Group Management Report

Combined Management Report for the 2020 Financial Year

About This Report

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

1 Group Principles

1.1 Group Business Model

Organization

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

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

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

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

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

Business activities

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

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

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

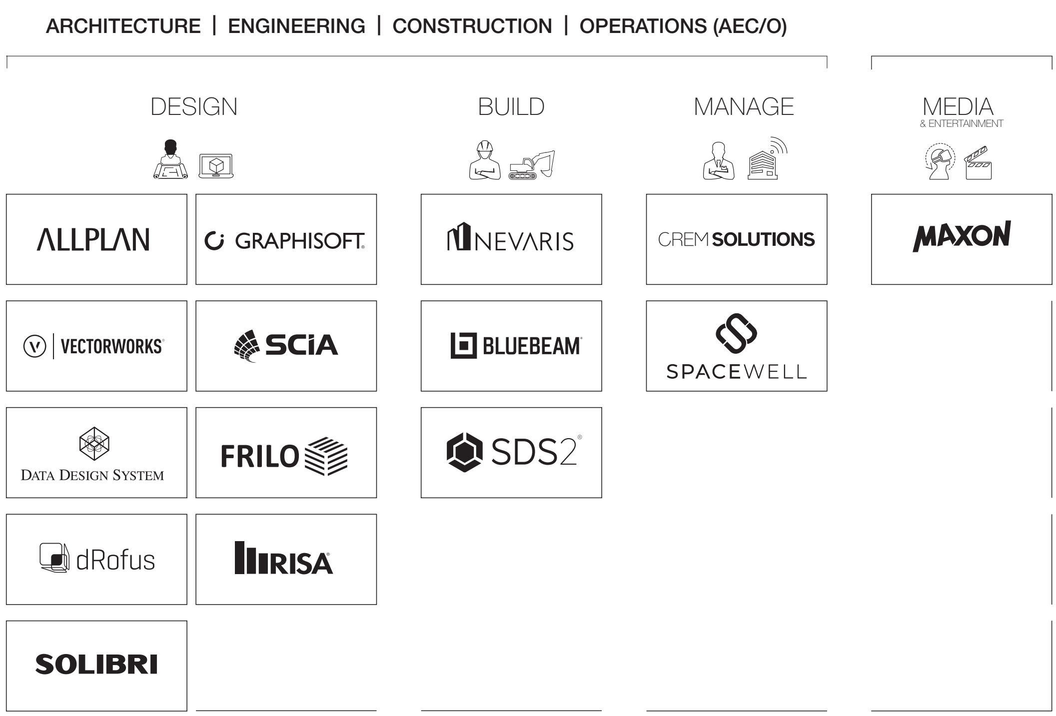
The Nemetschek Group has been following this integrated BIM approach for more than 30 years. The company's open standard (Open BIM) enables software solutions from the Nemetschek Group to communicate with other software solutions – including those from competitors – via open data and communication interfaces. This allows the seamless transfer and documentation of all information, data, and digital models relevant to construction throughout the building's entire creation and operational cycle.

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

Sustainability is also taken into account through precise planning and the efficient use of resources. The Nemetschek Group's solutions thus lay the foundation for integrated planning, implementation and management in the AEC/O industry (Architecture, Engineering, Construction and Operation). In addition, a structure can be efficiently rebuilt even years later because its details are precisely documented. The result is an increase in quality and efficiency in construction, management and renovation processes, which in some cases is significant.

Segments

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



Design segment

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

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

Build segment

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

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

Manage segment

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

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

Media & Entertainment segment

In the Media & Entertainment segment, the Nemetschek Group offers solutions for creating 2D and 3D digital content. These include rendering models, 3D modeling, animations or visual effects. The software solutions are used worldwide for visualizing architecture, as well as in numerous film, television, advertising and video game productions and in medicine, product design and infographics.

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

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

Locations

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

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

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

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

- **Digitalization** in the construction sector remains weak. Catch-up effects and increased investment in industry-specific software solutions that control processes more efficiently and therefore increase quality and reduce costs and time expenditure are becoming increasingly important.
- **State regulations** that require or make the use of BIM software mandatory for state-financed construction projects are paving the way for further growth of the Nemetschek Group worldwide. Alongside the USA, the UK and the Scandinavian countries are particular pioneers in Europe when it comes to BIM regulations and the use of BIM-enabled software solutions.
- The rising use of software over the entire building lifecycle is required by the BIM regulations to enable a model-based and **continuous workflow.** Starting with the transition from 2D software solutions to model-based 3D BIM solutions, through the increased use of solutions for cost and time calculation and collaboration to products for the efficient use and management of buildings, the Nemetschek Group brings its solutions to all phases of the construction lifecycle and meets the requirements of an integrated workflow.
- Furthermore, the topics of **sustainability** and **environmental protection** are becoming increasingly important in the planning, construction and operation of buildings. This is particularly true for the construction sector, as buildings and the construction industry are responsible for a total of 36% of annual energy consumption and 40% of total CO_2 emissions. A more energy- and resource-efficient way of working throughout the entire construction process, including the subsequent use phase, is therefore a critical factor in achieving the climate targets set by policymakers (e.g. European Green Deal). Intelligent BIM software solutions for more sustainable and resource-conserving construction, as well as more efficient building operation, form an indispensable basis for this.

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

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

Market and competition

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

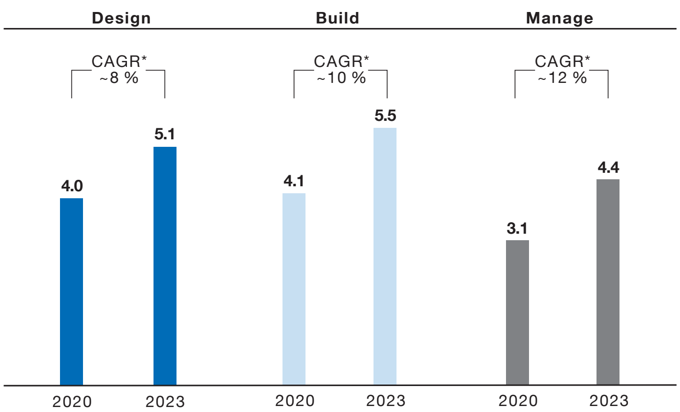
The Design market segment has a historically higher degree of maturity, as digitalization in this area started earlier than in the other market segments. An average growth rate of around 8% is expected here for the period 2020-2023.

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

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

GLOBAL AEC/O SOFTWARE MARKET

End-user expenditure in EUR billion



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

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

1.2 Targets and Strategy

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

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

#2: With four market segments under the umbrella of a strategic holding company, the group structure enables the Nemetschek Group to bundle the competencies of its 15 brand companies in the best possible way in the customer-oriented segments of the AEC/O industry and in the Media & Entertainment area. This structure is intended to increase the benefits and added value for the customer. The focus here is on the integration and cooperation of several brands in order to offer an integrated and more networked range of solutions. The objective is to further improve cooperation between the various professional groups in the construction industry and to make this cooperation more efficient. The brands are "experts" in their specific customer segment, and therefore have a high level of expertise in their respective market segment. The segment and brand approach ensures that market changes can be quickly recorded, analyzed and evaluated and that customer requirements can be responded to promptly. At the same time, they benefit from synergies at segment and group level with regard to internationalization, the exchange and sharing of best practices, cross- and co-selling as well as development activities.

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

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

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

Internationalization

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

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

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

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

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

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

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

Innovative solutions

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

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

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

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

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

Acquisitions

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

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

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

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

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

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

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

Target figures, target achievement, target agreement

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

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

1.3 Corporate Management and Governance

General information

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

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

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

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

Financial performance indicators

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

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

1.4 Research and Development

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

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

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

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

Innovation focus

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

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

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

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

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

2 Non-Financial Declaration

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

2.1 Principles

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

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

2.2 Corporate Social Responsibility (CSR) at the Nemetschek Group

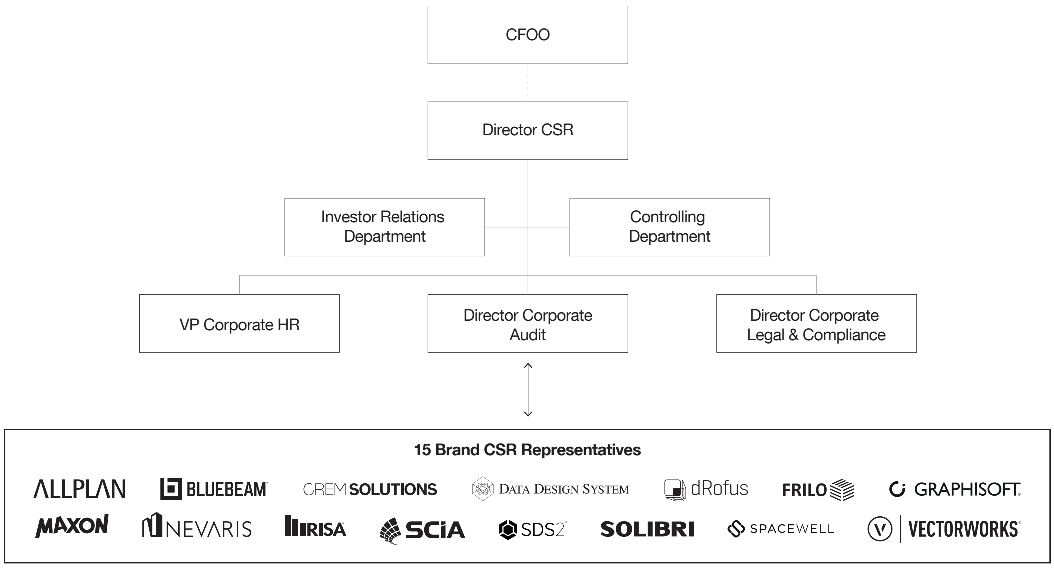
The Nemetschek Group places considerable importance on good corporate governance and social and environmental responsibility. The Group sets itself the goal of increasing efficiency and productivity along the entire value chain of the construction industry through its software solutions. These solutions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

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

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

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

THE CSR STRUCTURE IN THE GROUP

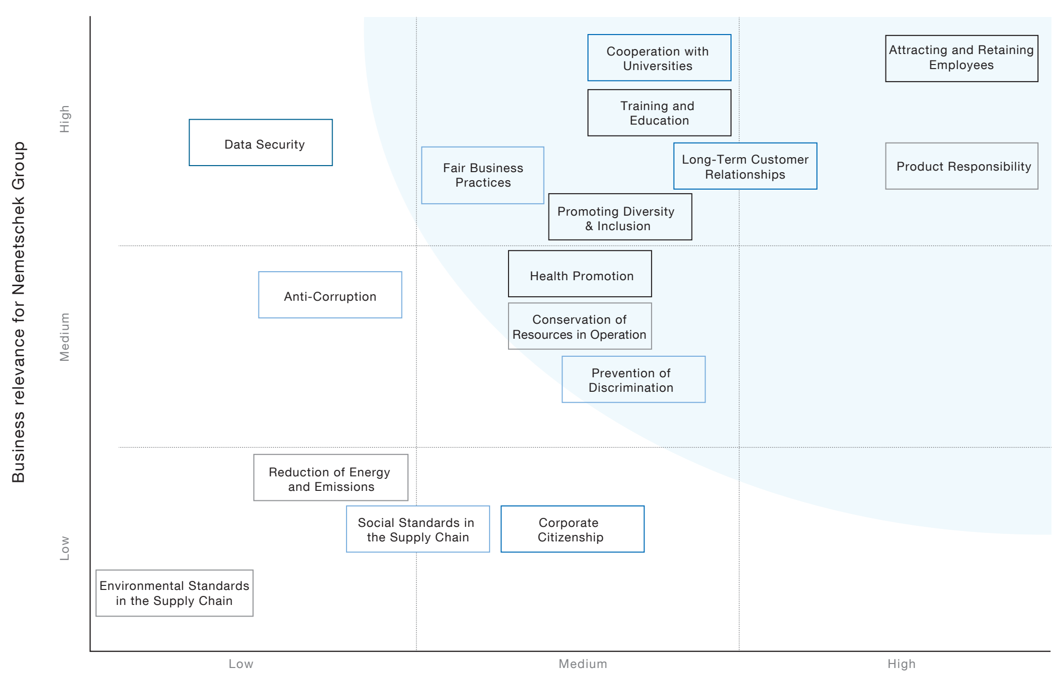


Because the Nemetschek Group consists of 15 largely independent brands, many of the non-financial issues are still managed independently by the individual brands. For this purpose, individual contact persons have been appointed in each brand – the CSR representatives. Their task involves both promoting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

2.3 Key Non-Financial Issues

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

MATERIALITY MATRIX OF THE NEMETSCHEK GROUP



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

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

Field of action (relevance in accordance with CSR-RUG)	Material topics at Nemetschek
Integrity and compliance (human rights and anti-corruption)	» Fair business practices » Prevention of discrimination
Environment (environment)	» Product responsibility » Conservation of operating resources
Customers and society (social issues)	» Long-term customer relationships » Cooperation with universities
Employee responsibility (employees)	» Attracting and retaining employees » Education and training » Promotion of health » Promoting diversity & inclusion

2.4 Main Risks

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

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

2.5 Key CSR Issues

Integrity and compliance

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

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

Overarching management approach

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

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

Compliance

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

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

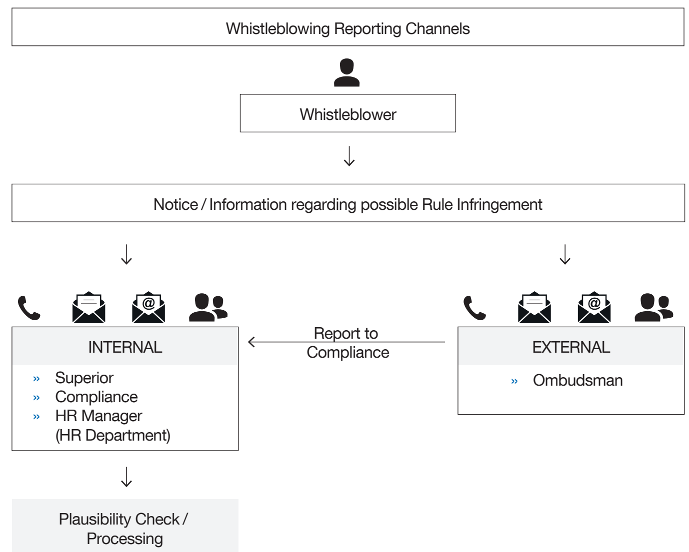
In order to keep employees aware of the respective current compliance rules, regular employee information is required. Training courses and individual refresher courses on compliance topics ensure that the relevant rules are an integral part of everyday working life.

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

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

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

WHISTLEBLOWING PROCESS



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

Fair business practices

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

Prevention of discrimination

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

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

Environment

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

Overarching management approach

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

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

Product responsibility

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

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

According to the Global Status Report 2019 published by the Global Alliance for Building and Construction, buildings are responsible for 36% of global energy consumption and 39% of energy-related CO_2 emissions. Over the last twenty years, productivity across the construction industry has increased by only 1% a year. With Nemetschek Group solutions, architects, engineers in all disciplines, building contractors as well as building and real estate managers can plan more proactively, share information more efficiently and collaborate more productively. Working in this way, energy and resource consumption (raw materials such as concrete, steel and sand) can be saved during the entire construction process as well as in the subsequent use phase.

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

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

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

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

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

Conservation of operating resources

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

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

Customers and society

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

Long-term customer relationships

Satisfaction is an important factor for long-term customer relationships. In order to be able to respond to specific customer needs in a targeted manner, this issue is managed decentrally. Most brands use defined indicators to measure customer satisfaction, such as the churn rate, the Net Promoter Score and the Customer Satisfaction Score (CSAT). Customer surveys are used to obtain the data. Customers evaluate both the functionality of the product and the services provided by the brand. Customer opinions are obtained via online surveys, by e-mail, direct 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, user groups and communities, as well as product previews, beta testing, and workshops. Some brands regularly have one-on-one interviews with customers and work closely with the customer engineering and product teams. "Wish lists" and broad-based customer surveys are also used.

Cooperation with universities

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

Employee responsibility

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

Overarching management approach

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

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

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

Gaining and retaining employees

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

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

To attract employees, the brands offer flexible working models and other benefits. As further measures for employee recruitment, the brands of the Nemetschek Group use social media platforms such as Xing and LinkedIn, as well as contact networks and recommendations from their own employees. Thirteen of the brands currently reward successful recommendations with a bonus.

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

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

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

Education and training

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

The need for training and corresponding measures is addressed within the respective brands. The basis for this at all brands is regular employee development meetings in which the employee receives feedback and individual prospects and specific goals are discussed. In 2020, as a result of the Covid-19 pandemic, some of these meetings were held on a virtual basis. This employee dialog and the defined minimum requirements for education and training are the subject of the above-mentioned Letter of Commitment. The education and training requirements are defined in the annual development meetings. In 2020, these development meetings took place at all brands and at many subsidiaries several times a year.

Promotion of health

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

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

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

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

Promotion of diversity and inclusion

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

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General economic conditions

Global economy and the Covid-19 pandemic

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

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

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

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

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

Eurozone

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

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

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

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

USA

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

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

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

Asia (Japan)

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

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

Emerging markets (China)

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

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

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

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

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

Development of the construction industry

Europe

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

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

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

USA

In 2020, the construction industry in the USA maintained investment levels similar to 2019 (+0%) despite the negative impact of the Covid-19 pandemic. In the previous year, the industry recorded growth of 2%. New residential construction was a major contributor to the stabilization, growing 3% in 2020 compared with the previous year. In contrast, commercial real estate construction recorded a 4% decline, while infrastructure construction stagnated.

Asia (Japan)

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

Emerging markets (China)

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

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

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

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

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

Digitalization in construction

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

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

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

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

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

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

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

Covid-19 pandemic

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

General statement on the economic position of the Group

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

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

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

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

Acquisitions/divestments

Holding level

No acquisitions were made at holding level in 2020.

Segment level

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

As part of the transaction, Maxon acquired the US company Red Giant LLC, Portland, USA (Red Giant) through a combination of a cash payment of approximately EUR 79.6 million and at fair value of EUR 52.7 million and the granting of shares in Maxon. After closing the transaction, Nemetschek holds approximately 84% and the former owners of Red Giant around 16% of the shares in Maxon. This was financed by its own cash and cash equivalents and by taking out a loan in the previous year. Red Giant offers a comprehensive product portfolio of motion design and innovative software solutions for visual effects and significantly complements Maxon's existing solution offering. The merger is expected to lead to growth and technology synergies through better market and customer access, as well as leveraging the global sales and reseller team. With the joint product portfolio, Maxon will also significantly strengthen its business with rental models.

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

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

Divestments

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

Cooperation and partnerships

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

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

Results of operations

Revenue development

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

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

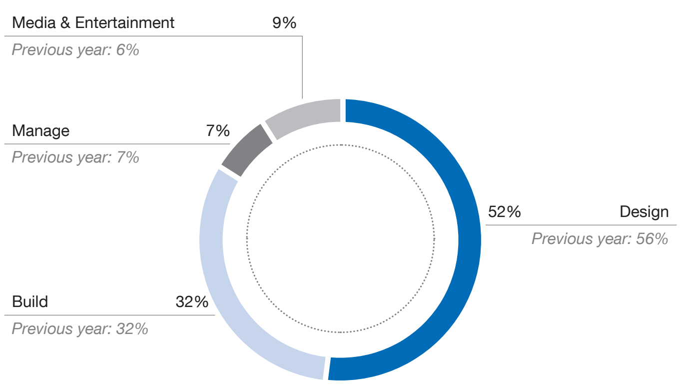
In a challenging financial year, the Nemetschek Group was able to grow across all four quarters and continue its sustainable growth path. However, compared with previous years, growth momentum was declining – also as a result of the Covid-19 pandemic. Revenue development in the financial year was without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

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

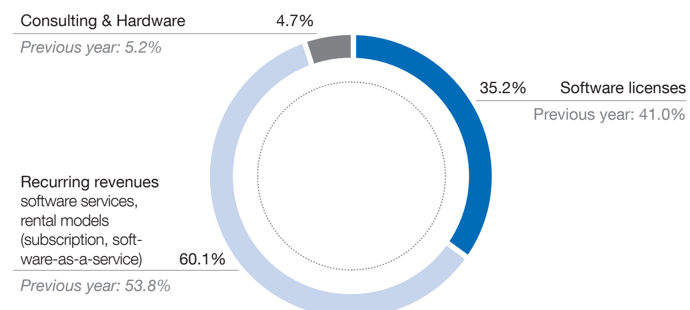
In EUR million or percent	FY 2020	FY 2019	Δ nominal	Δ currency-adjusted	Δ organic	Δ comparable [1]
Total year	**596.9**	**556.9**	**7.2%**	**8.3%**	**4.5%**	**5.6%**
Q1	146.6	129.9	12.8%	11.4%	9.9%	8.5%
Q2	141.6	137.8	2.7%	2.0%	0.0%	–0.7%
Q3	148.6	138.3	7.5%	10.3%	4.5%	7.1%
Q4	160.1	150.8	6.1%	9.7%	4.2%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

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

Revenues by segment



Revenue development by type



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

The *<< Segment Developments >>* section provides a detailed explanation of the revenue and earnings development of the segments.

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

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

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

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

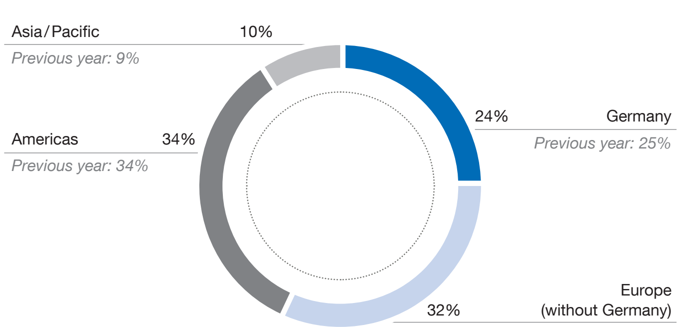
In contrast to software rental models, the entire revenue from software licenses is recognized at the time of sale (i.e., when ownership is transferred to the customer). Our strategic goal is to successively increase the proportion of recurring revenues This goal is to be achieved by offering more software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

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

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

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

Revenue by region



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

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

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

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

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

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

Segment developments

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

Design segment

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

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

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

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

Build segment

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

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

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

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

Manage segment

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

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

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

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

Media & Entertainment segment

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

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

The **Media & Entertainment segment** was significantly strengthened by the acquisition of Red Giant. The integration of the company, which has been consolidated since January 2020, is progressing according to plan. Revenue in the 2020 financial year increased from EUR 33.9 million to EUR 55.2 million. On the one hand, the growth of 62.8% (adjusted for currency effects: 65.0%) was positively influenced by the acquisition described above. On the other, strong organic growth of 19.4% also contributed to the growth momentum. At the same time, the segment increasingly migrated to rental models. The expected pressure on revenue growth was avoided, as Maxon was able to target many new customers and expand its expertise and market presence through its bundled solution offering.

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

Earnings performance

OVERVIEW OF GROUP KEY FIGURES

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

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

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

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

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

The net finance cost in the 2020 financial year was characterized by interest expenses for acquisition loans and lease liabilities in accordance with IFRS 16. Overall, the net finance cost amounted to EUR -2.8 million (previous year: EUR -0,4 million). The net finance cost in the previous year included reversals of contingent purchase price payments of EUR 1.9 million. Interest expenses affecting the financial result decreased slightly in the 2020 financial year, from EUR 3.2 million in the previous year to EUR 3.0 million. This was mainly due to continued loan repayments in 2020. This was offset by commitment interest for the new loan lines of more than EUR 200 million concluded in the financial year.

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

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

Income taxes dropped from EUR 26.4 million in the 2019 financial year to EUR 22.3 million in 2020. At 18.6%, the Group tax rate was above the level of the previous year (17.2%). Both the 2019 and the 2020 financial years were characterized by significant effects. A change in the determination of state tax for the US state of California resulted in a material impact in the 2020 financial year. The interpretation of the law means that it was possible to exempt a portion of the profits previously taxable in California. This relates to EUR 2.2 million in taxes from previous years. Corrected for this effect, the adjusted tax rate would be 20.4%. The previous year's tax rate was significantly influenced by the almost tax-free disposal of DocuWare. Other non-recurring effects had an impact of EUR 2.7 million in the previous year. The tax rate adjusted for the aforementioned effects would have been 23.1%.

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

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

Financial position

Main features and objectives of financial management

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

Liquidity analysis

Net liquidity/net financial liabilities in EUR million

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

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

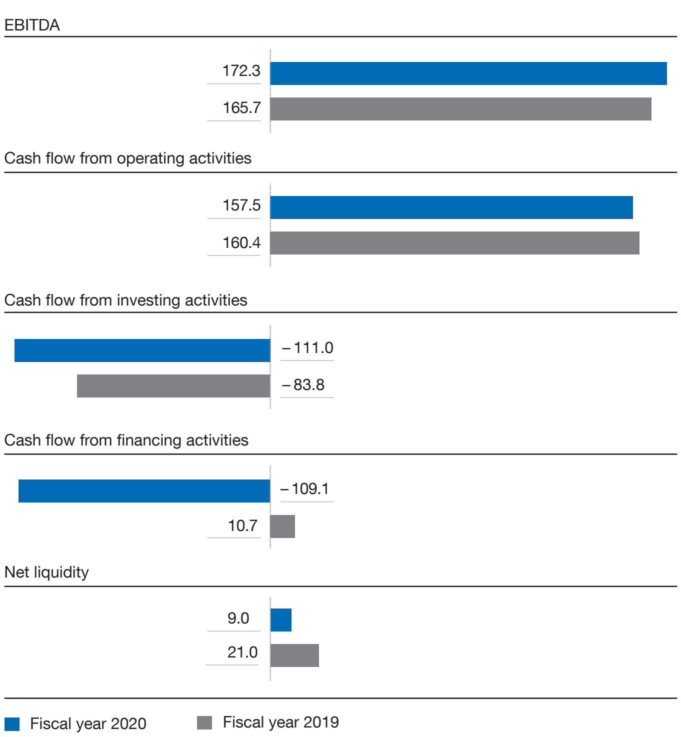
With regard to dividend payments, the Executive Board pursues a sustainable dividend policy that provides for a distribution of around 25% of the operating cash flow. The dividend payout always takes into account the overall economic development and the economic and financial situation of the company.

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

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

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

Development of cash flow



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

Cash flow from operating activities decreased by 1.8% to EUR 157.5 million in 2020 (previous year: EUR 160.4 million). In trade working capital the software service and the software subscription contracts with the corresponding recurring revenues had a significant impact on cash flow. These are advance payment models. Compared with the previous year, the effect of the positive cash contribution from this flattened out. This is particularly due to the strong growth in software service contracts in the previous year. In the 2020 financial year, income tax payments (net) increased by EUR 9.8 million from EUR 26.5 million in 2019 to EUR 36.3 million. The considerable upturn was partly shaped by withholding tax of EUR 4.3 million paid in 2020, but not reimbursed in the 2020 financial year. In addition, in comparison to the previous year, in 2020, there were higher advance income tax payments of EUR 3.3 million. These payments also included effects of payments made in previous periods.

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

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

Management of liquidity risks

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

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

Investment analysis

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

The dividend payout also comes from operating cash flow.

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

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

1) Of which EUR 79.0 million payment.

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

Net assets

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Δ nominal in %
ASSETS			
Current assets	236.4	295.5	−20.0%
Non-current assets	653.3	561.7	16.3%
Total assets	**889.7**	**857.2**	**3.8%**

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Δ nominal in %
EQUITY AND LIABILITIES			
Current liabilities	295.8	271.6	8.9%
Non-current liabilities	176.6	236.9	−25.5%
Equity, total	**417.3**	**348.6**	**19.7%**
Total equity and liabilities	**889.7**	**857.2**	**3.8%**

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

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

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

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

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

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

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

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

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

As in previous years, the Nemetschek Group determined capital costs (Weighted Average Cost of Capital) for the group of cash-generating units as part of the impairment test for goodwill. A market risk premium of 7.5% (previous year: 7.5%) was applied. This results in capital cost rates before taxes ranging from 8.29% to 10.24% (previous year: 12.92% to 13.50%). A key driver for the reduction in WACC is the lower beta factor. This reflects the effects of Covid-19 on the capital market performance of the Group and its peer companies. Based on the market capitalization as of December 31, 2020 and the planning expectations, the internal rate of return before taxes is around 4.5%.

KEY BALANCE SHEET FIGURES

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

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

Nemetschek Group employees

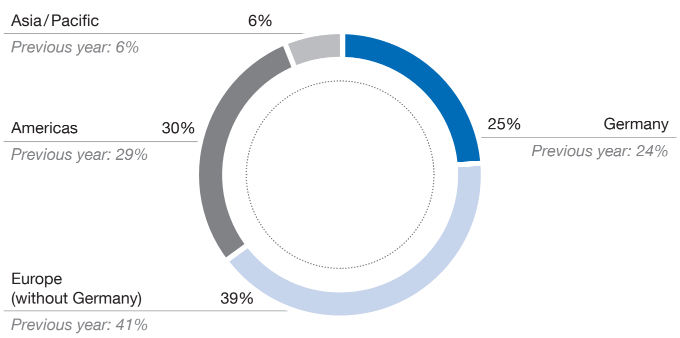
In order to act quickly and agilely in the respective markets and regions, the individual brands manage HR topics themselves. The Human Resources department of Nemetschek SE supports and advises the individual HR departments in this respect.

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

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

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

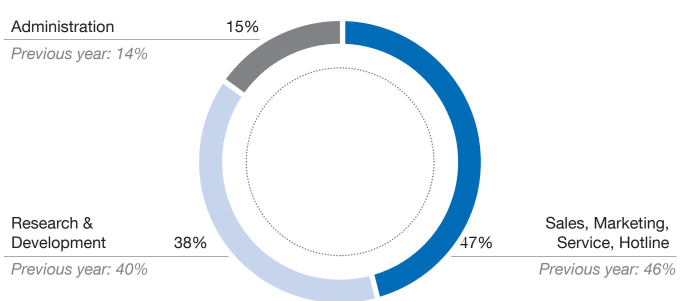
Employees by region



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

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

Employees by function



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

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

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

Revenue development and earnings situation

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

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

Income from interests of EUR 60.3 million (previous year: EUR 128.6 million) includes EUR 60.3 million in dividends from subsidiaries. The previous year included extraordinary dividends from subsidiaries to finance the Red Giant acquisition. Also, the gain on sale of the interest in Docuware GmbH of EUR 33,3 million was included in 2019. Income from profit transfer agreements in the amount of EUR 29.4 million (previous year: EUR 40.0 million) came as a result of profit transfers from Allplan GmbH, Frilo Software GmbH and Nevaris Bausoftware GmbH. In 2019 the profit transfer of Maxon Computer GmbH about EUR 10.2 million was included. Net income for the year amounted to EUR 74.0 million (previous year: EUR 150.6 million).

Net assets

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

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

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

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

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

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

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

Financial position

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

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

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

Nemetschek SE employees

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

Outlook for Nemetschek SE

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

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

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

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

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

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

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

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

5 Opportunity and Risk Report

Opportunity and risk management

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

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

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

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

Accounting-related risk management and internal control systems

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

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

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

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

Opportunity and risk assessment and reporting

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

RISK POTENTIAL PROBABILITY OF MATERIALIZATION

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

Market risks

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

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

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

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

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

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

Nemetschek continually monitors developments in key economies and their construction industries by means of widely available early warning indicators such as the market indicator of the Euroconstruct market institute, or the Construction Confidence Indicator (CCI), as well as by analyzing its own marketing situation. The highly targeted markets in Europe, North America and Asia are continuously analyzed. Thanks to its international sales orientation, the company has the possibility of broad risk diversification. There is no single customer with a significant share of sales, so there is no "cluster risk." The Nemetschek Group's customers are also characterized by a high level of loyalty. The Group is therefore highly diversified, both in terms of regional distribution and customer structure. The high proportion of recurring sales revenues, at around 60% of total revenue, is also a risk-minimizing factor.

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

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

Industry opportunities and risks

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

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

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

Opportunities and risks from the competitive environment

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

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

In summary, this means:

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

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

Operating opportunities and risks

The Covid-19 pandemic, but also future pandemics that cannot be ruled out, influence the operating opportunity and risk profile. In the fall and winter of 2020, the spread of Covid-19 again intensified and governments and local authorities took various countermeasures to contain the pandemic. Short-term and long-term restriction of social contact, extensive minimum hygiene standards as well as opening restrictions for special economic sectors may have a negative impact on the areas of the Nemetschek Group described below. Immediately following the start of the pandemic in spring 2020, the management of the Nemetschek Group established a crisis management team under the leadership of the Spokesman and CFOO, which continually monitors and evaluates the effects of the crisis on the company across all corporate functions and defines and implements appropriate measures << 3.2 Business Performance in 2020 and Key Events Influencing the Company's Business Performance – Covid-19 Pandemic >>.

Corporate strategy

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

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

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

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

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

Sales and marketing

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

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

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

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

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

In the construction industry, there are signs of increasing acceptance of rental models via Software as a Service (SaaS) or subscription, even though there are regional differences. The Nemetschek Group takes this additional marketing model into account by offering customers the option of leasing software with or without a maintenance contract in addition to the classic license model. Nemetschek deliberately offers both options in order to provide customers with the greatest possible flexibility. This 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, and also in the Build segment from the second half of 2020, the Nemetschek Group is increasingly reorganizing its product range.

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

Products and technology

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

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

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

Process risks

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

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

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

Human resources

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

Acquisition and integration

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

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

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

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

In summary, this means:

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

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

Legal, tax and compliance risks

Tax risks

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

Compliance and governance risks

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

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

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

Legal risks

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

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

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

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

In summary, this means:

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

Financial risks

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

Liquidity risk

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

Currency risks

As an internationally active company, the Nemetschek Group is exposed to exchange rate fluctuations, especially in the United States, Japan, the United Kingdom, Norway, Sweden, Hungary and Switzerland. The further internationalization of the Group's activities will increase the significance of exchange rate fluctuations for the Group's business activities. Currency fluctuations only have a limited effect at Group level, as the operating 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 2020, the development of the US dollar in relation to the euro led to negative currency effects on revenue and EBITDA, particularly in the second half of the year.

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

Default risk and risk management

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

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

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

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

Interest risk

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

In summary, this means:

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

Summary assessment of the Group's opportunity and risk situation

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

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

6 Outlook 2021

Overall economic development

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

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

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

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

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

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

Sector-specific development

Construction industry

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

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

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

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

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

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

Digitalization in construction

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

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

Company expectations

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

Internationalization

As a company that is globally active in the AEC/O industry, the Nemetschek Group is focusing on those markets that currently offer the greatest potential and which have already made BIM mandatory or are in the process of establishing BIM standards. In addition to markets in Europe, the Nemetschek Group focuses on regions in Asia, including Japan, as well as on the USA. The USA is the world's largest single market for AEC/O software and for the Nemetschek Group a significant but competitive sales market in which the company experienced an above-average development. The US market will therefore continue to play an important role in the implementation of the growth strategy.

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

Networking, sales approach and new-generation solutions

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

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

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

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

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

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

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

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

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

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

Growth – organic and inorganic

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

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

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

Investments and liquidity

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

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

Dividends

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

General statement on the expected development

Outlook for the Nemetschek Group

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

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

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

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

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

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

Notes on the outlook

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

7 Other Disclosures, Remuneration Report

7.1 Corporate Governance Declaration

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

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

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

(1) Composition of subscribed capital

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

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

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

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

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

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

(4) Shares with special rights granting control
There were no shares with special rights granting control.

(5) Type of control of voting rights if employees hold an interest in the capital and do not directly exercise their control rights
There were no controls on voting rights for employees holding an interest in the capital.

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

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

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

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

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

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

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

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

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

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

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

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

(b) With authorization by the Supervisory Board, the shares may be redeemed without the redemption or the implementation of the redemption requiring a further resolution of the Annual General Meeting. The redemption leads to a reduction in capital. The Executive Board may alternatively decide that the share capital shall remain unchanged upon redemption and instead the proportion of the remaining shares in the share capital shall be increased by the redemption in accordance with Section 8 (3) AktG. In this case, the Executive Board is authorized to adjust the number of shares stated in the Articles of Incorporation.

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

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

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

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

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

7.3 Remuneration Report

Supervisory Board

The Supervisory Board receives a fixed remuneration. The remuneration for the Supervisory Board is as follows:

REMUNERATION OF THE SUPERVISORY BOARD

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

Executive Board

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

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

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

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

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

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

EXECUTIVE BOARD REMUNERATION – VALUE OF THE AMOUNTS GRANTED

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

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

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

EXECUTIVE BOARD REMUNERATION – CASH FLOW VIEW

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

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

In addition to the remuneration paid by Nemetschek SE, Viktor Várkonyi received a gross fixed salary of EUR 280k (previous year: EUR 265k) and a gross fringe benefit of EUR 14k (previous year: EUR 14k) from Graphisoft SE. Jon Elliott received a gross fixed salary of EUR 277k (previous year: EUR 304k) from Bluebeam, Inc. and EUR 42k (previous year: EUR 50k) gross as fringe benefits. Furthermore, he was granted variable remuneration of EUR 326k for several years (previous year: EUR 119k).

Munich, March 15, 2021

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott