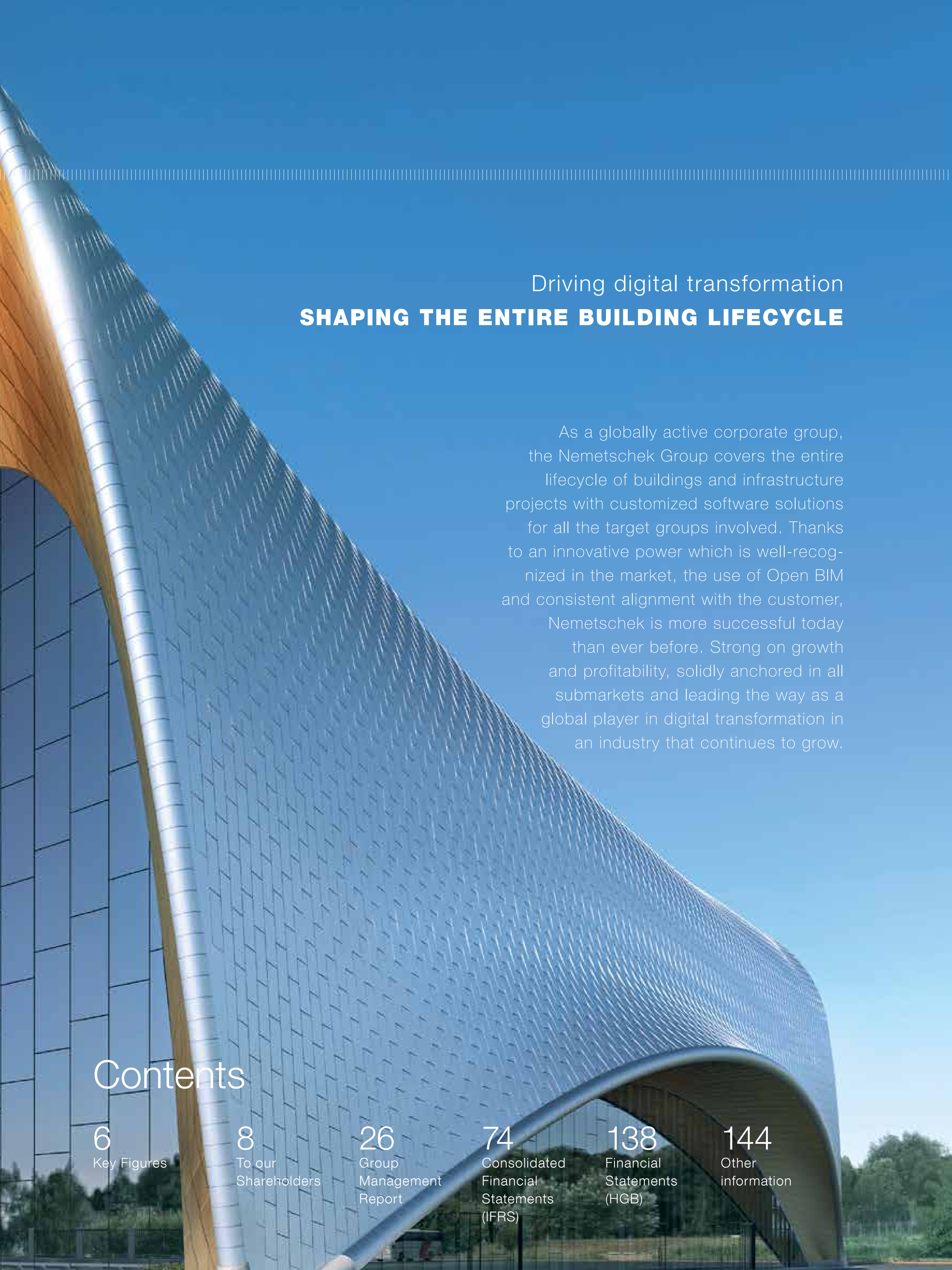
NEMETSCHEK
GROUP

ANNUAL
REPORT
2019

Driving digital transformation

SHAPING THE ENTIRE BUILDING LIFECYCLE


NEMETSCHEK
GROUP
ARCHITECTURE | ENGINEERING | CONSTRUCTION (AEC)
DESIGN
BUILD
MANAGE
MEDIA
& ENTERTAINMENT
ALLPLAN
GRAPHISOFT
NEVARIS
CREM SOLUTIONS
MAXON
VECTORWORKS
SCIA
BLUEBEAM
SPACEWELL
DATA DESIGN SYSTEM
FRILO
SDS/2
PRECAST SOFTWARE engineering
RISA
SOLIBRI
dRofus



Driving digital transformation

SHAPING THE ENTIRE BUILDING LIFECYCLE

As a globally active corporate group, the Nemetschek Group covers the entire lifecycle of buildings and infrastructure projects with customized software solutions for all the target groups involved. Thanks to an innovative power which is well-recognized in the market, the use of Open BIM and consistent alignment with the customer, Nemetschek is more successful today than ever before. Strong on growth and profitability, solidly anchored in all submarkets and leading the way as a global player in digital transformation in an industry that continues to grow.

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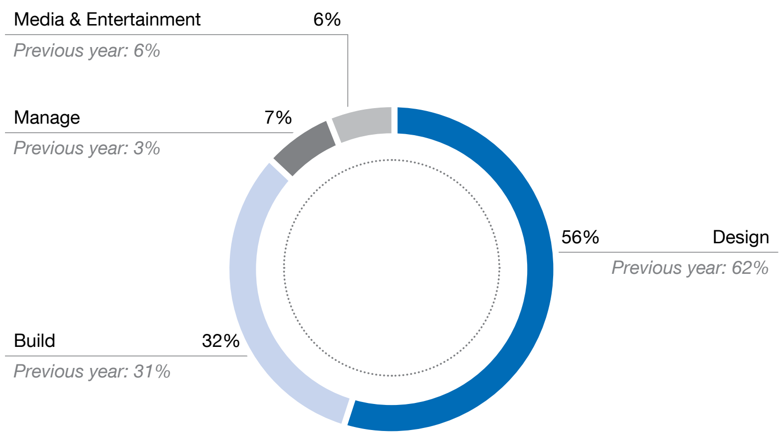
Key Figures

NEMETSCHEK GROUP

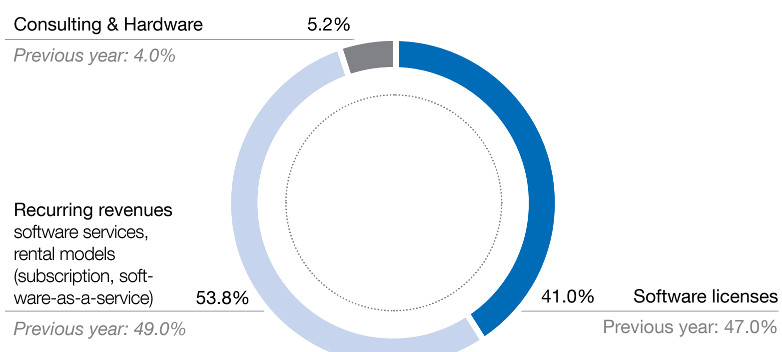
in EUR million	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Revenues	**556.9**	**461.3**	**395.6**	**337.3**	**285.3**
- thereof software licenses	228.2	216.8	195.0	175.8	150.4
- thereof recurring revenues	299.5	225.8	183.9	146.5	122.4
- subscription (as part of the recurring revenues)	50.3	23.4	13.7	–	–
EBITDA	**165.7**	**121.3**	**108.0**	**88.0**	**69.5**
as % of revenue	29.7%	26.3%	27.3%	26.1%	24.4%
EBITA	**140.7**	**112.5**	**99.9**	**80.7**	**62.8**
as % of revenue	25.3%	24.4%	25.3%	23.9%	22.0%
EBIT	**123.6**	**97.8**	**86.4**	**69.7**	**52.7**
as % of revenue	22.2%	21.2%	21.9%	20.7%	18.5%
Net income (group shares)	**127.2**	**76.5**	**74.7**	**46.9**	**35.9**
per share in €	1.10	0.66	0.65	0.41	0.31
Net income (group shares) adjusted for DocuWare effect	97.7	76.5	74.7	46.9	35.9
per share in €	0.85	0.66	0.65	0.41	0.31
Net income (group shares) before purchase price allocation	**140.3**	**88.1**	**85.2**	**55.1**	**42.8**
per share in €	1.21	0.76	0.74	0.48	0.37
Cash flow figures					
Cash flow from operating activities	160.4	99.7	97.4	79.7	65.1
Cash flow from investing activities	−83.8	−74.4	−54.6	−47.5	−41.4
Cash flow from financing activities	10.7	−10.4	−44.8	−5.5	0.1
Free cash flow	76.6	25.4	42.8	32.1	23.7
Free cash flow before M&A investments	174.5	88.5	88.2	72.6	58.9
Balance sheet figures					
Cash and cash equivalents	209.1	120.7	104.0	112.5	84.0
Net liquidity / net debt	21.0	−9.9	24.0	16.3	3.3
Balance sheet total	857.2	580.6	460.8	454.7	370.8
Equity ratio in %	40.7%	43.0%	49.5%	44.4%	45.0%
Headcount as of balance sheet date	2,875	2,587	2,142	1,925	1,754
Share figures					
Closing price (Xetra) in €	58.80	31.92	24.95	18.42	15.34
Market Capitalization	6,791.40	3,686.38	2,881.34	2,127.51	1,772.16

The previous year's figures have been adjusted due to the stock splits in 2015 and 2019.

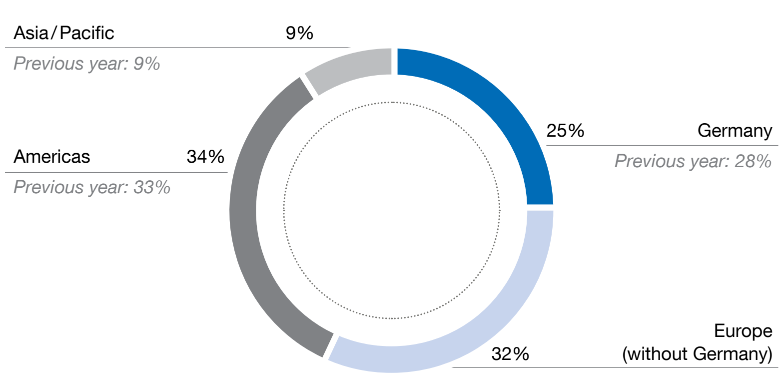
REVENUES BY SEGMENT IN %



REVENUES BY TYPE IN %



REVENUES BY REGION IN %



To our Shareholders

Dear shareholders,

The Nemetschek Group continued on its successful course from years past in 2019 as well, and even slightly exceeded its set targets with regard to revenue and earnings. Our operating development followed from a strengthening of our global alignment, the further development of our solution portfolio, and the acquisition of new customers. We again undertook strategic acquisitions which reinforce our competitive position and foster further development.

Overview of financial key figures

In 2019, Nemetschek was once again able to achieve double-digit growth and increase profitability over-proportionally compared to revenue:

- Group revenue rose to EUR 556.9 million, a growth of about 21% compared to the previous year. Currency-adjusted, there was 18% growth. The rise in revenue is attributable to organic growth of around 16% and to the strong business development of the newly acquired Spacewell brand in the Manage segment. All four segments contributed to this favorable development with double-digit rates of growth.
- Recurring revenues from software service contracts and subscriptions, which rose by some 33% to EUR 299.5 million, continued to be growth drivers, and thus account for 54% of Group revenue.
- Revenues generated abroad rose by around 24% to EUR 415.7 million in 2019. Thus, Nemetschek meanwhile generates approximately three quarters of revenues outside of Germany in the relevant markets of North America, Europe and Asia – and the tendency is on the rise.
- Consolidated operating earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 36.6% to EUR 165.7 million, which was over-proportional compared to revenue, also as a result of positive effects arising from foreign currencies and from the initial application of the new IFRS 16 standard for the accounting of leases. Consequently, the EBITDA margin rose from 26.3% in the previous year to 29.7%. But even without the effects mentioned, the EBITDA margin at 27.0% was higher than the previous year's level.
- The net income for the year increased significantly by about 66% to EUR 127.2 million, which was also the favorable result of the one-off gain arising from the sale of the nonstrategic interest in DocuWare. The earnings per share rose accordingly to EUR 1.10 (previous year: EUR 0.66).
- The operating cash flow increased significantly by around 61% to EUR 160.4 million. The cash conversion rate was very high, at about 97% .

The sustainably favorable operating development of the Nemetschek Group is based on a very sound foundation of equity and financing: with cash and cash equivalents amounting to more than EUR 200 million and an equity ratio of approximately 41% as of the end of 2019, we pursue our activities on the basis of an unchanged position of financial strength. Our financing power allows us to be independent and gives us room to maneuver – also and especially in times of uncertainty.

Digital transformation driver with focus on benefits to the customer

Our target markets find themselves in a phase of major changes. Digitalization and sustainability are trends that have disruptive potential, and there continues to be an enormous need for the AEC industry to catch up in terms of digitalization and interlinking. Our objective is to contribute considerably to shaping these trends, and to support our customers in their transformation processes. As a result, we have chosen *"Driving digital transformation. Shaping the entire building lifecycle."* as the title for this annual report.

In all that we do, we have always focused on the wishes and needs of our approximately 6 million users worldwide. It is our objective to consistently create even more added value for them with our products. This can only succeed if our strong growth and the consequent increase in the size of the Nemetschek Group does not come at the cost of proximity to the customer. The leadership structure, which was implemented in 2019 and focuses on our segments, also serves this purpose. In this way, it is possible for us to act with even greater strength in our markets and consolidate our expertise and processes in the individual segments.

Future strategic focuses – clear commitment to sustainability

The subject of sustainability also affects the investment decisions of our customers more and more. The construction sector is one of the most resource-intensive industries; it needs to become more efficient, and it needs to design, build and manage buildings with greater sustainability. The optimized interplay between all those involved in the building project enabled by consistent digitalization and end-to-end workflows offers the entire AEC industry a chance to become more than 20 percent more efficient with regard to reduced construction times, improved quality and cost-savings. This is precisely where our solutions come into play. In this way, the Nemetschek Group is making an important contribution to climate and environmental protection.

Guidance for 2020: securely aligned for the future

The strengths of our Group – an extremely successful and value-generating business model, sound balance sheet ratios and great financial strength – are a very good basis for responding to difficult and challenging market phases. Since March of this year at the latest, the so-called coronavirus crisis has had the world at its mercy. We all know that the consequences of the pandemic are dire for global economic development, but no one is in a position to make a reliable estimate regarding the scope or the duration at the present time.

Today, Nemetschek is better and stronger than ever before. With our strong positioning in many countries with great catch-up potential in the field of digitalization in mind, 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 growth trends in our relevant markets continue to remain intact in the long term. 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 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 resilience 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.

Irrespective of the strategic advantages, our expectations for the year 2020 take into account the exceptional global situation with the necessary caution and to be cautious in setting our business targets: Taking into account exchange rate fluctuations and the sharp increase in macroeconomic uncertainties, from today's view, we anticipate 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. 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.

The absolutely favorable performance of the past year and very good reputation of the company is attributable to the expertise and great dedication of our approximately 2,900 employees. I warmly thank them, also on behalf of my fellow executive board members, for their service in 2019. Our thanks also go out to all customers, business partners and, of course, you, the shareholders of our company. We look forward to the future together with you.

Sincerely yours,

Dr. Axel Kaufmann

Management

From left to right: Koen Matthijs, Jon Elliott, Dr. Axel Kaufmann, Viktor Várkonyi

KOEN MATTHIJS CHIEF DIVISION OFFICER, OPERATE & MANAGE DIVISION

JON ELLIOTT CHIEF DIVISION OFFICER, BUILD & CONSTRUCT DIVISION

DR. AXEL KAUFMANN SPOKESMAN AND CHIEF FINANCIAL & OPERATIONS OFFICER (CFOO)

VIKTOR VÁRKONYI CHIEF DIVISION OFFICER, PLANNING & DESIGN DIVISION

DR. AXEL KAUFMANN

SPOKESMAN OF THE EXECUTIVE BOARD AND
CHIEF FINANCIAL & OPERATIONS OFFICER (CFOO)

"THE NEW DIVISION STRUCTURE BRINGS US EVEN CLOSER TO CUSTOMERS AND THE MARKET"

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

Born in 1969 – Nationality: German

VIKTOR VÁRKONYI

CHIEF DIVISION OFFICER, PLANNING & DESIGN DIVISION
MEMBER OF THE EXECUTIVE BOARD

"WE DRIVE DIGITALIZATION IN THE CONSTRUCTION INDUSTRY ALONG THE ENTIRE VALUE CHAIN"

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

Born in 1967 – Nationality: Hungarian

JON ELLIOTT

CHIEF DIVISION OFFICER, BUILD & CONSTRUCT DIVISION
MEMBER OF THE EXECUTIVE BOARD, CEO OF BLUEBEAM, INC.

"OUR SOLUTIONS EMPOWER OUR CUSTOMERS TO DELIVER PROJECTS ON TIME AND ON BUDGET"

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

Born in 1976 – Nationality: US American

KOEN MATTHIJS

CHIEF DIVISION OFFICER, OPERATE & MANAGE DIVISION

"EMPLOYEES, COMPANIES AND THE ENVIRONMENT BENEFIT FROM SMART BUILDINGS"

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

Born in 1971 – Nationality: Belgian

Supervisory Board's Report on the 2019 Financial Year of Nemetschek SE

The supervisory board of Nemetschek SE involved itself extensively with the situation and development of the Nemetschek Group during the 2019 financial year. Over the course of the financial year, the committee followed the executive board closely, advised it with regard to important issues and monitored it in addition to carrying out the tasks assigned to the supervisory board by law, the Articles of Incorporation and the Articles of Association with the utmost care.

Constructive deliberations between supervisory board and executive board

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

The supervisory board regularly and intensively discussed the developments in the respective months and reporting quarters, the short-term and medium-term prospects and the long-term growth and earnings strategy internally with the executive board. This also included information on deviations in business development vis-à-vis planning. The supervisory board was very involved in all decisions of fundamental importance for the company. Outside the regularly scheduled sessions as well, the supervisory board and the executive board maintained close contact.

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

Meetings, participation and topics of focus

In the fiscal year 2019, the supervisory board met in person at four regular supervisory board meetings (March, July, October and December) at which the executive board informed the supervisory board of the economic situation and business development. The complete supervisory board was in attendance at all meetings. In addition to the meetings, there were further resolutions on current topics, for which the written circular procedure was used. As a result of its composition with four members, the supervisory board formed no committees.

The deliberations focused in particular on the further internationalization of company business, potential acquisition targets, strategic projects at holding and segment levels and the further development of the Group's solution portfolio. Detailed reports concerning the four segments and the brand companies were received by the supervisory board. Business performance which deviated from the corresponding annual targets was discussed in detail at the supervisory board meetings and analyzed. The executive board presented the strategy for acquisitions and actual projects and decided on them in close collaboration with the supervisory board.

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

» Annual financial statements and consolidated financial statements for the 2018 financial year

» Proposal on the appropriation of profits for the 2018 financial year

» Invitation and agenda items for the regular 2019 annual general meeting with proposed resolutions to the annual general meeting as well as the supervisory board's report for the 2018 financial year

» Sustainability reporting in the Group

» Executive board and general managers' specification of targets reached in 2018 and release of payment of variable remuneration shares as well as the definition of target agreements for the 2019 financial year; nominations for participation in the "Long-Term Incentive Plan" (LTIP)

» Declaration of Conformity in accordance with the "German Corporate Governance Code"

» Group planning, revenue planning, result planning and investment planning for 2019 as well as ongoing discussion of the current situation

» Strategic projects at Group and segment levels and alignment of the Nemetschek Group and its internationalization as well as target achievement during implementation

» Development of market and competition

» Acquisition strategy and strategic partnerships at holding and segment levels

» Acquisition in the Manage segment: Acquisition of the Axxerion Group based in the Netherlands by the Spacewell umbrella brand

- » Acquisitions in the Media & Entertainment segment: Acquisition of Redshift Rendering Technologies, Inc. as well as of RedGiant based in the USA by Maxon Computer GmbH
- » Sale of 22.4% interest in DocuWare
- » Internal control and early stage risk detection systems, audit and compliance report
- » Capital market, investor development and share price development
- » New executive board structure
- » Group planning and revenue, result and investment projects for the 2020 financial year

Composition of executive board and supervisory board

As in the previous year, the executive board consisted of three members. At the beginning of the 2019 financial year, the supervisory board established a new executive board structure with a stronger focus on the segments. Thus consideration is given to the strategic alignment of the Nemetschek Group which involves even greater consolidation of the competencies of the brand companies in the customer-oriented four segments Design, Build, Manage and Media & Entertainment.

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

- » Viktor Várkonyi, member of the executive board since December 2013, was appointed to the board for the Design segment to go into effect as of February 1, 2019. Consequently, he stepped down from his previous function as CEO of the Graphisoft brand.
- » Jon Elliott, CEO of the Bluebeam brand, was appointed to the board of the Build segment to go into effect as of February 1, 2019; he remained executive board member and CEO of Bluebeam.
- » As before, Patrik Heider, member of the executive board since March 2014, remained Spokesman of the Executive Board and CFOO in the reporting year. In addition, he was appointed to the board for the Media & Entertainment segment.

Patrik Heider left the company of his own accord at the end of the year. The supervisory board would like to thank Mr. Heider for his outstanding performance and his high level of commitment over the past six years and wish him all the best for the future. As the Spokesman of the Executive Board and CFOO of the Group, he contributed significantly to the successful development of the Nemetschek Group.

At the same time, the supervisory board welcomes Dr. Axel Kaufmann. He was appointed Spokesman of the Executive Board and CFOO of Nemetschek SE as of January 1, 2020. In addition to these roles, he will be responsible for the growth-intensive Media & Entertainment business unit. Dr. Kaufmann takes on these important roles in Nemetschek SE as a very experienced manager with many years of international industry experience and a great deal of financial expertise. The supervisory board is convinced that, together with the existing, very experienced and international Nemetschek SE executive board team, Dr. Kaufmann will lead the company into the next era of innovation and growth.

In 2019 the composition of the supervisory board remained unchanged in terms of personnel vis-à-vis the previous year; the supervisory board consisted of the following four members:

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

Audit of the annual financial statements and consolidated financial statements

On May 28, 2019, the annual general meeting chose auditing firm Ernst & Young GmbH, Munich, for the audit of the individual financial statements and the consolidated financial statements for 2019 as well as the corresponding consolidated management report. The supervisory board was convinced as to the independence of the auditor and obtained a written declaration from the auditor.

The annual financial statements of Nemetschek SE for the 2019 financial year prepared by the executive board according to the German Commercial Code (HGB), as well as the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315a (1) of the German Commercial Code (HGB), and the consolidated management report for Nemetschek SE and the Group for the 2019 financial year were audited and approved without qualification by auditing firm Ernst & Young GmbH, Munich.

The specified final documents of the SE, the Group and the executive board's proposal on the appropriation of profits as well as the auditor's reports were available to the members of the supervisory board sufficiently in advance of the balance sheet meeting on March 27, 2020. The auditor took part in the meeting, reported extensively on his auditing activities and the main audit results, explained the audit report and provided detailed answers to all of the supervisory board members' questions.

Taking the auditor's reports into consideration, the supervisory board has examined the annual financial statements, the consolidated financial statements and the consolidated management report for Nemetschek SE and the Group and is convinced of the correctness and completeness of the actual information. The supervisory board concurs with the result of the audit performed by the auditor and has determined that there are no reservations to be raised. The supervisory board approved the 2019 financial statements and consolidated financial statements of Nemetschek SE at the balance sheet meeting of March 27, 2020. The 2019 annual financial statements are thus final within the scope of § 172 of the German Stock Corporation Act (AktG).

Reporting on sustainability

Nemetschek SE integrated its non-financial declaration into the management report. Auditing firm Ernst & Young GmbH subjected the non-financial Group declaration of the Nemetschek Group to an audit in order to obtain limited assurance. The supervisory board also checked the non-financial declaration and has come to the conclusion that the non-financial declaration provides no grounds for reservations.

Conflicts of interest

In the reporting year, there were no conflicts of interest on the part of the supervisory or executive board members.

Corporate governance

The supervisory board was continuously occupied with the principles of good corporate governance in the 2019 financial year. In March and in December 2019, the supervisory board and executive board submitted an updated Declaration of Conformity as per § 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the website of the Nemetschek Group. Nemetschek SE conforms to the recommendations of the Government Commission of the German Corporate Governance Code as per the version of the code published in the Federal Gazette in April 2017 with the exception of the justified deviations specified in the Declaration of Conformity. For details on this subject, please refer to the Group Management Report 2019 under the section Report on Enterprise Controlling and Declaration on Corporate Management or visit the website https://ir.nemetschek.com/websites/nemetschek/English/5100/declaration-of-conformity.html.

Thanks for dedicated performance

In the 2019 financial year, the Nemetschek Group had another very successful year with revenue growth recorded in the double-digit percentage range together with a simultaneous increase in profitability, and exceeded its set objectives. The supervisory board thanks all employees worldwide for their excellent work and personal commitment. At the same time, the supervisory board would like to express its recognition and high level of appreciation to the executive board and the CEOs of all the brands for their performance.

Munich, March 27, 2020

Kurt Dobitsch
Chairman of the supervisory board

Nemetschek on the Capital Market

Favorable year 2019

In 2019, irrespective of geopolitical risks, such as the prolonged Brexit negotiations and the trade dispute between the USA and China, global stock markets achieved record figures. Impetus came primarily from expansive monetary and fiscal policy. Towards the end of the year, progress made with regard to the US-Chinese trade conflict, the implementation of Brexit and hopes for a continued upward economic trend also had a positive effect on stock markets.

All in all, record levels were reached in stock markets: for the year as a whole, the leading German index DAX rose by about 25% and the MDAX by 31%. The TecDAX, which contains the 30 largest technology values, posted a rise in value of about 23%. The comparative index STOXX Europe Total Market Software & Computer Services posted a positive development and increased by about 32%.

Nemetschek share developed more strongly than comparative indexes

The value of the Nemetschek share was able to rise faster than the comparative indexes.

On January 2, 2019, the share started the new year at a price of EUR 31.83. Right at the start of the year, it dropped to an all-time low of EUR 30.41 (January 3, 2019) in a market environment that was still very volatile. Thereafter, the share developed with considerably more strength than the German indexes. During this time, Nemetschek posted several positive company news, including the acquisition of Axxerion by the brand Spacewell on January 11; the preliminary annual figures for 2018 on February 6; the announcement of an increased dividend payout on March 21; and the publishing of the annual financial statements for 2018 on March 29, at which time the Nemetschek Group also published its ambitious forecast for 2019.

The share price continued to rise in the second quarter as well, also supported by the favorable first quarter, the results of which were published on April 30. After a consolidation phase, the share rose considerably yet again. However, in spite of the favorable half-year figures, which were announced on July 26, the Nemetschek share was unable to remain at this level and again posted a move towards consolidation during late summer and autumn. Then, starting in November, the instrument again increased in value in a very favorable market environment and reached its all-time high of EUR 59.25 on December 23. The Nemetschek share closed the 2019 financial year at a price of EUR 58.80. This corresponds to an increase of 84.7% since the beginning of the year.

All share price and yield data in this section are calculated on the basis of the share split resolved by the Annual General Meeting on 28 May, 2019 in order to ensure comparability of the numbers.

Yield, market capitalization and rating

Including the Nemetschek SE dividend in the amount of EUR 0.27 per share paid out in June 2019, a total yield (price performance and dividend) for the share of 85.2% (previous year: 28.9%) is the result for 2019. The pure dividend yield amounted to 0.5% (previous year: 0.8%).

In keeping with the very positive share price development, the market capitalization of Nemetschek SE increased from EUR 3.69 billion as of December 31, 2018 to EUR 6.79 billion as of the end of the reporting year. This corresponds to a rise in value of more than EUR 3.10 billion.

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

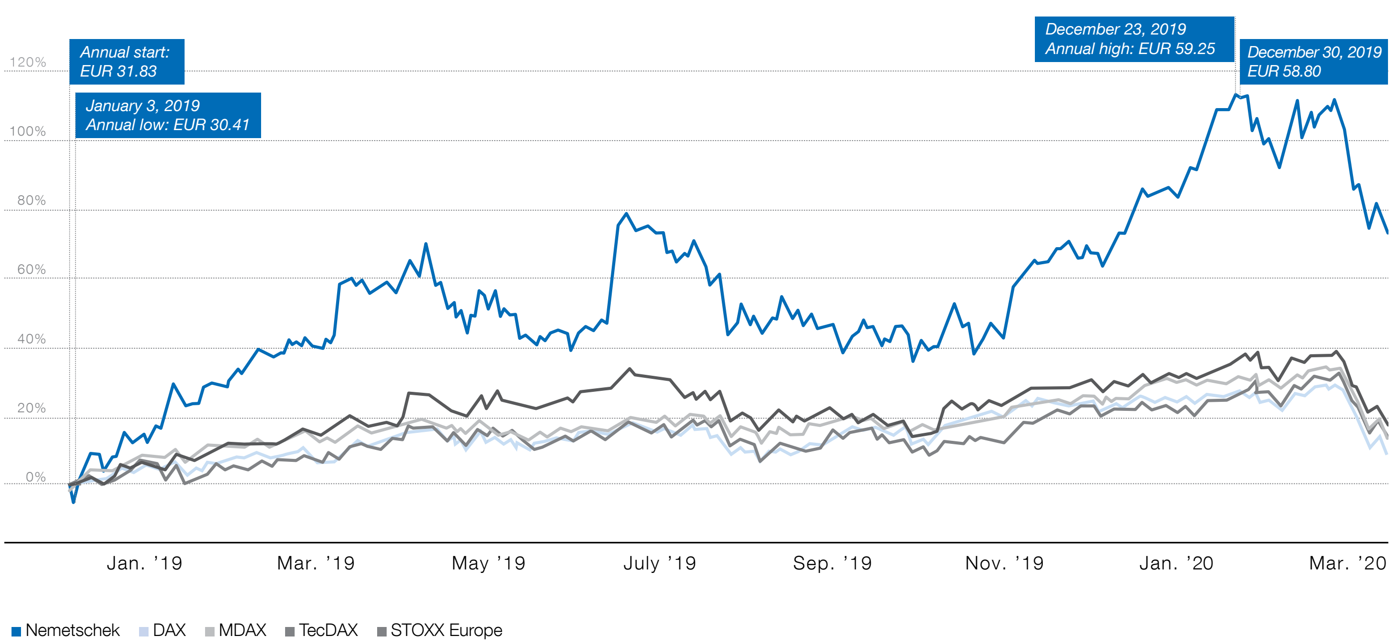
Market development in the current financial year

At the beginning of 2020, the Nemetschek share increased considerably in value once again in an as-yet favorable market environment, and on January 22 reached an all-time high to date in 2020 of EUR 68.40. Following this, the increasing spread of the coronavirus worldwide led to great uncertainty and massive declines in share prices on global stock markets. In keeping with the market as a whole, the Nemetschek share also lost considerable value.

Nemetschek's ranking on the MDAX and TecDAX

As of December 31, 2019, the ranking of Deutsche Börse listed Nemetschek 60th (previous year: 78th) for market capitalization (in terms of free float) on the MDAX, and 12th on the TecDAX (previous year's ranking: 16th). During the 2019 financial year, an average of 224,215 shares were traded daily via the electronic trading platform Xetra, which was more than in the previous year (220,922 shares). The average daily volume on Xetra increased accordingly from EUR 7.99 million in 2018 to EUR 10.58 million in 2019. Nemetschek ranked 69th on the MDAX (previous year: 85th) and 17th on the TecDAX (previous year's ranking: 19th) for the volume of shares traded.

PRICE DEVELOPMENT OF NEMETSCHEK SHARES IN THE YEAR 2019/BEGINNING OF 2020 COMPARED TO SELECTED INDEXES (INDEXED)



Annual general meeting approved all items on the agenda

At the regular annual general meeting of Nemetschek SE held in Munich on May 28, 2019, a large majority of the company's shareholders approved all agenda items.

Dividend

For the 2018 financial year, the shareholders resolved on a dividend in the amount of EUR 0.27 per share, an increase of about 8% compared to the previous year (EUR 0.25 per share). Nemetschek SE thus continued with its sustainable dividend policy and paid out a dividend for the tenth time in a row, this year being the sixth consecutive increase. The total dividends to be distributed amounted to EUR 31.2 million (previous year: EUR 28.9 million). The dividend payout ratio for the 2018 financial year is therefore approximately 31% – in relation to the operating cash flow.

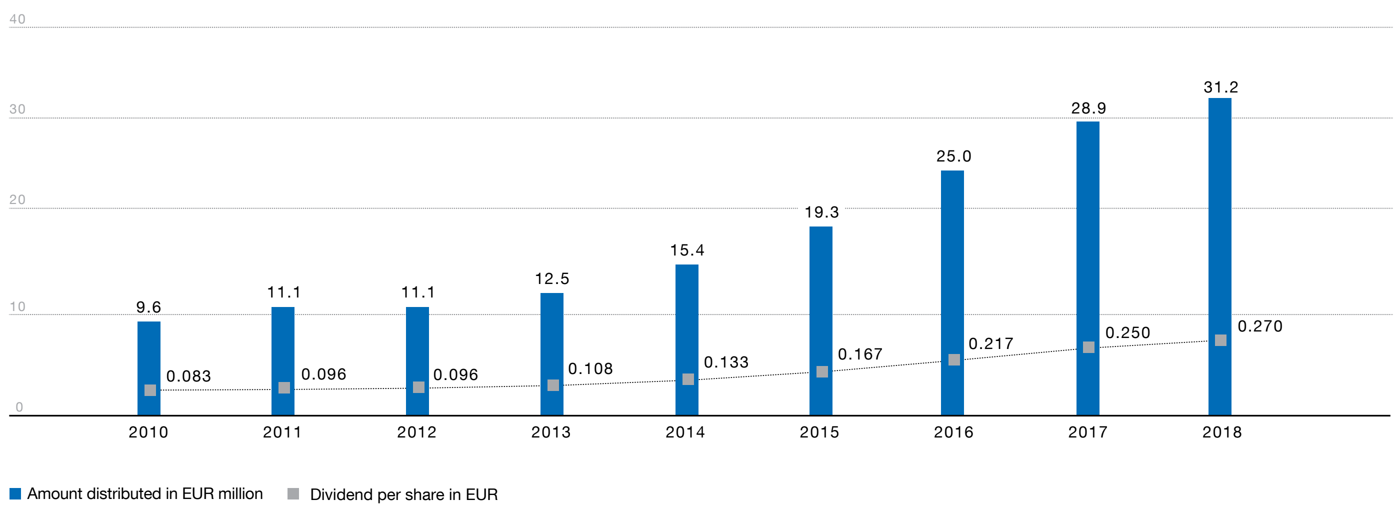
Stock split

Moreover, the annual general meeting approved the stock split at a ratio of 1:3 proposed by the executive board and the supervisory board, which will be implemented as of June 28, 2019. Every shareholder received two shares for every Nemetschek share held at no further charge by means of a corresponding depot credit. The stock split was technically carried out by means of a capital increase of the company's funds, as a result of which the nominal capital of Nemetschek SE rose by EUR 77 million from EUR 38.5 million to EUR 115.5 million, divided into 115,500,000 no-par value bearer shares. Given that the overall value remained the same, the estimated price level of the Nemetschek share for the shareholders was accordingly divided by three.

Dividend policy

The Nemetschek Group pursues 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.

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

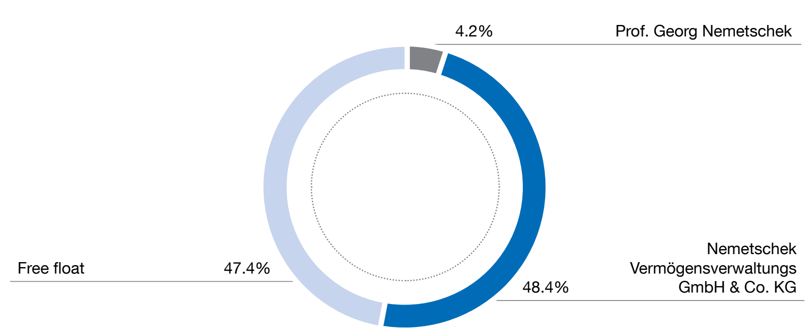


Shareholder structure

The free float amounted to 47.4 percent as of December 31, 2019. It was spread across a regionally widely diversified shareholder structure with a high proportion of international investors, primarily from the USA, France, Great Britain, Switzerland and Scandinavia.

Nemetschek Vermögensverwaltungs GmbH & Co. KG continues to be the biggest shareholder in the company, with a share of 48.4% (55,868,784 shares). Furthermore, 4.2% (4,830,000 shares) are held directly by Prof. Georg Nemetschek. For the shares held by Nemetschek Vermögensverwaltungs GmbH & Co. KG and the shares held directly by Prof. Georg Nemetschek, there continues to be a pooling agreement, which serves to ensure a shareholder structure that is permanently stable.

SHAREHOLDER STRUCTURE*



* Direct shareholdings as of December 31, 2019.

Research coverage

At present, the Nemetschek Group is covered by 14 analysts from various banks and research enterprises that regularly publish studies and commentaries on the current development of the company.

Nemetschek is in regular and constructive communication with all institutes, which in the past financial year was intensified by visits by analysts to company headquarters, various conferences and jointly conducted road shows.

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

Extensive communication with the capital market

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

In the 2019 financial year as well, numerous contacts to existing and potential investors were made. The executive board provided information on the economic situation, corporate strategy and future prospects of the Group within the scope of individual dialogs, road shows and investor conferences, held primarily in financial centers in Europe and North America. Moreover, many investors took advantage of the opportunity to familiarize themselves with the company within the scope of a visit to the Group's headquarters in Munich.

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

KEY FIGURES ON SHARES

	2019	2018
Earnings per share in €	1.10	0.66
Annual performance	84.7	28.1
High in €	59.25	51.13
Low in €	30.41	23.96
Closing price in €	58.80	31.92
Price/earnings ratio	53.45	48.36
Market capitalization in € million	6,791.40	3,686.38
Average number of shares traded per day (Xetra)	224,215	220,922
Average number of outstanding shares	115,500,000	115,500,000

Corporate Governance

The Nemetschek Group is a globally active corporation with an international shareholder structure. Consequently, the executive and supervisory boards place particular importance on responsible and transparent company leadership and control which is aligned with value creation in the long term. Meaningful and transparent corporate communication, observance of shareholder interests, forward-looking handling of risks and opportunities and efficient and trustful cooperation between the executive board and the supervisory board are the hallmarks of good corporate governance. The latter is conducive to the Nemetschek Group's gaining the trust of shareholders, business partners, employees and the general public. At the same time, these principles are important orientation standards for the management and control of the Group. In the following, the executive board and supervisory board jointly report on corporate governance at Nemetschek SE as per the German Corporate Governance Code.

Leadership structure and company structure

The Nemetschek Group comprises Nemetschek SE and its Group companies. Nemetschek SE, as a Societas Europaea, has three bodies: the annual general meeting, the supervisory board and the executive board. As owners of the company, the shareholders exercise their rights at the annual general meeting. After conversion of the form of business from a German "Aktiengesellschaft" (AG) to a European SE in 2016, the company retained the dual management and monitoring structure composed of two bodies: the executive board and the supervisory board.

DUAL MANAGEMENT SYSTEM OF NEMETSCHEK SE

EXECUTIVE BOARD		SUPERVISORY BOARD
Appointment by supervisory board	← appoints the executive board ← monitors the executive board ← advises the executive board reports to the supervisory board →	Election by the annual general meeting. Chairman is elected by supervisory board.

Executive board

As in the previous year, the executive board consisted of three members. At the beginning of the 2019 financial year, the supervisory board established a new executive board structure with a stronger focus on the segments. Thus consideration is given to the strategic alignment of the Nemetschek Group, which involves even greater consolidation of the competencies of the brand companies in the four customer-oriented segments: Design, Build, Manage and Media & Entertainment.

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

- Viktor Várkonyi, member of the executive board since December 2013, was appointed to the board of the Design segment to go into effect as of February 1, 2019. Consequently, he stepped down from his previous function as CEO of the Graphisoft brand.
- Jon Elliott, CEO of the Bluebeam brand, was appointed to the board of the Build segment to go into effect as of February 1, 2019; he remained executive board member and CEO of Bluebeam.
- As before, Patrik Heider, member of the executive board since March 2014, remained Spokesman of the Executive Board and CFOO in 2019. In addition, he was appointed to the board of the Media & Entertainment segment. He left the company of his own accord at the end of the year.

As of January 1, 2020, Dr. Axel Kaufmann was appointed Spokesman of the Executive Board and CFOO of Nemetschek SE by the supervisory board. In addition to these roles, he is responsible for the Media & Entertainment business unit.

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

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

Supervisory board

In 2019 the composition of the supervisory board, in terms of personnel, remained unchanged vis-à-vis the previous year.

The supervisory board consisted of the following four members:

» Kurt Dobitsch, Chairman of the supervisory board

» Prof. Georg Nemetschek, Deputy Chairman

» Rüdiger Herzog, member of the supervisory board

» Bill Krouch, member of the supervisory board

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

The supervisory board is elected by the annual general meeting. The election of the supervisory board conforms to the recommendations of the German Corporate Governance Code; all supervisory board members are elected individually. The members of the executive board are appointed by the supervisory board. For Nemetschek SE, the appointment of executive board members, like the filling of executive positions, is invariably subject to the relevant criteria of quality and suitability, and is independent of gender. Based on the principle of qualification-based neutrality, Nemetschek SE is assured to best serve the interests of the company.

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

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

» Every member is to have a general understanding of the business of the Nemetschek Group, especially of the worldwide AEC market environment, the individual business segments, the customer requirements, the regions in which the company conducts business, and the strategic alignment of the enterprise.

» At least one member is to have expertise in the areas of accounting or auditing.

» At least two members are to fully meet the criterion of internationality or have acquired operational experience in internationally active enterprises.

» One or more members are to have expertise in the area of business administration.

» On the board as a whole, one or more members are to have experience in the area of governance, compliance and risk management.

» All members are to have operational experience in human resources management.

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

According to the supervisory board and taking the owner structure of Nemetschek SE into account, all of the members of the supervisory board are independent according to the terms of the German Corporate Governance Code, i.e. none of the members of the supervisory board has a personal or business relationship with Nemetschek SE or with its Group companies, the bodies of Nemetschek SE or a shareholder with controlling interest of Nemetschek SE, which would constitute a major conflict of interest which is not merely temporary.

For the purpose of self-assessment, the supervisory board regularly conducts efficiency evaluations. Additional information on the executive board and the supervisory board, in particular with regard to their working methods and further mandates performed by the members, can be found in the supervisory board's report, in the notes to the consolidated financial statements and in the management report under "Report on enterprise controlling and declaration on corporate management."

Remuneration of executive board and supervisory board

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

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

Compliance and the management of opportunities and risks

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

Compliance

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

Compliance culture and targets

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

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

Compliance organization

Compliance activities are closely linked to risk management and the internal control system. The business unit Corporate Legal & Compliance controls compliance activities Group-wide. The focus is on creating suitable structures and processes as well as providing support for the efficient implementation of compliance measures. In addition, the business unit Corporate Legal & Compliance is available as a contact partner in the case of individual questions arising from the organization. There is a direct line of reporting to the CFOO of the Nemetschek Group.

Compliance program and communication

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

Compliance reporting channels, reviews and further development

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

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

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

Financial reporting and year-end audit

Nemetschek SE prepares its consolidated financial statements as well as the consolidated interim reports as per the International Financial Reporting Standards (IFRS). The annual financial statements of Nemetschek SE (individual financial statements) are prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared by the executive board, examined by the auditor and approved by the supervisory board. The annual general meeting selected auditing firm Ernst & Young GmbH, Munich, as auditors and Group auditors for the 2019 financial year. The supervisory board commissions the audit and specifies the topics of focus for the audit. It also sets the remuneration for the audit and verifies the independence of the auditor.

Shareholders and the annual general meeting

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

Transparency and communication

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

Directors' dealings, voting rights and stock option scheme

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

Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) dated December 2019

In December 2019, the supervisory board and executive board submitted an updated Declaration of Conformity as per § 161 of the German Stock Corporation Act (AktG). This is provided in its entirety as a part of the Declaration on Corporate Governance on page 64 of the Consolidated Management Report in addition to being published on the website www.nemetschek.com.

Munich, March 27, 2020

For the Executive Board	For the Supervisory Board
Dr. Axel Kaufmann Spokesman of the Executive Board	Kurt Dobitsch Chairman of the Supervisory Board


WAAHNSINN
ORDNUNGSZELLE
BAROCKENGEL
GOTTI
RÄTEREPUBLIK

House of Bavarian History

Regensburg, Germany

ARCHITECTS: wörner traxler richter planungsgesellschaft mbh

PARTICIPATING BRAND: ALLPLAN

Group Management Report

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.

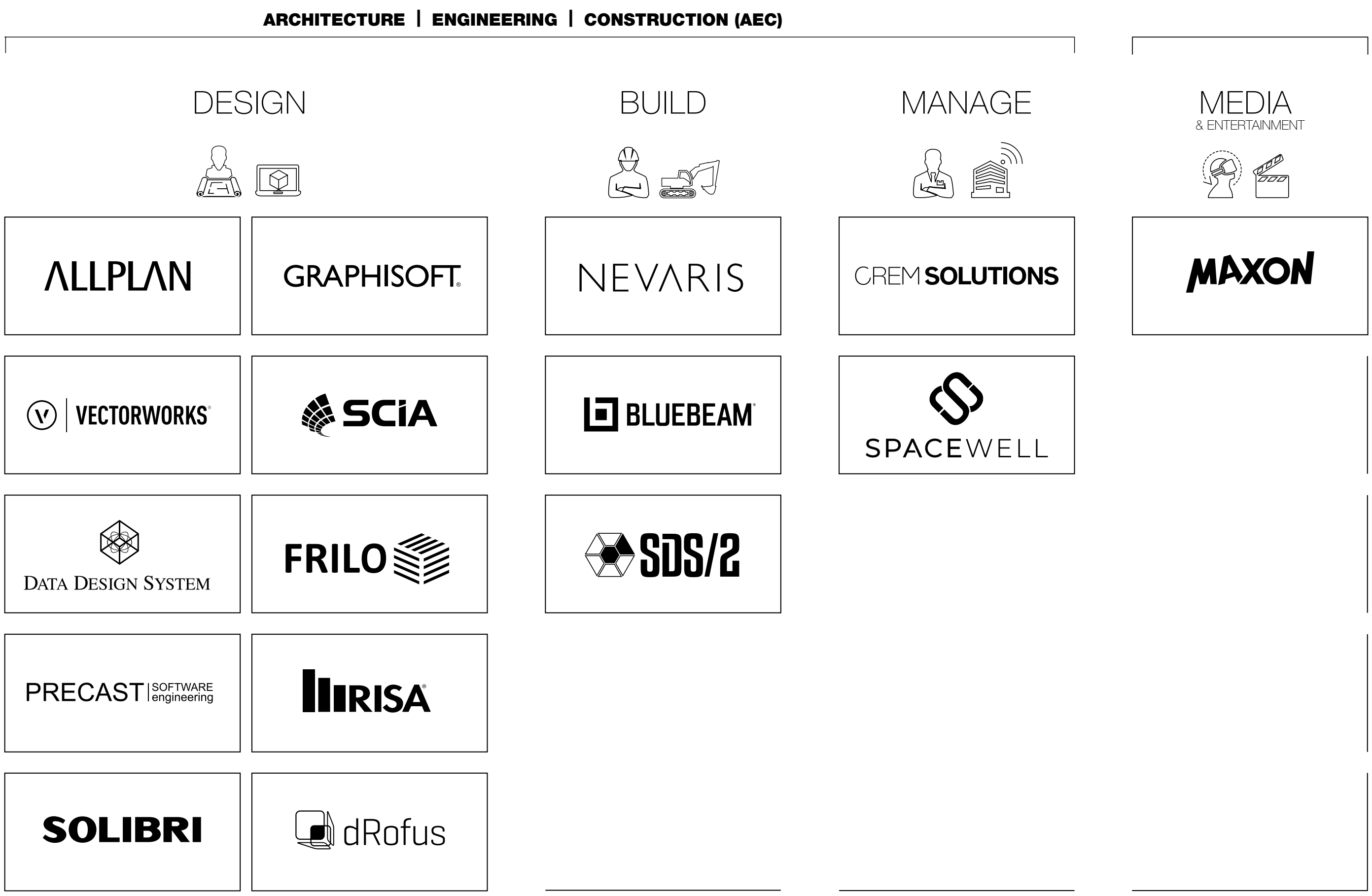
Within the planning, construction and administrative process of buildings, the central working method is Building Information Modeling (BIM), a term synonymous with the digitalization of the construction industry. BIM is used to digitally record and connect all design, quality, timing and business requirements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

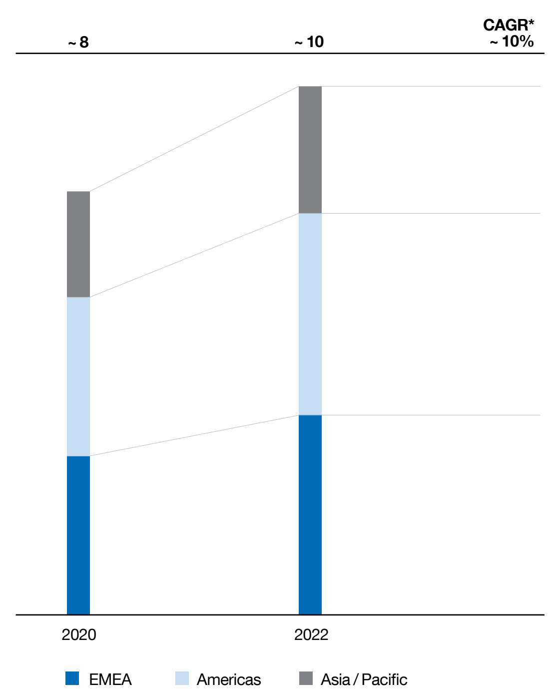
Overall, the digital transformation in the AEC market will continue to lead to increased demand for solutions that ensure digital workflow in the various disciplines of the Design, Build and Manage segments. These market conditions provide the Nemetschek Group with a suitable framework for its further 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."

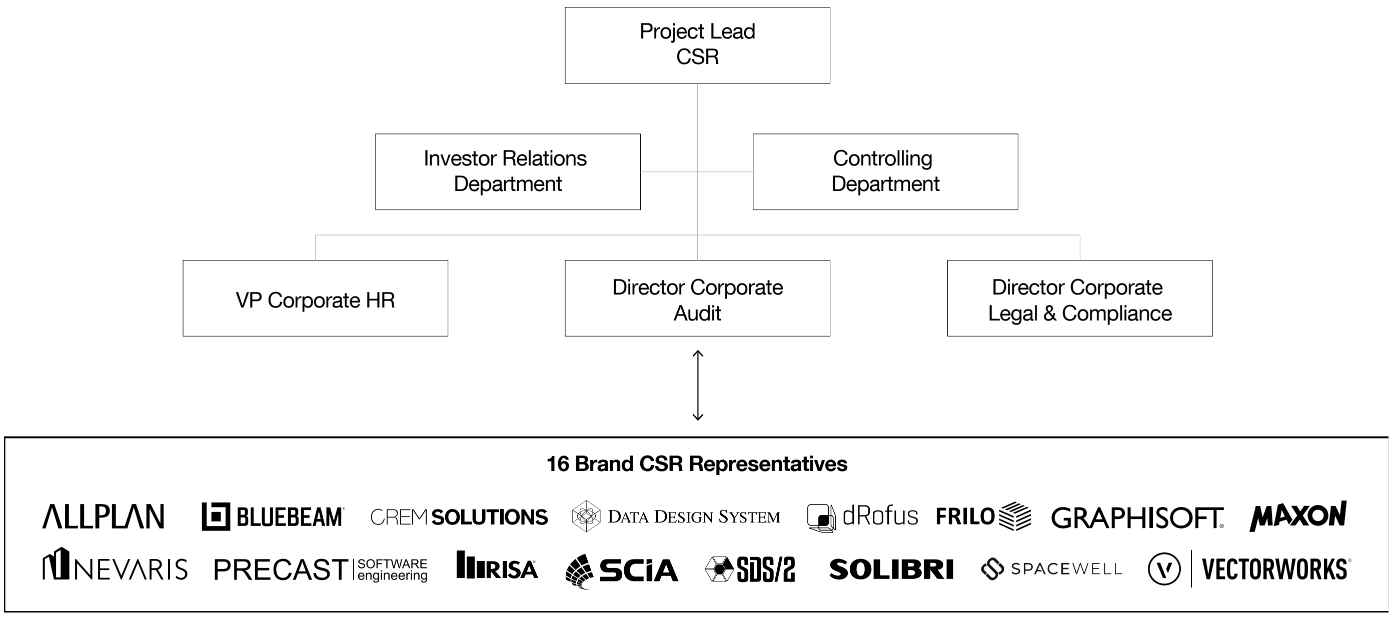
2.2 Corporate Social Responsibility (CSR) at the Nemetschek Group

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



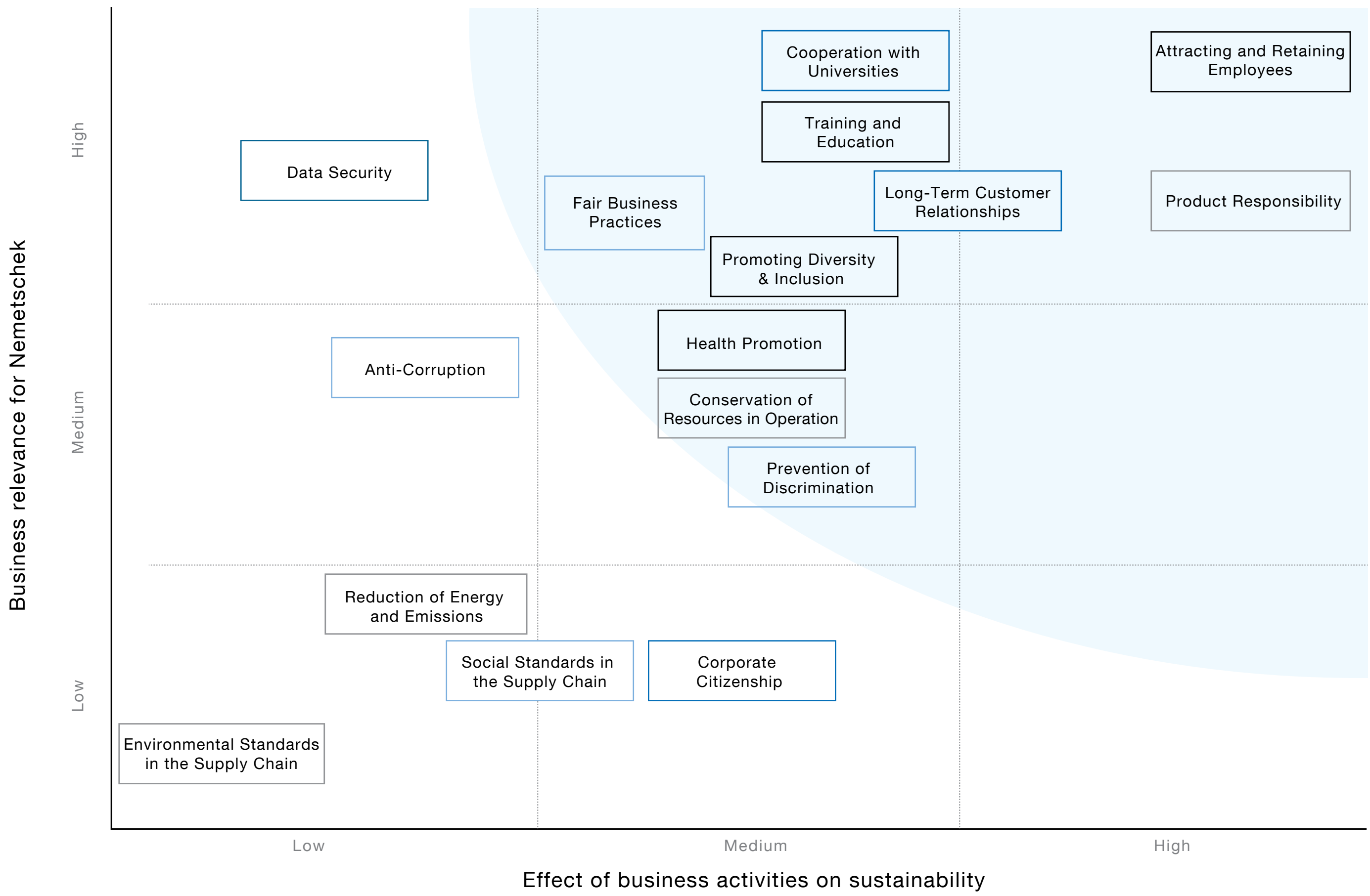
2.3 Key Non-Financial Issues

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.

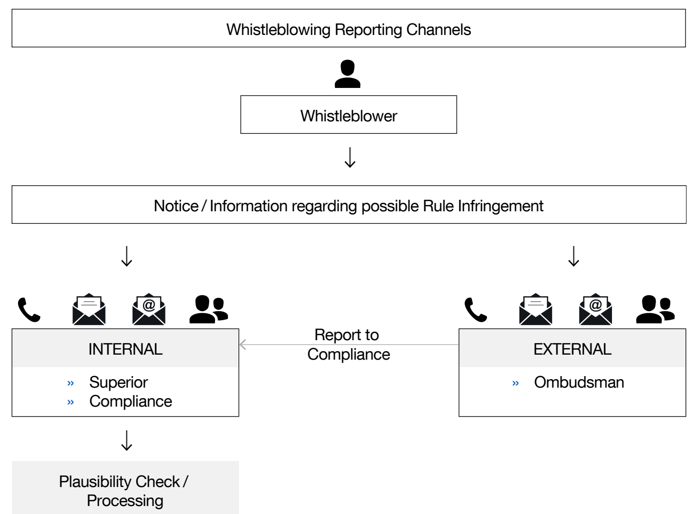
Compliance

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

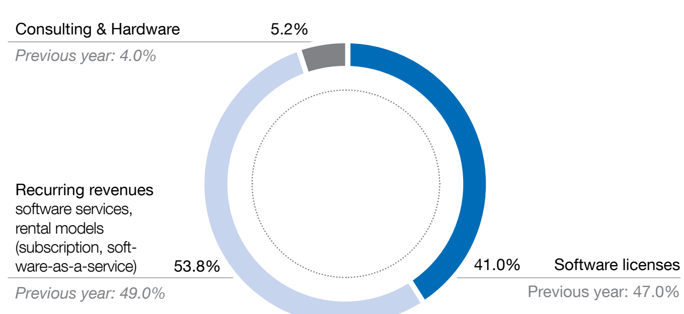
Growth in the year under review was driven by **recurring revenues from service contracts** and **rental models** such as subscription, which increased by 32.6% (adjusted for currency effects: 29.9%) to EUR 299.5 million (previous year: EUR 225.8 million). The above-average increase reflects the strategic 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

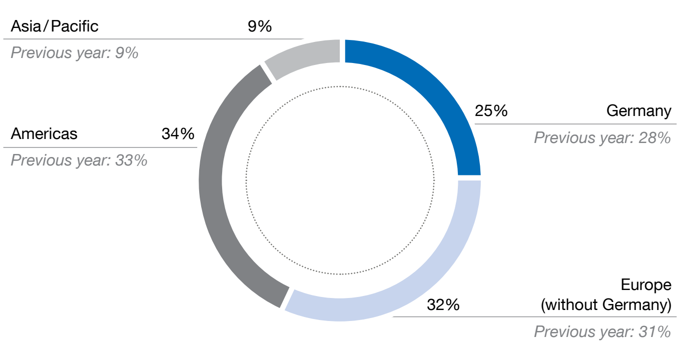
Overall, foreign revenues in 2019 rose much more strongly than revenues in Germany. In the domestic market, where the Nemetschek Group already enjoys a very strong position, revenues increased by around 10% compared with the previous year. In line with the strategy, the foreign share of revenue increased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

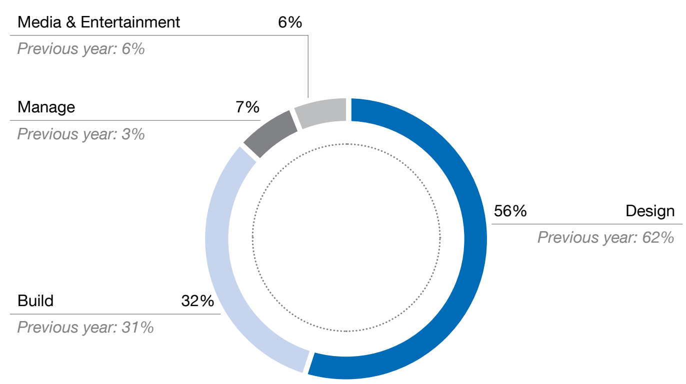
The **Manage** segment, comprising activities relating to facility management, was significantly strengthened from September 2018 by the Spacewell acquisition, which was recognized for a full 12 months for the first time in the year under review. As a result of organic growth and the strong inorganic 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%

* ENG: 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.

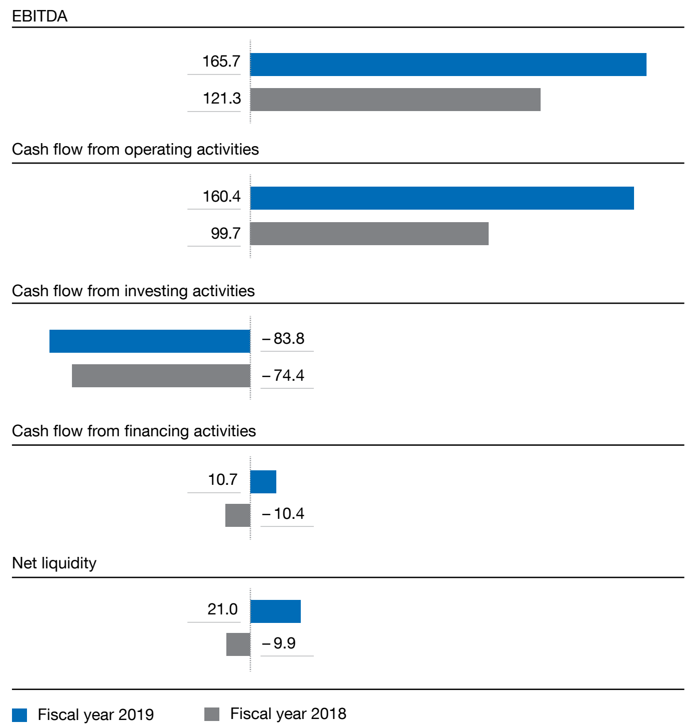
Operating cash flow significantly rose by 60.8% to EUR 160.4 million in 2019 (previous year: EUR 99.7 million). In addition to the increase in cash flow for the period, the high growth in software service and subscription contracts with the corresponding recurring revenues had an effect, as in previous 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%).

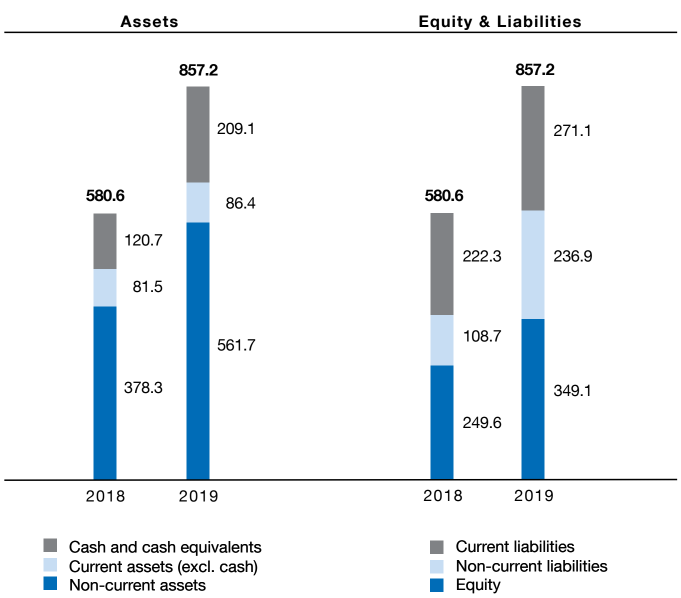
A market risk premium of 7.5% (previous year: 6.5%) was applied. Additionally, country risk premiums were taken into account where necessary. This results in capital cost rates before taxes ranging from 12.92% to 13.50% (previous year: 11.48% to 13.83%). Based on the market capitalization as of December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

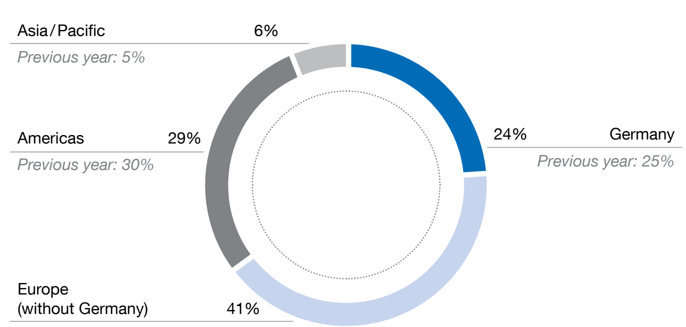
As of December 31, 2019 the Nemetschek Group had 2,875 employees worldwide (previous year: 2.587), representing an increase of 288 people, or 11.1%. This does not include employees on parental leave, freelancers and those on long-term sick leave. The figure at the end of 2019 includes 90 employees who 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%).

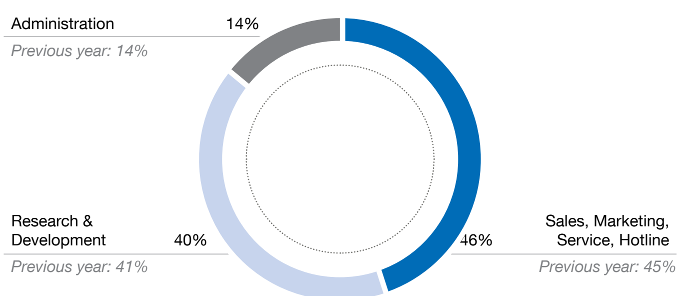
The average number of employees in sales, marketing and hotline came to 1,280 (previous year: 1,084). In addition, 383 employees (previous year: 321) worked in administration (including 15 trainees after 14 in the previous year). Trainees are primarily employed in the commercial departments as well as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

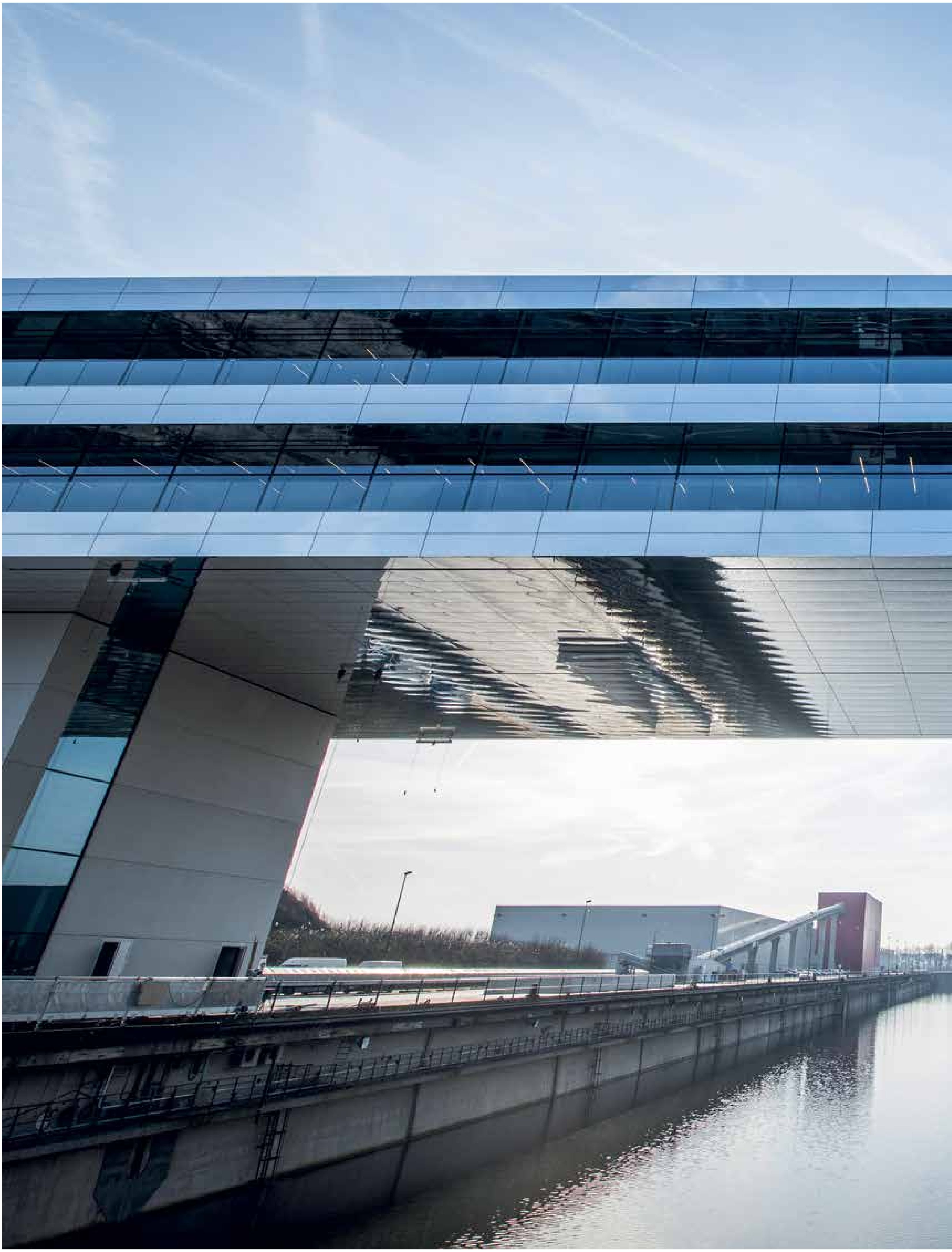
In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi received a gross fixed salary of EUR 265,000 (previous year: EUR 192,000) and a gross fringe benefit of EUR 14,000 (previous year: EUR 14,000) from Graphisoft SE. In the previous year, he received a gross amount of EUR 76k as performance-related 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



Cordeel Headquarters
Temse, Belgium

ENGINEERING OFFICE: Ney & Partners

PARTICIPATING BRAND: SCIA

Consolidated financial statements

(IFRS)

Consolidated financial statements (IFRS)

As a result of rounding it is possible that individual figures in these consolidated financial statements do not add up to the totals shown and that the percentages shown do not reflect the absolute values to which they relate.

Consolidated statement of comprehensive income

for the period from January 1 to December 31, 2019 and 2018

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2019	2018	[Notes]
Revenues	**556,879**	**461,299**	[1]
Other operating income	6,216	5,478	[2]
Operating income	**563,095**	**466,777**	
Cost of goods and services	–20,246	–14,283	[3]
Personnel expenses	–239,427	–200,562	[4]
Depreciation of property, plant and equipment and amortization of intangible assets	–42,052	–23,460	[5]
thereof amortization of intangible assets due to purchase price allocation	*–17,062*	*–14,713*	
Other operating expenses	–137,757	–130,677	[6]
Operating expenses	**–439,483**	**–368,982**	
Operating result (EBIT)	**123,612**	**97,795**	
Interest income	858	470	[7]
Interest expenses	–3,165	–1,124	[7]
Share of net profit of associates	531	536	[18]
Gain on disposal of shares in associates	29,927	0	[8]
Other financial expenses/income	1,907	2,131	[9]
Earnings before taxes (EBT)	**153,669**	**99,808**	
Income taxes	–26,415	–23,248	[10]
Net income for the year	**127,254**	**76,560**	
Other comprehensive income:			
Difference from currency translation	3,173	5,032	
Items of other comprehensive income that are reclassified subsequently to profit or loss	**3,173**	**5,032**	
Gains/losses from the revaluation of defined benefit pension plans	–184	98	
Tax effect	55	–28	
Items of other comprehensive income that will not be reclassified to profit or loss	**–129**	**70**	
Subtotal other comprehensive income	**3,045**	**5,102**	
Total comprehensive income for the year	**130,299**	**81,662**	
Net profit or loss for the period attributable to:			
Equity holders of the parent	127,155	76,467	
Non-controlling interests	99	93	
Net income for the year	**127,254**	**76,560**	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	130,195	81,481	
Non-controlling interests	102	181	
Total comprehensive income for the year	**130,297**	**81,662**	
Earnings per share (undiluted) in euros	1.10	0.66*	[11]
Earnings per share (diluted) in euros	1.10	0.66*	[11]
Average number of shares outstanding (undiluted)	115,500,000	115,500,000*	[25]
Average number of shares outstanding (diluted)	115,500,000	115,500,000*	[25]

* Prior year adjusted due to the stock split.

Consolidated statement of financial position

as at December 31, 2019 and December 31, 2018

STATEMENT OF FINANCIAL POSITION

ASSETS Thousands of €	December 31, 2019	December 31, 2018	[Notes]
Current Assets			
Cash and cash equivalents	209,143	120,747	[12]
Trade receivables	62,046	55,758	[13]
Inventories	1,012	811	[14]
Income tax receivables	3,945	4,239	[10]
Other financial assets	1,089	4,209	[14], [24]
Other non-financial assets	18,267	16,485	[14]
Current assets, total	**295,503**	**202,249**	
Non-current assets			
Property, plant and equipment	27,620	17,574	[15]
Intangible assets	127,660	102,085	[16]
Goodwill	325,041	244,349	[16]
Right-of-use assets	66,163	0	[17]
Investments in associates	1,101	3,964	[18]
Deferred tax assets	6,250	3,157	[10]
Other financial assets	5,613	5,315	[14], [24]
Other non-financial assets	2,251	1,865	[14]
Non-current assets, total	**561,700**	**378,309**	
Total assets	**857,204**	**580,558**	

EQUITY AND LIABILITIES	Thousands of €	December 31, 2019	December 31, 2018	[Notes]
Current liabilities				
Short-term borrowings and current portion of long-term loans		58,623	56,348	[19], [24]
Trade payables		12,404	12,878	[19], [24]
Provisions and accrued liabilities		43,999	40,647	[20]
Deferred revenue		118,474	95,113	[21]
Income tax liabilities		10,967	5,441	[10]
Other financial liabilities		2,131	1,698	[19], [24]
Lease liabilities		12,589	0	[19], [24]
Other non-financial liabilities		12,455	10,180	[22]
Current liabilities, total		**271,642**	**222,305**	
Non-current liabilities				
Long-term borrowings without current portion		129,500	74,280	[19], [24]
Deferred tax liabilities		23,342	17,198	[10]
Pensions and related obligations		1,940	1,677	[23]
Provisions		3,235	2,128	[20]
Deferred revenue		3,711	262	[21]
Income tax liabilities		3,103	2,410	[10]
Other financial liabilities		7,085	4,115	[19], [24]
Lease liabilities		57,738	0	[19], [24]
Other non-financial liabilities		7,292	6,586	[22]
Non-current liabilities, total		**236,947**	**108,656**	
Equity				**[25]**
Subscribed capital		115,500	38,500	
Capital reserve		12,485	12,485	
Retained earnings		230,924	212,084	
Other comprehensive income		–10,396	–13,566	
Equity (Group shares)		**348,513**	**249,503**	
Non-controlling interests		103	94	
Equity, total		**348,616**	**249,597**	
Total equity and liabilities		**857,204**	**580,558**	

Consolidated cash flow statement

for the period from January 1 to December 31, 2019 and 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	2019	2018	[Notes]
Profit (before Tax)	153,669	99,808	
Depreciation and amortization of fixed assets	42,052	23,460	
Change in pension provision	80	72	
Other non-cash transactions	−684	−1,575	
Share of net profit of associates	−531	−536	
Gain on disposal of shares in associates	−29,927	0	
Result from disposal of fixed assets	84	72	
Cash flow for the period	**164,743**	**121,301**	**[27]**
Interest income	−858	−470	
Interest expenses	3,165	1,124	
Change in other provisions	3,032	3,313	
Change in trade receivables	−4,202	−10,459	
Change in other assets	1,221	−15,096	
Change in trade payables	−826	4,553	
Change in other liabilities	19,734	25,522	
Dividends received from associates	22	28	
Interests received	829	278	
Income taxes received	1,527	1,067	
Income taxes paid	−28,010	−31,414	
Cash flow from operating activities	**160,376**	**99,747**	**[27]**
Capital expenditure	−19,273	−11,295	
Cash received from disposal of shares in associate	33,345	0	
Changes in liabilities from acquisitions	0	−40	
Cash received from disposal of fixed assets	67	39	
Cash paid for acquisition of subsidiaries, net of cash acquired	−97,921	−63,092	
Cash flow from investing activities	**−83,781**	**−74,388**	**[27]**
Dividend payments	−31,185	−28,875	
Dividend payments to non-controlling interests	−93	−1,711	
Repayment of borrowings	−72,480	−38,000	
Changes in bank liabilities due to company acquisitions	130,000	86,000	
Principal elements of lease payments	−11,255	0	
Interests paid	−2,811	−846	
Payments for acquisitions of non-controlling interests	−1,500	−26,962	
Cash flow from financing activities	**10,676**	**−10,394**	**[27]**
Changes in cash and cash equivalents	**87,270**	**14,965**	
Effect of exchange rate differences on cash and cash equivalents	**1,126**	**1,825**	
Cash and cash equivalents at the beginning of the period	**120,747**	**103,957**	
Cash and cash equivalents at the end of the period	**209,143**	**120,747**	**[12]**

Consolidated statement of changes in equity

for the period from January 1, 2018 to December 31, 2019

OPERATING RESULT (EBIT)

	Equity attributable to the parent company's shareholders						
Thousands of €	Subscribed capital	Capital reserve	Retained earnings	Translation reserve	**Total**	Non-controlling interests	**Total equity**
As at January 1, 2018	**38,500**	**12,485**	**193,179**	**−18,691**	**225,473**	**2,472**	**227,945**
Differences from currency translation	-	-	-	5,125	5,125	−93	5,032
Gains/losses from the revaluation of defined benefit pension plans	-	-	−111	-	−111	181	70
Net income for the year	-	-	76,467	-	76,467	93	76,560
Total comprehensive income for the year	**0**	**0**	**76,356**	**5,125**	**81,481**	**181**	**81,662**
Transition effects of IFRS 15	-	-	538	-	538	-	538
Transactions with non-controlling interests	-	-	−29,114	-	−29,114	−848	−29,962
Dividend payments to non-controlling interests	-	-	-	-	0	−1,711	−1,711
Dividend payment	-	-	−28,875	-	−28,875	-	−28,875
As at December 31, 2018	**38,500**	**12,485**	**212,084**	**−13,566**	**249,503**	**94**	**249,597**
As at January 1, 2019	**38,500**	**12,485**	**212,084**	**−13,566**	**249,503**	**94**	**249,597**
Differences from currency translation	-	-	-	3,170	3,170	3	3,173
Gains/losses from the revaluation of defined benefit pension plans	-	-	−130	-	−130	-	−130
Net income for the year	-	-	127,155	-	127,155	99	127,254
Total comprehensive income for the year	**0**	**0**	**127,025**	**3,170**	**130,195**	**102**	**130,297**
Capital increase from the company's funds	77,000	-	−77,000	-	0	-	0
Dividend payments to non-controlling interests	-	-	-	-	0	−93	−93
Dividend payment	-	-	−31,185	-	−31,185	-	−31,185
As at December 31, 2019	**115,500**	**12,485**	**230,924**	**−10,396**	**348,513**	**103**	**348,616**

Seebühne Bregenz
Bregenz, Austria

ENGINEERING OFFICE: ZT-Büro Lener

PARTICIPATING BRAND: SCIA

Notes to the consolidated financial statements

Notes to the consolidated financial statements for the financial year 2019

General information

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

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

The consolidated financial statements of Nemetschek SE as at December 31, 2019 comprise Nemetschek SE and its subsidiaries and are prepared in compliance with International Financial Reporting Standards and the relevant interpretations (IFRS) as to be applied in the European Union (EU) as at December 31, 2019, and the additional requirements pursuant to § 315e HGB German Commercial Code (HGB).

Nemetschek SE prepares and publishes the consolidated financial statements in euros. Information is shown in the consolidated financial statements in EUR k (€ k) unless otherwise specified. The presentation of certain prior-year information has been reclassified to conform the current year presentation.

Accounting standards applied for the first time in 2019

The following new standards, interpretations and amendments to existing standards and interpretations are effective for financial years beginning on January 1, 2019 and have been applied for the first time to these consolidated financial statements:

IFRS 16 *Leases*

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. As part of the initial application of IFRS 16, the Group exercised the following exemptions:

- No reassessment whether a contract is, or contains a lease at January 1, 2019
- There is no recognition in the balance sheet for leases with a remaining term of less than 12 months as at January 1, 2019. The practical expedient was exercised in accordance with the transitional provisions on the basis of the individual lease.
- No recognition in the balance sheet of leases for which the underlying asset is of low value
- Initial direct costs are not taken into account in the valuation of the right-of-use assets
- Used hindsight when determining the lease term

The following reconciliation to the opening balance for lease liabilities as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018:

RECONCILIATION

Thousands of €	Balance Sheet as at January 1, 2019
Operating lease obligations at December 31, 2018	**78,435**
Relief option for short-term leases	–462
Relief option for leases of low-value assets	–104
FX-Effects	178
Lease obligations arising from contracts for which the commencement date is after January 1, 2019	–2,284
Other	820
Gross lease liabilities at January 1, 2019	76,583
Discounting	–6,832
Lease liabilities at January 1, 2019	**69,751**

The lease liabilities were discounted using the incremental borrowing rate as at January 1, 2019. The weighted average discount rate was 2.16%. Right-of-use assets were recognized at the amount of the lease liability, adjusted for lease payments made or accrued in advance.

In the Group, as at December 31, 2018, there were no finance leases as per IAS 17.

Disclosures regarding right-of-use assets and lease liabilities can be found under the relevant balance sheet items.

IFRIC 23 *Uncertainty over Income Tax Treatment*

The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing and R&D tax credits. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to both items. The tax authorities may challenge those tax treatments. The Group determined that its previously applied accounting policy is in line with the regulations of IFRIC 23. Therefore, the interpretation did not have an impact on the consolidated financial statements of the Group.

The following amendments and interpretations have no, or no material, effect on the consolidated financial statements:

» **Amendments to IFRS 9: prepayment features with negative compensation**
The amendments clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

» **Amendments to IAS 28: long-term interests in associates and joint ventures**
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture.

» **Amendments to IAS 19: plan amendment, curtailment or settlement**
The amendments specify that current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement are determined based on updated actuarial assumptions.

» **Annual improvements 2015 – 2017 cycle**
The amendments to **IFRS 3** clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to **IFRS 11** clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments to **IAS 12** clarify that the former IAS 12.52B applies to all income tax consequences of dividends by moving the paragraph away from IAS 12.52A that only deals with situations where there are different tax rates for distributed and undistributed profits. The amendments to **IAS 23** clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Accounting standards that are not yet effective

The following IFRS were issued at the balance sheet date by the IASB but are not mandatorily applicable until later reporting periods or have not yet been adopted into EU law. The Nemetschek Group has decided not to exercise the possible option of early application of standards and interpretations which are not mandatorily applicable until later reporting periods.

PUBLISHED FINANCIAL REPORTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

Amendments to standards/interpretations		Mandatory application	Anticipated effects
IFRS 3	Amendment to IFRS 3 Business Combinations	Jan. 1, 2020	No material effects expected
IFRS 17	Insurance Contracts	Jan. 1, 2021	No effects expected
IAS 1, IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	Jan. 1, 2020	No material effects expected
IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	Jan. 1, 2020	No material effects expected

Summary of significant accounting policies

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

Consolidation principles

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

Subsidiaries

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

Acquired businesses are accounted for using the acquisition method, which requires that the assets acquired and liabilities assumed be recorded at their respective fair values on the date Nemetschek obtains control. For significant acquisitions, the purchase price allocation is carried out with assistance from independent third-party valuation specialists. The related valuations are based on the information available at the acquisition date. Ancillary acquisition costs are recognized as expenses in the periods in which they occur. The initial value recognized includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On the acquisition date, the fair value of the contingent consideration is recognized as part of the consideration transferred in exchange for the acquiree. According to IFRS 3, for each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net assets (partial goodwill method).

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

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Non-controlling interests

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

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

Under the purchase agreement of June 28, 2018, the shares in MAXON GmbH were increased from 70% to 100%. The transfer of benefits and encumbrances was completed with the purchase price payment in the amount of EUR 25,500k on July 9, 2018. Dependent on the revenue targets agreed upon for the 2018 and 2019 financial years, subsequent purchase price payments of EUR 3,000k fall due. As the revenue targets for 2018 were met, an additional purchase price of EUR 1,500k was paid in 2019.

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

From the acquisition of shares without controlling interests, a total of EUR 29,114k was offset with retained earnings in the 2018 financial year.

Associates

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

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

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

Valuation methods

The following table shows the most important valuation principles:

VALUATION METHODS

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

Financial assets are classified and measured according to IFRS 9. Purchase and sale of financial assets are recognized on the trade date and are initially measured at fair value. Subsequently a financial asset is measured at 1) amortized cost, 2) at fair value through other comprehensive income or 3) at fair value through profit or loss. The classification and measurement of financial assets which are not equity instruments depend on two factors which are to be checked at the time of acquisition: the business model under which the financial asset is held as well as the cash flow conditions of the instrument.

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

Investments in equity instruments do not fulfill the cash flow conditions. Generally, the instruments are to be measured at fair value through profit or loss. The Nemetschek Group exercises the irrevocable option of measuring investments in equity instruments at fair value without impacting profit or loss.

All financial assets which are not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Reclassification of a financial asset between measurement categories of IFRS 9 requires a change to the business model for the corresponding group of instruments, in which case all affected financial assets are reclassified.

The subsequent measurement of financial assets is as follows:

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS ACCORDING TO IFRS 9

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

Fair value estimation

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

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

On December 31, 2019 and 2018, the Group's financial instruments carried in the statement of financial position at fair value are categorized within Level 3 of the fair value hierarchy. In accordance with IFRS 13, the following overview shows the valuation methods as well as the unobservable inputs used:

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

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

Currency translation

Functional and presentation currency

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

Group companies

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

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

» Income and expenses are translated at average exchange rates; and

» all resulting exchange differences are recognized as a separate component of equity

Transactions and balances

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

The exchange rates of the currencies affecting foreign currency translation are as follows:

EXCHANGE RATES

Currency	**Average exchange rate in 2019**	**Spot rate as at December 31, 2019**	Average exchange rate in 2018	Spot rate as at December 31, 2018
EUR / USD	1.12	1.12	1.18	1.15
EUR / CHF	1.11	1.09	1.16	1.13
EUR / CZK	25.67	25.41	25.65	25.72
EUR / RUB	72.46	69.96	74.04	79.72
EUR / JPY	122.01	121.94	130.40	125.85
EUR / HUF	325.30	330.53	318.89	320.98
EUR / GBP	0.88	0.85	0.88	0.89
EUR / BRL	4.41	4.52	4.31	4.44
EUR / MXN	21.56	21.22	22.71	22.49
EUR / NOK	9.85	9.86	9.60	9.95
EUR / SGD	1.53	1.51	1.59	1.56
EUR / CNY	7.74	7.82	7.81	7.88
EUR / CAD	1.49	1.46	1.53	1.56
EUR / AUD	1.61	1.60	1.58	1.62
EUR / INR	78.84	80.19	82.80	79.73
EUR / SEK	10.59	10.45	10.26	10.25

Cash and cash equivalents

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

Trade receivables

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

Inventories

Inventories mainly comprise hardware and third party licenses, which are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Other financial assets

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

Impairment of financial assets

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

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

For other financial assets, Nemetschek Group applies the general impairment approach. As it is the policy of Nemetschek Group to invest only in high-quality assets of issuers with a minimum internal or external rating of at least investment grade, the low credit risk exception is used. Thus, these assets are always allocated to stage 1 of the three-stage credit loss model and, if material, a loss allowance for an amount equal to 12-month expected credit losses will be recorded. Impairment losses on other financial assets are shown in the line item "Other financial expenses." The credit risk of cash and cash equivalents measured at amortized cost is insignificant due to their short-term maturity, counterparties' investment grade credit ratings and established exposure limits. Therefore, Nemetschek Group did not recognize any credit impairment losses of those financial assets.

Other assets

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

Property, plant and equipment

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

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

TABLE OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

Intangible assets and goodwill

Goodwill

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

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. For purposes of internal and external reporting, the activities of Nemetschek Group are broken down into the Design, Build, Manage and Media & Entertainment segments. The budget for 2020 and the medium-term planning for the subsequent years were drawn up on the basis of this reporting structure.

Intangible assets (except goodwill)

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

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

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

USEFUL LIFE OF INTANGIBLE ASSETS FROM THE PURCHASE PRICE ALLOCATION

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

Development costs

Costs of research are expensed in the period in which they are incurred. Costs for development activities, whereby research findings are applied to a plan or design for the development of new or substantially improved intangible asset, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable. Furthermore, Nemetschek Group intends, and has sufficient resources, to complete development and use or sell the intangible asset. In the financial year 2019, as well as in the previous year, none of the development projects fulfilled the capitalization criteria. Development costs in the amount of EUR 133,253k (previous year: EUR 110,416k) are carried as expenses.

Impairment of non-financial assets

Assets with a finite useful life

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

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

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

Nemetschek determines the recoverable amount of the relevant unit to which the goodwill is allocated based on the value in use. The value in use is calculated using a discount rate from the present value of the future cash flows from the use of this unit.

The determination of the future cash flows and their underlying parameters such as revenue growth and EBITDA margin is performed on the basis of the knowledge gained in the past, the current economic results and the budgets approved over a period of three to five years. The budgeting for the financial year 2020 is prepared applying certain uniform Group assumptions "from the bottom to the top" (bottom-up method). The cash flows for the further budget years follow similar premises, however they are not at the same level of detail as the first budget year. Estimates for periods beyond the budgeting horizon are made using the perpetuity method. The growth rates applied here do not account for capacity expanding investments for which cash flows have not yet been made. These are derived from available market studies by market research institutes and do not exceed the long-term average historical growth rates of the relevant cash-generating units. In the financial year 2019 a growth rate of up to 2.0% (previous year: 2.0%) was assumed.

The discount rate required for discounting future cash flows is calculated from the weighted average cost of capital (WACC) of the related cash-generating unit or group of cash-generating units after tax. The relevant pre-tax WACC in accordance with IAS 36 is derived from future cash flows after tax and the after-tax WACC applying typical tax rates for each cash-generating unit. Then, the risk-free interest rate according to the Svensson method with accounting for risk premiums, and the beta as well as the gearing ratio are derived from a group of comparable entities. The discount rate thus estimated reflects the current market returns as well as the specific risk of the respective cash-generating unit or group of cash-generating units. The discount rate applied to derive the present value of the cash flow forecasted ranges between 12.92% and 13.50% (previous year: 11.48% and 13.83%) before tax.

Leases
The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from January 1, 2019
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

The Group recognizes leasehold improvements as an item of property, plant and equipment. Related payments by a lessor are recognized as deferred income if the definition of lease incentives according to IFRS 16 is not met.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

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

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

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

Policy applicable before January 1, 2019
In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense over the term of the lease.

Financial liabilities
Financial liabilities primarily include trade payables, borrowings and other financial liabilities. Upon initial recognition, financial liabilities are measured at fair value. In the case of all financial liabilities which are subsequently not classified at fair value through profit or loss, the transaction costs which are directly attributable to the purchase will be recognized.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative financial instruments (e.g. interest rate swaps) and contingent consideration. Gains or losses on financial liabilities that are measured at fair value through profit or loss are included in profit or loss.

Financial liabilities are derecognized when the contractual obligation is discharged or canceled, or has expired.

Derivative financial instruments
Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognized when the Group has a present obligation (legal or factual) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions and accrued expenses which do not already lead to an outflow of resources in the subsequent year are measured at their discounted settlement amount at the balance sheet date where the interest effect is material. Where the Group expects some or all of a provision to be reimbursed (e.g. under an insurance contract) the reimbursement is recognized as a separate asset if the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Deferred revenue

Prepayments from customers are reported as deferred revenue. As soon as the Group performs under the contract, these are recognized as revenue.

Employee benefits

Short-term employee benefits

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

Pensions

The Group provides a company pension plan for certain employees. The provisions are measured every year by reputable independent appraisers. Provisions for pensions are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The pension obligation less plan assets is recorded as the provision in the balance sheet. Actuarial gains and losses are recorded in other comprehensive income. Effects resulting from interests are disclosed accordingly in interest result.

Termination benefits

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

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

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

Provisions for other long-term employee benefits

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

Contingent liabilities

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

Taxes

Current income taxes

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

Deferred taxes

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

Revenues

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

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

Software

Standard software

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

Software rental models

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

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

Sales transactions via sales representatives / agents

In the case of sales transactions with end customers via sales representatives, the income from the sale is recorded as of the point in time that ownership is transferred to the end customer. The sales representative serves only in the function of an agent in such transactions, for which he / she receives a commission. The Nemetschek Group acts as the principal; Nemetschek has primary responsibility for fulfillment of the contract and influence on pricing of such.

Maintenance / Software maintenance contracts

The performance obligations in the case of software service contracts can be subdivided into two material obligations. On the one hand, user support, which is available to the customer for the entire term of the contract. On the other hand, with software service contracts, customers receive the most recent version of the corresponding Nemetschek software by getting software updates. However, it is at the discretion of the Group to decide the intervals at which new versions of the software will be provided and what functionalities and / or modules of the corresponding software will be changed, modified, reduced or extended. In the case of demand for software versions and user support which are not further defined, these are stand-ready obligations according to IFRS 15, for which revenue is recognized straight-line over the term of the contract. Advance payments received from customers for software maintenance contracts are carried as deferred revenue (contract liability) and normally lead to revenue within the next twelve months.

Consulting

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

Hardware

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

Training

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

Development subsidies

Development subsidies for basic research are recorded on the basis of hours worked. These are recognized as other operating income in the consolidated financial statements. Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all related conditions will be complied with. Special-purpose development subsidies are treated as deductions from acquisition costs.

Segment reporting

The resource allocation and the measurement of profitability of the business segments are performed by the executive board as the main decision-maker. The allocation of segments and regions as well as the selection of key figures is in agreement with the internal controlling and reporting system ("management approach").

The operating business segments are organized and managed separately according to the nature of the products and services provided. Each segment represents a strategic business unit whose product range and markets differ from those of the other segments.

For the purpose of managing the company, management has organized the Group into four operational business segments: Design, Build, Manage and Media & Entertainment which form four reportable segments.

Post balance sheet events

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date (reportable events) have been taken into account in the financial statements as required. Non-adjusting events after the balance sheet date are stated in the notes to the consolidated financial statements if they are material.

Significant discretionary decisions, estimates and assumptions when preparing the consolidated financial statements

In the process of preparing the consolidated financial statements, management has made discretionary decisions, estimates and assumptions that have an effect on the income, expenses, assets and liabilities recognized as at the balance sheet date as well as on the disclosure of contingent liabilities. The uncertainty relating to these assumptions and estimates could lead to results that may require material adjustment to the carrying amounts of the assets and liabilities concerned in the future. The most important assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are analyzed below.

Impairment of non-financial assets

The Group assesses at each balance sheet date whether there are any indications that a non-financial asset may be impaired. Goodwill and other intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment at least once a year or whenever there is evidence that they might be impaired. The determination of the recoverable amount of an asset or cash-generating unit, in connection with which the asset generates independent cash inflows, is associated with estimates by company management. These estimates are influenced by certain factors such as expected economic development or successful integration of acquired companies. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Nemetschek generally determines these amounts using discounted cash flow measurements. The discounted cash flows are generally based on three- to five-year forecasts. The forecasts account for experiences of the past and current operating results and are based on market assumptions as well as management's best estimate of future developments. Cash flows outside the forecast period are extrapolated, with the application of individual growth rates. Important assumptions upon which the recoverable amount is based include growth rates and weighted average capital cost rates. The estimates and the method on which these are based can have a substantial influence on the relevant values and, ultimately, on the amount of a potential impairment loss on the asset to be tested. The estimates of growth rates account for inflation and market growth expectations. Other non-financial assets are tested for impairment when there is evidence that their carrying amount might exceed their recoverable amount. Estimating a value in use requires management to make an estimate of the expected future cash flow of the asset or cash-generating unit and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Determination of fair values as part of the purchase price allocation

Acquired businesses are accounted for using the acquisition method, which requires that the assets acquired and liabilities assumed be recorded at their respective fair values on the date Nemetschek obtains control. The application of the acquisition method requires certain estimates and assumptions to be made, especially concerning the fair values of the acquired intangible assets at the acquisition date, and their useful lives. Measurement is based to a large extent on anticipated cash flows. If actual cash flows vary from those used in calculating fair values, this may materially affect the Group's future results of operations.

Determination of fair values for contingent consideration

The Group sometimes enters into contingent consideration arrangements. The arrangements depend on the future development of specific indicators of success and are measured at fair value as of the date of the acquisition. When determining the fair value, the Group estimates the likelihood and timing of achieving the arrangement's relevant milestones. When applying a probability assessment for each of the potential outcomes, the Group needs to exercise judgment.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available in the future so that the loss carryforwards can actually be utilized. A significant degree of judgement must be exercised by management to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Allowances for expected credit losses of trade receivables

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

Scope of consolidation

With Nemetschek Group, the consolidated financial statements contain all domestic and foreign companies which Nemetschek SE controls directly or indirectly.

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

» In the first quarter, Spacewell acquired 100% of the shares in Axxerion Group B.V.

» In the second quarter, Maxon Computer, Inc. acquired 100% of the shares in Redshift Rendering Technologies Inc.

» The liquidation of Nemetschek OOO was completed. The entity was deconsolidated in the fiscal year.

In **2018** the scope of consolidation changed as follows:

» In the second quarter NEVARIS Bausoftware GmbH acquired 100% of the shares in 123erfasst.de GmbH.

» In the third quarter Nemetschek SE acquired 100% of the shares in Spacewell. Also, Vectorworks, Inc. acquired 100% of a Canadian distributor.

» Deconsolidation of Scia do Brasil Software Ltda, SCIA Inc. and Online Projects BVBA due to liquidation.

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

AFFILIATED ENTITIES

Name, registered office of the entity	Shareholding in %
Design segment	
Allplan Česko s.r.o., Prague, Czech Republic	100.00
Allplan Deutschland GmbH, Munich*	100.00
Allplan Development Germany GmbH, Munich*	100.00
Allplan France S.A.R.L., Paris, France	100.00
Allplan GmbH, Munich*	100.00
Allplan Infrastructure GmbH, Graz, Austria	100.00
Allplan Inc., West Chester, United States	100.00
Allplan Italia S.r.l., Trient, Italy	100.00
Allplan Österreich Ges.m.b.H., Wals-Siezenheim, Austria	100.00
Allplan Schweiz AG, Wallisellen, Switzerland	93.33
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00
Allplan Systems España S.A., Madrid, Spain	100.00
Allplan UK Ltd., Ashby-de-la-Zouch, Great Britain	100.00
Dacoda GmbH, Rottenburg	100.00
Data Design System AS, Klepp Stasjon, Norway	100.00
Data Design System GmbH, Ascheberg	100.00
Data Design System UK Ltd., Wiltshire, Great Britain	100.00
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00
dRofus AB, Stockholm, Sweden	100.00
dRofus AS, Oslo, Norway	100.00
dRofus Inc., Lincoln, United States	100.00
dRofus Pty Ltd, North Sydney, Australia	100.00
Frilo Software GmbH, Stuttgart*	100.00
Graphisoft Asia Ltd., Hong Kong, China	100.00
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00
Graphisoft Deutschland GmbH, Munich*	100.00
Graphisoft Italia S.R.L., Spinea, Italy	100.00
Graphisoft Japan Co., Tokyo, Japan	100.00
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00
Graphisoft SE, Budapest, Hungary	100.00
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00
Precast Software Engineering Co. Ltd., Shanghai, China	100.00
Precast Software Engineering GmbH, Puch bei Hallein, Austria	100.00
Precast Software Engineering Pte. Ltd., Singapore	100.00
RISA Tech, Inc., Foothill Ranch, United States	100.00
Scia CZ s.r.o., Prague, Czech Republic	100.00
Scia France S.A.R.L., Lille, France	100.00
SCIA Group International nv, Hasselt, Belgium	100.00
Scia Nederland B.V., Arnhem, Netherlands	100.00
Scia nv, Hasselt, Belgium	100.00
Scia SK s.r.o., Zilina, Slovakia	100.00

Solibri DACH GmbH, Hamburg	100.00
Solibri LLC, Scottsdale, United States	100.00
Solibri Oy, Helsinki, Finland	100.00
Solibri UK Ltd., Leeds, Great Britain	100.00
Vectorworks Canada, Inc., Vancouver, BC, Canada	100.00
Vectorworks UK, Ltd., Newbury, Great Britain	100.00
Vectorworks, Inc., Columbia, Maryland, United States	100.00
Build segment	
123erfasst.de GmbH, Lohne	100.00
Bluebeam AB, Kista, Sweden	100.00
Bluebeam Holding, Inc., Delaware, United States	100.00
Bluebeam GmbH, Munich	100.00
Bluebeam, Inc., Pasadena, United States	100.00
Bluebeam Limited UK, Ltd., London, Great Britain	100.00
Design Data Corporation, Lincoln, United States	100.00
NEVARIS Bausoftware GmbH, Bremen*	100.00
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00
Nevaris BIM Software GmbH, Berlin – in liquidation	100.00
SDS/2 Ltd., London, Great Britain	100.00
Manage segment	
Crem Solutions GmbH & Co. KG, Ratingen	100.00
Crem Solutions Verwaltungs GmbH, Munich	100.00
Spacewell International NV, Antwerp, Belgium	100.00
FASEAS NV, Antwerp, Belgium	100.00
MCS Americas Single Member LLC, New York, United States	100.00
MCS NV, Antwerp, Belgium	100.00
MCS Solutions Private Ltd., Hyderabad, India	100.00
myMCS AB, Knivsta, Sweden	100.00
Axxerion Group B.V., Heteren, Netherlands (consolidated since January 18, 2019)	100.00
Axxerion B.V., Heteren, Netherlands (consolidated since January 18, 2019)	100.00
Axxerion International B.V., Heteren, Netherlands (consolidated since January 18, 2019)	100.00
Plandatis Beheer B.V., Apeldoorn, Netherlands (consolidated since January 18, 2019)	100.00
Plandatis B.V., Apeldoorn, Netherlands (consolidated since January 18, 2019)	100.00
Media & Entertainment segment	
MAXON Computer Canada, Inc., Montreal, Canada	100.00
MAXON Computer GmbH, Friedrichsdorf	100.00
MAXON Computer, Inc., Newbury Park, United States	100.00
MAXON Computer Ltd., Bedford, Great Britain	100.00
Redshift Rendering Technologies, Inc., Newport Beach, United States (consolidated since April 1, 2019)	100.00
Other	
Nemetschek, Inc., Washington, United States	100.00

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

Business combinations

Acquisitions in 2019

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

AXXERION

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

The identified goodwill represents synergies in the Manage segment. None of the goodwill recognized is expected to be deductible for tax purposes. The fair value of the trade receivables amounts to EUR 2,479k, the gross amount of trade receivables is EUR 2.488k. It is expected that the full contractual amounts can be collected.

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

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

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

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

REDSHIFT

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

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

As part of the purchase agreement with the previous owner, a contingent consideration has been agreed. There will be additional cash payments to the previous owners of up to EUR 7,567k if specified revenue targets and earnings targets as well as technical milestones are met. As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 5,778k.

As at December 31, 2019 the first technical milestone is met. The fair value of the contingent consideration determined at December 31, 2019 in the amount of EUR 6,078k reflects this development, among other factors. The remeasurement charge has been recognized through profit or loss.

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

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

Vectorworks, Inc., Columbia, Maryland, United States
Under the purchase agreement of August 7, 2019, Vectorworks, Inc. acquired the technology and customer relationships of a distributor within the scope of an asset deal, meeting the criteria for a business combination. The purchase price amounted to EUR 223k. On the basis of the purchase price allocation, technology amounting to EUR 85k and customer relationships amounting to EUR 27k were recognized. The resulting goodwill amounted to EUR 111k.

Acquisitions in 2018

Spacewell, Antwerp, Belgium
Under the purchase agreement of August 28, 2018, Nemetschek SE acquired 100% of the shares of Spacewell, Antwerp, Belgium. Spacewell offers modular and integrated software solutions for real estate management, facility management and workplace management of large privately owned and public organizations. Moreover, Spacewell developed the intelligent smart building platform COBUNDU™, which uses Internet of Things (IoT) sensors and big data analyses in order to optimize productivity and efficiency for building administrators. With the acquisition of Spacewell, the Nemetschek Group is opening up the dynamically growing market in building management. Spacewell was initially included in the consolidated financial statements of the Group as at September 1, 2018.

For this acquisition of shares, there were payments amounting to EUR 46,103k in the 2018 financial year. The fair value of the identifiable assets and liabilities of Spacewell as at the date of acquisition were:

SPACEWELL

Thousands of €	2018
Goodwill	**33,626**
Intangible assets	18,889
Property, plant and equipment	410
Other non-current assets	642
Trade receivables	4,000
Other current assets	464
Cash and cash equivalents	656
Total assets acquired	**58,687**
Deferred tax liabilities	3,347
Long-term debts	1,005
Current debts	2,887
Trade payables	2,598
Other current liabilities	1,268
Deferred revenue	1,479
Total liabilities assumed	**12,584**
Net assets acquired	**46,103**
Purchase consideration transferred	**46,103**

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

The net assets recognized in the December 31, 2018 financial statements were based on a preliminary assessment. In 2019, the valuation was completed and the acquisition date fair value of intangible assets was EUR 18,889k, an increase of EUR 594k over the provisional value. As a result, there was an increase in the deferred tax liability of EUR 69k and a corresponding reduction in goodwill of EUR 525k.

The identified goodwill represents synergies in the Manage segment. None of the goodwill recognized is expected to be deductible for tax purposes.

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

123erfasst.de GmbH, Lohne, Germany

Under the purchase agreement of June 14, 2018, NEVARIS Bausoftware GmbH acquired 100% of the shares in 123erfasst.de GmbH, Lohne, Germany. The transfer of benefits and encumbrances was completed as at the end of July 2, 2018. 123erfasst offers an advanced app which uses a conventional smartphone to transmit data such as time, performance, location, weather, material, device use and photos for documenting construction sites in real time straight from the employee to the office.

The fair value of the identifiable assets and liabilities of 123erfasst.de GmbH as at the date of acquisition were:

123ERFASST.DE GMBH

Thousands of €	2018
Goodwill	**10,986**
Intangible assets	8,239
Property, plant and equipment	69
Other non-current assets	0
Trade receivables	308
Other current assets	65
Cash and cash equivalents	285
Total assets acquired	**19,953**
Deferred tax liabilities	2,255
Other current provisions	274
Trade payables	59
Other current liabilities	165
Other non-current financial liabilities	55
Total liabilities assumed	**2,808**
Net assets acquired	**17,145**
Purchase consideration transferred	**17,145**

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

The net assets recognized in the December 31, 2018 financial statements were based on a preliminary assessment. In 2019, the valuation was completed and the acquisition date fair value of intangible assets was EUR 8,239k, an increase of EUR 67k over the preliminary value. As a result, there was an increase in the deferred tax liability of EUR 18k and a corresponding reduction in goodwill of EUR 49k.

The identified goodwill represents synergies in the Build segment. None of the goodwill recognized is expected to be deductible for tax purposes.

The acquisition of shares resulted in payments in the amount of EUR 14,492k in the 2018 financial year. In addition, there is a subsequent purchase price obligation (earn-out component) based on the achievement of revenue targets in the 2020 financial year. Within the scope of the preliminary estimate, this obligation was estimated at EUR 2,653k. Due to a change in the business model in 2019, the probability that the targets will be met decreased. The fair value of the contingent consideration in the amount of EUR 684k as at December 31, 2019 reflects this development.

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

Vectorworks Canada, Inc., Vancouver, BC, Canada

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

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

Project Atlas

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

The purchase price amounted to EUR 3,100k; within the scope of the purchase price allocation, the amount of EUR 362k was distributed for technology, EUR 82k for the customer base and EUR 106k for the brand names. The goodwill resulting from the acquisition amounted to EUR 2,550k.

Notes to the consolidated statement of comprehensive income

[1] Revenue

Revenue recognized in the period related to the following:

REVENUES

Thousands of €	2019	2018
Software and licenses	228,200	216,830
Recurring revenues (software service contracts and rental models)	299,519	225,806
Services (consulting and training)	28,263	18,501
Hardware	897	162
	556,879	**461,299**

Recurring revenue includes revenue from software rental models in the amount of EUR 50,329k (previous year: EUR 23,427k).

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

REVENUES BY REGION

Thousands of €	2019	2018
Germany	141,164	126,516
Europe without Germany	175,574	141,311
Americas	188,370	148,993
Asia/Pacific	50,028	42,583
Rest of World	1,742	1,897
	556,879	**461,299**

The contract balances at December 31 are as follows:

CONTRACT BALANCES

Thousands of €	December 31, 2019	December 31, 2018
Contract assets	839	803
Deferred revenue	122,185	95,375

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

Of the amount totaling EUR 95,375k (January 1, 2018: EUR 67,745k) reported at the beginning of the period in deferred revenue, EUR 95,113k (previous year: EUR 67,007k) was recognized as revenue in the 2019 financial year.

No revenue from performance obligations fulfilled in previous years was recognized in the 2019 financial year (previous year: EUR 0). As most of the contracts have a term of one year, no information is provided with regard to the remaining performance obligations as at December 31, 2019.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the contract term is one year or less. Also, the Group does not capitalize incremental cost of obtaining a contract if the amortization period of the asset is one year or less. The breakdown of revenues by segment can be seen under segment reporting [26].

[2] OTHER OPERATING INCOME

Thousands of €	2019	2018
Income from foreign currency transactions	2,944	2,960
Other services	1,536	1,392
Development subsidies	253	287
Income from disposal of fixed assets	67	39
Other	1,414	800
	6,216	**5,478**

[3] COST OF GOODS AND SERVICES

Thousands of €	2019	2018
Cost of purchased software licenses and hardware	16,434	12,313
Cost of purchased services	3,812	1,970
	20,246	**14,283**

[4] PERSONNEL EXPENSES

Thousands of €	2019	2018
Wages and salaries	199,627	166,383
Social security, other pension costs and welfare	39,800	34,179
	239,427	**200,562**

[5] AMORTIZATION AND DEPRECIATION

Thousands of €	2019	2018
Amortization of intangible assets other than those acquired in a business combination	3,071	2,226
Depreciation of property, plant and equipment	7,176	6,521
Depreciation of right-of-use assets	14,742	0
Depreciation / amortization of tangible and intangible assets	**24,990**	**8,747**
Amortization due to purchase price allocated intangible assets	17,062	14,713
Total amortization and depreciation	**42,052**	**23,460**

[6] OTHER OPERATING EXPENSES

Thousands of €	2019	2018
Expenses for third-party services	26,898	21,087
Marketing expenses	25,438	22,782
Commissions	19,096	16,595
Legal and consulting expenses	12,517	12,665
EDP equipment	11,834	8,448
Travel expenses and hospitality	11,274	11,368
Training and recruiting expenses	4,933	4,087
Ancillary rent costs (previous year includes rents)	4,507	15,115
Communication expenses	3,553	2,874
Expenses from foreign currency transactions	2,788	2,793
Vehicle expenses	2,404	3,707
Other	12,517	9,156
	137,757	**130,677**

The item “Other” consists of various individual items, all of which are less than EUR 2,000k.

[7] INTEREST INCOME / EXPENSES

Thousands of €	2019	2018
Other interest and similar income	858	470
Interest and similar expenses	−3,165	−1,124
	−2,307	**−654**

The increase of interest expenses in the financial year mainly relates to the initial application of IFRS 16 *Leases* as well as additional borrowings.

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

The income / expenditure from associates of EUR 531k (previous year: EUR 536k) include the income from DocuWare GmbH, Germering, amounting to EUR 363k (previous year: EUR 435k), as well as the income from Nemetschek OOD, Bulgaria, as an associate, amounting to EUR 168k (previous year: EUR 101k). Gain on disposal of shares in associate of EUR 29,927k relate to the sale of the 22.41% share in the associate DocuWare GmbH. For more information, see [18].

[9] Other financial income and expenses

Other financial expenditure / income amount to EUR 1,907k in the reporting year (previous year: EUR 2,131k) and relate to the revaluation of contingent consideration liabilities. For more details, reference is made to the note business combinations and financial instruments [24]. In the previous year, other financial income includes gains from releasing contingent consideration liabilities in the amount of EUR 2,075k.

[10] Taxes

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

INCOME TAXES

Thousands of €	2019	2018
Current tax expenses	−34,496	−25,605
Deferred tax income	8,081	2,357
thereof from addition / release of temporary differences	*7,527*	*387*
	−26,415	**−23,248**

The tax expenses for the financial year 2019 include tax expenses from previous years amounting to EUR 32k (previous year: tax expense EUR 220k). Furthermore, in the financial year 2019, EUR 55k (previous year: −28k) deferred taxes from the revaluation of pension obligations were recorded in other comprehensive income without impacting profit or loss.

The income tax rates of the individual entities range from 9.0% to 33.3% (previous year: from 9.0% to 33.3%).

The tax rate for the financial year 2019 applied by Nemetschek SE is 31.6% (financial year 2018: 32.5%). It is calculated as follows:

INCOME TAX RATE

in %		2019		2018
Earnings before taxes	100.0		100.0	
Trade tax (weighted)	15.8	15.8	16.7	16.7
	84.2		**83.3**	
Corporate income tax	15.0	15.0	15.0	15.0
Solidarity surcharge	0.8	0.8	0.8	0.8
	68.4	**31.6**	**67.5**	**32.5**

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

Deferred tax assets and deferred tax liabilities are offset for each tax-paying entity if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the income tax of the same taxable entity and the same taxation authority.

Deferred taxes at the balance sheet date comprise the following:

DEFERRED TAXES

	Consolidated balance sheet	
Thousands of €	**2019**	2018
Deferred tax assets resulting from		
Intangible assets	4,402	3,016
Property, plant and equipment	273	240
Receivables	181	99
Pensions and related obligations	565	342
Provisions	2,549	1,572
Liabilities	802	617
Tax loss carryforward	3,166	2,607
Foreign tax credit	1,470	313
Other	24	1
Lease liabilities	17,583	0
Offsetting	−24,764	−5,651
	6,250	**3,157**
Deferred tax liabilities resulting from		
Intangible assets	29,462	20,329
Property, plant and equipment	419	450
Receivables	173	23
Provisions	24	23
Liabilities	705	509
Other	586	1,514
Right-of-use assets	16,737	0
Offsetting	−24,764	−5,651
	23,342	**17,198**

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2019) for the financial years ending December 31, 2019 and 2018 is as follows:

INCOME TAX RECONCILIATION

Thousands of €	2019	2018
Earnings before taxes	**153,669**	**99,808**
Expected tax 31.6% (previous year: 32.5%)	48,575	32,458
Differences to German and foreign tax rates	–8,515	–8,040
Tax effects on:		
Investments accounted for at-equity	–129	–174
Change in the recoverability of deferred tax assets and tax credits	–1,120	1,779
Change of deferred taxes on permanent differences	23	180
Current and deferred taxes previous years	32	220
Non-deductible expenses	2,565	1,425
Effect of functional currency conversion	0	–33
Tax-free income and Tax Credits	–14,469	–4,617
Tax rate changes and adaptation	–42	30
Other	–507	20
Effective tax expense	26,415	23,248
Effective tax rate	**17.2%**	**23.3%**

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

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

DEFERRED TAX ON LOSSES CARRIED FORWARD

Thousands of €	2019	2018
Losses according to entities	78,172	70,203
Deferred tax assets, gross	12,869	11,364
Allowances on tax losses carried forward	–9,703	–8,757
Deferred tax assets on unused tax losses, net	**3,166**	**2,607**

The items contain deferred taxes on unused tax losses which are likely to be realized in the future. The deferred tax assets on tax losses carried forward were recognized on the basis of the income and expense budgets of Nemetschek SE subsidiaries for the financial years 2020 – 2022.

The deferred tax assets on losses carried forward in the subgroup Graphisoft were recognized for the first time in the amount of their probably usage.

LOSSES CARRIED FORWARD WITH LIMITED LIFE OF USAGE

Thousands of €	2019	2018
Unused tax loss carried forward		
Never expire	26,126	19,153
Expire by 2025 (prev. year 2024)	37,132	4,854
Expire from 2026 (prev. year 2025)	8,752	35,496
Sum of unused tax loss carried forward	**72,010**	**59,503**

The temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability has not been recognized in the periods presented, aggregate to EUR 2,641k (previous year: EUR 3,762k). They would result in a tax expense of EUR 515k (previous year: EUR 885k) in the future.

There are no income tax consequences attached to the payment of dividends in either 2019 or 2018 by Nemetschek SE to its shareholders.

[11] Earnings per share

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

EARNINGS PER SHARE

	2019	2018*
Net income attributable to the parent (in thousands of EUR)	127,155	76,467
Weighted average number of ordinary shares outstanding as at December 31	115,500,000	115,500,000
Weighted average number of ordinary shares to be included in the calculation of diluted earnings per share as at December 31	115,500,000	115,500,000
Earnings per share in EUR, undiluted	**1.10**	**0.66**
Earnings per share in EUR, diluted	**1.10**	**0.66**

* Previous year values adjusted due to the stock split.

For more details reference is made to note [25].

Notes to the consolidated statement of financial position

[12] Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS

Thousands of €	**December 31, 2019**	December 31, 2018
Bank balances	207,517	116,884
Fixed term deposits (contract period up to 3 months)	1,626	3,863
	209,143	**120,747**

[13] TRADE RECEIVABLES

Thousands of €	**December 31, 2019**	December 31, 2018
Trade receivables (before allowances)	65,340	58,342
Lifetime expected credit loss allowance	−3,293	−2,584
	62,046	**55,758**

Trade receivables are non-interest bearing and are generally due within 30- to 90-day terms customary for the industry.

Bad debt allowances developed as follows:

DEVELOPMENT OF EXPECTED CREDIT LOSS ALLOWANCES

Thousands of €	January 1	Utilization	Release	Addition	**December 31**
Lifetime expected credit loss allowance 2019	−2,584	632	849	−2,190	−3,293
Lifetime expected credit loss allowance 2018	−2,973	888	1,013	−1,512	−2,584

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

AGEING STRUCTURE OF TRADE RECEIVABLES

2019 Thousands of €	not past due	Past due (by <30 days)	Past due (by 30–60 days)	Past due (by 60–90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by >360 days)	**December 31, 2019**
Gross Trade receivables	42,392	9,075	2,500	1,961	3,315	2,945	3,152	65,340
Expected credit loss allowance	−49	−144	−81	−89	−387	−500	−2,043	−3,293
Net Trade receivables	42,343	8,930	2,419	1,872	2,929	2,444	1,109	62,046
Expected credit loss rate (weighted average)	0.12%	1.59%	3.25%	4.53%	11.66%	17.00%	64.81%	

AGEING STRUCTURE OF TRADE RECEIVABLES

2018 Thousands of €	not past due	Past due (by <30 days)	Past due (by 30–60 days)	Past due (by 60–90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by >360 days)	**December 31, 2018**
Gross Trade receivables	39,701	8,490	3,073	1,025	2,147	2,047	1,859	58,342
Expected credit loss allowance	−229	−145	−48	−17	−76	−339	−1,730	−2,584
Net Trade receivables	39,472	8,345	3,025	1,008	2,071	1,708	129	55,758
Expected credit loss rate (weighted average)	0.58%	1.71%	1.56%	1.66%	3.54%	16.56%	93.06%	

[14] **ASSETS**

Thousands of €	**December 31, 2019**	December 31, 2018
Inventories	1,012	811
Other financial assets	6,702	9,524
Other non-financial assets	20,518	18,350
	28,232	**28,685**

Inventories mainly consist of third party licenses amounting to EUR 539k (previous year: EUR 0k) as well as hardware amounting to EUR 167k (previous year: EUR 284k). As in the previous year no write-downs or reversals of write-downs were recognized. On December 31, 2019 and 2018, the inventories were not collateralized.

Other financial assets mainly include security deposits from office rental agreements. The prior years' "Other current financial assets" include a receivable for subsidies from a lessor.

Other non-financial assets mainly consist of prepaid expenses in the amount of EUR 14,171k (previous year: EUR 12,140k) as well as contract assets according to IFRS 15 in the amount of EUR 839k (previous year: EUR 803k).

[15] Property, plant and equipment

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

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

Thousands of €	**2019**	2018
Cost		
As of January 1	51,368	41,148
Additions	16,895	8,678
Additions from business combinations	611	1,429
Disposal	−7,348	−571
Reclassification	351	–
Foreign currency translation difference	127	684
As of December 31	62,004	51,368
Depreciation and impairment		
As of January 1	33,794	26,296
Additions	7,176	6,520
Additions from business combinations	386	884
Disposal	−7,197	−477
Reclassification	0	–
Foreign currency translation difference	225	571
As of December 31	34,384	33,794
Carrying amount December 31	**27,620**	**17,574**

No material impairment and no material write-ups were recognized on property, plant and equipment in 2019 and 2018. On December 31, 2019 and 2018, property, plant and equipment were not pledged.

[16] Intangible assets and goodwill

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

DEVELOPMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

	2019			2018		
Thousands of €	**Goodwill**	**Software, industrial and similar rights**	**Internally generated software**	Goodwill	Software, industrial and similar rights	Internally generated software
Cost						
As of January 1	244,349	212,501	7,489	192,736	179,557	7,489
Additions	0	2,999	0	0	2,366	0
Additions from business combinations	78,807	41,252	0	47,862	28,425	0
Disposal		−44	0	0	−78	0
Reclassification	0	−351	0	0	0	0
Foreign currency translation difference	1,884	1,297	0	3,751	2,231	0
As of December 31	325,041	257,654	7,489	244,349	212,501	7,489
Amortization and impairment						
As of January 1	0	111,196	6,709	0	94,235	5,954
Additions	0	19,466	668	0	16,185	755
Additions from business combinations	0	7	0	0	774	0
Disposal	0	−9	0	0	−61	0
Reclassification	0	0	0	0	0	0
Foreign currency translation difference	0	−555	0	0	63	0
As of December 31	0	130,105	7,377	0	111,196	6,709
Carrying amount December 31	**325,041**	**127,548**	**112**	**244,349**	**101,305**	**780**

Intangible assets

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

INTANGIBLE ASSETS FROM MATERIAL PURCHASE PRICE ALLOCATION

Thousands of €	Fair value at time of acquisition	Useful life in years	Amortization 2019	**Net book value as of Dec. 31, 2019**	Net book value as of Dec. 31, 2018
Brand name	20,176	10–15	1,385	9,670	8,911
Software	108,103	5–12	8,973	55,638	45,839
Customer relationship	105,176	10–25	5,684	54,199	39,149
Non-compete agreements	2,146	2–3	556	1,445	981
Intangible assets	**235,602**		**16,598**	**120,952**	**94,881**

On December 31, 2019 and 2018, the intangibles were not pledged.

Goodwill

At the beginning of the reporting period Nemetschek changed the organization toward the divisions. The divisional set up not only strengthens the market position of Nemetschek in that area by increasing synergies within the division but also determines how business combinations and resulting assets are managed to increase the success of the respective division on that organizational level. Consequently, the reorganization also triggers a change to the level at which the goodwill is managed and monitored for impairment test purposes.

Following the reorganization, goodwill is monitored on the division levels which represent the operating segments Design, Build, Manage and Media & Entertainment. Please refer to note [26] for more information regarding changes in the presentation of segment disclosures. Prior to the reorganization, goodwill was monitored on brand level. The impairment test conducted before the reallocation of goodwill did not indicate that goodwill was impaired in prior periods.

Following the reallocation, goodwill is allocated as follows:

GOODWILL

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

The basic assumptions for the business plan also used for impairment test purposes are revenue and personnel cost. The development of sales volumes and prices is based on the expectations of market developments considering general economic factors as well as AEC sector specific factors. Also the development of personnel cost is a key driver to revenue by enabling the development of successful products as well addressing markets.

According to the impairment tests for goodwill conducted in financial year 2019 and in the previous year, the carrying amounts are recoverable. Thus, no impairments were recognized. As in the previous year, the impairment test was carried out as at the valuation date, December 31, 2019.

For goodwill for which the recoverable amount is not at least 30% above the carrying value of the cash-generating unit, the impairment test was complemented by sensitivity analyses for which assumptions deviating from original forecasts are made for EBITA, WACC and growth rates in perpetuity. These scenarios are deemed by management as improbable yet possible. In the case of the division Manage, the recoverable amount exceeds the carrying amount by 27%.

The key assumption of which the recoverable amount is sensitive to are the WACC, the terminal growth rate as well as the EBITA in the terminal value calculation. The sensitivity analysis is performed by varying the key assumptions as follows:

» Increase in WACC by 1 percentage point

» Reduction of the growth rate in perpetuity by 0.5 percentage points

» Deduction of 20% on the EBITA in perpetuity

Thus, the Group accounts for uncertainties within the scope of forecasts and analyzes the goodwill for impairment as well as for scenarios which are less favorable than forecast. Changes to the specified parameters considered possible would have no effect on goodwill in terms of impairment.

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

Goodwill before reallocation

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

MATERIAL GOODWILL

2018	**Carrying value of the goodwill allocable to the CGU in thousand €**	Share in total goodwill in %	Discount rate (before taxes) in %	Discount rate (after taxes) in %	Growth rate in %	Description of the basic assumptions for corporate plan	Presentation of approach for determination of values for the basic assumptions
Bluebeam Software, Inc., Pasadena, USA	56,262	23	13.54	10.02	1.50	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development USD/SEK	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Spacewell (FASEAS International NV), Antwerp, Belgium	34,151	14	12.57	10.16	2.00	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Design Data Corporation, Lincoln, USA	28,599	12	12.09	10.02	1.90	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development USD/EUR	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Solibri Oy, Helsinki, Finland	24,039	10	12.03	9.88	1.50	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.
Graphisoft SE, Budapest, Hungary	21,463	9	13.83	12.39	2.00	» Sales prices and sales volumes » Personnel costs » Market development » Exchange rate development HUF/USD	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions, forecast of exchange rate developments as well as sector-related market studies are also included.
NEVARIS Group	25,201	10	12.89	9.33	1.50	» Sales prices and sales volumes » Personnel costs » Market development	Intra-group estimation of the relevant sales departments including distribution partners and accounting for investments in personnel structures. General economic framework conditions as well as sector-related market studies are also included.

The following deviating assumptions were taken into account within the scope of the sensitivity analyses:

- Increase in WACC by 1 percentage point
- Reduction of the growth rate in perpetuity by 0.5 percentage points
- Deduction of 20% on the EBITA in perpetuity

Thus the Group accounts for uncertainties within the scope of forecasts and analyzes the goodwill for impairment as well as for scenarios which are less favorable than forecast. Changes to the specified parameters considered possible would have no material effect on goodwill in terms of impairment with the exception of Spacewell acquired as of August 28, 2018. In the case of the acquisitions of the 2018 financial year, the recoverable amount is only slightly higher than the carrying value.

On the basis of the impairment testing performed, as well as on the basis of the sensitivity analyses conducted within this scope, the Group comes to the conclusion that in the reporting year there is no impairment of goodwill in any of the cash-generating units.

[17] Leases

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

RIGHT-OF-USE ASSETS

Thousands of €	**December 31, 2019**	January 1, 2019
Right-of-use assets – Property	61,676	65,408
Right-of-use assets – Office Equipment	261	365
Right-of-use assets – Vehicles	4,227	3,448
	66,163	**69,221**

Property leases mainly include office space. Additions to the right-of-use assets during 2019 were EUR 10,243k. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation per asset class in the financial year is as follows:

DEPRECIATION CHARGE FOR THE YEAR

Thousands of €	Property	Vehicles	Office Equipment
Depreciation charge for the year	12,454	2,116	172

Information on the corresponding lease liabilities can be found under financial liabilities [24]. Expenses recognized in profit or loss besides depreciation are shown in the overview below:

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

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

AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	**2019**
Total cash outflow for leases	12,779

[18] Investments in associates

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

Name, registered office of the entity — Thousands of €	Shareholding in %	Equity	pro rata	Shareholding in %	Equity	pro rata
	2019	**2019**	**2019**	**2018**	**2018**	**2018**
Nemetschek OOD, Bulgaria	20.00	5,505	1,101	20.00	4,773	955
Sablono GmbH, Berlin	24.99	–1,081	–270	24.99	–675	–169
DocuWare GmbH, Germering	-	-	-	22.41	13,847	3,103

Nemetschek OOD, Bulgaria, develops customer-specific software within the scope of order developments. Sablono GmbH develops software solutions for the digital design, control and monitoring of complex building projects. The DocuWare Group develops and distributes software for electronic document management. On June 28, 2019, Nemetschek concluded the sale of its 22.41% share in the associate DocuWare GmbH to a company belonging to the Ricoh Group. The sale was completed on August 5, 2019, after approval was granted by antitrust authorities. The gain on disposal in the amount of EUR 29,927k is reported under financial results.

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

AGGREGATE INFORMATION OF ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

Thousands of €	**December 31, 2019**	December 31, 2018
Group's share of net income from continuing operations	531	536
Group's share of net income from discontinued operations	0	0
Group's share of net income for the year	**531**	**536**
Group's share of other comprehensive income	74	–48
Group's share of total comprehensive income	**605**	**489**
Aggregate carrying amount of the Group's interests in these associates	1,101	3,964

UNRECOGNIZED SHARE OF LOSSES OF AN ASSOCIATE

Thousands of €	**December 31, 2019**	December 31, 2018
The unrecognized share of loss of an associate for the year	–101	–106
Cumulative share of loss of an associate	–270	–169

[19] Financial liabilities

FINANCIAL LIABILITIES

Thousands of €	**December 31, 2019**	December 31, 2018
Borrowings	188,123	130,628
Trade payables	12,404	12,878
Other financial liabilities	9,216	5,813
Lease liabilities	70,327	–
	280,071	**149,319**

Borrowings include liabilities to banks in connection with business combinations in the amount of EUR 185,800k (previous year: EUR 127,800k). Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost.

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

Other financial liabilities comprise subsequent purchase price obligations in connection with business combinations. As of December 31, 2019 these mainly consist of EUR 6,078k resulting from the acquisition of Redshift Rendering Technologies, Inc., and EUR 684k (previous year: EUR 2,653k) resulting from the acquisition of 123erfasst.de GmbH. Additional EUR 1,500k (previous year: EUR 2,961k) relate to the purchase of non-controlling interests in Maxon GmbH.

[20] Provisions and accrued liabilities

Provisions and accrued liabilities contain the following items:

PROVISIONS AND ACCRUED LIABILITIES

Thousands of €	December 31, 2019	December 31, 2018
Provisions		
Personnel	26,003	24,772
Warranty and liability risks	188	227
Other	440	100
Accruals		
Outstanding invoices	8,035	7,459
Personnel	6,986	6,203
Legal and consulting fees	1,567	1,015
Other	4,015	2,999
	47,234	**42,775**

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components and commissions. The increase is caused by the positive business development in the financial year 2019. Long-term variable compensation components have a term of up to three years.

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

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

The development of provisions is as follows:

PROVISIONS

Thousands of €	As of January 1	Usage	Release	Additions	Reclassification	Currency translation	As of December 31	thereof long-term
Personnel	24,772	–16,443	–2,392	20,918	–26	–826	26,003	2,845
Warranty and liability risks	227	–35	–13	9	–	–	188	–
Other	100	–50	–	390	–	–	440	390

[21] Deferred revenue

Deferred revenue amounts to EUR 122,185k (previous year: EUR 95,375k).

[22] Other non-financial liabilities

Other current liabilities primarily comprise liabilities to the tax authorities on account of obligations to pay wage tax and VAT as well as to pay social security contributions to the social security authorities. Other liabilities are non-interest bearing and have an average term of 60 days.

The other non-current liabilities of the previous year mainly comprise non-current accrued rent.

[23] Pensions and related obligations

Pensions and related obligations include the defined benefit obligation in the amount of EUR 1,926k (previous year: EUR 1,665k) and provisions for anniversary-related payments in the amount of EUR 14k (previous year: EUR 12k).

The obligation resulting from pension plans to a subsidiary's former general managers is determined using the projected unit credit method. The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, however up to a maximum amount of EUR 3,834 (DEM 7,500) per month. These claims are vested. The term of the pension obligation is 23 years. In the year ending December 31, 2019 there were no curtailments to the plan, as was the case in the previous year.

Plan assets from these benefit plans have been invested in life insurances. Plan assets include any reinsurance plans entered into which are assigned to the pension beneficiary entitled to these.

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

PROVISIONS FOR PENSIONS

Thousands of €	As of January 1	Changes	As of December 31
Defined benefit obligation 2019	2,236	294	2,530
Less plan asset 2019	571	33	604
Status of coverage (= pension provisions) 2019	**1,665**	**261**	**1,926**
Defined benefit obligation 2018	2,227	9	2,236
Less plan asset 2018	543	28	571
Status of coverage (= pension provisions) 2018	**1,684**	**–19**	**1,665**

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

DISCOUNT RATE

in %	2019	2018
Discount rate	1.25	1.90
Future pension increases	1.00	1.00
Compensation increase	0.00	0.00

The actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pensions expense for the upcoming financial year. The mortality rates are based on the Heubeck 2018 G mortality tables.

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

CHANGE IN DEFINED BENEFIT OBLIGATIONS (DBO)

Thousands of €	2019	2018
DBO at beginning of fiscal year	**2,236**	**2,227**
Current service cost	71	73
Interest expense	42	40
Actuarial changes arising from changes in demographic assumptions	0	–37
Actuarial changes arising from changes in financial assumptions	313	–47
Experience adjustments	–132	–19
Benefit payments	0	–1
DBO at end of fiscal year	**2,530**	**2,236**
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	**571**	**543**
Interest income	11	10
Actuarial gains/(losses)	–3	–7
Employer contributions	25	25
Fair value of plan assets at end of fiscal year	**604**	**571**

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

SENSITIVITY

Changes in actuarial assumptions	Thousands of €	**2019**	2018
Present value of pension obligation for the reporting date		2,530	2,236
Discount rate	increase by 0.5 percent points	2,284	2,017
	decrease by 0.5 percent points	2,810	2,485
Pension cost	increase by 0.5 percent points	2,717	2,395
	decrease by 0.5 percent points	2,360	2,091

The average duration of the benefit obligation at December 31, 2019 is 21.0 years (2018: 21.3 years). The expected payments in the 2020 financial year amount to EUR 25k (previous year: EUR 25k) and relate to employer contributions paid into the plan assets. In the next financial years, the following payments are expected from the pension plans:

FUTURE PENSION PAYMENTS

Thousands of €	
(for fiscal year)	
2020	1
2021	3
2022	4
2023	6
2024	7
2025–2049	2,503
	2,524

[24] Financial instruments

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

FINANCIAL INSTRUMENTS

			Measurement in accordance with IFRS 9			
2019	Thousands of €	Carrying amount per balance sheet Dec. 31, 2019	Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2019
Trade receivables		62,046	62,046	-	-	62,046
Other financial assets		6,703	6,653	-	50	6,703
Cash and cash equivalents		209,143	209,143	-	-	209,143
Total financial assets		**277,892**	**-**	**-**	**-**	**277,892**
Borrowings		188,123	188,123			188,123
Trade payables		12,404	12,404	-	-	12,404
Other financial liabilities		9,216	954	8,262	-	9,216
Lease liabilities		70,327	70,327			-
Total financial liabilities		**280,071**	**-**	**-**	**-**	**209,743**

FINANCIAL INSTRUMENTS

			Measurement in accordance with IFRS 9			
2018	Thousands of €	Carrying amount per balance sheet Dec. 31, 2018	Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2018
Trade receivables		55,758	55,758	-	-	55,758
Other financial assets		9,524	9,474	-	50	9,524
Cash and cash equivalents		120,747	120,747	-	-	120,747
Total financial assets		**186,029**	**-**	**-**	**-**	**186,029**
Borrowings		130,628	130,628	-	-	130,628
Trade payables		12,878	12,878	-	-	12,878
Other financial liabilities		5,813	199	5,614	-	5,813
Lease liabilities		0	-	-	-	0
Total financial liabilities		**149,319**	**-**	**-**	**-**	**149,319**

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

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

Thousands of €	2019	2018
Balance at January 1	**5,614**	**2,167**
Changes in scope of consolidation, currency adjustments	5,778	5,614
Changes with cash effect	–1,500	0
Changes recognized in profit or loss	–1,630	–2,167
Balance at December 31	**8,262**	**5,614**

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Thousands of €	2019	2018
Financial assets measured at amortized cost	304	148
Financial liabilities measured at fair value through profit or loss	1,630	2,075
Financial liabilities measured at amortized cost	–3,165	–1,124
	–1,230	**1,099**

Net gains and losses from financial instruments comprise the results from valuations, the recognition and reversal of loss allowances, results from the translation of foreign currencies as well as interests. Financial assets measured at amortized costs include interest income in the amount of EUR 858k (previous year: EUR 470k). Financial liabilities measured at amortized cost include interest expenses in the amount of EUR -3.165k (previous year: EUR -1.124k).

Financial risk management

The objective of the Group with regard to financial risk management is to mitigate the risks presented below by the methods described. The Group generally pursues a conservative, risk-averse strategy.

Credit risk

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

Accounts receivables

At the end of 2019, there was no relevant concentration of credit risk by type of customer. The Group's credit risk exposure is mainly influenced by individual customer characteristics. Sales of goods and services are made to customers after having conducted appropriate internal credit risk assessment. At the end of 2019, no customer accounted for more than 10% of accounts receivable.

Cash and cash equivalents

The credit risk from balances with banks and financial institutions of Group companies is managed in accordance with the Group's policy and in agreement with Group headquarters. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential default of a business partner.

Liquidity risk

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

As at the balance sheet date, the Group holds cash and cash equivalents amounting to EUR 209,143k (previous year: EUR 120,747k).

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

MATURITY ANALYSIS FINANCIAL LIABILITIES

Thousands of €	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
December 31, 2019					
Borrowings	188,123	189,976	59,512	130,464	0
Trade payables	12,404	12,404	12,404	0	0
Other financial liabilities	9,216	9,769	2,131	7,638	0
Lease liabilities	70,327	76,682	14,169	44,703	17,810
Total	**280,071**				
December 31, 2018					
Borrowings	130,628	132,156	57,200	74,956	0
Trade payables	12,878	12,878	12,878	0	0
Other financial liabilities	5,813	5,813	1,698	4,115	0
Lease liabilities	0	0	0	0	0
Total	**149,319**				

Market risk

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

Currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The exchange rate fluctuation only has a limited effect at top Group level because the operating subsidiaries outside the Euro area record revenue as well as cost of goods and services, personnel expenses and other expenses primarily in their local currency.

Sensitivity analysis of selected foreign currencies

The table below shows the sensitivity of Group revenue and Group EBIT to a reasonably possible fluctuation in the US Dollar and the Hungarian Forint exchange rates. All other variables remain constant.

SENSITIVITY OF USD / EUR

Thousands of €	Change of exchange rate USD	Sensitivity effect on revenues	Sensitivity effect on EBIT
Fiscal year 2019			
(average USD / EUR exchange rate = 1.12)	+ 5%	−10,918	−2,690
	− 5%	12,067	2,973
Fiscal year 2018			
(average USD / EUR exchange rate = 1.18)	+ 5%	−8,837	−1,873
	− 5%	9,767	2,071

SENSITIVITY OF HUF / EUR

Thousands of €	Change of exchange rate HUF	Sensitivity effect on revenues	Sensitivity effect on EBIT
Fiscal year 2019			
(average HUF / EUR exchange rate = 325.30)	+ 5%	−1,633	61
	− 5%	1,805	−67
Fiscal year 2018			
(average HUF / EUR exchange rate = 318.89)	+ 5%	−1,520	−98
	− 5%	1,681	108

Foreign currency financial assets mainly exist in a subsidiary in Hungary. The following table shows the foreign currency receivables existing as at December 31, 2019, and changes in the closing date rate:

TRADE RECEIVABLES

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

TRADE RECEIVABLES

2018 Thousands of €	Change of exchange rate	Sensitivity effect on EBIT
Trade receivables		
HUF / EUR	+ 5%	−230
Total in kEUR: 4,823	**– 5%**	**254**
HUF / USD	+ 5%	−14
Total in kEUR: 284	**– 5%**	**6**

Interest risk and interest risk management

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

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital payments to shareholders. No changes were made to the objectives, policies or processes as of December 31, 2019 or as of December 31, 2018. The Group meets externally imposed minimum capital requirements.

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

Gearing ratio

The gearing ratio represents the relationship between net debt and EBITDA. Net debt is essentially defined as current and non-current loans less any cash and cash equivalents. Group net liquidity/debt as of December 31, 2019 amounted to EUR 21.0 million (previous year: EUR -9.9 million). Thus, external and internal key indicators have been met.

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio amounts to 40.7% (previous year: 43.0%).

[25] Equity

The development of subscribed capital, the capital reserve, the revenue reserve, foreign currency translation and the retained earnings/accumulated losses of the Group as well as shares without controlling interest are presented in the consolidated statement of changes in equity.

Nemetschek SE's **subscribed capital** as of December 31, 2019 amounted to EUR 115,500,000.00 (previous year: EUR 38,500,000.00) and is divided into 115,500,000 (previous year: EUR 38,500,000) no-par value bearer shares. Each share is attributed with EUR 1.00 of share capital. The capital is fully paid in.

On June 28, 2019, Nemetschek SE implemented the stock split resolved on by the annual general meeting on May 28, 2019. Every shareholder received two additional shares for every Nemetschek share held at no further charge by means of a corresponding depot credit. The stock split was technically carried out by means of a capital increase of the company's funds of EUR 77,000,000 from EUR 38,500,000 to EUR 115,500,000. Given that the overall value remained the same, the estimated price level of the Nemetschek share for the shareholders was accordingly divided by three. As a result of the split, the nominal capital of Nemetschek SE has tripled from EUR 38,500,000 to EUR 115,500,000 no-par value bearer shares.

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

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

Dividends

In the financial year 2019, a dividend of EUR 31,185,000.00 (previous year: EUR 28,875,000.00) was distributed to the shareholders. This represents EUR 0.81 (in consideration of the stock split: EUR 0.27 per share, previous year: EUR 0.75) per share. The executive board proposes to the supervisory board that a dividend be paid in the fiscal year 2020 amounting to EUR 32,340,000.00 This corresponds to 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.

[26] Segment reporting

The Nemetschek Group is managed centrally by the Executive Board of Nemetschek SE in its function as chief operating decision maker (CODM). At the beginning of the reporting period Nemetschek changed the organization toward the divisions. The reorganization did not result in a change of the operating segments identified. The adjusted management reporting is reflected in the disclosures below. Previous year figures are adjusted accordingly.

Operating segments

The operating segments of the Group are Design, Build, Manage and Media & Entertainment.

The **Design** segment contains the architecture and engineering division and is mainly characterized by the development and marketing of CAD, static engineering and tender software.

The **Build** segment involves the creation and marketing of commercial software for construction companies.

The **Manage** segment covers facility and property management, which involves the extensive administration and management of property development projects.

Furthermore, with the **Media & Entertainment** segment, the Group is involved in the field of multimedia software, visualization and animation.

Management and reporting system

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

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

Reconciliation includes corporate items for which headquarters are responsible as well as strategic projects. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are also included in the reconciliation.

SEGMENT REPORTING

2019 Thousands of €	Design	Build	Manage	Media & Entertainment	Reconciliation	Total
Revenue, total	**314,650**	**177,653**	**38,487**	**33,913**	**−7,824**	**556,879**
thereof revenue external	310,142	176,082	38,397	32,258	0	556,879
thereof intersegment revenue	3	1,571	90	1,655	−3,319	0
EBITDA	**101,952**	**61,629**	**7,902**	**9,418**	**−15,237**	**165,664**
Depreciation	−11,571	−7,452	−1,660	−683	−552	−21,918
EBITA	**90,381**	**54,177**	**6,243**	**8,735**	**−15,789**	**143,746**
Amortization						−20,134
Financial result						30,057
EBT						**153,669**

SEGMENT REPORTING

2018 Thousands of €	Design	Build	Manage	Media & Entertainment	Reconciliation	Total
Revenue, total	**285,414**	**141,495**	**13,806**	**27,528**	**−6,944**	**461,299**
thereof revenue external	281,363	140,189	13,806	25,941	0	461,299
thereof intersegment revenue	1	1,306	0	1,587	−2,895	0
EBITDA	**82,703**	**41,838**	**2,907**	**11,852**	**−18,045**	**121,255**
Depreciation	−3,374	−2,662	−109	−265	−111	−6,521
EBITA	**79,329**	**39,176**	**2,798**	**11,587**	**−18,156**	**114,734**
Amortization						−16,939
Financial result						2,013
EBT						**99,808**

Information related to geographic areas

Segment reporting by geographical region is as follows:

SEGMENT REPORTING – GEGRAPHICAL REGION

Thousands of €	Revenues 2019	Non-current assets 2019	Revenues 2018	Non-current assets 2018
Germany	141,164	58,968	130,100	47,234
Abroad	415,715	490,869	331,199	322,653
Total	**556,879**	**549,837**	**461,299**	**369,887**

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

[27] Notes to the cash flow statement and composition of the cash and cash equivalents

The cash flow statement is split into cash flows from operating, investing and financing activities. Whereas the cash flow from operating activities is derived using the indirect method, the cash flows from investing and financing activities are based on direct cash inflows and outflows.

Cash flow from operating activities amounts to EUR 160,376k (previous year: EUR 99,747k).

The cash flow from investing activities amounts to EUR –83,781k (previous year: EUR –74,388k). In the current financial year this mainly includes

- payments for the acquisition of Axxerion Group B.V. and Redshift Rendering Technologies, Inc.
- proceeds from the sale of the 22.41% share in the associate DocuWare GmbH
- investments in intangible assets and office equipment

The previous financial year primarily includes payments for the purchase of Spacewell, 123erfasst.de GmbH and investments in intangible assets and office equipment.

The cash flow from financing activities amounting to EUR 10,676k (previous year: EUR –10,394k). Cash outflows from the repayment of financial liabilities and the payment of interests increased by EUR 12.779 due to the initial recognition of lease liabilities.

[28] FINANCIAL COMMITMENTS

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

Since January 1, 2019 the operating lease commitments have been reported in accordance with the requirements of IFRS 16.

Furthermore, there are guarantee obligations amounting to EUR 706k (previous year: EUR 935k) in total. These are mainly rental guarantees.

Contingent liabilities

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

[29] Related party transactions

The Group enters into transactions with related parties. These transactions are part of ordinary activities and are treated at arm's length. Related parties are defined as parties who can at least be significantly influenced by the company or over whom the company can at least exercise significant influence. In addition, the executive and supervisory boards as well as their family members and partners have been identified as related parties.

Sales and purchases of goods and services

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

(1) Rental of space as well as repairs from Concentra GmbH & Co. KG, Munich, amounting to a total of EUR 1,599k (previous year: EUR 1,531k).

(2) Use of services from Nemetschek OOD, Bulgaria, amounting to a total of EUR 4,411k (previous year: EUR 3,472k).

(3) Use of services from DocuWare GmbH, Germering, amounting to a total of EUR 456k (previous year: EUR 777k).

As of December 31, 2019 trade payables to Concentra GmbH & Co. KG, Munich amounted to EUR 2k (previous year: EUR 20k) and trade payables to Nemetschek OOD, Bulgaria amounted to EUR 19k (previous year: EUR 202k). As of December 31, 2018 loans given to the associate Sablono GmbH amounted to EUR 30k.

Compensation of members of the executive board

Total remuneration attributable to the Executive Board amounted to EUR 3.110k (previous year: EUR 3.102k). Thereof EUR 2.356k (previous year: EUR 2.119k) relate to short-term employee benefits and EUR 754k (previous year: 983k) relate to other long-term benefits.

Compensation of members of the supervisory board

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

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

[30] Other information

Headcount

The average headcount breaks down as follows:

HEADCOUNT

Number of employees	**2019**	2018
Sales/Marketing/Hotline	1,280	1,084
Development	1,103	962
Administration	383	321
Average headcount for the year	**2,767**	**2,367**
Headcount as of December 31	**2,875**	**2,587**

Auditor's fees

The following fees of the auditor of the consolidated financial statements were expensed in the financial year 2019:

AUDITORS' FEES

Thousands of €	**2019**	2018
Financial statements audit services	332	313
Other audit services	12	10
Tax advisory services	0	20
Other services	71	0
	415	**343**

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

The Declaration of Conformity was submitted on December 19, 2019. The relevant current version is available to the shareholders on the website of Nemetschek SE (https://ir.nemetschek.com/websites/nemetschek/English/5100/declaration-of-conformity.html).

[32] Events after the balance sheet date

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. Red Giant offers a comprehensive product portfolio of motion graphics and innovative visual effects software solutions. 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. More detailed information pursuant to IFRS 3.B66 were not available at the time of the preparation of the consolidated financial statements.

Date of preparation

The executive board prepared and approved the consolidated financial statements on March 27, 2020, to be passed on to the supervisory board. It is the supervisory board's task to examine the consolidated financial statements and give its approval and authorization for issue.

[33] Supervisory board

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

Member of the following supervisory boards:

» 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
» United Internet AG, Montabaur (Chairman)
  Mandates associated with the Group:
  – 1&1 Telecommunication SE, Montabaur, Germany
  – 1&1 Mail & Media Applications SE, Montabaur, Germany
  – Drillisch AG, Maintal, Germany

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)

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

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

Member of the following supervisory board:

» INVESTCORP, New York, USA

Executive board

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)

Jon Elliott
(Master of 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 board:
- Design Data Corp., USA (since May 16, 2019)

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
- 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)

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

Managing director Nemetschek Austria Beteiligungen GmbH
(until January 7, 2020)

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), Belgium (until December 13, 2019)

Munich, March 27, 2020

Nemetschek SE

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

Declaration Confirmation of the members of the authorized body

"I hereby confirm that, to the best of my knowledge, in accordance with the applicable financial reporting framework, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the Group management report gives a true and fair view of business performance, including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group."

Munich, March 27, 2020

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

Independent auditor's report

To Nemetschek SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Nemetschek SE and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January 2019 to 31 December 2019, the consolidated statement of financial position as of 31 December 2019, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nemetschek SE, which has been combined with the management report of Nemetschek SE, for the fiscal year from 1 January 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 consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2019, and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, and

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

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Recognition of revenue from software service agreements

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

The business activities of the Group comprise among others the sale of software licenses as well as the rendering of services such as a telephone hotline and updates in connection with this software under software service agreements (“service agreements”). Revenue from these service agreements is recognized on a pro rata basis over the term of the agreement. Recognizing revenue over the term of these service agreements is an area that carries significant risk of material misstatement in the consolidated financial statements (including the potential risk of management overriding controls) and is thus a key audit matter, as there is a large number of these transactions and revenue is a financial performance indicator.

Auditor’s response

IIn the course of our audit, we examined the processes associated with revenue recognition as well as the application of the accounting policies for service agreements. We assessed the design and operating effectiveness of the accounting-related internal control system by verifying business transactions from initiation to its recognition in the financial statements as well as the controls implemented as part of the process.

Our audit procedures included, but were not limited to, a review of the contractual bases including contractually agreed regulations regarding service performance and termination rights. To assess the accounting performed by the executive directors, we performed substantive testing to verify that the prerequisites for the recognition of revenue were met for service agreements. In particular, to assess whether revenue from service agreements was matched to the correct period, we reconciled and recalculated on a sample basis the revenue recognized as of the reporting date as well as the corresponding deferred items for work in process with the contractual bases and compared records of payments received with bank statements. Data analysis procedures were also used in this context to evaluate mass data. In order to detect irregularities in the margin development over the course of the year and in comparison, to the prior year, we carried out analytical audit procedures.

Furthermore, we obtained documents from third parties for the receivables outstanding as of the reporting date.

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

Reference to related disclosures

For information on the accounting policies applied to the recognition of revenue from software service agreements, we refer to the disclosures in the notes to the consolidated financial statements in the section Summary of significant accounting policies – Revenues, as well as to no. 1 Revenue, no. 21 Deferred items and no. 26 Segment reporting.

2. Accounting for business combinations

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

The purchase of the Axxerion Group, Heteren, Netherlands, on 18 January 2019 and the acquisition of Redshift Rendering Technologies, Inc. Newport Beach, USA, on 5 April 2019 were key audit matters because of the complexity of the transactions as well as the assumptions and estimates required by the executive directors as part of the purchase price allocation.

Auditor’s response

Our audit procedures in relation to the purchase of the companies involved verifying the assessment by the executive directors regarding control of the entities acquired. For this purpose, we compared, among other things, the corporate law agreements with the criteria for control defined in IFRS 10 Consolidated Financial Statements.

In addition to comparing the consideration provided by Nemetschek SE with the contractual bases, our audit procedures in relation to the (preliminary) purchase price allocations involved assessing the methodology used by the external appraiser engaged by the executive directors to identify the acquired assets as well as the conceptual assessment of the measurement models, considering the rules in IFRS 3 Business Combinations. With the support of our internal measurement specialists, we verified the methods used to measure fair value. We also analyzed assumptions and estimates based on judgment (for example growth rates, cost of capital rates, royalty rates or remaining useful lives) made to determine the fair values of the acquired, identifiable assets as well as of the liabilities assumed on the acquisition date in order to check whether they correspond to general and industry-specific market expectations. In addition, we verified the models arithmetically and reconciled the future expected cash flows used for measurement with internal budgets and other items.

Another focus was on the determination of the fair values for technologies and the customer base. Among other things, we assessed the suitability of the measurement appraisal and of the appraisals by external experts engaged by the executive directors as audit evidence by interviewing the experts to determine whether the assumptions made reflect the view of an external market participant on the acquisition date. With regard to the determination of goodwill, we examined the calculation as a residual amount between the purchase price calculated less the fair value of identified, acquired assets and liabilities, taking into account the resulting deferred taxes.

We compared the accounting treatment of the assets and liabilities acquired in the business combinations with the accounting policies used in the Nemetschek Group. We also examined the tax effects of the combination and the presentation of the first-time consolidation in the consolidation system. Additionally, we assessed the disclosures in the notes to the consolidated financial statements regarding the requirements in IFRS 3.

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

Reference to related disclosures

The disclosures on the accounting for business combinations are presented in the sections Summary of significant accounting policies, Significant discretionary decisions, estimates and assumptions when preparing the consolidated financial statements, Business combinations – *Acquisitions in 2019, Acquisitions in fiscal year 2018,* as well as in no. 15 *Property, plant and equipment* and no. 16 Intangible Assets and Goodwill in the notes to the consolidated financial statements.

3. Impairment of goodwill and intangible assets

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

Testing goodwill and intangible assets at the level of the cash-generating unit for possible impairments was a key audit matter, as the measurements underlying the impairment tests highly depend on the estimate of future cash flows and the discount rate used and have a material effect on the consolidated financial statements.

Auditor's response

To assess the appropriateness of the measurements performed by the executive directors, we carried out control-based audit procedures and examined the underlying processes associated with the identification of the cash-generating units and determination of fair values, and also carried out substantive audit procedures.

To check the cash-generating unit for possible impairments, we verified the underlying measurement models both methodologically and arithmetically, with the support of internal valuation specialists. In this context, we examined whether the budgets reflect general and industry-specific market expectations and compared the measurement parameters used for the estimates of the fair values – in particular the estimated growth rates, the weighted average cost of capital rates and the tax rates – with publicly available market data and assessed these against changes in significant assumptions, including future market conditions. To determine the reliability of the budgets, we compared historical budget data with actual figures on a sample basis.

To be able to assess a possible impairment risk in the event of a potential change in one of the main assumptions, we also carried out our own sensitivity analyses.

Our audit procedures did not lead to any reservations regarding the impairment of goodwill and intangible assets.

Reference to related disclosures

For information on the accounting policies applied to the impairment of goodwill and intangible assets, we refer to the disclosures in the notes to the consolidated financial statements in the section Summary of significant accounting policies – *Intangible Assets and goodwill, Impairment of non-financial assets,* Significant discretionary decisions, estimates and assumptions when preparing the consolidated financial statements as well as to in no. 16 *Intangible Assets and Goodwill.*

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 consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but 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 they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

» Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report to design audit procedures that are appropriate under the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

» Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB;

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

» Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides;

» Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant underlying 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 the underlying assumptions. 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

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

We were elected as group auditor by the Annual General Meeting on 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, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt	Turba
Wirtschaftsprüfer	Wirtschaftsprüferin

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

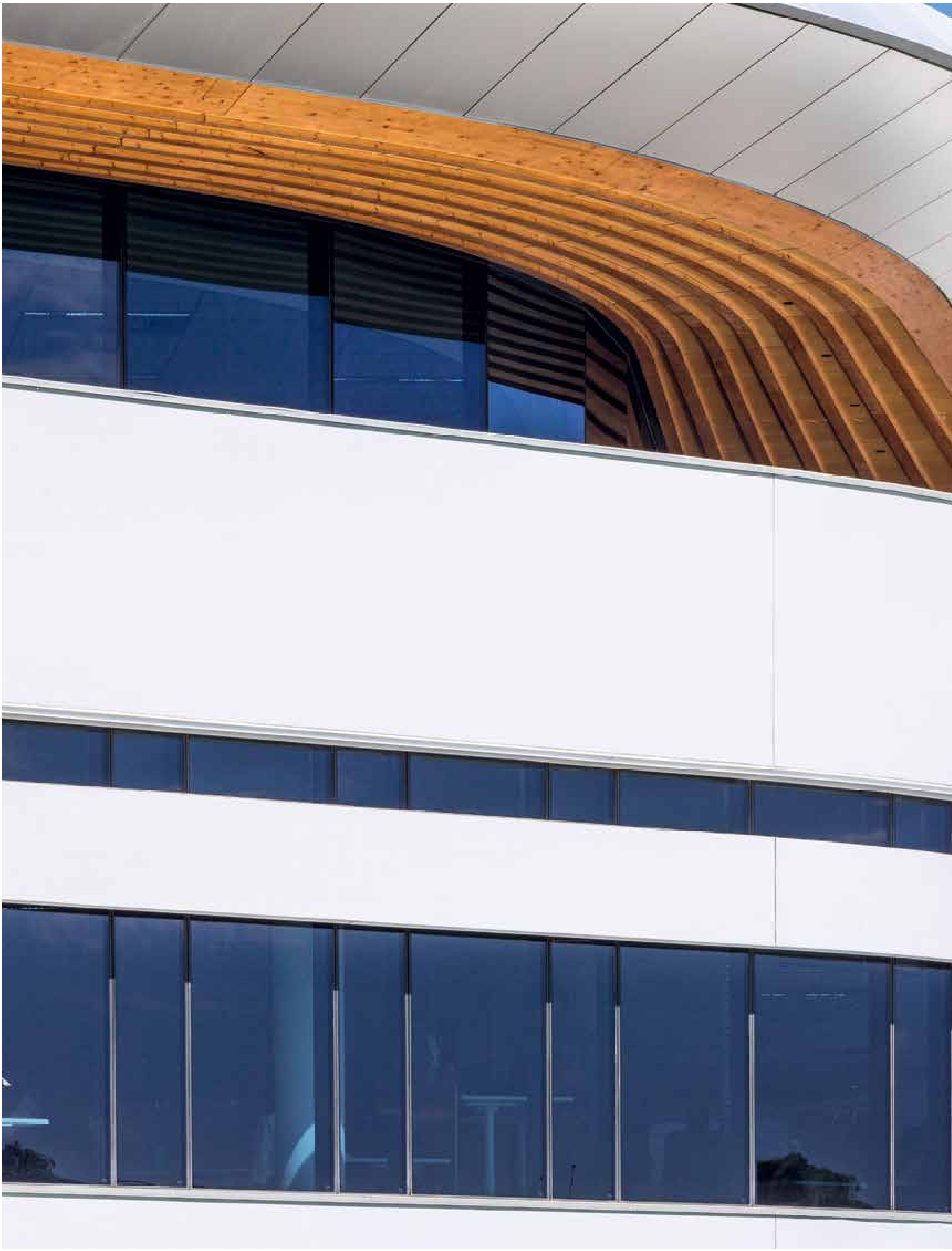
The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). 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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Financial Statements
(HGB)

Financial Statements
of Nemetschek SE (German Commercial Code)

Balance Sheet

as of December 31, 2019 and as of December 31, 2018

ASSETS Thousands of €	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	673	1,322
2. Prepayments made on intangible assets	0	69
	673	**1,390**
II. Property, plant and equipment		
1. Leasehold improvements	88	84
2. Fixtures, fittings and equipment	458	242
3. Prepayments made on tangible assets	0	57
	546	**383**
III. Financial assets		
1. Shares in affiliated companies	568,127	423,328
2. Loans due from affiliated companies	18,750	1,750
3. Investments	60	2,073
	586,937	**427,151**
TOTAL FIXED ASSETS	**588,156**	**428,924**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Trade receivables	2	5
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 1,175k (previous year: EUR 676k)	40,424	23,296
3. Other assets	1,070	1,663
	41,497	**24,964**
II. Cash and cash equivalents	**16,974**	**8,136**
TOTAL CURRENT ASSETS	**58,470**	**33,099**
C. DEFERRED AND PREPAID EXPENSES	**135**	**167**
D. DEFERRED TAX ASSETS	**405**	**70**
	647,166	**462,260**

EQUITY AND LIABILITIES	Thousands of €	December 31, 2019	December 31, 2018
A. EQUITY			
I. Subscribed capital		**115,500**	**38,500**
II. Capital reserve		**20,530**	**20,530**
III. Retained earnings		**28,586**	**28,586**
IV. Unappropriated profit		**224,628**	**182,184**
TOTAL EQUITY		**389,243**	**269,799**
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Accrued tax liabilities		4,942	1,839
2. Other provisions and accrued liabilities		5,308	5,036
TOTAL PROVISIONS AND ACCRUED LIABILITIES		**10,250**	**6,875**
C. LIABILITIES			
1. Liabilities due to banks		185,800	127,800
2. Trade accounts payable		1,312	391
3. Accounts due to affiliated companies		56,578	54,258
4. Other liabilities – thereof taxes: EUR 1,426k (previous year: EUR 832k) – thereof social security EUR 2k (previous year: EUR 6k)		2,955	2,402
TOTAL LIABILITIES		**246,645**	**184,851**
D. Deferred tax liabitlity		**1,028**	**735**
		647,166	**462,260**

Profit and loss account of Nemetschek SE

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

Thousands of €	December 31, 2019	December 31, 2018
1. Revenues	6,320	5,254
2. Other operating income	2,745	3,047
Operating income	**9,066**	**8,300**
3. Personnel expenses		
a) Wages and salaries	–6,211	–5,616
b) Social security, pension and other benefit costs – thereof for pension: EUR 18k (previous year: EUR 8k)	–684	–624
4. Depreciation and amortization of intangible assets, property, plants and equipment	–1,025	–235
5. Other operating expenses	–7,843	–6,584
Operating expenses	**–15,763**	**–13,059**
Operating result	**–6,697**	**–4,759**
6. Income from investments – thereof from affiliated companies: EUR 97,236k (previous year: EUR 48,178k)	128,590	48,207
7. Income from profit and loss transfer agreements	40,034	24,924
8. Other interest and similar income – thereof from affiliates companies: EUR 319k (previous year: EUR 319k)	1,100	320
9. Interest and similar expenses – thereof from affiliated companies: EUR 0k (previous year: EUR 0k)	–1,150	–859
Result from ordinary operations	**161,877**	**67,833**
10. Taxes on income – thereof expenses of recognized from the change in deferred taxes: EUR -42k (previous year: EUR 119k)	–11,247	–6,403
11. Earnings after tax	**150,630**	**61,430**
12. Other Taxes	–1	–1
13. Net Income	**150,629**	**61,429**
14. Profit carried forward from previous year	73,999	120,755
15. Retained earnings	**224,628**	**182,184**

Financial calendar 2020

March 31, 2020	April 30, 2020
Publication Annual Report 2019	Publication 1st Quarter 2020
July 31, 2020	**October 30, 2020**
Publication Half-year Report 2020	Publication 3rd Quarter 2020

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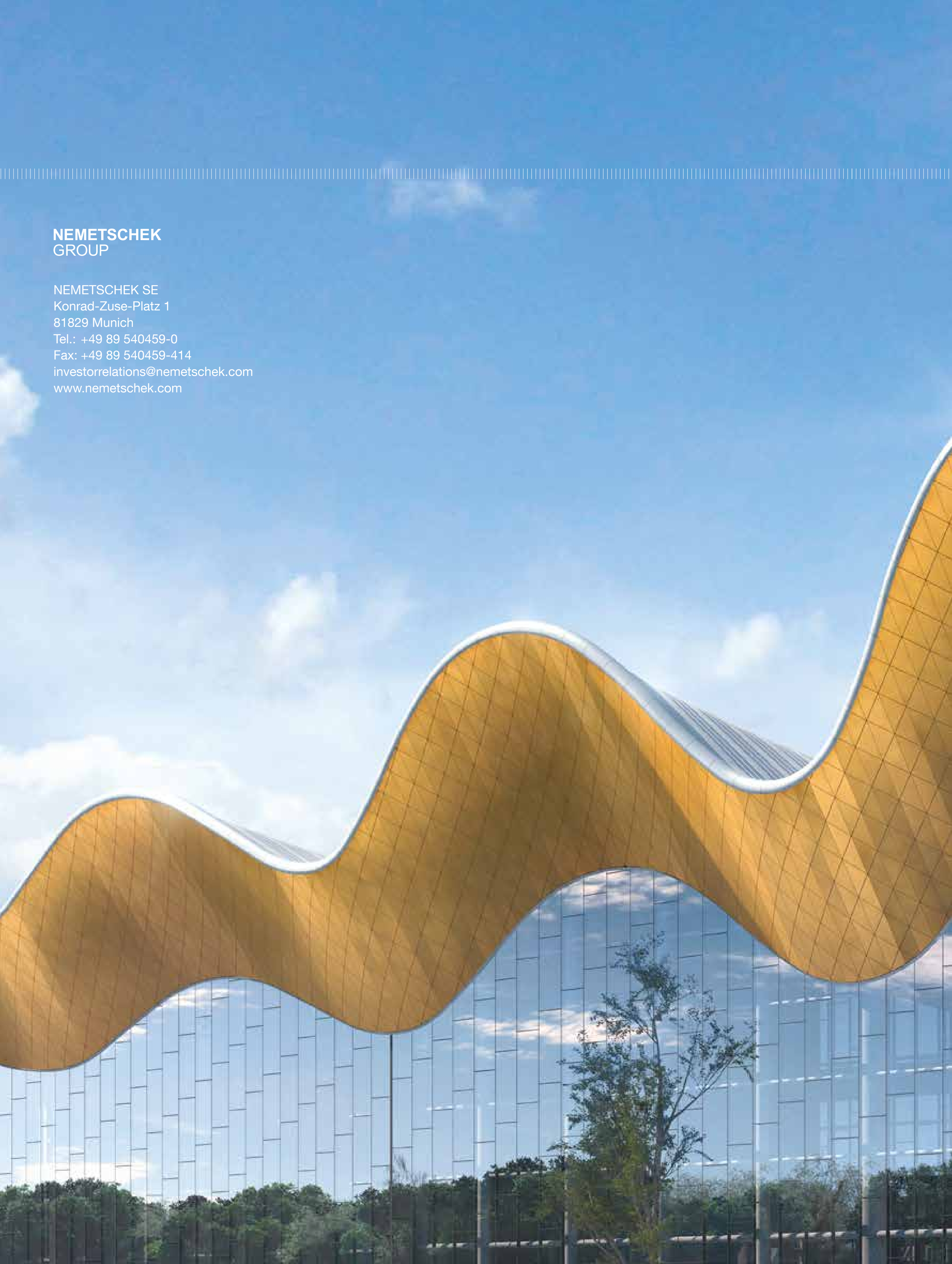
Architects: fjmt; Image: Trevor Mein

NOTE: The printed Annual Report is accompanied by a non-certified editorial report about the NEMETSCHEK Group, which can also be downloaded as a separate PDF.



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