

With the internal control system, the risk management system and the compliance management system, the Executive Board of the Nemetschek Group has created a control framework aimed at achieving appropriate and effective internal control and risk management. After considering internal control and risk management, the Executive Board is not aware of any circumstances impairing the appropriateness and effectiveness of these systems.

Accounting-Related Risk Management and Internal Control Systems (Process)

The Nemetschek Group's consolidated financial statements (in accordance with IFRS) are prepared on the basis of a centrally defined conceptual framework. This primarily entails uniform requirements in the form of accounting policies. An ongoing analysis is performed to identify the need for any adjustments to the conceptual framework necessitated by changes in the regulatory environment. The accounting departments of the operating units are kept informed on a monthly basis of relevant matters and deadlines in connection with accounting and the preparation of financial statements. The financial data reported by Nemetschek SE and its subsidiaries form the data basis for preparing the relevant financial statements. Most of the Group companies' financial data is prepared by local accounting departments. In addition, other accounting activities, such as governance and monitoring activities, may generally also be pooled at the regional level. In certain cases, such as valuations of complex remuneration or in situations involving business combinations, external service providers are also consulted.

The financial statements are prepared in the consolidation system on the basis of the financial information reported by the local accounting departments. The steps required for the preparation of the financial statements undergo manual as well as system-based checks.

The qualifications of employees involved in the accounting process are ensured by means of appropriate selection processes and training. The "dual-control principle" is generally applied. In addition, financial information must pass through certain predetermined approval processes. Further control mechanisms include target/actual comparisons and analyses of the content and changes in the individual items of the financial information reported by Group units and the consolidated financial statements.

Access rights are defined in the accounting-related IT systems in accordance with our information security policy to prevent unauthorized access. Existing control processes will be strengthened, and regular, systematic reviews of administrators' activities will be established. These enhanced control measures are also applied to the transfer of the financial information prepared in accordance with the International Financial Reporting Standards (IFRS) for inclusion in the annual financial statements of Nemetschek SE.

There is a quarterly internal certification process, in which members of various management levels, supported by confirmations from the management of units in their area of responsibility, confirm the correctness of the financial data reported to the Group headquarters and the reports on the effectiveness of the corresponding control systems.

6 Report on Risks and Opportunities

Risk and Opportunity Management System

In the face of ever faster market changes, increasing uncertainties, the growing complexity of internationally disparate conditions and swift technological progress, coupled with dynamic growth and capital spending in the markets addressed by the Nemetschek Group, business decisions increasingly depend on a reliable assessment of potential risks and opportunities.

As a global software company with a broad product portfolio, Nemetschek is exposed to risks and opportunities that may vary depending on the division, industry and region. Its corporate policy is geared towards utilizing opportunities, leveraging and expanding potential for success and avoiding, minimizing or offsetting the associated risks as far as possible. The aim is to preserve entrepreneurial flexibility and financial solidity, to increase the company's enterprise value on a sustainable basis and thus to safeguard the Group's long-term viability.

The risk and opportunity management process is aimed at the early and systematic identification of developments that could threaten the company's existence and at managing risks that jeopardize the company's success. It follows the "three lines of defense" model.

As risk and opportunity management is integrated within Corporate Controlling for organizational purposes, it is aligned with the planning and reporting processes and their criteria. In addition, steps are taken to ensure that risks arising from business operations are evaluated across the Group on the basis of uniform quantitative and qualitative criteria and categories for the purpose of greater comparability. Opportunities, especially those that are considered strategic opportunities, are the subject of the company's aspiration. Opportunities that are recorded, discussed and assessed, but not explicitly quantified individually for internal management purposes are treated as unrealizable opportunities unless an opportunity is deemed sufficiently worthy of investment and reflects the strategic direction of the business. When an opportunity is considered to be more than likely to occur, and is worthy of investment, it is included in corporate and financial planning.

In fiscal 2024 the Group conducted a double materiality analysis and integrated sustainability-related impacts, risks, and opportunities into the existing risk and opportunity management system. In addition, an ESG GPO role (GPO, Global Process Owner) was created in 2024 to provide appropriate coordination of information in identification, assessment, and management of ESG-relevant topics.

The Nemetschek Group's risk and opportunity profile is updated, documented and conclusively recorded at least on a quarterly basis. This applies to strategic risks and opportunities relevant for the Group as well as to operational opportunities and risks at brand level. Risk owners are designated for all risks and opportunities that are identified and classified as relevant.

Relevant material risks are transferred, limited or mitigated through appropriate measures. Where appropriate and feasible, risks are also transferred by means of insurance.

The Supervisory Board is regularly informed of the main identified risks and opportunities of the Nemetschek Group as well as the appropriateness and effectiveness of the risk and opportunity management system.

Risk Evaluation and Reporting

The Nemetschek Group's risk management comprises the following elements:

- » **Risk identification:** Definition of risk areas and identification of significant strategic and performance-related risks
- » **Risk assessment:** Standardized assessment and evaluation of the risks and opportunities identified by means of uniform assessment procedures, taking into account their probability and the extent of potential loss
- » **Risk aggregation:** Analysis of the overall risk position
- » **Risk control:** Measures to manage risks with the objectives of avoiding, reducing and transferring risks
- » **Risk monitoring:** Monitoring the risks of early warning indicators
- » **Risk Reporting:** Regular reporting, at least quarterly, as well as on an ad-hoc basis to the responsible functions and committees ensures transparency and good corporate governance.

Risks are systematically identified and, where applicable, assessed. The risks that have been identified are quantified, classified and assigned to the following four (2023: five) categories:

- » Market Risks
- » Operational Risks (including Information technology)
- » Legal, Tax and Compliance Risks
- » Financial Risks

In the previous year, the risks of cyber security and information technology were presented as a separate risk. In 2024, these risks were included under operational risks. This change was made because these risks are primarily operational in nature. The streamlining of the categories thus better reflects the actual risks to which the Nemetschek Group is exposed. Instead of five categories, as in the previous year, there were only four categories in 2024.

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 on the basis of their estimated likelihood of occurrence and the extent to which they are expected to affect the earnings, financial position, net assets and reputation of the Nemetschek Group.

The following ranges of the possible extent (after mitigation) are formulated in relation to the sustainable and profitable growth and the financing situation of the Nemetschek Group.

RISK CLASSIFICATION MATRIX

> EUR 50.0 million Very high						
> EUR 20.0 million ≤ EUR 50.0 million High						
> EUR 10.0 million ≤ EUR 20.0 million Medium						
> EUR 5.0 million ≤ EUR 10.0 million Low						
0.0 ≤ 5.0 million Very low						
▲ Severity	Probability of materialization ▶	≤ 10% Very low	>10% ≤ 25% Low	>25% ≤ 50% Medium	>50% ≤ 75% High	>75% ≤ 100% Very high

The main risks for the Group including their estimated likelihood of occurrence and their potential extent, are set out below. The four segments of the Nemetschek Group have a similar risk and opportunity profile and are therefore not presented separately. The risks listed below relate to the current Group structure as of the reporting date.

On the basis of the risk reports submitted to the Executive Board of the Nemetschek Group, the following risk profile applies as of the reporting date. It summarizes the corporate risks that are significant from the Group's point of view in risk fields with their defined risk categories:

Risk field	Risk category	Likelihood of Occurrence	Severity
Market Risks	Competitive Environment	low	medium
	Economic (2023: Macroeconomic and General Conditions)	medium	high
	Industry (2023: Sector Development)	medium	high
	Acquisitions, Venture Investments and Integration	low	very low
	Corporate Strategy	very low	high
	Cyber Security (2023: Information Security)	low (2023: high)	medium
	Human Resources	high	medium
	Information technology (2023: Data Security, Data Privacy and Information Security)	medium (2023: low)	medium
Operational Risks	Products, Technologies and Business Processes	medium	high
	Sales and Marketing	very low	high
Legal, Tax and Compliance Risks	Compliance and Governance Risks	low	very low
	Legal Risks	medium	very low
	Tax Risks	high	very low
	Currency Risks	high	high
	Default and Risk Management	medium	low (2023: very low)
Financial Risks	Interest Rate Risks	high (2023: very high)	very low
	Liquidity Risks	very low	very low

The significant risks for the Nemetschek Group across all risk categories as of the December 31, 2024, reporting date are as follows:

- » Foreign-exchange Risk
- » Economic and Industry-Specific Market Risks
- » Operational Risks (particularly elements of products, technologies and business processes, human resources, and information technology)

None of the individual, business-specific risks arising from operating business constitutes a risk that is deemed to be material for the Nemetschek Group in light of its likelihood and severity. Material risks are risks that are categorized as “high” or “very high” in terms of probability of occurrence and extent. In addition, no risks individually or in the aggregate are liable to threaten the Nemetschek Group’s going-concern status.

Market Risks

Competitive Environment

The software market is competitive, and it is highly dynamic with start-ups and venture players continually challenging the established market players. It is characterized by the rapid pace of technology, and heavy fragmentation. The Group focuses on operating sustainably, to maintain a competitive edge, and the risks that are likely to materialize due to this approach remain consistent with the prior year. With the increased use of new technologies, such as artificial intelligence which may lower entry barriers in the construction and media industries, new companies with strong financial resources can enter the market and quickly gain a strong market position.

Nemetschek closely monitors the competitive environment and, with its financial resources, is able to actively shape change in the industry. This is done through sustainable investments in its own research and development activities, on the one hand, and through, e.g., acquisitions of or investments in ventures on the other hand. Furthermore, the barriers to entry in both of the targeted industries remain relatively high to date due to the complexity of the solutions and the customer relationships and proximity.

Economic

The Nemetschek Group is active in various markets and regions. Business activities are influenced by geographic and sector-specific economic factors, political and financial changes and the occurrence of natural disasters, geopolitical changes and other global events. Given the current geopolitical situation, the general conditions deteriorated over the last year and this led to a general increase in macroeconomic risk.

The current rapid changes in geopolitical landscapes, as well as escalation of numerous geopolitical conflicts and wars, are monitored. As of now the areas identified that touch the business have no significant direct impact on the business operations of the Nemetschek Group. However, indirect consequences such as energy disruptions in Europe or shifts in public-sector budgets in favor of military spending may have an indirect negative impact on the business of the Nemetschek Group. The business closely monitors geopolitical changes, upheavals, or conflicts – which could cause a significant deterioration in the global economic situation and subsequently have a corresponding negative impact on global economic growth and capital spending in the corporate sector – to evaluate potential impacts to the business and to plan the corporate strategy accordingly. The Nemetschek Group is observing the development of the economic situation very closely, particularly in the USA and Europe. However, there has been no change in the risk assessment so far.

Nemetschek continually monitors developments in key economies and the construction and media 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 media and entertainment market is also closely monitored and events such as the hurricanes and fires in the United States are observed. The highly targeted markets in Europe, North America, and Asia are continuously analyzed. Thanks to its international business orientation, the Nemetschek Group is characterized by broad risk diversification. Moreover, the individual segments react differently to economic cycles in terms of timing. The Design segment – which accounts for roughly 49% (previous year: 50%) of the Nemetschek Group’s revenue – is positioned at the beginning of the building life cycle and would be the first to feel the effects of any general economic downswing. The Build segment would only be affected downstream. The Manage and Media segments target different end clients, which increases risk diversification. The Manage segment is not directly dependent on the building process, as the focus in this segment is on efficiency enhancements in the management of properties. The Media segment is almost completely isolated from the construction industry.

Within the current client structure, there are currently no individual clients accounting for a material proportion of revenue. The Nemetschek Group is highly diversified, both in terms of regional distribution and client mix. At over 86.5% (previous year: 76.6%) of total revenue, the large proportion of recurring revenue is also a risk-minimizing factor. Despite the generally unfavorable economic conditions, there is no change to the risk assessment for the Nemetschek Group compared to the prior year. The Nemetschek Group’s strategy prioritizes the further expansion of recurring revenue and continued internationalization, and these aims are systematically pursued on a long-term basis.

Industry (2023: industry development)

The order situation and the financial strength of the construction and media industries exert an influence on the investments of these industries in software solutions and thus on the business performance of a material part of the Group.

Long-term growth forecasts for the construction and infrastructure industry and global trends such as urbanization and demographic growth as well as the increased use of climate resilient architecture and construction, are factors considered by the Group. They are joined by long-term structural drivers such as the still low degree of digitalization in the construction industry; the requirements for greater efficiency, certifications, time and cost savings along the construction and infrastructure life cycle; growing regulatory requirements – also for the use of BIM – as well as heightened sustainability and environmental requirements. The same applies to the media industry, as the demand for digital content is constantly increasing. However, growth may weaken and fluctuate in the short and medium term due to the current macroeconomic situation in the media and construction industries. In particular, high inflation and the longer-term impacts of changes in interest rates by a large number of central banks in response to it are leaving negative traces on the construction industry. Moreover, supply chain constraints, the limited availability of some raw materials, and skilled-labor shortages may prevent the industry from making full use of its development potential. Global conflicts may cause budget re-allocations in individual countries, adversely affecting construction spending. The overall effect of these factors may be a reduction in earnings in the corporate sector, something that would dampen corporate spending – including Nemetschek Group's products and solutions. In addition, risks may arise from customer consolidation, such as large media companies, resulting in changed customer requirements.

The Nemetschek Group continuously monitors the industry-specific developments in its regional submarkets so that it can respond to change rapidly. The strategic direction of increasing the share of recurring revenues, for example, by rolling out subscription models, can counter the risk of clients forgoing investment. With models like these, clients do not make a single investment in a license and instead use the relevant software in return for a regular usage fee.

Operational Risks

Acquisitions, Venture Investments and Integration

Realizing growth potential through mergers and acquisitions (M&A) and investments in start-ups is a core element of the corporate strategy.

There is a risk that merged or acquired entities do not develop in-line with expectations, preventing the defined earnings targets from being reached. This could negatively impact the Nemetschek Group's earnings, financial position, and net assets. Goodwill, which arises from business combinations, is subject to impairment testing at least once a year. It is possible that the value of an acquiree proves to be impaired due to commercial developments, meaning that the purchase price may need to be written off in full or in part. In 2024, the valuations of venture investments were evaluated and adjusted to better reflect the realizable value for the Group. However, the probability of occurrence and potential severity of this risk in the future are assessed as low and very low, respectively. An impairment of goodwill as well as write-downs of the venture investments would negatively impact the Nemetschek Group's earnings, financial position, and net assets.

To address M&A risks, potential targets are assessed, evaluated and planned carefully and systematically before any contract is signed. There is an established, standardized process for M&A activities with a special focus on due diligence and ensuing integration within the Nemetschek Group.

Corporate Strategy

The Nemetschek Group pursues an earnings-oriented growth strategy << [1.2 Growth Drivers, Goals and Strategy](#) >>. Broadly speaking, the strategic direction is oriented toward identifying and realizing opportunities for the company. However, risks can also arise in connection with the corporate strategy and its implementation, and these risks may negatively impact the company's earnings, financial position and net assets.

The Nemetschek Group growth strategy is based on organic growth initiatives as well as growth stimulus from M&A activities. If it is not possible to acquire businesses at reasonable prices, this may adversely affect the implementation of the long-term growth strategy.

The implementation of the growth strategy also comes with challenges arising from the increasing rate of internationalization. This element of the strategy also requires overcoming the barriers to entry in new regional submarkets, while also developing successful and efficient sales structures in these and leveraging competitive differentiators in the regional submarkets to grow value. If this is not possible or is delayed, negative effects may arise. The Nemetschek Group has extensive experience in planning and establishing regional sales structures. To address specific challenges, it also engages specialized external consultants, where necessary, to avert or contain the aforementioned risks and the consequences arising from them.

The Nemetschek Group continuously evaluates existing as well as new technologies, monitors the market on an ongoing basis and revises its market assessments and potentially the company strategy, on the basis of these findings. Thanks to its close relationships with its clients, a broad range of attractive client solutions, and its role as an innovator, the Nemetschek Group continuously works on creating attractive and innovative solutions with many benefits for clients, thus minimizing the risks arising from the strategic orientation adopted.

Cyber Security

The Nemetschek Group monitors threats to Group-wide information security in the market environment. Threats result in risks to the security of products and solutions as well as the IT systems and networks of the Nemetschek Group. Like other global companies, the Nemetschek Group is exposed to the threat of cyber-attacks by professional perpetrators, supported by organized crime and possibly also by government structures engaged in industrial espionage or even sabotage. For this reason, Nemetschek takes a proactive stance in detecting and eliminating threats to its business.

At the same time, the information security requirements to address these threats are steadily increasing. The EU Commission will implement regulations that call for high security standards for software products (EU Cyber Resilience Act as well as the EU's NIS-2 Directive (Network and Information Security)). These regulations are to enter into force after being ratified in 2025, with different transitional periods commencing in that year. The result of these developments may be that product development costs rise or that revenue growth slows down if the provisions are not complied with in a timely manner. The Nemetschek Group supports these activities and is working closely on meeting the future requirements in order to achieve a sustainable impact. For this purpose, it has initiated projects to ensure that its products and solutions are implemented in a legally compliant manner and in accordance with client requirements at all times.

A large number of measures have been developed within the Nemetschek Group to maintain and permanently improve the level of protection to actively address the IT and information security risks described. The following measures, for example, have been implemented:

- » Group-wide implementation of a modern cyber defense architecture.
- » Establishment of a Group-wide information security management system in accordance with ISO 27001, which also includes the management of IT and information security risks.
- » Installation of a global information security organization with established reporting lines to the Executive Board.

- » Close collaboration and regular exchange between the information security managers and experts of the Nemetschek Group.
- » Establishment of dedicated information security technologies, processes and organizational measures that are integrated into IT and operational processes.
- » Regular information security training and awareness-raising campaigns for all employees.

Nemetschek completed ISO 27001 certification in 2024. Our obtaining of certification demonstrates the Group's ability to meet the demands of customers, who increasingly need to verify the technical capabilities of their third-party service providers, and to rise to the level of competitors and regulatory requirements. In 2024, the successful certification resulted in a comprehensive analysis of the information security management of the group as well as its risks and resulted in the assessment that the probability of this risk materializing has decreased from high to low despite continued high levels of external attack activity.

The information security measures are constantly monitored to verify their effectiveness. New threats as well as successful and failed attempts are analyzed, while the entire information security system is constantly undergoing further development and being adapted to take account of current and, as far as possible, future threat patterns. Group-wide cybersecurity insurance provides further protection, covering all Group companies, and is intended to mitigate the financial consequences of a potential cyber-attack.

Human Resources

The software industry continues to face shortages of qualified employees, particularly in the areas of software development as well as marketing and sales. No significant sustainability risks were identified although several factors correlated closely to existing risks. Adapting its approach to employees according to changes in the business and the market, while upholding just and egalitarian practices tailored for employee success, helps the Group to support a qualified and sustainably engaged workforce and impact the overall culture of the organization.

The prevailing shortage has constituted a risk to the sector for many years. If qualified skilled or management 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. To recruit and retain employees, the Nemetschek Group offers flexible working models as well as attractive salaries and working conditions. In addition, it works very closely with universities, provides scholarships, and awards doctoral positions to identify young specialists and to recruit them at an early stage. Moreover, the company aims to offer its employees an attractive workplace, appealing development opportunities, and consequently a bond between the employees and the company.

Information technology

The requirements with regard to compliance, data retention, data security as well as data privacy continue to increase over time. The General Data Protection Regulation (GDPR) is currently the most significant regulation in force that may impose significant sanctions in the event of non-compliance. In addition, local data protection authorities may impose additional rules or regulations in this area that would impact the business. The Nemetschek Group has designed its processes to be fundamentally compliant with data-protection requirements, and an external data protection officer also helps to ensure compliance with the data protection regulations.

On the one hand, new and extensive regulations and legal stipulations are planned in the current regulatory environment, while on the other, the requirements that individual clients have are also rising. The increasing regulatory burden coupled with difficulty finding skilled employees resulted in the assessment that the likelihood had increased from low to medium.

Products, Technologies and Business Processes

In keeping with the previous year, the two risk categories products/technology and business processes have been presented as a single risk. Both risks have similar inherent characteristics, where products/technologies is more outward facing and business processes is more inward facing. In an environment characterized by rapid technological progress, Nemetschek Group's products, the technologies used, and ongoing development must meet high demands. The company is able to achieve a lasting impact with its products, as customers continue to digitize their processes. The company is contributing to the digital transformation in the construction industry.

There is a risk that competitors will gain an innovative edge and thus win clients previously with the Nemetschek Group. Future business success therefore depends above all on the ability to offer innovative products that are tailored to clients' needs. With its organizational structure, the Nemetschek Group is positioned close to its customers and markets. In this way, it is able to identify changes and trends at an early stage, evaluate them and take an appropriate response in such a way that client needs and internal quality standards can be met. The Nemetschek Group continuously invests roughly 21.5% (previous year: 20%) of its revenue in research and development to avert product- and technology-based risks as far as possible and to reduce them to a level appropriate for the strategy.

The Nemetschek Group's software products incorporate third-party technology in some cases. In 2024, a payment service provider suddenly ceased providing its services and payments, resulting in a financial risk to the business that required changes in business processes. 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. It addresses this risk by selecting suppliers carefully and ensuring adequate quality assurance.

Risks may arise if the required and planned business process results, especially those supporting product delivery, do not meet client requirements in terms of time and quality due to insufficient resources or changes in underlying conditions. The Nemetschek Group addresses risks that arise from changes in processes by implementing structured project management and targeted communications. Changes are tested at defined milestones and rework done if necessary. Internal and external experts are also engaged as needed.

Further risk potential exists in the realignment of the product lines or other strategic initiatives. In such cases, the Nemetschek Group takes care to intensify the exchange of information with the clients affected and to comprehensively explain the benefits of the realignment or migration. Due to the internal measures, the probability of occurrence of the risk and its classification remain unchanged from the previous year.

Sales and Marketing

The sales models that the Nemetschek Group offers are based on the use of expert sales partners, resellers, and qualified employees with specialist knowledge. In addition to the classic sales channels, the Nemetschek Group is increasingly relying on e-commerce.

The loss of important sales partners, sales employees, or e-commerce solutions could have a negative impact on the revenue and earnings of the Nemetschek Group. The brand companies address this risk through careful selection and training and by motivating sales partners and employees through attractive incentive and reward systems.

Sales risks also arise if the brands establish their own sales team or sales location in regions where a sales partner previously operated or if sales partnerships are terminated. Such a change may lead to disagreements with the previous sales partner or adverse client reactions. However, such scenarios are analyzed in detail before they are implemented and discussed both internally and with external market experts.

Further risks may arise when the product portfolio is modified or when new forms of distribution, such as subscription/rental models, are adopted if, when they are launched, the appropriate solutions do not yet have the degree of market maturity that clients expect. Nemetschek addresses this risk by preparing market launches carefully in conjunction with pilot projects involving selected customers and, if necessary, by quickly adjusting and intensifying its development activities.

Risks may also arise when new distribution and sales channels, such as e-commerce offerings (including the Group's own web stores), are established. The Nemetschek Group addresses these risks by engaging in precise planning, comprehensive communications and careful testing of corresponding changes.

Legal, Tax and Compliance Risks

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 regulatory requirements could have negative effects on the company's earnings, financial position and net assets, share price, or reputation. It is also becoming increasingly important to demonstrate sustainable practices. This is done primarily through the stewardship of relationships with suppliers as well as anti-corruption and bribery practices.

To a small extent, clients of the Nemetschek Group include governments or publicly owned companies. Business activity in the construction industry is partly characterized by orders of a larger volume. Cases of corruption or simply the corresponding allegations could make participation in public tenders more difficult or even impossible and have negative effects on the company's continued economic activity, earnings, financial position and net assets, share price, or reputation. Against this backdrop, Nemetschek has adopted a Group-wide Code of Conduct as well as a Group anti-corruption policy, both of which are binding on all employees. Compliance and corporate responsibility have always been important components of the Nemetschek Group's corporate culture. An e-learning tool as well as in-person training are used to communicate this topic on a sustained and Group-

wide basis. This helps to raise Group-wide awareness, allowing employees to detect potentially critical situations and take the appropriate response.

Applying the relevant Group policies and other regulations (including specific compliance guidelines) as well as targeted compliance communication measures, we continuously raise employees' awareness of the importance of compliance and provide the necessary training.

Along with this, external stakeholders such as suppliers and business partners are integrated into the operational compliance process. As part of the risk-based business partner audit, the Supplier Code of Conduct (SCoC) forms an integral part of the contract to ensure that business partners implement supply chain compliance in their own operations in a sustainable and transparent manner.

Legal Risks

In an international company such as the Nemetschek Group, contractual, competitive, trademark, and patent law related risks may arise. With this in mind, provisions are made in the statement of financial position in accordance with the accounting regulations. The Nemetschek Group limits such risks through legal audits by the legal department and consultation of external legal advisers.

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

To mitigate these risks, the Legal department is involved in all important processes and major contracts, provides advice on complex legal matters, and ensures standardized workflows, legally required submissions, and regular reviews.

Tax Risks

With its globally based subsidiaries, the Nemetschek Group is subject to the relevant local tax laws and regulations, as well as the regulations on the cross-border offsetting of transactions. Changes to these regulations may lead to higher tax expenses and, connected with this, higher cash outflows. Furthermore, changes may adversely affect the deferred tax assets and liabilities recognized.

The Nemetschek Group's future tax situation is subject to uncertainty over a potential US tax reform, as a considerable part of its profits are generated in that country. In addition, the Nemetschek Group is within the scope of the BEPS (Base Erosion and Profit Shifting) Initiative 2.0 of the Organization for Economic Development and Cooperation (OECD) and its local implementations. They range from increased transparency, such as country-based reporting, to requirements for minimum taxation. The Group has assessed the BEPS and other tax legislation enacted during 2024 and, while there were impacts, they were not material and did not change the assessed risk to the business overall.

Financial Risks

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 Objectives and Methods >>](#).

Liquidity Risk

On the basis of the existing financial liabilities, there is a general liquidity risk if earnings deteriorate. At the end of 2024, the Nemetschek Group had liabilities to banks of around EUR 500.4 million (previous year: EUR 6.9 million). The change in liabilities to banks, which was significant in 2024, was not deemed to be a factor that would change the risk because the covenants, terms, and conditions were favorable to the business. In addition, equity offerings of share capital up to a total of 10% may be undertaken if needed. Furthermore, strong positive operating cash flows together with the higher leveraging capabilities improve the ability of the business to fund the Group.

The Group continued to generate positive cash flows from operating activities in 2024, allowing it to settle liabilities that have already fallen due for payment or will do so in the future. In the future, the group is expected to continue to generate cash flow from operating activities at least in the amount of the EBITDA. This will enable the servicing of the EUR 500 million in loans, which are due in three to five years. Agreed covenants will be adhered to at all times. Nemetschek SE ensures to some extent the availability of decentralized financial resources via central cash pooling and intra-Group distribution and financing options. In 2024, Nemetschek SE also issued its first *Schuldschein*, which is a private standardized loan contract formed under the German Civil Code, improving and further diversifying Nemetschek SE's financing sources over the next three to five years while keeping the regulatory burden on the business small. As a matter of principle, the Group pursues conservative and risk-averse financing strategies. The Group Treasury function has been significantly strengthened over the previous years and aspects such as a core banking concept, including a revolving credit facility, liquidity, and risk management, have been steadily enhanced through the continued upscaling of governance structures and revisions to processes and systems.

Currency Risks

As an internationally active company, the Nemetschek Group is exposed to exchange rate fluctuations. The ongoing internationalization of the Group's activities will additionally heighten the relevance of exchange rate fluctuations for the Group's business activities. However, at the Group level they only affect the earnings arising in a foreign currency, as the operating subsidiaries outside the Eurozone generate most of their revenue, costs, and expenses in their local currencies (natural hedging). Nonetheless, currency fluctuation may impact pricing and therefore revenue, which may influence the earnings of individual Group companies. Given the continued high uncertainty over the future direction of the monetary policies pursued by individual central banks, exchange rates may remain volatile and – when translated into the euro, which is the reporting currency – significantly impact the earnings, financial position, and net assets of the Group and the parent company. In the case of the parent company, this additionally concerns currency risks arising from foreign-currency financing transactions with subsidiaries.

Default Risk and Risk Management

Credit risks within the Nemetschek Group are addressed by managing credit approvals, defining upper limits and control procedures and by maintaining regular debt reminder cycles.

In 2024, a payment service provider suddenly ceased providing necessary services and payments, resulting in a financial risk to the business that required changes in business processes and a shift of the assessed severity of default risk from very low to low. The Nemetschek Group has no significant concentration of credit risks with any single client or groups of clients.

Clients who wish to conclude material transactions with the company on credit terms are subjected to a credit assessment if materiality thresholds are exceeded. In addition, receivables are continually monitored and checked so that the company is not exposed to any significant default risk. If default risks are identified, appropriate provisions are made in the statement of financial position. In the current economic environment, it is possible that the creditworthiness of some clients may change, resulting in an elevated credit risk.

Over the past three years, the markets have experienced rising insolvency figures, funding problems on the part of clients and project postponements due to delays in the supply chain. The Nemetschek Group and its clients have demonstrated great resilience in this respect, thus remaining shielded from greater systemic risk. The Group continually monitors this situation and, if necessary, will take measures and recognize provisions.

Interest Rate Risk

As a result of the measures taken by central banks to curb inflation, interest rates have fluctuated more for the last two years than in the past, especially in Europe and the United States. In 2024, the assessed likelihood of an interest rate risk was decreased from very high to high because of the strong position of the Nemetschek Group's financing structure that was further improved during the course of the year. Long-term financing arrangements are hedged, when it is considered prudent, with fixed interest rates. Future M&A activities may have an impact on future interest payments and are therefore assessed in each individual transaction. The company's strong position, which is further emphasized by the successful issue of the promissory note, is illustrated by the lower interest rate risk, as interest rate spreads were lower than expected in the previous year. Given the company's good earnings and financial situation and, hence, its creditworthiness, the adverse effect of the interest rate risk on the Nemetschek Group would be limited.

Opportunity Management and Reporting

The recognition and management of opportunities have been established as integral components of strategy, corporate planning and forecasting processes. This provides a long-term, medium-term and short-term perspective for additional growth potential for the Nemetschek Group. Accordingly, management evaluates relevant and feasible opportunities that are consistent with the Group's strategic goals and offer a competitive advantage.

Among other things, operational potential is addressed by means of regular discussions between the Executive Board, the segment managers and other relevant experts. To this end, economic, industry and sales developments as well as the competitive environment and technological trends are considered in light of market, industry and competition data. Opportunities that can be realized in the short term are prioritized and integrated within the rolling business forecast.

The Nemetschek Group's opportunity management process is based on the risk management process. Opportunities are aspirational and the probability of realization is assessed through the rolling business forecast. If an opportunity is not likely to be realized but may materialize over time it is not quantified until it is realizable, except for sustainability topics which are quantified for sustainability purposes.

The opportunities set out and described below are considered to offer the greatest potential for the Nemetschek Group as of the balance sheet date December 31, 2024:

Opportunity Field	Opportunity Category
Market Opportunities	Competitive Environment
	Economic
	Industry (2023: Industry Development)
	Acquisitions, Venture Investments and Integration
	Corporate Strategy
	Cyber Security (new)
	Human Resources
Operational Opportunities	Products, Technologies and Business Processes
	Sales and Marketing
Legal Opportunities	Compliance and Governance (new)

The opportunities are subject to a wide range of assumptions, and actions outside the control of management, and are not quantified until an opportunity has an appropriate likelihood of occurrence and importance to evaluate individually.

Market Opportunities

Competitive Environment

Due to its strong earnings and sound finances, the Nemetschek Group is capable of making sustainable investments in research and development. This means it can enhance the technology of its existing portfolio of products and solutions in line with its clients' needs while generating innovation that adds value for clients.

The AEC/O software industry in particular is also an environment with strongly fragmented competition. Despite a period of market consolidation that has been ongoing for years now, the market continues to be influenced by a large number of small and local companies. The Nemetschek Group is one of the few global enterprises in the industry and sees opportunities to exploit further fields of innovation and potential growth through M&A and targeted support for venture investments. To harness this potential and make use of these opportunities, the Nemetschek Group has created and scaled up internal structures targeted at M&A and venture investments.

Economic

A swifter-than-expected improvement in the global economic outlook could boost capital spending on the part of clients and, hence, demand for Nemetschek Group products and solutions. Moreover, government initiatives and subsidies may result in higher government expenditure, including for investment in infrastructure or digital transformation. The Nemetschek Group has the capacity to profit from this, too. It is intensively monitoring the development of government initiatives in its regional target markets so that it can respond to initiatives and programs promptly.

The increasing importance of sustainability and political efforts to achieve it may offer positive stimulus for the Nemetschek Group's business. In offering its products and services, the Nemetschek Group is actively involved in the development of an economy that is oriented toward sustainability and believes there are ways to benefit from the potential opportunities. However, the current assessments are subject to change and it may not be possible to fully act on all opportunities.

Industry (2023: Industry Development)

Mounting cost pressure, lack of labor, and the increased use of digital working methods may lead to an acceleration of digitalization in the construction industry. Compared to other industries, digital transformation has still little presence in the construction industry, yet it has a key role especially when it comes to efficient material usage, efficient construction site management, and building operation and management with low resource consumption. In this current market phase, where market participants are conscious of cost-effectiveness and efficient resource usage, expenditure on digital transformation can be the key to reshaping value chains for lasting efficiency. If enterprises such as the Nemetschek Group could increase their clients' awareness accordingly, this would potentially allow digital transformation in the construction industry to unfold more quickly than expected and permit potential revenue to be harnessed faster than expected, too.

Climate-resilient architecture and climate-friendly construction offer the group opportunities and will have a greater impact on sustainability initiatives in the future, as the industry is increasingly focusing on sustainable methods. Sustainability and environmental protection are important in planning, constructing, operating, and renovating buildings and infrastructure. Demand for sustainability-oriented building certificates is rising. The Group plans to have an impact by making a significant contribution to climate change adaptation, mitigation and energy efficiency through its products and position in the industry, see also [<< 2.1 General Disclosures >>](#) and [<< 2.2 Environmental Information >>](#).

In addition, the construction industry can benefit from numerous government-initiated investment projects for infrastructure and public construction. This consequently opens up opportunities for participating in investment programs, particularly for the Design and Build segments. In the Manage segment, topics such as efficiency enhancements and sustainable building management are particularly relevant. Here as well, the trend in favor of energy savings, for example, may harness growth potential.

Further opportunities may arise in the Media segment as the creation of digital content and worlds, together with 3D animation is increasingly growing in importance. The current push to add artificial intelligence (AI) into products, and build on the metaverse, which merges the virtual with the real world, creates new pathways for product features and development. In addition, there is a growing need for digital content and rising demand for gaming. These trends could have a positive impact on demand for solutions in the Media segment.

Operational Opportunities

Acquisitions, Venture Investments and Integration

The Nemetschek Group uses acquisitions to expand its portfolio of products and solutions, gain access to new technologies and/or regional markets, and thus close gaps in its value chain. New client groups can also be reached and market shares can be gained that are considered relevant and promising for the future. The Group is also increasingly prioritizing investments in ventures in order to access innovative technologies and support their implementation in the market.

In order to make the best possible use of acquisition opportunities, the Nemetschek Group continually screens the markets for suitable targets. It also works with M&A advisors to fill gaps in its portfolio. Furthermore, the persons responsible within the segments contribute their expert knowledge and market observations in an established and professional M&A process. There is a standardized M&A process with a particular focus on due diligence, valuation and post-merger integration.

Corporate Strategy

The Nemetschek Group sees itself as a driver for building information modeling (BIM) and has a strong position in all AEC/O segments when it comes to this working method. BIM regulations in various countries are helping to ensure that the relevant technologies become increasingly important in the construction industry.

The progressive shift towards new sales and business models, such as subscription and software-as-a-service products as part of the Group's strategic orientation, offers accelerated growth opportunities and also ensures greater stability and forward visibility with respect to revenue and margins.

New technologies may also unleash new market potential. The growing importance of artificial intelligence (AI), in particular, may change the AEC/O and media markets. In addition to the development and implementation of AI solutions, the growing importance of AI at Nemetschek is also being fueled by a strong willingness to invest in relevant ventures. Alongside the risks, the Nemetschek Group also sees opportunities in this development and has been investing in AI-related innovations for many years. In addition, it is working with university experts to promote an exchange with academia on AI.

Cyber Security

The cyber security measures undertaken by the business demonstrate continuing maturity and readiness to face threats to the digital infrastructure that BIM and the Nemetschek business model are increasingly reliant on. As the regulatory environment, and day to day needs, adapt to the emerging issues globally and locally, the business is prepared to address them.

Nemetschek Group only works with certified service providers and ensures uniform application of the highest cyber and data security standards, including across all its suppliers where possible, to ensure a sustainable impact is achieved.

The Nemetschek Group has implemented a variety of measures to actively manage and control cyber and information security risks and to ensure uniform cyber and data security standards in the Group. These also make a central and positive contribution to implementing the Group's growth strategy and represent a business opportunity for the Nemetschek Group from the financial year 2024.

Human Resources

The Nemetschek Group is aligned for long-term growth. Its organizational structure and workflows allow changes to be made dynamically and offer appealing development opportunities for Nemetschek Group employees or entry opportunities for external candidates. The company continually adapts its approach to its employees to respond to changes in the business, including but not limited to communicating, training, supporting, and upholding just and egalitarian practices to promote employee success.

The Group's attractiveness as an employer and its attractive working conditions both provide the opportunity to recruit specialized experts and managers from the labor market as well as promote longevity with current employees. Highly qualified, and supported, employees are the backbone of the business. Nemetschek Group is committed to promoting an innovative culture to foster talent and thereby make an impact on its own workforce. Sustainability as an essential feature of corporate culture strengthens the organization. See also [<< 2.1 General Disclosures >>](#) and [<< 2.3 Social Information >>](#).

The functional organizational structure of the G&A functions (HR/ People, Controlling & Risk Management, Finance, IT, and Information Security) rolled out in 2023 is enhancing the appeal of roles in these areas. Furthermore, a more closely coordinated brand identity, portraying a globally active group, continues to be an opportunity to heighten the company's appeal for existing and future employees. The existing, close cooperation with a broad network of universities, particularly in Europe, the US, and India, also offers an opportunity to further grow the reputation and appeal of the Nemetschek Group among university graduates. Financially potent companies such as the Nemetschek Group offer greater appeal as employers, particularly in uncertain economic times, and thus have more options for retaining employees and hiring new ones.

Products, Technologies and Processes

The development of new solutions and technologies that are focused on client benefits, including cloud-based solutions and platforms or digital twins for example, can enable new efficiencies and growth potential to be harnessed. New business models such as subscriptions and SaaS also open up opportunities to boost the Group's earnings. The Nemetschek Group uses its close client relationships and its wealth of knowledge and experience as well as its research and development resources to harness opportunities that are emerging.

The Nemetschek Group's software provides information on regulations, materials, and construction impacts; facilitates data exchange; and enhances process digitalization and automation, thereby improving efficiency, productivity and the overall quality of constructed buildings. Open BIM allows for transparency on project responsibilities and requirements and enables the traceability of workflows, creating accountability and liability in projects and reducing the potential for design-related disputes among stakeholders. These characteristics, which are inherent in the Nemetschek Group's products, facilitate the involvement of smaller businesses in larger projects, thus promoting broader participation and collaboration in the construction industry and more sustainable effects and outcomes.

Changes are continuously made to existing business processes and models in order to achieve targeted improvements. Changes may have a direct positive impact on client benefits, such as facilitating the acquisition of building certifications and improved transparency on building projects with BIM, and thus also on client relationships, as well as an indirect effect by additionally optimizing internal corporate structures and processes, thus creating a positive impact on the Group's cost structure and value generation.

Sales and Marketing

The ongoing internationalization of Nemetschek's business forms a strategic focus for expanding regional market share or entering new markets. The focus lies on those sales markets that offer the greatest market potential and growth. Alongside Europe, a major priority is the United States, which is the largest regional AEC/O software market in the world, as well as selected Asian markets. Along with this, there is an opportunity for stepping up efforts to address previously peripheral markets, e.g. in Asia/Pacific, including India, and for generating additional growth.

New forms of market cultivation arising from the consolidation of individual products are opening up opportunities to offer existing and potential new clients more comprehensive packages of solutions. This is particularly the case for large, international clients who combine various disciplines under one roof. This is supplemented by cross-selling activities to offer clients packages containing different products from the entire Nemetschek portfolio. Offering discounted licenses to students and young professionals establishes an inclusive approach to familiarizing incoming participants with BIM. Opportunities may also arise from new sales channels such as e-commerce, in which clients can take out a subscription for a solution directly online via our websites.

Legal Opportunities

Compliance and Governance

This opportunity was newly identified in 2024. Maintaining an active compliance team that meets regularly aids in preventing and detecting compliance or governance issues that would otherwise be difficult to detect and resolve. In addition to the company's compliance activities, the introduction of and adherence to a formal audit of business partners and of terms and conditions helps to minimize risk. Reducing opportunities for corruption and bribery, as well as strong management of relationships with suppliers, including preventative and detective payment practices, are supposed to have a sustainable impact. As Nemetschek continues to grow it is in a better position to deal with larger, and more well known, service providers, and this provides the opportunity to work in a community of common-minded businesses.

Summary Assessment of the Group's Opportunity and Risk Situation

Changes in the company's overall risk profile or individual risks and opportunities comprise the likelihood of occurrence for cyber security risks as well as interest rate risks which are reduced, from high to low and from very high to high, respectively; whereas, the likelihood of occurrence of a risk in Information technology and development has increased from low to medium. Additionally, the assessed severity for Default and Risk Management was increased from very low to low. The adjustments to the risk profile mainly reflect the reduction of cyber security risks compared to the previous year, particularly due to successful ISO 27001 certification and other IT initiatives during the year. Information technology risks increased because the regulatory environment continues to be increasingly complex, and obtaining skilled employees continues to be difficult. The decrease in interest rate risks is tied to successful financing initiatives during the year that benefit the long-term financial solidity of the business. The increase in probability of Default and Risk Management risk is due to an incident with a service provider that ceased providing necessary services and payments. Lastly, incorporation of the sustainability-related impacts, risks, and opportunities into the opportunity and risk analysis process improves the Group's focus on sustainability. Overall, the Nemetschek Group 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 asset structure, the liquidity position, and the financing structure.