in the Federal Gazette on April 24, 2017) and December 16, 2019 (published in the Federal Gazette on March 20, 2020), with the exception of the justified deviations specified in the Declaration of Conformity. The formulation of the Declaration of Conformity of December 18, 2020 is part of the consolidated management report and included in the [« Corporate Governance Declaration »](#) section in the “To our shareholders” part of the annual report for the 2020 financial year. The Declaration of Conformity was made permanently available to shareholders on the company website under ir.nemetschek.com/en/corporate-governance.

Changes to the executive board and supervisory board

As in the previous year, the executive board consisted of three members. As of January 1, 2020, Dr. Axel Kaufmann was appointed Spokesman of the Executive Board and CFOO of Nemetschek SE. In addition to these roles, he is responsible for the growth-intensive Media & Entertainment business unit. Dr. Kaufmann takes

on these important roles in Nemetschek SE as a very competent manager with many years of international industry experience and a great deal of financial expertise. The supervisory board is convinced that, together with the existing, very experienced and international Nemetschek SE executive board team, Dr. Kaufmann will lead the company into the next phase of innovation and growth.

The supervisory board consisted of four members in the 2020 financial year. In 2020, the composition of the supervisory board in terms of personnel remained unchanged vis-à-vis the previous year.

Thanks for dedicated performance

In the year 2020, which was marked by the effects of the Covid-19 pandemic, the Nemetschek Group again demonstrated its operational strength and resilience. Likewise, the business model and the strategic alignment in place proved themselves to be crisis-proof. Thus, it was possible to close a financial year which was once again very successful. In 2020, in a challenging and uncertain environment, the Nemetschek Group was again able to achieve revenue growth and simultaneously keep its profitability at a high level – which also benefited from Covid-19 measures such as strict cost management and business activities that were restricted in part. It was possible to achieve the targets, which had been raised in the course of the year.

In 2020, under difficult conditions, our employees delivered extraordinary service and consequently made a great contribution to the success of the company. The supervisory board thanks all employees for their excellent performance and personal commitment. At the same time, the supervisory board would like to express its recognition and deep appreciation to the executive board and the CEOs of all the brands for their performance.

Munich, March 18, 2021



Kurt Dobitsch
Chairman of the supervisory board

Nemetschek on the Capital Market

Stock market year 2020 marked by corona crisis

In the first quarter of 2020, the worldwide spread of the coronavirus (SARS-CoV-2) triggered a crash on global share markets. The DAX fell by about 25% in the interim. Despite considerable economic decline as a result of the Covid-19 pandemic, markets recovered significantly in the second quarter. Impetus came primarily from expansive monetary and fiscal policy as well as from worldwide economic and bailout programs. Towards the end of the year, advances made in the development of Covid-19 vaccines had a further revitalizing effect on share markets.

Overall, despite the Covid-19 pandemic, share markets were able to develop positively in 2020: for the year as a whole, the leading German index DAX increased by about 3.6% and the MDAX by 8.8%. The TecDAX, which contains the 30 largest technology values, posted a rise in value of about 6.6%. The comparative index STOXX Europe Total Market Software & Computer Services posted a positive development, increasing by about 4.6%.

Nemetschek share plateaued in 2020

The value of the Nemetschek share was able to post slight growth, which at 2.7% lay just below comparative indexes.

PRICE DEVELOPMENT OF NEMETSCHKE SHARE IN THE YEAR 2020/BEGINNING OF 2021 COMPARED TO SELECTED INDEXES (INDEXED)



On January 2, 2020, the share kicked off the new year at a price of EUR 58.80 and was able to make slight gains in the first few weeks as a result of positive preliminary figures for the 2019 financial year. In the course of the Corona pandemic, the Nemetschek share fell considerably in value, as did the overall market, and reached its all-time low of EUR 35.30 on March 18, 2020. After that, share markets experienced a trend of strong recovery. The Nemetschek share also recovered significantly. The favorable development of the figures in the first quarter, which were published on April 30, were positively received by the market. The Nemetschek share reached an all-time high of EUR 70.90 on May 29, 2020. This was again followed by a slight share price adjustment, whereby the share price stabilized at a level of about EUR 60. The better-than-expected Q3 figures as well as the increase in the forecast for the current financial year 2020 led once

again to a considerable rise in the share price on October 29, 2020. Owing to the ongoing uncertainty of the market situation, the Nemetschek share again fell in value as the year came to an end, closing the 2020 financial year at a price of EUR 60.40. This represents an increase of 2.7% since the beginning of the year.

Nemetschek share in the MDAX and TecDAX rankings

As of December 31, 2020, the ranking of Deutsche Börse listed Nemetschek 59th (previous year: 60th) for market capitalization (in terms of free float) on the MDAX and 11th on the TecDAX (previous year's ranking: 12th). During the 2020 financial year, with an average of 285,066 shares traded daily via the electronic trading platform Xetra, over 25% more shares were traded per day than in the previous year (224,215 shares). The average daily trading on Xetra even rose as a result of the increased trading volume, and the

share price development rose from EUR 10.58 million in 2019 by some 60% to EUR 17.00 million in 2020. Nemetschek ranked 56th on the MDAX (previous year: 69th) and 12th on the TecDAX (previous year's ranking: 17th) for the volume of shares traded.

Market development in the current financial year

At the beginning of 2021, the Nemetschek share continued on its slightly volatile course. Until the beginning of March, the Nemetschek share continued to lose value and settled at over 50 euros.

Overview of the Nemetschek share

KEY FIGURES ON SHARES

	2020	2019
Closing price in €	60.40	58.80
High in €	70.90	59.25
Low in €	35.30	30.41
Market capitalization in € million	6,976.20	6,791.40
Earnings per share in €	0.84	1.10
Price/earnings ratio	71.90	53.45
Average number of shares traded per day (Xetra)	285,066	224,215
Average number of outstanding shares	115,500,000	115,500,000

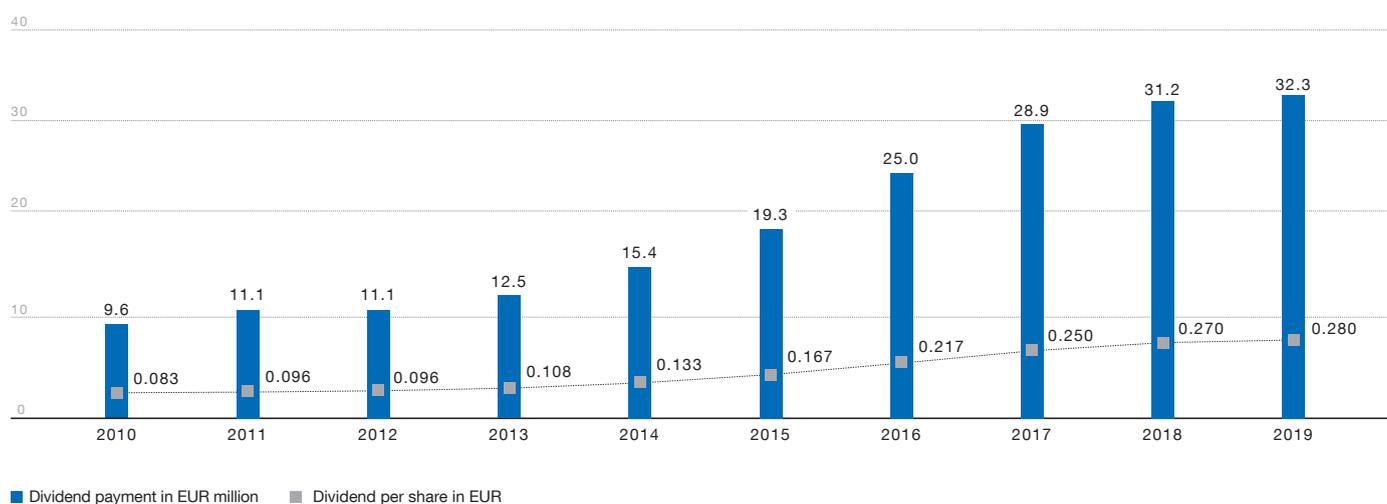
For Nemetschek SE, there is currently no rating issued by a rating agency which assesses creditworthiness or credit rating.

Dividend policy

The Nemetschek Group pursues a sustainable dividend policy, which plans for a payout of about 25% of the operating cash flow. The dividend policy is always subject to consideration of the development of the economy as a whole as well as the economic and financial situation of the company.

For the 2019 financial year, owing to the extremely uncertain economic framework conditions resulting from the Covid-19 pandemic, the Nemetschek Group raised the dividend only slightly and set the dividend per share at EUR 0.28 (previous year: EUR 0.27). The dividend was paid out following the annual general meeting on June 19, 2020.

DIVIDEND PER SHARE AND TOTAL AMOUNT OF DIVIDENDS TO BE DISTRIBUTED BASED ON YEAR-OVER-YEAR COMPARISON

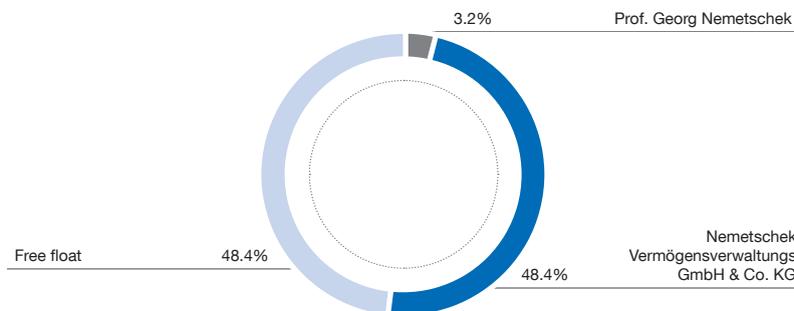


Shareholder structure

The free float amounted to 48.4 percent as of December 31, 2020. It was spread across a regionally widely diversified shareholder structure with a high proportion of international investors, primarily from the USA, Germany, France, Great Britain, Switzerland and Scandinavia.

Nemetschek Vermögensverwaltungs GmbH & Co. KG continues to be the biggest shareholder in the company, with a share of 48.4% (55,868,784 shares). Furthermore, 3.2% (3,700,000 shares) is held directly by Prof. Georg Nemetschek. For the shares held by Nemetschek Vermögensverwaltungs GmbH & Co. KG and the shares held directly by Prof. Georg Nemetschek, there continues to be a pooling agreement, which serves to ensure a shareholder structure that is permanently stable.

SHAREHOLDER STRUCTURE*



* Direct shareholdings as of December 31, 2020.

First virtual annual general meeting

As a result of the corona pandemic, the Nemetschek Group postponed its regular annual general meeting planned for May 2020 to June 19, 2020 and conducted it completely virtually for the first time. This was the software company's response to the restrictions applicable to public life during the Covid-19 pandemic. It made simultaneous use of the option provided for by legislators for an annual general meeting that is completely virtual.

Even after rescheduling, Nemetschek was able to remain within the term of six months after the end of the financial year, by which deadline European Companies (SEs) are required to hold their annual general meetings.

At the regular annual general meeting, which as described above was conducted completely virtually, the company's shareholders approved all agenda items with a large majority.

Dividend

For the 2019 financial year, the shareholders resolved on a dividend in the amount of EUR 0.28 per share, a slight increase compared to the previous year (EUR 0.27 per share). The company thus continued with its sustainable dividend policy and paid out a dividend for the eleventh time in a row. In view of this only slight increase, the dividend was in keeping with economically uncertain framework conditions. The total dividends to be distributed amounted to EUR 32.3 million (previous year: EUR 31.2 million). The dividend payout ratio for the 2019 financial year was therefore approximately 20% – in relation to the operating cash flow.

Extensive communication with the capital market

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

In the 2020 financial year as well, numerous contacts to existing and potential investors were made. As a result of the Covid-19 pandemic, the Nemetschek Group primarily made use of the option of presenting itself on virtual road shows and investor conferences.

On the occasion of the publication of the statements for the year, half year and quarter, telephone conferences were held during which the board reported on past and future business development and responded to questions from analysts and investors. In addition, Nemetschek SE maintained a close dialog with relevant business media.

Moreover, at present, the Nemetschek Group is covered by 18 analysts from various banks and research enterprises that regularly publish studies and commentaries on the current development of the company.

The current price targets of the corresponding analysts can be found on the company website under ir.nemetschek.com/analysts.

Corporate Governance Declaration

The Nemetschek Group is a globally active corporation with an international shareholder structure. The executive and supervisory boards place particular importance on responsible and transparent company leadership and control which is aligned with increasing value in the long term. Meaningful and transparent corporate communication, observance of shareholder interests, forward-looking handling of risks and opportunities and efficient and trustful cooperation between the executive board and the supervisory board are major aspects of good corporate governance. The latter is conducive to the Nemetschek Group's gaining the trust of shareholders, business partners, employees and ultimately society as a whole. At the same time, these principles are important orientation standards for the management and control of the Group.

The Corporate Governance Statement as per § 289f and § 315d of the German Commercial Code (HGB) is part of the consolidated management report. In accordance with § 317 Section 2 Sentence 6 HGB, the audit of the information provided as per § 289f and § 315d HGB by the auditor is to be limited to whether the disclosures were made. Within the scope of the Corporate Governance Statement, the executive board and supervisory board also report on the company's corporate governance.

Declaration of Conformity with the German Corporate Governance Code

On December 18, 2020, the executive board and supervisory board submitted the following updated Declaration of Conformity in accordance with §161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders on the website of the Nemetschek Group:

„The executive board and supervisory board declare:

The recommendations of the “Government Commission of the German Corporate Governance Code”, version dated February 7, 2017 (“DCGK 2017”), published by the German Federal Ministry of Justice in the official part of the Federal Gazette on April 24, 2017, have been met during the time period since the previous Declaration of Conformity of December 19, 2019 up to the DCGK version dated December 16, 2019 going into effect on March 20, 2020, with the exception of the following Code Items for the reasons specified therein and in the time periods specified.

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

b) For the specification of executive board remuneration, the supervisory board made no vertical comparison of remunera-

tion at the level of Nemetschek SE, as recommended by Code Item 4.2.2 Clause 2. As a holding company, Nemetschek SE does not offer any appropriate standards of comparison for either upper management circles or staff as a whole. Nevertheless, the supervisory board – as in the past – used the remunerations of the heads of the most important product organizations as a standard of comparison on which to base its remuneration decisions.

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

d) Neither an age limit for members of the executive board and the supervisory board nor a defined limit for the duration of the term of office on the supervisory board have been specified explicitly and are not currently planned (Code Items 5.1.2 Clause 2 and 5.4.1 Clause 2). Such an age limit or defined limit for the duration of the term of office on the supervisory board would generally restrict the company in its selection of suitable members of the executive board and the supervisory board. With regard to the composition of the executive board, supervisory board and further management circles, the individual's experience, skills and knowledge are of primary importance to the company (Code Items 4.1.5, 5.1.2 Clause 1 and 5.4.1 Clause 2). In contrast, the supervisory board and, with reference to Code Item 4.1.5, the executive board regard diversity criteria as less important, even if these are expressly welcomed.

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

The executive board and supervisory board also declare:

The recommendations of the “Government Commission of the German Corporate Governance Code”, version dated December 16, 2019 (“DCGK 2020”), published by the German Federal Ministry of Justice in the official part of the Federal Gazette on March 20, 2020, have been met in the time period since this version of the DCGK went into effect and will continue to be met with the exception of the following recommendations for the reasons specified therein and in the time periods specified.

a) Recommendations A.1, B.1 and C.1 Sentence 2 (appointments to executive positions in the enterprise as well as the composition of the executive board and supervisory board)

According to Recommendation A.1, the executive board shall consider diversity when making appointments to executive positions. Likewise, the supervisory board shall consider diversity for the composition of the executive board (B.1) as well as for the definition of targets for the composition of the supervisory board and for the creation of a profile of required skills and expertise for the board as a whole (C.1 Sentence 2).

The executive board and supervisory board of Nemetschek SE expressly welcome the objective of the Code to ensure diversity and are open to diversity in terms of the composition of the board and appointments to executive positions. However, with regard to appointments to executive positions and the composition of the executive board, as well as for election nominations for supervisory board members, the focus is on the individual's experience, skills and knowledge. The criterion of diversity will be regarded as being of lesser importance.

b) Recommendations B.5 and C.2 (age limit for members of the executive board and supervisory board)

According to Recommendations B.5 and C.2, an age limit shall be specified for members of the executive board and supervisory board and disclosed in the Corporate Governance Statement. Nemetschek SE does not consider a universally applicable age limit to be a suitable criterion for the selection of members of the executive board and supervisory board. The suitability for discharging the duties of the office of executive board or supervisory board member is dependent on the experience, knowledge and skills of the person in question. The specification of an age limit would place general and inappropriate restrictions on the selection of suitable candidates for positions on the executive board and supervisory board.

c) Recommendation D.1 (making rules of procedure for the supervisory board accessible)

The Supervisory Board of Nemetschek SE sets rules of procedure for itself. Departing from Recommendation D.1, however, the supervisory board did not make the rules of procedure accessible on the company's website. The main rules of procedure for the supervisory board are prescribed by law as well as by the Articles of Association and are publicly accessible. It is our opinion that publication of the rules of procedure above and beyond this would not generate any added value.

d) Recommendations D.2 to D.5 (supervisory board committees)

The supervisory board of Nemetschek SE formed no committees. The supervisory board consists of four members. On a board of this size, the efficient and effective discharging of duties is also ensured without the formation of specialized committees. The duties for which the Code recommends the

formation of such committees are all performed by the supervisory board of Nemetschek SE. Since no specialized committees were formed, the recommendations on the independence of the chairs of the audit committee and of the nomination committee (Recommendation C.10) are not relevant for Nemetschek SE.

e) Recommendation G.4 (vertical comparison of remuneration)

Departing from Recommendation G.4, in order to ascertain whether executive board remuneration is in line with usual levels, the supervisory board did not take into account the relationship between executive board remuneration and the remuneration of upper management circles or the staff as a whole of Nemetschek SE, nor did it take into account how remuneration has developed over time (vertical comparison of remuneration). As a holding company, Nemetschek SE does not offer any appropriate standards of comparison for either upper management circles or the staff as a whole. Nonetheless, the supervisory board used the remunerations of the heads of the most important product organizations as a standard of comparison on which to base its actual remuneration decisions.

f) Recommendation G.7 Sentence 1 (point in time of the specification of performance criteria for the variable remuneration components)

As per Recommendation G.7 Sentence 1, referring to the upcoming financial year, the supervisory board shall establish performance criteria for each executive board member which cover all variable remuneration components. In accordance with the remuneration system for the executive board members, the supervisory board will specify the performance criteria for the variable remuneration components and the targets no later than February 28 of a given financial year. In individual cases, the supervisory board considers it wise to make a decision concerning performance criteria and targets only on the basis of preliminary business figures from the previous financial year. Consequently, a provisional departure from Recommendation G.7 Sentence 1 is declared.

g) Recommendation G.10 (no share-based remuneration and point in time of accessibility of long-term variable remuneration components)

Departing from Recommendation G.10 Sentence 1, executive board members will neither be granted variable remuneration on the basis of shares nor shall executive board members invest the granted variable remuneration predominantly in shares of the company. Share prices are always subject to influences which lie outside the enterprise and are beyond the control of the executive board members. The variable remuneration of the executive board members of Nemetschek SE is therefore only dependent on enterprise-relevant events (such as revenue, income, earnings per share) which provide an undistorted reflection of corporate value and thus, in the opinion of the supervisory board, are better suited for measuring

the performance of the executive board members for the purpose of determining an appropriate executive board remuneration.

The executive board remuneration system provides for long-term variable remuneration with a three-year term (LTIP), which is to be paid out in cash respectively in the fourth year, if granted. As a result, we also declare a departure from Recommendation G.10 Sentence 2, according to which the granted long-term variable remuneration components shall be accessible to executive board members only after a period of four years. A holding period of four years may be a suitable means of incentivizing executive board members in the long term in the case of share-based remuneration since the value of the shares can change during the holding period. On the other hand, in the case of a cash payment of the long-term variable remuneration, a later payout date has no comparable incentivizing effect since the amount is determined upon expiration of the corresponding LTIP term and is not subject to any further changes even if the payout date is later.“

Website of the company

The Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) is published on the website ir.nemetschek.com/en/corporate-governance. Declarations of Conformity of previous years are also available on this website.

In addition to the Declaration of Conformity, the website ir.nemetschek.com/en/corporate-governance has made further information on the Corporate Governance Statement and on the corporate governance of the Nemetschek Group publicly accessible.

Relevant information on corporate governance practices that are applied above and beyond the legal requirements, in addition to specification as to where these are accessible to the general public

The Nemetschek Group is to be perceived worldwide as a responsibly acting enterprise with high ethical and legal standards.

The specific culture of the Nemetschek Group is the common basis for action. This culture is reflected in the fair and respectful treatment of coworkers amongst one another and vis-à-vis third parties, and is distinguished by high performance willingness, open communication, integrity and trustworthiness as well as the careful use of natural resources.

These principles are summarized in the “Code of Conduct” of the Nemetschek Group. This Code of Conduct is binding for all employees regardless of role or position in the Group. It is only by maintaining an ongoing focus on these values and integrating them into day-to-day actions that a clear commitment to the company culture is made and the long-term entrepreneurial success of the company is ensured. The Code of Conduct can be accessed on the company website at www.nemetschek.com/en/

[coc.pdf](#). You will find further information on this subject in the nonfinancial declaration in Section 2.

Moreover, details on enterprise controlling and corporate governance are provided in the consolidated management report under [<< 1.3 Corporate Management and Governance >>](#).

Compliance and the management of opportunities and risks

Weighing opportunities and risks continuously and responsibly is one of the principles of responsible company leadership. The objective of opportunity and risk management is to develop a strategy and define targets which generate a balanced equilibrium between growth targets and profit targets on the one hand and the risks inherent to such on the other. Please refer to the consolidated management report [<< 5. Opportunity and risk report >>](#) for details on the opportunity and risk management system of the Nemetschek Group.

Compliance

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

Compliance culture and targets

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

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

Compliance organization

Compliance activities are closely linked to risk management and the internal control system. The business unit Corporate Legal & Compliance controls compliance activities Group wide. The focus is on creating suitable structures and processes as well as providing support for the efficient implementation of compliance measures. In addition, the business unit Corporate Legal & Compli-

ance is available as a contact partner in the case of individual questions arising from the organization. There is a direct line of reporting to the CFOO of the Nemetschek Group.

Compliance program and communication

The compliance structures and measures for ensuring adherence to laws, guidelines and ethical principles are consistently aligned with the risk situation of the Nemetschek Group and continuously further developed. The point of departure for compliance activities is the Code of Conduct of the Nemetschek Group, which is binding for all employees. Besides the company website, employees can access the Code of Conduct and other company guidelines via the Group-internal intranet platform "Nemetschek ONE". Moreover, the Nemetschek Group uses a modern compliance training tool for efficiently and sustainably imparting this subject Group wide.

Compliance reporting channels, reviews and further development

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

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

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

Description of executive board and supervisory board procedures

Even after conversion of the form of business from a German "Aktiengesellschaft" (AG) to a Societas Europaea (SE) in 2016, Nemetschek SE retained the dual management and monitoring structure with the two bodies of executive board and supervisory board.

DUAL MANAGEMENT SYSTEM OF NEMETSCHKE SE



Executive board

Composition

The executive board, which was appointed by the supervisory board, consisted of three members, as was the case in the previous year. The executive board structure with a stronger focus on the segments, established at the beginning of the 2019 financial year, proved its merits and was retained without changes. Thus, consideration is given to the strategic alignment of the Nemetschek Group, which involves even greater consolidation of the competencies of the brand companies in the four customer-oriented segments: Design, Build, Manage and Media & Entertainment.

In the 2020 financial year, the executive board was composed of the following three members:

- » Viktor Várkonyi, Chief Division Officer, Planning & Design Division.
- » Jon Elliott, Chief Division Officer, Build & Construct Division and CEO of the Bluebeam brand.
- » Dr. Axel Kaufmann, Spokesman of the Executive Board and Chief Financial & Operations Officer (CFOO). Further, he is responsible for the Media & Entertainment Division.

As of January 1, 2020, Dr. Axel Kaufmann was appointed Spokesman of the Executive Board and CFOO of Nemetschek SE by the supervisory board.

For Nemetschek SE, the appointment of executive board members, like the filling of executive positions, is invariably subject to the relevant criteria of quality and suitability, and is done independent of gender. According to the principle of qualification-based neutrality, Nemetschek SE is assured to best serve the interests of the company.

Details on further mandates performed by the members of the executive board are provided in the notes to the consolidated financial statements. Information on the remuneration of the executive board members is reported in the consolidated management report under [« 7.3 Remuneration Report »](#).

Procedures

The supervisory board issued rules of procedure for the executive board which govern cooperation within the executive board as well as cooperation between the executive board and the supervisory board. In compliance with corporate interests, the executive board performs its leadership role with the objective of sustainably increasing corporate value. The executive board bears overall responsibility for the management of the Nemetschek Group. In addition, every member of the executive board is solely responsible for the tasks assigned to him according to the business allocation plan. The executive board collaboratively resolves all matters which are of particular significance and impact for the company or its subsidiaries.

The executive board is responsible for the creation of the quarterly statements and half-year financial report and for the preparation of the annual financial statements and consolidated financial statements as well as the consolidated management report of Nemetschek SE and of the Group.

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

Supervisory board

Composition

In the 2020 financial year, the composition of the supervisory board in terms of personnel remained unchanged vis-à-vis the previous year.

The supervisory board consisted of the following four members:

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

The members of the supervisory board are elected by the annual general meeting.

Details on further mandates performed by the members of the supervisory board are provided in the notes to the consolidated financial statements. Information on the remuneration of the supervisory board members is reported in the consolidated management report under [« 7.3 Remuneration Report »](#).

Procedures

The supervisory board serves the executive board in an advisory capacity, monitors the executive board in its management of the company and verifies all significant business transactions for the executive board by examining the documents in question in terms of the Regulation (EC) No. 2157/2001 of the Council on the statute of the European Company (SE-VO), the German SE Implementation Act (SEAG), the German Stock Corporation Act (AktG), the company's Articles of Incorporation and Articles of Association. The supervisory board is also provided with information on the position of segments including the individual brands and the Group as well as on major developments by the executive board outside of the regular supervisory board meetings. In this way, it can accompany operative business with advice and recommendations made on an appropriate base of information.

The supervisory board defines a catalog of business which requires approval as well as a business allocation plan in the Articles of Association for the executive board. The supervisory board acts on the basis of its own rules of procedure. Moreover, the supervisory board approves the annual financial statements, the consolidated financial statements and the consolidated management report of Nemetschek SE and of the Group. The chairman of the supervisory board presents the activities of the supervisory board every year in his report to the annual general meeting as part of the annual report.

Together with the executive board, the supervisory board ensures that there is long-term succession planning. For this purpose, the supervisory board is in regular communication with the executive board. Together, the executive board and supervisory board evaluate the suitability of potential succession candidates and discuss how suitable internal candidates may be further developed. In addition, on an ongoing basis, the supervisory board examines whether the best possible composition of the executive board is maintained. For this purpose, the chairman of the supervisory board discusses with the executive board what skills and experience as well as what professional and personal areas of expertise, in particular, should be represented on the executive board

with a view to the company's strategic development, taking into consideration the extent to which the composition of the executive board already satisfies these requirements.

In accordance with the recommendations of the German Corporate Governance Code, the supervisory board has specified actual objectives for its composition and has resolved a competence profile for the committee of the Nemetschek SE supervisory board as a whole. Accordingly, every member of the supervisory board must meet the prerequisites required by law and the prerequisites as per the Articles of Association for membership in the supervisory board (cf § 100 (1 to 4) of the German Stock Corporation Act – AktG). Every member of the supervisory board must possess the knowledge and skills necessary for due performance of the tasks required of the member by law and by the Articles of Association. The members of the supervisory board as a whole must be familiar with the sector in which the company is active (cf § 100 (5) AktG). Every member of the supervisory board must have sufficient time available and the willingness to dedicate the necessary time and attention to this office. In addition to these general prerequisites, the board as a whole is to meet the following prerequisites in particular:

- » Every member is to have a general understanding of the business of the Nemetschek Group, especially of the worldwide AEC market environment, the individual business segments, the customer requirements, the regions in which the company conducts business, and the strategic alignment of the enterprise.
- » At least one member is to have expertise in the areas of accounting or auditing.
- » At least two members are to meet the criterion of internationality to a high degree or have acquired operational experience in internationally active enterprises.
- » One or more members are to have expertise in the area of business administration.
- » On the board as a whole, one or more members are to have experience in the area of governance, compliance and risk management.
- » All members are to have operational experience in human resources management.

At present, the company's supervisory board considers that the specified targets for the composition of the supervisory board are met.

According to the supervisory board, in keeping with Recommendations C.1/C.6 of the German Corporate Governance Code, it is appropriate for the supervisory board to have at least three members – i.e. more than half of the shareholder representatives – who are independent from the company and its executive board (cf. Recommendation C.7 of the German Corporate Governance Code (DCGK)) as well as at least two members who are indepen-

dent from a controlling shareholder (cf. Recommendation C.9 of the German Corporate Governance Code (DCGK)). Overall, according to the supervisory board, it is appropriate for the supervisory board to have at least two members who are independent from the company and from its executive board as well as from any controlling shareholder.

According to the supervisory board, at the present time, all of its members are independent from the company and its executive board within the context of Recommendation C.7 of the German Corporate Governance Code (DCGK). This estimation does not conflict with the fact that Mr. Dobitsch, Prof. Nemetschek and Mr. Herzog have been members of the supervisory board for more than twelve years. Pursuant to Recommendation C.7 of the German Corporate Governance Code (DCGK), many years of membership on the supervisory board merely is an indicator of a possible lack of independence; an indicator which also allows for a different estimation by the supervisory board. A purely formal consideration, which would automatically assume a lack of independence after more than twelve years on the supervisory board, is deemed inappropriate by the supervisory board. It is the view of the supervisory board that the mere fact of long-standing membership on the supervisory board neither constitutes grounds for a conflict of interest or conflict of role, nor does it impair the manner in which the office is discharged. In the work of the supervisory board over the previous years, there have been no major conflicts of interest, or any conflicts of interest which were not just temporary. No indications are or have been given that Mr. Dobitsch, Prof. Nemetschek or Mr. Herzog would possibly confront the executive board in a biased or prejudiced manner. The supervisory board is also of the absolute conviction that the fact of serving for more than twelve years does not hinder one's ability to critically reflect on one's own supervisory board activities or to work towards increasing efficiency.

Moreover, Mr. Dobitsch and Mr. Krouch are also independent from a controlling shareholder within the context of Recommendation C.9 of the German Corporate Governance Code (DCGK).

The supervisory board regularly assesses how effectively it discharges its duties. General subject areas include the conducting of supervisory board meetings, collaboration of supervisory board members, working together with the executive board as well as the quality of the provision of information to the supervisory board. In the 2020 financial year, no self-assessment of the supervisory board was made. This is, however, planned for the year 2021.

Please refer to the [«< Supervisory board report >>](#) for further information on the subject areas and work of the supervisory board in the 2020 financial year.

Details on further mandates performed by supervisory board members are provided in the notes to the consolidated financial statements.

Remuneration of executive board and supervisory board

In accordance with the recommendations of the German Corporate Governance Code, Nemetschek SE has been reporting the remuneration of each member of the executive board and supervisory board for some time now. The remuneration of the members of the executive board consists of fixed compensation and the usual additional components such as health and long-term care insurance as well as a company car, and a variable, performance-based compensation. The variable compensation has a current and noncurrent component. The current, performance-based (variable) compensation mainly depends on corporate targets achieved (revenue, EBITA and earnings per share) which are agreed between the supervisory board and executive board at the beginning of each financial year. With a view to corporate management in the long term and in accordance with applicable provisions, the executive board remuneration system also contains a long-term variable component, also referred to as the Long-Term Incentive Plan (LTIP). The amount and payment of this depends on the achievement of specified targets for revenue, operating result and earnings per share as well as previously defined strategic project targets. The period which is relevant for this is always three financial years.

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

In keeping with the changes in legislation resulting from the German Act Implementing the Second Shareholder Rights Directive (ARUG II), which went into effect on January 1, 2020, the supervisory board further developed the existing executive board remuneration system and resolved this at its meeting held on December 18, 2020. For the most part, the further developed system also corresponds to the recommendations of the German Corporate Governance Code (DCGK) in the version of December 16, 2019. The further developed executive board remuneration system is to be presented to the regular annual general meeting in May 2021 for approval.

Target percentage for female representation, §§ 76 Para. 4, 111 Para. 5 of the German Stock Corporation Act (AktG) and diversity concept

According to § 111 Para. 5 of the German Stock Corporation Act (AktG), the supervisory board must define target values for the percentage of positions held by women on the supervisory board and executive board. Pursuant to § 76 Para. 4 of the German Stock Corporation Act (AktG), the executive board is to stipulate a target percentage for female representation in the two management levels below the executive board.

With the resolution of March 20, 2019, for the period ending December 31, 2021, the supervisory board defined a target value of at least 0% for the supervisory board and executive board since, with regard to the composition of the supervisory board and executive board, the individual's experience, skills and knowledge are of primary importance to the company.

Regardless of this, in the event of positions vacant on the supervisory board or executive board, the supervisory board will of course consider women as potential candidates as well.

At Nemetschek, there is only one management level below the executive board, which means that the obligation of the executive board to stipulate a target percentage pursuant to § 76 Para. 4 of the German Stock Corporation Act (AktG) is limited to this management level. With the resolution of March 20, 2019, the executive board defined a target value of at least 25% for the management level below the executive board for the period ending December 31, 2021.

The executive board and supervisory board of Nemetschek SE do not pursue a diversity concept. In the Declaration of Conformity, it is stated that the objective of the Code to ensure diversity, which includes diverse committee composition as well as appointments to executive positions, is expressly welcomed. However, with regard to appointments to executive positions and the composition of the executive board, as well as for election nominations for supervisory board members, the focus is on the individual's experience, skills and knowledge. The criterion of diversity will be regarded as being of lesser importance.

Further information on corporate governance

Financial reporting and year-end audit

Nemetschek SE prepares its consolidated financial statements as well as the consolidated interim reports as per the International Financial Reporting Standards (IFRS). The annual financial statements of Nemetschek SE (individual financial statements) are pre-

pared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared by the executive board, examined by the auditor and approved by the supervisory board. The annual general meeting selected auditing firm Ernst & Young GmbH, Munich, as auditors and Group auditors for the 2020 financial year. The supervisory board commissioned the audit, additionally set the remuneration for the audit, and verified the independence of the auditor. Furthermore, it assessed the services rendered by the auditor and resolved on evaluating the quality of the year-end audit.

Shareholders and the annual general meeting

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

Munich, March 15, 2021

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

Transparency and communication

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

Directors' dealings, voting rights and stock option scheme

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

Combined Management Report for the 2020 Financial Year

About This Report

The management report of Nemetschek SE and the Group management report for the 2020 financial year have been consolidated. The corporate governance declaration in accordance with § 161 AktG is published on the website ir.nemetschek.com/en/corporate-governance. The corporate governance declaration can also be found in the chapter [«< To our Shareholders >>](#). The consolidated financial statements prepared by Nemetschek as of December 31, 2020 are in compliance with the International Financial Reporting Standards (IFRS), applicable as of the reporting date, as well as with the requirements of the German Commercial Code in connection with German Accounting Standards.

1 Group Principles

1.1 Group Business Model

Organization

The Nemetschek Group, founded in 1963 by Prof. Georg Nemetschek and comprising Nemetschek SE and its operating subsidiaries, offers software solutions to enable continuous workflow across the entire construction lifecycle.

Nemetschek SE, headquartered in Munich, is a strategic holding company with 15 brands operating in four segments. The term “brands” is understood to mean subsidiaries of Nemetschek SE. Nemetschek SE is responsible for the central functions of corporate finance & tax, controlling, investor relations & corporate communication, corporate development and operations, mergers and acquisitions, Human Resources, IT & business solutions, corporate audit and corporate legal & compliance.

The reporting structure comprises the four following segments: Design, Build, Manage and Media & Entertainment. In order to strengthen the focus on the segments in the long term, since the beginning of 2019 each of the four segments has been assigned an Executive Board member or Segment Manager who works closely with the individual brands within the segment. This approach reflects the strategic target of better combining the brand companies’ expertise within the customer-oriented segments, leveraging synergies and developing segment strategies for the respective customer groups or overarching approaches.

The brands are active on the market as independent companies within their segment, while they also move within a strategic corridor agreed on by the holding company and the Segment Manager. The holding company and the Segment Managers facilitate exchange between the brands and initiate strategic projects involving several brands, some of which are cross-segmental, thereby creating synergies in the portfolio. Regular reporting and ongoing dialog ensures a high level of management efficiency.

The legal corporate structure is presented in the notes of the consolidated financial statements on page 124.

Business activities

The four segments of the Nemetschek Group offer a diverse portfolio comprising graphical, analytical and commercial solutions that enable a continuous workflow in the lifecycle of construction and infrastructure projects. Customers include architectural and design offices of all sizes, structural planners, engineers of all disciplines, planning and service providers, construction companies and their suppliers, process controllers, as well as property, building and facility managers.

Within the planning, construction and administrative process of buildings, the central working method is Building Information Modeling (BIM), a term synonymous with the digitalization of the construction industry. BIM is used to digitally record and connect all design, quality, timing and business requirements and data. This information is used to create a virtual, three-dimensional, semantic building model. Time and cost are added to the simulation as fourth and fifth dimensions. BIM enables efficient and transparent collaboration and an improved workflow for all those involved throughout the entire process of planning, building and managing a property or infrastructure project. BIM is first used virtually in order to identify and correct planning errors even before the actual construction process. The extensive data collected via BIM forms a very good basis for Digital Twins. A digital twin is an image of a building that is created during the planning phase and continuously enriched with updated information about the entire building lifecycle, e.g. on the building construction, the building physics and energetic behavior and the building use. This allows forecasts to be made of changes to the building itself or its use.

Ideally, the digital-physical connection should be bidirectional, meaning that the digital twin can cause changes in the physical object, and these changes are registered in the virtual copy. As a result, information and implications from each phase of a building’s lifecycle – whether related to cost, durability, or user experience – can be applied to other phases. Ultimately, these insights can help architects, engineers and building managers design and operate higher performing buildings. This accumulation of data, also in conjunction with artificial intelligence (AI), is called Building Lifecycle Intelligence (BLI).

The Nemetschek Group has been following this integrated BIM approach for more than 30 years. The company’s open standard (Open BIM) enables software solutions from the Nemetschek Group to communicate with other software solutions – including those from competitors – via open data and communication inter-

faces. This allows the seamless transfer and documentation of all information, data, and digital models relevant to construction throughout the building's entire creation and operational cycle.

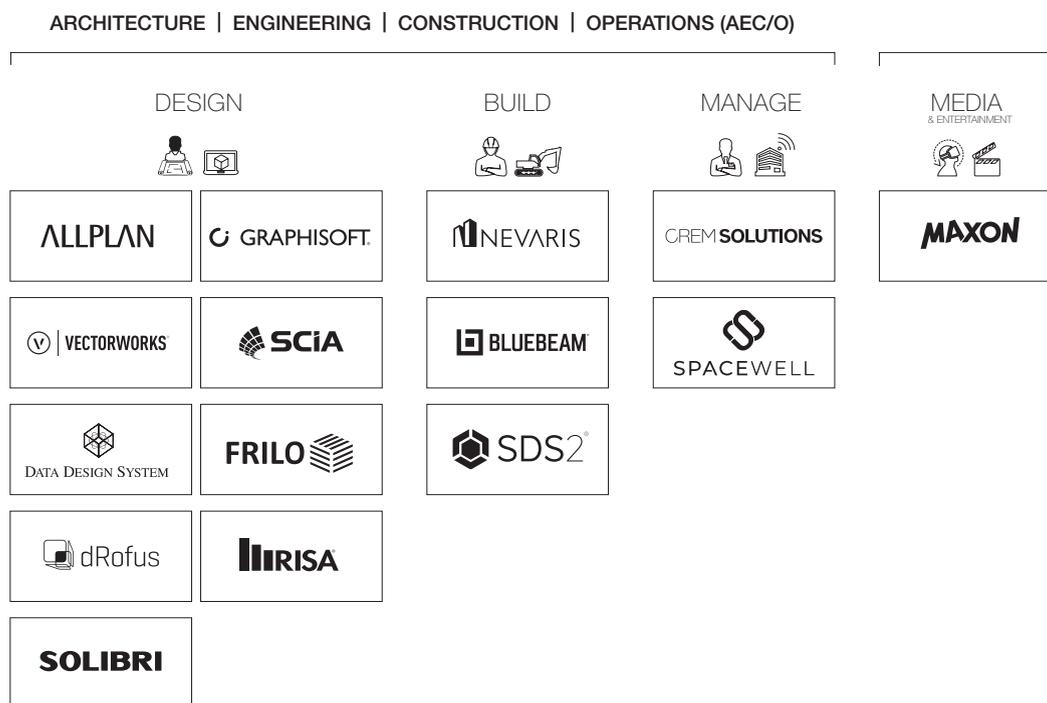
At the same time, Open BIM means that the Nemetschek Group is able to contribute to further establishing this digital method of working as an industry standard. With its Open BIM software solutions, Nemetschek enhances the quality of the construction process and improves the workflow and cooperation of all those involved, making project work more efficient while also ensuring greater cost and schedule reliability.

Sustainability is also taken into account through precise planning and the efficient use of resources. The Nemetschek Group's solutions thus lay the foundation for integrated planning, implementation and management in the AEC/O industry (Architecture, Engi-

neering, Construction and Operation). In addition, a structure can be efficiently rebuilt even years later because its details are precisely documented. The result is an increase in quality and efficiency in construction, management and renovation processes, which in some cases is significant.

Segments

The operational implementation of the Nemetschek Group's business model is carried out via the four segments: Design, Build, Manage and Media & Entertainment. The operational business is controlled via these segments, in which the 15 brands of the Nemetschek Group are integrated. At the end of 2020, the brands Precast and Allplan from the Design segment joined forces under the umbrella of Allplan for an integrated offering in the field of engineering and construction.



Design segment

With the Design segment's solutions, customers are able to carry out their tasks across all phases, from planning and design right up to factory and construction planning. The portfolio particularly features Open BIM solutions for computer-aided design (CAD) and computer-aided engineering (CAE), which are used in 2D and 3D building design and imaging. These are complemented by BIM-based planning and data management tools, as well as solutions for quality assurance and control and to avoid errors and conflicts during the planning and construction phase.

Customers include architects, designers, engineers from all disciplines including structural engineers, specialist planners, landscape designers, as well as developers and general contractors.

Build segment

In the Build segment, the Nemetschek Group offers integrated complete 5D BIM solutions from the bidding and award phase to invoicing, budgeting, scheduling and cost calculation. This also includes commercial ERP solutions for construction-related accounting and PDF-based workflow solutions for digital work processes, collaboration and documentation, as well as BIM solutions for steel structures.

Customers include construction companies, developers, building supplies, as well as general contractors, planning offices, architects and civil engineers.

Manage segment

The Manage segment provides solutions for all commercial processes in property management. It also offers modular and integrated software solutions for property, facility and workplace management (IWMS, integrated workplace management system). Furthermore, Nemetschek provides an intelligent smart building platform that uses Internet of Things (IoT) sensors and big-data analysis to improve productivity and efficiency for building managers.

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

Media & Entertainment segment

In the Media & Entertainment segment, the Nemetschek Group offers solutions for creating 2D and 3D digital content. These

include rendering models, 3D modeling, animations or visual effects. The software solutions are used worldwide for visualizing architecture, as well as in numerous film, television, advertising and video game productions and in medicine, product design and infographics.

In addition to architects and designers, customers include the international media and entertainment industry.

The key figures of the four segments are detailed under [3.3. Results of Operations, Financial Position and Net Assets of the Nemetschek Group >>](#).

Locations

Nemetschek SE is headquartered in Munich, Germany. The Nemetschek Group's 15 brands market their solutions worldwide from a total of 78 locations.

NEMETSCHKEK LOCATIONS WORLDWIDE



Drivers, market and competition

Growth drivers

The construction industry is shaped by the growing world population, increasing urbanization and the associated rising demand for housing. The rising volume of construction around the world over the past few years and the fact that buildings are responsible for around 36% of annual global energy consumption demonstrate the importance of this industry. But in terms of digitalization, the construction industry is far behind other key sectors such as the automotive industry. Studies show that the construction industry in Europe has a digitalization level of only 7%. The growing demands for efficiency, quality and sustainability in the construction industry mean that there is both a need to catch up and potential for development. This represents great market potential for Nemetschek. IT expenditure in the construction industry is expected to increase by around 13% in the next few years.

Optimizing the interaction of all processes through systematic digitalization will offer the industry a more than 20% increase in efficiency by shortening construction times, improving quality and lowering costs. Large parts of this transformation can already be implemented efficiently using existing technologies, thanks to the world's leading BIM method.

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

- » **Digitalization** in the construction sector remains weak. Catch-up effects and increased investment in industry-specific software solutions that control processes more efficiently and therefore increase quality and reduce costs and time expenditure are becoming increasingly important.
- » **State regulations** that require or make the use of BIM software mandatory for state-financed construction projects are paving the way for further growth of the Nemetschek Group worldwide. Alongside the USA, the UK and the Scandinavian countries are particular pioneers in Europe when it comes to BIM regulations and the use of BIM-enabled software solutions.
- » The rising use of software over the entire building lifecycle is required by the BIM regulations to enable a model-based and **continuous workflow**. Starting with the transition from 2D software solutions to model-based 3D BIM solutions, through the increased use of solutions for cost and time calculation and collaboration to products for the efficient use and management of buildings, the Nemetschek Group brings its solutions to all phases of the construction lifecycle and meets the requirements of an integrated workflow.

- » Furthermore, the topics of **sustainability** and **environmental protection** are becoming increasingly important in the planning, construction and operation of buildings. This is particularly true for the construction sector, as buildings and the construction industry are responsible for a total of 36% of annual energy consumption and 40% of total CO₂ emissions. A more energy- and resource-efficient way of working throughout the entire construction process, including the subsequent use phase, is therefore a critical factor in achieving the climate targets set by policymakers (e.g. European Green Deal). Intelligent BIM software solutions for more sustainable and resource-conserving construction, as well as more efficient building operation, form an indispensable basis for this.

Overall, the digital transformation in the AEC/O market will continue to lead to increased demand for solutions that ensure digital workflow in the various disciplines of the Design, Build and Manage segments. These market conditions provide the Nemetschek Group with a suitable framework for its further growth. It should be noted that the degree of digitalization and the above-mentioned drivers have different effects on the respective segments. In the Design segment, the markets are already being penetrated by software solutions. Here, the Nemetschek Group sees the transformation from 2D to 3D solutions as a key driver. But the situation is different in the Build and Manage segments where digitalization is still less developed, so that investments in software solutions will play a strong role in driving the market.

Source: 2019 Global Status Report for Building and Construction, DESI Report 2018.

Market and competition

The Nemetschek Group is a globally leading company in the AEC/O software market. In 2020, the global AEC/O software market amounted to around EUR 11 billion. Estimates assume that the market will grow by an average of 10% per year until 2023.

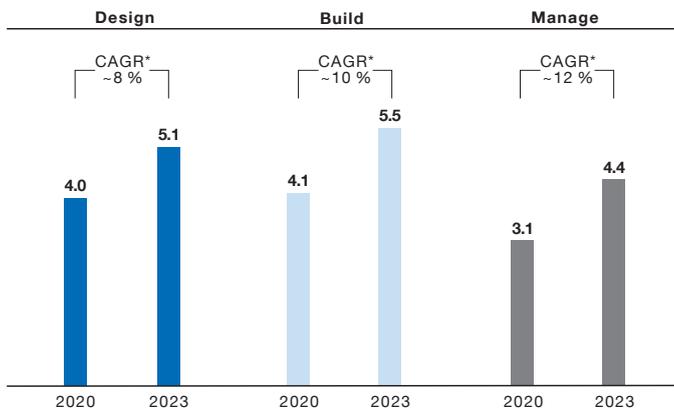
The Design market segment has a historically higher degree of maturity, as digitalization in this area started earlier than in the other market segments. An average growth rate of around 8% is expected here for the period 2020-2023.

At around 37%, the Build market segment accounts for the largest share of the overall market. This is expected to grow from EUR 4.1 billion in 2020 to EUR 5.5 billion in 2023, corresponding to an average annual growth rate of around 10%.

The Manage market segment is the most dynamic, with an average annual growth rate of around 12% up to 2023. In 2020, the market volume in this segment was around EUR 3.1 billion. According to estimates, it is expected to grow to EUR 4.4 billion by 2023.

GLOBAL AEC/O SOFTWARE MARKET

End-user expenditure in EUR billion



*) Compound Annual Growth Rate.
Sources: Cambashi BIM Design Observatory, Nemetschek Research.

The AEC/O software industry has increasingly consolidated over the past decades. The Nemetschek Group is also actively driving this process through acquisitions. Today there are only a few globally positioned vendors facing a large number of small, locally active companies. Therefore, depending on the segment and region, the Nemetschek Group faces competition from different companies.

1.2 Targets and Strategy

As in previous years, the strategic positioning of the Nemetschek Group is based on three key characteristics. These three characteristics apply to the medium term and form the basis of the company's strategic approach:

#1: With its software solutions, the Nemetschek Group supports digitalization along the entire construction lifecycle – from the planning and construction phase to the operating and renovation phase. This strategically integrated approach makes it possible to bundle and focus investments and expertise on the customer-oriented segments and thus offer end-to-end support for customers in the construction lifecycle. At the same time, the Nemetschek Group's solutions enable the workflow in the construction lifecycle to be improved thanks to their end-to-end approach.

#2: With four market segments under the umbrella of a strategic holding company, the group structure enables the Nemetschek Group to bundle the competencies of its 15 brand companies in the best possible way in the customer-oriented segments of the AEC/O industry and in the Media & Entertainment area. This structure is intended to increase the benefits and added value for the customer. The focus here is on the integration and cooperation of several brands in order to offer

an integrated and more networked range of solutions. The objective is to further improve cooperation between the various professional groups in the construction industry and to make this cooperation more efficient. The brands are "experts" in their specific customer segment, and therefore have a high level of expertise in their respective market segment. The segment and brand approach ensures that market changes can be quickly recorded, analyzed and evaluated and that customer requirements can be responded to promptly. At the same time, they benefit from synergies at segment and group level with regard to internationalization, the exchange and sharing of best practices, cross- and co-selling as well as development activities.

In order to address the broadest possible customer base, this approach is supplemented by a customer-oriented go-to-market model. In addition to the existing small and medium-sized customers, the Nemetschek Group intends to increasingly gain large and internationally active companies as customers. This is to be achieved primarily through the bundling of solutions and the use of key account management. The focus is also on reducing the complexity resulting from the diversity of brands. On the one hand, internal processes are being streamlined and simplified. This includes harmonizing the internal back-end systems in the areas of Human Resources, ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management).

#3: Open BIM. Nemetschek's clear commitment to Open BIM and the associated open interfaces increases interoperability, collaboration and communication with different disciplines along the construction lifecycle. In addition, the integration of competitors' software programs is also possible, substantially extending the circle of users. At the same time, Nemetschek is focusing on future topics that will shape and change the construction industry. These include topics such as machine learning, artificial intelligence (AI), or the use of Internet-of-Things (IoT) devices and sensors. These topics are part of the Nemetschek Group's development activities.

The key growth drivers for the Nemetschek Group are internationalization, which goes hand in hand with the corresponding sales strategy, and innovations taking place at brand and segment level. The growth strategy is aimed at growing organically faster than the market average and strengthening this growth through acquisitions.

Internationalization

As part of the implementation of its growth strategy, Nemetschek focuses on the three large regions of Europe, North America and Asia. In recent years, Nemetschek has continually expanded its market position outside Germany and at the same time strengthened its position in the target sales markets. In 2020, around 76% of Group revenue was generated outside of Germany (previous year: 75%). The USA is the world's largest single market for

AEC/O software, and also represents a key sales market for the Nemetschek Group. Nemetschek has outperformed this highly competitive and expanding market in recent years and now generates 34% of its revenue there (previous year: 34%). The brands in the USA and Europe mutually support each other in their expansion. The good market position of the US companies makes it easier for European Nemetschek brands to expand abroad and vice versa.

BIM regulations also play a major role in the strategic focus on the regions mentioned above and the respective countries. In some countries, the use of BIM software solutions is already mandatory for state-funded projects, such as in the USA, Singapore, the UK, Scandinavia or Japan. These countries offer excellent general conditions for Nemetschek.

Rental models (subscription / software-as-a-service) and sales approach

Sales in the brand companies are handled directly by the company's own sales teams and indirectly via resellers and distribution partners. Both sales channels have proven their worth and are used flexibly depending on market conditions.

The Nemetschek Group offers its customers a high degree of flexibility in obtaining the software. It operates a licensing model, which includes the option of a service contract or a rental model (subscription or software as a service). With rental models, Nemetschek can tap into new customer groups, as the customer can use the software flexibly and without a one-off license fee. At the same time, the visibility and predictability of revenues increase. Nemetschek will continue to offer its customers both options in the future. The offer and implementation of rental models is at different stages of progress in the four segments. The goals and strategies that the Nemetschek Group is pursuing in its segments are shown in its [<< Outlook >>](#). In doing this, the Nemetschek Group addresses the different needs of customer groups depending on discipline and region.

Nemetschek also relies on greater cooperation between the sales teams of the respective brands, for example by using joint sales channels (key account management, cross and co-selling measures).

Innovative solutions

Around a quarter of Group revenue is invested in research and development each year and thus in the new and further developments of the solution portfolio. In each segment, the Segment Managers, together with their brands, draw up a roadmap for the next three years as part of the annual budget process, in which the strategic product developments at brand level and across brands are recorded. The degree of implementation of the roadmap is presented and verified in regular review meetings between the brands and the respective Segment Managers.

The brands have their own development departments. There are also cross-brand development centers, e.g. in Bulgaria, to which the brands have access.

In addition to the further development of the individual brands, the strategic focus is on cross-brand development projects in the segments and strategic initiatives that extend across the segments.

The digital transformation in the construction industry and the path towards a networked construction lifecycle go hand in hand with a continuous exchange of data and information as well as the management and provision of ever-increasing amounts of data (big data) for the planning, realization and management of buildings and infrastructure projects with continuous workflows. The focus of Nemetschek's solutions is therefore on reducing information loss and data disruption. New fields of development activities extend to topics such as Artificial Intelligence (AI) or the Internet of Things (IoT).

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

Acquisitions

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

The target companies should be aimed at either extending or rounding off the technological expertise in the workflow of construction processes. Another target is to gain complementary market shares in international markets. Strong management and an established business model are key parameters in the evaluation of potential acquisitions. Regionally, the focus is on the European and North American market. With regard to the segments, the focus is particularly on the Build and Manage segments, as the Nemetschek Group is still underrepresented here compared with the Design segment. These markets also have greater potential due to the lower degree of digitalization.

In the future, the Nemetschek Group also intends to focus on smaller, still young companies, called start-up companies, in addition to the companies already established on the market. In doing so, new and innovative technologies with high growth potential are to be supported from the outset.

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

As a strategic buyer, the Nemetschek Group is highly attractive to potential companies due to its track record and established brand structure. After the sale of their company to the Nemetschek Group, the former owners, usually the founders of the company, remain with the company, thus providing the employees with a high degree of security. At the same time, they have become an important part of a financially strong, international group and thus benefit from potential synergy effects.

As well as acquisitions at holding company level, the company is also pursuing acquisitions at brand level. The brands can identify suitable target companies directly and acquire them with the support of the holding company. However, essential criteria such as technological expansion, regional expansion, sales structure and financial solidity must be met.

Even though acquisitions represent an important growth option for the Nemetschek Group, it always has the alternative of opening up new business areas organically or expanding existing ones thanks to its now very broad expertise along the entire construction life-cycle. A “make or buy” consideration permanently takes place as part of the implementation of our growth strategy. Thus, Nemetschek is not under pressure to offer prices for acquisitions that are not economically justifiable.

Target figures, target achievement, target agreement

A strategic plan sets out the main milestones and the time frame for each of the strategic targets. Discussions about the status and whether the target has been achieved take place during regular Executive Board and management meetings. In the event of possible deviations from targets, countermeasures are discussed and, if necessary, the targets are adjusted accordingly. The key elements of the strategy were not changed in the 2020 financial year. No targets were adjusted.

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

1.3 Corporate Management and Governance

General information

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

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

The company is managed at the level of the four segments. The targets and annual objectives for the segments and for the respective brand companies are derived from the strategic targets. In the annual planning process, these are coordinated with the brand companies at profit-center level, specified by the brand companies and recorded with quantitative and qualitative sub-targets for marketing, sales and development. The annual planning, sub-targets and medium-term planning are coordinated between the managing directors of the respective brands and the member of the Executive Board or manager responsible for the segment. The Supervisory Board monitors and advises the Executive Board throughout all processes mentioned above.

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

Financial performance indicators

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

Information on the detailed development of the Nemetschek Group and its segments in the 2020 financial year and in comparison to the previous year can be found under [« 3.3. Results of Operations, Financial Position and Net Assets of the Nemetschek Group »](#). In addition, a comparison of current and forecast business development can be found under [« 4. Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

1.4 Research and Development

Research and development are a high priority for Nemetschek. Around a quarter of Group revenue is regularly invested in research and development and thus in new and further developments of the solution portfolio.

Research and development activities are aimed at further expanding the Nemetschek Group's innovative strength in the AEC/O market, and identifying and addressing technological trends at an early stage. Proximity to and cooperation with customers is a key component of this. Ideas and potential for improvement are identified during discussions with customers and then evaluated by the brands in the respective segments.

In addition, there are cross-brand development projects in the respective segments designed to leverage synergies, address new customer segments and expand the portfolio. Key strategic and cross-brand projects are managed by the respective Segment Manager and developed further in cooperation with the brands. In foreign markets, adapting solutions to national standards and regulations remains important.

All brands focusing on the AEC/O markets contribute to the Open BIM approach with their solutions and support open interfaces to promote the exchange of information and data along the construction process value chain. Together with partners in the global buildingSMART initiative promoting the further development and standardization of open exchange standards – also software solutions from external companies – in BIM projects Nemetschek is involved in the further development and implementation of corresponding standards, in particular the Industry Foundation Classes (IFC). IFC is a manufacturer-independent, freely available and particularly powerful format for the exchange of 3D component-oriented design data in the construction industry. The brand companies are continuously working to improve and certify their interfaces for seamless exchange with other Open BIM solutions. In addition, the brand companies are working on the development of collaborative additional functions, such as tracing which project participant has received, read, possibly changed or already released which detailed information and when.

Innovation focus

All brands are continually developing their solutions. In their respective segments, the brands have focused on issues such as improving the user-friendliness of their solutions, process optimizations and integrated interfaces and connections for a smooth Open BIM workflow. The focus in the year under review was also on improvements aimed at minimizing the time required, increasing efficiency and productivity in the planning and construction process, and optimizing workflows.

In addition, cross-brand developments were brought to market maturity. These include the integrated workflow solutions Integrated and Federated Design. Integrated Design enables architects, structural engineers and engineers for mechanical, electrical and plumbing systems (company technicians) to collaborate agilely in a central model for the first time and exchange all essential project information in real time. Federated Design, on the other hand, enables engineers and structural designers to be part of the BIM workflow right at the start of a project. For example, the structural model automatically generates structural analysis models, which leads to considerable time savings while also increasing quality.

In the development of new solutions and the further development of proven ones, internal resources were mainly used, while the services of third parties were used only to a small extent. 87% of the expenses are attributable to internal R&D staff and 13% to external staff.

The fact that around a quarter of Group revenue is regularly invested in product and process innovations underlines the high importance of this area for the Nemetschek Group, as does the fact that around 38% (previous year: 40%) of employees work in this area.

In the 2020 financial year, EUR 142.0 million (previous year: EUR 133.3 million) was invested in research and development. This corresponds to an unchanged high R&D intensity (share of Group revenue) of 23.8% (previous year: 23.9%).

2 Non-Financial Declaration

The Nemetschek Group has integrated its non-financial Group declaration into the Group Management Report. In accordance with Section 317 (2) of the HGB, the non-financial Group declaration is not subject to the statutory audit. Auditing firm Ernst & Young GmbH subjected the non-financial Group declaration of the Nemetschek Group to an audit in order to obtain limited assurance. The Supervisory Board has also examined the non-financial Group declaration and reached the conclusion that there are no grounds for reservations.

2.1 Principles

This section contains the Nemetschek Group's non-financial Group declaration based on the CSR Directive Implementation Act (CSR-RUG), which came into effect on January 1, 2017. The requirements set forth by Section 315c in conjunction with 289c to 289e of the German Commercial Code (Handelsgesetzbuch – HGB) prescribe that the company transparently describe in detail its key non-financial activities within the Nemetschek Group, at least those pertaining to the five areas specified by the directive: respect for human rights, anti-corruption and bribery, employee concerns, environmental concerns and social concerns.

The Nemetschek Group does not use an external framework for the preparation of the non-financial Group statement and instead, as in previous years, uses existing structures for its reporting. The business model of the Nemetschek Group is described under section [<< 1.1 Group Business Model >>](#).

2.2 Corporate Social Responsibility (CSR) at the Nemetschek Group

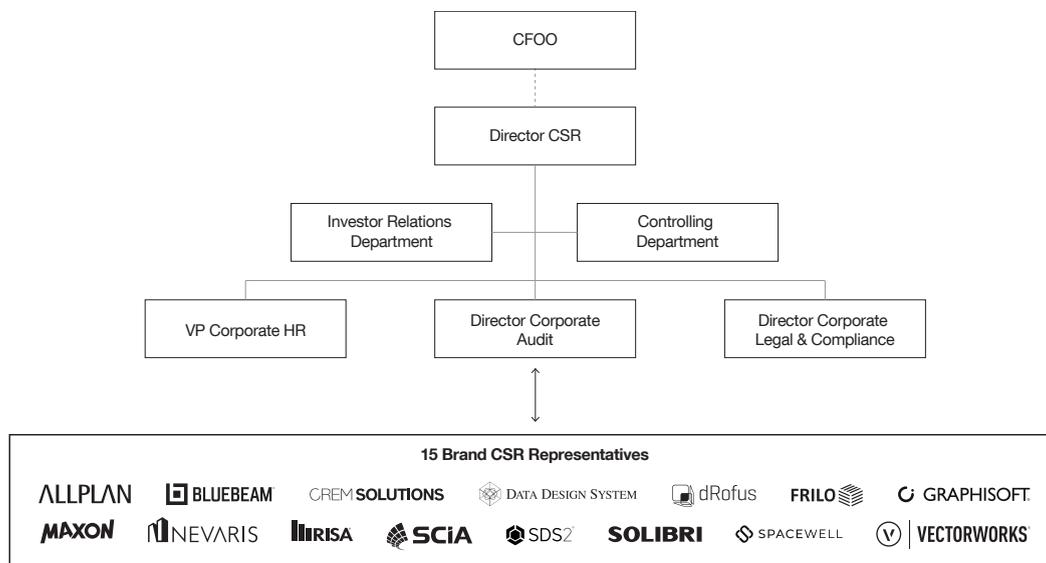
The Nemetschek Group places considerable importance on good corporate governance and social and environmental responsibility. The Group sets itself the goal of increasing efficiency and productivity along the entire value chain of the construction industry through its software solutions. These solutions map the complete workflow in the lifecycle of a construction or infrastructure project – from the architects' first sketch, through construction, to building management and operation of the property. Architects, engineers of all disciplines, building contractors, property developers, real estate administrators and building managers can use the Nemetschek Group's software solutions to design, build and manage the property digitally and thus conserve resources over the entire lifecycle.

In order to promote sustainable development beyond software solutions, the Nemetschek Group has defined standards for the way in which it conducts day-to-day business in its Code of Conduct. More specifically, the Code of Conduct states: *“Each of us contributes to the public image of the Nemetschek Group through our appearance, conduct and actions. We are all responsible for ensuring that we as a Group live up to our global social responsibility.”*

Among the individually specified duties of all employees are the protection of natural resources, provisions for anti-corruption and the obligation to refrain from all forms of discrimination. The treatment of Group employees is also geared towards sustainability. Employee responsibility also plays a significant role in the Nemetschek Group.

Since 2017, selected basic and Group-wide standards relating to non-financial issues have been introduced as part of CSR activities. These are aimed at making sustainability an integral part of all business practices of the Nemetschek Group. A CSR officer has been appointed at the holding company to implement these goals. Together with a cross-departmental CSR core team, they identify relevant topics and coordinate the implementation of the corresponding measures. The CSR officer is in close contact with the Executive Board. Once a quarter, the CSR officer meets with the spokesperson of the Executive Board to coordinate current CSR measures. The full Executive Board and Supervisory Board are also informed about ongoing sustainability activities on a quarterly basis in a written report by the CSR officer.

THE CSR STRUCTURE IN THE GROUP

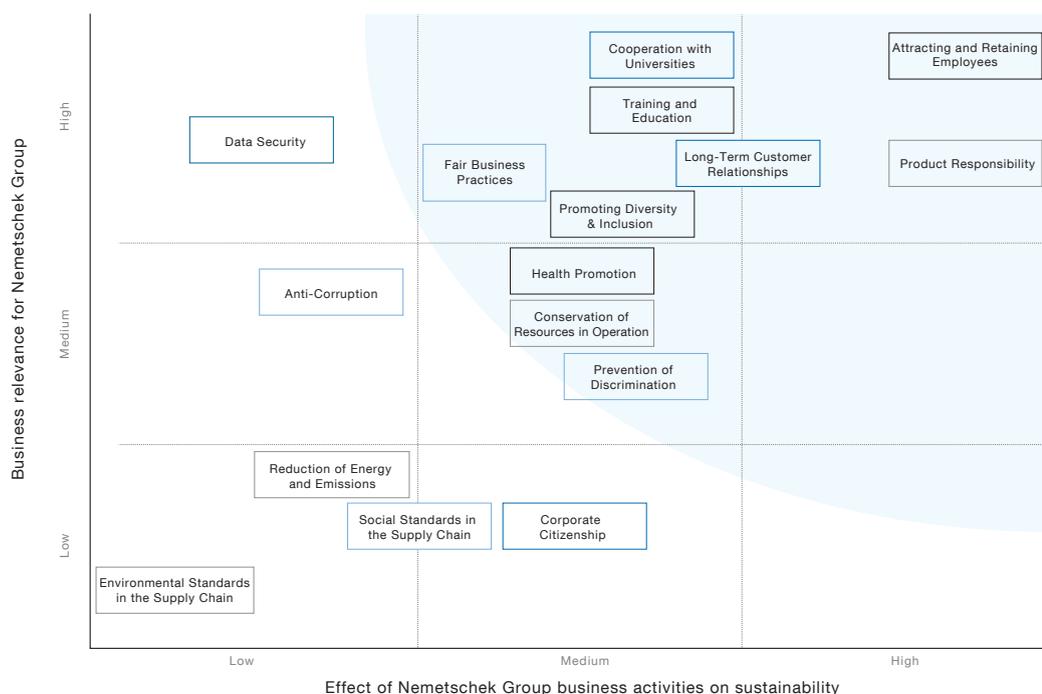


Because the Nemetschek Group consists of 15 largely independent brands, many of the non-financial issues are still managed independently by the individual brands. For this purpose, individual contact persons have been appointed in each brand – the CSR representatives. Their task involves both promoting all topics in connection with corporate social responsibility and taking over the exchange of information in this regard with the holding company and the employees within their own brand.

2.3 Key Non-Financial Issues

An important basis for sustainable management in the Nemetschek Group is the materiality analysis from 2019. Using various external frameworks, topics were identified and their business relevance and impact on the environment, employees and society were analyzed. The results of the 2019 analysis were also fully valid in 2020.

MATERIALITY MATRIX OF THE NEMETSCHKEK GROUP



The matrix shows the Nemetschek Group topics that have been identified as material. The topics above the blue shaded area were categorized as high in terms of business relevance as well as on the impact of business activities on the respective sustainability concerns. In accordance with the criteria of the CSR-RUG, they are the subject of this non-financial Group statement.

The topics identified have been assigned to the following four fields of action:

Field of action (relevance in accordance with CSR-RUG)	Material topics at Nemetschek
Integrity and compliance (human rights and anti-corruption)	<ul style="list-style-type: none"> » Fair business practices » Prevention of discrimination
Environment (environment)	<ul style="list-style-type: none"> » Product responsibility » Conservation of operating resources
Customers and society (social issues)	<ul style="list-style-type: none"> » Long-term customer relationships » Cooperation with universities
Employee responsibility (employees)	<ul style="list-style-type: none"> » Attracting and retaining employees » Education and training » Promotion of health » Promoting diversity & inclusion

2.4 Main Risks

For the non-financial Group declaration, the Nemetschek Group considers not only the main risks for its business activities, but also risks that could have a significant negative impact on the areas defined for non-financial reporting (Section 315c in conjunction with Section 289c (3) Nos. 3 and 4 of the HGB). The risk assessment involves recording the gross risk values for the amount of loss and probability of occurrence as well as the net risk positions remaining after risk-reducing measures.

As in the previous year, no material risks that would very likely have serious effects were identified for 2020 for the topics defined in the non-financial reporting. Consequently, there were no risks for 2020 which, on a net basis, meet the materiality criteria in accordance with Section 289c (3) Nos. 3 and 4 of the HGB.

2.5 Key CSR Issues

Integrity and compliance

Nemetschek is committed to a strict avoidance of corruption and bribery as well as to fair competitive behavior. This is based on the conviction that long-term business success can be achieved only by acting in a legally compliant and responsible manner. An open corporate culture and an established and effective compliance management system are key in the fight against corruption and bribery.

Actual or suspected violations of applicable laws, internal regulations or ethical standards could have negative financial consequences. They could also have a negative impact on the reputation of the Nemetschek Group. Accordingly, the first objective is to avoid compliance incidents as a matter of principle. To this end, the Nemetschek Group takes a preventive compliance approach and fosters a corporate culture in which all employees are sensitized to the issue and receive appropriate training.

Overarching management approach

In order to promote trusting and long-term business relationships, the Nemetschek Group focuses on the transparent and lawful processing of all transactions. In addition, employees are expected to treat each other fairly and respectfully within the company and towards third parties. To this end, the most important principles and regulations have been summarized in the Nemetschek Group's Code of Conduct and made available on the company website in German and English. It has been publicized throughout the company and is binding for all employees – regardless of their position.

In 2020, the Covid-19 pandemic also impacted the implementation of planned projects in the area of compliance. This applies, for example, to the implementation of the Group-wide compliance risk analysis. Despite restrictions, all key internal processes and requirements were adhered to as best as possible during the pandemic.

Compliance

The compliance management system forms the basis of the preventive compliance approach. The practical implementation of this compliance management system in the subsidiaries is carried out by the compliance officers (coordinators) of the individual brands of the Nemetschek Group as well as by the group-wide compliance network implemented in 2020. Quarterly surveys of all brands are consolidated by the Corporate Legal & Compliance department, reviewed and reported directly to the CEO and Chief Financial and Operating Officer (CFOO) of the Nemetschek Group. Ad-hoc compliance reports are also prepared as part of an applied due diligence process as required. The Supervisory Board and the Executive Board are regularly informed about issues relevant to compliance.

The basis of the preventive compliance approach also includes group-wide regulations in the form of group guidelines on various topics. In 2020, an anti-money laundering guideline was developed and rolled out for the Nemetschek Group. There are also Group guidelines on data protection, risk management and internal control. These Group policies are supplemented on a day-to-day basis by up-to-date compliance communication papers (via the compliance network) on various issues such as anti-corruption, cybercrime, anti-money laundering and terrorist financing, whistleblowing, dawn raids and data protection.

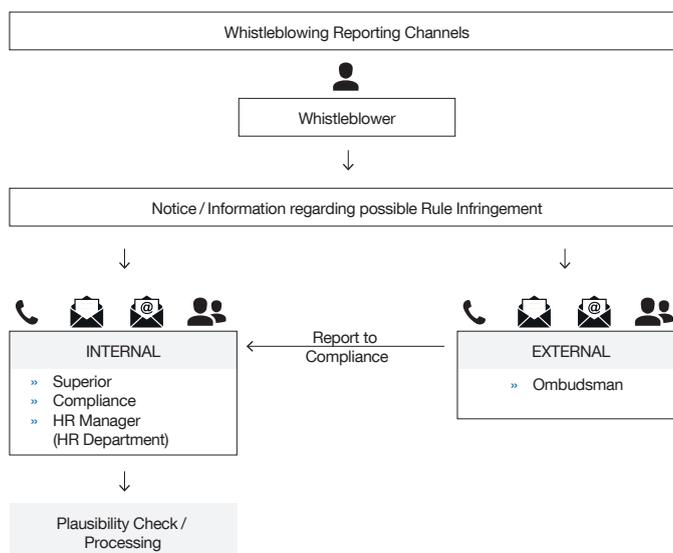
In order to keep employees aware of the respective current compliance rules, regular employee information is required. Training courses and individual refresher courses on compliance topics ensure that the relevant rules are an integral part of everyday working life.

In 2020, all staff in the holding company took part in corresponding measures. To this end, a training process was developed that will provide for regular refresher courses in the future. In 2020, for the first time, comprehensive classroom training courses on the areas of anti-money laundering and terrorist financing, as well as dawn raids, took place – always taking into account the locally applicable Covid-19 requirements. The classroom training plan also includes other important topics such as anti-corruption, conflicts of interest and liability.

The same applies as it did in 2019 with the individual brands being required to take responsibility for passing on information, individually rolling out Group policies, and conducting in-house training on compliance topics. Every new employee must complete an initial training course on compliance.

The Nemetschek Group encourages its employees to report behavior that may violate the Code of Conduct. To do so, they can contact their superiors, the responsible HR manager or the Compliance department directly, either in German or English. In addition, violations may be anonymously reported to a commissioned international law firm outside the company that acts as an ombudsman. All reports are first checked for plausibility internally with the utmost confidentiality. Further investigations and steps will be initiated as appropriate. If necessary in individual cases, other divisions or external consultants are called in. The Corporate Legal & Compliance department regularly reviews the whistleblowing process in terms of its effectiveness and amends it as necessary.

WHISTLEBLOWING PROCESS



No substantial compliance violations were reported during the reporting period. In the case of individual reported incidents, the review revealed no need for action. Accordingly, no legal action was taken.

Fair business practices

Various aspects of fair business practices are taken into account in the Code of Conduct. The Code of Conduct clearly states that corruption, bribery and other forms of granting illegal benefits are not tolerated in the Nemetschek Group. In its Code of Conduct, the Nemetschek Group is also fully committed to competition by fair means and strict compliance with antitrust law. All employees of the Group must act in accordance with the applicable competition law. For example, the Code of Conduct explains what the Nemetschek Group expects from the separation of private and Group interests or from the handling of company and business secrets.

Prevention of discrimination

On the subject of discrimination, the Code of Conduct clearly states: *"All forms of discrimination are to be avoided. Above all, Nemetschek will not tolerate any form of discrimination or harassment within the Group, whether based on origin, gender, disability, religion, age, sexual orientation, political views or trade union activities."*

Any employees who are subjected to or observe any form of discrimination or inappropriate behavior are encouraged to report this through the reporting channels described. All reported incidents of possible discrimination were reviewed during the reporting period. As a result, there were no incidents that would have necessitated steps of a disciplinary or legal nature.

Environment

Sustainable business and intact ecosystems are the basis for healthy living. The construction industry is one of the most resource-intensive sectors of the economy. In addition, the demand for housing is constantly increasing, and the construction industry is challenged to handle raw materials and energy more efficiently in order to build and manage more sustainably in this way. As a partner for architects, engineers, building managers and the construction industry, the Nemetschek Group is aware of its ecological responsibility and takes it seriously. With software solutions that improve resource efficiency in the construction industry, use resources sparingly and reduce the energy requirements of buildings, a contribution is made to climate and environmental protection.

Overarching management approach

Active environmental protection is enshrined in the Nemetschek Group's Code of Conduct. With this central document, all employees are urged to conserve natural resources in the course of their activities and to consider environmental as well as economic concerns when selecting suppliers, advertising materials or other external services.

The objective of the Nemetschek Group is that the use of its products helps the construction industry do business in a more sustainable way. To this end, the management of relevant aspects, such as research and development, is the responsibility of the individual brands. As such, the Nemetschek Group participates in the Deutschland 4.0 innovation competition, in which students and start-ups demonstrate specific sustainable benefits and potential to save resources using digital solutions.

Product responsibility

At the Nemetschek Group, sustainable product responsibility is based on two areas. Sustainability aspects are important when developing software and also in respect to their use in the life cycle of a building.

The cornerstones of software development at the Nemetschek Group are the BIM (Building Information Modeling) digital working method and open standards known as Open BIM. The Nemetschek Group is characterized by its focus on the AEC/O (architecture, engineering, construction/operations), and its ability to map all processes in the lifecycle of a construction or infrastructure project.

According to the Global Status Report 2019 published by the Global Alliance for Building and Construction, buildings are responsible for 36% of global energy consumption and 39% of energy-related CO₂ emissions. Over the last twenty years, productivity across the construction industry has increased by only 1% a year. With Nemetschek Group solutions, architects, engi-

neers in all disciplines, building contractors as well as building and real estate managers can plan more proactively, share information more efficiently and collaborate more productively. Working in this way, energy and resource consumption (raw materials such as concrete, steel and sand) can be saved during the entire construction process as well as in the subsequent use phase.

As early as in the planning phase, specific sustainability analyses can be carried out using solutions provided by Solibri, the Nemetschek brand. Costs and emission factors are presented in the model so as to generate a very informative 3D heatmap. Planners and developers obtain an exact image of which aspects of the design need to be revised from a sustainability perspective. The solution is integrated into the planning software and can therefore be used earlier and more often in the architectural planning process than in a conventional workflow where the energy analysis is only carried out once or twice in the implementation planning.

On the basis of precise planning, the buildings to be constructed are optimized as early as in the planning stage. For example, digital solutions from the Nemetschek Group can simulate the position of the sun and its angle of incidence, making it possible to plan windows in an optimum fashion.

By optimizing planning and improving the steel connections in the project, planners can save large quantities of connecting materials. Prefabrication of concrete construction can also minimize materials deployed in production, reducing waste, or allowing it to be recycled directly at the production facilities. At the construction sites, the use of digital solutions can result in paper savings of up to 90%.

80% of the costs of a building occur during the use phase, with a large share relating to energy consumption. Integrated workplace management systems enable optimum management of heating, ventilation and lighting. In this way, they can be used to better quantify office space requirements. This ensures that only the space actually needed is designed, making a further lever for sustainability.

In addition, seamless virtual documentation enables simple and targeted changes to the buildings or infrastructure, even years after their construction. It is still general practice that houses are converted or demolished after decades without knowing which materials were used. The resulting uncertainty costs time, money and resources. With the exact recording, documentation and archiving using Nemetschek Group software products, modernization projects are much simpler to calculate and plan. As the construction material uses are known even before the start of any demolition work, this means that demolition measures can also be deployed in a targeted manner to obtain raw materials through recycling.

Conservation of operating resources

In the context of a materiality analysis, conservation of operating resources has been determined as material and also enshrined in the Nemetschek Group Code of Conduct. As key figures have not yet been recorded or managed centrally, the Nemetschek Group is currently implementing the measures necessary to do so. To do this, an initial Group-wide inventory of the extensive and complete data situation was carried out in 2020.

For the 2021 financial year, further optimization for data recording is planned, so as to achieve a valid data basis across all locations. In addition, together with an external partner, a pilot project has been initiated to achieve an automated calculation of the company's internal CO2 footprint for one brand of the Nemetschek Group. Starting in 2020, the Nemetschek Group thus created the conditions for its own climate journey with individual targets and relevant measures. Competitor activities and targets were analyzed and assessed for this purpose.

Customers and society

Every company bears social responsibility beyond the purpose of its operating activities. A pure orientation towards economic key figures can increase risks in the long term. This was shown to be particularly relevant in 2020, which was a year shaped by the Covid-19 pandemic. Customer contact was adjusted in line with local regulations and recommendations with most of it taking place on a digital basis. To ensure that customers could continue to operate, the brands offered a wide range of tools, including free online training, licenses at no charge and other complementary services. Together with partners, the Spacewell brand even established an online platform – www.B2Building.help – as a digital contact point between companies and institutions with system-relevant tasks for connecting service providers and suppliers quickly and in an unbureaucratic fashion. The aim was to relieve hospitals or retail chains. The Graphisoft brand provided another example, introducing free emergency licenses and thus helping users who may have had difficulties working at home to access ARCHICAD licenses located on the company network. In addition, the Nemetschek Group provided customers impacted with free access to its BIMcloud collaboration service for 60 days.

Long-term customer relationships

Satisfaction is an important factor for long-term customer relationships. In order to be able to respond to specific customer needs in a targeted manner, this issue is managed decentrally. Most brands use defined indicators to measure customer satisfaction, such as the churn rate, the Net Promoter Score and the Customer Satisfaction Score (CSAT). Customer surveys are used to obtain the data. Customers evaluate both the functionality of the product and the services provided by the brand. Customer opinions are obtained via online surveys, by e-mail, direct custo-

mer contact or by telephone. To achieve high customer satisfaction right from the start, the Nemetschek Group involves its customers in product development at an early stage. Measures designed to contribute to product quality and customer satisfaction include joint development projects, customer panels, user groups and communities, as well as product previews, beta testing, and workshops. Some brands regularly have one-on-one interviews with customers and work closely with the customer engineering and product teams. "Wish lists" and broad-based customer surveys are also used.

Cooperation with universities

The Nemetschek Group has its roots in the university environment. With this in mind, cooperation with educational institutions is particularly important to the Group. The aim is to support all relevant institutions in the core markets that offer architectural and construction training with software solutions. In this context, talented young people are approached at an early stage in order to be able to plan, construct and manage buildings and infrastructure projects sustainably. The brands engage in networking activities for students and customers, e.g. through specially provided job platforms, various training formats, as guest lectures, at job fairs at universities or through cooperation with student associations and academic faculties. What is more, almost all brands provided licenses for those at school or university, with the total figure exceeding 330,000 in the 2020 financial year. With twelve brands, the Covid-19 pandemic impacted the activities planned. Competitions, hackathons, work placements, campus visits and on-site presentations did not take place as scheduled. Instead they were either postponed or took place on a virtual basis.

Employee responsibility

Attracting and retaining highly qualified and highly motivated employees is one of the keys to success for the entire software industry. A shortage of skilled personnel was the order of the day and remains so. This particularly applies to companies such as the Nemetschek Group. The AEC/O market (architecture, engineering, construction and operation) is shaped by a high level of innovation momentum, which is exacerbated by the fact that all Nemetschek brands compete on the labor market with large software companies. As a financially strong, innovative corporation, the Nemetschek Group, which invests approximately a quarter of Group revenue every year in research and development, is an attractive employer.

Overarching management approach

In order to act quickly and agilely in the respective markets and regions, the individual brands manage HR affairs themselves. The Human Resources department of Nemetschek Holding supports and advises the HR departments of the individual brands in this respect. The Vice President of Human Resources is responsible

for the Human Resources department within the holding company and reports to the CEO and CFOO. In addition, she is in regular close contact with the HR managers in the Nemetschek Group. In addition, the various expert and project committees are convened as required to deal specifically with individual topics. There were additional investments in cooperation across the Group, especially in the reporting year. For example, since the spring of 2020 the brand HR departments have held global video conferences every four to eight weeks. In 2020, the key topics in the conferences were dealing with the Covid-19 pandemic and e-learning. In addition, there was increased use of internal employee communication with employees using the Group intranet.

With the new “Letter of Commitment People” – which has applied in the place of the originally planned HR guideline since the beginning of 2020 – the Group defines basic standards and minimum requirements on fundamental employee issues as well as on central topics of personnel recruitment, appraisal interviews and approaches to promoting health.

However, other important areas, such as gaining and retaining employees, promoting health as well as education and training will continue to be managed decentrally by the brands. The brands also remain free to define brand-specific standards and to develop their own HR guidelines that go beyond the minimum requirements stated in the Letter of Commitment or to regulate other topics.

Gaining and retaining employees

The search for skilled staff and talented young people remains a major challenge for the Group. Software developers and IT experts in particular are rare all over the world.

As a medium-sized Group, the Nemetschek Group is in competition with large employers in the software industry such as Microsoft, Apple and Google. Attractive working conditions and a positive working environment are intended to help attract the best talent to the Nemetschek Group and retain them in the company. The Nemetschek Group currently still uses the development of the number of its employees as an indicator of the success of its measures. In the reporting year, a HR reporting system was introduced using key figures such as staff turnover to better map targets.

To attract employees, the brands offer flexible working models and other benefits. As further measures for employee recruitment, the brands of the Nemetschek Group use social media platforms such as Xing and LinkedIn, as well as contact networks

and recommendations from their own employees. Thirteen of the brands currently reward successful recommendations with a bonus.

In order to attract and then retain skilled employees in the long term, the Nemetschek Group is constantly working on strengthening its attractiveness as an employer. Flexible work time models, which are laid down as a standard in the Letter of Commitment, contribute to this. Here the brands have also developed their own rules. However, on a general basis, it can be stated that all brands provide strong support for working at home and equip their employees appropriately – especially in the pandemic year 2020. The structure of the individual working time models depends on the business model of the respective brand.

Measures to be attractive as an employer include individual training and particular support of talented people as well as sports programs and team events. The Covid-19 pandemic impacted what was offered across all brands. The brands reacted and offered online sports courses and virtual team events. One brand even organized one non-contact drive-through event. For Graphisoft, the move to virtual events resulted in opportunities. For the first time, the global team was able to participate in a meeting, something that had not been possible before.

In 2020, the number of employees in the Nemetschek Group – including through company acquisitions – increased by 199 or 6.9% compared with the previous year. Excluding company acquisitions, the increase in employees amounted to 162 (+5.6%). As at December 31, 2020, the Nemetschek Group employed 3,074 people (previous year: 2,875).

Education and training

The Nemetschek Group is committed to ongoing education and training. As a company that uses and promotes digitalization, the Nemetschek Group also offers young people good long-term prospects. One particular example in 2020 was a pilot project in the context of LinkedIn Learning, where close to 2,000 employees selected the content of their training on an individual basis. The pilot project is ongoing and is set to run until the middle of 2021. If requested, it will then be operated as an ongoing program for all employees.

The need for training and corresponding measures is addressed within the respective brands. The basis for this at all brands is regular employee development meetings in which the employee receives feedback and individual prospects and specific goals are discussed. In 2020, as a result of the Covid-19 pandemic, some

of these meetings were held on a virtual basis. This employee dialog and the defined minimum requirements for education and training are the subject of the above-mentioned Letter of Commitment. The education and training requirements are defined in the annual development meetings. In 2020, these development meetings took place at all brands and at many subsidiaries several times a year.

Promotion of health

Active health management is important for all employees in the Nemetschek Group to be able to work creatively and efficiently. For the Nemetschek Group, it is essential to offer employees a healthy and secure work environment. This includes minimizing the risk of work accidents and work-related illnesses. The company regularly adapts all health-related measures and initiatives to the changing requirements of the working environment. This applies particularly in times of the Covid-19 pandemic. Transparent communication and a rapid reaction to current changes shaped the way employees were treated. This also applied in regions which were particularly impacted and where employees had to be protected quickly by closing offices.

In the Letter of Commitment, the Nemetschek Group also defined minimum requirements for health management for all brands. The implementation of the measures will continue to be managed decentrally. In the year under review, 11 of the 15 brands offered health-related measures for their employees. Alongside wellness programs, these measures included sports and fitness activities within the company and financial support for programs offered by external providers.

In terms of preventative health care, employees benefited to varying degrees – depending on the brand – from telemedicine services, specific examinations (e.g. on eye health) or subsidized insurance policies. In some cases, special office equipment, such as ergonomic office furniture, was also provided.

Flu vaccinations, Covid-19 tests and Covid-19 antibody tests were also offered in 2020. In connection with the Covid-19 pandemic, it should be mentioned that the holding company and some brands had already prepared relevant hygiene and protection concepts, as early as the spring of 2020, directly after the outbreak of the pandemic.

Promotion of diversity and inclusion

The topic of diversity is also a key part of the company's corporate culture. Within the Nemetschek Group, the cultures are very varied. This marked individuality is an important driver for the company's innovative strength and should therefore be promoted in a targeted manner. To do this, a company examination was implemented in the 2020 financial year, showing that 40% of the brands also use a directive or company statement on diversity and inclusion. The American brands are leading the way with specific activities. In terms of culture, our group of companies are very varied and have a broad-based positioning. This is evident from a 2020 survey which showed that the Nemetschek Group employed staff from 53 different nationalities.

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General economic conditions

Global economy and the Covid-19 pandemic

The development of the global economy in 2020 was determined by the Covid-19 pandemic and its effects. It led to one of the worst recessions in the post-war period. Based on the Annual Report by the German Council of Economic Experts published on November 11, 2020, global gross domestic product (GDP) is expected to decline by 4% in 2020, while the International Monetary Fund (IMF) forecasts a decline of 3.5% in its World Economic Outlook Update published in January 2021. In 2019, global GDP growth was still as high as 2.7% according to the German Council of Economic Experts' estimate and 2.8% according to the IMF.

Global economic growth had already lost momentum in 2019. On the one hand, existing trade conflicts had an increasingly negative impact while on the other, burdens from managing structural change in individual sectors of the economy, such as the automotive industry, led to a deterioration in the macroeconomic environment.

Shortly after economic data began to improve in early 2020 as a result of the conflict between the USA and China settling, the novel coronavirus emerged and began to spread globally after its origination in China. On March 11, 2020, the World Health Organization (WHO) declared Covid-19 – a disease caused by the coronavirus (SARS-CoV-2) – to be a pandemic. The subsequent measures that were taken, both voluntary and imposed by individual governments, to contain the outbreak significantly impacted the economy. In some industries, activity came to a complete halt. In many other sectors, supply chains were disrupted or production was interrupted as a result of a drop in demand.

In order to counter the negative economic effects – in particular the historic slump in the global economy in the second quarter of 2020 – governments and central banks responded with a wide range of measures. These measures were initially intended to safeguard the existence of companies and households in the short term and subsequently to revive the economy. The unprecedented programs, as well as the partial lifting of the measures imposed to contain the virus, had their effect, and the economy experienced a strong revival in the summer. After the summer months, increasing levels of infection led to a resurgence of restrictions, which impacted sectors and regions differently.

From a global perspective, GDP in all major economies – with the exception of China – is expected to decline in 2020.

Eurozone

In the eurozone, the Covid-19 pandemic and the associated containment measures caused the economy to slide into recession in the first half of 2020. The decline of 11.8% in the second quarter was particularly large compared with the previous quarter. The development of GDP was very heterogeneous in the individual member states. The differing impact on the countries was particularly influenced by regional infection rates. However, the importance of the economic sectors heavily affected by the pandemic for the individual economies and the extent to which the economies of the individual countries are dependent on international supply chains also played a role.

To counteract the economic impact of the Covid-19 pandemic, far-reaching fiscal measures were taken by the individual member states. Aid programs were also launched at the European Union (EU) level. In addition, the European Central Bank (ECB) took extensive measures aimed at stabilizing the financial markets and supporting the economic recovery.

On the labor market, the moderate increase in the unemployment rate to date contrasts with a sharp decline in the volume of work – the total hours worked by all employed persons. In addition to the decline in the number of people in work, the use of short-time working is playing an important role here.

Overall, in its Annual Report 2020/2021 the German Council of Economic Experts expects GDP to fall by 7.0% in the eurozone in 2020, while the IMF forecasts a decline of 7.2%. The decline in economic output is expected to be particularly sharp in France, Italy and Spain. In the previous year, GDP grew by 1.3%.

USA

Economic development in the USA in 2020 was also significantly impacted by the effects of the Covid-19 pandemic. In the second quarter, seasonally adjusted GDP decreased by 9.0% compared with the previous quarter. Unlike in the major European economies where short-time working was used, there was a sharp rise in the unemployment rate in the USA. While this was 3.5% before the outbreak of the pandemic, in April 2020 it reached 14.7% – the highest level so far in the course of the pandemic. Numerous monetary and fiscal policy measures were also adopted in the USA to mitigate the impact of the pandemic. In the course of the year, economic development also recovered in the USA.

At the beginning of 2020, an initial agreement was reached in the trade conflict between the USA and China with the “Phase One Deal.” Under the agreement, China undertook to expand imports of certain products from the USA, and the USA partially reduced the punitive tariffs introduced during the conflict and suspended the introduction of new tariffs. Despite the agreement, the US trade deficit is said to have widened during the year.

For 2020, the German Council of Economic Experts predicts a decline in GDP of 3.7%. In the previous year, growth is expected to have been 2.2%. The IMF expects GDP to decline by 3.4% in 2020, following growth of 2.2% in 2019.

Asia (Japan)

In Japan – the most relevant and strongest market in terms of revenue for the Nemetschek Group in Asia – the 7.9% GDP slump in Q2 was low compared with other countries. The infections caused by the Covid-19 pandemic were also comparatively low in spring 2020, meaning that the containment measures imposed by the Japanese government were relatively moderate in international comparison. The production slump occurred somewhat later than in other leading economies, with the result that recovery trends also started with a slight delay. Unemployment in Japan rose from 2.4% in February 2020 to 3.0% in August 2020.

Overall, the German Council of Economic Experts expects Japan's GDP to decline by 5.4% in 2020 – the estimated growth rate in the previous year was 0.7%. The International Monetary Fund sees a decline of 5.1% in 2020. Growth in the previous year is put at 0.3%.

Emerging markets (China)

Emerging markets have also been affected by the Covid-19 pandemic in many ways. Although severe Covid-19 outbreaks may be less frequent due to the tendency of the population to be younger, it is assumed that there will also be a significant decline in economic activity in 2020.

China has a central role when it comes to the Covid-19 pandemic. The country was the first to be affected by the pandemic, and the government quickly imposed strict containment measures. As a result of these measures, there was a significant drop in GDP of 10% in the first quarter compared with the previous quarter. With infection rates lowering, the containment measures were relaxed. In its Annual Report 2020/2021, the German Council of Economic Experts expects Chinese GDP to grow by 1.8% in 2020. In the previous year, it increased by 6.1%. The International Monetary Fund sees GDP increasing by 2.3% in 2020 (previous year: 6.0%).

The situation is different in other emerging markets. The oil-exporting emerging markets are suffering from the significant drop in crude oil prices as a result of the pandemic. Other countries that are heavily dependent on the tourism industry are currently experiencing a significant decline in GDP due to the sharp drop in the number of travelers. In addition, some of the emerging markets have only limited options for taking fiscal policy measures to combat the consequences of the pandemic.

Overall, GDP in the emerging markets is also expected to decline in 2020. The German Council of Economic Experts predicts a decline of 1.8%, while the International Monetary Fund even expects a drop of 2.4%. In the previous year, growth of 4.5% (German Council of Economic Experts) and 3.6% (IMF) was forecast. For India and South Africa, which were both particularly affected by the pandemic, significant declines in GDP are expected for 2020.

Sources: German Council of Economic Experts, Annual Report 2020/2021 (November 2020) and International Monetary Fund, World Economic Outlook Update (January 2021), <https://www.euro.who.int/de/health-topics/health-emergencies/coronavirus-covid-19/novel-coronavirus-2019-ncov>.

Development of the construction industry

Europe

The development of the construction industry in 2020 was dominated by the effects of the Covid-19 pandemic. After years of upswing, European construction output in 2020 slumped by 7.8% compared with the previous year. The decline is thus comparable to the slump in 2009 that came as a result of the global financial crisis.

With -19.5% year-on-year in the UK in 2019, -16.0% in Ireland and -15.8% in France, these countries were hardest hit by the decline in construction output. Spain also showed an above-average decline of -12.5%. By contrast, the construction industry either developed slightly positively or stagnated in Finland (1.3% year-on-year), Norway (0.1%) and Portugal (0.1%). In Germany, the experts expect a moderate decline of -1.6%. The same applies to the Netherlands at -2.2%. While growth rates of between 5% and 13% were recorded in Eastern Europe in the past three years, the construction industry also slumped here in 2020. Overall, the decline amounted to -4.5% compared with the previous year. Slovakia was hit hardest at -9.5%, followed by Hungary (-8.3%) and the Czech Republic (-3.9%).

The various segments of the construction industry were affected by the decline in construction activity in 2020 to different degrees. While building construction declined significantly by 8.6%, infrastructure construction recorded a decline of a comparatively low 3.8%. The lower decline was also due to the numerous investment programs initiated by governments in infrastructure measures.

USA

In 2020, the construction industry in the USA maintained investment levels similar to 2019 (+0%) despite the negative impact of the Covid-19 pandemic. In the previous year, the industry recorded growth of 2%. New residential construction was a major contributor to the stabilization, growing 3% in 2020 compared with

the previous year. In contrast, commercial real estate construction recorded a 4% decline, while infrastructure construction stagnated.

Asia (Japan)

According to the Research Institute of Construction and Economy (RICE), construction investment in Japan declined for the first time in 2020 following several years of continuous growth (-2.3% year-on-year). The decline was mainly attributable to the private commercial construction (-5.4%) and private residential construction (-7.5%) segments, as well as the negative development in the renovation market (-9.0%). By contrast, the construction industry in 2020 was supported by public sector investment, which increased by 4.1% year-on-year.

Emerging markets (China)

The construction industry in the emerging markets also showed negative development in 2020. Depending on the extent of government stabilization measures, particularly in the infrastructure sector, the negative effects caused by the Covid-19 pandemic were partially cushioned.

China was an exception in this regard. Despite the Covid-19 pandemic, China's construction sector recorded growth in 2020. Building construction continued to benefit from high domestic demand and the lack of cash investment alternatives, as well as ongoing urbanization. In the first half of 2020, investment here rose 3.4% year-on-year. According to the National Bureau of Statistics of China, investment in infrastructure construction grew by 0.9% in the first half of 2020. The main drivers here included investments in the expansion of pipelines (+13.8%) and the rail network (+5.7%).

The construction sector in India recorded a decline of 14.9% in the pandemic year. Spending on infrastructure measures of EUR 420 billion was originally planned for 2019/2020 and 2020/2021. However, according to estimates by the rating agency ICRA, only projects with an investment volume of just under EUR 300 billion have been completed or started to date.

The Russian construction industry also declined in 2020. Compared with the previous year, residential construction slumped by around 10%. In response, the Russian government has taken extensive aid measures and pledged billions in funding for infrastructure projects to support the construction sector.

Sources: Euroconstruct – Summary Report, Winter 2020; FMI – North American Engineering and Construction Outlook, Q3 2020; GTAI – Branchen, Bau, USA, October 29, 2020; GTAI – Branchen, USA, Machtwechsel in Washington, January 15, 2021; RICE – Quarterly Outlook of Construction and Macro Economy, October 2020; GTAI – Branchencheck, Bauwirtschaft, Japan, December 28, 2020; GTAI – Branchenanalyse, Bauwirtschaft, China, December 12, 2020; Global Data – Press Release, India's construction industry, September 9, 2020; GTAI – Branchencheck, Indien, December 11, 2020; GTAI – Branchen, Tiefbau, Indien, July 13, 2020; GTAI – Branche kompakt, Bau, Russland, June 23, 2020.

Digitalization in construction

In addition to the general development of the construction industry, the advancing digital transformation of the construction sector is an important structural growth driver for the Nemetschek Group. The construction industry has a below-average level of digitalization compared with other industries and therefore offers further growth potential for the Nemetschek Group. Even if the Covid-19 pandemic represents a challenge for the economic development of the construction industry, it is considered an accelerator for the digital transformation. According to a study from spring 2020, 75% of construction companies plan to increase their spending on digital solutions.

Building Information Modeling (BIM) is considered one of the fastest growing disruptive technology trends within the construction industry. BIM describes a networked working method in which all relevant building data is digitally captured using software as part of the planning, execution and management process. The use of the BIM methodology has progressed to varying degrees in different countries. The pioneers here are the USA and Singapore, and the Scandinavian countries, the Netherlands and Great Britain in Europe.

In 2016, the UK took a decisive step towards the nationwide establishment of BIM with the entry into effect of the BIM Level 2 mandate, which makes the use of BIM Level 2 mandatory for public construction projects. Due to the proven benefits of using BIM software, the UK government plans to make further investments in the 2020s to further advance the use of BIM Level 3.

Since 2014, there has also been a new directive for the EU that recommends the use of computer-based methods such as BIM in the awarding of public works contracts and tenders. In the meantime, many European countries have implemented the EU recommendations on a national level.

In Germany, BIM is being boosted by the "Digital Planning, Building and Operation" step-by-step plan. Since 2015, experience has been gathered and skills have been pooled in pilot projects funded by the Federal Ministry of Transport and Digital Infrastructure (BMVI) in order to define the necessary quality standards. Since 2017, BIM has been used in an extended pilot phase in numerous transport infrastructure projects. As of December 31, 2020, the use of BIM is mandatory in all new public sector infrastructure projects that are in the planning stage.

Sources: McKinsey – Rise of the platform era, October 2020; McKinsey – Reinventing construction through a productivity revolution, February 17, 2017; IFS – Understanding construction and engineering spending on digital transformation, October 2020; BIM World – Der BIM-Stufenplan – wie Deutschland sich vernetzt, October 13, 2020; NBS – National BIM Report 2020, BMVI – Stufenplan Digitales Bauen.

3.2 Business Performance in 2020 and Key Events Influencing the Company's Business Performance

Covid-19 pandemic

The Covid-19 pandemic threw the world in turmoil and resulted in a global recession in 2020. Our regional and industry-specific sales markets have also been and continue to be affected by the impact of the pandemic << [3.1 Macroeconomic and Industry-Specific Conditions](#) >>. For the Nemetschek Group, the health and safety of employees and business partners is the utmost priority. Immediately after the World Health Organization (WHO) declared Covid-19 – a disease caused by the novel coronavirus (SARS-CoV-2) – to be a global pandemic in March 2020, Nemetschek management created a crisis management team under the leadership of the CEO and Chief Financial & Operations Officer (CFOO). The main objectives of the team were and remain to protect the health and safety of the company's own employees and business partners, to maintain operational business activities and to safeguard the financial situation of the Nemetschek Group. For example, hygiene concepts for employees were developed and more opportunities were created to work outside the business premises. The established digital communication channels to business partners were further expanded and used intensively. Most brands initiated special programs and activities to support their customers and also other parts of the company in this extraordinary phase. This included virtual support and training activities. Critical process steps in the operating business were also identified and measures taken to ensure continuous business operations. In addition, planned investments and new hires were initially also partially postponed in order to be able to maintain the company's financial position. As before, management is continuously monitoring the course of the pandemic, assessing possible effects and, if necessary, taking measures or adjusting existing measures.

General statement on the economic position of the Group

In a challenging macroeconomic environment characterized by the Covid-19 pandemic, the Nemetschek Group achieved revenue growth of 7.2% (currency-adjusted: 8.3%) and an EBITDA margin of 28.9%. The path of profitable growth was thus continued even in the crisis year 2020. The revenue growth comprised solid organic growth of 4.5% (currency-adjusted: 5.6%) and the revenue contribution resulting from the Red Giant acquisition in the Media & Entertainment segment, which has been consolidated since the beginning of January 2020 and which will be integrated into the Maxon brand.

The Group's growth and EBITDA margin targets communicated in March 2020, which already took into account the uncertainties surrounding Covid-19, were exceeded and the Group's growth and EBITDA margin targets raised in the third quarter were achieved. The Nemetschek Group thus continued its growth course of previous years, even in the uncertain environment characterized by the global coronavirus pandemic.

The Covid-19 pandemic had a direct influence on business performance. As a result of the great uncertainties that arose at the beginning of the financial year due to the start of the pandemic, the management of the Nemetschek Group intensified cost management and, particularly in the first half of the year, was cautious with investments and new hires. Due to the partially restricted business operations, one-off costs such as travel and marketing expenses were also saved. These measures and effects made it possible to safeguard the existing financial position in the course of the crisis. The positive revenue development of the Nemetschek Group was supported by the existing stable customer base and also by the early reaction to the changed situation. For example, virtual sales and support as well as online tutorials enabled close customer contact to be maintained even during the crisis.

Overall, the business model, which is characterized by a broad portfolio of solutions, strong diversification in target industries and regions, and an increasing proportion of recurring revenues, proved resilient during the ongoing crisis. In addition to actively dealing with the crisis, Nemetschek continued to drive forward the strategic initiatives launched in the 2020 financial year. The focus of our work was on further internationalization, the expansion of software rental models and the continuous development of our solutions and the acquisition of new customers.

Acquisitions/divestments

Holding level

No acquisitions were made at holding level in 2020.

Segment level

After Maxon Computer GmbH (Maxon), Friedrichsdorf, Germany, acquired 100% of the shares in Redshift Rendering Technologies, Inc., Newport Beach, USA, in the **Media & Entertainment segment** in 2019, there was a further expansion of expertise at the beginning of 2020.

As part of the transaction, Maxon acquired the US company Red Giant LLC, Portland, USA (Red Giant) through a combination of a cash payment of approximately EUR 79.6 million and at fair value of EUR 52.7 million and the granting of shares in Maxon. After

closing the transaction, Nemetschek holds approximately 84% and the former owners of Red Giant around 16% of the shares in Maxon. This was financed by its own cash and cash equivalents and by taking out a loan in the previous year. Red Giant offers a comprehensive product portfolio of motion design and innovative software solutions for visual effects and significantly complements Maxon's existing solution offering. The merger is expected to lead to growth and technology synergies through better market and customer access, as well as leveraging the global sales and reseller team. With the joint product portfolio, Maxon will also significantly strengthen its business with rental models.

In the **Design segment**, RISA Tech, Inc., Foothill Ranch, USA (RISA) acquired the business of ADAPT Corporation, Carmichael, USA (ADAPT) in an asset deal dated April 14, 2020. Control was obtained on May 1, 2020. The purchase price amounted to EUR 4.2 million. The Nemetschek Group thus strengthened its position in the market for structural analysis and structural design in the USA. RISA, which is the market leader in the design of steel structures in the USA, has expanded its market position through the acquisition of ADAPT, a leading provider for the design of concrete structures, and can now offer a complete solution for the design of different materials of structural frameworks.

Furthermore, DEXMA Sensors S.L., Barcelona, Spain (DEXMA) was acquired in the **Manage segment**. Under the purchase agreement dated December 11, 2020, 100% of the shares in DEXMA Sensors S.L. were acquired. The company will be integrated into the Spacewell brand. The company is a provider of innovative SaaS solutions with artificial intelligence and machine learning capabilities for energy data management. This will add energy management to the existing portfolio for facility management, real estate management and smart building. The purchase price amounted to around EUR 19.3 million in cash and cash equivalents and an earn-out component of around EUR 4 million.

Divestments

There were no divestments in the portfolio in the 2020 financial year.

Cooperation and partnerships

In order to expand its market position and meet the diverse customer requirements, the Nemetschek Group also relies on cooperation and collaboration with partners from the industry or with scientific institutions. Partnerships exist both within the Group among the brand companies and between brand and external companies.

3.3 Results of Operations, Financial Position and Net Assets of the Nemetschek Group

Results of operations

Revenue development

For the 2020 financial year, Group revenue increased by 7.2% to EUR 596.9 million (previous year: EUR 556.9 million). The Group revenue achieved was therefore in the range of the forecast adjusted in October 2020 and above the Executive Board's expectations communicated in March 2020 [<< 4. Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>](#).

The growth of 7.2% comprised organic growth of 4.5% (previous year: 15.8%) and the revenue contribution resulting from the recent Red Giant acquisition, which has been consolidated and integrated in the Media & Entertainment segment since January 2020. Adjusted for currency effects (i.e. on the basis of constant exchange rates compared with the previous year), revenue growth would have been 8.3%, or 5.6% on a purely organic basis. In the course of the second half of the financial year, the US dollar had a particularly negative impact.

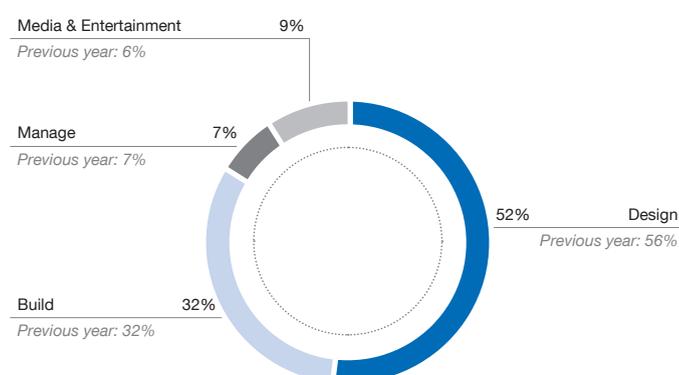
In a challenging financial year, the Nemetschek Group was able to grow across all four quarters and continue its sustainable growth path. However, compared with previous years, growth momentum was declining – also as a result of the Covid-19 pandemic. Revenue development in the financial year was without any significant impact from the Covid-19 pandemic until February 2020. In March 2020, however, the general conditions dampened as a result of the Covid-19 pandemic occurring worldwide, which also led to a decline in growth momentum. In the second quarter, the European business in particular, as well as the licensing business, was heavily impacted by the pandemic-related containment measures, and growth declined from 12.8% in the first quarter to 2.7%. Revenue growth recovered especially well in the third quarter, allowing the original growth forecast for the financial year to be revised upwards in October.

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million or percent	FY 2020	FY 2019	Δ nominal	Δ currency-adjusted	Δ organic	Δ comparable ¹⁾
Total year	596.9	556.9	7.2%	8.3%	4.5%	5.6%
Q1	146.6	129.9	12.8%	11.4%	9.9%	8.5%
Q2	141.6	137.8	2.7%	2.0%	0.0%	-0.7%
Q3	148.6	138.3	7.5%	10.3%	4.5%	7.1%
Q4	160.1	150.8	6.1%	9.7%	4.2%	7.5%

1) Growth comparable to previous year, i.e. adjusted for currency and portfolio effects.

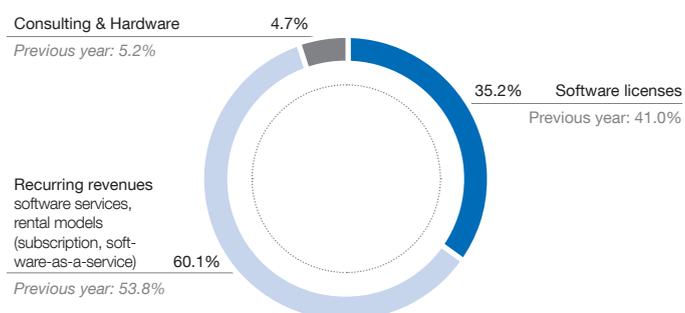
Revenues by segment



The distribution of revenue by segment changed slightly in the 2020 financial year compared with the previous year. The Media & Entertainment segment grew most strongly at 63%, mainly as a result of the acquisition of Red Giant, and thus increased its share of total revenue to 9% in the 2020 financial year (previous year: 6%). The Design segment, which has the highest revenue and whose business focus is in Europe, was still able to achieve revenue at the level of the previous year following a decline in the first half of the year. This reduced the share of revenue from 56% in the 2019 financial year to 52% in 2020. The revenue shares of the Build and Manage segments in total revenue remained unchanged from the previous year.

The [« Segment Developments »](#) section provides a detailed explanation of the revenue and earnings development of the segments.

Revenue development by type



The Nemetschek Group divides its revenues into three revenue types: recurring revenues from software service contracts and rental models, software licenses and consulting and hardware.

The pure “software revenue” is divided between software rental models, software services and software licenses.

In the case of software rental models, a distinction is made between subscription and SaaS offerings. Whereas with subscription models, the software continues to be on the customers’ own local systems as standard, and in the case of SaaS models the current version of the software is normally on the Nemetschek brands’ servers, which the customers can then access.

Revenue from software rental models is recognized over the agreed term of the contract in accordance with the IFRS 15 accounting standard. Similarly, revenue from software service contracts is recognized evenly over the entire term of the contract.

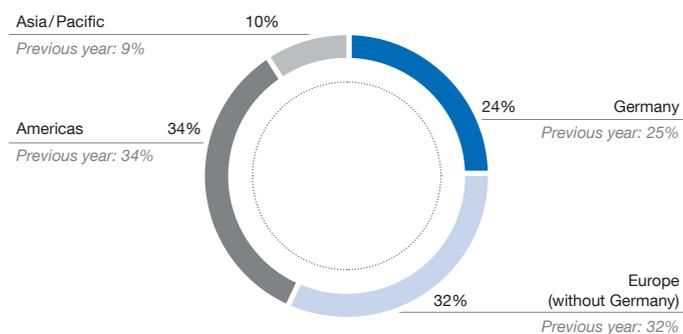
In contrast to software rental models, the entire revenue from software licenses is recognized at the time of sale (i.e., when ownership is transferred to the customer). Our strategic goal is to successively increase the proportion of recurring revenues. This goal is to be achieved by offering more software rental models, which will lead to a more resilient and stable business model for the Nemetschek Group.

In the 2020 financial year, the Nemetschek Group increased **recurring revenues from service contracts and rental models** by 19.9% (adjusted for currency effects: 21.1%) to EUR 359.0 million (previous year: EUR 299.5 million) and thus significantly increased the share of total revenue to 60.1% (previous year: 53.8%). This renewed above-average increase reflects the sustained implementation of the strategic change in the business model to increasingly offer rental models in addition to the classic license model. With the higher proportion of plannable and recurring revenues, the Nemetschek Group has increased its robustness even in times of crisis.

Revenue from rental models (subscription and SaaS) rose by 79.6% (adjusted for currency effects: 82.2%) to EUR 90.4 million (previous year: EUR 50.3 million), significantly outpacing Group growth. The renewed high growth is attributable to the Media & Entertainment segment, which has been strongly converting its business model to rental models since the third quarter of 2019. In addition, there is the inorganic effect from the Red Giant acquisition in this segment. In the other segments, there was also significantly higher demand for rental models, as they allow customers to act more flexibly, particularly in times of crisis. As a result, purely organic growth in subscription revenue was also high at 58.9% (adjusted for currency effects: 61.0%). The share of total revenue attributable to rental models increased from 9.0% in the previous year to 15.1% at the end of the 2020 financial year. The rise in revenue from rental models increases visibility and predictability and will therefore continue to be driven forward in the future. Revenue from service contracts increased by 7.8% (adjusted for currency effects: 8.7%), from EUR 249.2 million to EUR 268.6 million.

Revenue from **software licenses** decreased by 8.0% (adjusted for currency effects: 6.9%) to EUR 210.0 million (previous year: EUR 228.2 million). The share of software licenses in total revenue fell accordingly to 35.2% (previous year: 41.0%).

Revenue by region



A strategic goal of the Nemetschek Group is the further internationalization of the business alongside the development of markets with high growth potential. Further progress was made in internationalization in the past financial year.

Overall, foreign revenues in the 2020 financial year increased more sharply than sales in Germany, where the Nemetschek Group already has a very strong market position. Revenue generated in Germany rose by around 4% in 2020, while foreign revenue climbed by a good 8%. The share of revenue generated abroad thus expanded slightly from 75% in the previous year to 76%.

In the 2020 financial year, which was impacted by the Covid-19 pandemic, all focus regions – Europe, the Americas and Asia – achieved revenue growth.

The greatest impact of the pandemic was felt in Europe. In particular, the second quarter of the financial year was characterized by a decline in demand and cautious investment behavior. Nevertheless, a recovery in the second half of the year enabled growth of around 8% to be achieved for the year as a whole. As in the previous year, the share of total revenue was around 32%.

The Americas region was also affected by the pandemic in the past year. The effects here were most apparent in the third quarter of 2020. Over the year as a whole, revenue nevertheless rose by around 7% (previous year: 25%), which corresponds to the growth level of the Nemetschek Group. With an unchanged revenue share of around 34% compared with the previous year, the Americas region remains the Group's strongest individual region in terms of revenue.

The Asia/Pacific region continued its growth trend and was the Group's strongest growing region in the 2020 financial year, with an increase in revenue of around 14% (previous year: 16%). The above-average growth meant that the region slightly expanded its share of total revenue from around 9% to around 10% in 2020. In this region, the effects of the Covid-19 pandemic were felt only briefly at the beginning of the crisis, in March and early in the second quarter of 2020. A significant recovery set in after this.

Segment developments

The strategic and operational management of the Nemetschek Group is carried out via the four segments: Design, Build, Manage and Media & Entertainment. The individual brands and their companies are allocated to the respective segments [<< 1.1 Group Business Model >>](#). The segments are particularly managed based on the financial performance indicators of revenue, year-on-year revenue growth, and EBITDA as the measure of operating profit.

Design segment

In EUR million or percent	FY 2020	FY 2019	Δ nominal in %	Δ currency-adjusted	Δ organic	Δ comparable ¹⁾
Revenue	314.9	314.7	0.1%	0.9%	–	0.9%
EBITDA	95.9	98.0	–2.2%	–3.0%	–	–3.0%
EBITDA margin	30.4%	31.1%	–0.7pp	–1.2pp	–	–

1) Growth comparable to previous year, i.e. adjusted for currency and portfolio effects.

In the **Design segment**, revenue of EUR 314.9 million (previous year: EUR 314.6 million) was achieved in the 2020 financial year. Growth was therefore 0.1%. Adjusted for negative currency effects, the growth rate would have been 0.9%. There were no portfolio effects from acquisitions or divestments in the 2020 financial year. The regional focus of the segment is on Europe, and the effects of the Covid-19 pandemic were therefore already perceptible at an early stage in the financial year. The decline in demand from our customers, which was mainly due to the pandemic, thus led to a drop in revenue in the first half of the year, which was, however, offset in the second half of the year. The main drivers here included the continuing good demand situation for 3D solutions in the architecture and civil engineering sectors.

Segment EBITDA fell from EUR 98.0 million in the previous year to EUR 95.9 million. The nominal decline in earnings was 2.2%. Adjusted for currency effects and thus comparable to the previous year, the decline would have been 3.0%. In the past financial year, the Covid-19 pandemic impacted the profitability of the segment. Investments already made in growth, for example by increasing the number of employees, were offset by declining revenue in the first half of the financial year. However, this negative EBITDA effect was largely offset by the stringent cost management initiated at the beginning of the crisis and the savings generated by the absence of travel and marketing costs. Despite the crisis caused by the Covid-19 pandemic, investments were also made in the future development of the segment in the past financial year.

Build segment

In EUR million or percent	FY 2020	FY 2019	Δ nominal	Δ currency-adjusted	Δ organic	Δ comparable ¹⁾
Revenue	193.0	177.7	8.7%	10.3%	–	10.3%
EBITDA	70.1	61.6	13.7%	16.5%	–	16.5%
EBITDA margin	36.3%	34.7%	1.6pp	1.6pp	–	–

1) Growth comparable to previous year, i.e. adjusted for currency and portfolio effects.

The **Build segment** continued its good organic growth. In the 2020 financial year, revenue rose to EUR 193.0 million (previous year: EUR 177.7 million). Growth was 8.7%. Adjusted for negative currency effects arising in the financial year, growth would have been 10.3%. There were no portfolio effects from acquisitions or divestments in the 2020 financial year. In the Build segment, the Nemetschek Group benefited from the still low level of digitalization in the construction sector. The US company Bluebeam – currently the strongest brand in terms of revenue within the Nemetschek Group – with its innovative technology solutions for the design and construction industry, was once again the main driver of revenue growth in the Build segment this year. Due to the segment's regional focus on the United States, the negative effects of the Covid-19 pandemic were, as expected, felt with a time delay in the second half of the year, resulting in a slowdown in growth momentum.

EBITDA again rose at an above-average rate compared with revenue growth this year. With an upturn of 13.7% (adjusted for currency effects: 16.5%), EBITDA rose to EUR 70.1 million (previous year: EUR 61.6 million), corresponding to an EBITDA margin of 36.3% (previous year: 34.7%). On the one hand, the above-average margin development is attributable to the continued good operating performance. On the other hand, stringent cost management due to the Covid-19 pandemic and partly also restricted business operations led to savings effects, particularly in the area of travel and marketing costs. In the 2020 financial year, the Build segment continued to invest in future growth and the further development of the portfolio, albeit more cautiously than in previous years.

Manage segment

In EUR million or percent	FY 2020	FY 2019	Δ nominal	Δ currency-adjusted	Δ organic	Δ comparable ¹⁾
Revenue	40.9	38.5	6.2%	6.3%	–	6.3%
EBITDA	3.7	7.9	–53.4%	–51.8%	–	–51.8%
EBITDA margin	9.0%	20.5%	–11.5pp	–11.2pp	–	–

1) Growth comparable to previous year, i.e. adjusted for currency and portfolio effects.

The **Manage segment**, comprising activities relating to facility management, generated revenue of EUR 40.9 million in the past financial year (previous year: EUR 38.5 million). Growth amounted to 6.2% (adjusted for currency effects: 6.3%) and did not include any portfolio effects from acquisitions or divestments in the 2020 financial year. In the course of the financial year, the effects of the Covid-19 pandemic also became known in this segment and are expected to continue due to the restrained investments of the key building managers in commercial construction customer group.

At the same time, the level of digitalization in this segment remains low, so there may be catch-up effects.

Segment EBITDA fell by 53.4% from EUR 7.9 million in the previous year to EUR 3.7 million. As a result, the EBITDA margin dropped to 9.0% in the financial year (previous year: 20.5%). The segment centered around the new umbrella brand Spacewell, which was acquired in the 2018 financial year, again particularly invested in new solutions and further internationalization in the past financial year.

Media & Entertainment segment

In EUR million or percent	FY 2020	FY 2019	Δ nominal	Δ currency-adjusted	Δ organic	Δ comparable ¹⁾
Revenue	55.2	33.9	62.8%	65.0%	19.4%	20.6%
EBITDA	15.5	9.4	65.0%	72.0%	37.1%	43.6%
EBITDA margin	28.1%	27.8%	0.3pp	–1.2pp	–	–

1) Growth comparable to previous year, i.e. adjusted for currency and portfolio effects.

The **Media & Entertainment segment** was significantly strengthened by the acquisition of Red Giant. The integration of the company, which has been consolidated since January 2020, is progressing according to plan. Revenue in the 2020 financial year increased from EUR 33.9 million to EUR 55.2 million. On the one hand, the growth of 62.8% (adjusted for currency effects: 65.0%) was positively influenced by the acquisition described above. On the other, strong organic growth of 19.4% also contributed to the growth momentum. At the same time, the segment increasingly

migrated to rental models. The expected pressure on revenue growth was avoided, as Maxon was able to target many new customers and expand its expertise and market presence through its bundled solution offering.

The segment's EBITDA grew slightly faster than revenue to EUR 15.5 million (previous year: EUR 9.4 million). Despite costs from integration and switching to subscription models, the EBITDA margin rose slightly from 27.8% to 28.1%.

Earnings performance

OVERVIEW OF GROUP KEY FIGURES

In EUR million	FY 2020	FY 2019	Δ nominal in %
Revenue	596.9	556.9	+7,2%
EBITDA	172.3	165.7	+4,0%
EBITDA margin	28.9%	29,7%	–
EBIT	122.5	123.6	–0.9%
EBIT margin	20.5%	22,2%	–
Net income for the year (equity holders of the parent company)	96.9	127.2	–23.8%
Earnings per share in EUR	0.84	1.10	–23.8%
Net income (shares of the parent company) adjusted for DocuWare effect	96.9	97.7	–0.7%
Earnings per share in EUR adjusted for DocuWare effect	0.84	0.85	–0.7%
Net income before PPA depreciation	115.2	140.3	–17.8%
Earnings per share before PPA depreciation in EUR	1.00	1.21	–17.8%
Net income before PPA depreciation and adjusted for DocuWare effect	115.2	110.8	4.0%
Earnings per share before PPA depreciation and adjusted for DocuWare effect in EUR	1.00	0.96	4.0%

EBITDA increased by 4.0% (adjusted for currency effects: 4.9%) to EUR 172.3 million (previous year: EUR 165.7 million), slightly less than the revenue development. As a result, the EBITDA margin fell slightly to 28.9% (previous year: 29.7), but was still above the forecast published in March 2020 and at the upper end of the forecast corridor of 28% to 29% raised in October 2020 << 4. [Comparison of Actual and Forecast Business Performance of the Nemetschek Group](#) >>. The Build and Media & Entertainment segments especially contributed to the stable EBITDA development in an exceptional financial year << [Segment Developments](#) >>.

The stable profit and return situation in the 2020 financial year, which was dominated by the Covid-19 pandemic, was primarily due to a sustainable and solid customer base and the stringent crisis management that was quickly implemented << [Business Performance in 2020 and Key Events Influencing the Company's Business Performance – Covid-19 Pandemic](#) >>. Costs were also in focus. As a result, planned hiring from mid-March 2020 was initially avoided as much as possible. As confidence grew, staffing levels were built up further as the financial year progressed. Thanks to the Nemetschek Group's strong financial position, it was able to invest in strategic growth projects such as further internationalization, the development of the solutions portfolio and cross-brand strategic initiatives despite the challenges of the pandemic and even during the course of the crisis to date. These investments should ensure the sustainable growth path of the Nemetschek Group and enable a return to double-digit percentage growth.

Operating expenses increased by a total of 10.3% to EUR 484.6 million (previous year: EUR 439.5 million). The main drivers included higher personnel expenses (increase: EUR 27.6 million) and higher depreciation and amortization (increase: EUR 7.7 million). Compared with revenue, personnel expenses rose at a slightly above average rate by 11.5% to EUR 267.1 million (previous year: EUR 239.4 million), mainly due to the 8.7% higher average number of employees over the year. Other operating expenses increased by 4.6% to EUR 144.0 million (previous year: EUR 137.8 million), well below the rate of revenue growth. This item reflects investments in IT systems, expenses for external personnel as well as legal and consulting costs, which were primarily related to M&A activities.

Depreciation of fixed assets increased from EUR 42.1 million to EUR 49.8 million in the reporting year, mainly due to higher PPA depreciation. PPA depreciation increased from EUR 17.1 million to EUR 24.5 million, primarily as a result of acquisitions completed in the 2020 financial year. Depreciation of leased assets in accordance with IFRS 16 rose slightly by EUR 0.7 million to EUR 15.5 million. Excluding depreciation and amortization, operating expenses increased by 9.4% to EUR 434.8 million (previous year: EUR 397.4 million).

The net finance cost in the 2020 financial year was characterized by interest expenses for acquisition loans and lease liabilities in accordance with IFRS 16. Overall, the net finance cost amounted to EUR -2.8 million (previous year: EUR -0,4 million). The net finance cost in the previous year included reversals of contingent

purchase price payments of EUR 1.9 million. Interest expenses affecting the financial result decreased slightly in the 2020 financial year, from EUR 3.2 million in the previous year to EUR 3.0 million. This was mainly due to continued loan repayments in 2020. This was offset by commitment interest for the new loan lines of more than EUR 200 million concluded in the financial year.

In the previous year, the gain on disposal of shares in associates was particularly impacted by the non-recurring income of EUR 29.9 million from the disposal of the non-strategic investment in DocuWare.

EBIT fell to EUR 122.5 million, slightly below the previous year's figure of EUR 123.6 million.

Income taxes dropped from EUR 26.4 million in the 2019 financial year to EUR 22.3 million in 2020. 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. Corrected for this effect, the adjusted tax rate would be 20.4%. The previous year's tax rate was significantly influenced by the almost tax-free disposal of DocuWare. Other non-recurring effects had an impact of EUR 2.7 million in the previous year. The tax rate adjusted for the aforementioned effects would have been 23.1%.

Net income (Group earnings after taxes) decreased by 23.2% from EUR 127.3 million to EUR 97.7 million in the 2020 financial year. This is due to the positive non-recurring effect in the previous year from the disposal of DocuWare. Adjusted for this effect, net income was on par with the previous year. The slight increase in operating performance was offset by EUR 7.4 million higher PPA depreciation. Net income (shareholders of the parent company) decreased from EUR 127.2 million to EUR 96.9 million. Adjusted for the effects of the disposal of DocuWare, net income (shareholders of the parent company) amounted to EUR 97.7 million in the previous year.

Earnings per share amounted to EUR 0.84, down 23.8% on the previous year's figure of EUR 1.10. Adjusted for the previously mentioned non-recurring income from the disposal of DocuWare in the previous year, the decline was 1.3%. Earnings per share adjusted for the disposal of DocuWare amounted to EUR 0.85 in the 2019 financial year. EPS adjusted for the effects of PPA depreciation and the disposal of DocuWare increased by 4.0% from EUR 0.96 in the 2019 financial year to EUR 1.00 in 2020.

Financial position

Main features and objectives of financial management

The primary objective of financial management is to sustainably ensure the financial stability and flexibility as well as the liquidity of the Nemetschek Group. This is achieved through a balanced ratio of equity to debt capital. The financing policy and financial management were strengthened in the 2020 financial year, as the Nemetschek Group secured credit lines of EUR 200 million. These financing lines provide further flexibility for the continuation of the growth course. Liabilities to banks were reduced by EUR 57.8 million, dropping to EUR 130.3 million due to repayments in the Group as of December 31, 2020. The Group's balance sheet structure showed an equity ratio of 46.9% as of December 31, 2020 (previous year: 40.7%).

Liquidity analysis

Net liquidity/net financial liabilities in EUR million

	December 31, 2020	Dezember 31, 2019
Current liabilities and current maturities of non-current liabilities	59.6	58.6
+ non-current liabilities	70.7	129.5
Total liabilities	130.3	188.1
Cash and cash equivalents	139.3	209.1
Total liquidity	139.3	209.1
Net liquidity/net liabilities (-)	9.0	21.0

As of December 31, 2020, the Group had cash and cash equivalents of EUR 139.3 million (previous year: EUR 209.1 million). The decrease of EUR 69.8 million (33.4%) compared with the previous year was characterized by repayments of acquisition loans of EUR 56.3 million, the dividend payout of EUR 32.3 million made in 2020 and, in particular, payments of internally financed company acquisitions of EUR 101.7 million, which were not offset by any new loans taken out. The Group thus continues to have substantial liquidity reserves to enable further organic and inorganic growth. These reserves were significantly expanded by credit lines of EUR 200 million concluded in the 2020 financial year.

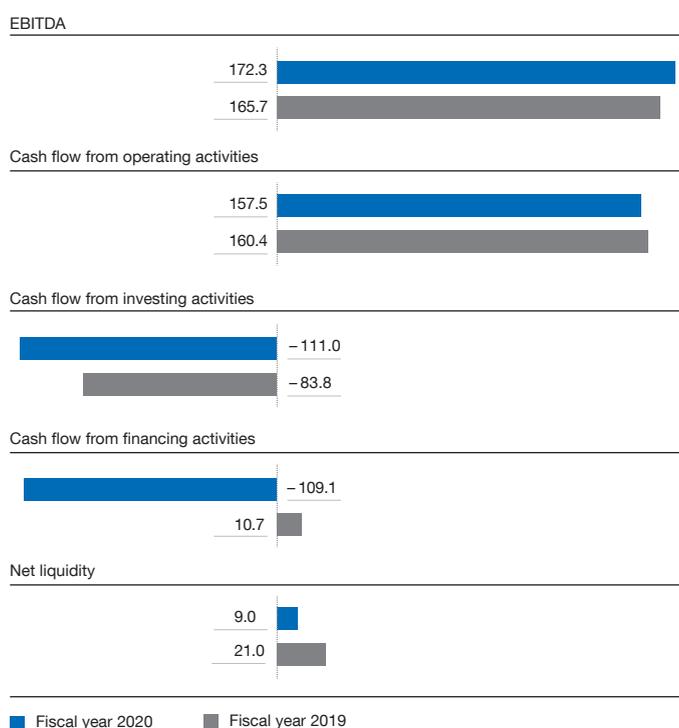
With regard to dividend payments, the Executive Board pursues a sustainable dividend policy that provides for a distribution of around 25% of the operating cash flow. The dividend payout always takes into account the overall economic development and the economic and financial situation of the company.

When investing the surplus liquidity, short-term, risk-free availability is generally more important than the objective of maximizing earnings, in order to be able to fall back quickly on available funds in the event of possible acquisitions and to keep the risk profile of the Group low.

As of the balance sheet date of December 31, 2020, there were loans of EUR 130.3 million, almost exclusively due to financing company acquisitions. The interest rates on the loans range between 0.42% p. a. and 0.77% p. a. The Group's net liquidity as of the reporting date of December 31, 2020 decreased to EUR 9.0 million (previous year: net liquidity of EUR 21.0 million).

To ensure efficient cash and liquidity management, Nemetschek SE as parent company carries out cash pooling with selected subsidiaries. Nemetschek SE, the ultimate Group holding company, also receives further cash and cash equivalents from the annual dividends paid by the subsidiaries or as loans granted by group companies (intercompany loans).

Development of cash flow



The Group's cash flow for the period increased by 7.5% to EUR 177.5 million in 2020 (previous year: EUR 165.1 million), mainly due to the higher EBITDA and thus in line with the Group's economic development in the 2020 financial year.

Cash flow from operating activities decreased by 1.8% to EUR 157.5 million in 2020 (previous year: EUR 160.4 million). In trade working capital the software service and the software subscription contracts with the corresponding recurring revenues had a significant impact on cash flow. These are advance payment

models. Compared with the previous year, the effect of the positive cash contribution from this flattened out. This is particularly due to the strong growth in software service contracts in the previous year. In the 2020 financial year, income tax payments (net) increased by EUR 9.8 million from EUR 26.5 million in 2019 to EUR 36.3 million. The considerable upturn was partly shaped by withholding tax of EUR 4.3 million paid in 2020, but not reimbursed in the 2020 financial year. In addition, in comparison to the previous year, in 2020, there were higher advance income tax payments of EUR 3.3 million. These payments also included effects of payments made in previous periods.

Cash flow from investing activities amounted to EUR -111.0 million in the 2020 financial year (previous year: EUR -83.8 million). In the 2020 financial year, the payments for the acquisitions of Red Giant for EUR 79.0 million, ADAPT for EUR 4.2 million and DEXMA for EUR 18.5 million had a significant effect, in each case less acquired cash and cash equivalents. In the previous year, the sale of the investment in DocuWare GmbH resulted in a cash inflow of EUR 33.3 million. This item also includes expansion and replacement investments in fixed assets of EUR 9.1 million (previous year: EUR 19.3 million). The previous year was particularly influenced by an extraordinary infrastructure expansion in the amount of EUR 8.5 million.

Cash flow from financing activities was EUR -109.1 million (previous year: EUR 10.7 million). These payments mainly result from the repayment of acquisition loans of EUR 56.3 million and the dividend payout for the 2019 financial year of EUR 32.3 million. Compared with the previous year, no acquisition loans were used. These increased cash flow from financing activities by EUR 130.0 million in the previous year. In addition, interest and redemption payments for lease liabilities are included, with the major portion of EUR 13.2 million relating to redemption in the 2020 financial year.

Management of liquidity risks

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

The high creditworthiness of the Nemetschek Group allows sufficient liquid funds to be procured. As of December 31, 2020, there were also unutilized credit lines of EUR 224.5 million (previous year: EUR 24.5 million). Nemetschek continually monitors the risk of a liquidity bottleneck using regular liquidity analyses and planning. Maturities of financial assets (receivables, fixed-term deposits, etc.) and expected cash flows from operating activities are taken into account. The objective is to continuously cover the ongoing need for financial resources while maintaining flexibility in financing.

Investment analysis

In order to secure a leading position in the AEC/O market and continue tapping new areas of application, investments in capacity expansions as well as replacement and rationalization measures are necessary. In this respect, acquisitions are a key driver for the Nemetschek Group. Such company acquisitions are largely financed by bank loans, with own funds also being used. Company acquisitions in 2020 were financed by the Group's own funds. Further investments will be financed from operating cash flow.

The dividend payout also comes from operating cash flow.

In total, the Nemetschek Group invested EUR 162.6 million in the 2020 financial year (previous year: EUR 140.6 million), of which EUR 6.2 million in property, plant and equipment (previous year: EUR 17.5 million) and EUR 156.4 million in intangible assets (previous year: EUR 123.1 million). The main investments here were company acquisitions, the purchase prices of which were as follows:

Company	Segment	2020	2019
Red Giant	Multimedia & Entertainment	132.2 ¹⁾	
ADAPT	Design	4.2	
DEXMA	Manage	19.2	
Axxerion	Manage		76.8
Redshift	Multimedia & Entertainment		33.1
Total		155.6	109.9

1) Of which EUR 79.0 million payment.

In addition, investments were mainly made in expansion and maintenance.

Net assets

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Δ nominal in %
ASSETS			
Current assets	236.4	295.5	-20.0%
Non-current assets	653.3	561.7	16.3%
Total assets	889.7	857.2	3.8%
EQUITY AND LIABILITIES			
Current liabilities	295.8	271.6	8.9%
Non-current liabilities	176.6	236.9	-25.5%
Equity, total	417.3	348.6	19.7%
Total equity and liabilities	889.7	857.2	3.8%

The consolidated balance sheet total as of December 31, 2020 increased by EUR 32.5 million (3.8%) to EUR 889.7 million (previous year: EUR 857.2 million).

On the assets side of the consolidated balance sheet, current assets decreased by EUR 59.1 million, from EUR 295.5 million to EUR 236.4 million in the 2020 financial year, a drop of 20.0%. This was mainly due to the EUR 69.8 million decrease in cash and cash equivalents.

Tax assets of EUR 6.0 million at the reporting date of December 31, 2020, changed only a little compared with the previous year's figure of EUR 3.9 million.

Non-current assets rose by EUR 91.6 million or 16.3% to EUR 653.3 million. Goodwill increased from EUR 325.0 million to EUR 416.7 million, corresponding to an increase of 28.2%. In the 2020 financial year, this development was mainly due to the acquisitions of Red Giant in the amount of EUR 91.0 million and DEXMA in the provisional amount of EUR 20.6 million. As significant parts of the goodwill are not held in euros, there were foreign currency effects of EUR -22.8 million. Intangible assets also increased by EUR 10.5 million to EUR 138.2 million (previous year: EUR 127.7 million), mainly due to acquisitions. The decrease in property, plant and equipment by EUR 6.0 million to EUR 21.6 million resulted from scheduled depreciation, which was offset by expansion and replacement investments.

On the liabilities side, current liabilities increased by EUR 24.2 million (8.9%) to EUR 295.8 million (previous year: EUR 271.6 million). This item includes trade payables as well as provisions and accruals due within one year. The item "current loans" includes EUR 59.6 million of the repayment amount of the non-current acquisition loans due in the next 12 months.

Trade payables fell slightly compared with the previous year's reporting date to EUR 11.2 million (previous year: EUR 12.4 million). The increase in other provisions to EUR 56.3 million (previous year: EUR 44.0 million) is characterized by higher personnel costs and non-recurring effects. Furthermore, primarily due to the expansion of business volume, provisions and deferred revenue increased from EUR 118.5 million in the 2019 financial year to EUR 129.5 million in the 2020 financial year. Foreign currency effects of EUR 10.4 million have the opposite effect on working capital held in foreign currencies.

Non-current liabilities decreased by EUR 60.4 million (25.5%) to EUR 176.6 million, mainly due to the reclassification of non-current to current loans (EUR 58.8 million). Deferred tax liabilities increased by EUR 1.9 million to EUR 25.2 million, also largely as a result of acquisitions. The main reason for this increase was the effect of the acquisition of Red Giant amounting to EUR 8.3 million, which were offset by effects from the reversal of deferred taxes. Other non-current financial liabilities increased by EUR 1.6 million to EUR 8.7 million. This item mainly includes the subsequent purchase price obligations from the acquisitions of Redshift in the amount of EUR 6.6 million and DEXMA in the amount of EUR 2.9 million.

Equity increased by EUR 68.7 million (19.7%) as a result of the net income of EUR 97.7 million and transactions with non-controlling interests. This was offset by the distribution of dividends (EUR 32.2 million) and foreign currency losses of EUR 30.9 million. As part of the acquisition of Red Giant, the sellers were granted a 16% stake in Maxon Computer GmbH. This shares grant resulted in disclosing hidden reserves of EUR 19.9 million which were recognized as an increase in capital reserves. Furthermore, the sellers received 16% of the carrying amount of the Maxon Group of EUR 13.3 million.

The equity ratio increased to 46.9% at the end of the 2020 financial year (previous year: 40.7%). The current liability ratio was 33.3% of the balance sheet total (previous year: 31.6%) and the non-current liability ratio was 19.8% (previous year: 27.6%).

As in previous years, the Nemetschek Group determined capital costs (Weighted Average Cost of Capital) for the group of cash-generating units as part of the impairment test for goodwill.

A market risk premium of 7.5% (previous year: 7.5%) was applied. This results in capital cost rates before taxes ranging from 8.29% to 10.24% (previous year: 12.92% to 13.50%). A key driver for the reduction in WACC is the lower beta factor. This reflects the effects of Covid-19 on the capital market performance of the Group and its peer companies. Based on the market capitalization as of December 31, 2020 and the planning expectations, the internal rate of return before taxes is around 4.5%.

KEY BALANCE SHEET FIGURES

In EUR million	FY 2020	FY 2019	Change in %
Cash and cash equivalents	139.3	209.1	-33,4 %
Goodwill	416.7	325.0	+28,2 %
Equity	417.3	348.6	+19,7 %
Balance sheet total	889.7	857.2	+3,8 %
Equity ratio in %	46,9 %	40,7 %	

Balance sheet figures for the individual segments can be found in the notes.

Nemetschek Group employees

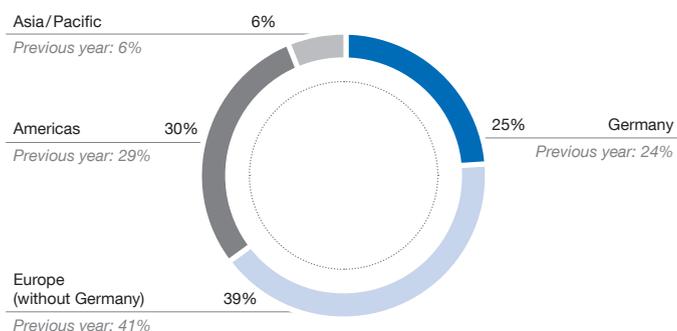
In order to act quickly and agilely in the respective markets and regions, the individual brands manage HR topics themselves. The Human Resources department of Nemetschek SE supports and advises the individual HR departments in this respect.

Further information on employee responsibility and Human Resources can be found in the non-financial statement [<< 2.5 The Key CSR Topics of the Nemetschek Group – Employee Responsibility >>](#).

As of December 31, 2020, the Nemetschek Group had 3,074 employees worldwide (previous year: 2,875), representing an increase of 199 people, or 6.9%. This does not include employees on parental leave, freelancers and those on long-term sick leave. The figure at the end of 2020 includes 37 employees who were added at the beginning of the year resulting from the acquisition of Red Giant. Adjusted for this effect, the number of employees increased by 162 persons or 5.6% compared with the same period last year.

At 75% (previous year: 76%), the majority of the Nemetschek Group's employees were employed outside Germany at the end of 2020, as in the previous year.

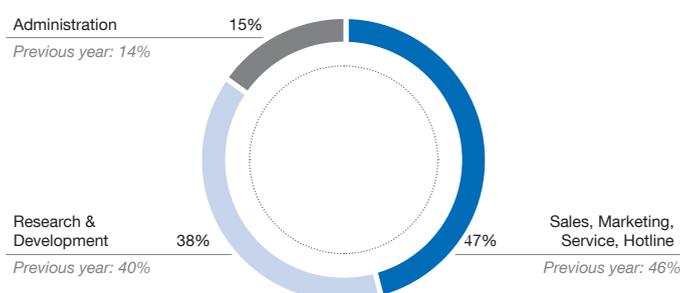
Employees by region



On average, the Nemetschek Group employed 3,008 people worldwide in 2020, an increase of 8.7% compared with the previous year (2,767). The average number of employees in research and development was 1,158 (previous year: 1,103), or 38.5% of the total workforce (previous year: 39.9%)

The average number of employees in sales, marketing and hotline came to 1,403 (previous year: 1,280). In addition, 446 employees (previous year: 383) worked in administration (including 12 trainees after 15 in the previous year). Trainees are primarily employed in the commercial departments as well as in the IT and development departments.

Employees by function



Personnel expenses increased by 11.5% to EUR 267.1 million in 2020 (previous year: EUR 239.4 million), resulting in a personnel expense ratio (personnel expenses/revenue) of 44.7% (previous year: 43.0%).

3.4 Results of Operations, Financial Position and Net Assets of Nemetschek SE

The following information refers to Nemetschek SE as the parent company of the Nemetschek Group. The information is based on the German Commercial Code (HGB) on accounting for large corporations and the German Stock Corporation Act (AktG). The result of Nemetschek SE is dependent on the earnings of subsidiaries held directly and indirectly. The separate non-financial consolidated report (non-financial declaration) is combined with the non-financial declaration of the parent company [<< 2. Non-Financial Declaration >>](#).

Revenue development and earnings situation

Nemetschek SE's revenues of EUR 7.2 million in the 2020 financial year (previous year: EUR 6.3 million) resulted primarily from income from licensing the umbrella brand "A Nemetschek Company."

At EUR 2.5 million, other operating income remained almost at the previous year's level of EUR 2.7 million. In the past financial year, this item included income of EUR 1.2 million (previous year EUR 0.5 million) from rebilling to subsidiaries. Operating expenses of EUR 17.7 million (previous year: EUR 15.8 million) include personnel expenses, consulting costs and other operating expenses.

Income from interests of EUR 60.3 million (previous year: EUR 128.6 million) includes EUR 60.3 million in dividends from subsidiaries. The previous year included extraordinary dividends from subsidiaries to finance the Red Giant acquisition. Also, the gain on sale of the interest in Docuware GmbH of EUR 33.3 million was included in 2019. Income from profit transfer agreements in the amount of EUR 29.4 million (previous year: EUR 40.0 million) came as a result of profit transfers from Allplan GmbH, Frilo Software GmbH and Nevaris Bausoftware GmbH. In 2019 the profit transfer of Maxon Computer GmbH about EUR 10.2 million was included. Net income for the year amounted to EUR 74.0 million (previous year: EUR 150.6 million).

Net assets

Nemetschek SE's balance sheet is mainly characterized by financial assets amounting to EUR 612.6 million (previous year: EUR 586.9 million). Affiliates accounted for by far the largest share at EUR 568.1 million (previous year: EUR 568.1 million). Loans to affiliates increased to EUR 44.4 million (previous year: EUR 18.8 million). In the financial year, loans amounting to EUR 2.8 million were repaid and two new long-term loans of EUR 28.4 million were granted to Group companies.

With regard to current assets, trade receivables from affiliates and profit and loss transfer agreements amounted to EUR 47.1 million as of the balance sheet date (previous year: EUR 40.4 million).

Cash and cash equivalents amounted to EUR 8.5 million at the end of 2020 (previous year's reporting date: EUR 17.0 million).

The liabilities side of the company's balance sheet is dominated by liabilities to banks. As a result of scheduled repayments, these fell to EUR 129.5 million (previous year: EUR 185.8 million). Equity increased by EUR 41.7 million to EUR 430.9 million. Net income for 2020 of EUR 74.0 million was offset by the dividend payment for the 2019 financial year (EUR 32.3 million). The equity ratio of Nemetschek SE was 64.2% as of the balance sheet date (previous year: 60.2%).

Provisions dropped by EUR 5.2 million to EUR 5.0 million, primarily due to lower tax provisions.

Liabilities to affiliates resulted mainly from cash pooling (EUR 70.1 million, previous year: EUR 56.6 million) and short-term intercompany loans (EUR 32.0 million).

In the 2020 financial year, control agreements and profit and loss transfer agreements existed with the following subsidiaries: Allplan GmbH, Frito Software GmbH and Nevaris Bausoftware GmbH. There were also profit and loss transfer agreements and control agreements between Allplan GmbH and Allplan Deutschland GmbH.

Financial position

Nemetschek SE's financing activities mainly comprised redemption payments of EUR 56.3 million (previous year: EUR 72.5 million) and the dividend payment of EUR 32.3 million (previous year: EUR 31.2 million). In July 2020, Nemetschek SE increased its financial scope through additional bilateral credit lines in the amount of EUR 200 million. These credit lines were granted with a term of two years.

Interest payments of EUR 1.1 million were made on loans taken out and credit lines in the 2020 financial year.

Within the scope of its internal financing activities, the company received funds primarily from cash pooling transactions, intercompany loans and dividends from selected subsidiaries.

Nemetschek SE employees

On average, Nemetschek SE had 51 employees in 2020 (previous year: 47).

Outlook for Nemetschek SE

The future development of Nemetschek SE with its significant opportunities and risks is strongly influenced by the forecasts of the Nemetschek Group set out in the Opportunity and Risk Report. Based on the Group's planning, Nemetschek SE also expects an increase in net investment income in the 2021 financial year. Accordingly, Nemetschek SE is assuming that earnings will continue to develop positively and that the annual result for the 2021 financial year will exceed that of the past financial year. The company plans to continue to distribute around 25% of the Group's operating cash flow to its shareholders in the future. The dividend policy always takes into account the overall economic development and the economic and financial situation of the company.

4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group

At the time of the original forecast, in March 2020, the direct and indirect effects of the Covid-19 pandemic on the business activities of the Nemetschek Group could not be reliably assessed and the economic environment was characterized by high uncertainties. Nevertheless, due to the intact long-term growth trends in the relevant markets and the very solid financial structure of the company, the Executive Board was fundamentally positive about the future, but – due to the great uncertainties – proceeded cautiously in estimating the business development for the year 2020. Thus, stable to slightly increasing revenue compared with the previous year and an EBITDA margin of greater than 26% were forecast for the 2020 financial year.

Due to the better-than-expected development in the first nine months of the 2020 financial year, the further increase in the proportion of plannable sales, and the broad regional and market-side risk diversification, the Executive Board increased the forecast for the 2020 financial year in October 2020, despite a still uncertain environment. The Executive Board now expected growth in Group revenue in the mid-single-digit percentage range and an EBITDA margin of between 28% and 29%.

The 2020 financial year closed with an increase in Group revenue of 7.2% to EUR 596.9 million. Revenue was thus in line with the forecast raised in October. Adjusted for currency effects, growth was as high as 8.3%. Adjusted for portfolio effects, organic growth of 4.5% (adjusted for currency effects: 5.6%) was achieved.

The Nemetschek Group generated EBITDA (Group earnings before interest, taxes, depreciation and amortization) of EUR 172.3 million in the 2020 financial year (previous year: EUR 165.7 million). This led to an EBITDA margin of 28.9% (previous year: 29.7%), which is at the upper end of the forecast corridor of 28% to 29%, which was increased in October 2020.

	Fiscal year 2019 Actual	Fiscal year 2020 Forecast March 2020	Fiscal year 2020 Forecast October 2020	Fiscal year 2020 Actual	Δ nominal	Δ currency- adjusted	Δ organic	Δ comparable ¹⁾
Revenue	EUR 556.9 million	Stable to slightly increasing	Growth in the mid single- digit percen- tage range	EUR 596.9 million	7.2%	8.3%	4.5%	5.6%
EBITDA margin	29.7%	>26%	28% to 29%	28.9%				

¹⁾ Growth comparable to previous year, i.e. adjusted for currency and portfolio effects

5 Opportunity and Risk Report

Opportunity and risk management

The entrepreneurial activities of the Nemetschek Group involve opportunities as well as risks, which reflect the diversity of its business activities. A management and control system is used to identify and assess these opportunities and risks at an early stage and to decide on how to treat them. The aim is to make the best possible use of opportunities and to identify risks at an early stage in order to be able to initiate suitable countermeasures and thus ensure the future success of the Nemetschek Group.

The general responsibility for the early identification of opportunities and risks and possible countermeasures lies with the Executive Board and the Segment Managers. They are supported in this by the management of the subsidiaries and the specified Risk Managers of the subsidiaries and Nemetschek SE. The Risk Managers are responsible for summarizing, assessing, evaluating and reporting risks and the associated countermeasures. Another important component of the risk management system is the internal audit, which continually monitors the functionality and effectiveness of the processes.

To improve comparability, risks are evaluated across the Group based on uniform quantitative and qualitative criteria and categories. The current risk situation of the Nemetschek Group is updated and documented quarterly as part of a risk inventory.

At the same time, the Executive Board and the Segment Managers are responsible for identifying and managing opportunities that could offer additional growth potential for the Nemetschek Group. Accordingly, opportunity management evaluates relevant and feasible opportunities that are in line with the Group's strategic goals and offer a competitive advantage. The management in the subsidiaries supports the Executive Board and the Segment Managers in identifying, analyzing and evaluating existing opportunities and proposing alternative courses of action. Opportunities are assessed in terms of quantity and quality using business models.

Accounting-related risk management and internal control systems

Generally, risk management and the internal control system comprise the accounting-related processes and all risks and controls with regard to financial reporting. This refers to all parts of the risk management system and the internal control system that could have a material impact on the consolidated financial statements. The aim of the risk management system with regard to accounting processes is to identify and assess risks that could conflict with the conformity of the consolidated financial statements under the applicable regulations. Identified risks are to be assessed in terms of their impact on the consolidated financial state-

ments. The aim of the internal control system is to use controls to create sufficient certainty that the consolidated financial statements are in compliance with the regulations, despite the identified risks.

Both the risk management system and the internal control system apply to Nemetschek SE and to all subsidiaries relevant to the consolidated financial statements, as well as to all processes relevant to the preparation of the financial statements.

The assessment of the materiality of misstatements is based on the probability of occurrence and the effect on revenue, EBITDA and total assets. Furthermore, the capital market and the influence on the share price play a significant role.

Key elements of risk management and control in financial reporting include the allocation of responsibilities and controls in the preparation of financial statements, Group-wide guidelines on accounting and the preparation of financial statements, and appropriate rules for access to IT systems. The principle of dual control and the separation of functions are also key principles in the financial reporting process.

The assessment of the effectiveness of internal controls with regard to financial reporting is an integral part of the audits carried out by Internal Audit in 2020. The Supervisory Board is informed four times a year about the main risks identified for the Nemetschek Group, and the efficiency of the risk management system and the accounting-related internal control system.

Opportunity and risk assessment and reporting

The Nemetschek Group systematically analyzes and evaluates opportunities and risks. The opportunities and risks are quantified and classified to this end. In order to take suitable measures to deal with risks that could threaten the continued existence of the Nemetschek Group, any risks identified are evaluated and then classified based on their estimated probability of occurrence and the extent to which they are expected to affect the earnings, assets and financial position, the share price and the reputation of the Nemetschek Group. The same applies to opportunities.

RISK POTENTIAL PROBABILITY OF MATERIALIZATION

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

Market risks

Economic opportunities/risks (political and regulatory risks, social conflict, instabilities, natural disasters and pandemics)

The order situation of customers can be influenced by positive or negative developments in the construction industry and the general economic situation.

The Nemetschek Group is active in various markets and regions. Business activities are influenced by market factors such as geographical and cyclical economic trends and political and financial changes, but also by natural disasters and pandemics. In particular, the global economic environment has become more volatile in recent years, and the economic risks have therefore increased.

Overall, there is currently great uncertainty regarding the global economic outlook. Following a historic decline in global economic output in 2020, the global economy is expected to grow again in 2021. However, this growth is also associated with various risks. In particular, a renewed worsening of the Covid-19 pandemic with a prolonged and cross-regional lockdown would slow the recovery that has begun and could lead to a renewed recession. As individual countries have already implemented extensive aid programs as well as fiscal and monetary policy measures, the economic consequences of a renewed pandemic worsening could be more severe than those in the 2020 financial year.

A repeated escalation of the customs dispute between the USA and China, as well as the general increase in protectionist measures of individual countries could also have a negative effect on the business development of the Nemetschek Group, as such measures generally have negative effects on global economic growth and can also have a negative effect on investment activity.

Furthermore, negative effects may be a result from the UK's withdrawal from the customs union, which will be contractually implemented on January 31, 2021. There are uncertainties as to how the withdrawal will affect trade relations between the UK and the member states of the EU and how the economic strength of the UK will develop in the new framework. Although the Nemetschek Group's revenue share in the UK is less than 5%, the market is of increasing importance, particularly in terms of the BIM standard.

Nemetschek continually monitors developments in key economies and their construction industries by means of widely available early warning indicators such as the market indicator of the Euroconstruct market institute, or the Construction Confidence Indicator (CCI), as well as by analyzing its own marketing situation. The highly targeted markets in Europe, North America and Asia are continuously analyzed. Thanks to its international sales orientation, the company has the possibility of broad risk diversification. There is no single customer with a significant share of sales, so there is no "cluster risk." The Nemetschek Group's customers are also characterized by a high level of loyalty. The Group

is therefore highly diversified, both in terms of regional distribution and customer structure. The high proportion of recurring sales revenues, at around 60% of total revenue, is also a risk-minimizing factor.

In the event of an overall economic downturn, the Design segment – which has more than 50% of the Nemetschek Group's sales revenue – positioned at the beginning of the lifecycle of buildings would feel the economic weakness first. The Build segment would only be affected downstream. The Manage and Media & Entertainment segments target end customers, which increases risk diversification. In addition, the Manage segment is not directly dependent on the building process, as the focus in this segment is rather on increasing efficiency in the management of properties, which is particularly important for property managers in weak phases.

The Nemetschek Group plans its investments and corporate decisions in the medium to long term, so short-term deviations should not have a decisive influence on the overall long-term picture. If necessary, Group or segment strategies are adjusted. In principle, the broad diversification of the portfolio to different end customers and sectors already counteracts cyclical developments.

Industry opportunities and risks

There are significant opportunities and risks that could cause a noticeable change in the economic situation of the Nemetschek Group in the market and industry environment.

The order situation and the financial strength of the construction industry have an influence on the investments of this industry in software solutions and thus on the business development of the Group. On the market side, the company benefits from continued stable construction activity, albeit declining in some regions and segments due to the Covid-19 pandemic, and investments in construction and infrastructure projects. In particular, state investments in infrastructure announced by numerous governments offer further growth potential for the Design and Build segments. The use of software solutions to increase efficiency in property management remains weak, which should result in catch-up effects.

The rising importance of digitalization is therefore steadily increasing throughout the entire lifecycle of construction projects, providing the Nemetschek Group with a stable environment in all segments. As a result, the potential industry risks associated with customers' reluctance to invest in software have so far not had a significant impact on the earnings position of the SE and the Group. As a leading company in the AEC/O industry, Nemetschek's size and competence provide good opportunities to further expand its existing market share and to benefit from technological trends and ongoing digitalization.

Opportunities and risks from the competitive environment

The Nemetschek Group operates in a highly competitive and technologically fast-moving market that is also highly fragmented. Risks could arise from rapid technological change, innovations by competitors or the appearance of new market participants such as cloud providers. To counter this risk, the Nemetschek Group observes the market very closely and also sees young innovative companies as potential M&A targets, which in turn can complement and expand the Nemetschek Group’s portfolio.

Nemetschek therefore considers risks from the competitive environment to be low in terms of probability of occurrence and extent. The company invests heavily in research and development in order to further develop its solution portfolio and to generate innovations aimed at providing customers with added value while retaining their loyalty. With its Design, Build and Manage segments, the Nemetschek Group covers the entire lifecycle of structures. On the other hand, the Media & Entertainment segment is largely independent of the industry and has developed continuously and positively in recent years. Due to this strategic positioning, Nemetschek is exposed to fewer risks than other market participants. The Group’s opportunities for expanding its market position as a leading provider of software solutions for a continuous workflow for the entire lifecycle of buildings lie in further internationalization and in systematically exploiting the potential of existing markets – supported by the consistent use of new technologies.

In summary, this means:

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

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

Operating opportunities and risks

The Covid-19 pandemic, but also future pandemics that cannot be ruled out, influence the operating opportunity and risk profile. In the fall and winter of 2020, the spread of Covid-19 again intensified and governments and local authorities took various countermeasures to contain the pandemic. Short-term and long-term restriction of social contact, extensive minimum hygiene standards as well as opening restrictions for special economic sec-

tors may have a negative impact on the areas of the Nemetschek Group described below. Immediately following the start of the pandemic in spring 2020, the management of the Nemetschek Group established a crisis management team under the leadership of the Spokesman and CFOO, which continually monitors and evaluates the effects of the crisis on the company across all corporate functions and defines and implements appropriate measures << [3.2 Business Performance in 2020 and Key Events Influencing the Company’s Business Performance – Covid-19 Pandemic](#) >>.

Corporate strategy

Opportunities and risks can also result from corporate decisions that change the opportunity and risk profile in the short, medium and long term.

The Nemetschek Group has its roots in the Design segment and has successively focused on further high-growth markets along the construction lifecycle. Having significantly expanded the Build segment in recent years, Nemetschek is now increasingly focusing on the building management market, which it targets with the Manage segment. The Build and Manage segments have a high growth potential due to the existing market potential and the still low level of digitalization.

The new Executive Board and management structure, which has been successfully established since the 2019 financial year, opens up new opportunities and potential to leverage synergies between the brands while also targeting the customer in an even more focused manner. The Nemetschek Group made further progress here in the last financial year. For example, cross-brand CRM and key account management is currently being established in order to implement opportunities that arise in customer management even more effectively.

The Nemetschek Group sees itself as a driver for Building Information Modeling (BIM) and has a strong position in all AEC/O segments with regard to this working method. BIM regulations in various countries are helping to ensure that BIM technologies become increasingly important in the construction industry. These mandates are also driving the BIM standards in other countries and leading to greater acceptance of this working method.

Should the expected market demand for BIM solutions be weaker than expected, or should completely different technologies and working methods prevail, the investments made could still not lead to the expected revenues. Nemetschek takes this risk into account by continually evaluating technology, updating market assessments and by aligning the respective segment strategies to current market conditions. Nemetschek remains convinced that new business opportunities will arise as a result of the trend towards BIM and ongoing digitalization.

Sales and marketing

The further internationalization of Nemetschek's business is a strategic focus designed to expand existing market shares in various regions or to enter new markets. The focus lies on those sales markets that offer the greatest market potential and growth. Alongside Europe, a major focus is on the US market, the largest AEC/O software market in the world, and the Asian markets, especially Japan.

The Group's various sales models are based on the use of expert sales partners, resellers and qualified employees with specialist knowledge. They contribute to the optimal processing of customer segments, ensure high customer satisfaction and guarantee the sustainability of the earnings position.

The loss of sales partners or sales employees could have a negative impact on the revenue and earnings position of the Nemetschek Group. The brand companies take this risk into account by carefully selecting, training and managing sales partners and employees and with the help of incentive and performance systems. In addition to a fixed salary, sales employees are paid variable performance-related bonuses or commissions.

Sales risks also exist in cases where subsidiaries decide to establish their own sales team or sales location in regions where a sales partner previously worked, or if sales partnerships are terminated. In the course of the changeover, this could lead to discrepancies with the previous sales partner or to negative customer reactions. However, such scenarios are analyzed in detail before implementation and discussed both internally and with external market experts.

Since the implementation of the new management structure with Segment Managers, greater importance has also been attached to co- and cross-selling, which in turn provides the opportunity to work even more intensively with existing customers. Key account management, which has already been mentioned in connection with corporate strategy, also plays an important role in the implementation of this opportunity.

In the construction industry, there are signs of increasing acceptance of rental models via Software as a Service (SaaS) or subscription, even though there are regional differences. The Nemetschek Group takes this additional marketing model into account by offering customers the option of leasing software with or without a maintenance contract in addition to the classic license model. Nemetschek deliberately offers both options in order to provide customers with the greatest possible flexibility. This busi-

ness model opens up new customers and markets and therefore offers long-term growth opportunities. The stronger orientation towards subscriptions also offers the opportunity to generate more revenue per user. Particularly in the Manage and Media & Entertainment segments, and also in the Build segment from the second half of 2020, the Nemetschek Group is increasingly reorganizing its product range.

Risks may arise if necessary technologies for new forms of distribution, such as rental models, are in demand faster than expected and the appropriate solutions do not yet have the degree of market maturity that customers expect. Nemetschek counters this risk by quickly adapting and intensifying its development activities. In particular, Nemetschek carefully evaluates its subscription offers. Financial models are used to explore "what-if scenarios," which simulate the decision-making process taking into account a wide range of influencing factors.

Products and technology

There is a fundamental risk that competitors will gain an innovative edge and win Nemetschek customers. Future business success therefore depends above all on the ability to offer innovative products that are tailored to customers' needs. Thanks to its organizational structure of 15 entrepreneurially managed brands within four segments, the Nemetschek Group is positioned close to its customers and markets. This enables changes and trends to be identified, evaluated and implemented at an early stage. Flat hierarchies, a strong network of decision makers in the company and cross-functional teams make it easier to assess opportunities promptly and accurately. Last but not least, in order to further advance digitalization, about a quarter of Group revenue is regularly invested in research and development. Nemetschek sees good opportunities for future profitable growth resulting from its customer proximity and innovative solutions.

Potential risks exist in the development of software products that do not adequately meet customer needs or internal quality standards.

The software products of the brand companies sometimes incorporate third-party technology. The loss of or poor quality of the technology could lead to delays in the delivery of the company's own software and to increased expenses for the procurement of replacement technology or for quality improvement. The brand companies take this risk into account by carefully selecting suppliers and ensuring adequate quality assurance.

Process risks

The Nemetschek Group's core processes of software development, marketing and organization are subject to constant review and improvement by the management of the respective segments. The performance and target orientation of these processes are reviewed and optimized as part of strategic and operational planning. Nevertheless, there could be fundamental risks that the required and planned process results may not meet customer requirements in terms of time and quality due to insufficient resources or changes in general conditions, such as the Covid-19 pandemic and its impact on business processes.

Further risk potential exists in the realignment of the product lines. For example, migration from a product that has been on the market for a long time to a new solution could entail the risk of losing customers, even if the migration were to take place within the Group. In such cases, the Nemetschek Group ensures that communication between the brands is strengthened and that the advantages of the migration are explained to customers through comprehensive communication.

Furthermore, there could be cyberattacks on the respective brands, i.e. targeted attacks on specific infrastructures of important computer networks. As a result, business or private confidential data or information could be leaked. In the worst case scenario, entire systems could fail. The Nemetschek Group has implemented appropriate measures to protect against these risks and ensure data security and the protection of personal data.

Human resources

If management employees or other qualified employees were to leave the Nemetschek Group and no suitable replacement could be found, this could have a negative effect on business development. This is particularly significant if it also results in a loss of expertise. In addition, the general shortage of skilled workers worldwide is also a major challenge for the Nemetschek Group. The respective brands are in competition with large software players worldwide, so it has become increasingly challenging to recruit qualified personnel in recent years. To gain and retain employees, the brands offer flexible working models as well as attractive salaries. The Nemetschek Group also works very closely with universities, provides scholarships and awards doctoral positions to attract young specialists.

Acquisition and integration

Acquisitions are an integral part of the corporate strategy. The Nemetschek Group uses acquisitions to expand its solution portfolio, gain access to new technologies and/or regional markets and thus close gaps in the value chain. New customer groups can also be reached and market shares can be gained that are considered relevant and promising for the future. The Group invests in startups to gain access to innovative technologies.

In order to make the best possible use of acquisition opportunities, employees of the M&A and Business Intelligence departments continually screen the markets for suitable candidates. At the same time, Nemetschek works together with M&A consultants. Furthermore, the brands themselves contribute their knowledge and market observations to a professional M&A process. Acquisitions are carefully and systematically reviewed and planned before signing a contract. There is an established standardized process for M&A with a special focus on due diligence and post-merger integration.

The structure of the Nemetschek Group with its independent brands is a major advantage in winning the bidding process. Experience has shown that company founders prefer to belong to an international group while maintaining their identity and a high degree of operational independence. This group structure offers excellent opportunities to acquire attractive companies. At the same time, there is the entrepreneurial risk that the acquired company will not develop economically as expected and will not achieve the revenue and earnings targets pursued upon its acquisition. After an acquisition, companies will therefore be integrated quickly into the Nemetschek Group's reporting, controlling and risk management system.

Goodwill is subject to an annual impairment test. There was no need for write-downs in the 2020 financial year. However, due to changes in the economic environment, future write-downs cannot be ruled out.

In summary, this means:

Risk category	Probability of occurrence	Severity
Corporate strategy	medium	low
Sales and marketing	low	low
Products and technology	low	medium
Process risks	medium	low
Human resources	medium	medium
Acquisition and integration	low	medium

Opportunity category	Probability of occurrence	Severity
Corporate strategy	medium	medium
Sales and marketing	medium	medium
Products and technology	medium	medium
Process risks	low	low
Human resources	medium	medium
Acquisition and integration	high	high

Legal, tax and compliance risks

Tax risks

With its subsidiaries worldwide, the Nemetschek Group is subject to local tax laws and regulations. Changes to these regulations could lead to higher tax expenses and higher cash outflows. Furthermore, changes would affect the deferred tax assets and liabilities recognized. However, it is also possible that changes in tax regulations could have a positive effect on the Nemetschek Group's earnings situation. In the USA, for example, Nemetschek benefits from a lower tax rate resulting from the tax reform introduced in 2017 and from a changed method of determining tax payments in the US state of California implemented in the 2020 financial year.

Compliance and governance risks

The regulatory environment of Nemetschek SE, which is listed on the German MDAX and TecDAX, is complex and has a high level of regulation. A possible violation of the regulations could have negative effects on the net assets, financial position and results of operations, the share price and the company's reputation.

To a small extent, customers of the Nemetschek Group include governments or publicly owned companies. Business activity in the construction industry is partly characterized by orders with

larger volumes. Cases of corruption or even allegations of corruption could make it more difficult to participate in public tenders and could have negative effects on further economic activity, the assets, financial and earnings position, the share price and reputation of the Group. With its Code of Conduct, Nemetschek has therefore set up a binding anti-corruption program for all employees. Compliance and corporate responsibility have always been important components of the Nemetschek Group's corporate culture. In order to communicate the subject sustainably and across the Group, a modern training tool is used so that employees can recognize potentially critical situations and react to them correctly.

Compliance, data retention and security requirements and the protection of personal data are becoming increasingly stringent, which is associated with rising product development costs and, if not met in a timely manner, could also slow down revenue growth. The Nemetschek Group is addressing this issue and, on the holding level, is continuously advising the respective brand companies.

Legal risks

In an internationally active company such as the Nemetschek Group, risks may arise from contractual, competitive, trademark and patent laws. With this in mind, provisions are made in the balance sheet in accordance with the accounting regulations. The Nemetschek Group limits such risks via legal audits by the legal department and external legal advisors.

In the software industry, developments are increasingly protected by patents. Patent activities mainly concern the American market, although using patents to protect software is also steadily rising in other markets. The infringement of patents could have a negative impact on the net assets, financial position, results of operations, share price and reputation of the company.

In sales, the Nemetschek Group works not only with its own sales force, but also with external dealers and cooperation partners. The same applies to external marketing agencies. Sales and marketing partners could either not fulfill their contracts with Nemetschek at all or could fulfill them on unacceptable terms, or could renew them. Sales or marketing agreements could also be terminated, which could lead to legal disputes and thus have a negative impact on the business activities, financial position and results of operations.

Legal risks can also arise in the areas of employment and tenancy law, for example if employees are dismissed or brands terminate, extend or renew tenancy agreements.

In summary, this means:

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

Financial risks

As an internationally active group, the Nemetschek Group is exposed to the financial risks described below. The aim is to actively manage these risks and thereby reduce them. The objectives and methods for dealing with financial risks are also described in detail in the notes to the consolidated financial statements under [<< Financial Risk Management >>](#).

Liquidity risk

With high financial liabilities, there is always a liquidity risk in the event of a deterioration in the earnings situation. At the end of 2020, the Nemetschek Group had liabilities to banks of around EUR 130 million (previous year: around EUR 188 million). The Group continued to generate positive cash flow from operating activities in the 2020 financial year Business activities, which allows it to continue investing in organic growth and acquisitions. Nemetschek SE ensures the availability of decentralized financial resources via central cash pooling. As a matter of principle, the Group pursues conservative and risk-avoiding financing strategies.

Currency risks

As an internationally active company, the Nemetschek Group is exposed to exchange rate fluctuations, especially in the United States, Japan, the United Kingdom, Norway, Sweden, Hungary and Switzerland. The further internationalization of the Group's activities will increase the significance of exchange rate fluctuations for the Group's business activities. Currency fluctuations only have a limited effect at Group level, as the operating subsidiaries outside the eurozone generate most of their revenues, costs and expenses in their local currencies (natural hedging). Nevertheless, currency fluctuations in one of the countries can have consequences, particularly in terms of sales and pricing, which can affect the revenue and earnings situation of individual brands. In 2020, the development of the US dollar in relation to the euro led to negative currency effects on revenue and EBITDA, particularly in the second half of the year.

Due to existing uncertainty in connection with the United Kingdom's exit from the EU and the customs union, currency fluctuations in the pound sterling could also be a consequence here.

Default risk and risk management

Default risks are managed by handling credit approvals, setting upper limits and control procedures, as well as regular debt reminder cycles.

The company does not expect any bad debts from business partners who have been granted a high credit rating. The Nemetschek Group has no significant concentration of credit risks with any single customer or group of customers. From today's perspective, the maximum risk of default is determined by the amounts shown in the balance sheet.

The Nemetschek Group only concludes business with creditworthy third parties. Customers who wish to conclude material transactions with the company on credit terms are subjected to a credit assessment if materiality limits are exceeded. In addition, receivables are continually monitored so that the company is not exposed to any significant default risk. If default risks are identified, appropriate provisions are made in the balance sheet. In connection with the consequences of the Covid-19 pandemic, it cannot be ruled out that the creditworthiness of individual customers may change, thus increasing the risk of default. The Group continually monitors this situation and, if necessary, will take appropriate measures and recognize provisions.

From today's perspective, there is no significant concentration of default risks in the Nemetschek Group. In the case of Nemetschek's other financial assets such as cash and cash equivalents, the maximum credit risk in the event of counterparty default corresponds to the carrying amount of these assets.

Interest risk

Due to the Nemetschek Group's current financing structure, the management does not see any significant interest rate risk.

In summary, this means:

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

Summary assessment of the Group's opportunity and risk situation

With the exception of the Covid-19 pandemic, there were no significant changes in the overall risk position and the individual risks described in 2020 compared with the previous year. We regard the risk associated with Covid-19 as a major challenge, particularly as it impacts various areas of business activity. Overall, Nemetschek is satisfied that the risks identified do not pose a threat to the continued existence of the Group, neither individually nor as a whole. This assessment is supported by the balance sheet structure, liquidity resources and financing structure.

The Nemetschek Group plans to participate more strongly in the opportunities described above, to take advantage of market opportunities and to further expand its market position in the coming years.

6 Outlook 2021

Overall economic development

As a globally active company, the Nemetschek Group is also influenced by worldwide economic developments and industry-specific trends. These developments also have an influence on the future earnings, financial and asset situation of the Group.

The global economy is expected to recover in 2021 from last year's recession caused by the Covid-19 pandemic. In its Annual Report 2020/2021, the German Council of Economic Experts expects gross domestic product (GDP) to increase by 5.1% in 2021, while the International Monetary Fund (IMF) in its World Economic Outlook Update published in January 2021 even expects growth of 5.5% in the same period.

The following developments are forecast for the regions of significance for the Nemetschek Group. GDP in the **eurozone** is expected to grow by 4.9% (German Council of Economic Experts) and 4.2% (IMF). According to the German Council of Economic Experts, GDP in Germany is expected to grow by 3.7% again in 2021, while the IMF sees growth in Germany at 3.5%. For the **USA**, the German Council of Experts expects growth of 3.8% in 2021, while the IMF expects growth of 5.1%. For **Asia**, the German Council of Economic Experts forecasts GDP growth of 6.8%. **China** is once again expected to be the driving force in the Asian economic area with forecast growth of 8.9%.

Overall, the uncertainties associated with the above forecasts are great and depend above all on the further course of the pandemic. The estimates are based on the assumption that social distancing will remain in place during 2021, but may be relaxed over time through improved treatment options and vaccine availability and successful vaccination strategies. Additionally, the projections assume that potential lockdowns will not reach the magnitude of those seen in spring 2020. There are a number of developments surrounding the virus outbreak that could have a significant impact on the economic cycle. On the one hand, for example, new infection waves, possible mutations and associated lockdowns may negatively impact contact-intensive industries in particular, but also the economy as a whole. On the other hand, further and faster advances in medical treatment and widespread availability and acceptance of vaccines may generate positive effects. In Europe, the economic recovery has been interrupted since November 2020 by a new wave of infections, to which individual countries have responded with different measures. Overall, however, the impact is likely to be less drastic than in spring 2020, as the global recovery, driven in particular by developments in Asia, is still intact and no significant disruptions in supply chains have occurred to date.

Beyond the pandemic, there are still high uncertainties regarding important political developments and their potential impact on future economic development. Trade relations between the USA and China are worthy of mention here. Moreover, the practical implementation of the United Kingdom's exit from the European Union (EU), as well as the change of government in the US may also have an impact on the global economy.

Sources: German Council of Economic Experts, Annual Report 2020/2021 and International Monetary Fund, World Economic Outlook Update (January 2021).

Sector-specific development

Construction industry

Uncertainty regarding the development of the Covid-19 pandemic and its impact on the construction industry will continue in 2021. Nevertheless, the experts at Euroconstruct expect the European construction industry to recover with growth of around 4% in 2021. This positive trend is expected to continue in 2022 (3.5%) and 2023 (2.4%). This means that the pre-crisis level of around EUR 1,700 billion in total construction output in 2019 is expected to be reached again in Europe in 2023. However, a look at the major economies reveals a more differentiated picture. Although Germany recorded the lowest decline in construction output at -1.6% in 2020, experts also expect a slight decrease of -0.2% in 2021 and low growth of 0.4% and 0.2% in the following years. Accordingly, the level of German investment in 2023 will not exceed that of 2019. This also applies to Spain, while France, Italy and the UK should have higher investment levels by 2023 than in 2019. The highest growth rates in Europe for 2021 are expected in France (13.6%), the UK (12.6%), Belgium (8.7%) and Ireland (8.1%). On average, the European construction industry is forecast to grow by 4.1% in 2021.

In the USA, construction output is forecast to decline by -9% in 2021 and by -7% in the following year. The construction industry is not expected to grow again until 2023. This forecast depends on many individual factors, such as the decision on further aid and economic stimulus packages, the development of the trade conflict with China and possible economic policy corrections by the new president.

In Japan, the government continued to support the construction sector with public-sector orders in 2020. However, this is not expected to continue in 2021, with the result that the construction industry is expected to contract by -8.9% according to current forecasts.

Urbanization in China's cities is also expected to continue in the coming years. The new five-year plan for 2021-2025 focuses on the development of metropolitan regions and city clusters. In the infrastructure sector, further major projects are planned for the expansion of air freight logistics. Investments in Big Data, 5G and artificial intelligence, among other things, are also to be stepped up.

Following the slump in the construction industry in India in 2020, the sector is expected to experience a strong upturn and grow by 11.6% in 2021. This growth will particularly be driven by an infrastructure program with planned investments of EUR 1.3 trillion by 2025 and investments in social housing.

Sources: Euroconstruct – Summary Report, Winter 2020; FMI – North American Engineering and Construction Outlook, Q3 2020; GTAI – Branchen, Bau, USA, October 29, 2020; GTAI – Branchen, USA, Machtwechsel in Washington, January 15, 2021; RICE – Quarterly Outlook of Construction and Macro Economy, October 2020; GTAI – Branchencheck, Bauwirtschaft, Japan, December 28, 2020; GTAI – Branchenanalyse, Bauwirtschaft, China, December 12, 2020; Global Data – Press Release, India's construction industry, September 9, 2020; GTAI – Branchencheck, Indien, December 11, 2020; GTAI – Branchen, Tiefbau, Indien, July 13, 2020.

Digitalization in construction

Digitalization in the construction industry is less advanced than in other industries. The reasons for this include the high fragmentation and low margins in the construction sector. However, there are indications that a new phase of digitalization has begun. The Covid-19 pandemic may now lead to a radical change in the entire industry and further accelerate existing trends such as digitalization in the medium to long term. Accordingly, the Nemetschek Group is operating in a dynamic market with great growth potential in the coming years. The increasing establishment of an open standard for data exchange, which creates compatibility between different software solutions and thus promotes the increasing establishment of BIM, has a particularly positive effect. The driver behind this development is the international non-profit organization buildingSMART, which promotes digitalization in the construction industry.

Sources: Vertandix – Market Overview: AEC Software, December 2020; McKinsey – The next normal in construction, June 2020; McKinsey – Reinventing construction through a productivity revolution, February 17, 2017; IFS – Understanding construction and engineering spending on digital transformation, October 2020; www.buildingsmart.org

Company expectations

Despite the continuing Covid-19 pandemic and the associated uncertainties, the Nemetschek Group aims to continue its business policy geared toward sustainable and profitable growth and will invest in further internationalization and the development of new-generation solutions. It will also continue to drive forward its strategic initiatives within the four segments. The Executive Board is carefully monitoring the further development of the current uncertain general economic situation in order to be able to make adequate decisions within the framework of the growth strategy.

Internationalization

As a company that is globally active in the AEC/O industry, the Nemetschek Group is focusing on those markets that currently offer the greatest potential and which have already made BIM mandatory or are in the process of establishing BIM standards. In addition to markets in Europe, the Nemetschek Group focuses on regions in Asia, including Japan, as well as on the USA. The USA is the world's largest single market for AEC/O software and

for the Nemetschek Group a significant but competitive sales market in which the company experienced an above-average development. The US market will therefore continue to play an important role in the implementation of the growth strategy.

Further internationalization is also an important growth driver for the Nemetschek Group, because the existing brands in the USA and Europe mutually enrich each other in their expansion.

Networking, sales approach and new-generation solutions

With the introduction of the current Executive Board and management structure, the focus on the existing four segments was strengthened in 2019. Since then an Executive Board member or Segment Manager has been assigned to each of the four segments and works closely with the brands within the segment. He strengthens brand cooperation and networking so as to reduce the complexity resulting from the diversity of brands. In the past financial year, a Group-wide customer relationship master agreement was negotiated for the first time, on the basis of which global customer relationships are to be recorded and thus made accessible to all brands and Group companies. In addition, cross-brand and cross-segment customer support is to be strengthened by means of overarching key account management. With this further development of sales, Nemetschek takes into account the strategic target of better combining the brand companies' expertise within the customer-oriented segments while at the same time targeting larger customers.

We also aim to use innovative solutions to make the workflow in the construction process more efficient, to target new customer segments, to support the cooperation of the brand companies in their international growth strategies and to share best practices within the Group. For example, in the 2020 financial year, two cross-brand development projects were successfully implemented in the Design segment and the solutions developed were launched on the market. This internal cooperation will continue in 2021. At the same time, Nemetschek is focusing on future topics that will shape and change the construction industry. These include topics such as machine learning, artificial intelligence (AI), and the use of Internet-of-Things (IoT) devices and sensors.

Even before the Covid-19 pandemic it was evident that there was increasing investment in the public sector and especially in infrastructure measures. This development has been reinforced by the pandemic, which is also partly due to different aid and economic stimulus programs of individual governments. The Nemetschek Group would like to further expand its activities in this segment focusing in particular on technically complex solutions such as bridge and tunnel construction.

Rental models (subscription / software-as-a-service) and sales approach

The brands of the Nemetschek Group will continue to offer their customers a high degree of flexibility when purchasing software. Customers can choose between the classic license model, including the service contract option, and flexible rental models (subscription or software-as-a-service). Rental models in particular make it possible to tap into new customer groups, as many customers want to use software flexibly and without a one-off license fee. In the four segments of the Group, the offer and implementation of rental models are at different stages of progress. In doing this, the Nemetschek Group addresses the different needs of customer groups, depending on discipline and region.

In the Design segment, brands such as dRofus or RISA already generate a large part of their revenue with rental models. However, the major portion of revenue still comes from license models and software service contracts. This is also due to the regional focus on Europe and these customers' reticence regarding rental models. In the future, it is planned to continue offering rental models as an alternative in the Design segment, which is mainly to target new customers and to provide them with a high degree of flexibility.

In the Build segment, the top-selling brand Bluebeam, which continues to generate the majority of its revenue in the USA, will increasingly migrate to rental models in the second half of 2021. To make the range of rental models as attractive as possible, the brand will offer customers added value with new features.

In the Manage segment, the Spacewell brand already offers rental models. This approach will continue in the future.

In the Media & Entertainment segment, the Maxon brand started the migration to rental models in the third quarter of 2019. It now generates more than 50% of revenue with rental models, with contribution from the recently-acquired and already integrated brands Redshift and Red Giant.

The strategic objective is to increase visibility and predictability with the successive increase in recurring revenues from rental models, while still maintaining close customer contact and increasing customer satisfaction.

Growth – organic and inorganic

The organic development of the Nemetschek Group will continue to be supplemented by value-adding acquisitions with the objective being to close gaps in the Group portfolio and thus to extend and round off the technological expertise in the workflow of construction processes. A further goal of acquisitions is to further increase the Nemetschek Group's market shares in the international markets.

Thanks to high cash flows and the solid balance sheet, the Nemetschek Group has the financial resources to finance its planned future growth organically and inorganically through acquisitions, cooperations and partnerships. As in the past, acquisitions are possible due to current cash flow, the liquidity portfolio and borrowing capital.

Currently, the focus of acquisition activities is on the Build and Manage segments, as the Nemetschek Group does not yet cover all competencies and target regions in these segments and the level of digitalization is lower compared with the Design segment.

Investments and liquidity

As in previous years, operating cash flow in 2021 should increase Group liquidity and provide sufficient scope for planned investments in development, as well as sales and marketing by the individual segments.

Important cost items for the Nemetschek Group include personnel expenses and other operating expenses. The Nemetschek Group will continue to recruit additional experts worldwide in a targeted manner in 2021 and therefore expects a sustained moderate increase in personnel expenses. Other operating expenses, including selling expenses, will also tend to rise in 2021 regarding the further planned international expansion. In individual cases in the context of the ongoing uncertain business environment, investment planning for 2021 is to be reexamined and assessed.

Dividends

The shareholder-friendly dividend policy of Nemetschek SE based on continuity is to be continued in the coming years. Taking into account the respective overall economic development as well as the economic and financial situation of the company, the Executive Board plans to continue to distribute around 25% of the operating cash flow as a dividend to the shareholders and thus allow them to participate appropriately in the economic success of the Group.

General statement on the expected development

Outlook for the Nemetschek Group

In the corona year of 2020, the Nemetschek Group showed it has a robust and crisis-resistant business model. Due to the significantly increasing share of recurring revenues from service contracts and rental models such as subscription, which now account for around 60% of group revenues, Nemetschek has increasing planning security. In addition, the international positioning of the group and the targeting of different customer groups across the four segments offer a broader risk diversification than in the past. Added to this is the very solid financial structure of the Nemetschek Group with an equity ratio of around 47% and high cash generation.

In our forecast for the business, we assume that the global economy and that the global economy – as forecast, for example, by the German Council of Economic Experts and the IMF – will grow by a mid-single-digit percentage in 2021. Here it is assumed that effective vaccines and further medical progress in combating the coronavirus will mean that the restrictions still in place at the beginning of the 2021 financial year will ease over the course of the year so that there will be no further significant restrictions in global supply chains.

However, with reference to the development of the construction industry, we generally regard 2021 as challenging. For individually important regional submarkets such as America, parts of the Asian economic area and also the home market of Germany, various sources are forecasting a market decline in the construction industry. This could have a negative effect on the willingness of market participants and thus our customers to invest. However, our forecast assumes that this development will be overshadowed by a further growing need for digitalization in the construction industry. At the Group level, we are aiming to further increase the share of recurring revenues.

In general, it should be noted in the forecast that the development of the exchange rates that are relevant to the Nemetschek Group influences the revenue and earnings development of the Group and could therefore also have an impact on the achievement of the forecast. Key foreign currencies that are important for the Group are in particular the US dollar and the Hungarian forint. The forecast for 2021 was prepared on the basis of constant exchange rates.

Taking account of general economic and industry-specific conditions, the Executive Board is cautiously optimistic for the 2021 financial year. On the basis of constant exchange rates and the current brand portfolio, it is anticipating revenue growth to be in the high single-digit percentage range. The EBITDA margin is expected to be in a corridor of 27% – 29%.

These forecasts are subject to the express proviso that the global economic and industry-specific conditions do not deteriorate significantly compared with the assumptions underlying the planning, particularly with regard to the further course of the Covid-19 pandemic.

Notes on the outlook

This Management Report contains forward-looking statements and information – i.e. statements about future events. These forward-looking statements can be identified by formulations such as “expect,” “intend,” “plan,” “estimate” or similar. Such forward-looking statements are based on current expectations and certain assumptions. They therefore involve a number of risks and uncertainties. Various factors, many of which are outside the control of the Nemetschek Group, could influence the business activities, success, business strategy and results of the Nemetschek Group. This may cause the actual results, successes and performance of the Nemetschek Group to differ substantially from the results, successes or performance expressly or implicitly contained in the forward-looking statements.

7 Other Disclosures, Remuneration Report

7.1 Corporate Governance Declaration

The corporate governance declaration in accordance with Section 289f and Section 315d of the German Commercial Code (HGB) is part of the combined management report and is published on the Nemetschek SE website at ir.nemetschek.com/en/corporate-governance. In accordance with Section 317 (2) sentence 6 of the HGB, the auditor's review of the disclosures pursuant to Section 289f and Section 315d of the HGB is limited to whether or not the disclosures have been made. The corporate governance declaration can also be found in the 2020 Annual Report in the chapter [«< To our Shareholders >>](#).

7.2 Explanatory Report of the Executive Board on Disclosures Pursuant to Sections 289a and 315a of the HGB

This section contains the disclosures pursuant to Sections 289a (1), 315a (1) of the German Commercial Code (HGB) together with the Explanatory Report of the Executive Board pursuant to Section 176 (1) sentence 1 of the German Stock Corporation Act (AktG) in conjunction with Article 9 (1) letter C (ii) of the SE Regulation.

(1) Composition of subscribed capital

As of December 31, 2020, the share capital of Nemetschek SE amounts to EUR 115,500,000.00 and is divided into 115,500,000 no-par bearer shares.

Different classes of shares do not exist. All shares entail the same rights and obligations. One vote is granted per share and is decisive for the shareholders' share in profits.

(2) Restrictions affecting voting rights or the transfer of shares

There are no restrictions in the Articles of Incorporation relating to voting rights or the transfer of shares. Restrictions on voting rights may exist based on the provisions of the German Stock Corporation Act (AktG), for example in accordance with Section 136 AktG and based on the provisions of capital market legislation, in particular in accordance with Sections 33 et seq. WpHG.

(3) Interests in capital exceeding 10% of voting rights

The direct and indirect interests in the subscribed capital (shareholder structure), that exceed 10% of the voting rights, are shown of the notes to the annual financial statements and the notes of the consolidated financial statements of Nemetschek SE.

(4) Shares with special rights granting control

There were no shares with special rights granting control.

(5) Type of control of voting rights if employees hold an interest in the capital and do not directly exercise their control rights

There were no controls on voting rights for employees holding an interest in the capital.

(6) Statutory provisions and regulations in the Articles of Incorporation on the appointment and dismissal of members of the Executive Board and amendments to the Articles of Incorporation

Article 9 (1), Article 39 (2) and Article 46 Sections 84 and 85 of the SE Regulation, Sections 84 and 85 of the AktG in conjunction with Section 8 of the Articles of Incorporation of Nemetschek SE regulate the appointment and dismissal of Executive Board members. Under the provisions of these sections, Executive Board members are appointed by the Supervisory Board for a term not exceeding five years. The appointment may be renewed or the term of office may be extended, provided that the term of each such renewal or extension shall not exceed five years. Section 8, Paragraph 1 of the Articles of Incorporation states that the Executive Board must consist of one or more persons. The number of persons is determined by the Supervisory Board. The Executive Board of Nemetschek SE currently consists of three persons.

If there is a good cause, the Supervisory Board can revoke the appointment of the Executive Board member (Article 9 (1), Article 39 (2) of the SE Regulation and Section 84 (3) sentences 1 and 2 of the AktG).

Section 179 of the AktG in conjunction with Sections 14 and 19 of the Articles of Incorporation of Nemetschek SE applies to amendments to the Articles of Incorporation. According to this provision, amendments to the Articles of Incorporation are generally decided by the Annual General Meeting with a two-thirds majority of the votes. If at least half of the share capital is represented, a simple majority of the votes cast is sufficient. If the law also requires a majority of the share capital represented at the Annual General Meeting to pass resolutions, a simple majority of the share capital represented at the time of the resolution is sufficient, to the extent permitted by law. In accordance with Section 14 of Nemetschek SE's Articles of Incorporation, the Supervisory Board is authorized to decide on amendments to the Articles of Incorporation that affect only its wording.

(7) Powers of the Executive Board to issue or redeem shares

In accordance with Section 71 (1) No. 8 of the AktG, the company requires a special authorization from the Annual General Meeting to acquire and use its treasury shares, unless expressly permitted by law. At the Annual General Meeting on May 28, 2019, an authorizing resolution was accordingly proposed and approved by the shareholders.

In accordance with the resolution adopted under agenda item 7 by the Annual General Meeting of May 28, 2019, the authorization is valid as follows:

“7.1 The company is authorized to acquire up to 11,550,000 treasury shares, i.e. 10% of the company's share capital, in full or in part, on one or more occasions until May 28, 2024 in accordance with the following provisions. At no time may the shares acquired on the basis of this authorization, together with other shares of the company that the company has already acquired and still holds or which are attributable to it in accordance with Sections 71a et seq. of the German Stock Corporation Act, exceed 10% of the company's share capital. The authorization may not be used for the purposes of trading in treasury shares.

This authorization replaces the authorization to acquire treasury shares adopted by the Annual General Meeting of Nemetschek Aktiengesellschaft on May 20, 2015 under agenda item 7, which is hereby canceled to the extent that it was not exercised.

7.2 The Executive Board is free to choose whether to purchase the shares on the stock exchange, by means of a public purchase offer extended to all of the company's shareholders.

(a) If purchased on the stock exchange, the purchase price of a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall below the average closing price of the share by more than 10% on an electronic trading system (Xetra – or a functionally comparable successor system replacing the Xetra system) over the last five trading days prior to the obligation to acquire.

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

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

(a) With authorization by the Supervisory Board, the shares may be offered to third parties as consideration for the acquisition of companies, investments in companies or parts of companies.

(b) With authorization by the Supervisory Board, the shares may be redeemed without the redemption or the implementation of the redemption requiring a further resolution of the Annual General Meeting. The redemption leads to a reduction in capital. The Executive Board may alternatively decide that the share capital shall remain unchanged upon redemption and instead the proportion of the remaining shares in the share capital shall be

increased by the redemption in accordance with Section 8 (3) AktG. In this case, the Executive Board is authorized to adjust the number of shares stated in the Articles of Incorporation.

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

7.5 This resolution is subject to the condition precedent that the entry of the implementation of the capital increase pursuant to item 6 of the agenda be entered in the commercial register of the company.”

The condition precedent specified in the resolution under item 7.5 was fulfilled on June 5, 2019 and the resolution of the General Meeting of May 28, 2019 on agenda item 7 therefore took effect.

(8) Significant agreements of the company subject to a change of control following a takeover offer

There are no significant agreements of the company subject to a change of control following a takeover offer.

(9) Compensation agreements concluded by the company with members of the Executive Board or employees in the event of a takeover offer.

There were no compensation agreements concluded by the company with members of the Executive Board or employees in the event of a takeover offer.

7.3 Remuneration Report

Supervisory Board

The Supervisory Board receives a fixed remuneration. The remuneration for the Supervisory Board is 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

Executive Board

The remuneration for the Executive Board comprises a fixed remuneration plus customary fringe benefits such as health and long-term care insurance, use of company cars, and a variable, performance-related remuneration. The variable remuneration has a short-term and a long-term component.

The short-term performance-related (variable) remuneration depends primarily on the achievement of corporate targets (revenues, EBITA and earnings per share), which are agreed between the Supervisory Board and the Executive Board at the beginning of each financial year.

The long-term performance-related (variable) remuneration of the Executive Board – also known as the Long-Term Incentive Plan (LTIP) – depends on the achievement of defined corporate targets for the development of revenue, the operating result (EBITA) and earnings per share as well as predefined strategic project targets. In each case, the period to be considered is three financial years.

The Executive Board's participation in the LTIP is subject to a corresponding nomination by the Supervisory Board at its annual accounts meeting. In the 2020 financial year, long-term variable components of EUR 941k (previous year: EUR 859) were paid out, of which EUR 390k related to Patrick Heider, who was the Executive Board member who departed at the end of 2019.

The following tables show the grants, inflows and pension expenses granted to each individual member of the Nemetschek SE Executive Board in accordance with the recommendations of Section 4.2.5 (3) of the German Corporate Governance Code:

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

	Dr. Axel Kaufmann				Patrik Heider			
	2019	2020	2020	2020	2019	2020	2020	2020
	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum
Thousands of €								
Fixed compensation	0	408	408	408	250	0	0	0
Fringe benefits	0	105	105	105	16	0	0	0
Total	0	513	513	513	266	0	0	0
One-year variable compensation	0	286	286	600	450	0	0	0
LTIP 2017 – 2019	0	0	0	0	209	0	0	0
LTIP 2018 – 2020	0	0	0	0	0	0	0	0
LTIP 2019 – 2021	0	0	0	0	0	0	0	0
LTIP 2020 – 2022	0	300	200	342	0	0	0	0
Compensation of prior year LTIPs	0	0	0	0	0	0	0	0
Total	0	1,099	999	1,455	925	0	0	0

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

	Viktor Várkonyi				Jon Elliott			
	2019	2020	2020	2020	2019	2020	2020	2020
	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum
Thousands of €								
Fixed compensation	102	100	100	100	92	100	100	100
Fringe benefits	0	0	0	0	0	0	0	0
Total	102	100	100	100	92	100	100	100
One-year variable compensation	303	142	0	600	92	216	0	450
LTIP 2017 – 2019	209	0	0	0	0	0	0	0
LTIP 2018 – 2020	225	86	0	312	0	0	0	0
LTIP 2019 – 2021	246	136	0	460	163	87	0	295
LTIP 2020 – 2022	0	67	0	361	0	45	0	260
Compensation of prior year LTIPs	0	0	0	0	0	0	0	0
Total	1,085	531	100	1,833	347	448	100	1,105

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

	Dr. Axel Kaufmann		Patrik Heider	
	2020	2019	2020	2019
	Initial Value	Initial Value	Initial Value	Initial Value
Thousands of €				
Fixed compensation	408	0	0	250
Fringe benefits	105	0	0	16
Total	513	0	0	266
One-year variable compensation		0	330	101
Advance payment for one-year variable compensation	286	0	0	120
Advance payment for multi-year variable compensation	300	0	0	0
Multi-year variable compensation				
LTIP 2016 – 2018	0	0	0	286
LTIP 2017 – 2019	0	0	390	0
Total	1,099	0	720	773

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

	Viktor Várkonyi		Jon Elliott	
	2020	2019	2020	2019
	Initial Value	Initial Value	Initial Value	Initial Value
Thousands of €				
Fixed compensation	100	102	100	92
Fringe benefits	0	0	0	0
Total	100	102	100	92
One-year variable compensation	283	136	153	0
Advance payment for one-year variable compensation	0	0	0	0
Multi-year variable compensation				
LTIP 2016 – 2018	0	573	0	0
LTIP 2017 – 2019	551	0	0	0
Total	934	811	253	92

The total remuneration paid by Nemetschek SE for the Executive Board for the 2020 fiscal year was EUR 3,006k (previous year: EUR 1,676k).

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi received a gross fixed salary of EUR 280k (previous year:

EUR 265k) and a gross fringe benefit of EUR 14k (previous year: EUR 14k) from Graphisoft SE. Jon Elliott received a gross fixed salary of EUR 277k (previous year: EUR 304k) from Bluebeam, Inc. and EUR 42k (previous year: EUR 50k) gross as fringe benefits. Furthermore, he was granted variable remuneration of EUR 326k for several years (previous year: EUR 119k).

Munich, March 15, 2021



Dr. Axel Kaufmann



Viktor Várkonyi



Jon Elliott

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	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)

Financial Statements of Nemetschek SE (German Commercial Code)

Balance Sheet

as of December 31, 2020 and as of December 31, 2019

ASSETS	Thousands of €	December 31, 2020	December 31, 2019
A. Fixed Assets			
I. Intangible assets			
Purchased franchises, industrial rights and similar rights and			
1. assets and licenses in such rights and assets		476	673
		476	673
II. Property, plant and equipment			
1. Leasehold improvements		41	88
2. Fixtures, fittings and equipment		302	458
		343	546
III. Financial assets			
1. Shares in affiliated companies		568,127	568,127
2. Loans due from affiliated companies		44,362	18,750
3. Investments		60	60
		612,549	586,937
TOTAL FIXED ASSETS		613,368	588,156
B. CURRENT ASSETS			
I. Accounts receivable and other assets			
1. Trade receivables		2	2
Accounts due from affiliated companies			
2. – thereof Accounts receivable from trading EUR 592k (previous year: EUR 1,175k)		47,140	40,424
3. Other assets		295	1,070
		47,438	41,497
II. Cash and cash equivalents		8,491	16,974
TOTAL CURRENT ASSETS		55,928	58,470
C. DEFERRED AND PREPAID EXPENSES		2,136	135
D. DEFERRED TAX ASSETS		78	405
		671,510	647,166

EQUITY AND LIABILITIES	Thousands of €	December 31, 2020	December 31, 2019
A. EQUITY			
I. Subscribed capital		115,500	115,500
II. Capital reserve		20,530	20,530
III. Retained earnings		28,586	28,586
IV. Unappropriated profit		266,270	224,628
TOTAL EQUITY		430,886	389,243
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Accrued tax liabilities		684	4,942
2. Other provisions and accrued liabilities		4,359	5,308
TOTAL PROVISIONS AND ACCRUED LIABILITIES		5,043	10,250
C. LIABILITIES			
1. Liabilities due to banks		129,500	185,800
2. Trade accounts payable		1,065	1,312
3. Accounts due to affiliated companies		101,055	56,578
Other liabilities			
– thereof taxes: EUR 1,175k (previous year: EUR 1,426k)			
4. – thereof social security EUR 3k (previous year: EUR 2k)		1,223	2,955
TOTAL LIABILITIES		232,843	246,645
D. Deferred revenue		1,640	0
E. Deferred tax liability		1,098	1,028
		671,510	647,166

Profit and loss account of Nemetschek SE

for the period January 1 to December 31, 2020 and 2019 (German Commercial Code)

Thousands of €	December 31, 2020	December 31, 2019
1. Revenues	7,229	6,320
2. Other operating income	2,493	2,745
Operating income	9,722	9,066
3. Personnel expenses		
a) Wages and salaries	-6,533	-6,211
Social security, pension and other benefit costs		
b) – thereof for pension: EUR 119k (previous year: EUR 18k)	-840	-684
4. Depreciation and amortization of intangible assets, property, plants and equipment	-501	-1,025
5. Other operating expenses	-9,817	-7,843
Operating expenses	-17,691	-15,763
Operating result	-7,969	-6,697
Income from investments		
6. – thereof from affiliated companies: EUR 60,255k (previous year: EUR 97,236k)	60,286	128,590
7. Income from profit and loss transfer agreements	29,386	40,034
Other interest and similar income		
8. – thereof from affiliated companies: EUR 1,258k (previous year: EUR 1,129k)	1,257	1,100
Interest and similar expenses		
9. – thereof from affiliated companies: EUR 6k (previous year: EUR 0k)	-1,120	-1,150
Result from ordinary operations	81,839	161,877
Taxes on income		
– thereof expenses from changes in deferred taxes recognized in the balance sheet:		
10. EUR -397k (previous year: EUR -42k)	-7,855	-11,247
11. Earnings after tax	73,984	150,630
12. Other Taxes	-1	-1
13. Net Income	73,983	150,629
14. Profit carried forward from previous year	192,288	73,999
15. Unappropriated profit	266,270	224,628

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March 23, 2021

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Publication
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NEMETSCHEK
GROUP

NEMETSCHEK SE
Konrad-Zuse-Platz 1
81829 Munich
Tel.: +49 89 540459-0
Fax: +49 89 540459-414
investorrelations@nemetschek.com
www.nemetschek.com

