NEMETSCHEK GROUP

FINANCIAL STATEMENTS
(GERMAN COMMERCIAL CODE)
NEMETSCHEK SE

2019

Driving digital transformation

SHAPING THE ENTIRE BUILDING LIFECYCLE

Financial Statements Nemetschek SE

Combined Management Report for the 2019 Financial Year

About This Report

The management report of Nemetschek SE and the Group management report for the 2019 financial year have been consolidated. The combined management report also contains the remuneration report and the corporate governance declaration. The consolidated financial statements prepared by Nemetschek as of December 31, 2019 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 16 brands operating in four segments. The term "brands" is understood to mean subsidiaries of Nemetschek SE, which in most cases are wholly owned. Nemetschek SE is responsible for the central functions of corporate finance & 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. To strengthen the segment focus, a new Executive Board and governance structure was established at the beginning of 2019. This is the first time that there has been an assigned Executive Board member or Segment Manager for each of the four segments who works closely with the 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 also moving within a strategic corridor agreed to 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.

Please refer to the Annex on page 98 for a detailed overview of the Group's legal structure.

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.

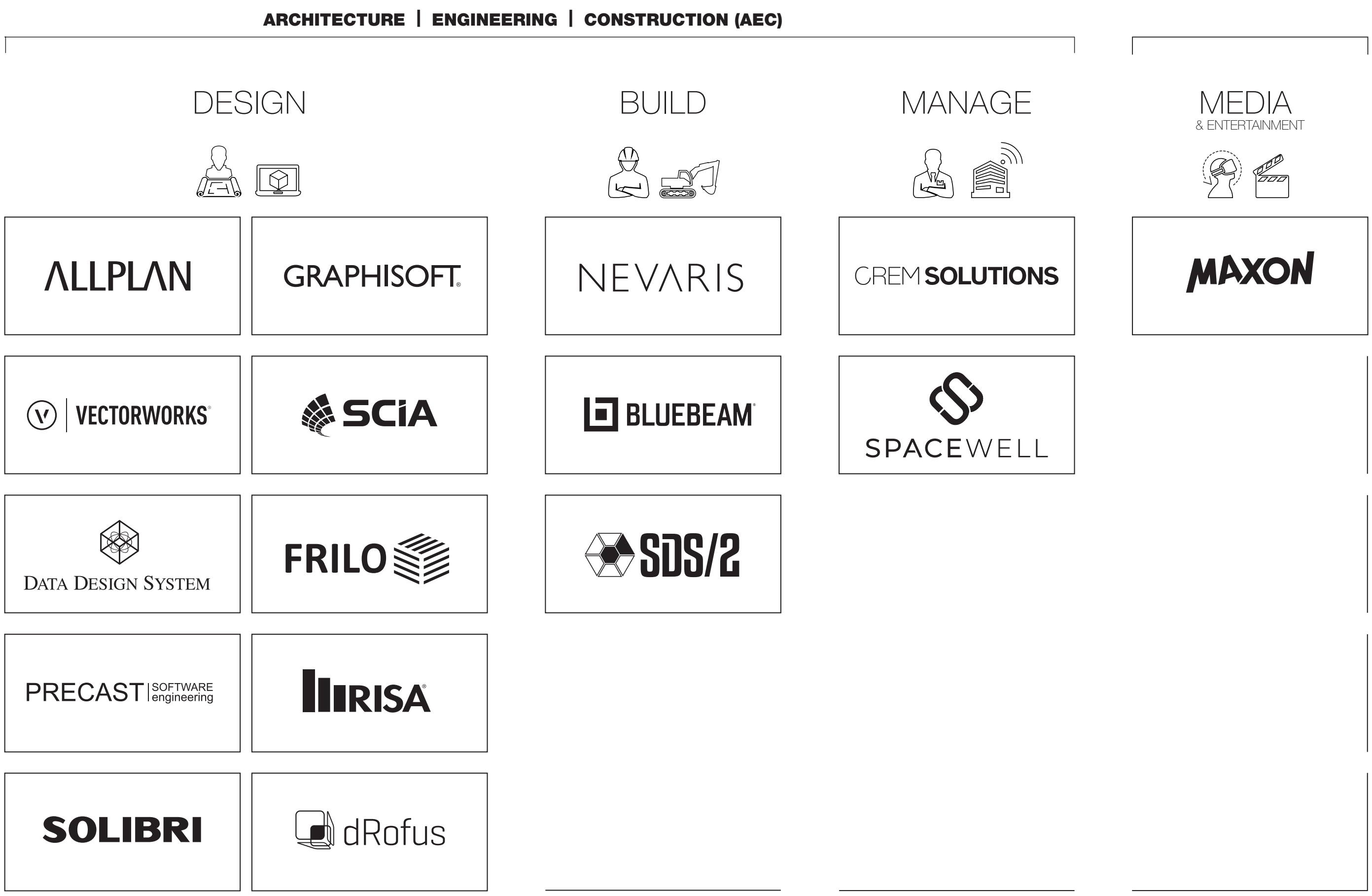
Within the planning, construction and administrative process of buildings, the central working method is Building Information Modeling (BIM), a term synonymous with the digitalization of the construction industry. BIM is used to digitally record and connect all design, quality, timing and business requirements 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 over 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 for changes to the building itself or its use.

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 interfaces. This allows the seamless transfer and documentation of all information, data and digital models relevant to the construction process throughout all phases of a building's design and management.

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. The goal of sustainability is also taken into account through precise planning and efficient use of resources. The Nemetschek Group's solutions thus lay the foundation for integrated planning, implementation and management in the AEC industry. These solutions increase quality and efficiency in the construction process, sometimes substantially.

Segments

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



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 for avoiding errors and conflicts during the planning and construction phase.

Customers include architects, designers, engineers from all disciplines, 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 rendering models, 3D modeling, animation 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.

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

Locations

Nemetschek SE is headquartered in Munich, Germany. The Group's 16 brands market their solutions worldwide from a total of 78 locations.

NEMETSCHEK 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 more than 40% of 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. At around 1.5% of revenue, IT expenditure in the construction industry is still low compared with other industries, which invest an average of 3.3% of their revenues. The growing demands for efficiency, quality and ecology in the construction industry mean that there is a need to catch up as well as potential for development. This represents great market potential for Nemetschek. IT expenditure in the construction industry is expected to increase significantly 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 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 more and more 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 of buildings, the Nemetschek Group brings its solutions to all phases of the construction lifecycle and meets the requirements of an integrated workflow.

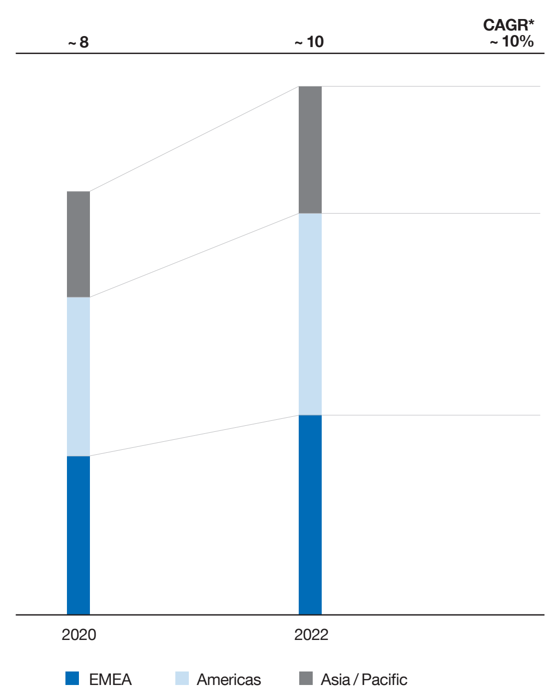
Overall, the digital transformation in the AEC market will continue to lead to increased demand for solutions that ensure digital workflow in the various disciplines of the Design, Build and Manage segments. These market conditions provide the Nemetschek Group with a suitable framework for its further growth. It should be noted that the degree of digitalization and the 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: Accenture Strategy – Demystifying Digitization; IT Spending: From Value Preservation to Value Creation.

Market and competition

According to the British market research institute Cambashi BIM Design Observatory and our own research, the global AEC market, measured in terms of end-user spending, is expected to grow from around EUR 8 billion (2020) to approximately EUR 10 billion in 2022. This represents a compound annual growth rate (CAGR) of around 10%. All regions worldwide will benefit from this, with Americas and EMEA likely to show stronger growth than the Asian markets, according to market studies. The Nemetschek Group is one of the world's leading vendors in the global AEC market with a global market share of around 10%.

AEC SOFTWARE MARKET: END-USER EXPENDITURE IN EUR BILLION



* CAGR: Compound annual growth rate.
Sources: Cambashi BIM Design Observatory and own research.

The Nemetschek Group has actively participated in the consolidation of the AEC industry over the past decades through its acquisitions. Today, there are only a few globally positioned vendors facing a large number of small, locally active companies.

The Nemetschek Group faces competition from different companies in all of its segments.

1.2 Targets and Strategy

As in the previous year, 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 phase to the operating phase. This strategically integrated approach makes it possible to bundle and focus investments and expertise on the four customer-oriented segments, rather than serving different industries as many competitors do.

#2: With four segments and 16 brands under the umbrella of a strategic holding company, the Group structure allows the brands a high degree of autonomy. The brands are "experts" in their specific customer segment, and therefore have a high level of expertise in their respective market segment. At the same time, they benefit from synergies at segment and Group level with regard to internationalization, exchange and sharing of best practices, cross- and co-selling as well as development activities. 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.

#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.

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 and sales approach

As part of its growth strategy, Nemetschek focuses on the three large regions of Europe, North America and Asia. In recent years, the Group has continually expanded its market position outside Germany and at the same time strengthened its position in the target sales markets. In 2019, around 75% of Group revenue was generated outside of Germany, compared with 73% in the previous year. The USA is the world's largest single market for AEC software, and also represents a key sales market for the Nemetschek Group. The Group has outperformed this highly competitive and expanding market in recent years and now generates 34% of its revenue there (previous year: 32%). 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, the UK, Scandinavia or Japan. These countries offer excellent general conditions for Nemetschek.

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 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. Nemetschek will continue to offer both options in the future, regardless of whether customers request individual solutions or implement large projects. In doing so, the Nemetschek Group is demonstrating its respect for the various needs of customer groups depending on discipline and region.

The Group also relies on greater cooperation between the sales teams of the respective brands, for example by using joint sales channels (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 respective brands draw up a roadmap for the next three years as part of the budget process. This roadmap notes and presents the strategic product developments, which are then verified in regular review meetings with the respective Segment Manager.

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

In addition to the further development of the individual brands, the Group's 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 for the planning, realization and management of buildings and infrastructure projects with continuous workflows. The focus of Nemetschek's solutions is therefore on reducing information loss and data disruption.

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

Acquisitions

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

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

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

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

As well as acquisitions at holding company level, the company is also pursuing acquisitions at brand level. The brands are able to directly identify suitable target companies and acquire them with the support of the holding company, provided that the key criteria such as expansion of technology, regional expansion, distribution structure and financial solidity are met.

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

Target figures, target achievement, target agreement

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

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

1.3 Corporate Management and Governance

General information

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

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

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

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

Financial performance indicators

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

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

FINANCIAL PERFORMANCE INDICATORS BY SEGMENT

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

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

1.4 Research and Development

Research and development is of great importance to 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 Group's innovative strength in the AEC 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 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 the development of new solutions and the further development of proven ones, internal Group resources were mainly used, while the services of third parties were used only to a small extent.

The fact that around a quarter of Group revenue is regularly invested in product and process innovations underlines the high importance of research and development for the Nemetschek Group, as does the fact that around 40% (previous year: 41 %) of Group-wide employees work in this area.

In the 2019 financial year, EUR 133.3 million (previous year: EUR 110.5 million) was invested in research and development throughout the Group. This corresponds to an increase of a good fifth and an unchanged R&D ratio of 23.9 % of Group revenue (previous year: 23.9%).

2 Non-Financial Declaration

In accordance with Section 315b et seq. of the HGB, not subject to the statutory audit, the auditing company Ernst & Young GmbH carried out the audit of the Nemetschek Group's non-financial Group declaration to obtain a limited assurance engagement.

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, at least those pertaining to the five areas specified by the directive: human rights, anti-corruption, employees, the environment, and social issues. The Nemetschek Group does not use an external framework for the preparation of the non-financial Group statement and instead, as in the previous year, uses existing structures for its reporting.

The business model of the Nemetschek Group is presented in chapter 1 titled "Group Principles."

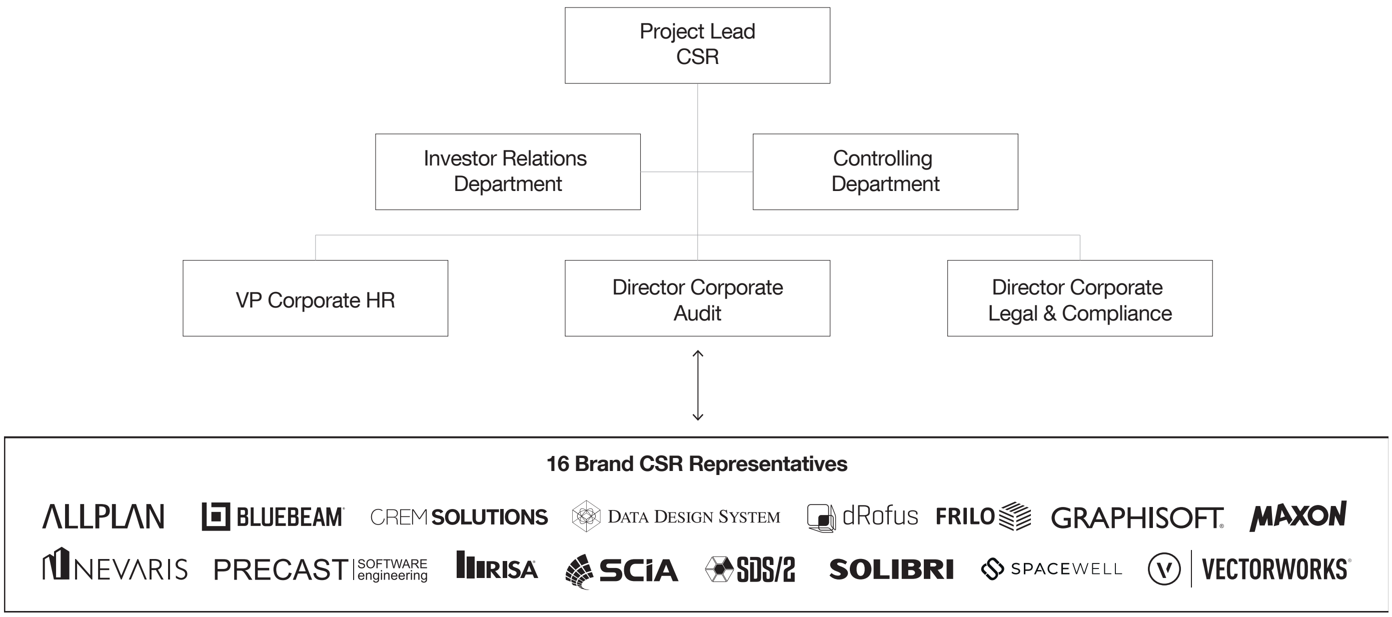
2.2 Corporate Social Responsibility (CSR) at the Nemetschek Group

The Nemetschek Group places considerable importance on good corporate governance and social and environmental responsibility. It aims to increase efficiency and productivity along the entire value chain of the construction industry through its software solutions. The Group maps 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, general administrators and building managers can thus plan, build and manage buildings digitally once construction is complete, conserving resources.

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 jointly responsible for ensuring that we as a Group live up to our global social responsibility." The individually specified duties of all employees include 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. The topic of employee responsibility plays an important role in the Nemetschek Group.

To implement CSR activities, a CSR officer has been appointed in the holding company who, together with a cross-departmental CSR core team, develops relevant concepts and coordinates the implementation of measures. Since the Nemetschek Group operates with 16 largely independent brands, non-financial issues are managed decentrally within the brands. Since 2017, a number of basic and Group-wide standards relating to key non-financial issues have been introduced as part of CSR activities. These are aimed at anchoring sustainability in all business practices of the Nemetschek Group.

CSR ORGANIZATION OF THE NEMETSCHEK GROUP



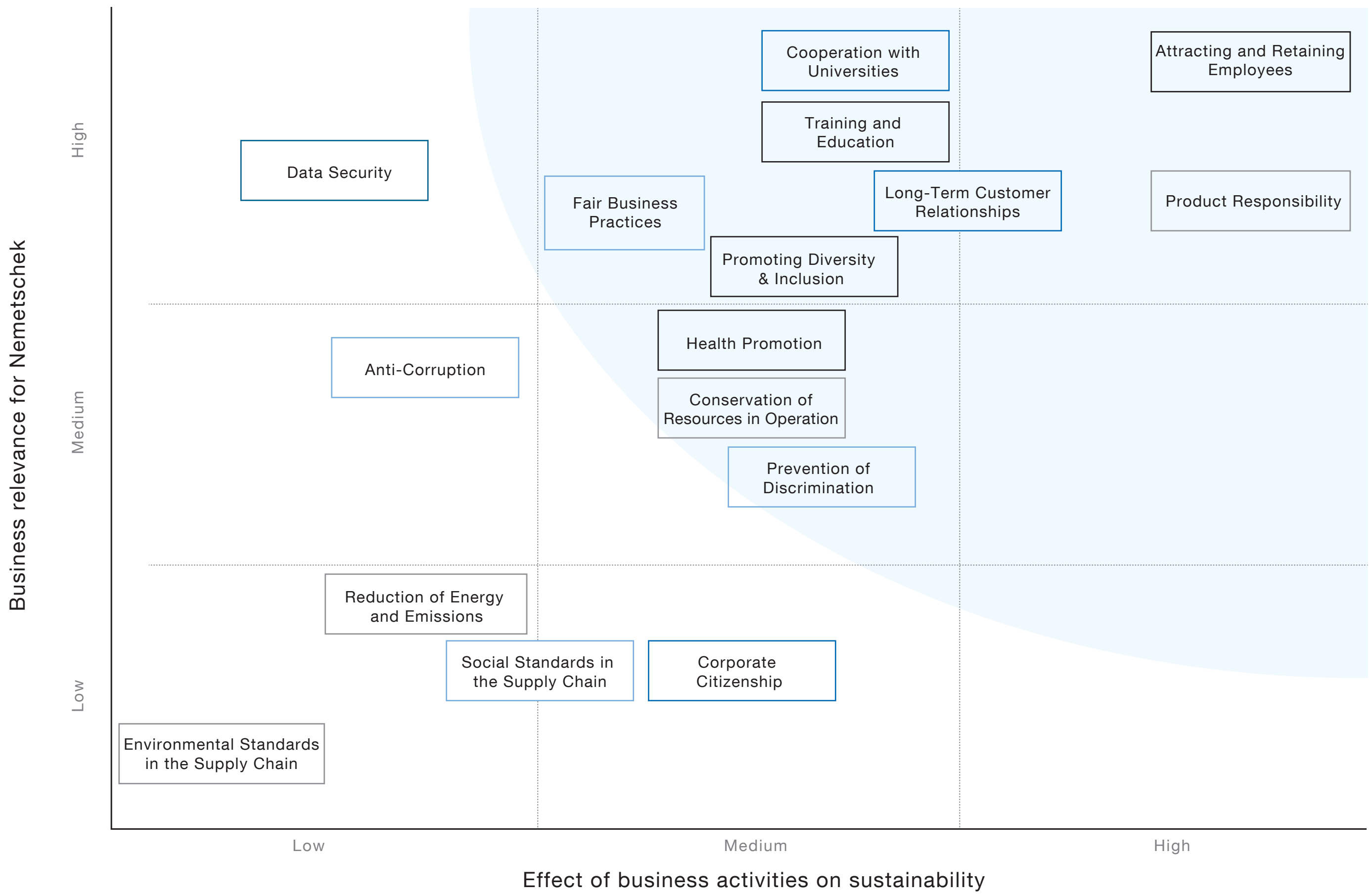
2.3 Key Non-Financial Issues

In order to ensure that the key non-financial issues are up to date, a materiality analysis was carried out again in 2019. The list of issues from the previous analysis of 2017 served as a basis for this. Using various external frameworks, additional issues were identified and their business relevance and impact on the environment, employees and society were analyzed. It was also examined whether issues should be dropped, added or combined with others. The revised list was validated by the CSR core team. To assess the business relevance of the issues, in-depth interviews were conducted with the Executive Board or the heads of the four segments and with a representative of the Works Council of Nemetschek SE. In a subsequent workshop, the CSR core team worked out various hypothetical effects related to these issues. The results of this analysis and their relevance to business were then presented in a matrix and approved by the CSR core team and the Executive Board member responsible for CSR.

2.4 Material Risks

For non-financial reporting, 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. No material risks were identified for the topics defined in the non-financial reporting that would very likely have serious negative effects. Consequently, there were no risks for 2019 which, on a net basis, meet the materiality criteria in accordance with Section 289c (3) Nos. 3 and 4 of the HGB.

MATERIALITY MATRIX OF THE NEMETSCHEK GROUP



The matrix shows the Nemetschek Group topics that have been identified as material. The topics above the blue shaded area were prioritized 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)	» Fair business practices » Prevention of discrimination
Environment (environment)	» Product responsibility » Conservation of operating resources
Customers and society (social issues)	» Product responsibility » Conservation of operating resources
Employee responsibility (employees)	» Gaining and retaining employees » Education and training » Promotion of health » Promotion of diversity and inclusion

In the following, the four fields of action with their overarching management approaches and the key issues identified are presented in detail.

2.5 The Key CSR Topics of the Nemetschek Group

Integrity and compliance

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. Therefore, the ultimate goal is to avoid critical compliance incidents. To achieve this, the Nemetschek Group takes a preventative 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 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. This is binding for all employees – regardless of their position – and this has been communicated throughout the company.

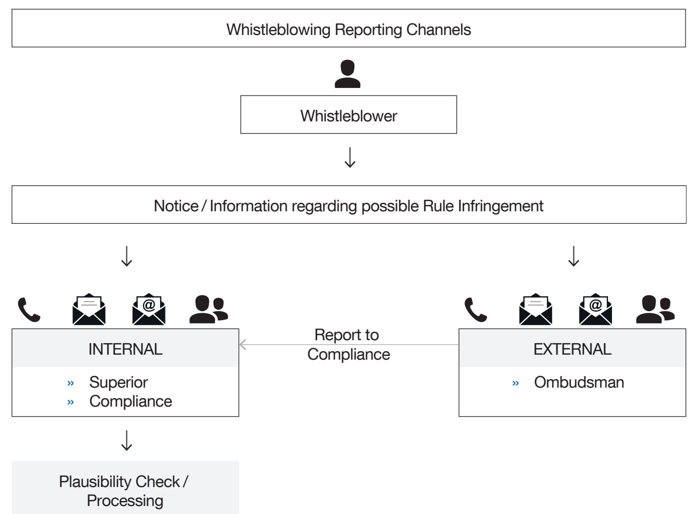
Compliance

Training courses and individual refresher courses on compliance topics are made available via e-mail communication and online. The individual brands are 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. In the future, it is planned to offer further classroom training courses on specific topics and to set up central e-learning structures to improve control and evaluation options.

The compliance management system is implemented in the subsidiaries by the compliance officers of the individual brands. Quarterly surveys of all brands are consolidated and reviewed by the Corporate Legal & Compliance department and reported directly to the 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 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. 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 significant and substantiated compliance violations were reported during the reporting period. In the case of individual reported incidents, the review revealed no need for action. There were thus no cases of legal action.

Fair business practices

Various aspects of fair business practices are referred to at several points in the Code of Conduct. 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. The Code of Conduct clearly states that Nemetschek does not tolerate any form of corruption, bribery, venality or other granting of illegal benefits. 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.

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 of trade union activities."* 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. There were no incidents requiring disciplinary and/or legal action among them.

Environment

Intact ecosystems are the basis for healthy living and sustainable economic activity. As the construction industry is one of the most resource-intensive industries and the demand for housing is increasing, the construction industry is required to become more efficient and to produce in a more sustainable manner. As a company in the AEC industry, the Nemetschek Group is aware of its environmental responsibility and takes it seriously. The Group contributes to climate and environmental protection through its products that improve resource efficiency in the construction industry and enable the most sparing use of resources possible.

Overarching management approach

Environmental protection has always been a key topic for the company, one that is firmly anchored in the Code of Conduct. All employees are urged to conserve natural resources in their work 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 to make the AEC industry more sustainable with its products. To this end, the management of relevant projects, in particular through research and development, is the responsibility of the individual brands. Since 2018, work has been underway on a Group-wide concept for sustainable product responsibility that takes into account the entire product lifecycle. The development process included various workshops at holding and brand level and was supplemented by a digital survey of all brand managers.

Product responsibility

In developing a concept for sustainable product responsibility, the Nemetschek Group has identified two areas – sustainability concerns in the development of software and its use in the lifecycle of a building. The cornerstones of software development at the Nemetschek Group are the BIM digital working method and open standards (Open BIM).

The Nemetschek Group is characterized by its focus on the AEC industry and its ability to map all processes in the lifecycle of a construction or infrastructure project. This means that architects, engineers of all disciplines, building contractors, general administrators and building managers can plan more proactively, share information more easily and collaborate more productively. This reduces the consumption of energy and resources during the entire construction process. In addition, seamless virtual documentation enables simple and targeted changes to the buildings or infrastructure, even years after their construction. The Nemetschek Group's technologies therefore contribute to the construction of more sustainable, safer and more convenient buildings and infrastructures. Precise planning allows much more accurate and economic calculation of excavation quantities or materials used.

In addition to the design and construction phase, Nemetschek Group solutions also optimize the managing phase. The EcoDesigner Star product from Graphisoft allows the energy balance, the anticipated energy requirement and thus the potential CO_2 emissions of a building to be determined using the virtual building model. This enables building owners to compare and optimize the various designs in terms of their energy behavior. 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.

Conservation of operating resources

The topic of operational resource conservation was determined to be significant in the materiality analysis carried out in 2019. As key figures have not yet been recorded or managed centrally, the Nemetschek Group is currently identifying the measures necessary to do so. A Group-wide concept is to be developed in 2020.

The brands are at various stages of development in terms of resource conservation. Current measures of individual brands include various digitalization projects such as electronic invoicing, which saves up to 100,000 pages of paper per year at one subsidiary alone. In order to reduce resource consumption and avoid waste, there are approaches to replace disposable cups and plastic bottles with reusable glasses and glass bottles. One Nemetschek Group brand has set up an internal focus group on recycling and the environment to train employees.

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. As a business partner and employer, the Nemetschek Group attaches particular importance to long-term customer relationships and intensive cooperation with the university sector. Common goals and topical priorities are therefore coordinated at the holding company level. When it comes to implementation, the individual brands are independent and can act in a more targeted and short-term manner.

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 Customer Satisfaction Score (CSAT) and the Churn Rate. The Net Promoter Score (NPS) and “Things Gone Wrong” key figure are also used. 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 customer 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, product previews, beta testing, and workshops.

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 such as the Bluebeam Apprentice Day, as guest speakers in lectures, at job fairs at universities or through cooperation with student associations and academic faculties.

A Letter of Commitment to Education was rolled out in the year under review. This sets minimum standards for cooperation with universities and other educational institutions. It also specifies that each brand must designate a contact person for these activities. In addition, the brands declare that at least 5% of their sales activities are devoted to cooperation with educational institutions. They are also encouraged to conduct at least one sponsoring activity per year. This can be their own or be an activity with a third party. The brands are to continuously increase the number of student licenses. The brands plan to sign the Letter of Commitment to Education by the end of the second quarter of 2020 and start implementing the minimum standards in the same year.

Employee responsibility

Attracting and retaining highly qualified and motivated employees is a key success factor for the entire software industry. This particularly applies to companies such as the Nemetschek Group, as the AEC market is characterized by a high speed of innovation and the Group invests around a quarter of Group revenue in research and development. However, the general shortage of skilled personnel poses a challenge. This is all the more true as all Nemetschek brands are in competition with large software companies on the employment market.

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 SE supports and advises the individual HR departments in this respect. The Vice President of Human Resources heads the Human Resources department of the holding company and reports to the CFOO. To this end, they are in regular close contact with the HR managers. In addition, the various expert and project committees are convened as required to deal specifically with individual topics.

With the new Letter of Commitment – which will be replacing the originally planned HR guideline and will be rolled out at 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, the responsibility for gaining and retaining employees, diversity and inclusion, promotion of health, and education and training will continue to be discharged 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 or to regulate other topics.

Gaining and retaining employees

The search for skilled staff and talented young people remains a major challenge for the company. Software developers and IT experts in particular are rare all over the world. As a medium-sized company, 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. A benchmark that better reflects the development with regard to the goals set is currently being developed.

To attract employees, the brands offer flexible working models and other benefits. A Group-wide job portal has also been in place since 2018 and can be used by all brands. The majority of the 16 brands publishes their job advertisements on this portal. The portal was initially limited to the intranet, where it enabled an exchange of specialists within the Group as part of the transfer of knowledge. With the relaunch, the Group website was expanded to include a career page with links to the subsidiaries’ job portals. By doing this, the Group intends to make it easier for skilled people to find the brand that best suits them.

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. Fourteen of the brands currently reward successful recommendations with a bonus.

In order to 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. The structure of these work time models depends on the business model of the individual brand and local regulations. Other measures include individual training and the special promotion of talented young people. In addition, there are social offerings such as sports programs and team events.

In 2019, the number of employees in the Nemetschek Group – including through company acquisitions – increased by 288 or 11.1% compared with the previous year. The organic growth was 198 employees (+ 7.7%). As of December 31, 2019, the Group employed 2,875 people (previous year: 2,587).

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. Early cooperation means that employees can be continuously encouraged and developed.

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 feedback is given and individual prospects and specific goals are discussed. This approach along with the 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 2019, these development meetings took place at all brands.

Promotion of health

Active health management is important for all employees in the Nemetschek Group to be able to work creatively and efficiently. The company consistently adapts all health-related measures and initiatives to the changing requirements of the constantly shifting working environment.

In the Letter of Commitment, Nemetschek 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, 15 of the 16 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 from telemedicine services, specific examinations (e.g. eye examinations) or subsidized insurance policies to varying degrees, depending on the subsidiary. In some cases, special office equipment (e.g. ergonomic office furniture) was also provided.

Promotion of diversity and inclusion

The topic of diversity is also a key part of the company's corporate culture. The cultures within the Nemetschek Group are very different, but this individuality is an important driver for the company's innovative strength and should therefore be promoted in a more targeted manner. This effort was newly identified as a high priority in 2019. The Group plans to develop an appropriate concept in 2020.

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General economic conditions

Global economy
In 2019, the global economy continued its positive economic development overall, but lost momentum compared with the previous year. Factors influencing this development included the transnational weakness of key industries such as the automotive sector and the reduction in global trade volumes. Uncertainty also continued regarding the trade conflict between the USA and China. Economic output in the eurozone was unable to repeat the high growth rate of the previous year and declined noticeably. In the United Kingdom, the uncertainties surrounding Brexit are likely to have been the trigger for comparatively low growth rates. The largest contribution to global growth in 2019 was again made by China with 6.2%.

For 2019, the German Council of Economic Experts assumed that global GDP would grow by 2.6% (previous year: 3.3%).

Eurozone
Economic development in the eurozone in 2019 was heterogeneous, although the restrained momentum of the previous year continued overall. The larger member states saw a slowdown in the pace of growth. One reason for this was the weaker performance in the manufacturing industry. By contrast, private consumption provided positive impetus in view of the favorable situation on the employment market. Growth in gross fixed asset investments in the eurozone declined noticeably, although the financing environment appeared very positive. In September 2019, the European Central Bank again eased its monetary policy, which had been expansionary for years. The decline in the unemployment rate slowed, not least due to the continuing shortage of labor and skilled workers.

For 2019, the German Council of Economic Experts expected GDP in the eurozone to grow by 1.2% (previous year: 1.9%).

USA
The USA recorded a slight slowing in the pace of growth. Nevertheless, the economic upswing remains robust. This had an increasingly positive effect on the employment market, causing the unemployment rate to drop to 3.5%. After recently weaker figures, private consumption made a substantial contribution to growth in GDP. Investments in intellectual property – including both software and research and development – recorded strong growth, while non-governmental gross fixed asset investments and investments in equipment and non-residential construction declined markedly. Exports from the United States also weakened significantly in the year under review. The increases in expenditure and tax cuts under the Tax Cuts and Jobs Act led to a noticeable widening of the government deficit and debt. After tightening its monetary policy again beginning in 2016, the Fed decided to relax its monetary policy for the first time in July 2019.

Following growth of 2.9% in the previous year, the US economy was expected to grow by 2.3% in 2019.

Japan
Economic development in Japan remained positive, but with comparatively little momentum. Japan's foreign trade suffered from the ongoing global trade conflicts and the slowdown in the international economy. For the year under review, there were signs of a decline in both exports and imports of goods. Companies continued to pursue their investment plans, although the growth rate was lower than in the previous year. The main growth drivers were private consumption and the special economic situation caused by the 2020 Summer Olympics in Tokyo. The Bank of Japan confirmed its expansionary monetary policy.

Overall, economic output was expected to increase by 0.8% in 2019 – the same growth rate as in the previous year.

Emerging markets
Economic development in the major emerging markets was heterogeneous.

In China, the economic upswing continued, although the rate of growth lost some of its momentum. Economic growth of 6.2% was expected for the year under review (previous year: 6.6%). The trade conflict with the United States as well as monetary and fiscal policy measures taken by the Chinese government had a particular impact. Following the restrictive monetary policy of recent years, there could now be a trend reversal towards a more expansive policy. At the same time, China wants to expand lending to companies.

In India, the high rate of growth of the previous year was unable to be repeated, although economic growth remained at a high level of 5.4% (previous year: 7.3%). For Russia, the lack of private investment is likely to have had noticeable consequences. A slight increase in economic output of 0.7% was assumed for 2019 (previous year: 2.2%).

Overall, the German Council of Economic Experts anticipated GDP growth of 4.5% in the emerging markets (previous year: 5.2%).

Sources: Annual Report 2019/20 German Council of Economic Experts; GTAI – Wirtschaftsausblick Russland (November 2019), GTAI – Wirtschaftsausblick Japan (November 2019).

Development of the construction industry

Europe

The European construction industry continued its economic upswing in 2019, even though the majority of Euroconstruct member countries were unable to repeat the high growth rates of the previous year. The three largest economies developed heterogeneously. While growth in Germany and France slowed significantly (from 1.7% in the previous year to 0.8% for Germany and from 3.4% to 2.1% for France), the industry experts at Euroconstruct expected growth in the UK to reach 0.7% (previous year: 0.3%). The Netherlands (from 6.7% in the previous year to 3.6%) as well as Spain (from 6.5% to 4.6%) were unable to maintain the strong growth of the previous year. In Eastern Europe, the upswing continued following the 2016 crisis year. At 13.3%, the highest growth was forecast for Hungary, followed by Poland (8.0%) and the Czech Republic (3.3%). According to current forecasts, a growth rate of 1.3% is estimated for new residential construction. A constant growth rate of 5.1% is anticipated for infrastructure construction.

In total, Euroconstruct expects an increase in construction volume of 2.0% (previous year: 3.1%) for the member countries of the industry network.

North America

After the previous years characterized by growth, the economic development of the US construction industry stagnated in 2019. The FMI industry experts assumed that the previous year's construction output would stagnate in the year under review, after +3.3% in the previous year. Construction output in new residential construction even declined. On the other hand, there was a rising growth rate in infrastructure construction. Public spending on infrastructure restructuring and modernization is necessary due to many years of underinvestment. After a positive trend reversal had become apparent in 2018, a considerable growth rate of 6% was forecast for infrastructure projects in 2019 (previous year: +1%).

Japan

The Japanese construction sector recorded an upward trend in 2019, with an expansion in private residential construction (+1.8%) and infrastructure construction (+8.4%) in particular. Following the decline in public sector construction investments in the previous year, a growth rate of 3.1% was expected for 2019. In contrast, investments in the non-residential construction sector declined.

The Japanese Research Institute of Construction and Economy (RICE) estimated a significant increase in construction volume of 2.2% in 2019 (previous year: 0.3%).

Emerging markets

The performance of the construction industry in the emerging markets painted a mixed picture in 2019.

The construction sector remained one of the main pillars of the Chinese economy. As in the previous year, the residential construction sector in particular was expected to achieve significant growth in the two-digit percentage range. While investments in office construction remained stable, there was a significant decline in investments in retail space. In state infrastructure construction, the Chinese government is focusing on pushing ahead with the expansion of the railway network.

In India, the construction industry was expected to continue its dynamic growth, with the infrastructure sector as the driving force. Building construction showed a different development. Residential construction in India was anticipated to recover slightly in the year under review, but remained a source of concern. Although there is great demand for new housing, particularly in the conurbations, liquidity bottlenecks are hampering the realization of new construction projects. However, overall, building construction developed positively thanks to growth rates in the commercial sector.

In Russia, building construction output in the first half of 2019 increased by a moderate 0.2% year-on-year, thanks in particular to private residential construction. In civil engineering, the implementation of major infrastructure projects lagged behind schedule. Further construction projects, for example in Siberia, were expected in 2019 and the following years, with a focus on transport routes and train lines. This should provide additional growth impetus.

Sources: Euroconstruct Summary Report Warsaw Nov 2019; ifo_Bauwesen_Euro_2019; 2020 FMI Overview; GTAI – Branchencheck – Russland – Dezember 2019; GTAI – Branchenanalyse – Russland – 2019; Invest India – 03.02.2020; GTAI – Branchencheck – Indien – Dezember 2019; GTAI – Branche kompakt – Indien (November 2019); GTAI – Branchencheck – China – Dezember 2019; GTAI – Durchwachsene Stimmung in Chinas Bausektor – Oktober 2019; GTAI – China investiert weniger in Büro- und Handelsflächen – 2019; GTAI – China – Tiefbau – Schienennetz – Apr. 2019; RICE Japan – CONSTRUCTION INVESTMENT – Sept. 2019; NBS National BIM Report 2016 – 2018; JBKnowledge Construction Technology Report 2017-2019; BICP Global BIM Study – Lessons for Ireland's BIM Program.

Digitalization in construction

Key figures for the construction industry are just one of several indicators for the development of the Nemetschek Group's markets. Expenditure for IT and software plays an important role in digitalization. At around 1.5% of revenue, IT expenditure in the construction industry is still below average compared with other industries. However, IT expenditure in the construction industry is expected to increase significantly in the next few years.

Digital change in the construction industry is largely determined by the Building Information Modeling (BIM) working method. The use of BIM methodology is already widespread in the USA and Singapore, as well as in the Scandinavian countries, the Netherlands and the UK. 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. With the planned BIM Level 3 from 2020, the model-based collaboration of all disciplines in the UK requiring the use of Open BIM, is to be taken to a new level.

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. From 2020, the use of BIM is to be mandatory in all new public sector infrastructure projects that are in the planning stage.

Sources: Euroconstruct Summary Report Warsaw Nov 2019; HM Government – Construction 2025, NBS National BIM Report 2016 – 2018; JBKnowledge Construction Technology Report 2017-2019; BICP Global BIM Study – Lessons for Ireland's BIM Program; EU BIM Task Group; Stufenplan Digitales Planen und Bauen von BMVI; IT Software & Services von Kepler Cheuvreux 11/2015; Deloitte 2016–2017 Global CIO Survey; BIM Maturity levels in the UK.

3.2 Business Performance in 2019 and Key Events Influencing the Company's Business Performance

General statement on the economic position of the Group

The Nemetschek Group had a successful 2019 financial year, recording revenue growth in the double-digit percentage range and an above-average increase in EBITDA. The growth targets for 2019 regarding revenue and the EBITDA margin were exceeded. Growth was driven both by organic operational business development and the acquisition of the Spacewell brand, which was consolidated for a full 12 months for the first time. In the 2019 financial year, Nemetschek continued to drive forward its key strategic initiatives with a particular focus on internationalization, further developing solutions and targeting new customers.

Acquisitions/sales

Holding level

No acquisitions were made at holding level in 2019.

Segment level

After the Nemetschek Group's Manage segment acquired **Spacewell,** a software provider for property, facility and workplace management based in Belgium, at the end of August 2018, the acquisition of 100% of the shares in **Axxerion Group B.V.,** based in Heteren, the Netherlands, followed as of January 11, 2019. Axxerion offers workflow-based cloud solutions for the facility and property management of companies. Available as a pure SaaS model, the solution optimizes operational processes such as data requests, workflow management, contract management and maintenance. The purchase price for the acquisition was approximately EUR 75 million (cash-/debt-free). Axxerion was integrated into the Spacewell Group.

With the agreement dated April 5, 2019, Maxon Computer GmbH (Media & Entertainment segment) acquired 100% of the shares of Redshift Rendering Technologies, Inc., based in Newport Beach, USA. With its product of the same name, Redshift offers a rendering solution for 3D content creation. Following the acquisition of the remaining 30% of Maxon and the appointment of a new management team in 2018, the acquisition of Redshift was a further step in the expansion of the Media & Entertainment segment. The purchase price for the acquisition consists of a fixed component of EUR 27.3 million and a subsequent purchase price payment of up to EUR 7.6 million (earn-out). The earn-out component is dependent on achieving specific revenue and earnings targets and technical milestones.

Furthermore, Maxon Computer GmbH and the shareholders of RedGiant LLC signed an agreement on December 17, 2019 on the merger of Maxon and RedGiant. As part of the transaction, Maxon will acquire the US company RedGiant through a combination of a cash payment of around EUR 70 million and the granting of shares in Maxon. After closing the transaction, Nemetschek will hold approximately 84% and the former owners of RedGiant will hold around 16% of the shares in Maxon. This is financed by its own cash and cash equivalents and by taking out a loan. The transaction was closed in January 2020. RedGiant, headquartered in Portland, USA, offers a comprehensive product portfolio of motion design and innovative software solutions for visual effects.

Divestments

The Nemetschek Group sold its 22.4% stake in DocuWare, a supplier of document management and workflow solutions, to the technology company Ricoh with effect from June 28, 2019. The sales proceeds led to a book profit of EUR 29.9 million for the Nemetschek Group and are shown in the financial result for 2019.

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.

Existing partnerships were continued in 2019.

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

Results of operations

Revenue development

The Nemetschek Group had a very successful year in 2019. Across all quarters, the Group demonstrated its sustained growth strength with double-digit growth rates compared with the same periods of the previous year. As in previous years, revenue growth was characterized by both organic growth and acquisitions. There were also positive currency effects in all quarters, especially resulting from the US dollar.

For the full year 2019, Group revenue increased by 20.7% to EUR 556.9 million (2018: EUR 461.3 million). Group revenue was thus slightly above the forecast corridor of EUR 540 million to EUR 550 million. Adjusted for currency effects, total revenue increased by 18.0%. The increase in revenue is attributable both to strong organic growth of 15.8% (adjusted for currency effects: 13.1%) and the positive business performance of the acquired Spacewell Group in the Manage segment.

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	FY 2019	FY 2018	Δ in %	Δ in % currency-adjusted	Δ in % organic	Δ in % organic + currency-adjusted
Total year	**556.9**	**461.4**	**20.7%**	**18.0%**	**15.8%**	**13.1%**
Q1	129.9	102.2	27.1%	23.2%	21.3%	17.3%
Q2	137.8	113.8	21.1%	18.0%	14.9%	11.9%
Q3	138.3	114.9	20.4%	18.0%	15.7%	13.2%
Q4	150.8	130.4	15.7%	14.0%	12.3%	10.6%

Revenue development according to recurring revenues and software licenses

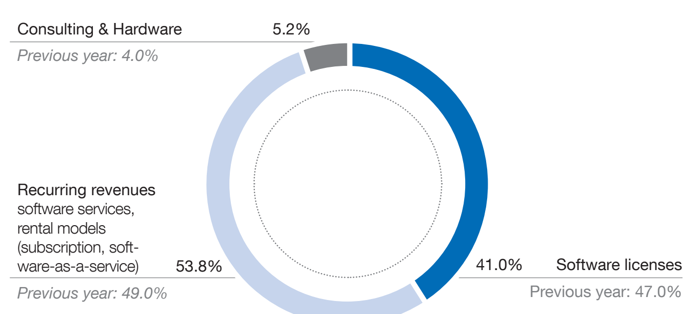
Growth in the year under review was driven by **recurring revenues from service contracts** and **rental models** such as subscription, which increased by 32.6% (adjusted for currency effects: 29.9%) to EUR 299.5 million (previous year: EUR 225.8 million). The above-average increase reflects the strategic change in Nemetschek's business model to offer both licenses and subscriptions. The further switch to rental models will continue to influence license growth in the future.

Subscription revenue increased significantly faster than Group growth, rising 114.8% (adjusted for currency effects: 110.6%) to EUR 50.3 million (previous year: EUR 23.4 million). The high growth is attributable to strong organic growth in rental models and inorganic growth effects. The purely organic growth in subscription revenues was 70.2% (adjusted for currency effects: 65.7%). Revenue from service contracts increased by 32.6% (adjusted for currency effects: 29.9%), from EUR 202.4 million to EUR 249.2 million.

In total, the share of recurring revenues in total revenue increased from 49.0% in the previous year to 53.8%. The revenue share of subscriptions increased from 5.0% to 9.0% year-on-year.

Revenue from **software licenses** rose 5.2% (adjusted for currency effects: 2.5%) to EUR 228.2 million (previous year: EUR 216.8 million). The share of software licenses in total revenue fell accordingly to 41.0% (previous year: 47.0%).

REVENUE BY TYPE IN %



Revenue by region

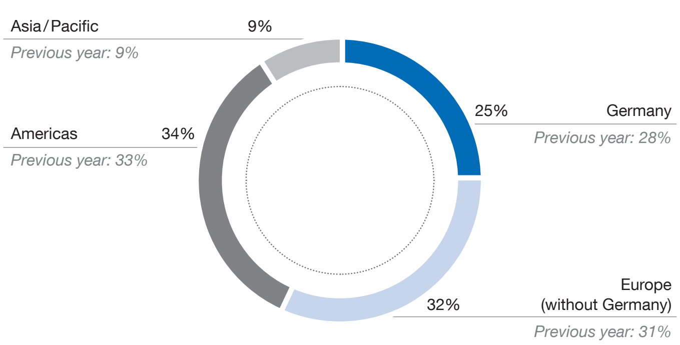
Overall, foreign revenues in 2019 rose much more strongly than revenues in Germany. In the domestic market, where the Nemetschek Group already enjoys a very strong position, revenues increased by around 10% compared with the previous year. In line with the strategy, the foreign share of revenue increased to 74.7% (previous year: 71.8%).

In all focus regions – Europe, North America and Asia – the Nemetschek Group grew in 2019 and expanded its market position. In Europe, the countries in which the use of BIM methodology is already established or well advanced contributed to the strongest growth. These particularly included the Nordic countries with growth of around 36%.

As a result of the strong expansion achieved by Nemetschek overseas in recent years and also in 2019, the USA is now the Group's largest single sales market with a revenue share of around 34% (previous year: 32%). Revenue growth in the USA was around 25% in 2019.

The Asia/Pacific region recorded growth of around 16%, with Japan being the largest market for the Nemetschek Group in this region.

REVENUE DISTRIBUTION BY REGION IN %



Segment developments

At the beginning of the financial year, the Nemetschek Group geared its organization more strongly toward the four operating segments with the new Executive Board and management structure. As a result, centrally incurred costs are no longer reported as part of the operating segment result. The figures for the previous year have been adjusted accordingly.

All four segments were able to continue their growth trajectory in the 2019 financial year.

Revenues in the **Design** segment rose by 10.2% (adjusted for currency effects: 8.6%) to EUR 314.6 million (previous year: EUR 285.4 million). There were no acquisition effects in the Design segment. Segment activities focused on further internationalization and new releases of software solutions. Although the Design segment is already showing high penetration rates in its target markets, it benefited from a growing demand for 3D solutions in architecture and civil engineering and the associated transition from 2D to 3D software solutions required by BIM regulations. The Design segment accounted for 56.5% of Group revenue (previous year: 61.9%).

Segment EBITDA grew more quickly than revenue, rising 23.3% (adjusted for currency effects: 21.3%) to EUR 102.0 million (previous year: EUR 82.7 million). The EBITDA margin increased accordingly from 29.0% in the previous year to 32.4%. This strong increase was positively influenced by the first-time application of the new IFRS 16 for the accounting of leasing contracts. Adjusted for this effect, the EBITDA margin of 30.0% was also higher than in the previous year. At the same time, further investments were made in product innovations, further internationalization and cross-brand development projects.

The **Build** segment remained the segment with the strongest organic revenue growth in 2019. There were no acquisition effects in the Build segment. Sales revenue rose by 25.6% (adjusted for currency effects: 20.7%) to EUR 177.7 million (previous year: EUR 141.5 million). The segment thus now accounts for 31.9% (previous year: 30.7%) of Group revenue. In the Build segment, the Nemetschek Group benefited from the still low level of digitalization in the construction sector. The segment's growth was again strongly driven by the further expansion of the US brand Bluebeam, which is now the Nemetschek Group's top-selling brand.

Thanks to the strong operating performance, EBITDA in the Build segment grew significantly faster than revenue. With a plus of 47.3% (adjusted for currency effects: 40.3%), EBITDA rose to EUR 61.6 million (previous year: EUR 41.8 million), corresponding to an EBITDA margin of 34.7% (previous year: 29.6%). Even adjusted for the IFRS 16 effect, the margin of 31.8% was clearly above the previous year. At the same time, the Build segment also invested in further internationalization and the further development of the solutions portfolio.

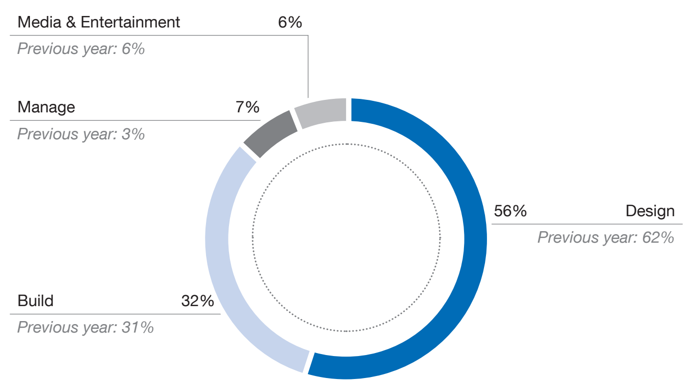
The **Manage** segment, comprising activities relating to facility management, was significantly strengthened from September 2018 by the Spacewell acquisition, which was recognized for a full 12 months for the first time in the year under review. As a result of organic growth and the strong inorganic contribution of Spacewell, segment revenue totaled EUR 38.5 million (previous year: EUR 13.8 million). Growth amounted to 178.8% (adjusted for currency effects: 178.5%). Organic growth, excluding Spacewell, came to 14.0% (adjusted for currency effects: 14.0%). The Manage segment's share of Group revenue rose to 6.9% (previous year: 3.0%).

Segment EBITDA rose slightly less than revenue from EUR 2.9 million in the previous year to EUR 7.9 million. Accordingly, the EBITDA margin was down on the previous year's figure of 21.1% at just 20.5% (adjusted for IFRS 16 effects: 16.9%). This decline reflects acquisition-related costs and Spacewell's EBITDA margin, which is still below the Group average. Spacewell, as the new umbrella brand for this segment, is investing more heavily in new solutions and further internationalization.

In the **Media & Entertainment** segment, Nemetschek achieved strong growth with a simultaneous conversion to subscription models. The conversion was carried out at the end of the third quarter and was positively received by customers. Revenue increased by 23.2% (adjusted for currency effects: 20.1%) to EUR 33.9 million (previous year: EUR 27.5 million). The Media & Entertainment segment accounted for 6.1% of total revenue (previous year: 6.0%).

Segment EBITDA reached EUR 9.4 million (previous year: EUR 11.9 million), with the result that the EBITDA margin fell from 43.1% in the previous year to 27.8%. Adjusted for effects from IFRS 16, the margin was 26.6%. The EBITDA margin reflects costs for the acquisition of the US company Redshift Rendering Technologies and the costs of switching to subscription models.

REVENUE BY SEGMENT IN %



ANNUAL REVIEW: REVENUE AND EARNINGS DEVELOPMENT

In EUR million	FY 2019	FY 2018	Δ in %	Δ in % currency-adjusted	Δ in % organic	Δ in % organic + currency-adjusted
Group						
Revenue	556.9	461.3	20.7%	18.0%	15.8%	13.1%
EBITDA	165.7	121.3	36.6%	32.8%	33.0%	29.1%
EBITDA margin	29.7%	26.3%	–	–	–	–
EBITDA before IFRS 16	150.5	121.3	24.1%	20.3%	21.4%	17.5%
EBITDA margin before IFRS 16	27.0%	26.3%	–	–	–	–
Design						
Revenue	314.6	285.4	10.2%	8.6%	–	–
EBITDA	102.0	82.7	23.3%	21.3%	–	–
EBITDA margin	32.4%	29.0%	–	–	–	–
EBITDA before IFRS 16	94.5	82.7	14.2%	12.2%		
EBITDA margin before IFRS 16	30.0%	29.0%	–	–	–	–
Build						
Revenue	177.7	141.5	25.6%	20.7%	–	–
EBITDA	61.6	41.8	47.3%	40.3%	–	–
EBITDA margin	34.7%	29.6%	–	–	–	–
EBITDA before IFRS 16	56.2	41.8	34.4%	27.4%	–	–
EBITDA margin before IFRS 16	31.6%	29.6%	–	–	–	–
Manage						
Revenue	38.5	13.8	178.8%	178.5%	14.0%	14.0%
EBITDA	7.9	2.9	171.8%	173.6%	29.3%	29.3%
EBITDA margin	20.5%	21.1%	–	–	–	–
EBITDA before IFRS 16	6.5	2.9	123.8%	125.6%	–	–
EBITDA margin before IFRS 16	16.9%	21.1%	–	–	–	–
Media & Entertainment						
Revenue	33.9	27.5	23.2%	20.1%	–	–
EBITDA	9.4	11.9	−20.5%	−22.1%	–	–
EBITDA margin	27.8%	43.1%	–	–	–	–
EBITDA before IFRS 16	9.0	11.9	−23.9%	−25.5%	–	–
EBITDA margin before IFRS 16	26.6%	43.1%	–	–	–	–

Earnings performance

Operating **EBITDA** rose faster than revenue by 36.6% (adjusted for currency effects: 32.8%) to EUR 165.7 million (previous year: EUR 121.3 million). The EBITDA margin thus increased to 29.7% (previous year: 26.3%) and was above the forecast corridor of 27% to 29%. In purely organic terms, EBITDA would have grown by 33.0% (adjusted for currency effects: 29.1%).

As of January 1, 2019 the new **IFRS 16** accounting standard had to be applied for the first time, according to which leases of all types (operating leasing and finance leasing) must always be recognized in the balance sheet. As a result of this reform, the Nemetschek Group recorded a positive effect of around EUR 15.2 million at EBITDA level. Adjusted for this effect, the EBITDA margin of 27.0% was also higher than in the previous year.

A sharp increase in profits and returns was achieved despite the fact that the Group continued to invest in strategic growth projects such as further internationalization, the development of the solutions portfolio and cross-brand strategic initiatives in 2019. These investments should also enable the Nemetschek Group to achieve double-digit percentage growth in the future.

Operating expenses before depreciation and amortization increased overall by 15.0% to EUR 397.4 million (previous year: EUR 345.5 million), primarily due to higher cost of materials, which rose by 41.8% to EUR 20.2 million (previous year: EUR 14.3 million). This item reflects revenues from third-party solutions, which in 2019 were significantly higher than in the previous year, also as a result of acquisitions.

Compared with revenue, personnel expenses rose at a slightly lower rate by 19.4% to EUR 239.4 million (previous year: EUR 200.6 million), mainly due to the 16.9% higher average number of employees over the year. Other operating expenses increased by 5.4% to EUR 137.8 million (previous year: EUR 130.7 million), well below the rate of revenue growth. This item reflects investments in external personnel and IT systems as well as legal and consulting costs, which were primarily related to M&A activities.

Depreciation of fixed assets increased due to higher PPA depreciation and higher investments in fixed assets. In addition, depreciation of EUR 14.7 million on leasing contracts was recognized for the first time due to the new IFRS 16 accounting standard. Overall, depreciation and amortization thus rose from EUR 23.5 million in the previous year to EUR 42.1 million in 2019. PPA depreciation rose to EUR 17.1 million (previous year: EUR 14.7 million) due to new acquisitions in 2019 and the second half of 2018.

The financial result was mainly characterized by a non-recurring income of EUR 29.9 million from the disposal of the non-strategic investment in DocuWare. Interest expenses in the financial result increased from EUR 1.1 million in the previous year to EUR 3.2 million. In addition to increased interest for bank liabilities, this item also includes interest of EUR 1.5 million, which is reported in the financial result due to the new IFRS 16 leasing standard. Overall, the financial result amounted to EUR 30.1 million (previous year: EUR 2.0 million). Adjusted for the non-recurring effect of the sale of DocuWare, it was EUR 0.1 million. Adjusted for DocuWare and IFRS 16, the performance shows an increase in expenses, which is primarily due to higher average acquisition loans compared with the previous year.

EBITA increased by 25.0% to EUR 140.7 million (previous year: EUR 112.5 million), resulting in an EBITDA margin of 25.3% (previous year: 24.4%). Earnings before interest and taxes (EBIT) improved to EUR 123.6 million, up 26.4% on the previous year (EUR 97.8 million).

Income taxes rose from EUR 23.2 million to EUR 26.4 million. At 17.2%, the Group tax rate was below the level of the previous year (23.3%). The almost tax-free sale of DocuWare had a significant effect. In addition, loss carryforwards and deferred tax assets not recognized in previous years (EUR 1.8 million) were capitalized for the first time and an adjustment was made to deferred taxes on investment book values (EUR 0.9 million). Adjusted for the above-mentioned effects, the tax rate was 23.1% and thus almost at the previous year's level.

Net income (Group earnings after taxes) increased by 66.2% from EUR 76.6 million to EUR 127.3 million. The sharp rise is due to the growing operating business and the positive non-recurring effect from the sale of DocuWare. Net income (shareholders of the parent company) increased from EUR 76.5 million to EUR 127.2 million.

Earnings per share were EUR 1.10 (previous year: EUR 0.66), an increase of 66.3%. Adjusted for the non-recurring income from the DocuWare sale, net income (shareholders of the parent company) was EUR 97.7 million, resulting in a 27.7% increase for 2019. The EPS in 2019 adjusted for the DocuWare sale was EUR 0.85.

OVERVIEW OF GROUP KEY FIGURES

In EUR million	FY 2019	FY 2018	Change in %
Revenue	**556.9**	**461.3**	**20.7%**
EBITDA	**165.7**	**121.3**	**36.6%**
EBITDA margin	29.7%	26.3%	–
EBITDA before IFRS 16	150.5	121.3	24.1%
EBITDA margin before IFRS	27.0%	26.3%	–
EBITA	**140.7**	**112.5**	**25.0%**
EBITA margin	25.3%	24.4%	–
EBIT	**123.6**	**97.8**	**26.4%**
EBIT margin	22.2%	21.1%	
Net income for the year (equity holders of the parent company)	**127.2**	**76.5**	**66.3%**
Earnings per share in EUR*	**1.10**	**0.66**	**66.3%**
Net income (shareholders of the parent company) adjusted for DocuWare effect	97.7	76.5	27.7%
Earnings per share adjusted for DocuWare effect*	0.85	0.66	27.7%
Net income before PPA depreciation	140.3	88.1	59.2%
Earnings per share before PPA depreciation in EUR*	1.21	0.76	59.2%
Net income before PPA depreciation and adjusted for DocuWare effect	110.8	88.1	25.8%
Earnings per share before PPA depreciation and adjusted for DocuWare effect in EUR*	0.96	0.76	25.8%

* For better comparability, the earnings per share in the previous year are shown after the share split.

Financial position

Main features and objectives of financial management

The primary objective of financial management is to 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. There were no changes in financing policy or financial management in the 2019 financial year. As of December 31, 2019, liabilities to banks at the Group increased by EUR 57.5 million to EUR 188.1 million, largely as a result of new loans of around EUR 130 million for acquisitions. Scheduled repayments of long-term loans (EUR 42.0 million following EUR 38.0 million in the previous year) and short-term acquisition loans (EUR 30.0 million after EUR 0 million in the previous year) had an opposite effect. The Group's balance sheet structure showed an equity ratio of 40.7% as of December 31, 2019 (previous year: 43.0%). Adjusted for the effects of IFRS 16, the equity ratio was 44.4%.

Liquidity analysis

As of December 31, 2019 the Group had cash and cash equivalents of EUR 209.1 million, an increase of 73.2% over the previous year (EUR 120.7 million). Despite repayments of EUR 72.0 million from long- and short-term acquisition loans during the financial year and the dividend payment of EUR 31.2 million in 2019, the Group still has substantial liquidity reserves for further organic and inorganic growth. Part of the cash and cash equivalents was used to acquire the shares in RedGiant LLC at the beginning of the 2020 financial year. The Executive Board is pursuing a sustainable dividend policy that provides for a distribution of around 25 % of the operating cash flow. The dividend policy 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, 2019 there were euro-denominated loan liabilities of EUR 185.8 million due to financing company acquisitions. This includes EUR 30 million to finance the acquisition of RedGiant LLC in January 2020. The interest rates for loans is between 0.42% p.a. and 1.03% p.a. The Group's net liquidity on the reporting date of December 31 rose to EUR 21.0 million (previous year: net debt of EUR 9.9 million).

To ensure efficient cash and liquidity management, Nemetschek SE as parent company carries out cash pooling with selected subsidiaries. The ultimate Group holding company also receives further cash and cash equivalents from the annual dividends paid by the subsidiaries.

Development of cash flow

The Group's cash flow for the period increased by 35.8% to EUR 164.7 million (previous year: EUR 121.3 million), mainly due to the higher earnings before taxes and write-downs on rights of use in the amount of EUR 14.7 million from the first-time application of IFRS 16.

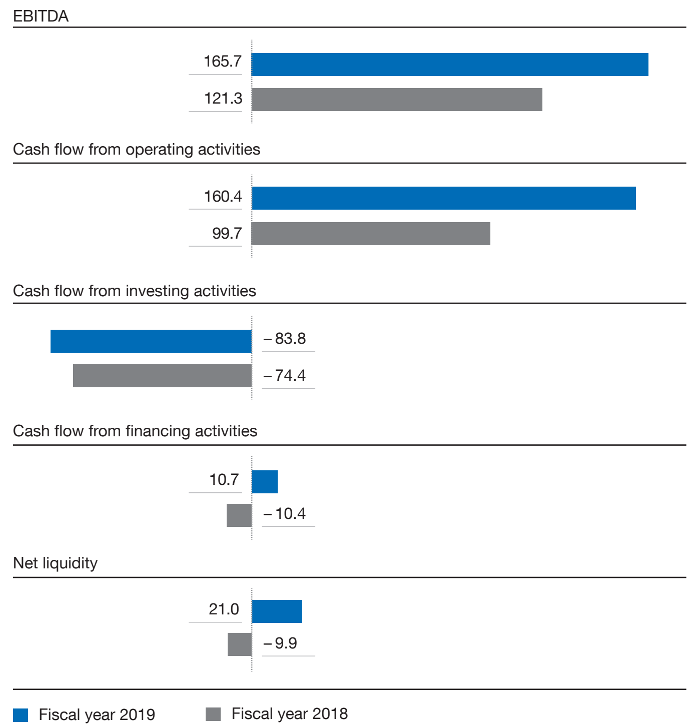
Operating cash flow significantly rose by 60.8% to EUR 160.4 million in 2019 (previous year: EUR 99.7 million). In addition to the increase in cash flow for the period, the high growth in software service and subscription contracts with the corresponding recurring revenues had an effect, as in previous years. In 2019, this effect was EUR 46.7 million (previous year: EUR 14.9 million). The increase in trade receivables by EUR 6.3 million had the opposite effect. The year 2018 was marked by non-recurring effects, resulting in a right to payment of EUR 4.1 million from an investment subsidy and a deposit of EUR 5.2 million for a rented office in the USA. The investment subsidy was paid to the Group in 2019. At 10.8%, the increase in income taxes paid was disproportionately low compared with business development. In contrast, provisions for current income taxes rose significantly above business development.

Cash flow from investing activities amounted to EUR –83.8 million (previous year: EUR –74.4 million). The main influencing factors for this in the year under review were payments for the acquisition of the Axxerion Group of EUR 73.5 million and EUR 24.2 million for the purchase of Redshift – in each case less acquired cash and cash equivalents. Proceeds of EUR 33.3 million were recognized from the sale of the investment in DocuWare GmbH. This was used to repay two short-term acquisition loans. This item also includes expansion and replacement investments in fixed assets of EUR 19.3 million (previous year: EUR 11.3 million), which is particularly marked by an extraordinary infrastructure expansion in the Build segment amounting to EUR 8.5 million due to a US brand in the Build segment moving to a new company building.

Cash flow from financing activities was EUR 10.7 million (previous year: EUR –10.4 million). Cash inflows from taking out acquisition loans of EUR 130.0 million (previous year: EUR 86.0 million) were offset by the repayment of loans (EUR 72.5 million) and the dividend payment for the 2018 financial year (EUR 31.2 million). In addition, interest and redemption payments for lease liabilities in accordance with IFRS 16 were reported for the first time in the amount of EUR 12.8 million, of which EUR 11.3 million was for redemption payments.

Cash and cash equivalents amounted to EUR 209.1 million at the end of the year (beginning of the year: EUR 120.7 million).

CASH FLOW ANALYSIS IN EUR MILLION



Management of liquidity risks

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

The high creditworthiness of the Nemetschek Group allows sufficient liquid funds to be procured. As of December 31, 2019, there were also unutilized credit lines of EUR 24.5 million. Nemetschek continually monitors the risk of a liquidity bottleneck using monthly liquidity 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 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. Acquisitions are largely financed by bank loans, with own funds also being used. 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 140.6 million (previous year: EUR 88.8 million) in property, plant and equipment (EUR 17.5 million, previous year: EUR 10.1 million) and intangible assets (EUR 123.1 million, previous year: EUR 78.7 million). The main investments here were the acquisitions of the Axxerion Group (purchase price: EUR 76.8 million) in the Manage segment and Redshift (purchase price: EUR 33.1 million) in the Media & Entertainment segment. The previous year was dominated by the acquisitions of the Spacewell Group (Manage segment, purchase price: EUR 46.1 million) and 123erfasst.de (Build segment, purchase price: EUR 17.1 million). In addition, investments were mainly made in expansion and maintenance.

In mid-December 2019, the Nemetschek Group concluded an agreement to acquire RedGiant LLC. As well as a provisional cash purchase price of EUR 71.2 million, the sellers received shares in Maxon Computer GmbH. The cash purchase price was financed in the amount of EUR 30 million by a bank loan as of December 31, 2019, with the remainder coming from freely available funds within the Group. The transaction was completed on January 7, 2020.

Net assets

The consolidated balance sheet total as of December 31, 2019 increased by 47.7% to EUR 857.2 million (previous year: EUR 580.6 million).

On the assets side of the consolidated balance sheet, current assets increased by 46.1%, from EUR 202.2 million to EUR 295.5 million. This can be primarily attributed to the EUR 88.4 million increase in cash and cash equivalents and the EUR 6.3 million rise in trade receivables.

Tax assets of EUR 3.9 million at the reporting date of December 31, 2019, changed only a little compared with the previous year's figure of EUR 4.2 million. In the previous year, other current financial assets included an investment subsidy for leasehold improvements amounting to EUR 4.1 million, which was paid in 2019.

Non-current assets rose by EUR 183.4 million to EUR 561.7 million. Goodwill increased from EUR 244.3 million to EUR 325.0 million (+33.0%). In the year under review, this was mainly due to the acquisitions of the Axxerion Group in the amount of EUR 54.9 million and Redshift in the amount of EUR 24.3 million. Intangible assets also increased by EUR 25.6 million to EUR 127.7 million (December 2018: EUR 102.1 million), mainly due to acquisitions. The increase of EUR 10.0 million in property, plant and equipment resulted from the Build segment's investments in building infrastructure in addition to the expansion and replacement investments. Shares in associates decreased significantly by EUR 3.4 million due to the sale of the share in DocuWare GmbH.

On the liabilities side, current liabilities increased by 22.2% to EUR 271.6 million (December 31, 2018: EUR 222.3 million). This item includes trade payables as well as provisions and accruals due within one year. The item "current loans" includes EUR 56.3 million of the repayment amount of the non-current acquisition loans due in the next 12 months.

Trade payables remained almost constant year-on-year at EUR 12.4 million (previous year: EUR 12.9 million). The increase in other provisions to EUR 44.0 million (previous year: EUR 40.6 million) and deferred revenues to EUR 118.5 million (previous year: EUR 95.1 million) is also due to the significant expansion in business volume. Income tax liabilities rose significantly by EUR 5.5 million to EUR 11.0 million (+101.6%), particularly in current liabilities.

Non-current liabilities rose from EUR 108.7 million to EUR 236.9 million (+118.1%), primarily due to new bank loans taken out for acquisitions (EUR 55.2 million) and the first-time application of IFRS 16 (EUR 57.7 million). Deferred tax liabilities increased to EUR 23.3 million (December 31, 2018: EUR 17.2 million), also largely as a result of acquisitions. Other non-current financial obligations rose by EUR 3.0 million to EUR 7.1 million. This item mainly comprises the subsequent purchase price obligations from the acquisition of Redshift (EUR 6.4 million) and revaluation effects of the variable purchase price liability from the acquisition of 123erfasst.de.

The equity ratio decreased to 40.7% at the end of the year under review (previous year: 43.0%). This decline came as a result of the first-time application of IFRS 16. Adjusted for the effect of IFRS 16, the equity ratio would be 44.4%.

As a result of the share split with capital increase from own funds in the year under review, the share capital increased by EUR 77.0 million to EUR 115.5 million. By contrast, retained earnings decreased.

The current liability ratio was 31.6% of the balance sheet total (previous year: 38.3%) and the non-current liability ratio was 27.6% (previous year: 18.7%).

In the 2019 financial year, exchange rate changes resulting from the foreign exchange translation differences of financial statements prepared in foreign currencies in the consolidated financial statements had a positive impact of EUR 3.2 million on the translation effects recognized in equity.

As in previous years, the Nemetschek Group identified capital costs for each cash-generating unit as part of the impairment test for goodwill (WACC = Weighted Average Cost of Capital). The risk-free interest rate was calculated using the Svensson method and amounted to 0.2% as of December 31, 2019 (previous year: 1.00%).

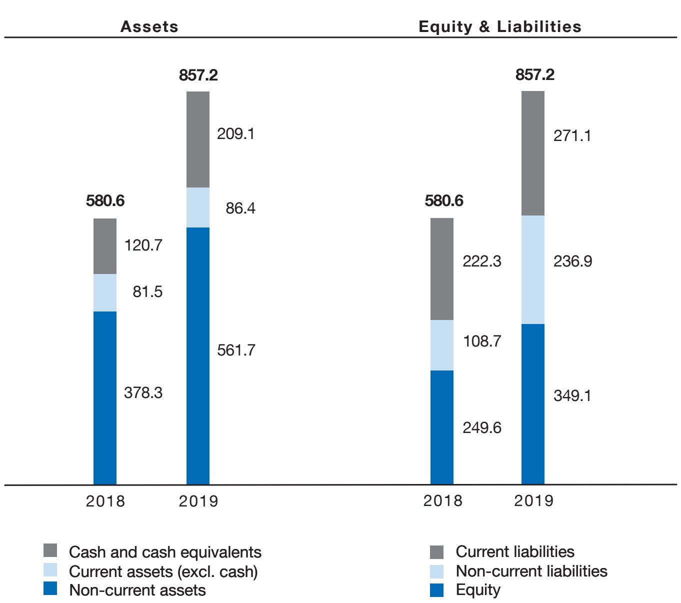
A market risk premium of 7.5% (previous year: 6.5%) was applied. Additionally, country risk premiums were taken into account where necessary. This results in capital cost rates before taxes ranging from 12.92% to 13.50% (previous year: 11.48% to 13.83%). Based on the market capitalization as of December 31, 2019 and the planning expectations, the internal rate of return before taxes is around 4%.

KEY BALANCE SHEET FIGURES

In EUR million	FY 2019	FY 2018	Change in %
Cash and cash equivalents	209.1	120.7	+73.2%
Goodwill	325.0	244.3	+33.0%
Equity	349.1	249.6	+39.9%
Balance sheet total	857.2	580.6	+47.7%
Equity ratio in %	40.7%	43.0%	

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

BALANCE SHEET OVERVIEW IN EUR MILLION



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.

More information on employee responsibility and Human Resources can be found in the non-financial statement under item 2.

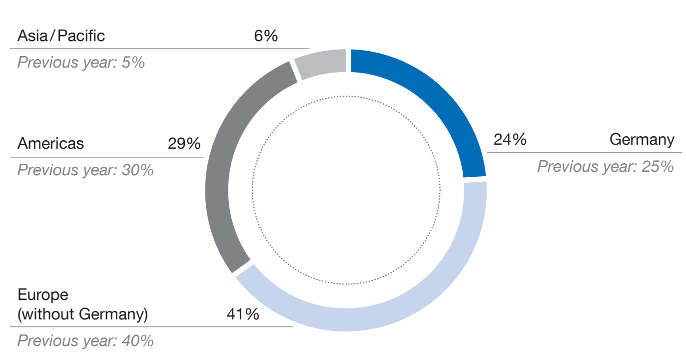
As of December 31, 2019 the Nemetschek Group had 2,875 employees worldwide (previous year: 2.587), representing an increase of 288 people, or 11.1%. This does not include employees on parental leave, freelancers and those on long-term sick leave. The figure at the end of 2019 includes 90 employees who were added at the beginning of the year resulting from the acquisition of Axxerion. Adjusted for this effect, the number of employees increased by 198 persons or 7.7% compared with the same period last year.

At 75% (previous year: 75%), the majority of the Nemetschek Group's employees were employed outside Germany at the end of 2019, as in the previous year.

On average, the Nemetschek Group employed 2,767 people worldwide in 2019, an increase of 16.7% compared with the previous year (2,367). The average number of employees in research and development was 1,103 (previous year: 962), or 39.9% of the total workforce (previous year: 40.6%).

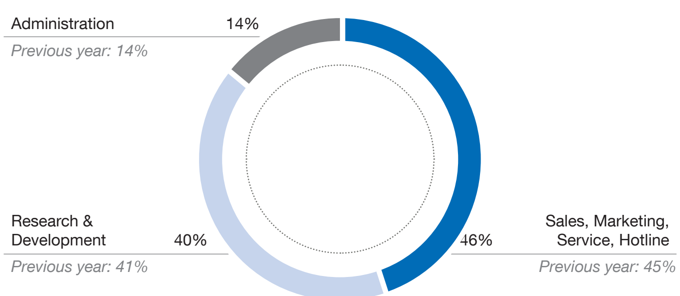
The average number of employees in sales, marketing and hotline came to 1,280 (previous year: 1,084). In addition, 383 employees (previous year: 321) worked in administration (including 15 trainees after 14 in the previous year). Trainees are primarily employed in the commercial departments as well as in the IT and development departments.

DISTRIBUTION OF EMPLOYEES BY REGION



In 2019, personnel expenses rose by 19.4% to EUR 239.4 million (previous year: EUR 200.6 million), resulting in a personnel expense ratio (personnel expense/revenue) of 43.0% (previous year: 43.5%).

PERSONNEL STRUCTURE



Further information on employees can be found in the non-financial statement (item 2).

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. The result of Nemetschek SE is dependent on the earnings of subsidiaries held directly and indirectly. The separate non-financial consolidated report is combined with the non-financial report of the parent company under item 2.

Revenue development and earnings situation

Nemetschek SE's revenues in the reporting year of EUR 6.3 million (previous year: EUR 5.3 million) resulted primarily from income from licensing the umbrella brand "A Nemetschek Company."

At EUR 2.7 million, other operating income remained almost at the previous year's level of EUR 3.0 million. This includes write-downs on financial assets of EUR 1.7 million (previous year: EUR 1.6 million). Operating expenses of EUR 15.8 million (previous year: EUR 13.1 million) include personnel expenses, consulting costs and other operating expenses that cannot be charged to subsidiaries.

Income from interests of EUR 128.6 million (previous year: EUR 48.2 million) includes EUR 97.2 million in dividends from subsidiaries and income from the sale of the minority share in DocuWare GmbH of EUR 31.3 million. Income from profit transfer agreements in the amount of EUR 40.0 million (previous year: EUR 24.9 million) came as result of profit transfers from Allplan GmbH and Frilo Software GmbH and, for the first time, from transfers from Nevaris Bausoftware GmbH and Maxon Computer GmbH. Nemetschek SE's annual net profit increased to EUR 150.6 million (previous year: EUR 61.4 million).

Net assets

Nemetschek SE's balance sheet is mainly characterized by financial assets amounting to EUR 586.2 million (previous year: EUR 427.2 million). Affiliates accounted for by far the largest share at EUR 568.1 million (previous year: EUR 423.3 million). EUR 82.4 million resulted from capital increases by Maxon Computer GmbH for its acquisitions of Redshift Rendering Technologies Inc. (Newport Beach, USA) and RedGiant LLC (Portland, USA). There was also a capital increase of EUR 62.3 million in FASEAS International NV, the parent company of the Spacewell Group, to finance the acquisition of the Axxerion Group (Heteren, the Netherlands). Due to a sustained increase in earnings expectations, there was a reversal on write-downs of EUR 1.7 million made in previous years on the shares in Nevaris Bausoftware GmbH. In addition, the equity in Nemetschek, Inc. was reduced by EUR 1.6 million. Loans to affiliates increased to EUR 18.8 million (previous year: EUR 1.8 million). In the financial year, EUR 1.3 million was repaid and a new long-term loan of EUR 18.3 million was granted to a Group company.

With regard to current assets, trade receivables from affiliates and profit and loss transfer agreements amounted to EUR 40.4 million as of the balance sheet date (previous year: EUR 23.3 million).

Cash and cash equivalents amounted to EUR 17.0 million at the end of 2019 (previous year's reporting date: EUR 8.1 million).

As of the balance sheet date, the liabilities side of the stand alone balance sheet was dominated by liabilities to banks. As a result of scheduled repayments and new borrowings due to acquisitions, these rose to EUR 185.8 million (previous year's reporting date: EUR 127.8 million). Equity increased by EUR 119.4 million to EUR 389.2 million. Net income for 2019 of EUR 150.6 million was offset by the dividend payment for the 2018 financial year (EUR 31.2 million). Based on a resolution passed by the Annual General Meeting on May 28, 2019, EUR 77,000 were used for a capital increase from company funds. The equity ratio of Nemetschek SE was 60.2% as of the balance sheet date (previous year: 58.4%).

Provisions rose by EUR 3.4 million to EUR 10.3 million, primarily due to higher tax provisions.

Liabilities to affiliates resulted mainly from cash pooling. The increase of EUR 2.3 million to EUR 56.6 million was largely due to higher liabilities from cash pooling within Group companies.

In the 2019 financial year, profit and loss transfer and control agreements existed with the following subsidiaries: Allplan GmbH, Frilo Software GmbH, Nevaris Bausoftware GmbH and Maxon Computer GmbH. The contracts with Nevaris Bausoftware GmbH and Maxon Computer GmbH (terminated on December 31, 2019) were concluded in 2019 with a retrospective effect from January 1, 2019. There were also profit transfer and control agreements between Allplan GmbH and Allplan Deutschland GmbH and Allplan GmbH and Allplan Development Germany GmbH.

Financial position

Nemetschek SE's investment activities in the 2019 financial year were mainly characterized by the capital increases at Maxon Computer GmbH and the Spacewell Group. EUR 144.7 million including incidental costs were capitalized for the new acquisitions. This was offset by a capital reduction of EUR 1.6 million at Nemetschek Inc.

Nemetschek SE's financing activities mainly comprised redemption payments of EUR 72.0 million and the dividend payment of EUR 31.2 million (previous year: EUR 28.9 million). This was offset by cash inflows due to the raising of several bank loans totaling EUR 130.0 million. Interest payments of EUR 1.1 million were made on loans taken out in the financial year.

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

Nemetschek SE employees

On average, Nemetschek SE had 47 employees in 2019 (previous year: 43).

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 2020 financial year. Accordingly, Nemetschek SE is assuming that earnings will continue to develop positively and that the annual result for the 2020 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

The Executive Board forecast **revenue** in the range of EUR 540 million to EUR 550 million for the 2019 financial year, representing year-on-year growth of between 17% and 19%. This growth included inorganic effects. Organic growth was expected to be around 13%. Regarding the EBITDA margin, the Executive Board again expected to reach the level of 25% to 27% of Group revenue, excluding effects from the changeover to the new IFRS 16 leasing standard. Including the effects of IFRS 16, the Executive Board expected an EBITDA margin of between 27% and 29%.

On a segment basis, the Executive Board expected growth in the Design and Media segments to be below the average organic Group growth. On the other hand, the Build segment was expected to achieve double-digit percentage revenue growth above the Group average, while double-digit percentage revenue growth in a similar range as the planned organic Group growth was expected for the Manage segment. In the Manage segment, there were additional growth effects from acquisitions.

In the 2019 financial year, **Group revenue** rose by 20.7% to EUR 556.9 million and was therefore slightly above the forecast corridor of EUR 540 million to EUR 550 million. Adjusted for currency effects, total revenue increased by 18.0%. Organic growth of 15.8% (13.1% adjusted for currency effects) also exceeded the forecast of 13%. The targets set were also achieved on a segment basis.

Operating **EBITDA** rose faster than revenue in 2019, increasing by 36.6% to EUR 165.7 million. As a result, the EBITDA margin (including positive effects from the first-time application of the new IFRS 16 standard for lease accounting) also increased from 26.3% in the previous year to 29.7%, and was thus above the forecast range of 27% to 29%.

OVERVIEW OF THE FORECAST TO ACTUAL FIGURES IN THE FISCAL YEAR 2019

	Actual financial year 2018	Forecast 03/2019	Actual financial year 2019	Growth (organic)	Growth (organic) adjusted for foreign currency
Revenue in EUR million	461.3	540 – 550	556.9	20.7% (15.8%)	18.0% (13.1%)
EBITDA margin in %	26.3%	27%–29%	29.7%	–	–
EBITDA margin in % before IFRS 16	26.3%	25% – 27%	27.0%	–	–

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 Nemetschek Group aims to grow sustainably and profitably and to increase the company value in the long term. In order to gain further market shares, national and international market positions must be continuously expanded and solutions must be developed and adapted to market and customer requirements. To this end, all opportunities are to be used in the best possible way, and risks are to be identified at an early stage in order to initiate suitable countermeasures and 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 statements. 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 and 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 2019. 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)

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. In particular, the global economic environment has become more volatile in recent years, and the economic risks have therefore increased. Particular reference should be made to the trade tensions between China and the USA, which were a major source of uncertainty for global economic growth in 2019.

In the 2019 financial year, the Nemetschek Group especially analyzed the extent to which a deal or no-deal Brexit could influence the business activities of the segments. Although the Group's share of revenue in the UK is less than 5%, the market is forward-looking in terms of the BIM standard, which has shown high growth in recent years.

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 more than 50% 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 stable construction activity and growing investment 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 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 industry, Nemetschek's size and competence provide good opportunities to further expand its 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 screens 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 buildings and 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	low	low
Risks from the competitive environment	low	low

Opportunity category	Probability of materialization	Severity
Economic opportunities	very low	low
Industry sector opportunities	medium	medium
Opportunities from the competitive environment	medium	medium

Operating opportunities and risks

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.

To strengthen the segment focus, a new Executive Board and governance structure was established at the beginning of 2019. For the first time, each of the four segments has a dedicated Executive Board member or Segment Manager who works closely with the brands within the segment and bundles their expertise in the respective segments to a greater extent. This 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 sees itself as a driver for Building Information Modeling (BIM) and has a strong position in all AEC 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 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.

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 business 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, 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 16 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. The Nemetschek Group can only maintain and extend its lead over competitors by continually optimizing its product range. 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. Another third-party supplier example is that they may migrate from on-premise solutions to cloud solutions. This may mean that the brands have to adapt their solutions accordingly. Risks could arise if the development of migration to the cloud is slower than the third-party migration.

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.

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.

The use of licenses by third parties for brands that are not used in compliance could also have consequences.

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.

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 difficult 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 are also reached and market shares are gained that are considered relevant and promising for the future. The Group invests in start-ups 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 2019 financial year. However, future write-downs cannot be ruled out.

In summary, this means:

Risk category	Probability of occurrence	Severity
Corporate strategy	low	low
Sales and marketing	low	low
Products and technology	low	medium
Process risks	low	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.

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.

Security, compliance, data retention and security requirements 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 Group.

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

With high financial liabilities, there is always a liquidity risk in the event of a deterioration in the earnings situation. At the end of 2019, the Nemetschek Group had liabilities to banks of around EUR 188 million (previous year: around EUR 130 million). However, the Group generated positive cash flows, which will allow it to continue investing in organic growth and acquisitions in the future. 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. These risks are to be excluded or limited by concluding hedging transactions. Currency fluctuations only have a limited effect at Group level, as the operating subsidies 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 2019, the development of the US dollar against the euro led to positive currency effects on revenue and EBITDA.

Due to the uncertainty surrounding the further development of Brexit, currency fluctuations of the British pound could also be a consequence here.

Default risks and management

Default risks are managed by handling credit approvals, setting upper limits and control procedures, and 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.

From today's perspective, there is no significant concentration of default risks in the 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 instruments.

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

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. Compared with the previous year, there were no material changes in 2019 in the overall risk position or the individual risks described. The Executive Board is convinced that the risks are limited and manageable. The financial basis of the company remains solid. At 40.7%, the Group equity ratio is still at a high level and the liquidity situation is sufficient. 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 Guidance 2020

Macroeconomic conditions

Due to its activities around the world, Nemetschek is in a position where global economic development has an influence on its future results of operations, financial position, and net assets. In its last Annual Report for 2019/2020, the German Council of Economic Experts still expected growth to remain stable at 2.6% for 2020, but did not expect any noticeable revival of the global economy, especially given that the high risks and uncertainties – such as an escalation of global trade conflicts – are still present.

However, the outbreak of the coronavirus (Covid-19) in China and the subsequent spread of the disease to numerous other countries significantly changed the global economic situation during the first quarter. Due to the worldwide spread of the coronavirus (Covid-19), there is currently a steadily increasing degree of uncertainty regarding the development of the global economy. The OECD is expecting a negative effect on global economic growth of 0.5 percentage points as early as the beginning of March 2020, although different regions will be affected differently. It can be assumed that, as the crisis progresses, further reassessments of economic development will continue to be made at both the global and regional level.

In Europe, in addition to the massive restrictions imposed by Covid-19, the possible effects of the UK's withdrawal from the EU are unsettling. Despite a slowdown in economic growth, the unemployment rate is expected to drop once again.

The weakening economic momentum in the United States is likely to continue in 2020. As well as the trade measures that have been in place since January 2018, the reasons cited include lower exports, weaker investment development and declining private consumption. The corporate tax reform and the US government's fiscal stimuli are having an opposite effect.

Japan's economic outlook is clouded by ongoing trade disputes, declining public investment and weaker public consumption. In addition, private consumption is also likely to lose further momentum as a result of the increase in value added tax in October 2019, but there could be improvements in foreign trade. With the planned conclusion of the Regional Comprehensive Economic Partnership, comprising 15 states, another strong free trade initiative is to come into effect in 2020.

At the beginning of the year, the German Council of Economic Experts expected emerging markets to continue their strong growth momentum. For the first time, it was assumed that India and not China would make the largest contribution to growth. However, it should also be noted that the negative consequences of the global Covid-19 pandemic have not yet been taken into account. In particular, a more intensive weakening of the Chinese economy due to Covid-19 could have a strong negative impact on global growth.

Sources: Annual Report 2019/2020 German Council of Economic Experts; GTAI – Wirtschaftsausblick Japan (November 2019); Estimates by the OECD.

Construction industry

In their latest estimate, the experts from Euroconstruct expected the construction industry in Europe to continue its growth trend in the coming years, although the individual countries would develop differently.

The major economies, in particular, are facing various challenges. While a moderate growth in construction volume of 0.4% was still expected for France, Euroconstruct forecasted a decline in construction output of 0.6% for Germany in 2020. The outlook for the UK was more positive, with an increase of 1.4%. Declining investment in commercial construction, rising construction prices and the uncertainties surrounding Brexit are being offset by positive impetus from a number of major projects in British civil engineering and residential construction. The highest growth rates in Europe were forecast for Ireland (+6.3%), Hungary (+5.4%) and Poland (+4.2%). In addition to Germany, the experts also expected construction output to decline in Switzerland, Sweden and Finland in 2020. In total, construction volume is expected to increase by 1.1% in the member countries of the Euroconstruct network in 2020. However, all forecasts were issued before the outbreak of the global Covid-19 pandemic, the impact of which on construction activity in the individual countries remains to be seen.

Experts from the FMI industry association expect the US construction industry to grow again after its recent stagnation. According to this, construction expenditure is set to increase by 1.4% in 2020. In particular, infrastructure was expected to rise (+5.2%). Residential construction is also likely to recover from the recent negative growth figures and make moderate gains. Continued moderate growth was forecast for commercial construction. These estimates also did not take into account the possible effects of the Covid-19 crisis.

In Japan, positive construction activity is expected to continue. One indicator of this is domestic building applications, which are at their highest level in twenty years at the end of 2019. In addition to modernization projects, these include, in particular, the construction of new hotels and commercial complexes. A moderate increase in public-sector construction spending is also planned for 2020. But by contrast, a decline is expected in residential construction. Overall, the Japanese Research Institute of Construction and Economy (RICE) is anticipating an increase in construction volume of 0.8%.

Sources: GTAI – Japans Baukonjunktur soll sich fortsetzen-September 2019; RICE Japan – CONSTRUCTION INVESTMENT – Sept. 2019; Euroconstruct Summary Report Warsaw Nov. 2019; ifo_Bauwesen_Euro_2019; GTAI – Branchencheck – USA – Dezember 2019; 2020 FMI Overview; GTAI – Branche kompakt – USA – Nov. 2019.

Digitalization in construction

As explained under item 3.1, key figures for the construction industry are just one of several indicators for the future development of the Nemetschek Group's markets. In addition to the overall positive impetus from the construction industry, the sector-specific growth drivers remained intact at the beginning of 2020. The Nemetschek Group operates in markets with great growth potential, as the level of digitalization and the associated IT expenditure in the construction industry is far below other industries. Digitalization in the AEC industry is essentially determined by the use of the BIM digital working method. In countries such as the USA, Singapore, Scandinavia or the UK, there are already BIM regulations that prescribe the use of BIM software in state-funded construction projects. Other countries in the EU and Asia will adapt these regulations. Last but not least, BIM will also play an increasingly important role in private residential construction, which should further boost growth in this market.

Company expectations

The Nemetschek Group will 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.

Internationalization

As a company that is globally active in the AEC 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 the European markets, the Nemetschek Group focuses on regions in Asia, such as Japan, as well as on the USA. The USA is the world's largest single market for AEC software, and now also represents a key sales market for the Nemetschek Group. The Group has achieved above-average growth in this highly competitive market. The US market will thus continue to be a key sales market for the Nemetschek Group.

Internationalization therefore remains a major growth driver for the Nemetschek Group. The brands in the USA and Europe mutually stimulate each other in their expansion.

New-generation solutions and sales approach

The new Executive Board and governance structure meant that the focus on the four segments was strengthened as of 2019. This is the first time that there has been an assigned Executive Board member or Segment Manager for each of the four segments who works closely with the 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 along with more general approaches.

The aim is 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.

As a result of the sharp rise in investment in the infrastructure sector worldwide, the Nemetschek Group plans to increasingly focus on the infrastructure market – particularly bridge and tunnel construction – in addition to the building market.

The brands of the Nemetschek Group will continue to offer their customers a high degree of flexibility when purchasing software, offering a license model including the option of a service contract as well as a rental model (subscription or Software as a Service). Rental models particularly enable Nemetschek to tap into new customer groups, as customers can use the software flexibly and without a one-off license fee.

Development – organic and inorganic

The organic development of the Nemetschek Group will continue to be supplemented by value-adding acquisitions. The aim here is 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 increase the Nemetschek Group's market shares in international markets.

Thanks to high cash flows and a solid balance sheet, the Nemetschek Group has the financial resources to finance the planned future growth organically and inorganically through acquisitions, cooperations and partnerships. As in the past, acquisitions can also be financed from current cash flow, the liquidity portfolio and by borrowing.

Investments and liquidity

As in previous years, operating cash flow in 2020 should increase Group liquidity and provide sufficient scope for planned investments in development, sales and marketing by the individual segments.

Important cost items at 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 2020 and therefore expects a sustained moderate increase in personnel expenses. Other operating expenses, including mainly selling expenses, will also tend to rise in 2020 in view of the planned further international expansion.

Dividends

The shareholder-friendly dividend policy of Nemetschek SE based on continuity is to be continued in the coming years. The company plans to continue allowing its shareholders to participate appropriately in its economic success in the future, always taking into account the overall economic development and the economic and financial situation of the company.

General statement on the expected development

Guidance for the Nemetschek Group

With the long-term intact growth trends in the relevant markets in mind and the strong positioning of the company in many countries with great catch-up potential in the field of digitalization, the Executive Board continues to take a fundamentally positive view of the future even in the currently very uncertain environment due to the worldwide Covid-19 pandemic. The possible direct and indirect effects of Covid-19 on the business activities of the Nemetschek Group cannot currently be reliably estimated in terms of the extent, duration and geographical spread. Nevertheless, the first two months of 2020 went according to plan.

Due to the significantly increasing share of recurring revenues from service contracts and subscriptions, which now account for 54% of group revenues, Nemetschek has a higher degree of planning security than in previous crises such as the so-called financial crisis of 2008/2009. 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 41% and high cash generation.

In general, it should be noted that the development of the exchange rates that are relevant to the Nemetschek Group influences the revenue and earnings development of the Group and can therefore also have an impact on the outlook. Key foreign currencies are in particular the US dollar and the Hungarian forint.

Irrespective of the strategic advantages, the expectations of the Executive Board for the year 2020 take into account the exceptional global situation with the necessary caution: Taking into account exchange rate fluctuations and the sharp increase in macroeconomic uncertainties, the Executive Board is currently assuming at least a stable development or a slight increase in Group revenues. The EBITDA margin is expected to exceed 26% of Group revenue in 2020.

These forecasts are subject to the express proviso that the global economic and industry-specific conditions do not deteriorate significantly, particularly as a result of the consequences of the Covid-19 pandemic. The Executive Board will closely monitor the further impact of the Corona pandemic and its consequences on the economy and the business model of the Nemetschek Group.

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 Report on Corporate Management and Corporate Governance Declaration

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

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

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

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

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

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

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

The declaration of compliance in accordance with section 161 of the German Stock Corporation Act is published on the website www.nemetschek.com.

Corporate governance practices going beyond the legal requirements

Nemetschek's aim is to be perceived worldwide as a responsible company with high ethical and legal standards.

The Nemetschek Group's unique corporate culture forms the basis for its actions. This is reflected in the fair and respectful treatment of employees and third parties and is characterized by motivation, open communication, reliability, trustworthiness and the conservation of natural resources.

These principles are summarized in the Nemetschek Group's Code of Conduct. The Code of Conduct is binding for all employees, regardless of their function or position in the Group. Only by continually reflecting on these values and integrating them into daily activities can the Group show a clear commitment to its corporate culture and ensure its long-term business success. The Code of Conduct is available on the company website. For further information on this issue, see the non-financial statement in chapter 2.

For information on corporate management and governance, please also refer to Section 1.3 in the combined management report of Nemetschek SE and the Group.

Working practices of the Executive Board and the Supervisory Board

The composition of the Executive Board and Supervisory Board can be found on the website. The Executive Board has not formed any committees. The working practices of the Executive Board are regulated in the Rules of Procedure for the Executive Board. The allocation of responsibilities within the Executive Board is set out in a schedule of responsibilities.

The composition of the Supervisory Board is regulated in the Articles of Incorporation, which are published on the website of Nemetschek SE. The Supervisory Board currently consists of four members and has not formed any committees at present. The working practices of the Supervisory Board are regulated in the Rules of Procedure.

With regard to the working practices of the Executive Board and the Supervisory Board, please refer to the corporate governance report in the annual report and to the report of the Supervisory Board.

Target for the proportion of women, Section 76 (4), Section 111 (5) of the AktG

In accordance with Section 111 (5) of the AktG, the Supervisory Board must regularly set targets for the proportion of women on the Supervisory Board and Executive Board. Pursuant to Section 76 (4) of the AktG, the Executive Board must set a target for the proportion of women at management levels lower than the Executive Board.

By resolution of March 20, 2019, the Supervisory Board set a target figure of at least 0% for the Supervisory Board and Executive Board for the period until December 31, 2021 as the composition of the Supervisory Board and Executive Board of the Company primarily depends on the experience, skills and knowledge of the individual.

Nevertheless, in the event of vacancies on the Supervisory Board or Executive Board, the Supervisory Board will of course also take women into consideration when looking for candidates.

By resolution of March 20, 2019, the Executive Board set a target of at least 25% for the first management level for the period until December 31, 2021.

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

(1) Composition of subscribed capital

As of December 31, 2019, the share capital of Nemetschek SE amounts to EUR 115,500,000.00 and is divided into 115,500,000 no-par bearer shares.

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

There were no restrictions relating to voting rights or the transfer of shares.

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

The direct and indirect interests in the subscribed capital (shareholder structure), that exceed 10% of the voting rights are shown in the notes to the annual financial statements and the notes to 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 Association on the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

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 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 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 were 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

2019 Thousands of €	**2019**	2018
Kurt Dobitsch	250	250
Prof. Georg Nemetschek	225	225
Rüdiger Herzog	200	200
Bill Krouch	200	117
	875	**792**

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. As of December 31, 2019, Executive Board members Patrik Heider and Viktor Várkonyi were nominated for the LTIPs from 2016 to 2018, 2017 to 2019, and 2018 to 2020. In the 2019 financial year, long-term variable components of EUR 859k (previous year: EUR 1,250k) were paid out. Sean Flaherty, who left the Executive Board on December 31, 2018, was granted a compensation payment of EUR 350k to compensate for the long-term variable remuneration he had previously earned. This payment was made in 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

		Viktor Várkonyi				Jon Elliott			
		2018	2019	2019	2019	2018	2019	2019	2019
	Thousands of €	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum
Fixed compensation		124	102	102	102	0	92	92	92
Fringe benefits		0	0	0	0	0	0	0	0
Total		**124**	**102**	**102**	**102**	**0**	**92**	**92**	**92**
One-year variable compensation		136	303	0	525	0	92	0	92
Multi-year variable compensation	LTIP 2016 – 2018	314	0	0	0	0	0	0	0
	LTIP 2017 – 2019	168	209	0	314	0	0	0	0
	LTIP 2018 – 2020	153	225	0	307	0	0	0	0
	LTIP 2019 – 2021	0	246	0	353	0	163	0	229
Compensation of prior year LTIPs		0	0	0	0	0	0	0	0
Total		**895**	**1,085**	**102**	**1,601**	**0**	**347**	**92**	**412**

		Patrik Heider				Sean Flaherty			
		2018	2019	2019	2019	2018	2019	2019	2019
	Thousands of €	Initial Value	Initial Value	Minimum	Maximum	Initial Value	Initial Value	Minimum	Maximum
Fixed compensation		250	250	250	250	125	0	0	0
Fringe benefits		16	16	16	16	0	0	0	0
Total		**266**	**266**	**266**	**266**	**125**	**0**	**0**	**0**
One-year variable compensation		221	450	0	450	73	0	0	0
Multi-year variable compensation	LTIP 2016 – 2018	25	0	0	0	0	0	0	0
	LTIP 2017 – 2019	168	209	0	314	0	0	0	0
	LTIP 2018 – 2020	144	0	0	0	0	0	0	0
	LTIP 2019 – 2021	0	0	0	0	0	0	0	0
Compensation of prior year LTIPs		0	0	0	0	350	0	0	0
Total		**824**	**659**	**266**	**764**	**548**	**0**	**0**	**0**

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

		Viktor Várkonyi		Jon Elliott	
		2019	2018	**2019**	2018
	Thousands of €	**Initial Value**	Initial Value	**Initial Value**	Initial Value
Fixed compensation		102	124	92	0
Fringe benefits		0	0	0	0
Total		**102**	**124**	**92**	**0**
One-year variable compensation		136	136		
Advance payment for one-year variable compensation		0	0	0	0
Multi-year variable compensation	LTIP 2015 – 2017	0	416	0	0
	LTIP 2016 – 2018	573	0	0	0
	LTIP 2017 – 2017	0	0	0	0
Compensation of prior year LTIPs		0	0	0	
Total		**811**	**676**	**92**	**0**

		Patrik Heider		Sean Flaherty	
		2019	2018	**2019**	2018
	Thousands of €	**Initial Value**	Initial Value	**Initial Value**	Initial Value
Fixed compensation		250	250	0	125
Fringe benefits		16	16	0	0
Total		**266**	**266**	**0**	**125**
One-year variable compensation		101	221	447	73
Advance payment for one-year variable compensation		120	0	0	0
Multi-year variable compensation	LTIP 2015 – 2017	0	416	0	416
	LTIP 2015 – 2017	286	0	0	0
	LTIP 2017 – 2019	0	0	0	0
Compensation of prior year LTIPs		0	0	350	0
Total		**773**	**903**	**797**	**614**

The total remuneration paid by Nemetschek SE for the Executive Board for the 2019 financial year was EUR 2,357,000 (previous year: EUR 2,267,000).

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi received a gross fixed salary of EUR 265,000 (previous year: EUR 192,000) and a gross fringe benefit of EUR 14,000 (previous year: EUR 14,000) from Graphisoft SE. In the previous year, he received a gross amount of EUR 76k as performance-related short-term remuneration. Jon Elliott received a gross fixed salary of EUR 304k, fringe benefits of EUR 50k and performance-related remuneration of EUR 395k gross from Bluebeam, Inc. Furthermore a variable remuneration of EUR 119k was granted for several years.

Munich, March 27, 2020

Dr. Axel Kaufmann | Viktor Várkonyi | Jon Elliott

Balance Sheet Nemetschek SE

as of December 31, 2019 and as of December 31, 2018 (German Commercial Code)

ASSETS in €	December 31, 2019	December 31, 2018
A. Fixed Assets		
I. Intangible assets		
1. Purchased franchises, industrial rights and similar rights, and assets and licenses in such rights and assets	672,682.09	1,321,666.84
2. Prepayments made on intangible assets	0.00	68,562.12
	672,682.09	**1,390,228.96**
II. Property, plant and equipment		
1. Leasehold improvements	88,053.51	84,058.42
2. Fixtures, fittings, and equipment	457,669.71	241,798.18
3. Prepayments made on tangible assets	0.00	57,387.26
	545,723.22	**383,243.86**
III. Financial assets		
1. Shares in affiliated companies	568,127,258.33	423,327,625.65
2. Loans due from affiliated companies	18,750,000.00	1,750,000.00
3. Investments	60,225.84	2,073,253.93
	586,937,484.17	**427,150,879.58**
TOTAL FIXED ASSETS	**588,155,889.48**	**428,924,352.40**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Trade receivables	1,827.99	4,667.30
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 1,175,378.85 (previous year: EUR 675,518.88)	40,424,422.98	23,296,047.01
3. Other assets	1,070,399.01	1,663,105.80
	41,496,649.98	**24,963,820.11**
II. Cash and cash equivalents	**16,973,711.40**	**8,135,508.72**
TOTAL CURRENT ASSETS	**58,470,361.38**	**33,099,328.83**
C. DEFERRED AND PREPAID EXPENSES	**134,848.83**	**166,833.57**
D. DEFERRED TAX ASSETS	**404,589.62**	**69,970.26**
	647,165,689.31	**462,260,485.06**

As the result of rounding, it is possible that the individual figures in these individual financial statements do not exactly add up to the totals given and that the percentage disclosures do not reflect the absolute values from which they are derived.

Equity and liabilities in €	December 31, 2019	December 31, 2018
A. EQUITY		
I. Subscribed capital	**115,500,000.00**	**38,500,000.00**
II. Capital reserve	**20,529,856.90**	**20,529,856.90**
III. Retained earnings	**28,585,721.39**	**28,585,721.39**
IV. Unappropriated profit	**224,627,586.86**	**182,183,768.74**
TOTAL EQUITY	**389,243,165.15**	**269,799,347.03**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	4,941,998.11	1,839,417.01
2. Other provisions and accrued liabilities	5,308,056.33	5,035,895.22
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**10,250,054.44**	**6,875,312.23**
C. LIABILITIES		
1. Liabilities due to banks	185,800,000.00	127,800,000.00
2. Trade accounts payable	1,311,794.38	391,174.82
3. Accounts due to affiliated companies	56,577,775.48	54,258,096.25
4. Other liabilities – thereof taxes: EUR 1,426,066.05 (previous year: EUR 832,488.26) – thereof social security EUR 2,069.53 (previous year: EUR 6,285.43)	2,955,190.12	2,401,607.49
TOTAL LIABILITIES	**246,644,759.98**	**184,850,878.56**
D. Deferred tax liabitlity	**1,027,709.74**	**734,947.24**
	647,165,689.31	**462,260,485.06**

Profit and Loss Account Nemetschek SE

for the period from January 1 to December 31, 2019 and 2018 (German Commercial Code)

in €	December 31, 2019	December 31, 2018
1. Revenues	6,320,444.71	5,253,653.12
2. Other operating income	2,745,349.48	3,046,615.48
Operating income	**9,065,794.19**	**8,300,268.60**
3. Personnel expenses		
a) Wages and salaries	−6,211,030.34	−5,615,878.08
b) Social security, pension and other benefit costs – thereof for pension: EUR 17,814.73 (previous year: EUR 8,154.33)	−683,866.52	−624,011.74
4. Depreciation and amortization of intangible assets, property, plants and equipment	−1,025,314.60	−234,526.72
5. Other operating expenses	−7,842,603.95	−6,584,448.78
Operating expenses	**−15,762,815.41**	**−13,058,865.32**
Operating result	**−6,697,021.22**	**−4,758,596.72**
6. Income from investments – thereof from affiliated companies: EUR 97,235,338.52 (previous year: EUR 48,178,466.66)	128,590,259.99	48,206,777.12
7. Income from profit and loss transfer agreements	40,034,023.94	24,923,823.82
8. Other interest and similar income – thereof from affiliates companies: EUR 1,128,746.11 (previous year: EUR 319,140.53)	1,099,980.92	320,140.53
9. Interest and similar expenses – thereof from affiliated companies: EUR 0k (previous year: EUR 0k)	−1,150,460.39	−859,134.15
Result from ordinary operations	**161,876,783.24**	**67,833,010.60**
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR −41,856.86 (previous year: EUR 118,891.20)	−11,246,710.12	−6,402,918.43
11. Earnings after tax	**150,630,073.12**	**61,430,092.17**
12. Other Taxes	−1,255.00	−1,040.00
13. Net Income	**150,628,818.12**	**61,429,052.17**
14. Profit carried forward from previous year	73,998,768.74	120,754,716.57
15. Retained earnings	**224,627,586.86**	**182,183,768.74**

Notes to the Financial Statement of Nemetschek SE

Accounting policies

The annual financial statements as of December 31, 2019 of Nemetschek SE, Munich, are prepared in accordance with § 264 d of the German Commercial Code (HGB) in conjunction with § 267 (3) HGB on the basis of the provisions of the German Commercial Code concerning the accounting of large corporations and the German Stock Corporation Act (AktG). The company is listed with the District Court of Munich under Commercial registry number HRB 224638.

Principles

The accounting principles of the annual financial statements as of December 31, 2019 are based on the provisions of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG).

Intangible assets are capitalized at cost or measured using the lower fair value. They are amortized over a period of 3 to 5 years.

Fixed assets are to be measured at cost, accounting for scheduled amortization, or at the lower fair value. They are amortized as follows using the straight-line method over their normal useful lives (pro rata temporis):

TABLE OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

Additions to movable fixed assets are amortized using the straight-line method (pro rata temporis). Movable assets belonging to fixed assets with acqusition cost not exceeding EUR 800.00 are amortized in full the year they are acquired.

In the case of **financial assets,** the share rights were generally accounted using acquisition costs and loans were generally accounted using the nominal value or the lower fair value.

Noncurrent loans to affiliated companies with an original term of more than one year are disclosed under loans due from affiliated companies.

Receivables and **other assets** are accounted at nominal value. Recognizable risks are taken into account by means of bad debt allowances. Interest-free receivables or other assets are recorded at present value.

Cash and cash equivalents are recognized using nominal values.

Prepaid expenses are expenses disclosed before the balance sheet date to the extent that they represent expenditure for a specific period after this date.

Subscribed capital is recognized at nominal value.

In the case of **provisions**, all recognizable risks and uncertain liabilities are taken into account. The provisions are recognized at the amount which is deemed necessary according to reasonable business judgement.

Liabilities are recognized with the settlement amounts.

Deferred taxes are recognized for temporary differences between the accounting values of assets, liabilities, and expenses and their tax-relevant values to the extent that they decrease in subsequent financial years. Existing tax losses carried forward are recognized if loss offsetting is anticipated within the next five years. Insofar as an asset surplus results in the case of deferred taxes, no deferred taxes are recognized.

The total cost method is applied in the **profit and loss account.**

Currency translation

To the extent that the annual financial statements contain assets and liabilities in foreign currency, translation into euros is on the basis of the exchange rate at the time of the transaction. As of the balance sheet date, the assets and liabilities in foreign currency are measured using the average mean exchange rate.

Notes to the Balance Sheet

Fixed assets

The development of fixed assets is represented in a Summary of fixed assets, which also shows the amortization of the financial year, on the last page of these notes.

Investments held by Nemetschek SE

Nemetschek SE has a direct or indirect interest of at least 20% in the following companies. The information on the companies corresponds to local IFRS financial statements at the time the annual financial statements of Nemetschek SE were prepared, shown in EUR k.

AFFILIATED ENTITIES

Name, registered office of the entity	Shareholding in %	Equity Dec. 31, 2019	Net Income 2019
Design segment			
Allplan Česko s.r.o., Prague, Czech Republic	100.00	655	106
Allplan Deutschland GmbH, Munich*/**	100.00	2,896	18
Allplan Development Germany GmbH, Munich*/**	100.00	25	0
Allplan France S.A.R.L., Paris, France	100.00	670	268
Allplan GmbH, Munich*/**	100.00	8,307	8
Allplan Infrastructure GmbH, Graz, Austria	100.00	358	135
Allplan Inc., West Chester, United States	100.00	–154	–2,216
Allplan Italia S.r.l., Trient, Italy	100.00	588	–106
Allplan Österreich Ges.m.b.H., Wals-Siezenheim, Austria	100.00	1,279	1,071
Allplan Schweiz AG, Wallisellen, Switzerland	93.33	2,215	1,495
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00	1,971	720
Allplan Systems España S.A., Madrid, Spain	100.00	–250	–213
Allplan UK Ltd., Ashby-de-la-Zouch, Great Britain	100.00	–224	–432
Dacoda GmbH, Rottenburg	100.00	860	453
Data Design System AS, Klepp Stasjon, Norway	100.00	3,207	1,551
Data Design System GmbH, Ascheberg	100.00	8,111	1,488
Data Design System UK Ltd., Wiltshire, Great Britain	100.00	–130	0
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00	673	73
dRofus AB, Stockholm, Sweden	100.00	272	106
dRofus AS, Oslo, Norway	100.00	2,352	476
dRofus Inc., Lincoln, United States	100.00	59	79
dRofus Pty Ltd, North Sydney, Australia	100.00	82	12
Frilo Software GmbH, Stuttgart*/**	100.00	193	3
Graphisoft Asia Ltd., Hong Kong, China	100.00	1,420	59
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00	–510	–509
Graphisoft Deutschland GmbH, Munich**	100.00	1,773	1,618
Graphisoft Italia S.R.L., Spinea, Italy	100.00	1,114	49
Graphisoft Japan Co., Tokyo, Japan	100.00	1,288	196
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00	–59	8
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00	–2,008	196
Graphisoft SE, Budapest, Hungary	100.00	49,769	20,606
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00	523	66
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	7,167	1,311
Precast Software Engineering Co. Ltd., Shanghai, China	100.00	–362	–346
Precast Software Engineering GmbH, Puch bei Hallein, Austria	100.00	1,494	1,248
Precast Software Engineering Pte. Ltd., Singapore	100.00	–312	–194
RISA Tech, Inc., Foothill Ranch, United States	100.00	16,795	554
Scia CZ s.r.o., Prague, Czech Republic	100.00	376	50

Continuation:

Scia France S.A.R.L., Lille, France	100.00	115	–30
SCIA Group International nv, Hasselt, Belgium	100.00	1,996	873
Scia Nederland B.V., Arnhem, Netherlands	100.00	1,695	339
Scia nv, Hasselt, Belgium	100.00	1,690	–17
Scia SK s.r.o., Zilina, Slovakia	100.00	221	113
Solibri DACH GmbH, Hamburg	100.00	443	418
Solibri LLC, Scottsdale, United States	100.00	–17	129
Solibri Oy, Helsinki, Finland	100.00	2,014	31
Solibri UK Ltd., Leeds, Great Britain	100.00	–343	–116
Vectorworks Canada, Inc., Vancouver, BC, Canada	100.00	246	–140
Vectorworks UK, Ltd., Newbury, Great Britain	100.00	393	756
Vectorworks, Inc., Columbia, Maryland, United States	100.00	19,888	18,046
Build segment			
123erfasst.de GmbH, Lohne	100.00	1,688	1,166
Bluebeam AB, Kista, Sweden	100.00	2,879	832
Bluebeam Holding, Inc., Delaware, United States	100.00	93,720	47,400
Bluebeam GmbH, Munich	100.00	–651	–571
Bluebeam, Inc., Pasadena, United States	100.00	4,041	36,030
Bluebeam Limited UK, Ltd., London, Great Britain	100.00	–810	–430
Design Data Corporation, Lincoln, United States	100.00	1,022	2,176
NEVARIS Bausoftware GmbH, Bremen*/**	100.00	17,531	0
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00	2,877	1,042
Nevaris BIM Software GmbH, Berlin – in liquidation	100.00	–1,013	–220
SDS/2 Ltd., London, Great Britain	100.00	4	–188
Manage segment			
Crem Solutions GmbH & Co. KG, Ratingen	100.00	3,220	2,175
Crem Solutions Verwaltungs GmbH, Munich	100.00	71	2
Spacewell International NV, Antwerp, Belgium	100.00	81,887	–1,827
FASEAS NV, Antwerp, Belgium	100.00	2,606	156
MCS Americas Single Member LLC, New York, United States	100.00	–330	–578
MCS NV, Antwerp, Belgium	100.00	4,678	497
MCS Solutions Private Ltd., Hyderabad, India	100.00	751	180
myMCS AB, Knivsta, Sweden	100.00	346	–3
Axxerion Group B.V., Heteren, Netherlands (consolidated since January 18, 2019)	100.00	9,420	–876
Axxerion B.V., Heteren, Netherlands (consolidated since January 18, 2019)	100.00	9,099	2,115
Axxerion International B.V., Heteren, Netherlands (consolidated since January 18, 2019)	100.00	967	167
Plandatis Beheer B.V., Apeldoorn, Netherlands (consolidated since January 18, 2019)	100.00	2,546	568
Media & Entertainment segment			
MAXON Computer Canada, Inc., Montreal, Canada	100.00	461	230
MAXON Computer GmbH, Friedrichsdorf*	100.00	79,724	–70
MAXON Computer, Inc., Newbury Park, United States	100.00	21,900	4,035
MAXON Computer Ltd., Bedford, Great Britain	100.00	307	773
Redshift Rendering Technologies, Inc., Newport Beach, United States (consolidated since April 1, 2019)	100.00	–928	1,846
Other			
Nemetschek, Inc., Washington, United States	100.00	61,115	–357

* The net income for the year recorded by Allplan GmbH, Frilo Software GmbH, Nevaris Bausoftware GmbH and Maxon Computer GmbH is shown prior to the profit and loss transfer agreement with Nemetschek SE in each case. The net income for the year recorded by Allplan Deutschland GmbH und Allplan Development Germany GmbH is shown prior to the profit and loss transfer agreement with Allplan GmbH in each case.

** In the fiscal year 2019, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:
- Option not to prepare notes to the financial statements (Frilo GmbH) so that the annual financial statements comprise a balance sheet and Profit and Loss Account.
- Option not to prepare a management report and audit of the annual financial statements (Allplan GmbH, Allplan Deutschland GmbH, Allplan Development Germany GmbH and Nevaris Bausoftware GmbH) so that the annual financial statements comprise a balance sheet, Profit and Loss Account and notes.
- Option not to publish the annual financial statements.
- Option not to prepare a management report and not to publish the annual financial statements (Graphisoft Deutschland GmbH).

As of the balance sheet date, Nemetschek SE has direct minority holdings in Nemetschek OOD, Sofia, Bulgaria, amounting to 20% (equity as of December 31, 2019: EUR 5,523k; net income for the year 2019: EUR 806k), and in Planen Bauen 4.0 GmbH, Berlin, amounting to 6.29% (equity as of December 31, 2018: EUR 369k; net income for the year 2018: EUR 0k). Nemetschek SE has an indirect minority holding through Allplan GmbH of 24.99% of the shares of Sablono GmbH, Berlin (equity as of December 31, 2019: EUR -1,004k; net income for the year 2019: EUR -329k). Full allowance is made for the investment in Sablono GmbH.

The minority holding in Docuware GmbH was sold in 2019. The item “Income from investments” includes the sales profit in the amount of EUR 31.3k.

Loans due from affiliated companies

As of the balance sheet date, Nemetschek SE discloses noncurrent interest-bearing loans to affiliated companies in the amount of EUR 18,750k (previous year: EUR 1,750k). In 2019, a loan amounting to a total of EUR 18,250k was given to Spacewell International NV (formerly FASEAS International NV). The loan is to be paid back by December 31, 2028. The loan given to MCS NV in 2018 in the amount of EUR 1,250k was repaid as of the due date December 31, 2019.

Accounts receivable and other assets

Included in other assets, in the amount of EUR 1,070k (previous year: EUR 1,663k), are receivables for corporate income tax refunds for the 2018 financial year with a remaining term of less than one year in the amount of EUR 970k (previous year: 1,467k) and with a remaining term of more than one year in the amount of EUR 16k (previous year: EUR 25k).

Accounts due from affiliated companies

Accounts due from affiliated companies mainly constitute receivables from profit and loss transfer agreements which are due within one year.

Deferred tax assets

Deferred tax assets exist as a result of the different measurement of provisions in the commercial balance sheet and the tax balance sheet as of December 31, 2019 in the amount of EUR 405k (previous year: EUR 70k). The tax rate used as a basis is 31.61%.

Subscribed capital

As a result of a capital increase from the company’s own resources, the nominal capital of Nemetschek SE rose by EUR 77,000k to EUR 115,500k (previous year: EUR 38,500k). It is divided into 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.

Capital reserve

The capital reserve remains unchanged vis-à-vis the previous year and amounts to EUR 20,530k. These revenue reserves relates other revenue reserves as per § 266 (3A) III No. 4 HGB.

Retained earnings

As a result of the resolution of the annual general meeting of May 28, 2019, EUR 77,000k from the unappropriated profit were placed in retained earings. These retained earnings were used for a capital increase from the company’s own resources.

Unappropriated profit

The unappropriated profit as follows:

in €	
As of December 31, 2018	182,183,768.74
- Dividend	31,185,000.00
- Placement as retained earnings	77,000,000.00
+ Net income 2019	150,628,818.12
As of December 31, 2019	**224,627,586.86**

Proposal on the appropriation of profits

The executive board proposes to the supervisory board that a dividend be paid for the financial year 2019 amounting to EUR 32,340,000.00. This represents EUR 0.28 per share.

This proposal is subject to the ongoing examination of the corona pandemic with regard to the overall economic development, the Group’s industry and its financial and economic situation as well as the Group’s ability to distribute dividends. Until the general meeting is convened, the executive board in agreement with the supervisory board reserves the right to adjust the proposal for the appropriation of profit.

Provisions

The income tax provisions contain provisions for trade tax for the financial years 2012 to 2019 (EUR 2,880k) and corporate income tax for the financial years 2012 to 2019 (EUR 2,062k).

Other provisions include the following amounts:

Thousands of €	As of Jan. 1, 2019	Utilization	Resolution	Supply	As of Dec. 31, 2019
Outstanding invoices	1,580	1,402	56	1,643	1,765
Commission/bonuses for employees	3,106	1,854	269	2,203	3,186
Legal and consulting fees	165	142	7	178	194
Other	185	77	0	56	164
Total	**5,036**	**3,475**	**332**	**4,080**	**5,309**

Liabilities

The liabilities, classified by due date, comprise the following:

Thousands of €	Total	Less than 1 year	1 to 5 years
Liabilities to banks	**185,800**	**56,300**	**129,500**
Dec. 31, 2018	127,800	54,000	73,800
Trade accounts payable	**1,312**	**1,312**	**0**
Dec. 31, 2018	391	391	0
Accounts payable to affiliated companies	**56,578**	**56,578**	**0**
Dec. 31, 2018	54,258	54,258	0
Tax liabilities	**1,426**	**1,426**	**0**
Dec. 31, 2018	832	832	0
Other liabilities	**1,529**	**1,529**	**0**
Dec. 31, 2018	1,569	1,569	0
Dec. 31, 2019	**246,645**	**117,145**	**129,500**
Dec. 31, 2018	184,850	111,050	73,800

Disclosed liabilities to banks are the result of loans for acquisitions. Interest ranges between 0.42% and 0.94%. The financial key figures “Debt covernants” to be met, which were agreed upon with the lenders, were met as of December 31, 2019. Liabilities vis-à-vis affiliated companies mainly comprise liabilities arising from cash pooling. The remaining other liabilities contain a subsequent purchase price obligation arising from the acquisition of the minority shares in Maxon Computer GmbH in the amount of EUR 1,500k. There are no liabilities with a remaining term of more than five years.

Deferred tax liabilities

In the 2019 financial year, deferred tax liabilities in the amount of EUR 1.028k (previous year: EUR 735k) were disclosed. The main reason for these are differences between commercial and tax-based valuation in the case of investment in a partnership in the amount of EUR 6,494k (previous year: EUR 4,644k), which were recognized with a tax rate of 15.825%.

Notes to the Profit and Loss Account

The revenues in the amount of EUR 6,320k (previous year: EUR 5,254k) mainly comprise umbrella brand license remuneration with affiliated companies, EUR 5,700k (previous year: EUR 4,726k). Of this, EUR 1,569k were realized domestically.

In the 2019 financial year, other operating income amounts to EUR 2.745k (previous year: EUR 3,047k). These also include income from appreciation in value of a financial asset amounting to EUR 1,749k, income from charging out to affiliated companies amounting to EUR 495k (previous year: EUR 658k), income from resolution provisions unrelated to the accounting period in the amount of EUR 332k (previous year: EUR 729k), and income from currency translations of EUR 136k (previous year: EUR 60k).

In the financial year, there is increased depreciation and amortization on software amounting to EUR 600k.

Other operating expenses include expenses resulting from currency translation in the amount of EUR 85k (previous year EUR 23k).

Other disclosures

Contingencies

thousands of €	**Dec. 31, 2019**	Dec. 31, 2018
Bank guarantees	365	397

Contingencies mainly affect guarantees for leases. At present, there is no indication of any utilization since Nemetschek SE has sufficient cash and cash equivalents at its disposal and, in addition, no incidents are anticipated which would lead to utilization.

In the 2019 financial year as well, Nemetschek SE submitted a letter of moral intent for Graphisoft Deutschland GmbH valid until the next balance sheet date (December 31, 2020). The obligation of Nemetschek SE to assume liabilities covers all liabilities relevant for the financial statements existing as of the balance sheet date (December 31, 2019) as well as all obligations arising from pending transactions not accounted for on the balance sheet date. Utilization is unlikely at present due to the positive earnings of Graphisoft Deutschland GmbH.

In the 2017 financial year Nemetschek SE provided an unlimited rental guarantee for RISA Tech, Inc. Utilization continues to be improbable.

Other financial obligations

Thousands of €	**Total**	Less than 1 year	1 to 5 years
Rental agreements	567	486	81
Leases	84	51	33
Total financial commitments as of December 31, 2019	**651**	**537**	**114**
Rental agreements	1,053	486	567
Leases	82	39	43
Total financial commitments as of December 31, 2018	**1,135**	**525**	**610**

There are no other financial obligations with a term of more than 5 years.

Profit and loss transfer agreements and controlling agreements exist between Nemetschek SE and the following companies:

- Frilo Software GmbH, Stuttgart
- Allplan GmbH, Munich
- NEVARIS Bausoftware GmbH, Bremen
- Maxon Computer GmbH, Friedrichsdorf (until December 31, 2019)

Profit and loss transfer agreements and domination agreements also exist between Allplan GmbH, Munich, and its subsidiaries Allplan Deutschland GmbH, Munich, and Allplan Development Germany GmbH, Munich.

The agreements with NEVARIS Bausoftware GmbH and Maxon Computer GmbH were concluded on March 28, 2019 and apply retroactively as of January 1, 2019. The approval of the annual general meeting was granted on May 28, 2019.

Personnel

Nemetschek SE employed a staff of 47 on average for the year (previous year: 46), who work in the administration department. Of these, 7 serve as executives (previous year: 6), 30 as employees (previous year: 31) and 10 as part-time staff (previous year: 9).

Information on the German "Corporate Governance Code"

The Declaration of Conformity was submitted on December 20, 2019. The relevant current version is available to the shareholders on the website of Nemetschek SE (www.nemetschek.com).

Executive board

Total remuneration granted to the executive board by Nemetschek SE for the financial year 2019 amounts to EUR 2,091k (previous year: EUR 2,267k). Total remuneration from subsidiaries for Mr. Várkonyi and Mr. Elliott amounted to EUR 1,223k (previous year: EUR 835k). Executive board remuneration is disclosed and explained in detail in the Nemetschek SE management report.

Supervisory board

The members of the supervisory board of Nemetschek SE received fixed remuneration of EUR 875k in total for the 2019 financial year (previous year: EUR 792k). Supervisory board remuneration is disclosed in detail in the Nemetschek SE management report.

Auditors' remuneration

AUDITORS' FEES

Thousands of €	2019	2018
Financial statements audit services	246	242
Other audit services	12	10
Tax advisory services	0	20
Other services	71	0
Total	**329**	**272**

Subsequent events

Under the purchase agreement of December 17, 2019, Maxon Computer GmbH acquired 100% of the shares of Red Giant LLC, Portland, United States. The purchase consideration consists of EUR 71,212k in cash and of approximately 16% of the shares in Maxon Computer GmbH. The Group obtained control as at January 7, 2020. The purchase price was financed in part by means of taking out a bank loan that is accounted as of December 31, 2019.

The profit and loss transfer and domination agreement with Maxon Computer GmbH is revoked as of January 1, 2020. The reason is the changed structure of the shareholders as a result of the acquisition of Red Giant LLC.

As of December 31, 2019, Patrik Heider stepped down as spokesman of the executive board and CFOO. Dr. Axel Kaufmann took over his functions as of January 1, 2020.

There were no further significant events after the end of the 2019 financial year.

Treasury shares

The annual general meeting on May 28, 2019 authorized the company to purchase up to 11,550,000 treasury shares by May 28, 2024, either once or several times. The executive board was empowered to use the treasury shares purchased for any legally permitted purpose.

Disclosure requirements under § 33 (1) WPHG

The direct and indirect voting rights of the following persons/institutions in Nemetschek SE as of December 31, 2019, are as follows:

- Prof. Georg Nemetschek, Munich, Germany: 52.55% (previous year: 53.05%)
- Nemetschek Vermögensverwaltungs GmbH & Co. KG, Grünwald, Germany: 52.55% (previous year: 53.05%)
- Nemetschek Verwaltungs GmbH, Grünwald, Germany: 52.55% (previous year: 53.05%)
- Allianz Global Investors GmbH, Frankfurt, Germany: 4.98% (previous year: 4.98%)
- Groupama Asset Management S.A., Paris, France: 2.91% (previous year: 3.04%)
- BlackRock, Inc., Wilmington, United States of America: 2.996% (previous year: 3.36%)

The disclosures are based on the information reported to Nemetschek SE under §§ 33ff. WpHG. The actual number of shareholder voting rights can deviate from the number disclosed due to interim, non-reportable or unreported trading.

Voting rights declaration by Nemetschek SE:

VOTING RIGHT DECLARATION

Shareholder	Stock declaration as at	Missed (-) or exceeded (+) thresholds	New voting right share	Number of voting rights	Of which held as treasury shares	Of which to be assigned
		in %	in %		in %	in %
Groupama Asset Management S.A, Germany	9/25/2019	3 (-)	2.91	3,364,038	0.00	2.91
Prof. Georg Nemetschek, Germany	8/4/2019	50, 30, 25, 20, 15, 10, 5, 3 (+)	52.55	60,698,784	4.70	47.85
BlackRock, Inc., United States of America	2/18/2019	3 (-)	2.996	3,460,671	0.00	2.996
Allianz Global Investors GmbH, Germany	10/31/2018	3 (+)	4.98	5,746,965	0.00	4.98

Supervisory board

Kurt Dobitsch, (Businessman)
Chairman
Year of birth in 1954
First appointed 1998
Term expires 2022

Member of the following supervisory boards:
- United Internet AG, Montabaur, Germany (Chairman)
  Mandates associated with the Group:
  - 1&1 Telecommunication SE, Montabaur, Germany
  - 1&1 Mail & Media Applications SE, Montabaur, Germany
  - Drillisch AG, Maintal, Germany
- Nemetschek SE, Munich, Germany (Chairman)
  Mandates related to the Group:
  - Graphisoft SE, Budapest, Hungary
  - Vectorworks, Inc., Columbia, USA
- Bechtle AG, Gaildorf, Germany
- Singhammer IT Consulting AG, Munich, Germany

Prof. Georg Nemetschek, (Businessman)
Deputy Chairman
Year of birth 1934
First appointed 2001
Term expires 2022

Rüdiger Herzog, (Lawyer)
Year of birth 1950
First appointed 2003
Term expires 2022

Member of the following supervisory boards:
- DF Deutsche Finance Holding AG, Munich, Germany (Chairman)
- DF Deutsche Finance Investment GmbH, Munich, Germany (Chairman)
- DBC Finance GmbH, Munich, Germany (Chairman)

Bill Krouch, (Businessman)
Year of birth 1959
First appointed 2018
Term expires 2022

Member of the following supervisory boards:
- INVESTCORP, New York, USA

Executive board

Dr. Axel Kaufmann
(Dipl.-Kfm.)
Spokesman of the Executive Board and CFOO
(since January 1, 2020)
Managing director Nemetschek Austria Beteiligungen GmbH

(since January 7, 2020)

Member of the following supervisory boards:
- Bluebeam Holding, Inc., USA (since January 1, 2020)
- Bluebeam Inc., USA (since January 1, 2020)
- Nemetschek Inc., USA (since January 1, 2020)

Viktor Várkonyi
(Master of Computer Science, MBA)
Chief Division Officer, Planning & Design Division
CEO Graphisoft SE (until March 31, 2019)

Member of the following supervisory boards:
- Data Design System AS, Norway
- dRofus AS, Norway
- Graphisoft SE, Hungary
- RISA Tech, Inc., USA (since May 16, 2019)
- SCIA Group International NV, Belgium (since April 12, 2019)
- SCIA NV, Belgium (since April 12, 2019)
- Solibri Oy, Finland
- Vectorworks, Inc., USA (since May 17, 2019)

Jon Elliott
(Master in Business Administration, MBA)
Chief Division Officer, Build & Construct Division
(since February 1, 2019)
CEO Bluebeam Holding, Inc., USA
CEO Bluebeam, Inc., USA
CEO Bluebeam Ltd, UK
CEO Nemetschek Inc., USA (since July 25, 2019)

Member of the following supervisory boards:
- Design Data Corp., USA (since May 16, 2019)

Patrik Heider
(Dipl.-Kfm. FH [Business degree])
Spokesman of the Executive Board and CFOO
(until December 31, 2019)

Member of the following supervisory boards:
- Bluebeam Holding, Inc., USA (until December 31, 2019)
- Bluebeam, Inc., USA (until December 31, 2019)
- Data Design System AS, Norway (until September 30, 2019)
- Design Data Corp., USA (until May 16, 2019)
- Nemetschek Inc., USA (until December 31, 2019)
- RISA Tech, Inc., USA (until May 16, 2019)
- SCIA Group International NV, Belgium (until April 12, 2019)
- SCIA NV, Belgium (until April 12, 2019)
- Solibri Oy, Finland (until May 15, 2019)
- Spacewell (formerly: FASEAS International NV/
- MCS Solutions), Belgien (until December 13, 2019))

Munich, March 27, 2020

Nemetschek SE

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

Statement of fixed assets of Nemetschek SE

from December 31, 2018 to December 31, 2019

			Development of historic costs			
2019	in €	**As of January 1, 2019**	Additions	Reclassification	Disposal	**As of December 31, 2019**
I.	**Intangible assets**					
1.	Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,716,672.11	150,719.17	90,610.87	0.00	1,958,002.15
2.	Prepayments on intangible assets	68,562.12	0.00	−68,562.12	0.00	0.00
		1,785,234.23	**150,719.17**	**22,048.75**	**0.00**	**1,958,002.15**
II.	**Property, plant and equipment**					
1.	Leasehold improvements	445,342.73	21,620.80	28,598.00	0.00	495,561.53
2.	Fixtures, fittings and equipment	1,051,169.69	292,183.12	12,464.51	2,313.63	1,353,503.69
3.	Prepayments on tangible assets and assets under construction	57,387.26	5,724.00	−63,111.26	0.00	0.00
		1,553,899.68	**319,527.92**	**−22,048.75**	**2,313.63**	**1,849,065.22**
III.	**Financial assets**					
1.	Shares in affiliated companies	425,076,199.76	143,051,058.57	0.00	0.00	568,127,258.33
2.	Loans due from affiliated companies	1,750,000.00	18,250,000.00	0.00	1,250,000.00	18,750,000.00
3.	Investments	2,073,253.93	0.00	0.00	2,013,028.09	60,225.84
		428,899,453.69	**161,301,058.57**	**0.00**	**3,263,028.09**	**586,937,484.17**
Total fixed assets		**432,238,587.60**	**161,771,305.66**	**0.00**	**3,265,341.72**	**590,744,551.54**

Development of accumulated depreciation/amortization					Carrying amount	
As of January 1, 2019	Additions	Attributions	Disposal	**As of December 31, 2019**	**As of December 31, 2019**	As of December 31, 2018
395,005.27	890,314.79	0.00	0.00	1,285,320.06	672,682.09	1,321,666.84
0.00	0.00	0.00	0.00	0.00	0.00	68,562.12
395,005.27	**890,314.79**	**0.00**	**0.00**	**1,285,320.06**	**672,682.09**	**1,390,228.96**
361,284.31	46,223.71	0.00	0.00	407,508.02	88,053.51	84,058.42
809,371.51	88,776.10	0.00	2,313.63	895,833.98	457,669.71	241,798.18
0.00	0.00	0.00	0.00	0.00	0.00	57,387.26
1,170,655.82	**134,999.81**	**0.00**	**2,313.63**	**1,303,342.00**	**545,723.22**	**383,243.86**
1,748,574.11	0.00	−1,748,574.11	0.00	0.00	568,127,258.33	423,327,625.65
0.00	0.00	0.00	0.00	0.00	18,750,000.00	1,750,000.00
0.00	0.00	0.00	0.00	0.00	60,225.84	2,073,253.93
1,748,574.11	**0.00**	**−1,748,574.11**	**0.00**	**0.00**	**586,937,484.17**	**427,150,879.58**
3,314,235.20	**1,025,314.60**	**−1,748,574.11**	**2,313.63**	**2,588,662.06**	**588,155,889.48**	**428,924,352.40**

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 annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company and the management report gives a true and fair view of business performance, including the results of operations and the situation of the company, and describes the main opportunities and risks and anticipated development of the company."

Munich, March 27. 2020

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

Independent auditor's report

To Nemetschek SE

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Nemetschek SE, Munich, which comprise the balance sheet as of 31 December 2019, and the income statement for the fiscal year from 1 January 2019 to 31 December 2019 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Nemetschek SE, which is combined with the group management report, for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the non-financial statement contained in section 2 and the report on corporate controlling and statement on corporate management contained in section 7.1.

In our opinion, based on the knowledge we obtained in the audit,

» the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019 in compliance with German legally required accounting principles, and

» the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement and the report on enterprise controlling and declaration on corporate management referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the 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 annual financial statements and of the management report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the annual 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 matter:

Impairment of non-current financial assets

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

For the audit of the impairment test of non-current financial assets, especially of shares in affiliated companies, there is an increased risk of material misstatement due to the judgment involved in the assessment of whether there is objective evidence to indicate a lower fair value and permanent impairment. Furthermore, the valuations underlying the impairment test depend to a large extent on the assessment of future cash inflows and the discount rate applied. In combination with the materiality of the balance sheet item, the impairment of financial assets was a key audit matter in the course of our audit.

Auditor's response

With regard to the lower net realizable values calculated and the assessment as to whether an impairment is expected to be permanent by management, we examined the underlying processes related to the planning of future cash flows as well as to the calculation of net realizable value. With the help of internal valuation experts, we obtained an understanding of the underlying valuation models for determining fair value both methodologically and arithmetically. We further obtained explanations from management regarding material value drivers of the planning and examined whether the budget planning reflects general and industry-specific market expectations. We performed a budget-to-actual comparison of the historically forecasted data and the actual results on a sample basis to assess forecast accuracy. The parameters used to estimate net realizable value such as the estimated growth rates and the weighted average cost of capital were assessed by comparing them to publicly available market data and in light of future changes in significant assumptions, including future market conditions. 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 relating to the assessment of the impairment of financial assets.

Reference to related disclosures

For information on the recognition and measurement policies used with respect to financial assets, we refer to the disclosures in the notes to the financial statements in the following sections: Accounting policies, Notes to the balance sheet, List of shareholdings of Nemetschek SE and Loans to affiliated companies.

Other information

The executive directors are responsible for the other information. The other information comprises:

- Activities of the Company;
- "Key Figures";
- The statement to shareholders;
- "Management" in the section "To our shareholders" of the annual report 2019;
- "Nemetschek on the Capital Market" in the section "To our shareholders" of the annual report 2019;
- "Corporate Governance" in the section "To our shareholders" of the annual report 2019;
- "Declaration of the members of the authorized body";
- Non-financial statement in the combined management report;
- Report on corporate controlling and statement on corporate management in the combined management report, and
- Reference projects.

The supervisory board is responsible for the following other information:

- Report of the Supervisory Board 2019.

Our opinions on the annual financial statements and on the 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 annual financial statements, with the 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 annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for internal controls, which they have determined in accordance with legally required German accounting principles, as necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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) that they have considered necessary to enable the preparation of a 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 management report.

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but it 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 annual financial statements and this 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 annual financial statements and of the 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 controls.
- Obtain an understanding of the internal controls relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 of the Company.
- 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

» Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view it provides of the Company's position.

» Perform audit procedures on the prospective information presented by the executive directors in the 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 controls 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 affect 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 annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

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

We were elected as auditor by the annual general meeting on 28 May 2019. We were engaged by the supervisory board on 22 October 2019. We have been the auditor of Nemetschek SE without interruption since the fiscal year from 1 January 2013 to 31 December 2013.

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ralf Bostedt.

Munich, March 27, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt	Turba
Wirtschaftsprüfer	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 2019 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), as well as the section "1.1 Business model" in the combined management report being incorporated by reference for the reporting period from 1 January 2019 to 31 December 2019 (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 1: 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 2020 and March 2020, 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 of Nemetschek SE 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,

» Analytical evaluation of disclosures in the non-financial group statement,

» Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,

» 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 2019 to 31 December 2019 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, 27 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter Wirtschaftsprüferin (German Public Auditor)	Yvonne Meyer Wirtschaftsprüferin (German Public Auditor)

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