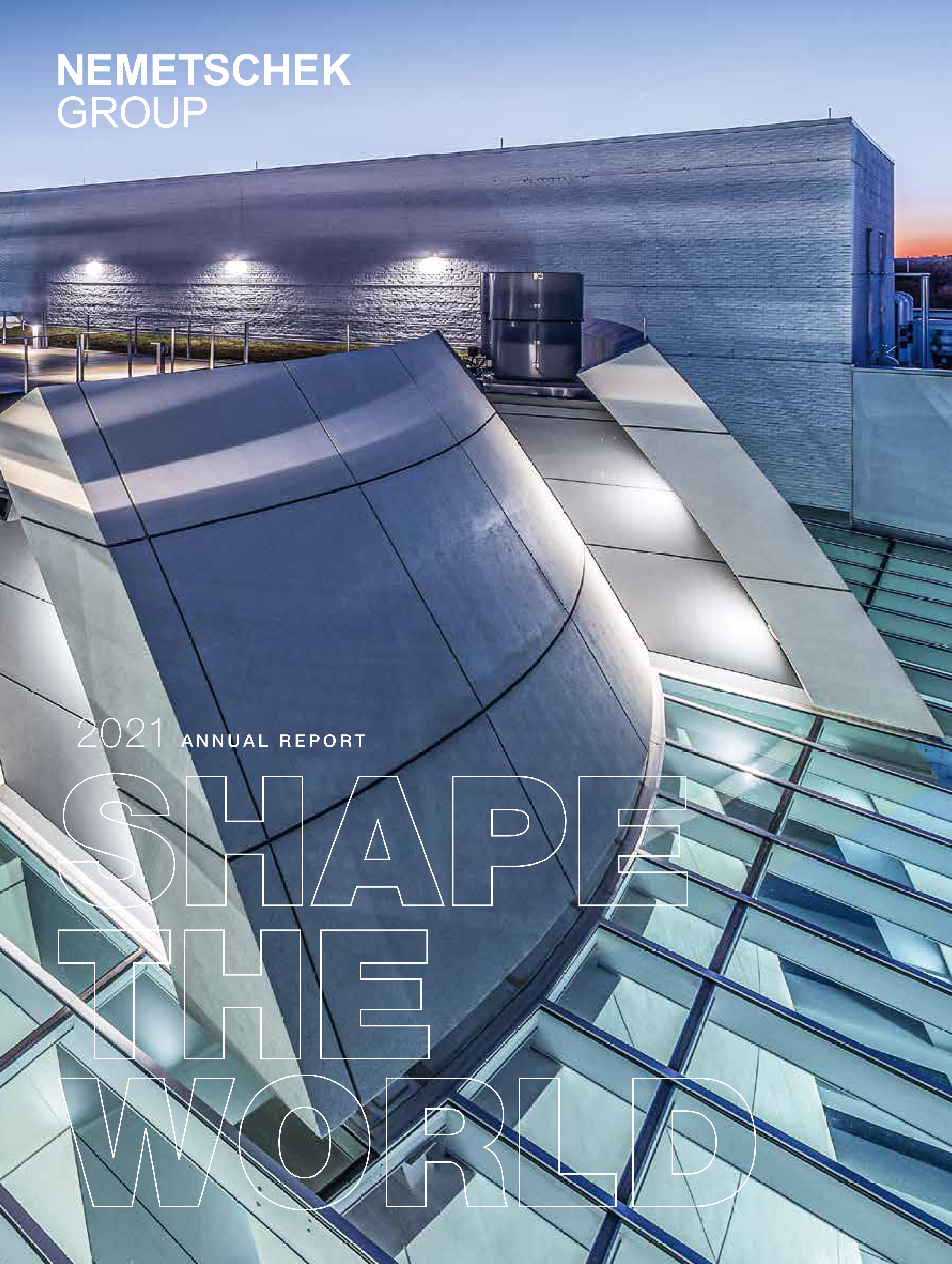
NEMETSCHEK GROUP

2021 ANNUAL REPORT

SHAPE THE WORLD



ANNUAL REPORT

2021

Shape the World.

The intelligent software solutions of the 13 brands in the Nemetschek Group in four strong segments cover the entire life cycle of construction and infrastructure projects and also enable artists to optimize their workflows. Buildings can be planned, built and managed more efficiently, sustainably and resource-saving, and digital content can be developed more creatively.

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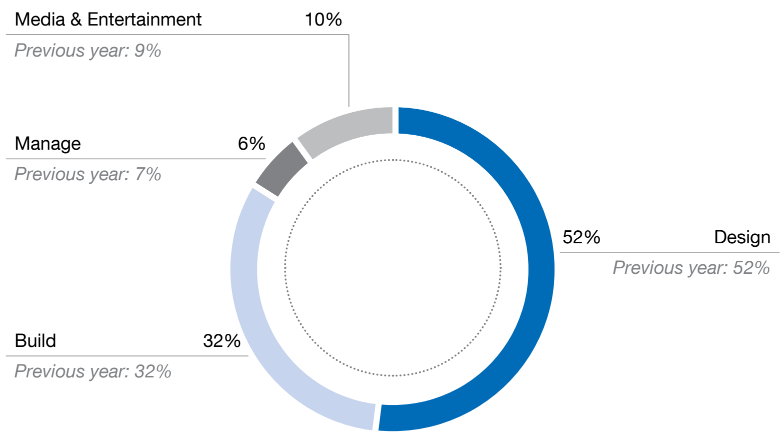
Key Figures

NEMETSCHEK GROUP

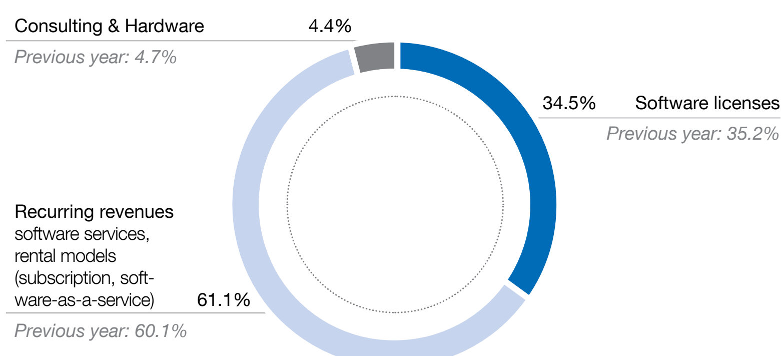
in EUR million	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Revenues	**681.5**	**596.9**	**556.9**	**461.3**	**395.6**
- thereof software licenses	234.8	210.0	228.2	216.8	195.0
- thereof recurring revenues	416.7	359.0	299.5	225.8	183.9
- subscription (as part of the recurring revenues)	132.0	90.4	50.3	23.4	13.7
EBITDA	**222.0**	**172.3**	**165.7**	**121.3**	**108.0**
as % of revenue	32.6%	28.9%	29.7%	26.3%	27.3%
EBITA	**199.6**	**149.3**	**143.7**	**112.5**	**99.9**
as % of revenue	29.3%	25.0%	25.8%	24.4%	25.3%
EBIT	**172.0**	**122.5**	**123.6**	**97.8**	**86.4**
as % of revenue	25.2%	20.5%	22.2%	21.2%	21.9%
Net income (group shares)	**134.6**	**96.9**	**127.2**	**76.5**	**74.7**
per share in €	1.17	0.84	1.10	0.66	0.65
Net income (group shares) adjusted for DocuWare effect	**134.6**	**96.9**	**97.7**	**76.5**	**74.7**
per share in €	1.17	0.84	0.85	0.66	0.65
Net income (group shares) before purchase price allocation	**153.9**	**115.2**	**140.3**	**88.1**	**85.2**
per share in €	1.33	1.00	1.21	0.76	0.74
Cash flow figures					
Cash flow from operating activities	214.4	157.5	160.4	99.7	97.4
Cash flow from investing activities	–147.6	–111.0	–83.8	–74.4	–54.6
Cash flow from financing activities	–55.4	–109.1	10.7	–10.4	–44.8
Free cash flow	66.7	46.5	76.6	25.4	42.8
Free cash flow before M&A investments	193.8	148.2	174.5	88.5	88.2
Balance sheet figures					
Cash and cash equivalents	157.1	139.3	209.1	120.7	104.0
Net liquidity/net debt	28.4	9.0	21.0	–9.9	24.0
Balance sheet total	1,054.2	889.7	857.2	580.6	460.8
Equity ratio in %	51.4%	46.9%	40.7%	43.0%	49.5%
Headcount as of balance sheet date	3,180	3,074	2,875	2,587	2,142
Share figures					
Closing price (Xetra) in €	112.80	60.40	58.80	31.92	24.95
Market Capitalization	13,028.40	6,976.20	6,791.40	3,686.38	2,881.34

Prior years adjusted due to the stock splits.

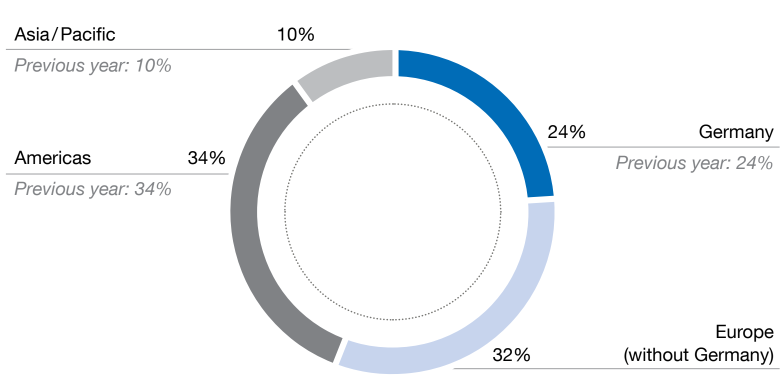
REVENUES BY SEGMENT IN %



REVENUES BY TYPE IN %



REVENUES BY REGION IN %



Letter to Shareholders

Dear shareholders,

We continued the success story of the Nemetschek Group in 2021 and recorded once again an outstanding year. Revenues, earnings and profitability reached new record levels and we were even able to exceed our already raised targets for the financial year 2021. The Nemetschek Group therefore stayed on its long-running growth course in this past year as well. Additionally, we continued to strengthen and expand our market position as one of the world's leading partners for the AEC/O industry (Architecture, Engineering, Construction and Operation). Our solutions cover the entire life cycle of buildings and infrastructure facilities. In addition, we have further developed and strengthened our position in the media & entertainment market. Looking at our results, this means:

- Group revenue increased by 14.2% to EUR 681.5 million in 2021; currency-adjusted growth amounted to an even higher 15.6%. The currency-adjusted revenue growth was therefore slightly above the published forecast range of 12% to 14%.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) grew over-proportionally compared to the revenue at a rate of 28.8% to EUR 222.0 million.
- The corresponding EBITDA margin consequently improved from 28.9% in the previous year to 32.6% in 2021 and was thus also above the forecast range of 30% to 32%.
- Net income increased significantly by 38.9% from EUR 96.9 million to EUR 134.6 million.

We are pleased to see that this growth has been achieved on broad operational basis. We were able to increase the revenues as well as the earnings in all four of our segments. In line with our strategy, the share of recurring revenues from service contracts as well as subscription and SaaS offerings continued to grow and today account for more than 61% of the total group revenue. In fact, our revenues from subscription and SaaS even grew at an even faster rate at 46%. This development means that our revenues are becoming increasingly predictable, and our business is becoming structurally more robust and resistant – even across economic cycles. We will therefore continue to push the subscription business in the coming years, and our US brand Bluebeam in particular will accelerate the transition of its business in 2022.

As you have come to expect from Nemetschek, we want you, as our shareholders, to participate appropriately in the company's success. We will therefore propose to the Annual General Meeting on May 12, 2022, a dividend of EUR 0.39 per share for the fiscal year 2021.

This represents a 30% increase compared to last year's dividend (EUR 0.30 per share). Together with the outstanding price development of the Nemetschek share, this once again demonstrates the attractiveness of an investment in the Nemetschek Group.

Strategic Highlights

In 2021, we achieved an important strategic step in the long-term development of the Nemetschek Group by further strengthening our Media & Entertainment segment with our subsidiary Maxon. After the acquisitions of the two US companies Redshift and Red Giant in 2019 there followed a phase of integration. By combining the technologies and know-how of the acquisitions, we were able to significantly expand Maxon's customer base, accelerate its growth while simultaneously substantially strengthening its subscription business.

Maxon offers professional 3D modeling, painting, animation and visualization software solutions for the creative industry. Maxon's – often long-standing – customers are the "Who's Who" of the global media and entertainment industry as well as well-known industrial companies, and of course our architecture customers continue to use Maxon's software to visualize their designs.

With our Media & Entertainment segment, which accounted for around 10% of the group's revenue in 2021, we are systematically tapping into new customer groups outside the AEC/O industry. We continue to see enormous growth opportunities for this business in the long-term. At the end of last year, we further strengthened our business with the acquisition of the Los Angeles-based company Pixologic, a specialist in digital 3D sculpting and painting.

Starting in 2021, we also focused on investment in start-up companies in order to further increase the innovative strength of the Nemetschek Group. Last year, we for example participated with minority stakes in funding rounds of three young and highly innovative companies from Germany, the USA and Norway. We will continue these investments in start-ups in the future because product excellence and innovative strength are the key to our ability to offer architects, engineers and facility managers real technological added value in the future.

More customer proximity and increased efficiency via the integration of our brands

Nemetschek's aspiration has always been to provide customers with a broad and integrated offering for all phases of the design, construction, and management process. To achieve this goal, it's important that we intelligently combine the know-how of our brands, exploit synergies, and offer solutions from a single source. With this in mind we merged Data Design System, our design software specialist for technical building equipment, with Graphisoft, the world's leading provider of Building Information Modeling (BIM) solutions, at the end of 2021.

Similarly, our brands Allplan and SDS/2 joined forces at the end of 2021 to combine their respective expertise in order to create a cross-disciplinary platform for architects, engineers and contractors which will also provide end-to-end support and integration for the design and construction process across all service phases.

Going forward, we will continue to examine our structures to see where a greater degree of integration creates additional value for our customers while simultaneously increasing our internal efficiency.

New levels of digitization

This is essential because the demands on the construction industry are constantly increasing worldwide. Global climate change, the energy transition as well as growing urbanization are continuing to increase the pressure to design, construct and subsequently operate buildings in a more environmentally friendly and resource-saving way. It is therefore becoming increasingly clear that sustainable planning and construction, including concepts for a true circular economy, cannot be possible without consistent digitization. In addition, the global Covid-19 pandemic has further strengthened the willingness of all project participants to communicate digitally. It is now important to further accelerate this trend.

New technologies such as artificial intelligence (AI), digital twins, robotics or virtual reality will help users to master the challenges of the AEC/O industry in the future. The Nemetschek Group will be a pioneer and pacesetter in these developments because the key factor in it all remains our core competence: enabling efficient collaboration between all parties involved in the construction process, with end-to-end workflows based on open standards.

We would like to express our sincere thanks to the more than 3,000 employees of our Group, who once again made this outstanding business performance last year possible with a high degree of commitment and under conditions that were not always easy. We would also like to thank you, our shareholders, for your continued confidence in our company.

Best regards,

The Executive Board

Executive Board

Yves Padrines

Chief Executive Officer (CEO)
Born in 1976 / Nationality: French

Dr. Axel Kaufmann

Chief Financial & Operations Officer (CFOO)
Born in 1969 / Nationality: German

»With outstanding brands and a strong customer focus, a clear M&A strategy and an agile start-up & venture approach, we are accelerating growth in the construction and media & entertainment industries.«

»Our attractive business model with high recurring revenues has again proven to be a driver of sustainable and profitable performance. Internationalization, operational excellence, and innovations are the pillars of our success.«

Yves Padrines was appointed as Chief Executive Officer of the Nemetschek Group on March 1, 2022. In addition to leading the overall group, he is also directly responsible for the fast-growing Media & Entertainment (M&E) Division and Nemetschek Venture Investments business units and oversees merger and acquisition activities.

Dr. Axel Kaufmann was appointed to the Executive Board on January 1, 2020 and is Chief Financial & Operations Officer (CFOO) of Nemetschek SE. In this role, he focusses on financial and operational functions.

Viktor Várkonyi

Chief Division Officer,
Planning & Design Division

Born in 1967 / Nationality: Hungarian

Jon Elliott

Chief Division Officer,
Build & Construct Division

Born in 1976 / Nationality: US American

»Our mission is to empower AEC/O professionals to shape the world. With the data-driven approach of Building Lifecycle Intelligence and Digital Twins, they can design, build and manage buildings and structures more efficiently and sustainably.«

»Through the combined strengths of our market leading brands, we seek to continuously deliver innovative and valuable solutions that improve the lives of those who create our built environment.«

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

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

Supervisory board's report on the 2021 financial year of Nemetschek SE

The supervisory board of Nemetschek SE involved itself extensively with the situation and development of the Nemetschek Group during the 2021 financial year. Over the course of the financial year, the committee followed the executive board closely, advised it with regard to important issues and monitored it in addition to carrying out the tasks assigned to the supervisory board by law, the Articles of Incorporation and the Articles of Association with the utmost care.

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

Constructive deliberations between supervisory board and executive board

In the 2021 financial year, the collaboration between the supervisory board and the executive board was always constructive and marked by open and trustful discussions. The executive board instructed the supervisory board regularly, promptly and comprehensively, orally as well as in writing, about all relevant topics pursuant to corporate development and corporate strategy. Inherent opportunities and risks, corporate planning and the development of revenues, earnings and liquidity were extensively debated. Moreover, the supervisory board obtained information on planned and current investments, the implementation of the planning of the Group, of the segments and of the individual brands as well as on risk management and compliance.

The supervisory board regularly and intensively discussed the developments in the respective months and reporting quarters, the short-term and medium-term prospects and the long-term growth and earnings strategy internally and together with the executive board. In the 2021 financial year, this also comprised information on deviations in business development vis-à-vis planning as well as the impacts of the ongoing Covid-19 pandemic on business development. Outside the regularly scheduled sessions as well, the supervisory board and the executive board remained in close contact and maintained a regular exchange. In addition, the supervisory board convened regularly, at times without the executive board.

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

Meetings, individualized participation in sessions and main topics

In the financial year 2021, four regular supervisory board meetings were held, at which the executive board informed the supervisory board of the economic situation and business development. Due to the Covid-19 pandemic, the meetings in 2021 were conducted as virtual meetings or in-person meetings with the option of participating virtually. There was 100% attendance at the meetings of the supervisory board. In addition to the meetings, there were further resolutions on current topics, for which the written circular procedure was used.

Supervisory board members' participation in the meetings of the supervisory board is disclosed in individualized form in the following table:

MEETINGS OF THE SUPERVISORY BOARD AND PARTICIPATION RATES

	Number of meetings/ Participation	Participation rate in %
Kurt Dobitsch (Chairman)	4/4	100%
Prof. Georg Nemetschek (Deputy Chairman)	4/4	100%
Rüdiger Herzog	4/4	100%
Bill Krouch	4/4	100%
Total participation rate		**100%**

In the 2021 financial year, deliberations revolved in particular around long-term strategic development of the four segments in the Group with a focus on further internationalization of business activities and the impacts of the ongoing Covid-19 pandemic on short-term business development as well as on potential acquisition targets and investments in start-ups and ventures, strategic projects at holding and segment level and the further development of the solution portfolio of the Nemetschek Group. Detailed reports concerning the four segments and the brand companies were received by the supervisory board. Business performance which deviated from the corresponding annual targets was discussed in detail at the supervisory board meetings and analyzed. The executive board presented its planning for acquisitions and corresponding actual projects and decided on these in close collaboration with the supervisory board. Moreover, interim reports were discussed by the supervisory board and executive board prior to publication.

The members of the supervisory board take responsibility for undertaking any training or professional development measures necessary for them to fulfill their duties, e.g. regarding changes to the applicable framework conditions or regarding new solutions and future-oriented technologies, and are supported in this by the company. Any costs incurred are borne by the company. In the reporting period, information was made available by the company concerning the extension of the compliance management and risk management system, IT and cybersecurity as well as on the subjects of diversity and executive board member remuneration. In addition, the members of the supervisory board were informed about current amendments to laws, new accounting and auditing standards and changes with regard to corporate governance topics as well as future developments in connection with sustainability reporting.

In all meetings, the supervisory board was provided with information on the current course of business, the internal control and early stage risk detection systems and the audit and compliance report. Moreover, in the meetings, there was debate in particular on the following topics:

Meeting on March 18, 2021:

» Annual financial statements and consolidated financial statements as well as the consolidated management report for the 2020 financial year including the nonfinancial declaration

» Proposal on the appropriation of profits for the 2020 financial year

» Supervisory board's report for the 2020 financial year

» Invitation and agenda items for the 2021 regular annual general meeting with proposed resolutions to the annual general meeting, in particular the resolutions for the selection of the auditor for the 2021 financial year

» Targets reached by the executive board and general managers and release of payment of variable remuneration shares for the 2020 financial year

» Definition of target agreements for the 2021 financial year and nominations for participation in the "Long-Term Incentive Plan" (LTIP)

» Discussion of strategic projects at brand level, segment level and Group level, including M&A activities

» Discussion of the current market conditions and competitive situation

» Capital market communication including forecast for the 2021 financial year

Meeting on July 27, 2021:

» Half-year financial reporting for the 2021 business year

» Capital market communication including adjustment of the forecast for the 2021 financial year

» Strategic projects on segment level and Group level, including cross-brand and cross-segment initiatives

» Current M&A activities as well as investments in start-ups & ventures

» Long-term strategic further development of the company

Meeting on October 27, 2021:

» Planning process and planning premises for the 2022 financial year

» Strategic projects on segment level and Group level, including cross-brand and cross-segment initiatives

» Current M&A activities as well as investments in start-ups & ventures

Meeting on December 17, 2021:

» Discussion of planned projects and initiatives on brand level, segment level and holding level

» Current M&A activities as well as investments in start-ups & ventures

» Business planning on brand level, segment level and Group level for the 2022 financial year, also with consideration of the impacts resulting from the Covid-19 pandemic

» Business planning, including investment planning, on Group level for the 2022 financial year

» Cash flow and liquidity planning for the financial years 2022 to 2024

» Discussion in the supervisory board of the findings of the efficiency evaluations conducted

» Passing of resolution on Declaration of Conformity in accordance with the German Corporate Governance Code as well as on the women's quota in the supervisory board and executive board

» Resolution on the founding of an audit committee in the supervisory board

Committees

The supervisory board of Nemetschek SE formed no committees in the reporting period. The supervisory board consists of four members. On a board of this size, the efficient and effective discharging of duties is also ensured without the formation of specialized committees. The duties for which the German Corporate Governance Code recommends the formation of such committees were all performed by the supervisory board of Nemetschek SE in the reporting period.

As per the applicable provisions, the supervisory board set up an audit committee as of January 1, 2022. The chairman of the audit committee is Mr. Rüdiger Herzog. The other members are Prof. Georg Nemetschek and Kurt Dobitsch.

The supervisory board is composed exclusively of shareholder representatives and, as a result, no nomination committee was set up.

Audit of the annual financial statements and consolidated financial statements

On May 12, 2021, the regular annual general meeting appointed auditing firm Ernst & Young GmbH, Munich, as the auditor for the audit of the individual financial statements and the consolidated financial statements for 2021 as well as the corresponding consolidated management report. The supervisory board was convinced as to the independence of the auditor and obtained a written declaration from the auditor.

The annual financial statements of Nemetschek SE for the 2021 financial year prepared by the executive board according to the German Commercial Code (HGB), as well as the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315e (1) of the German Commercial Code (HGB), and the consolidated management report for Nemetschek SE and the Group for the 2021 financial year were audited and approved without qualification by auditing firm Ernst & Young GmbH, Munich.

The specified final documents of the SE, the Group and the executive board's proposal on the appropriation of profits as well as the auditor's reports were available to the members of the supervisory board sufficiently in advance of the balance sheet meeting on March 18, 2022. The auditor took part in the meeting, reported extensively on his auditing activities and the main audit results, explained the audit report and provided detailed answers to all of the supervisory board members' questions. He explained in particular the especially important key audit matters and the audit procedures conducted. No material weaknesses with regard to the internal control system or the risk management system were reported.

Taking the auditor's reports into consideration, the supervisory board has examined the annual financial statements, the consolidated financial statements and the consolidated management report for Nemetschek SE and the Group and is convinced of the correctness and completeness of the actual information. The supervisory board concurs with the result of the audit performed by the auditor and has determined that there are no reservations to be raised. The supervisory board approved the 2021 financial statements and consolidated financial statements of Nemetschek SE at the balance sheet meeting of March 18, 2022. The 2021 annual financial statements are thus final within the scope of § 172 of the German Stock Corporation Act (AktG).

Moreover, the supervisory board assessed the services rendered by the auditor and concerned itself with evaluating the quality of the auditing firm Ernst & Young GmbH as an auditor. In doing so, no grounds were determined which would oppose an audit performed by Ernst & Young GmbH.

Reporting on sustainability / Investor communication

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

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

Reporting on executive board and supervisory board remuneration (remuneration report)

The report on the remuneration of the executive board and supervisory board to be created on the basis of the German Act Implementing the Second Shareholder Rights Directive (ARUG II) was created for the first time in the 2021 financial year and was prepared by the executive board and the supervisory board. Auditing firm Ernst & Young GmbH reviewed the remuneration report and in doing so determined that it contains the disclosures required as per § 162 (1) and (2) of the German Stock Corporation Act (AktG). The corresponding report on the verification of the remuneration report in accordance with § 162 (3) AktG is attached to the separate remuneration report.

Conflicts of interest / Self-assessment

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

The supervisory board regularly assesses how effectively it discharges its duties. The self-assessment planned for the 2021 financial year was completed by all members of the supervisory board << Corporate Governance Declaration >>.

Corporate governance

The supervisory board was continuously occupied with the principles of good corporate governance in the 2021 financial year. On December 17, 2021, the executive board and supervisory board resolved to submit a Declaration of Conformity as per §161 of the German Stock Corporation Act (AktG), in accordance with which the company has, since submission of the previous Declaration of Conformity of December 18, 2020, conformed and in future will also conform to the recommendations of the German Corporate Governance Code in the version of December 16, 2019 (published in the Federal Gazette on March 20, 2020) with the exception of the justified deviations specified in the Declaration of Conformity. The formulation of the Declaration of Conformity of December 17, 2021, is included in the section << Corporate Governance Declaration >> in the "To our shareholders" part of the annual report for the 2021 financial year. The Declaration of

Conformity was made permanently available to shareholders on the company website under *ir.Nemetschek.com/de/corporate-governance.*

Changes to the executive board and supervisory board

The executive board consisted of three members in the 2021 financial year and the supervisory board consisted of four members. The composition of the executive board and of the supervisory board in terms of personnel remained unchanged over the course of the financial year. As of March 1, 2022, the executive board was expanded and Yves Padrines was unanimously appointed CEO by the supervisory board.

Thanks for dedicated performance

In the year 2021, which was also marked by the impacts of the continuing Covid-19 pandemic, the Nemetschek Group also demonstrated its operative strength and was able to further expand its strong and highly profitable growth. This business success is attributable to the attractive solutions of the Nemetschek Group, the consistent implementation of strategic focus points and the high levels of commitment of the entire staff and of management.

Thus, it was again possible to close a very successful financial year and achieve new highs in terms of revenue and earnings. It was possible to even exceed the targets for the 2021 financial year, which had been increased mid-year.

The past year continued to be marked by great uncertainties and challenges. Despite all this, the company remained on its successful course and was able to prove its strategic and operative strength. Our employees played a major role in this successful development. The supervisory board thanks all employees for their excellent performance and personal commitment. At the same time, the supervisory board would like to express its recognition and high level of appreciation to the executive board and the CEOs of all the brands for the services rendered.

Munich, March 18, 2022

Kurt Dobitsch
Chairman of the Supervisory Board

Corporate Governance Declaration

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

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

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

On December 17, 2021, the executive board and the supervisory board submitted the following updated declaration as per § 161 of the German Stock Corporation Act (AktG) and made this permanently available to shareholders via the website of the Nemetschek Group:

"The executive board and supervisory board declare:

The recommendations of the 'Government Commission of the German Corporate Governance Code', version dated December 16, 2019 ('DCGK 2020'), published by the German Federal Ministry of Justice in the official part of the Federal Gazette on March 20, 2020, have been followed in the time period since the previous Declaration of Conformity of 18 December, 2020 and will continue to be followed with the exception of the following recommendations for the reasons specified therein and in the time periods specified.

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

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

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

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

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

c) Recommendation C.10 Sentence 2 (independence of the chairperson of the audit committee vis-à-vis the controlling shareholder)

The selected chairman of audit committee, Mr. Rüdiger Herzog, is a member of the executive governing body of the controlling shareholder and, as a result, is not independent from the controlling shareholder according to the criteria of Recommendation C.10.

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

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

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

The supervisory board of Nemetschek SE formed no committees in the reporting period. The supervisory board consists of four members. On a board of this size, the efficient and effective discharging of duties is also ensured without the formation of specialized committees. The duties for which the Code recommends the formation of such committees were all performed by the supervisory board of Nemetschek SE in the reporting period. As per the applicable provisions, the supervisory board set up an audit committee as of January 1, 2022. Therefore, a departure from Recommendations D.2 and D.3 is only declared for the period ending December 31, 2021. The selected chairman of the audit committee is not independent from the controlling shareholder. In this respect, a departure from Recommendation D.4, second half of sentence, is declared beyond December 31, 2021. The supervisory board is composed only of shareholder representatives and, as a result, no nomination committee was set up (D.5).

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

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

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

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

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

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

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

Website of the company

The Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG) is published on the website *ir.Nemetschek.com/en/corporate-governance*. It is also possible to view the Declarations of Conformity of previous years there.

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

The remuneration report on the 2021 financial year and the auditor's report pursuant to section 162 of the German Stock Corporation Act, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 of the German Stock Corporation Act and the last remuneration resolution pursuant to section 113 (3) of the German Stock Corporation Act are publicly available on the Company's website under *ir.Nemetschek.com/remuneration*.

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

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

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

These principles are summarized in the Nemetschek Group's Code of Conduct, which was revised and extended in the 2021 financial year. This Code of Conduct is binding for all employees regardless of role or position in the Group. It is only by maintaining an ongoing focus on these values and integrating them in day-to-day actions that a clear commitment to the company culture is made and the long-term entrepreneurial success of the company is ensured. Likewise, in the 2021 financial year, a Supplier Code of Conduct was developed and published. This Supplier Code of Conduct sets the standards for collaboration with suppliers and other external business partners of the Nemetschek Group. The Code of Conduct and the Supplier Code of Conduct can be accessed on the company website at *www.nemetschek.com/en/responsibility.*

You will find further information on this subject in the 2021 consolidated management report *<< 2.2 Nonfinancial declaration >>*.

Moreover, details on enterprise controlling and corporate governance are reported in the consolidated management report under *<< 1.3 Enterprise controlling and corporate governance >>*.

Compliance and the management of opportunities and risks

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

Compliance

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

Compliance culture and targets

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

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

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

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

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

The Nemetschek Group requires and supports an open, enterprise-wide speak-up culture. It encourages its employees to report any behavior which possibly violates the Code of Conduct. The ombudsman system used previously was replaced by a modern, enterprise-wide, digital and anonymous whistleblower system. The new digital system serves all Group enterprises as a new whistleblower system and focuses in particular on the important topics of whistleblower protection, anonymity and data security. Implementing this new system has resulted in significant further development and professionalization, also in the area of whistleblowing.

In addition to using the digital whistleblower system, employees can communicate in German or English directly with superiors, heads of HR responsible or the Compliance business unit.

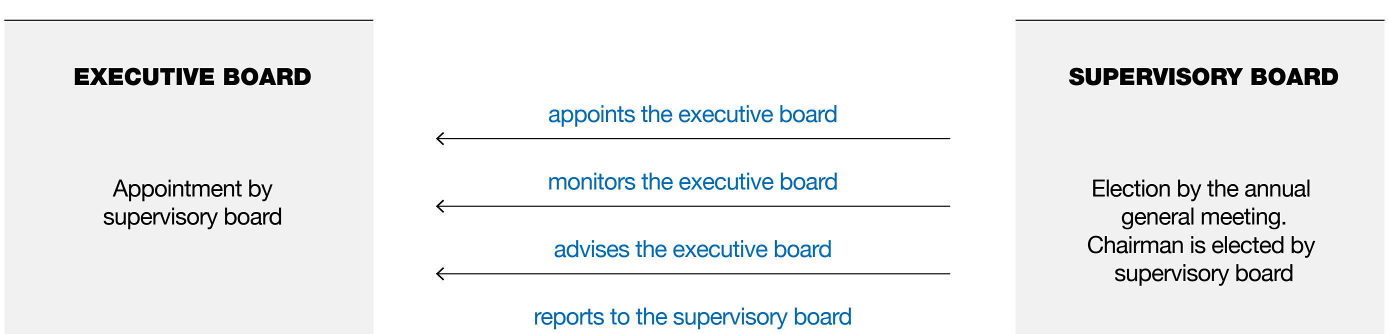
All information submitted is first checked for plausibility and treated with absolute confidentiality. As required, further investigations and steps are initiated. If necessary, in individual cases, further company divisions or external consultants are brought on board. The business unit Corporate Legal & Compliance regularly checks the whistleblower process in terms of its effectiveness and adapts it as required.

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

Description of executive board and supervisory board procedures

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

DUAL MANAGEMENT SYSTEM OF NEMETSCHEK SE



Executive board

Composition

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

In the 2021 financial year, the executive board was composed of the following three members:

» Dr. Axel Kaufmann, Spokesman of the Executive Board and Chief Financial & Operations Officer (CFOO)

» Viktor Várkonyi, Chief Division Officer, Planning & Design Division

» Jon Elliott, Chief Division Officer, Build & Construct Division and CEO of the Bluebeam brand

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

Details on further mandates performed by the executive board are provided in the notes to the consolidated financial statements << Item 33 – Bodies of the company >>. The remuneration of the executive board members is treated in a separate remuneration report.

Procedures

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

The executive board is responsible for the creation of the quarterly statements and half-year financial report as well as for the preparation of the annual financial statements and consolidated financial statements, the consolidated management report of Nemetschek SE and of the Group and, since the 2021 financial year, the remuneration report, which is to be created separately.

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

Supervisory board

Composition

In the 2021 financial year, the composition of the supervisory board in terms of personnel remained unchanged vis-à-vis the previous year.

The supervisory board consisted of the following four members:

» Kurt Dobitsch, Chairman of the supervisory board

» Prof. Georg Nemetschek, Deputy Chairman

» Rüdiger Herzog, member of the supervisory board

» Bill Krouch, member of the supervisory board

The supervisory board is elected by the annual general meeting.

Details on further mandates performed by the supervisory board are provided in the notes to the 2021 consolidated financial statements under << Item 33 – Bodies of the company >>. The remuneration of the supervisory board members is treated in a separate remuneration report.

Procedures

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

The supervisory board defines a catalog of business which requires approval as well as a business allocation plan in the Articles of Association for the executive board. The supervisory board acts on the basis of its own rules of procedure. Moreover, the supervisory board approves the annual financial statements, the consolidated financial statements and the consolidated management report of Nemetschek SE and of the Group as well as the remuneration report created separately for the first time in the 2021 financial year. The chairman of the supervisory board presents the activities of the supervisory board every year in his report to the annual general meeting as part of the annual report.

Together with the executive board, the supervisory board ensures that there is long-term succession planning. For this purpose, the supervisory board is in regular communication with the executive board. Together, the executive board and supervisory board evaluate the suitability of potential succession candidates and discuss how suitable internal candidates may be further developed. In addition, on an ongoing basis, the supervisory board examines the size and composition of the executive board. For this purpose, the chairman of the supervisory board discusses with the executive board what skills and experience as well as professional and personal areas of expertise in particular should be represented on the executive board with a view to the company's strategic development and to what extent the composition of the executive board already corresponds to these requirements.

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

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

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

According to the supervisory board, in keeping with Recommendations C.1/C.6 of the German Corporate Governance Code (DCGK), it is appropriate for the supervisory board to have at least three members – i.e. more than half of the shareholder representatives – who are independent from the company and its executive board (cf. Recommendation C.7 DCGK) as well as at least two members who are independent from a controlling shareholder (cf. Recommendation C.9 DCGK). Overall, according to the supervisory board, it is appropriate for the supervisory board to have at least two members who are independent from the company and from its executive board as well as from a controlling shareholder.

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

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

Committees of the supervisory board

As per the applicable provisions, the supervisory board set up an audit committee for the first time as of January 1, 2022. The chairman of the audit committee is Mr. Rüdiger Herzog. The other members are Prof. Georg Nemetschek and Mr. Kurt Dobitsch. The supervisory board is composed exclusively of shareholder representatives and, as a result, no nomination committee was set up.

Self-assessment

The supervisory board regularly assesses how effectively it discharges its duties. In the 2021 financial year, this was carried out by means of a self-evaluation. For this purpose, a questionnaire was developed with the involvement of an external expert and distributed to all members. In the questionnaire, the supervisory board members were able to submit their estimation of the effectiveness of the procedures as well as suggestions for improvements. General subject areas include the conducting of supervisory board meetings, the main topics to be discussed, collaboration of supervisory board members and the composition of the supervisory board, cooperation with the executive board and its composition as well as succession planning in the committees. In addition, the topics of accounting processes and auditing processes as well as the quality of the provision of information to the supervisory board were broached. The findings and suggestions for improvement were discussed in the following supervisory board meeting. The findings of the evaluation substantiate professional and constructive cooperation marked by high levels of trust and openness within the supervisory board and with the executive board. Likewise, the findings substantiate an efficient meeting organization and execution as well as an appropriate provision of information. No general change requirements were evident with the exception of the topic of diversity. Individual suggestions will also be acted on and implemented in the course of the year. The next self-assessment is scheduled for the year 2023.

Please refer to the *<< Supervisory board report >>* for further information on the subject areas and work of the supervisory board in the 2021 financial year.

Details on further mandates performed by the supervisory board are provided in the notes to the consolidated financial statements under *<< Item 33 – Bodies of the company >>*.

Remuneration of executive board and supervisory board

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

In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board receive fixed remuneration.

In keeping with the changes in legislation resulting from the German Act Implementing the Second Shareholder Rights Directive (ARUG II), which went into effect on January 1, 2020, the supervisory board further developed the existing executive board remuneration system and resolved this at its meeting held on December 18, 2020. The annual general meeting approved the new remuneration system with 74.83% of the votes cast on May 12, 2021. The 2021 remuneration system implements the requirements of the German Stock Corporation Act (AktG) in the version of Second Shareholder Rights Directive (ARUG II) and accounts for the recommendations of the German Corporate Governance Code (DCGK) in the version of December 19, 2019, which went into effect on March 20, 2020. It is intended to successively adapt the existing executive board service contracts to the regulations of the new remuneration system. The new remuneration system is published on the company website under *ir.Nemetschek.com/remuneration*. The supervisory board will regularly review the remuneration system.

In the course of the changes in legislation, the Nemetschek Group is publishing a separate remuneration report for the first time as of the 2021 financial year. The report describes the principles of the remuneration systems for the executive board and for the supervisory board and reports individually on their remuneration. The report is published on the website of the company *ir.Nemetschek.com/remuneration*.

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

Diversity at Nemetschek

Diversity is part of the company culture in place at the Nemetschek Group. The different cultures and pronounced individuality are important drivers for the company's innovative strength and are to be specifically supported accordingly. In the year 2020, a new workgroup was formed for this purpose. In coordination with the Spokesman of the Executive Board, the workgroup for DEIB – diversity, equity, inclusion, belonging – developed a guiding principle for the company on diversity and inclusion. You will find further information on diversity and inclusion in the 2021 consolidated management report under *<< 2.2 Nonfinancial declaration >>*.

The objective to achieve diversity, including a diverse employee structure and committee composition as well as appointments to executive positions, is expressly welcomed.

Percentage of positions held by women

According to § 111 (5) of the German Stock Corporation Act (AktG), the supervisory board must define target values for the percentage of positions held by women on the supervisory board and executive board.

Executive board

Determination of the status quo of the percentage of women on the executive board

With the resolution of March 20, 2019, the supervisory board defined a target value of 0% for the executive board until December 31, 2021. The three-person executive board is currently composed only of men. The percentage of women on the executive board is therefore 0%, which corresponds to the defined target value.

Decision regarding the target value for the percentage of women on the executive board and justification

With the resolution of December 17, 2021, for the period until December 31, 2022, the supervisory board defined a target value of 0% for the percentage of women on the executive board, which corresponds to zero persons. All members of the company's executive board in office as at 31 December 2021 are appointed until December 31, 2024. The supervisory board generally supports the objective of achieving diversity in the executive board and views the future increase of the percentage of women at all levels of the enterprise as an important part of the personnel and diversity concept of the globally operating Nemetschek Group. For the composition of the executive board, however, the experience, expertise and knowledge of the individual is of critical importance to the supervisory board; the prioritized appointment of women is not a major criterion for decisions in this regard. The members of the executive board in office are suitable individuals – they are international, with different backgrounds in terms of experience and training, and possess the necessary qualifications. The supervisory board is therefore convinced that for the year 2022 a target value of 0% women on the executive board is realistic, suitable and appropriate. By specifying a target value for a period of just one year, the supervisory board wants to enable the supervisory board which is to be newly elected by the 2022 annual general meeting to resolve on a suitable target value for the future regarding the percentage of women on the executive board from the year 2023 on, without there being any existing definition already in place.

Supervisory board

Determination of the status quo of the percentage of women on the supervisory board

With the resolution of March 20, 2019, the supervisory board defined a target value of 0% for the supervisory board until December 31, 2021. The four-person supervisory board is currently composed only of men. The percentage of women on the supervisory board is therefore 0%, which corresponds to the defined target value.

Decision regarding the target value for the percentage of women on the supervisory board

With the resolution of December 17, 2021, for the period until December 31, 2025, the supervisory board defined a target value of 25% for the desired percentage of women on the supervisory board; this corresponds to one person on the supervisory board, which is currently comprised of four members.

The supervisory board has set itself the objective of increasing the percentage of women on the supervisory board. The supervisory board aims to consider the increase in the percentage of women in the proposals for the election of supervisory board members at the regular annual general meeting 2022, inasmuch as suitable candidates are available in the evaluation process.

First management level

As per § 76 (4) of the German Stock Corporation Act (AktG), the executive board defines target values for the percentage of women below executive board level.

There is one management level below the executive board at Nemetschek SE. Therefore, the following information refers only to this one management level. As a result of the structure of Nemetschek SE as a holding company with a low number of employees, the definition of a second management level below the executive board is not appropriate. Consequently, the definition of a target value for the percentage of women in the second management level below the executive board has been and continues to be waived.

Determination of the status quo of the percentage of women in the first management level

With the resolution of March 20, 2019, the executive board defined a target value of at least 25% for the first management level for the period ending December 31, 2021. The executives with the title “Vice President” were defined as the first management level below the executive board of Nemetschek SE. These positions were held by two men and two women as of December 31, 2021. Thus, the percentage of women in the first management level amounted to 50% and the specified target value was achieved.

Decision concerning the target percentage of women in the first management level

Following an evaluation in the year 2021, the executive board amended the definition of the first management level below the executive board. All employees who report directly to members of the executive board now belong to the first management level below the executive board. At the time of passing the resolution, the newly defined first management level comprises 14 persons, four of them women. The current percentage of women is thus 28.6%.

With the resolution of December 17, 2021, the executive board specified the target value of 28.6% as the percentage of women in the first management level below the executive board for the period until December 31, 2025, which corresponds to four persons given a management level comprising 14 persons.

Further information on corporate governance

Financial reporting and year-end audit

Nemetschek SE prepares its consolidated financial statements as well as the consolidated interim reports as per the International Financial Reporting Standards (IFRS). The annual financial statements of Nemetschek SE (individual financial statements) are prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared by the executive board, examined by the auditor and approved by the supervisory board. The annual general meeting selected auditing firm Ernst & Young GmbH, Munich, as auditors and Group auditors for the 2021 financial year. The supervisory board commissioned the audit, additionally set the remuneration for the audit, and verified the independence of the auditor. In addition, it assessed the services rendered by the auditor and resolved on evaluating the quality of the year-end audit.

Shareholders and the annual general meeting

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

Transparency and communication

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

Directors' dealings, voting rights and stock option scheme

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

Munich, March 17, 2022

Yves Padrines | Dr. Axel Kaufmann | Viktor Várkonyi | Jon Elliott

Nemetschek on the Capital Market

Looking back at the year 2021

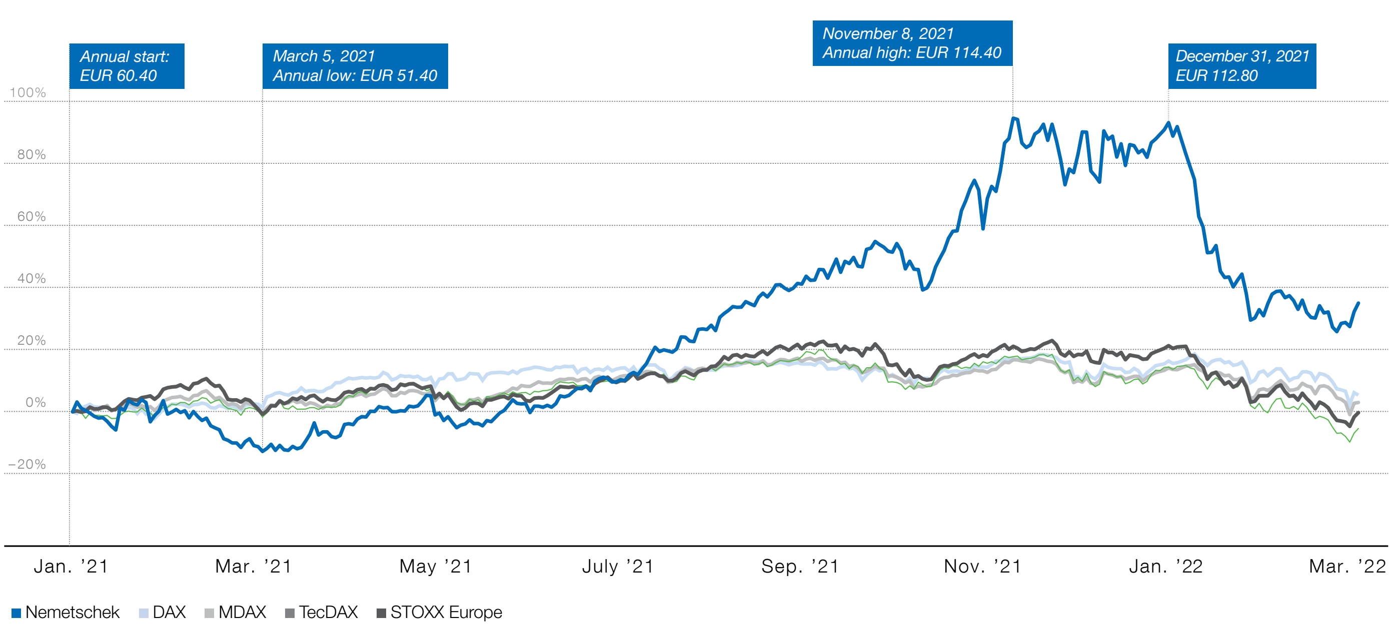
While global share markets were only able to make slight gains as a result of the renewed wave of Covid-19 in the first quarter of 2021, recovery began as of the beginning of the second quarter. This was driven by considerable improvement in the tense pandemic situation as well as by continuing expansive monetary and fiscal policies put in place to stabilize the global economy. Thus, it was possible for the DAX and MDAX to post a rise of about 13% and 10% respectively as of the end of the second quarter. In the course of the second half year, most share markets were merely able to maintain the price levels achieved or increase them slightly. Despite the continuing recovery of the global economy, this development arose in particular as a result of worsening global supply bottlenecks, the lack of further economic stimulus plans and bailout packages as well as growing fears of inflation.

Overall, share markets were able continue to develop positively in 2021: For the year as a whole, the leading German index DAX increased by about 15.8%, and the MDAX by 14.1%. The TecDAX, which contains the 30 largest technology values, posted an overproportional rise in value of about 22.1%. The comparative index STOXX Europe Total Market Software & Computer Services again posted a positive development and increased by about 14.2%.

Nemetschek shares: Strong rise in share price in the year 2021

In the 2021 financial year, following a stable share price development in the pandemic year 2020, the Nemetschek Group was able to continue again the strong share price growth of the recent years. With a plus of 86.8%, the growth of Nemetschek shares was considerably above the development of all comparable indexes as well as of European and US competitors.

PRICE DEVELOPMENT OF NEMETSCHEK SHARES IN THE YEAR 2021/BEGINNING OF 2022 COMPARED TO SELECTED INDEXES (INDEXED)



On January 4, 2021, the share certificates of Nemetschek SE started the new year at a price of EUR 60.40 and, in the first few months, developed slightly more weakly than the prices of the major share indexes. This development was driven in part by uncertainty of the investors regarding the partial conversion of the Nemetschek Group's business model to subscription offerings. The strong results of operations of the first quarter of 2021, together with the introduction of a subscription strategy and new mid-term ambitions, however, were very favorably received by the capital market and led to a subsequent shift in the trend. The subsequent trend of strong recovery was further reinforced by the positive business development in the second and third quarters.

Especially from mid-year on, the shares of Nemetschek SE were thus able to considerably exceed the overall market as well as the development of competitors' share certificates. Nemetschek shares reached a new historical all-time high of EUR 114.40 on November 8. It was also possible to maintain this high price level until the end of the 2021 financial year with a closing price of EUR 112.80. In total, the price development of Nemetschek shares in the year 2021 corresponds to a growth rate of 86.8%.

Nemetschek shares in the MDAX and TecDAX rankings

As of December 31, 2021, the ranking of Deutsche Börse listed Nemetschek 44th (previous year: 59th) for market capitalization (in terms of free float) on the MDAX and 7th on the TecDAX (previous year's ranking: 11th).

During the 2021 financial year, an average of 176,720 shares were traded daily via the electronic trading platform Xetra (previous year: 284,240 shares). The average daily volume on XETRA amounted to EUR 12.79 million (previous year: EUR 16.95 million).

Market development in the current financial year

At the beginning of the year 2022, growing fears of inflation led to capital restructuring measures on the international capital markets. The normalization of monetary policy, which was more rapid than expected, as well as the anticipated higher interest rates associated with this led to elevated levels of investor rotation out of growth and technology values and into value shares. Further, the clearly rising political conflicts in Ukraine and Russia's attack on Ukraine had a considerable impact on share markets.

Shares of Nemetschek SE were also unable to evade this trend and, similar to the TecDAX and most comparable enterprises, posted a strong decline in price in the first few weeks of the year. By the beginning of March, Nemetschek SE's share certificates had stabilized at a price of more than EUR 75.

Overview of Nemetschek shares

KEY FIGURES

	2021	2020
Closing price in €	112.80	60.40
High in €	114.40	70.90
Low in €	51.40	35.30
Market capitalization in € million as of year-end	13,028.40	6,976.20
Earnings per share in €	1.17	0.84
Price/earnings ratio as of year-end	96.40	71.90
Average number of shares traded per day (Xetra)	176,720	284,240
Average number of outstanding shares	115,500,000	115,500,000

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

Dividend policy

The Nemetschek Group pursues a sustainable dividend policy, which plans for a payout of about 25% of the operating cash flow. The dividend policy is always subject to consideration of the development of the economy as a whole as well as the economic and financial situation of the company and the interests of the shareholders. For the 2021 financial year, the Supervisory Board and Executive Board will propose to the Annual General Meeting on 12 May 2022 to increase the dividend by 30% to 0.39 euros per share (previous year: 0.30 euros per share). With 115.5 million shares, the total dividend payout would increase to 45.0 million euros (previous year: 34.7 million euros).

Shareholder structure

As of December 31, 2021, the free float was unchanged at 48.4 percent. It was spread across a regionally widely diversified shareholder structure with a high proportion of international investors, primarily from the USA, Germany, France, Great Britain, Switzerland and Scandinavia.

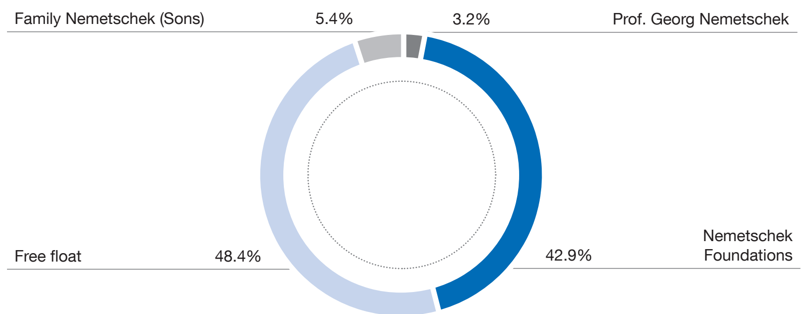
In the 2021 financial year as well, with directly or indirectly held shareholdings remaining unchanged at 51.6%, the Nemetschek family continued to be the biggest shareholder of Nemetschek SE. The family of Prof. Georg Nemetschek realigned its holding structure in the course of the year and placed a major part of its shareholdings in Nemetschek SE indirectly or directly into the charitable foundations established by the family. The new holding structure consequently ensures an ongoing stable shareholder structure of Nemetschek SE. It generally serves the long-term stability of the family interest in the software company and the security of the life's work of company founder Prof. Georg Nemetschek.

Thus, in future, about 38.9% of the share capital will be held by the new N-Integral GmbH. About 75.5% of the shares in N-Integral GmbH, and thus a majority, belong to the Nemetschek Familienstiftung (Nemetschek Family Foundation), of which Prof. Georg Nemetschek is the chairman of the foundation board. The charitable foundation Nemetschek Innovationsstiftung (Nemetschek Innovation Foundation), which holds the remaining approximately 24.5%, is an additional managing partner of N-Integral GmbH. Moreover, the charitable Nemetschek Stiftung (Nemetschek Foundation) will directly hold about 4% of the share capital of

Nemetschek SE. In addition, Prof. Georg Nemetschek remains directly involved with Nemetschek SE with a shareholding of about 3.2%; his sons Dr. Ralf Nemetschek and Alexander Nemetschek hold about 2.7% of share capital through holding companies.

The Nemetschek Innovationsstiftung (Nemetschek Innovation Foundation), founded in 2020, supports science and research; the Nemetschek Stiftung (Nemetschek Foundation) supports democracy in Germany.

SHAREHOLDER STRUCTURE*



* Direct shareholdings as of December 31, 2021.

Virtual annual general meeting

As a result of the positive experiences, the successfully conducted first virtual annual general meeting in the year 2020 and the continuing global Covid-19 pandemic, the Nemetschek Group decided to again conduct the regular annual general meeting in a purely virtual format in the 2021 financial year. This was the software company's response to the restrictions applicable to public life as a result of the Covid-19 pandemic, and made simultaneous use of the option provided for by legislators for an annual general meeting that is held completely virtually.

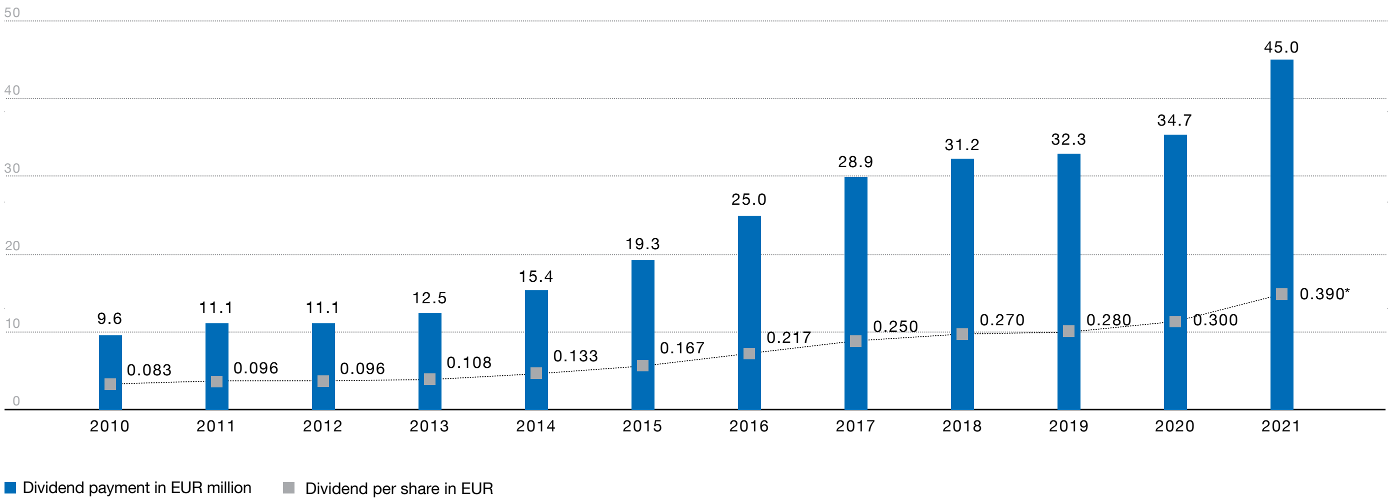
At the regular annual general meeting, a large majority of the company's shareholders approved all agenda items.

Dividend

As a result of the framework conditions, which improved economically in the year 2021, and the strong operating development of the Nemetschek Group as well as the very solid financial situation, Nemetschek SE again continued with its sustainable and dependable dividend policy in the 2020 financial year, which was marked by the Covid-19 pandemic.

For the 2020 financial year, for the eighth time in a row, the shareholders resolved on a dividend increase to EUR 0.30 per share (previous year: EUR 0.28 per share). The total dividends to be distributed amounted to EUR 34.7 million (previous year: EUR 32.3 million). The dividend payout ratio for the 2020 financial year was therefore approximately 22% – in relation to the operating cash flow. Thus, the payout is again in alignment with the long-term payout ratio target of about 25% of the operating cash flow. The dividend was paid out to the shareholders following the annual general meeting on May 12, 2021.

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



* Proposal to the annual general meeting on May 12, 2022.

Further agenda items

In addition to the dividend, the remuneration system for the executive board and the supervisory board was agreed upon. All the details of the remuneration system as well as the remuneration report can be found on the website of the Nemetschek Group under *ir.Nemetschek.com/remuneration*.

Moreover, resolutions on the creation of Approved Capital as well as the authorization to issue bonds and the creation of Contingent Capital were passed. All agenda items and voting results can be accessed under *ir.Nemetschek.com/agm.*

Extensive communication with the capital market

The objective of Nemetschek SE is to maintain open, transparent and reliable communication with all stakeholders. By means of timely publication and an ongoing dialog, moreover, trust in the Nemetschek Group is to be further reinforced.

Therefore, again in the 2021 financial year, the relationship with existing and potential Nemetschek Group investors was maintained and further expanded through numerous contacts and talks. As in the previous year, as a result of the global Covid-19 pandemic, use was also made of the option of virtual participation in investor conferences and road shows.

In addition, within the scope of the rotational publication of the annual, half-yearly and quarterly statements, telephone conferences were again held. The content of these conferences was, on the one hand, the executive board's reporting on the current and expected future business development and, on the other hand, the opportunity for analysts and investors to pose questions directly to the executive board. In addition, Nemetschek SE maintained a close, ongoing dialog with relevant professional and business media.

Moreover, at present, the Nemetschek Group is covered by 16 analysts from various globally active banks and research institutes that regularly publish independent studies and commentaries on the current development of the company.

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

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Combined Management Report for the 2021 Financial Year

About This Report

The management report of Nemetschek SE and the Group management report for the 2021 financial year have been consolidated. The corporate governance declaration in accordance with Section 161 of the German Stock Corporation Act (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, 2021 comply with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) as of December 31, 2021, 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 global Nemetschek Group comprises Nemetschek SE and its operating subsidiaries. The company's history dates back to its foundation in 1963 by Prof. Georg Nemetschek. Today, the Nemetschek Group is a leading global provider of software solutions in the AEC/O industry (architecture, engineering, construction and operation) as well as in the Media & Entertainment area.

The strategic holding company, Nemetschek SE, is headquartered in Munich, Germany. The company's operating activities are carried out via four segments with a total of 13 brands (previous year: 15 brands), with the brand alignment taking effect as of January 1, 2022. The brands are represented by subsidiaries or groups of subsidiaries that operate independently in the market. This group structure reflects the company's balanced philosophy of central management at holding company level and a high degree of entrepreneurial freedom at subsidiary level. The subsidiaries operate as independently managed brands in their respective end markets. This enables the individual brands to focus on their respective customers' needs in an agile and targeted way to increase the benefits and added value for the customer. For its part, Nemetschek SE is responsible for the central functions of Corporate Finance & Tax, Controlling, Investor Relations & Communication, Corporate Development & Operations, Mergers & Acquisitions, Human Resources, IT & Business Solutions, Corporate Audit and Corporate Legal & Compliance. In 2021 the function Start-up & Venture Investments was added.

The corporate structure of the Nemetschek Group, with its portfolio of solutions ensuring a continuous workflow across the entire construction lifecycle and encompassing solutions for the world of media, is reflected in the reporting structure for the four segments: Design, Build, Manage and Media & Entertainment. An Executive Board member or Segment Manager is assigned to each segment. This structure ensures regular segment reporting to the holding company. The close interlocking of the holding company and segments also ensures close coordination between the holding company and its subsidiaries as well as a high degree of management efficiency. To leverage synergies within the Nemetschek Group, the Executive Board members, in their roles as Segment Managers, support the coordination of strategic projects between the brands in their respective segment but increasingly also cross-segment cooperation between individual brands. As a result, the subsidiaries benefit from synergies at segment and Group level with regard to internationalization, the exchange of best practices, and sales and development activities.

The legal structure of the company is presented in the notes to the consolidated financial statements under item << 32 List of Companies in the Nemetschek Group >>.

Business Activities

The Nemetschek Group offers digital solutions for all disciplines across the entire lifecycle of buildings and infrastructure projects. The aim of offering networked solutions is to further improve cooperation between the various professional groups in the construction industry and to make this cooperation more efficient. This diverse portfolio comprising graphical, analytical and commercial solutions therefore enables an end-to-end workflow in the lifecycle of construction and infrastructure projects.

The brands are "experts" in their specific customer segment, and have a high level of expertise in their respective market segment. 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 and general administrators, as well as property, building and facility managers. Added to this is the Media & Entertainment segment, which focuses on customers in the film, television, advertising, video game and metaverse sectors. The segment also serves customers from the AEC/O industry (e.g. rendering software for visualizing buildings).

Here, the Nemetschek Group's software solutions meet the requirements of the central working method within the planning, construction and administrative process for buildings known as Building Information Modeling (BIM). BIM, an integral part of the digitalization of the construction industry, 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 planning aspects are added as fourth and fifth dimensions right from the simulation phase. BIM therefore helps to identify and correct planning errors as early as the digital planning phase and thus before construction actually begins.

As one of the pioneers in this market, the Nemetschek Group has been following this integrated BIM approach for more than 30 years. Building Information Modeling enables efficient and transparent collaboration and improves the workflow for all those involved throughout the entire planning and building process and subsequent use phase of a property or infrastructure project. Data generated via BIM throughout the entire construction process also form the basis for a digital twin – a digital image of a building that is created during the planning phase and continuously enriched with updated information throughout 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 is bidirectional. That means 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 efficient and sustainable buildings. This accumulation of data, also in conjunction with artificial intelligence (AI), is called Building Lifecycle Intelligence (BLI).

The Nemetschek Group is also one of the leading companies in developing and promoting OPEN BIM solutions and workflows to enable seamless and open cooperation between the various disciplines – regardless of their choice of software. The OPEN BIM standard also makes it possible for the Nemetschek Group's software solutions to communicate seamlessly with competitors' software solutions via open data and communication interfaces (e.g. IFC from buildingSMART). Nemetschek is thus making a key contribution to further establishing this digital method of working as a standard in the AEC/O industry. 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.

From a sustainability perspective, the Nemetschek Group's software solutions also contribute to more resource-efficient planning and construction and subsequently more efficient operation across the entire lifecycle of buildings and infrastructure projects. In addition, a structure can be efficiently rebuilt even years later because its details are precisely documented. This more energy- and resource-efficient way of working is therefore an indispensable basis for achieving the climate targets set by policy-makers at both national and international level.

For creative and accurate planning and implementation along the building life cycle, 3D visualisations are becoming increasingly relevant. Visual effects create a realistic environment for the building contractor, decision-maker or consumer. With the Nemetschek Group's solutions, planners and architects can quickly, easily and precisely create 3D models from drawings and make more informed decisions based on the exact structural or dynamic visualizations.

The Nemetschek Group's 3D animation solutions also support artists in optimising their creative workflows, e.g. through 3D modelling, simulation and animation, tools for editing, motion design and film production as well as rendering solutions for high-end production. The professional solutions for producing 2D and 3D digital content are used to create and render visual effects for feature films, TV shows, commercials and games, as well as for applications in the areas of medical illustration, architecture and industrial design. Since the beginning of 2022, the portfolio also includes ZBrush, an Oscar-winning sculpting and painting software used by renowned film studios, game developers, designers, in the advertising industry and by illustrators worldwide.

Segments

The Nemetschek Group's total of 13 brands (previous year: 15) are divided among the four segments of Design, Build, Manage and Media & Entertainment according to their respective end markets and customer groups. The changes within the brand portfolio are explained below in the individual segment descriptions. The segments are responsible for implementing the Nemetschek Group's operating activities in accordance with the objectives and strategic framework specified by the holding company.

Design	Build	Manage	Media + Entertainment
ALLPLAN	BLUEBEAM	CREM SOLUTIONS	MAXON
FRILO	DROFUS	SPACEWELL	
GRAPHISOFT	NEVARIS		
RISA			
SCIA			
SOLIBRI			
VECTORWORKS			

Design Segment

The individual brands within the Design segment target a broad range of different disciplines within architecture, design and engineering. In terms of revenue contribution, the key brands in the Design segment are Graphisoft, Allplan and Vectorworks.

Major customer groups include architects, designers, engineers from all disciplines including structural engineers, specialist planners and landscape designers, as well as developers and general contractors. The solutions offered enable customers 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 solutions for quality assurance and control and to avoid errors and conflicts during the planning and construction phase.

As of January 1, 2022, the SDS/2 brand was integrated into Allplan as part of the ongoing process of harmonization within the segments. The merger with SDS/2, a provider of software solutions for detailed steel construction planning, further strengthened Allplan's position as an expert in platform-based BIM solutions for building lifecycles. The Graphisoft and Data Design System brands also combined forces. Combining technology and expertise from Graphisoft – the provider of BIM software solutions for architecture – and Data Design System – the planning software specialist for technical building installations – has expanded the expertise and worldwide availability for their customers.

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 (Enterprise Resource Planning) solutions for construction-related accounting from the Nevaris brand and PDF-based workflow solutions for digital work processes, collaboration and documentation from Bluebeam – now the Nemetschek Group's strongest brand in terms of revenues. Since the start of the 2022 financial year, the Build segment has been rounded off by the dRofus brand, which until the end of 2021 was still allocated to the Design segment. Its data management and BIM collaboration solutions for supporting workflows and providing building information throughout the entire building lifecycle help meet the requirements of the segment's customers.

The segment's customers include construction companies, developers and building suppliers, as well as general contractors, planning offices, architects and civil engineers.

Manage Segment

The Manage segment bundles the competencies of the Nemetschek Group's smallest business segment in terms of revenues. Key customers come from all areas of professional property management, including property managers, facility managers, globally active property companies, banks, and insurance companies.

The segment's two brands – Spacewell and Crem Solutions – offer software solutions across all commercial processes in property management as well as modular and integrated solutions for property, facility and workplace management (IWMS, integrated workplace management system). The portfolio also includes a smart building platform that uses intelligent sensors and big data analysis to help improve productivity and efficiency in the operation and management of buildings. These are complemented by artificial intelligence-based energy management solutions for optimizing the use of energy in buildings and reducing CO_2 emissions.

Media & Entertainment Segment

With the Maxon brand, the Media & Entertainment segment primarily targets customers from the international media and entertainment industry in addition to architects and designers. These include film and television studios, advertising agencies, the video games industry, product and graphic designers, and creative freelancers.

Maxon is a provider of professional 3D modelling, painting, animation and rendering solutions for the creative industry. All over the world, creative professionals from a wide range of fields use the solutions to create 3D motion graphics, architectural or product visualisations, graphics for computer games, illustrations, visual effects and much more.

Maxon's product portfolio helps artists and creative professionals optimise their workflows. The Maxon ONE product suite includes the Cinema 4D suite for 3D modelling, simulation and animation, the integrated Red Giant product range with tools for editing, motion design and film production, and the Redshift rendering solutions for high-end production. In 2021, Maxon acquired the 3D application forger, expanding its portfolio to include professional sculpting workflows on mobile devices. With the product release of the new version of Maxon ONE in autumn 2021, numerous new functionalities were released.

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 13 brands develop and market their solutions worldwide from a total of 81 locations.

NEMETSCHEK LOCATIONS WORLDWIDE

Drivers, Market and Competition

Growth Drivers

The global construction industry is at the beginning of a new, prolonged growth phase. The growing world population, increasing urbanization and the associated rising demand for housing are key drivers here. The construction industry already generates around 13% of global GDP. By 2030, the construction industry market is expected to grow by 42% to around EUR 13 trillion.

This comes in addition to the shift toward a more sustainable world, which requires extensive investment in, among others, infrastructure. At present, 36% of annual global energy consumption is attributable to the construction and operation of buildings. In view of this, there is growing demand for efficiency, quality and sustainability in the construction industry.

A further significant growth driver is the digital transformation of the construction industry, which is far less advanced than in other key industries such as the automotive industry. Studies show that the construction industry in Europe has a digitalization level of only 7%. This means the construction industry has a significant need to catch up with the use of digital technologies. This represents great market potential for Nemetschek. IT expenditure in the construction industry is expected to increase by around 13% annually 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 by 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 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 policy-makers (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 are likely to play a strong role in driving the market.

Sources: UN Environment Programme (Dec. 2020) – 2020 Global Status Report For Buildings And Construction; McKinsey (Oct. 2020) – Rise of the platform era; Oxford Economics (Sept. 2021) – Future of Construction.

Market and Competition

The Nemetschek Group is a globally leading company in the AEC/O software market. In 2021, the global AEC/O software market amounted to around EUR 14 billion. Estimates assume that the market will grow by an average of 11% per year until 2024.

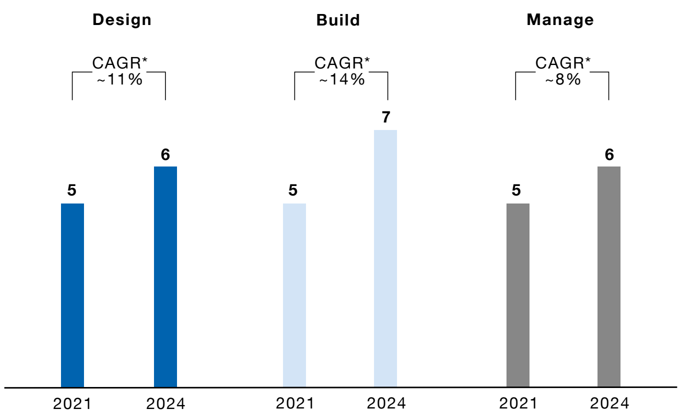
The Design market segment has a historically higher degree of maturity, as digitalization in this area was promoted earlier than in the other market segments. An average market growth rate of around 11% is expected here for the period of 2021-2024.

The Build segment's market is expected to grow from around EUR 5 billion in 2021 to an anticipated EUR 7 billion in 2024, corresponding to an average annual growth rate of around 14%.

In 2021, the market volume in the Manage segment amounted to around EUR 5 billion. By 2024, the segment is expected to grow by around 8% per year to around EUR 6 billion.

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 can be described as a fragmented competitive environment. Therefore, depending on the segment and region, the Nemetschek Group faces competition from different companies. Although the market has increasingly consolidated over recent decades, there are still a large number of small local companies. By contrast, the Nemetschek Group is one of the few global companies actively driving forward the process of consolidation through acquisitions.

In the Media & Entertainment segment the Nemetschek Group addresses the 3D animation market, which has great market potential and high rates of growth.

The global 3D animation market is estimated to be worth USD 18.3 billion in 2021 and will rise to around USD 40 billion by 2028. This corresponds to an average growth of around 12 % annually. Rising demand for high-quality content and animation by creatives and increasing use of visual effects (VFX) in films and videos are some of the key factors, along with integration of artificial intelligence (AI) in 3D animation, driving the market growth. In addition, the proliferation of VFX in the entertainment industry and the recent trend of using VFX in advertising and infomercials to showcase products with 3D elements is driving the growth of the 3D animation market.

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 building 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. Added to this are digital solutions for visualizations, 3D modeling and animation, which, in particular, find a market in the media and entertainment industry as well as the construction industry.

#2: With four segments under the umbrella of a strategic holding company, the **group structure** enables the Nemetschek Group to bundle the competencies of its 13 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 and sales strategies, the exchange and sharing of best practices, and development activities.

The **Design** segment pursues the strategy of providing a broad and integrated range of services to the respective customer segment. A strategic component here is bringing together brands with a common customer base. This offers the opportunity to exploit synergies between the brands and create further added value for customers by bundling competencies, expertise and technologies.

The aim of the merger of the Graphisoft and Data Design System brands that took place in the year under review was to expand their range of integrated, multidisciplinary planning solutions. The step-by-step merger of the Allplan brand with Precast Software Engineering (in 2021) and the SDS/2 brand (in 2022) combined knowledge, expertise and technology to enable a seamless, integrated BIM workflow to be mapped from planning through to production and construction. In this process, the platform-based BIM solution takes "buildability" into account right from the start to ensure continuous BIM workflows, including during the transition from the planning phase to the construction phase. The smooth transfer of data, including all relevant information for the construction companies, is essential for keeping construction projects within their cost and budget framework.

These strategic measures enable the respective brands to benefit from complementary competencies in order to drive growth further. Thus it is not only “smaller” brands that benefit from the presence and sales strength of the internationally focused Graphisoft and Allplan brands. In particular, this integrated product portfolio now enables them to address the needs of integrated, multidisciplinary customer groups in an even more targeted way. To this end, the brands are also focusing increasingly on direct sales alongside the indirect sales model. A mix of licensing and rental models, which is also being extended to include digital sales methods such as e-commerce selling, has proved successful in ensuring the best possible benefits to customers.

The **Build** segment’s strategy pursues the aim of advancing the digitalization of construction companies and thus making a material contribution to increasing efficiency in the construction process. Small and medium-sized enterprises (SMEs), whose digitalization strategies are often still in the early stages, represent a market that offers growth opportunities and has seen little penetration to date. The aim is to meet a construction project’s cost, scheduling and quality requirements reliably through an intuitive product range that offers maximum customer benefits. Due to the still comparatively low degree of digitalization in Europe and Asia, there are opportunities for growth through internationalizing Bluebeam’s collaboration solution, which is already widespread in den USA. Bluebeam’s product and sales approach is due to change to a rental model to enable it to meet customers’ requirements in an even more targeted way and further increase its attractiveness for new customers. The subscription-based business model makes it possible to integrate product innovations into an existing product at any time. With this model, a customer has automatic access to the current software version with the latest features. To derive even more benefit from existing customer synergies between the Bluebeam and dRofus brands, the dRofus brand has been allocated to the Build segment as of the 2022 financial year.

The **Manage** segment’s aim is to digitalize the management of buildings through an innovative software portfolio. There is enormous potential here, not only with respect to increasing efficiency in the use of buildings, but also in terms of taking a more targeted approach to users’ needs and operating buildings in a sustainable and environmentally friendly way. The Manage segment systematically uses the latest technologies such as the Cloud, the Internet of Things (IoT), artificial intelligence and machine learning for this, pursuing the strategy of a modular and integrated software platform that maps the relevant work processes in property, facility and workplace management (IWMS, Integrated Workplace Management System). Furthermore, Nemetschek provides an intelligent smart building solution that uses IoT sensors and big data analysis to improve productivity and efficiency for building managers.

Owing to the still relatively low level of software penetration, particularly in the area of workplace management systems, the current geographical focus is on developing existing markets in Europe as well as internationalization in selected countries in which the Nemetschek Group sees the greatest market potential. The Manage segment works with a network of local sales partners to enable it to meet customers’ needs in an optimum fashion and accelerate its access to the market.

The **Media & Entertainment** segment has also been significantly strengthened by acquisitions in recent years. Following the acquisition of Redshift (rendering solution) and Red Giant (solutions for motion design and visual effects), Maxon expanded the Maxon family again at the end of 2021 with the acquisition of the Pixologic business operations (provider of ZBrush sculpting and painting software).

Maxon One, which is offered via a rental model, combines all Maxon products in one complete package. Maxon has positioned itself in the large and rapidly growing 3D animation and emerging metaverse market with an end-to-end software portfolio along the entire digital content creation value chain. In addition, close cooperations with hardware manufacturers such as Intel, AMD and Apple guarantee optimized software solutions that support current technologies. From a regional perspective, Maxon is already globally active and is pursuing the aims of continuing its international expansion and exploiting opportunities arising from the diversified customer demand that is typical of the market, while continuing to advance the switch to rental models. The objective here is, firstly, to target new customers, and, secondly, to bring innovations to customers even more quickly.

Across all the segments, there is a focus on reducing the complexity resulting from the diversity of brands. Internal processes are being streamlined and optimized. 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 increase 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, and the use of 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 also strengthening this growth through acquisitions.

Internationalization

As part of the implementation of its growth strategy, Nemetschek focuses on the three large regions of Europe, the Americas and Asia/Pacific. In recent years, the Nemetschek Group has continually expanded its market position outside Germany and at the same time strengthened its position in the target sales markets. In the 2021 financial year, the regional distribution of revenues remained virtually unchanged for against the previous year, with around 76% of Group revenues generated outside Germany (previous year: 76%). The Americas are the world's largest single market for AEC/O software, and thus represent a key sales market for the Nemetschek Group. Nemetschek has developed well in this highly competitive and expanding market in recent years and now generates 34% of its revenues (previous year: 34%) in the Americas region, with the USA as the most important single market. 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 thus offer excellent general conditions for the Nemetschek Group.

Rental Models (Subscription/Software as a Service, SaaS) 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 pursued by the Nemetschek Group in its segments are shown in its *<< 6 Outlook 2022>>*. In doing this, the Nemetschek Group addresses the different needs of customer groups, depending on discipline and region.

Innovative Solutions

Around 22% (previous year: around 24%) of Group revenues flowed into research and development in the 2021 financial year and thus into 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. Nemetschek has also built up development expertise in other countries such as Slovakia and India.

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 toward 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 include 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, construction and administrative process, in order to avoid conflicts by eliminating redundancies and to reduce costs and time for coordination and quality inspection.

Acquisitions / Investments in Start-ups and Ventures

The Nemetschek Group pursues a strategy of profitable growth with the aim of growing inorganically through acquisitions in addition to organic growth. Suitable target companies in the respective segments are identified internally at holding company and segment level and by the brand companies themselves, and also by external partners and consultants.

The target companies should either extend or round off the technological expertise in the workflow of construction processes and strengthen the expertise in the Media & Entertainment segment. 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. Now that the integration of the companies acquired in the Manage and Media & Entertainment segments in recent years has been completed or is in progress, the current focus is on strengthening the Build segment. It has also been possible to exploit opportunities arising in the Design segment. The objective is to offer the architect, engineer and construction company customer groups continuous workflows and therefore enable the associated efficiency increases via end-to-end process solutions. The Nemetschek Group thus intends to implement further additions to the solution portfolio and continue to expand its strong market position as a full-service provider.

After an acquisition, the holding company accompanies the brands during their integration into the segments and the group and integrates the new brands into processes and the reporting system established throughout the company. At the same time, they have become an important part of an internationally operating group and thus benefit from corresponding structures and possible synergies.

In addition to acquisitions at segment level, acquisitions at brand level are also possible and desirable. The brands can identify suitable target companies directly and purchase them with the support of the holding company. However, essential criteria such as technological expansion, regional expansion, distribution structure and financial solidity must be met.

In order to benefit even further from the technological advances in the growing AEC/O industry, the Nemetschek Group has defined a venture and start-up strategy in addition to the established M&A area. The focus for acquisitions or investments is therefore also on smaller, still young and innovative companies in addition to the companies already established on the market. This provides Nemetschek with early access to new and innovative technologies with high growth potential and enables it to support these companies right from the start. Investments and interests in start-up companies are coordinated and supported at holding company level via the newly established Start-up & Venture Investments function.

In 2021, the Nemetschek Group has taken minority stakes in three young and innovative companies from Germany, the USA and Norway as part of financing rounds. These include the German start-up Sablono for digital lean technology in construction, the US start-up Reconstruct Inc. for remote quality control and remote progress monitoring, and the Norwegian company Imerso AS with an innovative platform for automating construction quality monitoring, combining artificial intelligence, reality capture and BIM technologies.

For example, supporting the Venture Lab Built Environment at the Technical University of Munich is also part of the Nemetschek Group's venture strategy to advance innovation and thus help shape the construction industry of the future.

These start-up investments will also be continued in the future, because product excellence and innovative strength are the key to being able to offer customers real technological added value in the future.

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 and in the media environment. A "make or buy" consideration permanently takes place as part of the implementation of the growth strategy.

The strategic directions described, along with the relevant targets and milestones, are set out in a strategic plan and are regularly discussed within the Executive Board and with the Supervisory Board. Countermeasures are developed and implemented where deviations from the targets set out in the strategic plan are identified. Targets are also adjusted where required. There were no adjustments to the strategic objectives in the 2021 financial year.

1.3 Corporate Management and Governance

General information

A key success factor in the Nemetschek Group's structure of a holding company with customer and market-oriented operating segments and brand companies lies in the combination of a flat group structure with the associated processes and synergies on the one hand and the flexibility and entrepreneurial independence of the brands on the other.

Strategic and operational corporate management is carried out by the Executive Board respectively the segment manager of Nemetschek SE. This includes the strategic positioning of the Nemetschek Group on the global sales markets and its short and medium-term revenues and earnings planning. This also orients the company toward the competitive and market environment.

The company is managed at the level of the four operating segments. In this process, the targets and annual objectives of the segments and respective brand companies are derived from the strategic targets. In the annual planning process, these are coordinated with the brand companies, 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 revenues, growth and earnings. These indicators are compared with previous year and plan data. The respective managers of the brands and the Executive Board 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 absolute sales revenues, 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 revenues and EBITDA are also essential components of the performance management system.

The achievement of corporate targets is also assessed based on the development of financial performance indicators that are set for the purposes of managing the company and also form part of the short and medium-term remuneration of the Executive Board.

Information on the remuneration of members of the Executive Board and Supervisory Board is provided in a separate remuneration report that is available on Nemetschek SE's website at ir.Nemetschek.com/en/corporate-governance.

Information on the detailed development of the Nemetschek Group and its segments in the 2021 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 of high priority for Nemetschek. Around 22% of Group revenues flowed into research and development in the 2021 financial year (previous year: around 24%) and thus into new and further developments of the solution portfolio. The decrease in 2021 is mainly due to the fact that the recruitment of software developers and employees in research and development could not be implemented as planned due to a lack of IT specialists.

Through its research and development activities, the Nemetschek Group is pursuing the aim of further expanding its innovative strength in the AEC/O market, and identifying technological trends at an early stage, developing them into marketable solutions and establishing them on the market. 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 in 2020 and developed further in the year under review. 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. 89% of the expenses are attributable to internal R&D staff (including materials usage and amortization) and 11% to external staff.

In addition to its own innovative strength, the Nemetschek Group intends increasingly to build on external innovative strength in the future, investing in smaller, still young companies, called start-up companies (see << 1.2 Targets and Strategy >>). In the 2021 financial year, investments were made in three companies; the innovative focus here was in the areas of artificial intelligence, reality capture and digitalization. Furthermore, cooperations and partnerships with colleges of technology and universities are part of the company's DNA and are being gradually developed further; see << 3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance >>.

The fact that around 22% of Group revenues are invested in product and process innovations underlines the high importance of this area for the Nemetschek Group, as does the fact that around 39% (previous year: 38%) of employees work in this area.

In the 2021 financial year, EUR 148.9 million (previous year: EUR 142.0 million) were invested in research and development. This corresponds to a continued high R&D intensity (share of Group revenues) of 21.8% (previous year: 23.8%).

2 Non-Financial Statement

General Information

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

This section contains the Nemetschek Group's non-financial Group statement 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 HGB prescribe that the company transparently describes in detail its key non-financial activities within the Nemetschek Group, at least in 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 in section 1.1.

EU Taxonomy

As of the 2021 financial year, companies with a reporting obligation under the CSR-RUG, like the Nemetschek Group, are required for the first time to comply with the requirements of the EU taxonomy, specifically Regulation (EU) 2020/852. The EU taxonomy is a classification system for economic activities. The purpose of this system is to make companies' sustainability activities easier to compare and to implement the European Green Deal, i.e. the aim of achieving climate neutrality by 2050. The classification is based, among other things, on technical evaluation criteria (Technical Screening Criteria), which are published via delegated acts for six environmental targets. These criteria have already been published for the first two environmental targets (climate protection and adaptation to climate change), for which reports must be submitted this year. For these the focus is on CO_2-intensive sectors in particular. Accordingly, the share of taxonomy-eligible[1] sales revenues, capital expenditure (CapEx) and operating expenditure (OpEx) must be reported in the non-financial report.

To analyze the taxonomy-eligible activities at the holding company level, the Nemetschek Group has formed a working group consisting of specialists and managers from the Group Controlling, Finance, Investor Relations and CSR departments. This working group was supported by an external consulting firm. Taxonomy-eligible activities have been identified in activities 8.2. (Data-Driven Solutions for GHG Emissions Reductions) and 9.3. (Professional Services Related to Energy Performance of Buildings) by this working group. Detailed analysis showed that, due to the low sales volume, these taxonomy-eligible activities must be classed as insignificant – the same applies to CapEx and OpEx. Shares of less than 1% have been defined as insignificant in this context.

The Nemetschek Group's business model involves the development and distribution of software for the construction and media industries. These areas are not currently covered by the economic activities included in the taxonomy. In light of the upcoming expansion to include the four other environmental objectives, as well as the potential expansion of the existing environmental objectives to include other activities, it is possible that the Nemetschek Group's business activities may be affected by the EU taxonomy in the future.

2.1 CSR: Corporate Social Responsibility at the Nemetschek Group

CSR Approach

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 first sketch to construction to the operation of the property. Architects, engineers of various 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 (CoC). The CoC was updated during the year under review and specifically 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 the Nemetschek Group, live up to our global legal and social responsibility."*

The CoC states that the Nemetschek Group does not tolerate any form of discrimination or harassment, nor corruption of any kind. Furthermore, each and every employee is required to use all resources sparingly and in an environmentally friendly manner in

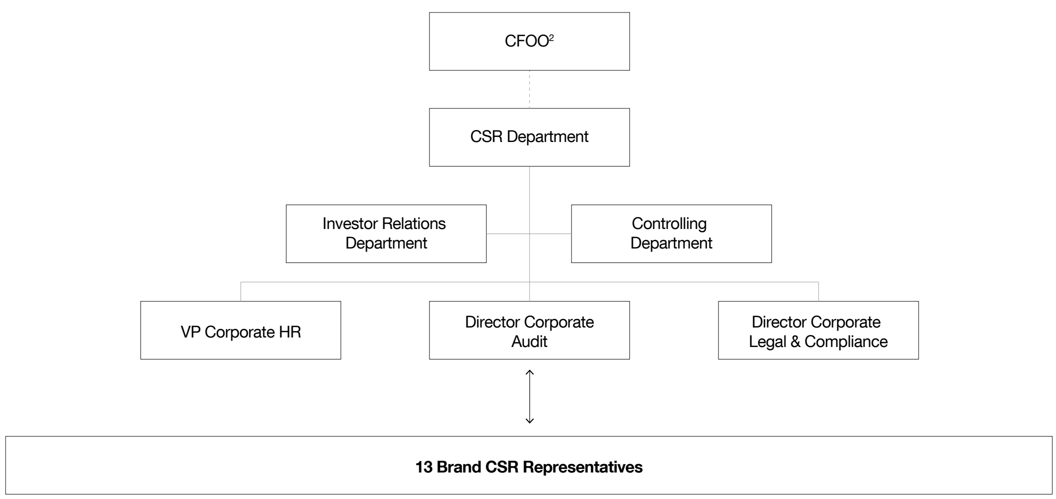
[1] Taxonomy-eligible means that the economic activities fall within the scope of the EU taxonomy. This does not necessarily mean that these economic activities also make a substantial contribution to the achievement of an environmental objective (taxonomy-compliant).

everyday working life. Employee responsibility also plays a significant role. In addition, a Supplier Code of Conduct (SCoC) created and published in the year under review sets out the guidelines that the Nemetschek Group requires its suppliers and business partners to follow. Further information on these two topics is provided in section 2.2. under "Integrity and Compliance."

CSR Structure

The CSR activities for non-financial issues are based on standards that apply across the Group. Sustainability is thus cemented as an integral part of all business practices of the Nemetschek Group. The CSR department and the cross-departmental CSR core team identify sustainable topics and coordinate the implementation of the corresponding measures. The CSR department is in close contact with the Executive Board in this regard. Once a quarter, the department met with the CFOO[2] to coordinate CSR measures. The full Executive Board and Supervisory Board are also informed every six months in a written report by the CSR department.

THE CSR STRUCTURE IN THE GROUP



Because the Nemetschek Group consists of 13 individual brands, many of the non-financial issues are still managed by the brands themselves. Since the year under review, the CSR representatives from all the brands hold a meeting twice a year to discuss matters such as best practices, the further development of the CSR strategy and non-financial risk management. The CSR resentatives' task within their own brand involves both promoting all topics in connection with corporate social responsibility and assuming responsibility for the exchange of information with the holding company and the employees within their brand.

Material Risks

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 far as possible, as well as the net risk positions remaining after risk-reducing measures.

[2] The CFOO was substituted by the CEO as the person responsible for CSR as of 1 March 2022.

As in the previous year, no material risks that would very likely have serious effects were identified for 2021 for the topics defined in the non-financial reporting. Consequently, there were no risks for 2021 which, on a net basis, meet the materiality criteria in accordance with Section 289c (3) Nos. 3 and 4 of the HGB. This risk assessment was coordinated with the CSR resentatives for the brands in the year under review.

Materiality Analysis

An important basis for sustainable action in the Nemetschek Group is the materiality analysis, which was carried out again in the year under review. Using various external frameworks and in consultation with the managing directors, CSR representatives of the brands and other stakeholders (brand employees), topics were identified and their business relevance and impact on the environment, employees and society were assessed. The following table shows the topics that were identified as material and their assignment to the three overarching fields of action and the relevant area in accordance with the CSR-RUG:

FIELDS OF ACTION AND MATERIAL TOPICS

Field of action (relevance in accordance with CSR-RUG)	**Material topics at Nemetschek Group**
Employees and society (social issues and employees)	» Attracting and retaining employees » Training and education » Employee health » Diversity and inclusion » Customer relationships » Partnerships with colleges of technology and universities
Environment and climate (environment)	» Environmental and social effects of products
Integrity and compliance (human rights and anti-corruption)	» Fair business practices and anti-corruption » Anti-discrimination » Data protection and information security

2.2 Key Non-Financial Issues

Employees and Society

At the Nemetschek Group, the focus is on the employees. Content, successful and healthy employees are crucial to sustainable business development. The Group's management maintains an open dialog with all employees at all levels and has set clear focus areas and objectives. The goal is to create the best possible environment, to attract and retain the best talent, to offer equal opportunities and to treat everyone with the utmost respect. However, this social responsibility is not limited to employees at the Group: It also applies to customers, partners and society as a whole. The Nemetschek Group Code of Conduct states the importance of acting responsibly in relation to all our stakeholders.

Overarching Management Approach – Employee Responsibility

In the Nemetschek Group, the "People Letter of Commitment" defines basic standards and minimum requirements in relation to important employee issues, such as central personnel recruitment tools, appraisal interviews and approaches to promoting health. This document was updated in the year under review and now has an even greater focus on diversity and employee well-being.

In order to act quickly and agilely in the respective markets and regions, the individual brands manage their HR affairs individually. As a result, important areas such as gaining and retaining employees, employee health, education and training, and diversity and inclusion are managed decentrally by the brands. Owing to market-specific differences, the brands are also free to define brand-specific standards and to develop their own HR guidelines that go beyond the minimum requirements stated in the "People Letter of Commitment" or regulate other topics.

The Human Resources department of Nemetschek Holding supports and advises the HR departments of the individual brands in this respect. The VP Corporate HR is responsible for the Human Resources department within the holding company and reported to the CFOO. The VP Corporate HR is also the point of contact for HR managers in the Nemetschek Group and is in regular, close contact with them. In addition, various expert and project committees are convened as required to deal with specific topics. The HR departments across the Group are also in close contact with one another: A HR Community Call is held once a fortnight and gives participants the opportunity to discuss current and future issues. Every participant has the opportunity to suggest or introduce topics.

In addition, in 2021, the first Group-wide, global, virtual "NEMunplugged" employee event was held. The entire Executive Board shared facts, figures and data from the Group and its divisions. All employees had the opportunity to submit questions prior to the event via an online tool, and these questions were then answered live at the event. A short survey was sent out at the end of "NEMunplugged." Since there was so much interest in the event, it has been conducted on a quarterly basis since the third quarter of 2021. The event was attended by around 1,000 employees on average. “NEMunplugged” was managed and hosted by the VP Corporate HR.

A task force named “Diversity, Equity, Inclusion and Belonging” was also set up during the year under review. This task force meets every six weeks and comprises representatives from the operational business, HR and corporate communications.

Gaining and Retaining Employees

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 and remains the order of the day, including during the Covid-19 pandemic. This also applies to companies such as the Nemetschek Group. The AEC/O market and the Media & Entertainment market are characterised by a high speed of innovation. Additionally, 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 help attract the best talent to the Nemetschek Group and retain them in the Group. The Nemetschek Group uses the development of the number of its employees and staff turnover as an indicator of the success of its measures. As part of measures taken to tackle the Covid-19 pandemic, short employee surveys were conducted regularly in order to gage the mood among employees. Almost all brands reward successful referrals with a bonus.

In order to retain skilled employees and managers in the long term, the Nemetschek Group keeps working on strengthening its attractiveness as an employer. Flexible working time models, which are laid down as a standard in the “People Letter of Commitment,” contribute to this. Some brands have also developed their own, additional rules in this area. On a general basis, all brands support mobile working, for example, and equip their employees appropriately – especially in the pandemic years of 2020 and 2021. 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 had much less of an impact on measures of this type offered by the brands compared to last year. In particular, the Covid-19 pandemic affected sports programs and team events far less, with only four of the 13 brands citing the pandemic as a major influencing factor in relation to these measures.

In 2021, the number of employees in the Nemetschek Group increased by 106 or 3.4% compared with the previous year. As at December 31, 2021, the Nemetschek Group employed 3,180 people (previous year: 3,074).

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 in particular good long-term prospects. At Group level, LinkedIn Learning has been introduced, with all brands able to participate. More than 2,000 employees took advantage of this offer in the year under review and selected the training sessions individually. Themed Learning Challenges are also conducted each month via the intranet with various video content. In December, for example, a Learning Challenge was held on the topic of diversity, equity, inclusion and belonging.

The need for training and corresponding measures is analyzed and addressed within the respective brands. The basis for this at all brands are regular employee development meetings in which employees receive feedback. The minimum requirements for education and training are the subject of the above-mentioned “People Letter of Commitment.” The education and training requirements are defined in the annual development meetings. Individual prospects and specific goals are also discussed in these meetings. These development meetings took place at all brands in 2021, and were even held several times over the year at some subsidiaries.

Employee health

For the Nemetschek Group, it is of the utmost importance that employees are offered 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 in 2021 as well. This was especially true in regions that were particularly impacted and where employees had to be protected quickly by closing offices.

In the “People Letter of Commitment,” the Nemetschek Group 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, 9 of the 13 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 different external providers, which was available to employees at five brands. Various brands in the Nemetschek Group also offer employees the option of leasing bikes.

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

Covid-19 vaccinations, as well as self-tests and Covid-19 antibody tests, were also offered in 2021. In addition, employees were provided with appropriate protective equipment, such as an unlimited number of masks. The relevant hygiene and protection concepts were continued and updated as required.

Diversity and Inclusion

Diversity is part of the corporate culture at the Nemetschek Group. The various cultures and marked individuality are important drivers for the Group's innovative strength and should therefore be promoted in a targeted manner. The newly formed working group DEIB (Diversity, Equity, Inclusion and Belonging) has devised a guiding principle for the Group, which has been agreed with the CFOO. This statement can be found on the Nemetschek Group website and has also been communicated via internal channels:

> *"We, the Nemetschek Group, are a global organization with employees from 60 nations. For us, diversity, equity, inclusion, and belonging are the keys to unleashing our full potential and driving true innovation.*
>
> *We can best support our customers in shaping the world through a diverse culture. We aim to treat EVERYONE with respect and appreciation, regardless of differences. Valuing diverse opinions and creating equal opportunities for all is of the utmost importance for us as an organization, and as individuals."*

The subsidiaries completed a survey on this subject once again in 2021. The results showed that almost 40% of the brands already use a policy or company statement on diversity and inclusion. The American brands are leading the way with specific activities. The Nemetschek Group is very culturally diverse, which is reflected in the survey results: There are 60 different nations represented in the Group.

New quotas for women on the Supervisory Board and in the first reporting line below the Executive Board in the holding company were also set in the year under review, and are expected to be achieved by the end of 2025: On the Supervisory Board, the aim is for one quarter of members to be women. In the first management level below the Executive Board, a target quota of 28.6% was set. This target quota was met during the year under review and should now be maintained. For the Executive Boardit was decided to maintain the target quota of 0% until the end of 2022. The Supervisory Board will be re-elected at the Annual General Meeting on May 12, 2022 and will subsequently re-discuss the topic of the women's quota on the Executive Board.

Overarching Management Approach – Customers and Society

Every company bears social responsibility beyond the purpose of its operating activities. Focusing purely on economic key figures can increase risks in the long term. This was shown to be particularly relevant in 2021, 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 complimentary services.

Besides the various day-to-day challenges, as a business partner, the Nemetschek Group attaches particular importance to long-term customer relationships and far-reaching cooperation in the university sector. With this in mind, common goals and thematic focal points are coordinated at the holding level. The individual brands are responsible for the implementation, as they can act in a more targeted and flexible way locally.

Customer relationships

Satisfaction is an important factor for long-term customer relationships. That is why 2/3 of the brands collect data on customer satisfaction and six brands have even set objectives in this area. In order to be able to respond to specific customer needs in a targeted manner, this topic 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. Customer surveys are used to obtain the data. In those surveys, customers evaluate both the functionality of the product and the services provided by the brand. Customer opinions are obtained via online questionnaires, by e-mail, via direct customer contact or by telephone. To achieve high customer satisfaction right from the start, 11 of the 13 brands in the Nemetschek Group involve their 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.

Partnerships with colleges of technology and 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. Almost all brands engage in networking activities for students and customers, e.g. through specially provided job platforms, various training formats, guest lectures, job fairs at colleges of technology and universities or through cooperation with student associations and academic faculties. Furthermore, the majority of the brands provided licenses for those at school or university – with the total figure close to 30,000 in the year under review. The Covid-19 pandemic impacted the activities planned at more than half of the brands. 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.

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. As a result, the construction industry is facing the challenge of handling raw materials and energy more efficiently in order to plan, build and manage buildings more sustainably in this way. As a partner for the AEC/O 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 and reduce the energy requirements of buildings, the Group is contributing to climate and environmental protection.

Overarching Management Approach

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 to help the construction industry to plan, build and manage more efficiently and thus to 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. The majority of the brands have already engaged in activities to protect the environment. The Nemetschek Group and the brands in the Design segment consulted on this issue during the year under review and developed an initial collection of sustainable ideas for solutions.

Environmental and Social Effects of Products

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. 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 can be reduced throughout the entire construction process as well as in the subsequent use phase.

The environmental and social effects of products in the Nemetschek Group relate to two areas: the specified use during the lifecycle of a building and the consideration of sustainability aspects in software development. For the latter area, the BIM (Building Information Modeling) digital working method and open standards known as Open BIM form the basis of software development. BIM enables buildings to be planned and built more precisely and efficiently, significantly reducing errors and the need for reconstruction. The use during the lifecycle of a building can be demonstrated below using product examples from the Nemetschek Group based on the three segments **Design, Build and Manage.**

Using software developed by the Nemetschek Group, buildings are optimized as early as in the planning stage. For example, the position of the sun and its angle of incidence can be simulated with the digital solutions, making it possible to plan windows in an optimum fashion. In addition, up to 25% of connecting materials can be saved through better planning and optimized steel connections. Another example from the **Design segment** is Energos from Vectorworks: Using graphics, planners can calculate the energy demand of a project, optimise the design accordingly and thus make important decisions already during the design phase.

Products from the **Build segment** enable savings to be made in the construction phase. For example, the "Planbar" planning tool from Allplan Precast can help minimize material use in production during the prefabrication of concrete construction. In addition, the waste of delivered building materials can be reduced by 30%. On construction sites, the use of Bluebeam Revu can reduce paper consumption by up to 90%. It is also possible to efficiently calculate the carbon footprint during the construction phase. Allplan Precast offers a plugin for this purpose, as well as solutions in cooperation with Built-Heat.

Around 80% of the costs of a building occur during the use phase, with a large share relating to energy consumption. Following the acquisition of DEXMA in 2020, Spacewell in the **Manage segment** now also offers energy management systems supported by artificial intelligence. In addition, integrated workplace management systems enable optimum management of heating, ventilation and lighting. They can also be used to plan and use the available office space efficiently because they show how much space is actually required, enabling resources to be conserved.

Furthermore, seamless virtual documentation enables simple and targeted changes to the buildings, even years after their construction. At the moment, it is not generally known which materials were used when buildings come to be converted or demolished decades later. 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. If the construction materials used are known even before the start of any demolition work, demolition measures can be deployed in a targeted manner to obtain raw materials through recycling.

Integrity and Compliance

The Nemetschek Group is fully committed to fair competition and firmly rejects corruption and bribery. 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 Group's primary objective is to avoid any compliance incidents. To this end, the Nemetschek Group takes a preventive, risk-based and tailored compliance approach and fosters a corporate culture in which all employees are sensitized to the issue and receive appropriate training.

Overarching Management Approach

The compliance activities are closely linked to risk management and the internal control system. The Corporate Legal & Compliance department manages compliance activities across the Group, focusing in particular on establishing suitable structures and processes and supporting the efficient implementation of compliance measures. The Corporate Legal & Compliance department is also the point of contact for any individual questions that may arise from within the organization. There is a direct reporting line to the CFOO of the Nemetschek Group.

The Corporate Audit department regularly performs internal audits to assess compliance with internal guidelines and legal requirements. The Executive Board and Supervisory Board are regularly updated on compliance-related issues and the expansion of compliance structures, as well as planned compliance measures.

As an international organization, the Nemetschek Group has a corporate responsibility toward society and the environment. The objective of the Nemetschek Group is to comply with the applicable laws everywhere and at all times, to respect fundamental ethical values and to act in a sustainable manner. This applies not just to employees, but also to suppliers and business partners. No substantial compliance violations were reported during the reporting period.

In light of the above, employees are expected to treat each other within the company and third parties fairly and respectfully. To this end, the existing Group-wide Code of Conduct was revised and expanded in 2021, with the topics covered further refined. The topics addressed include human rights and the environment and climate. The Code of Conduct is available to view at any time, in both German and English, on the intranet and the *Group website*. It has been publicized throughout the Group and is binding for all employees – regardless of their position. The Nemetschek Group is also active beyond its own corporate boundaries and is committed to combating modern slavery and human trafficking in its supply chains. Among other things, measures relating to this are disclosed in the statement on the *UK Modern Slavery Act*.

The Nemetschek Group's image is also shaped by its suppliers and business partners. In order to promote trusting and long-term business relationships, the Nemetschek Group focuses on the transparent and lawful processing of all transactions. The Nemetschek Group expects its suppliers and business partners to do the same. To this end, the *Supplier Code of Conduct* advocating a risk-based approach was implemented and communicated across the Group in 2021. This Code of Conduct requires suppliers and business partners to take corporate responsibility in relation to issues such as human rights, anti-discrimination and the environment and climate. It also addresses topics such as ensuring transparent business relationships, fair market behavior and data and information protection. Furthermore, suppliers and business partners are expected to comply with the principles of the UN Global Compact and the fundamental principles of the International Labour Organization.

In 2021, the Covid-19 pandemic continued to have an impact on the implementation of planned projects in the area of compliance. This applies, for example, to the implementation of the Group-wide compliance risk analysis. In particular, the relevant site visits and training measures were possible only to a limited extent. Despite restrictions, all key internal processes and requirements were adhered to during the pandemic.

The compliance management system forms the basis of the preventive compliance approach. The practical implementation of this system in the subsidiaries is carried out by the local compliance officers of the individual brands of the Nemetschek Group and by the Group-wide compliance network. Regular video conferences were held in 2021 in this area, and provided the opportunity for participants to discuss and receive training on key compliance issues – in some cases on an ad-hoc basis. Reports on any compliance incidents are also prepared four times a year. The results are consolidated by the Corporate Legal & Compliance department for the Group, reviewed and reported directly to the 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 policies on various topics. A Group policy on the subject of information security was developed and rolled out across the Group in 2021. A Group policy on antitrust law was also developed and subsequently approved by the Executive Board in the year under review, and officially published on a Group-wide basis at the start of 2022. There are also Group policies on anti-money laundering and terrorist financing, data protection, risk management and internal control. These Group policies are supplemented on a day-to-day basis by the communication of up-to-date compliance communication papers via the compliance network on various issues such as anti-corruption, antitrust law, cybercrime, anti-money laundering and terrorist financing, whistleblowing, dawn raids and data protection.

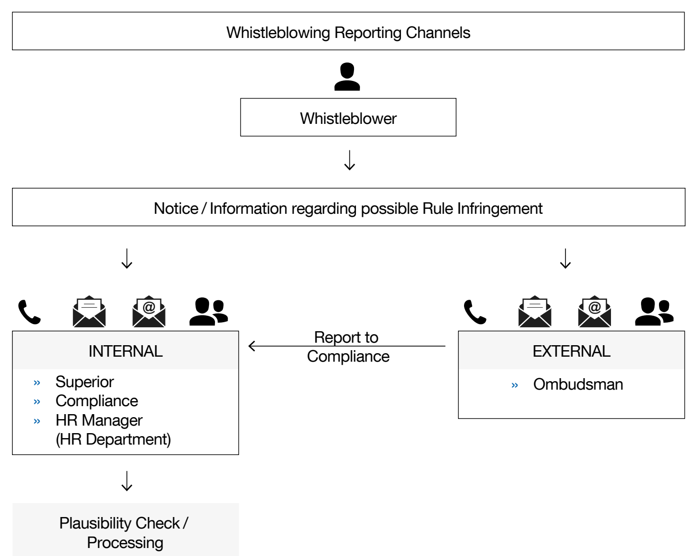
In order to keep employees aware of the respective current compliance rules, regular employee information is required. Training courses and individual refresher courses on compliance topics ensure that the relevant rules are an integral part of everyday working life. Electronic refresher courses continued to be held in 2021, as well as initial training for new employees at almost all brands. Any in-person training held was always conducted in accordance with the Covid-19 regulations. During the year under review, the training plan was defined and the training measures concerning the new Code of Conduct were planned for the following year.

The Nemetschek Group is aware of its overall responsibility in relation to the brands. Due to the heterogeneous nature of the individual brands, they are required to take responsibility for individually rolling out Group policies and conducting in-house training on compliance topics. This individual, risk-based compliance approach enables Group guidelines to be adapted to local requirements. Accordingly, there are uniform, binding Group guidelines that are supplemented on an individual basis to create structures and processes that function locally in the relevant organizations.

The Nemetschek Group requires and promotes an open "speak-up" culture. It encourages its employees to report behavior that may violate the CoC. To do so, they can contact their superiors, the responsible HR manager, or the Compliance department directly via a dedicated e-mail account specifically set up for that purpose, either in German or English.

In addition, up to the end of 2021, violations could be anonymously reported to an international law firm acting as an ombudsman. All reports were first checked for plausibility internally with the utmost confidentiality. Where necessary, further investigations and steps were initiated. If necessary, in individual cases, other divisions or external consultants were called in. The Corporate Legal & Compliance department regularly reviewed the whistleblowing process in terms of its effectiveness and amended it as necessary.

WHISTLEBLOWING PROCESS



At the end of December 2021, the ombudsman system was replaced by a Group-wide, digital, anonymous whistleblowing system. The new digital system is used across all Group companies and focuses primarily on the key issues of whistleblower protection, anonymity and data security. The implementation of this new system marks a significant development and a higher level of professionalism in the area of whistleblowing. In this system, whistleblowing reports can be made digitally via the whistleblowing tool or via telephone in German or English to the provider "Legaltegrity."

Fair Business Practices and Anti-Corruption

Various aspects of fair business practices are comprehensively taken into account in the new Code of Conduct. For example, the Code of Conduct clearly states that corruption, bribery and other forms of illegally granting and accepting benefits – including in relation to officials and elected representatives – 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 and export control law. All employees of the Group must act in accordance with the applicable competition law. In addition, the Code of Conduct defines the rules on the separation of private and Group interests and the handling of company and business secrets.

Anti-discrimination

On the subject of discrimination, the Code of Conduct clearly states:

> *"The Nemetschek Group 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 incidents of possible discrimination that were reported or otherwise became known were reviewed accordingly during the reporting period. As a result, there were no incidents that would have necessitated steps of a disciplinary or legal nature. Further information on this subject is provided in the section "Employees and Society," and in particular under "Diversity and Inclusion" in that section.

Data Protection and Information Security

The Nemetschek Group is at the vanguard of the digital transformation of the AEC/O industry (architecture, engineering, construction and operations) and covers the entire lifecycles of construction and infrastructure projects. The software products offered by the Nemetschek Group are mainly installed in customers' IT systems; the risks in terms of data protection are therefore considered to be moderate.

Maintaining data protection and information security is an objective shared by all employees at the Nemetschek Group. To that end, all departments have made sure that their teams are familiar with the Code of Conduct. A largely decentralized approach is followed. This allows for central guidelines, monitoring processes and assistance but primarily allocates responsibility to the Group companies. A comprehensive, Group-wide set of regulations forms the basis of this approach. These regulations comprise the adoption of a comprehensive Group Data Protection Guideline, as well as the provision of numerous templates, which are available in German and English on the Group intranet and are updated as and when required.

Adherence to the data protection requirements and processes is regularly checked by various parties, including the Corporate Audit department as part of audits in cooperation with Corporate Legal & Compliance and Corporate IT. Data protection officers – both internal and external – are appointed at the companies where required by law. All employees have the option of reporting any violations of data protection regulations or internal company policies. Any indication of possible violations of data protection regulations is taken seriously and resolved as quickly as possible.

In addition, employees are trained, and communication measures are implemented. New employees are notified of confidentiality requirements relating to the handling of sensitive and personal data and are required by their contracts to maintain secrecy. In addition, all employees – not just those in Europe – are required to take part in data protection training and to provide documented proof of this. An e-learning course set up specifically to deal with the issue of data protection is offered in both German and English.

Data security is ensured in the Nemetschek Group by means of appropriate organizational and technical measures at Group level and at the level of the 13 brands. The overarching security standards and measures are specified and monitored by the Corporate Information Security Officer – in line with an information security management system that meets the internationally recognized information security standards of ISO 27001. These requirements are described in the Group-wide information protection policy. Centrally managed awareness campaigns such as e-mail phishing simulations are also implemented, as well as other security projects, in order to increase the level of security in the Nemetschek Group. To further safeguard against risks, the Nemetschek Group has a Group-wide cybersecurity insurance policy that covers all Group companies.

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General Economic Conditions

Global Economy and the Covid-19 Pandemic

Overall, the year 2021 and economic developments continued to be shaped significantly by the Covid-19 pandemic and its impacts. The recovery of the global economy remained hampered by the Covid-19 pandemic in the first half of 2021, while growth weakened compared with the strong growth in the second half of 2020. However, a recovery set in as of the second quarter in the wake of a decline in new infections and progress with vaccination, particularly in the advanced economies. Nevertheless, the recovery was negatively affected by increasing supply and capacity bottlenecks, leading to disruption in the global value chains in many countries and different industries and also resulting in considerable price rises, particularly in the energy sector.

Based on its Annual Report 2021/2022 published on November 10, 2021, the German Council of Economic Experts expected global gross domestic product (GDP) to climb by 5.7% in 2021. The International Monetary Fund (IMF) forecast growth of 5.9% for 2021 in its latest World Economic Outlook Update published on January 25, 2022. The global economy was in recession in 2020, shrinking by 3.3% due primarily to the Covid-19 pandemic (German Council of Economic Experts, November 10, 2021) or 3.1% (IMF, January 25, 2022).

Both the German Council of Economic Experts (Annual Report 2021/2022) and the IMF (World Economic Outlook Update) assumed that all key economic areas would return to growth in 2021. The growth of the emerging markets is expected to exceed the growth of the advanced economies.

Eurozone

At the beginning and end of 2021, many member states of the eurozone were affected by a new rise in the Covid-19 infection rate. This made restrictions necessary, although these did not affect all public and economic domains as in spring 2020 and primarily had a negative impact on parts of the services sector. The situation with the pandemic eased in the second and third quarters and the associated lifting of restrictions led to an upswing in the eurozone.

All in all, economic developments in the eurozone were very heterogeneous over the course of 2021 and depended on the course of the pandemic in the individual member states of the eurozone. 2021 was also shaped by increasing bottlenecks in the supply of raw materials and intermediate products, which was also reflected in steep rises in energy and raw material prices as well as increasing logistics costs over the course of the year, leading to an overall rise in inflation in the eurozone. Up to now, European monetary policy has responded cautiously to the rise in consumer price inflation and it can be assumed that the broad orientation of monetary policy will continue to be expansive, at least in 2021 and 2022, with interest rates at a low level.

Despite – in some cases – significant slumps in added value due to the pandemic, employment and unemployment remained stable in the eurozone. This can be attributed, in particular, to the stabilizing influence of short-time working and short-time working allowances. Therefore, according to the Annual Report of the German Council of Economic Experts, the unemployment rate in August 2021 was only slightly above the pre-crisis level of 7.4% in February 2020, namely at 7.5%.

Overall, in its Annual Report 2021/2022 published on November 10, 2021, the German Council of Economic Experts assumed economic growth of 5.2% for 2021. In its World Economic Outlook Update published in January 2022, the IMF also forecast growth of 5.2% for 2021.

USA

The economic recovery in the USA continued in the first half of 2021. The recovery was led by private consumer spending, particularly in the services sector. A high level of consumer price inflation was also recorded in the USA in 2021. Here, too, high prices for energy and transport services were among the factors contributing to the price increases. Consumer sentiment fell appreciably in the summer. This was attributable, in particular, to the renewed spread of the Covid-19 virus and the discontinuation of unemployment benefit top-ups in all US states.

The US labor market also continued to recover. Unemployment and employment rates improved steadily, but are not yet back to pre-crisis levels. Individual sectors are also performing very differently.

Overall, in its Annual Report 2021/2022, the German Council of Economic Experts assumed economic growth of 5.5% for 2021. In its World Economic Outlook Update published in January 2022, the IMF forecast growth of 5.6% for the same period.

Asia

Within Asia, Japan is currently the Nemetschek Group's strongest regional single market in terms of revenues. The Covid-19 pandemic also dampened economic development there once again in the first half of 2021. Even the summer Olympics held in Tokyo in July and August 2021 failed to provide any notable impetus, as they took place with virtually no audience. The economy was expected to recover in the fourth quarter of 2021 following a decline in the infection rate.

Overall, the German Council of Economic Experts expected the Asia region's gross domestic product to grow by 6.1% in 2021, and Japan's gross domestic product to grow by 2.0%. In the previous year, Asia's economy contracted by 0.9% and Japan's contracted by 4.6%. The IMF anticipated growth of 1.6% for Japan in 2021. In the previous year, the IMF put the contraction at 4.5%.

Emerging Markets

The emerging markets also continue to be affected by the Covid-19 pandemic. The number of registered infections and deaths rose sharply in spring and summer 2021, particularly in India and other South-East Asian and Latin American emerging markets where the number of registered infections had previously been comparatively low. While, on the one hand, severe Covid-19 outbreaks are likely to be less frequent in the emerging markets due to the tendency of their populations to be younger, on the other hand, the vaccination rate in most emerging markets is considerably lower than in the advanced economies and their health systems are also less resilient.

Economic development was also limited in the emerging markets owing to global raw material supplies and regional energy shortages.

Overall, in its Annual Report 2021/2022, the German Council of Economic Experts assumed economic growth of 7.2% in the emerging markets for 2021.

Sources: German Council of Economic Experts, Annual Report 2021/2022 dated November 10, 2021 and International Monetary Fund, World Economic Outlook Update dated January 25, 2022.

Development of the Construction Industry

Europe

Almost two years after the outbreak of the Covid-19 pandemic, it can be said that the construction industry was not affected severely by the crisis and has contributed to stabilizing the overall economic situation. While the construction industry ended 2020 with a smaller decline than initially feared, there was record growth in investments in 2021. Drivers behind these developments include state infrastructure investments, incentives for renovating buildings and growth in the residential sector due to low interest rates. According to current estimates (as of November 2021), the European construction industry recorded growth of 5.6% in 2021 and was thus able to return to the level of revenues achieved in 2019.

The individual European markets recovered at very different rates. Italy (+15.1%), the UK (+13.4%) and Belgium (+10.3%) recorded the strongest growth in 2021. However, Sweden (+8.3%), France (+6.7%) and Spain (+6.5%) also reported above-average growth. Construction output stagnated in Germany (-0.7%), the Netherlands (+0.8%) and Portugal (+0.4%) in 2021.

Residential construction was the segment with the highest growth rates in 2021 at 7.1%, followed by infrastructure construction at 5.1%. Non-residential construction (commercial and public buildings) grew by 3.7% in 2021.

North America

The construction industry in the **USA** closed 2021 with an upturn of 3% (as of October 2021), compared with 6% in 2020. The residential sector was a key driver (+12%), particularly single-family homes (+14%) and renovations (+13%). Some segments of the non-residential construction sector (-5%), including accommodation (-23%), recorded significant declines, while office buildings (-6%) and educational institutions (-6%) also recorded moderate declines. The USD 550 billion infrastructure package adopted in November 2021 will boost infrastructure construction in the USA in the coming years.

Although the construction industry in **Canada** stagnated in 2020, it realized record growth of +5% in 2021. Residential construction (+7%) was also key to the growth seen here. However, at +4%, civil engineering also performed significantly more positively than in the previous year (-5%).

Emerging Markets

There was a catch-up effect in the **Chinese** construction sector in 2021: in the first half of the year, production value climbed +19% against the comparative period of the previous year.

The **Russian** construction industry also recovered in 2021 thanks to state investments in the construction of housing and transport infrastructure. Construction output in Russia climbed 7% from January to August 2021.

Sources: ifo (Nov. 2021) – 92nd Euroconstruct Summary Report; FMI (Oct. 2021) – 2021 North American Engineering and Construction Outlook Fourth Quarter Edition; GTAI (Nov. 13, 2021) – Tiefbau erfüllt in den USA die Erwartungen; GTAI (July 1, 2021) – In China wird 2021 kräftig weitergebaut; GTAI (Sept. 27, 2021) – Indien stockt Investitionen im Infrastruktursektor auf; GTAI (Sept. 28, 2021) – Indiens Baubranche erwartet weitere Erholung für 2022; GTAI (Oct. 29, 2021) – Russlands Bauwirtschaft bleibt auf Wachstumskurs; GTAI (Oct. 18, 2021) – China will Infrastruktur weiter kräftig ausbauen; GTAI (July 30, 2021) – Japans Bauwirtschaft hofft auf neue konjunkturelle Impulse, um die Auftragsbücher füllen zu können; GTAI (Sept. 14, 2021) – Smart Cities sind langfristige Investitionsprojekte; RICE (Dec. 2021) – Quarterly Outlook of Construction and Marco Economy; IBEF (Dec. 2021) – Indian Infrastructure Industry Analysis.

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. In a study from spring 2021, over 70% of the construction industry companies surveyed stated that the digital transformation represented the greatest opportunity for growth for their company in the coming years.

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, in Europe, the Scandinavian countries, the Netherlands and Great Britain.

In 2016, the UK took a decisive step toward 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. In 2021, the share of companies using the BIM method was over 70%. Due to the proven benefits of using BIM software, the UK government plans to make further investments in the coming years 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. It is evident from surveys of civil engineering companies that the new regulations have led many companies to introduce BIM.

Sources: BIM World (Oct. 13, 2020) – Der BIM-Stufenplan – wie Deutschland sich vernetzt; BMVI (Dec. 2015) – Stufenplan Digitales Bauen; IFS (Oct. 2020) – Understanding construction and engineering spending on digital transformation; McKinsey (Oct. 2020) – Rise of the platform era; McKinsey (Feb. 17, 2017) – Reinventing construction through a productivity revolution; NBS (Oct. 2021) – Digital Construction Report 2021; USP Marketing Consultancy (Mar. 2020) – Digitalisierung im Bau.

3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance

Covid-19 Pandemic

In 2020, the Covid-19 pandemic threw the world into turmoil and ultimately led to a global recession, although this had very different impacts on different industries. The 2021 financial year was also affected by the continuation of the pandemic and its impact; see << 3.1 Macroeconomic and Industry-Specific Conditions >>. For the Nemetschek Group, the health and safety of our workforce and business partners is the utmost priority. Therefore, in the 2021 financial year the crisis management team, installed in 2020 under the leadership of the Spokesman and Chief Financial & Operations Officer (CFOO), continued to work on protecting the health and safety of our own employees and business partners, maintaining business operations and ensuring a healthy financial situation. The processes and solutions established in 2020, such as hygiene concepts, virtual support and training activities, and the possibility to work outside the business premises, were retained but regularly reviewed and adapted in line with the course of the pandemic. The experience gained in the 2020 financial year, namely that the pandemic is, in particular, also driving digitalization, led to the decision to soften the cautious investment and hiring policy pursued in the 2020 financial year and to continue the well-established and profitable growth strategy as well as increase investment in the required resources again, even during the ongoing Covid-19 pandemic.

General Statement on the Economic Position of the Group

In an ongoing uncertain macroeconomic environment, which continued to be characterized by the Covid-19 pandemic during the past financial year, the Nemetschek Group continued to develop very well, achieving revenue growth of 14.2% (currency-adjusted: 15.6%) and an EBITDA margin of 32.6% (previous year: 28.9%). In the previous year, revenue growth was 7.2% (adjusted for foreign currencies: 8.3%).

Revenues increased to EUR 681.5 million in the 2021 financial year (previous year: EUR 596.9 million), while EBITDA rose to EUR 222.0 million (previous year: EUR 172.3 million). The path of profitable growth thus also continued in the 2021 financial year.

Revenue growth was based exclusively on organic growth (before synergy effects) in this year. Acquisitions did not have any impact on revenues in the 2021 financial year.

The Group's growth and EBITDA margin targets, which were communicated in March 2021 and already took into account the continuing uncertainties surrounding Covid-19, were exceeded. The forecasts that had been raised in July due to good business performance were also exceeded. Nemetschek was thus able to continue the profitable growth course it has sustained over many years, including in a second year characterized by the Covid-19 pandemic; see [<< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>].

The Covid-19 pandemic continued to have a direct influence on business performance in the 2021 financial year, albeit to a far lesser degree than in the previous year. As a result of the ongoing uncertainties caused by the undulating course of the pandemic, the management of the Nemetschek Group retained its focus on cost management. However, the investment and hiring restraint that prevailed during the first year of the Covid-19 pandemic was eased. This was firstly because the trend toward digitalization was strengthened due to the effects of the pandemic and secondly because the long-term growth prospects of the sectors in which the Nemetschek Group assumes a leading role are intact. Due to ongoing partially restricted business operations, costs such as travel and marketing expenses were also saved. The development of business operations and the measures and effects described made it possible to safeguard the existing financial position during the continued course of the crisis without jeopardizing the growth path we aspire to over the long term. The positive revenue development of the Nemetschek Group was supported by the existing stable customer base and also by the measures put in place in the 2020 financial year to manage 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 2021 financial year and reached key milestones. The focus of the work was on further internationalization, the expansion of software rental models, the continuous development of solutions, and the acquisition of new customers. For example, the newly established Start-up & Venture Investments function at holding company level aims to strengthen the Nemetschek Group's growth focus on new technologies and advance investments in young companies; see [<< 1.2 Targets and Strategy >>].

Acquisitions/Divestments

Holding Company Level

The strategic aim to increase investments in start-up companies in the future and thereby also accelerate the company's own innovative strength was pursued during the financial year. Nemetschek invested in three young companies over the course of the last financial year.

The investment in German company Sablono GmbH, which the Nemetschek Group has supported right from its foundation, was expanded in the second quarter as part of a series A financing round. Sablono is a digital lean technology company for construction.

In the third quarter of 2021, the Nemetschek Group invested in US start-up Reconstruct Inc. as part of a series B financing round. Reconstruct is a technology provider for remote quality control and remote progress monitoring on the US market.

Furthermore, in the fourth quarter the Nemetschek Group invested in the Norwegian company Imerso AS as part of a financing round. The young technology company offers a platform for automating construction quality monitoring while combining artificial intelligence, reality capture and BIM technologies.

Segment Level

Maxon Computer GmbH (Maxon), Friedrichsdorf, Germany, acquired, as part of an asset deal, assets and business operations of Pixologic Inc. (Pixologic), Los Angeles, USA, in a purchase agreement dated November 23, 2021. The purchase price amounted to EUR 121.6 million. The acquisition of the Pixologic business operations, provider of the ZBrush software for digital sculpting and 3D modeling, will further strengthen and expand the Media & Entertainment segment. The company's global customer base includes film studios, games developers, designers, advertising specialists, illustrators and artists. The business operations were transferred on December 29, 2021.

Details of this and other smaller transactions are explained in the notes to the consolidated financial statements under [<< Acquisition of subsidiaries >>].

Divestments

There were no divestments in the portfolio in the 2021 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. These cooperations and partnerships exist both within the Group among the brand companies and between brand and external companies. For example, in the 2021 financial year, the Nemetschek Group signed a contract to support the TUM Venture Lab Built Environment. The aim of this collaboration with the Technical University of Munich is to advance the pathway from research findings to marketable innovations and shorten it significantly. In addition, the Nemetschek Group joined Madaster's Kennedy network in the 2021 financial year to help make the lifecycle of buildings more sustainable.

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

Results of Operations

Revenue Development

For the 2021 financial year, Group revenues increased significantly by 14.2% (previous year: 7.2%) to EUR 681.5 million (previous year: EUR 596.9 million). Adjusted for currency effects (i.e. on the basis of constant exchange rates compared with the previous year), revenue growth would even have been as high as 15.6% (previous year: 8.3%). The 2021 financial year was also impacted by slightly negative currency effects, particularly from the US dollar. These decreased considerably in the second half of the year, when there were even positive currency effects. The growth is due to a significant recovery in demand in the AEC/O as well as the media industry after the Covid-19 pandemic and catch-up effects from 2020.

The revenue growth achieved was thus higher than both the original forecast communicated in March 2021 and the increased expectations communicated in July 2021 << 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>.

As there were no changes in revenues due to acquisitions or divestments, pure organic growth (before synergy effects) also amounted to 15.6% in the 2021 financial year. In the previous year, which was affected by the revenue contribution from the consolidation of Red Giant (Media & Entertainment segment) as of January 2020, pure organic growth amounted to 5.6%.

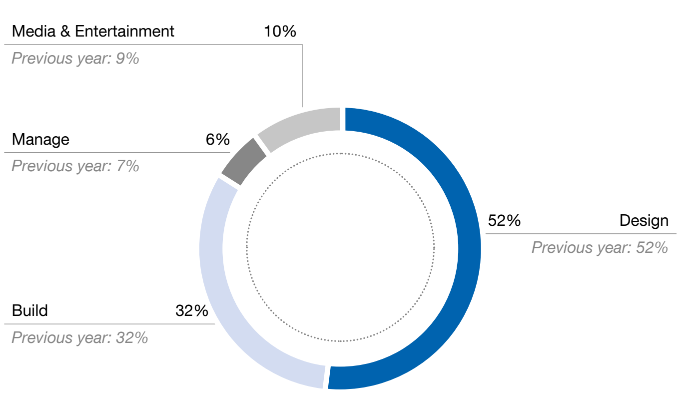
In what continued to be an uncertain economic environment, the Nemetschek Group was able to grow across all four quarters and continued to make progress on its sustainable growth path, even during the Covid-19 pandemic. Growth momentum also increased considerably again compared to the previous year, reaching the long-term double-digit growth corridor once again.

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	FY 2021	FY 2020	Δ nominal	Δ currency-adjusted	Δ comparison[1]
Total year	**681.5**	**596.9**	**14.2%**	**15.6%**	**15.6%**
Q1	158.4	146.6	8.1%	12.1%	12.1%
Q2	165.9	141.6	17.2%	21.5%	21.5%
Q3	169.3	148.6	13.9%	13.8%	13.8%
Q4	187.9	160.1	17.4%	15.2%	15.2%

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

Revenues by Segment



The distribution of revenues by segment changed only slightly in the 2021 financial year compared with the previous year.

The Design segment, whose business focus is on Europe, still has the highest revenues. Its share of total revenues remained at 52% (previous year: 52%).

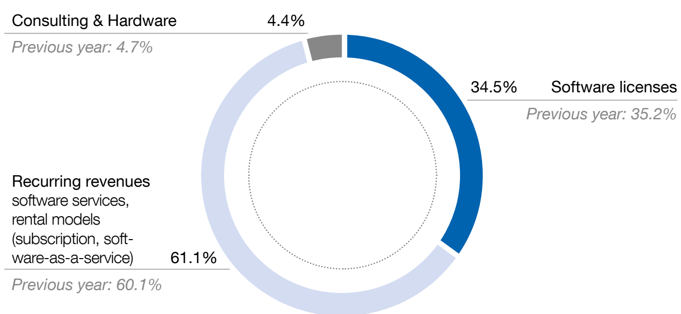
In the 2021 financial year, the Build segment achieved a 32% share of revenues, which thus also corresponded to the previous year's level.

The Manage segment's share of revenues declined slightly to 6% of total revenues (previous year: 7%). This segment felt the effects of the Covid-19 pandemic and its revenue growth of 7.0% was lower than the Group's growth of 14.2%.

The Media & Entertainment segment achieved the highest growth rates again in the 2021 financial year, thus expanding its share of revenues to just over 10% (previous year: 9%).

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

REVENUE DEVELOPMENT BY TYPE



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

Pure "software revenues" are 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. In 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.

Revenues from software rental models are recognized over the agreed term of the contract or partly also at the time of the sale in accordance with the IFRS 15 accounting standard. Similarly, revenues from software service contracts are recognized evenly over the entire term of the contract.

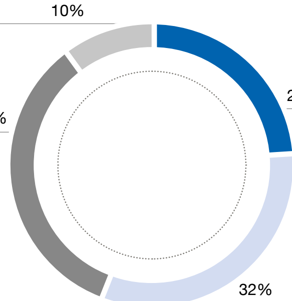
In contrast to software rental models, all revenues from software licenses are recognized at the time of sale (i.e. when ownership is transferred to the customer). The strategic goal is to successively increase the proportion of recurring revenues. This goal is to be achieved by offering more software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

In the 2021 financial year, the Nemetschek Group's **recurring revenues from service contracts and rental models** rose by 16.1% (currency-adjusted: 17.5%) to EUR 416.7 million (previous year: EUR 359.0 million). The growth momentum of recurring revenues thus decreased slightly compared with the previous year (19.9%; currency-adjusted: 21.1%), but continued to exceed the Nemetschek Group's growth of 14.2% (currency-adjusted: 15.6%), thus increasing their share of total revenues slightly to 61.1% (previous year: 60.1%). The substantially increased share in the previous year was partly due to the positive effect from the Covid-19 pandemic. The new rise in the share attributable to recurring revenues reflects the sustained implementation of the strategic shift in the business model toward increasingly also offering rental models in addition to the traditional licensing model. A higher proportion of plannable and recurring revenues increases the Nemetschek Group's robustness, including in times of crisis.

Revenues from rental models (subscription and SaaS), which is attributed to recurring revenues, also increased by 46.0% (currency-adjusted: 47.7%) to EUR 132.0 million (previous year: EUR 90.4 million) in the last financial year, significantly outstripping the growth of the Group. It is encouraging that all segments were able to contribute to this growth. The Design and Media & Entertainment segments made the largest contribution to this positive development. In particular, rental models' sharp rise of 79.6% (currency-adjusted: 82.2%) in the previous year was based on increased customer demand as a result of the Covid-19 pandemic as well as the inorganic growth effect of the Red Giant acquisition, which was fully reflected in the Nemetschek Group's revenues for the first time in the 2020 financial year. The rental models' share of total revenues rose substantially again from 15.1% to 19.4% in the 2021 financial year. This is an encouraging development, as it further increases the company's resilience and ability to plan reliably. Revenues from service contracts rose by 6.0% (currency-adjusted: 7.3%) from EUR 268.6 million to EUR 284.8 million in the 2021 financial year.

Revenues generated through **software licenses** climbed by 11.8% (currency-adjusted: 13.4%) to EUR 234.8 million (previous year: EUR 210.0 million), well below the rate of overall revenue growth. Accordingly, the share of total revenues attributable to software licenses fell from 35.2% in the previous year to 34.5% in the 2021 financial year. This trend is in line with expectations on account of sustained implementation of the long-term strategy of increasing the share of recurring revenues. In the previous year, revenues generated through software licenses decreased by a further 8.0% (currency-adjusted: 6.9%). This development was also attributable to the reluctance of customers to invest and the substantial shift toward rental models owing to the high degree of uncertainty regarding the impact of the Covid-19 pandemic at the time.

REVENUES BY REGION



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

Overall, foreign revenues in the 2021 financial year increased more sharply than revenues in Germany, where the Nemetschek Group already has a very strong market position. Revenues generated in Germany rose by around 10% in 2021, while foreign revenues climbed by a good 15%. The share of revenues generated abroad was thus maintained at a high level of 76% (the previous year: 76%).

In the 2021 financial year, all focus regions – Europe, the Americas and Asia/Pacific – contributed to the growth of the Nemetschek Group with double-digit revenue growth.

In the previous year, the greatest impact of the Covid-19 pandemic was felt in the Europe region. After a brief dip in the winter of 2020/2021, the recovery that began in the second quarter of the previous year continued in financial year 2021 and the region increased its revenues by around 15% year on year (previous year: around 8%). At around 32%, the share of total revenues was slightly higher than in the previous year (32%).

Growth momentum also increased considerably in the Americas region again in the 2021 financial year. It experienced growth of around 16% compared to the previous year, when revenue growth amounted to around 7%, partly due to the pandemic. With a virtually unchanged revenue share of around 34% compared with the previous year, the Americas region remains the Group's strongest individual region in terms of revenues.

The Asia/Pacific region continued its growth trend and generated an increase in revenues of around 15% (previous year: 14%) in the 2021 financial year. Its share of revenues remained almost unchanged against the previous year at around 10%.

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; see << 1.1 Group Business Model >>. The segments are particularly managed based on the financial performance indicators of revenues, year-on-year revenue growth, and EBITDA as the measure of operating profit.

Design Segment

In EUR million	**FY 2021**	FY 2020	Δ nominal	Δ currency-adjusted	Δ comparison [1]
Revenue	351.8	314.9	11,7%	12,7%	12.7%
EBITDA	118.9	95.9	24,1%	24.6%	24.6%
EBITDA margin	33.8%	30.4%	3,4 PP	3,2 PP	–

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

In the **Design segment**, whose regional focus is on Europe, revenues of EUR 351.8 million (previous year: EUR 314.9 million) were achieved in the 2021 financial year. The segment thus experienced significant growth of 11.7% (currency-adjusted: 12.7%) again, following growth of only 0.1% (currency-adjusted: 0.9%) in the previous year. After the European business, in particular, had been impacted by the Covid-19 pandemic in the previous financial year, the recovery that started as of the second half of 2021 continued and revenues rose considerably, partly as a result of catch-up effects following the investment restraint of the previous year. The Americas region also posted significant growth, while growth in the Asia/Pacific region remained below that of the segment.

Segment EBITDA rose considerably from EUR 95.9 million in the previous year to EUR 118.9 million. The nominal rise in earnings was 24.1% (previous year: -2.2%). Adjusted for currency effects and thus comparable to the previous year, the rise would have been 24.6% (previous year: -3.0%). The above-average rise in EBITDA is attributable to the strong increase in revenues and the resulting volume effects and efficiency gains. In addition, fewer personnel were hired due to the tightness of the job market.

Build Segment

In EUR million	FY 2021	FY 2020	Δ nominal	Δ currency-adjusted	Δ comparison [1]
Revenue	221.8	193.0	14,9%	17.1%	17.1%
EBITDA	91.8	70.1	31.0%	32.9%	32.9%
EBITDA margin	41.4%	36.3%	5,1 PP	4,9 PP	–

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

The **Build segment**, which primarily targets construction companies in the USA and the German-speaking countries, was able to continue its good organic growth, thereby significantly increasing its growth momentum once again. In the 2021 financial year, revenues rose to EUR 221.8 million (previous year: EUR 193.0 million). Growth was 14.9%. Adjusted for negative currency effects arising in the financial year, growth would have been 17.1%. There were no portfolio effects from acquisitions or divestments in the 2021 financial year.

In the Build segment, the Nemetschek Group benefits from a favorable environment and the still low level of digitalization in the construction sector. In terms of growth, the segment benefited from digitalization in the construction sector, which gained considerable momentum in the past financial year, also due to the Covid-19 pandemic. The US company Bluebeam – currently the strongest brand in terms of revenues within the Nemetschek Group – with its innovative technology solutions for the construction industry, was once again a key driver of revenue growth in the Build segment in the 2021 financial year. In addition to the encouraging growth in the USA, the regions of Europe and Asia/Pacific, in particular, experienced very high growth and made an above-average contribution to the growth of the segment in the 2021 financial year.

EBITDA again rose at an above-average rate compared with revenue growth this year. With an upturn of 31.0% (adjusted for currency effects: 32.9%), EBITDA rose to EUR 91.8 million (previous year: EUR 70.1 million), corresponding to an EBITDA margin of 41.4% (previous year: 36.3%). The significantly improved margin is due to the high level of growth and increased efficiency in the operational business.

Manage Segment

In EUR million	FY 2021	FY 2020	Δ nominal	Δ currency-adjusted	Δ comparison [1]
Revenue	43.7	40.9	7.0%	6.9%	6.9%
EBITDA	4.1	3.7	10.1%	4.8%	4.8%
EBITDA margin	9.3%	9.0%	0,3 PP	-0,2 PP	–

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

The **Manage Segment**, comprising activities relating to facility management, generated revenues of EUR 43.7 million in the past financial year (previous year: EUR 40.9 million). Growth thus amounted to 7.0% (previous year: 6.2%) or 6.9% adjusted for currency effects (previous year: 6.3%).

The impact of the Covid-19 pandemic was also felt in the Manage segment in the 2021 financial year. Building managers, a key customer group of the segment, particularly in commercial construction, remained cautious on account of the uncertain situation regarding investments. However, as there is a low level of digitalization in this segment, there may be catch-up effects when the investment restraint comes to an end.

Segment EBITDA rose by 10.1% from EUR 3.7 million in the previous year to EUR 4.1 million. The EBITDA margin thus improved from 9.0% in the previous year to 9.3% in the 2021 financial year.

Media & Entertainment Segment

In EUR million	FY 2021	FY 2020	Δ nominal	Δ currency-adjusted	Δ comparison [1]
Revenue	70.5	55.2	27.7%	29.8%	29.8%
EBITDA	25.5	15.5	64.3%	64.8%	64.8%
EBITDA margin	36.2%	28.1%	8,1 PP	7,6 PP	–

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

The **Media & Entertainment Segment** was further strengthened by the acquisition of the Pixologic business operations at the end of the financial year. As control of the company was obtained as late as December 29, 2021, the acquisition did not have any effect on the financial performance of the segment in the 2021 financial year. The segment was able to continue its profitable growth course in the 2021 financial year, even without the acquisition. Revenues in the 2021 financial year increased from EUR 55.2 million to EUR 70.5 million. The substantial growth of 27.7% (currency-adjusted: 29.8%) was based exclusively on organic growth, which was considerably higher than in the previous year, when the acquisition of Red Giant made a significant contribution to overall growth. The strong increase is mainly due to volume effects, as the acquisition of Red Giant enabled us to address a significantly larger customer base.

The segment's EBITDA grew considerably faster than revenues to EUR 25.5 million (previous year: EUR 15.5 million). The EBITDA margin climbed significantly from 28.1% to 36.2%. The integration of Red Giant contributed to the improved result for the first time. Furthermore, the previous year was affected by integration costs and the costs of switching to subscription models.

Earnings Performance

OVERVIEW OF GROUP KEY FIGURES

In EUR million	FY 2021	FY 2020	Δ nominal in %
Revenue	**681.5**	**596.9**	**14.2%**
EBITDA	**222.0**	**172.3**	**28.8%**
EBITDA margin	32.6%	28,9%	+3,7 PP
EBIT	**172,0**	**122.5**	**40,4%**
EBIT margin	25.2%	20,5%	+4,7 PP
Net income for the year (equity holders of the parent company)	**134.6**	**96.9**	**38.9%**
Earnings per share in EUR	1.17	0.84	38.9%
Net income before PPA depreciation	**153.9**	**115.2**	**33.6%**
Earnings per share before PPA depreciation in EUR	1.33	1.00	33.6%

EBITDA (Group earnings before interest, taxes, depreciation and amortization) rose by 28.8% (currency-adjusted: 30.4%) to EUR 222.0 million (previous year: EUR 172.3 million), outstripping revenue development. The EBITDA margin increased considerably by 3.7 percentage points to 32.6% (previous year: 28.9%), thus exceeding both the forecast published in March 2021 and the forecast corridor of 30.0% to 32.0% that was raised in July; see *<< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>*. The Build and Media & Entertainment segments especially continued to contribute to this good EBITDA development in the 2021 financial year. Both the growth and the EBITDA margins of these segments were above those of the Nemetschek Group; see *<< Segment Developments >>*.

The 2021 financial year showed that the Nemetschek Group is managing well through the Covid-19 pandemic and continued its profitable growth course with great momentum. The above-average rise in EBITDA compared to revenue growth is based not only on the strong revenue growth associated with the sales success, but also in particular on efficiency gains as well as from a leaner cost base, which is attributable to lower travel and trade fair expenses, for example. However, fewer new employees were hired in the past financial year than planned, which, in particular, resulted in personnel expenses developing at a below average rate compared to revenues. Investments were made 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 double-digit percentage growth above the market average.

Operating expenses increased by a total of 7.2% to EUR 519.3 million (previous year: EUR 484.6 million). The rise in operating expenses was thus significantly below revenue growth at 14.2% and was a key driver for the above-average rise in EBITDA amounting to 28.8%. At 9.3%, personnel expenses were the largest item under operating expenses and rose at a slower rate than revenues to EUR 292.0 million in the 2021 financial year (previous year: EUR 267.1 million). This reflects the increase in the number of employees as well as higher variable salary components. Other operating expenses increased by 5.5% to EUR 152.0 million (previous year: EUR 144.0 million), also 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. At EUR 50.0 million, depreciation of fixed assets was at the previous year's level (EUR 49.8 million). PPA amortization increased slightly from EUR 24.5 million to EUR 25.4 million. Depreciation of leased assets in accordance with IFRS 16 fell slightly by EUR 0.5 million to EUR 14.9 million. Excluding depreciation and amortization, operating expenses increased by 7.9% to EUR 469.3 million (previous year: EUR 434.8 million).

The net finance cost in the 2021 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 −1.7 million (previous year: EUR −2.8 million). Interest expenses affecting the financial result decreased slightly in the 2021 financial year, from EUR 3.0 million in the previous year to EUR 2.7 million. This was mainly due to continued loan repayments in 2021. This was offset by commitment interest for the new loan lines concluded in the previous year.

EBIT rose to EUR 172.0 million, significantly above the previous year's figure of EUR 122.5 million.

Income taxes increased from EUR 22.3 million in the 2020 financial year to EUR 33.7 million in 2021. At 19.8%, the Group tax rate was slightly above the level of the previous year (18.6%). A change in the determination of state tax for the US state of California resulted in a positive impact in the previous year. Adjusted for this effect, the tax rate would have been 20.4% in the previous year.

Net income (Group earnings after taxes) increased sharply by 40.2% from EUR 97.7 million to EUR 136.9 million in the 2021 financial year. Net income (shareholders of the parent company) climbed from EUR 96.9 million to EUR 134.6 million.

Earnings per share amounted to EUR 1.17, up 38.9% on the previous year's figure of EUR 0.84. EPS adjusted for the effects of PPA depreciation increased by 33.6% from EUR 1.00 in the 2020 financial year to EUR 1.33 in 2021.

Financial position

Main features and objectives of financial management

The primary objective of financial management is to control and secure liquidity within the Nemetschek Group, ensuring access to the debt market and managing foreign currencies and interest risks. Financing and financial risk management is centrally organized and controlled by global governance. 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.

Financial stability of the Group is represented by a balanced ratio between debt and equity. The Group's balance sheet structure showed an equity ratio of 51.4% (previous year: 46.9%). The significant increase to the previous year is due to the consolidated result for financial year 2021. Bank liabilities remained almost flat. Repayments and drawings reduced the balance of bank liabilities by EUR 1.6 million to EUR 128.7 million.

The Nemetschek group is based on the expectations on the business development and the financing structure able to raise liquidity beyond the existing lines from the debt markets. Combined with a possible issue of equity instruments significant investments can be financed.

Liquidity analysis

Net liquidity/net financial liabilities in EUR million

	December 31, 2021	December 31, 2020
Current liabilities and current maturities of non-current liabilities	93.8	59.6
+ non-current liabilities	34.9	70.7
Total liabilities	**128.7**	**130.3**
Cash and cash equivalents	157.1	139.3
Total liquidity	**157.1**	**139.3**
Net liquidity/net liabilities (-)	**28.4**	**9.0**

As of December 31, 2021, the Group held cash and cash equivalents of EUR 157.1 million (previous year: EUR 139.3 million). The increase of EUR 17.8 million or 12.8% is based on the high quality of cash flows of the Nemetschek group. When investing the surplus liquidity, short-term, risk-free availability is generally more important than 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, there were financial debts (bank loans) of EUR 128.7 million outstanding, almost exclusively due to financing company acquisitions (previous year: EUR 130.3 million). The interest rates on the loans range between 0.25% p.a. and 0.58% p.a.

Within financial debt, there were reclassifications with regard to the maturity categories. The decrease in non-current financial debt with EUR 35.7 million is attributable to the reclassification of liabilities due in 2022. In the area of current financial debt, acquisition loans in the amount of EUR 59.5 million and other short-term current portions of financial debt in the amount of EUR 18.0 million were repaid and EUR 75.6 million were newly raised.

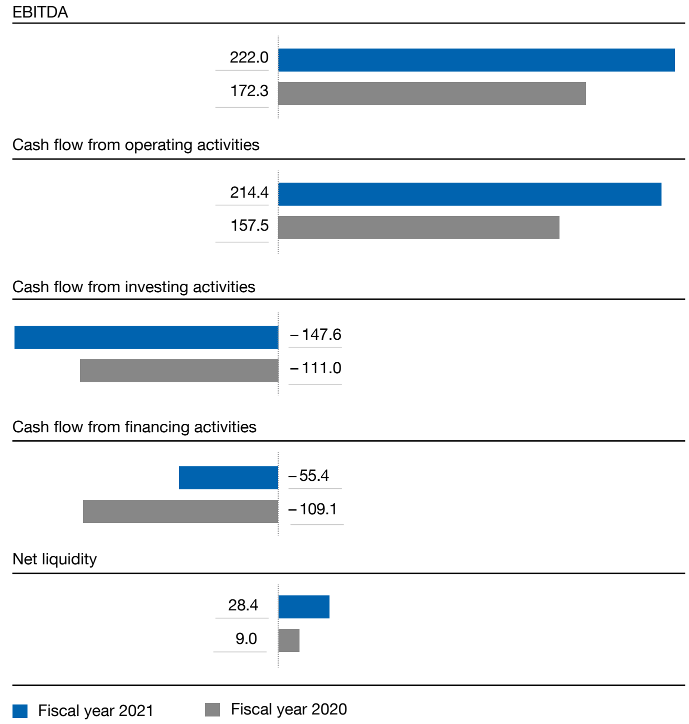
From the existing credit lines in the amount of EUR 207 million a portion of EUR 10 million was utilized as of December 31, 2021. So, a remaining portion of EUR 197.0 million is readily available and can be, in addition to the cash on hand, utilized to fund the profitable growth strategy.

The Group's net liquidity as of the reporting date of December 31, 2021, increased to EUR 28.4 million (previous year: net liquidity of EUR 9.0 million).

Based on the high earnings power of the Group and the access in net liquidity, the Nemetschek Group is in a position to secure a substantial amount of liquidity for investment purposes.

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. During the financial year dividends in the total amount of EUR 34.7 million (previous year: EUR 32.3 million were paid.

DEVELOPMENT OF CASH FLOW



The Group's cash flow for the period increased by 25.1% to EUR 222.1 million in 2021 (previous year: EUR 177.5 million), mainly due to the significantly increased EBITDA and thus in line with the Group's economic development in the 2021 financial year.

Cash flow from operating activities increased significantly by EUR 56.9 million, 36.1% to EUR 214.4 million in 2021 (previous year: EUR 157.5 million). Besides the positive impact from the increased EBITDA (EUR 49.7 million in addition to the level of 2020) the trade working capital contributed positively. The cash flow contribution from trade working capital amounts to EUR 18.6 million (previous year: EUR 6.8 million). The development was driven by prepayment business models from software service and the software subscription contracts with the corresponding recurring revenues. Compared to the previous year the cash flow impact was significant and driven by the very positive business development.

The cash outflows from taxes paid (net) increased from EUR 36.3 million in 2020 by EUR 0.8 million to EUR 37.1 million in 2021.

Cash flow from investing activities amounted to EUR –147.6 million in the 2021 financial year (previous year: EUR –111.0 million). Main drivers are payments for the acquisition of businesses about EUR 127.1 million.

OVERVIEW: ACQUISITIONS OF BUSINESS OPERATIONS

Company	Segment	2021	2020
Pixologic	Multimedia & Entertainment	121.6	
Vectorworks (Australia)	Design	3.3	
Maxon (Japan and Spain)	Multimedia & Entertainment	2.2	
Red Giant	Multimedia & Entertainment		132.2[1]
ADAPT	Design		4.2
DEXMA	Manage		19.2[2]
Total		**127.1**	**155.6**

[1] Thereof EUR 79.0 million paid out.
[2] Thereof EUR 18.5 million paid out.

In addition, payments of EUR 9.2 million (previous year: EUR 0.0 million) for the acquired start-up investments Reconstruct, Sablono and Imerso [<< 3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance >>] were made.

Cash flow from investing activities also includes expansion and replacement investments in fixed assets of EUR 9.9 million (previous year: EUR 9.1 million).

Cash flow from financing activities was EUR –55.4 million (previous year: EUR –109.1 million). The significant decrease in payments is mainly due to borrowing from existing credit lines in the amount of EUR 75.6 million (thereof EUR 49.0 million for acquisition loans). In the previous year, loans of EUR 6.9 million were taken out.

This was offset by the repayment of bank loans taken up in previous years amounting to EUR 77.5 million (thereof EUR 59.5 million for acquisition loans). In the previous year, repayments in the amount of EUR 65.4 million (thereof EUR 56.3 million for acquisition loans) were made.

Furthermore, the cash flow from financing activities was impacted by the dividend payment for the 2020 financial year in the amount of EUR 34.7 million (previous year: EUR 32.3 million) as well as by interest and redemption payments for lease liabilities, with the major portion of EUR 15.1 million (previous year: EUR 13.2 million) relating to redemption in the 2021 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, 2021, there were also unutilized credit lines of EUR 197.0 million (previous year: EUR 224.5 million). Nemetschek continually monitors the risk of a liquidity shortage 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 utilized. So, company acquisitions in 2021 were financed by the Group's own funds as well as debt. Additional investments were financed from operating cash flows.

In total, the Nemetschek Group invested EUR 138.4 million in the 2021 financial year (previous year: EUR 162.6 million), of which EUR 6.5 million in property, plant and equipment (previous year: EUR 6.2 million) and EUR 131.9 million in intangible assets (previous year: EUR 156.4 million). The main investments here were acquisitions of businesses.

Net Assets

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Δ nominal in %
ASSETS			
Current assets	263.1	236.4	11.3%
Non-current assets	791.1	653.3	21.1%
Total assets	**1,054.2**	**889.7**	**18.5%**

In EUR million	Dec. 31, 2021	Dec. 31, 2020	Δ nominal in %
EQUITY AND LIABILITIES			
Current liabilities	384.5	295.8	30.0%
Non-current liabilities	128.0	176.6	-27.5%
Equity, total	**541.7**	**417.3**	**30.2%**
Total equity and liabilities	**1,054.2**	**889.7**	**18.5%**

The consolidated balance sheet total as of December 31, 2021 increased by EUR 164.5 million (18.5%) to EUR 1,054.2 million (previous year: EUR 889.7 million). For the first time in companies' history the balance sheet total hit the EUR 1 billion mark.

Short-term assets

On the debit side of the consolidated balance sheet, current assets increased from EUR 236.4 million by EUR 26.8 million (11.3%) to EUR 263.1 million in the 2021 financial year. This was mainly due to the EUR 17.8 million increase in cash and cash equivalents and the increase in trade receivables by EUR 5.5 million or 8.6%. The increase in trade receivables is below the revenue growth of 14.2%. The under-proportionate increase is due to the expansion of the prepayment business. Tax receivables decreased slightly from EUR 6.0 million to EUR 4.8 million.

Non-current assets

Non-current assets rose by EUR 137.8 million or 21.1% to EUR 791.1 million (previous year: EUR 653.3 million). Goodwill increased from EUR 416.7 million by EUR 107.3 million or 25.7% to EUR 524.0 million. In the 2021 financial year, this development was mainly driven by the Pixologic purchase. As significant parts of the goodwill are not held in euros, there were foreign currency effects of EUR 18.0 million. Intangible assets also increased by EUR 20.7 million to EUR 158.9 million (previous year: EUR 138.2 million), mainly due to acquisitions. Other financial assets increased from EUR 4.8 million by EUR 9.0 million to EUR 13.8 million and investments in associated companies from EUR 1.3 million to EUR 4.1 million. The increase is based on the investments in start-up and ventures businesses. The slight decrease in property, plant and equipment by EUR 0.9 million to EUR 20.7 million resulted from scheduled depreciation, which was almost entirely offset by expansion and replacement investments.

Current liabilities

On the liabilities side, current liabilities increased by EUR 88.7 million (30.0%) to EUR 384.5 million (previous year: EUR 295.8 million). This item includes trade payables as well as provisions and accruals due within one year. The item "current loans" includes EUR 93.8 million (prior-year reporting date: EUR 59.6 million) of the repayment amount of the non-current acquisition loans due in the next 12 months. See << Liquidity analysis >>.Trade payables remained flat compared with the previous year's reporting date at EUR 11.3 million (previous year: EUR 11.2 million), which resulted from higher variable salary components and the increase in the number of employees. The increase in other provisions by EUR 15.5 million to EUR 71.7 million (previous year: EUR 56.3 million) is due in particular to the year-on-year increase in personnel costs (increase of EUR 12.1 million). Furthermore, primarily due to the expansion of business volume, deferred revenue increased from EUR 129.5 million in the 2020 financial year end by EUR 28.5 million to EUR 158.0 million in the 2021 financial year end. The change in short term financial liabilities from EUR 1.6 million by EUR 5.8 million to EUR 7.4 million as of end of 2021 is based on reclasses from long to short term liabilities for prior year business acquisitions.

Non-current liabilities

Non-current liabilities decreased from EUR 176.6 million by EUR 48.6 million (27.5%) to EUR 128.0 million, mainly due to the reclassification of non-current to current loans. Deferred tax liabilities decreased from EUR 25.2 million by EUR 4.6 million to EUR 20.6 million. The main driver for this development was the amortization of intangibles acquired in business combinations. The acquisition of the Pixologic assets was structured as an asset deal and therefore no deferred taxes in the 2021 financial year were recognized. The main reason for the increase in the previous year was the acquisition of Red Giant amounting to EUR 8.3 million.

Other non-current financial liabilities decreased from EUR 8.7 million by EUR 7.5 million to EUR 1.2 million as of end of 2021. This item mainly includes the subsequent purchase price obligations from business acquisitions. The development is based on reclassifications to short term financial liabilities and payments made in an amount of EUR 1.7 million. In addition, non-current lease liabilities decreased by EUR 2.3 million from EUR 54.3 million to EUR 52.0 million.

Equity

Equity, as of December 31, 2021, increased from EUR 417.3 million by EUR 124.4 million to EUR 541.7 million. The significant increase is driven by the net income of EUR 136.9 million and positive foreign exchange effects of EUR 23.3 million. This was offset by the distribution of dividends in the amount of EUR 34.7 million.

The equity ratio increased to 51.4% at the end of the 2021 financial year (previous year: 46.9%). The current liability ratio was 36.5% of the balance sheet total (previous year: 33.3%) and the non-current liability ratio was 12.1% (previous year: 19.8%).

KEY BALANCE SHEET FIGURES

In EUR million	FY 2021	FY 2020	Change in %
Cash and cash equivalents	157.1	139.3	12,8%
Goodwill	524.0	416.7	25,7%
Equity	541.7	417.3	29,8%
Balance sheet total	1,054.2	889.7	18,5%
Equity ratio in %	51.4%	46.9%	+4.5PP

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 9.8% to 10.9% (previous year: 8.3% to 10.2%). Compared to 2020 the parameters derived from capital markets are not that significantly impacted by the Covid-19 pandemic and turned in the direction of the level of 2019. Based on the market capitalization as of December 31, 2021 and the planning expectations, the internal rate of return before taxes is around 4.5%.

Nemetschek Group Employees

In order to act appropriately and directly in the respective markets and regions, the individual brands manage HR topics themselves. The Human Resources department of Nemetschek SE is responsible for the strategic development of human resources management and supports and advises the local HR departments of the individual brands.

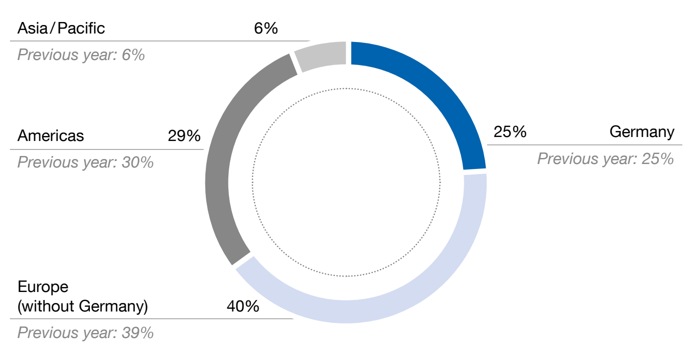
Further information on human resources work can be found in the non-financial statement under *<< 2.2 Key non-financial issues – Employee and Society >>.*

As of December 31, 2021, the Nemetschek Group had 3,180 employees worldwide (previous year: 3,074), representing an increase of 106 people, or 3.4%. This does not include employees on parental leave, freelancers and those on long-term sick leave.

At 75% (previous year: 75%), the majority of the Nemetschek Group's employees were employed outside Germany at the end of 2021, as in the previous year.

Employees by Region

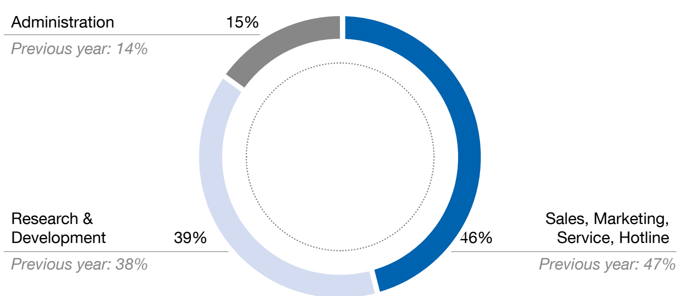
The following table shows the distribution of employees across the Nemetschek Group's key regions and Germany as the country in which the company has its headquarters.



Employees by Function

On average, the Nemetschek Group employed 3,143 people worldwide in 2021, an increase of 4.5% compared with the previous year (3,008). The average number of employees in research and development was 1,232 (previous year: 1,158), or 39.2% of the total workforce (previous year: 38.5%).

The number of employees in sales, marketing and hotline averaged 1,457 (previous year: 1,403). In addition, 453 employees (previous year: 446) worked in administration (including 9 trainees after 12 in the previous year). Trainees are primarily employed in the commercial departments as well as in the IT and development departments.



Personnel Expenses

Personnel expenses increased by 9.3% to EUR 292.0 million in 2021 (previous year: EUR 267.1 million), resulting in a personnel expense ratio (personnel expenses/revenues) of 42.9% (previous year: 44.7%). The below average development of personnel expenses compared to revenues is partly attributable to the tight situation in the market for skilled workers in the IT environment.

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 non-financial consolidated report (non-financial declaration) is combined with the non-financial declaration of the parent company under << 2 Non-Financial Declaration >>.

Revenue Development and Earnings Situation

Nemetschek SE's revenues of EUR 7.6 million in the 2021 financial year (previous year: EUR 7.2 million) resulted primarily from income from licensing the umbrella brand "A Nemetschek Company."

Other operating income increased to EUR 5.9 million (previous year: EUR 2.5 million). In the past financial year, it included among other things, income from recharges to subsidiaries amounting to EUR 5.6 million (previous year: EUR 1.2 million) as a result of more centralized license purchasing and a back-charge for the financial years 2016 to 2021. The operating expenses of EUR 27.2 million (previous year: EUR 17.7 million) include personnel expenses, consulting costs and other operating expenses. Personnel expenses increased due to the expansion of the central functions of Nemetschek SE and due to an increase in performance-related variable components from EUR 7.3 million to EUR 12.2 million.

Income from interests of EUR 67.4 million (previous year: EUR 60.3 million) includes EUR 67.3 million in dividends from subsidiaries (previous year: EUR 60.3 million). Income from profit transfer agreements in the amount of EUR 34.8 million (previous year: EUR 29.4 million) came as a result of profit transfers from Allplan GmbH, Frilo Software GmbH and Nevaris Bausoftware GmbH. Net income for the year amounted to EUR 81.0 million (previous year: EUR 74.0 million).

Net Assets

Nemetschek SE's balance sheet is mainly characterized by financial assets amounting to EUR 609.3 million (previous year: EUR 612.6 million). Affiliates accounted for by far the largest share at EUR 568.3 million (previous year: EUR 568.1 million). Owing to repayments amounting to EUR 5.3 million, loans to affiliates fell to EUR 39.1 million (previous year: EUR 44.4 million). With regard to current assets, current loan receivables from affiliates, trade receivables from affiliates and profit and loss transfer agreements amounted to EUR 160.8 million as of the balance sheet date (previous year: EUR 47.1 million).

The increase in receivables from and payables to affiliated companies results from the financing of the acquisition of the Pixologic business. Intra-group loans of USD 71 million were taken out or extended and passed on as a loan to the acquiring Maxon Group in the amount of USD 117 million. In addition, liquidity was raised through new debt financing. The open foreign currency position was partially hedged. The entire financing is short-term in nature.

At the end of 2021, cash and cash equivalents amounted to EUR 1.6 million (previous year's reporting date: EUR 8.5 million).The liabilities side of the company's balance sheet is dominated by liabilities to banks and Group companies. As a result of scheduled repayments and new loans, bank liabilities fell to EUR 118.2 million (previous year: EUR 129.5 million). Equity increased by EUR 46.4 million to EUR 477.3 million. Net income for 2021 of EUR 81.0 million was offset by the dividend payment for the 2020 financial year (EUR 34.7 million). The equity ratio of Nemetschek SE was 61.3% as of the balance sheet date (previous year: 64.2%).

Provisions rose by EUR 3.6 million to EUR 8.6 million. The main reason for this was the increase in provisions for employee remuneration associated with the good business performance (EUR 5.7 million; previous year's reporting date: EUR 2.1 million).

Liabilities to affiliates resulted mainly from cash pooling (EUR 81.5 million; previous year: EUR 70.1 million) and short-term intercompany loans of EUR 89.0 million (previous year: EUR 32.0 million).

In the 2021 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 77.5 million (previous year: EUR 56.3 million), new loans in the amount of EUR 66.2 million and the dividend payment of EUR 34.7 million (previous year: EUR 32.3 million). In July 2020 and September 2021, Nemetschek SE increased its financial scope through additional bilateral credit lines in the amount of EUR 207 million. These credit lines were granted with a term of up to two years. At the end of 2021, Nemetschek SE drew down EUR 10 million from these credit lines and accordingly disclosed them as liabilities to banks in its balance sheet.

In the 2021 financial year, interest payments of EUR 1.0 million (previous year: EUR 1.1 million) were made on loans taken out and credit lines.

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 57 employees in 2021 (previous year: 51).

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 a slight increase in net investment income in the 2022 financial year. Accordingly, Nemetschek SE is assuming that earnings will continue to develop positively and that the annual result for the 2022 financial year will exceed that of the past financial year. The company plans to continue to distribute around 25% of the operating cash flow to its shareholders in the future. The dividend policy always takes into account the overall economic development and the economic and financial situation of the company.

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

The original forecast for the 2021 financial year took account of the uncertain macroeconomic conditions at the beginning of 2021. Firstly, the forecast was based on global economic growth in the mid-single-digit percentage range, as forecast by the German Council of Economic Experts and the IMF at that time, as well as the lessening of the adverse effects of the Covid-19 pandemic over the course of 2021. Taking these assumptions into account, the Executive Board started the 2021 financial year with cautiously optimistic expectations, envisaging revenue growth adjusted for currency effects in at least the high single-digit percentage range and an EBITDA margin of 27%-29%.

Despite the Covid-19 pandemic's continued impact in many parts of the world, as described in << 3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance >>, the global economy was able to return to growth mode and global economic growth is expected to be within the range of expectations outlined above in 2021. The construction industry, which is very important to the Nemetschek Group, also recovered significantly in 2021; see << 3.1 Macroeconomic and Industry-Specific Conditions >>.

Given this environment, the Nemetschek Group's development was very positive and better than expected. The business, which was driven, in particular, by increased licensing business and the strong development of recurring revenues from subscription and software as a service (SaaS), performed better than originally expected from as early as the first half of the year; the Executive Board adjusted the forecast in July 2021, anticipating revenue growth adjusted for currency effects in the 12%-14% range and an EBITDA margin of between 30% and 32% for the 2021 financial year.

Revenues of EUR 681.5 million were generated in the 2021 financial year, corresponding to nominal growth of 14.2% and growth adjusted for currency effects of 15.6% and thus also slightly exceeding the adjusted forecast. All regions and, with the exception of the Manage segment, all segments exceeded their expectations and thus contributed to the encouraging development of revenues. The main reasons for the better-than-expected growth were catch-up effects from the previous crisis year, the faster-than-expected recovery in the construction industry, and the positive impact of economic stimulus programs. The Covid-19 pandemic had an appreciable effect on the Manage segment and building managers' reluctance to invest was stronger than anticipated.

Based on the good development of revenues, which exceeded expectations, profitability also developed very positively in the 2021 financial year and EBITDA of EUR 222.0 million was generated. This corresponded to an EBITDA margin of 32.6% and was also slightly above the adjusted forecast from July 2021.

	Financial year 2020 Actual	Financial year 2021 Forecast March 2021	Financial year 2021 Forecast July 2021	Financial year 2021 Actual	Δ nominal in %	Δ currency-adjusted	Δ comparison[1]
Revenue	EUR 596.9 million	Growth in the at least in the high single-digit percentage range	12% to 14%	EUR 681.5 million	14.2%	15.6%	15.6%
EBITDA margin	28.9%	27% to 29%	30% to 32%	32.6%			

[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, operating 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. An annual risk inventory is carried out for strategic risks. During the year, strategic risks are discussed between the risk manager and the Executive Board.

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 the 2021 financial year. 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

Economic Opportunities and Risks

Economic Opportunities/Risks (Political and Regulatory Risks, Social Conflict, Instabilities, 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, the global economic outlook is currently subject to major uncertainty. Following the economy's recovery in 2021 from the historic decline in global economic output in 2020, the global economy is expected to grow moderately in 2022. However, this growth is also associated with various, and in some cases increasing, risks. Any further continuation of the Covid-19 pandemic as well as an expansion of the Ukraine conflict would depress growth prospects once again.

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. New or escalating political conflicts such as the Ukraine conflict could also have negative consequences that would also significantly affect the economic situation. The conflict between Russia and Ukraine, which resulted in an attack by Russia against Ukraine at the end of February 2022, as well as the associated economic sanctions against Russia will influence the development of the global economy. Business (revenues) in Ukraine and Russia is not material for Nemetschek with less than 0.5% of the Group's total revenues. Management is monitoring the development in Ukraine, and its possible effects on the earnings, financial and asset situation of the Group and will take measures if necessary.

Furthermore, negative effects may be a result from the UK's withdrawal from the customs union, which was contractually implemented on January 31, 2021. Despite the trade and cooperation agreement between the UK and the EU that formally came into force on May 1, 2021, there are continuing 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 over 60% of total revenues, 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 revenues – 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.

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 is benefiting from a construction industry that is once again positive geared toward growth again, despite a decline in some regions and segments at the beginning of the Covid-19 pandemic in 2020, and investments in construction and infrastructure projects. In particular, state investments in infrastructure launched by numerous governments offer further growth potential for the Design and Build segments. The use of software solutions for increasing efficiency in the management of properties, the area targeted by the Manage segment, remains weak. The Covid-19 pandemic is still causing uncertainty in commercial construction at present, which could continue to be reflected in cautious investment behavior in the Manage segment. There is currently also an increasing risk that the present shortage of raw materials and the global logistics situation could prevent the construction industry from fully realizing its growth potential, with ensuing negative effects on companies' willingness to invest.

The rising importance of digitalization, which received additional impetus from the physical working restrictions during the pandemic, 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 major 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 innovative companies as potential M&A targets, which in turn can complement and expand the Nemetschek Group's portfolio. To be able to benefit even further from new technological advances in the AEC/O industry, the Nemetschek Group has defined a venture and start-up strategy in addition to the established M&A area. In this context, the Nemetschek Group is investing in young companies in a targeted manner to secure early access to promising resources and technologies.

Nemetschek therefore continues to consider 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 largely targets the media 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 as well as in the media industry 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	medium
Industry sector risks	medium	medium
Risks from the competitive environment	low	low
Opportunity category	**Probability of materialization**	**Severity**
Economic opportunity	medium	medium
Industry sector opportunity	medium	high
Opportunity from the competitive environment	medium	medium

Operating Opportunities and Risks

Over the last two years, the ongoing Covid-19 pandemic has demonstrated the impact of a pandemic on operating activities and its influence on the opportunity and risk profile. It is not possible to rule out the emergence of pandemics that would also affect business operations in the future. 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. The Covid-19 pandemic has shown that the business model, structure and processes of the Nemetschek Group and the organization's capabilities are robust. Furthermore, the crisis management experience acquired during the crisis will help us manage any future crises competently. << 3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance >>.

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 has also positioned itself in 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. In the Media & Entertainment segment, the Nemetschek Group benefits from rising demand for all types of digital content.

Stronger cooperation between the brands and segments 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 and is unleashing further potential for offering a product portfolio aimed at addressing the all-round needs of integrated, multidisciplinary customer groups by merging brands in the Design segment.

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.

Another key growth driver is the digital transformation of the construction industry, which is far less advanced than in other key industries such as the automotive industry. Overall, the digital transformation in the AEC/O market, with an expected market volume of around 20 billion euros in 2024, will lead to significantly higher demand for solutions.

New technologies such as artificial intelligence (AI), digital twins, robotics or virtual reality will further increase the market potential. The Nemetschek Group will also be a pioneer and pacesetter in these developments and benefit from the market potential.

Should the expected market demand for BIM solutions and new technological advancements 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 is convinced that new business opportunities will arise as a result of the trend toward 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 regional AEC/O software market in the world, and the Asian markets, especially Japan and increasingly also Australia.

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. In addition to the classic sales channels, the Nemetschek Group is increasingly relying on e-commerce offers in order to address its customer base even better.

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.

Ongoing integration enables solution-selling to be carried out in a more targeted way. The merger of the Graphisoft and Data Design System brands on one hand and the Precast Software Engineering, SDS/2 and Allplan brands on the other make it possible to offer the respective multidisciplinary customer segments a BIM product portfolio that addresses their all-round needs. This not only opens up new opportunities to acquire new customers, but also enables us to work even more intensively with existing customers.

In the construction industry, there are signs of increasing acceptance of rental models via Software as a Service (SaaS) or subscription. 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 increasingly offers rental models 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 toward subscriptions also offers the opportunity to generate more revenues per user.

Risks may arise when switching the product portfolio to new forms of distribution, such as rental models, if the appropriate solutions do not yet have the degree of market maturity that customers expect when launched on the market. Nemetschek counters this risk by quickly adapting and intensifying its development activities. In particular, Nemetschek evaluates its subscription offers very carefully in each of the four segments. 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 risk that competitors will gain an innovative edge and thus win existing customers of the Nemetschek Group. 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 13 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 revenues is regularly invested in research and development. In the design segment, for example, Allplan for the first time represents a seamless and integrated BIM workflow from planning to production and construction. The platform-based BIM solution takes the so-called "buildability" into account right from the start in order to ensure continuous BIM workflows even during the transition from the planning phase to the construction phase.

In the Build segment, Bluebeam's Project Rover was launched. Powered by Bluebeam Cloud, the intuitive, easy-to-use project and site management solution enables all parties involved in the construction process to manage defect surveys, information requests and bid submissions on the go.

With Spacewell's workplace app in the Manage segment, a personal assistant has been developed that uses real-time sensor data to facilitate the daily work of office employees and handle reservations, workplace bookings or service requests.

Maxon in the Media & Entertainment segment has again significantly expanded its Maxon ONE product bundle in 2021, integrating the mobile app Forger for sculpting workflows in addition to the competencies from the acquisitions Redshift and Red Giant. With the portfolio again expanded by the painting and sculpting tool ZBrush, acquired at the end of 2021, Maxon also intends to play an important role in the emerging metaverse market.

Potential risks exist in the development of software products that do not sufficiently meet the needs of customers or internal quality standards. The Nemetschek Group's strategy aims to use its close customer contact and focus on customer needs to present innovations in a timely manner.

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 ongoing 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.

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, which continues to grow, is also an ever increasing 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 a significant and 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 also increasingly focuses on investments in startups in order to gain access to innovative technologies and support their implementation in the market.

In order to make the best possible use of acquisition opportunities, employees of the M&A and Corporate Development & Operations 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. In addition, opportunities that arise from investments and interests in startup companies are to be developed in a more targeted way. To this end, the Startup & Venture Investments function has been established at holding company level to coordinate and support such interests in young companies.

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, which can arise in the context of company acquisitions, is subject to an annual impairment test. There was no need for write-downs in the 2021 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	low	low
Human resources	high	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	low	medium
Acquisition and integration	high	high

Legal, Tax and Compliance Risks and Cybersecurity Risks

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.

To mitigate the above risks, the legal department is involved in all important processes and major contracts, advises on complex legal matters and ensures standardized workflows and legally required submissions.

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. Current uncertainties in connection with the further development of the US tax reform as well as growing US business and transnational regulations increase the risk that the company's tax burden could rise in future.

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 training tool is used so that employees can recognize potentially critical situations and react to them correctly.

Continuous measures such as updating the Code of Conduct, the first edition of a voluntary Supplier Code of Conduct, Group-wide antitrust guidelines and tailored compliance communication measures serve to raise awareness on a continuous basis, thus helping to prevent potential risks.

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. Violations of the General Data Protection Regulation (GDPR) may result in fines of up to 20 million euros or, in the case of a company, up to 4% of its total annual worldwide revenues in the preceding financial year, whichever is higher, depending on the type of violation of GDPR provisions pursuant to Art. 83 of the GDPR. In addition, local data protection authorities can also impose other sanctions on the data controller in accordance with Article 83 of the GDPR. The Nemetschek Group has designed its processes to be fundamentally data protection compliant and an external data protection officer also supports compliance with the data protection regulations.

Cybersecurity Risks

Due to the increasing risk from cyberattacks or cyber attacks, this risk is explained separately.

The Nemetschek Group is at the vanguard of the digital transformation of the AEC/O industry and covers the entire lifecycles of construction and infrastructure projects.

Providing information and development services, safeguarding the company's own software products and offering and operating IT systems are the Nemetschek Group's critical key assets in this area.

The risk of cyberattacks is constantly rising around the world due to increasing digitalization, the progressive spread of decentralized, location-independent work processes (working from home), as well as increasing professionalization of cybercriminal gangs. For example, the German Federal Office for Information Security (BSI) noted around 400,000 new malware variants from June 2020 to May 2021 alone[1].

Like many other technology companies worldwide, the Nemetschek Group finds itself confronted with a growing threat from cyber risks.

The Nemetschek Group actively counters these risks and has implemented appropriate measures to maintain and improve its level of protection. These are aimed at ensuring information and IT systems are suitably protected against various threats. In our view, a suitable level of protection is ensured through continuous professionalization and improvements in information security as well as appropriate organizational and technical measures at both Group and brand level.

The overarching security standards and security measures are defined and monitored by the Corporate Information Security Officer in line with an information security management system (ISMS) that is described in the Group Information Security Guideline and based on the internationally recognized information security standards of ISO 27001.

This is in addition to measures to raise awareness among employees, regular centrally managed awareness campaigns and training on the topic of cybersecurity.

Due to the Nemetschek Group's decentralized organization largely comprising brands that operate independently, the IT systems and infrastructures are mostly operated independently of one another within the brands. This leads to a natural distribution of risks.

A cybersecurity insurance policy covering all Group companies was taken out in 2017 as a further safeguarding measure.

In summary, this means:

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

[1] Die Lage der IT-Sicherheit in Deutschland 2021, German Federal Office for Information Security (BSI)https://www.bsi.bund.de/SharedDocs/Downloads/DE/BSI/Publikationen/Lageberichte/Lagebericht2021.pdf; page 11).

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 2021, the Nemetschek Group had liabilities to banks of around EUR 129 million (previous year: around EUR 130 million). The Group continued to generate positive cash flow from operating activities in the 2021 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. The Treasury function at holding company level has been significantly strengthened and areas such as core banks, liquidity and risk management professionalized through measures that include establishing governance structures and revising processes and systems.

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 targeted internationalization of the Group's activities will increase the significance of exchange rate fluctuations for the Group's business activities. Currency fluctuations only have a limited effect at Group level, as the operating subsidiaries outside the eurozone generate most of their revenues, costs and expenses in their local currencies (natural hedging). Nevertheless, currency fluctuations in one of the countries can have consequences, particularly in terms of sales and pricing, which can affect the revenue and earnings situation of individual brands. Overall, the development of the US dollar in relation to the euro led to negative currency effects on revenues and EBITDA in 2021, although this trend was reversed in the second half of the year resulting in positive currency effects from the US dollar. In view of the uncertainties as regards the further development of inflation and interest rates, currencies may continue to be volatile and impact the company accordingly.

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.

Current developments as regards raw material supplies and supply chain disruptions may also result in project delays and refinancing difficulties. The Nemetschek Group recognizes and continuously monitors this increased systemic risk and takes appropriate countermeasures as required.

Apart from the systemic risk mentioned above, 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
Liquidity risk	very low	very low
Currency risks	high	high
Default risk and risk management	medium	medium
Interest risk	very low	very low

Summary Assessment of the Group's Opportunity and Risk Situation

Compared to the previous year, the company's overall risk profile has changed slightly, as have some of the individual risks and opportunities described. In addition, cyber risk and liquidity risk were added compared with the previous year. The slightly amended risk profile is largely based on the increased geopolitical uncertainties and their possible impact. We continue to monitor the development of the Covid-19 pandemic closely. However, a decreasing risk can be observed here overall compared to the previous year. Owing to its increasing significance for the company, the risk that cyberattacks could arise is disclosed and described as a separate risk (cybersecurity risk). 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 2022

Overall Economic Development

As a globally active company, the Nemetschek Group is 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 development of the global economy is currently influenced by many factors whose effects are associated with uncertainties. In many parts of the world, the Covid-19 pandemic has led to new and extensive restrictions due to the spread of the Omicron variant. These firstly comprise the containment measures determined by individual governments, but the high number of people infected and quarantining may secondly also lead to restrictions in public and business life and their associated impacts. Furthermore, the rises in energy, raw material and logistics costs over the course of the pandemic, combined with continuing supply bottlenecks, are dampening economic developments in different industries.

Beyond the pandemic, there are still high uncertainties regarding political conflicts and their potential impact on future economic development. Relations between Russia and Ukraine and trade relations between the USA and China are worthy of mention here. As long as the war remains isolated between Russia and Ukraine, the Nemetschek Group currently sees general economic and inflationary developments in particular as the main risks. In addition, shifts in economic investments (from infrastructure/sustainability to defense) can also have a negative effect on the business. The current business (revenues) in Ukraine and Russia is not material for Nemetschek. In the event of an expansion of the armed conflict, further risks could be added.

Moreover, continuing uncertainties as regards implementation of the United Kingdom's exit from the European Union (EU) are also having an impact on the global economy. The growing efforts and activities of individual economic areas to transition to a more sustainable economy (e.g. the European Green Deal in the European Union) may also bring about significant changes in the economic environment.

At bottom, however, in its Annual Report 2021/2022 published on November 10, 2021, the German Council of Economic Experts anticipates global gross domestic product (GDP) will rise by 4.4% in 2022. The World Economic Outlook Update published by the International Monetary Fund (IMF) on January 25, 2022 also forecasts global economic growth of 4.4% for 2022. In October 2021, the IMF still envisaged growth of 4.9%. The forecast the IMF published in January 2022 takes account of more up-to-date insights, particularly those pertaining the development of the Covid-19 pandemic and geopolitical events.

The following developments are forecast for the regions of significance for the Nemetschek Group. GDP in the **eurozone** is expected to grow by 4.3% (German Council of Economic Experts) and 3.9% (IMF) in 2022. According to the German Council of Economic Experts, GDP in Germany is expected to grow by 4.6% in 2022, while the IMF sees growth in Germany at 3.8%. For the **USA**, the German Council of Economic Experts expects growth of 4.4% in 2022, while the IMF expects growth of 4.0%. For **Asia**, the German Council of Economic Experts forecasts GDP growth of 4.8%. It anticipates growth of 5.0% for China. In its latest forecast, published in January 2022, the IMF estimates 4.8% economic growth for China, citing, in particular, the impact of the "zero tolerance" policy for tackling the Covid-19 pandemic and the economic consequences of property developers' financial problems as reasons for this.

Overall, the uncertainties associated with the above forecasts are great and depend above all on the further course of the pandemic and further development of political and economic conflicts, crises and conditions. Any occurring or increasing risks or deterioration in conditions may have a negative effect on the development of the global economy. Equally, a faster end to the pandemic, resolution of conflicts or improvement in conditions may also provide positive impetus for the global economy that also has significance for the industries and regions of relevance to the Nemetschek Group.

Sources: German Council of Economic Experts, Annual Report 2021/2022 dated November 10, 2021 and International Monetary Fund, World Economic Outlook Update dated January 25, 2022.

Sector-Specific Development

Construction Industry

The Covid-19 pandemic has shown that the construction industry is highly resilient overall. The European construction industry recovered as early as 2021 and reached the level of revenues achieved in 2019, contrary to expectations. The experts at Euroconstruct also expect growth of +3.6% for 2022. The forecasts for 2023 and 2024 are somewhat more cautious, with experts anticipating growth of 1.5% at the most. The positive outlook is clouded by uncertainties as regards supply chains, raw material prices and the shortage of skilled workers.

Although, unlike in the previous year, the **German** construction industry is expected to grow in 2022, this remains below the average for the Euroconstruct countries at +1.1%. The same applies to other smaller markets in **Europe,** including Switzerland (+0.7%), Norway (+2.5%) and Austria (+2.6%). The highest growth rates in **Europe** for 2022 are expected in Ireland (+8.4%), Spain (+8.0%), Hungary (+7.2%), Great Britain (+5.9%) and Italy (+5.6%).

In the **USA**, construction output is forecast to grow by +3% in both 2022 and 2023. Growth is expected to climb to +6% in the subsequent years, driven especially by infrastructure construction. The reason for this is the USD 1.2 trillion infrastructure package adopted in 2021 which is making civil engineering a growth driver in the US construction industry in the medium term.

Sources: ifo (Nov. 2021) – 92nd Euroconstruct Summary Report; FMI (Oct. 2021) – 2021 North American Engineering and Construction Outlook Fourth Quarter Edition; GTAI (Nov. 13, 2021) – Tiefbau erfüllt in den USA die Erwartungen; GTAI (July 1, 2021) – In China wird 2021 kräftig weitergebaut; GTAI (Sept. 27, 2021) – Indien stockt Investitionen im Infrastruktursektor auf; GTAI (Sept. 28, 2021) – Indiens Baubranche erwartet weitere Erholung für 2022; GTAI (Oct. 18, 2021) – China will Infrastruktur weiter kräftig ausbauen; GTAI (July 30, 2021) – Japans Bauwirtschaft hofft auf neue konjunkturelle Impulse, um die Auftragsbücher füllen zu können; GTAI (Sept. 14, 2021) – Smart Cities sind langfristige Investitionsprojekte; RICE (Dec. 2021) – Quarterly Outlook of Construction and Marco Economy; IBEF (Dec. 2021) – Indian Infrastructure Industry Analysis

Digitalization in Construction

Digitalization in the construction industry is less advanced than in other industries. The reasons for this include the high degree of fragmentation and low margins in the construction sector. Nevertheless, a large number of players in the construction industry view the digital transformation as a key competitive advantage and strategic priority. The Covid-19 pandemic may further accelerate existing trends such as digitalization in the medium to long term. Accordingly, the Nemetschek Group is operating in a market that remains dynamic and offers 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, will have a particularly positive effect. The driver behind this development is the international non-profit organization buildingSMART, which promotes digitalization in the construction industry.

Sources: www.buildingsmart.org; IFS (Oct. 2020) – Understanding construction and engineering spending on digital transformation; InEight (July 2021) – Global Capital Projects Outlook – Optimism and Digitization; McKinsey (June 2020) – The next normal in construction; McKinsey (Feb. 17, 2017) – Reinventing construction through a productivity revolution; Verdantix (Dec. 2020) – Market Overview: AEC Software

Company Expectations

Despite the uncertainties associated with the continuing Covid-19 pandemic and current geopolitical conflicts, 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/Pacific, including Japan and Australia, 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.

The same applies to the Media & Entertainment segment. Europe, Asia and the USA are key regions here too.

Further internationalization is also a significant 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

The group structure consists of a strategic holding company and the operational business. The company's operating activities are carried out via four segments with a total of 13 brands. 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. They also strengthen brand cooperation and networking so as to reduce the complexity resulting from the diversity of brands. The merger of the Graphisoft and DDS brands on one hand and the Precast Software Engineering, SDS/2 and Allplan brands on the other make it possible to offer the respective multidisciplinary customer segments a BIM product portfolio that addresses their all-round needs. The platform-based BIM solution from Allplan takes the so-called "buildability" into account right from the start in order to ensure continuous BIM workflows even during the transition from the planning phase to the construction phase.

As part of the merger of DDS and Graphisoft, the competence of DDS for technical building equipment was bundled with the technology platform and global market position of Graphisoft. In this way, the – complementary – competences and strengths of both brands can be used and growth can be further advanced.

Thus it is not only “smaller” brands that benefit from the presence and sales strength of the internationally focused Graphisoft and Allplan brands. In particular, this integrated product portfolio now enables them to address the needs of integrated, multidisciplinary customer groups in an even more targeted way.

The Nemetschek Group continues 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.

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 the 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.

At the same time, Nemetschek is focusing on future topics that will shape and change the construction and media industries. New technologies such as artificial intelligence (AI), digital twins, robotics, automation or the use of Internet-of-Things sensors will further change the AEC/O markets in the future and at the same time increase the market potential. The Nemetschek Group recognised these topics and has occupied them both with its own developments and with investments in start-ups. Augmented and virtual reality will also change not only the AEC/O industry, but also the media and entertainment market. The Nemetschek Group has become significantly stronger in the Media & Entertainment segment over recent years, due in part to the acquisitions of Redshift, Red Giant and the acquisiton of the Pixologic business operations. The comprehensive range of solutions now covers all five key areas of application from modeling, animation, rendering and painting to sculpting. As a result, Nemetschek has significantly expanded its customer base. With the expanded portfolio, Maxon has already established a good position in the huge 3D animation as well as emerging Metaverse market.

Subscription/Software as a Service (SaaS) and Sales Approach

The brands of the Nemetschek Group will continue to offer their customers a certain 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 would like to use the software flexibly and without a one-off license fee. In the four segments, 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 area of application and region.

In the Design segment, brands such as RISA already generate a large part of their revenues with rental models. The major portion of revenues for the brands still comes from license models and software service contracts. In the future, it is planned to continue expanding the range of rental models in the Design segment, which is partly 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 revenues in the USA but has also grown significantly outside the US during 2021, will increasingly migrate to rental models in the second half of 2022. To make the range of rental models as attractive as possible, the brand will offer customers added value with new features. Based on the strong growth in new users in 2021, Bluebeam will start the subscription transition from a significantly higher user base in 2022. At the same time, Bluebeam 2021 has already started testing the new subscription solutions with selected customers to gain sound feedback and insights. Nemetschek is convinced that this will maximise customer benefits, accelerate growth, and successfully launch the conversion from an even higher user base in 2022.

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 subscription in the third quarter of 2019. The Maxon ONE product suite bundles all features into one attractive offer for creative users. Maxon now generates around 70% of revenues with subscription, with contributions from the recently acquired and already integrated brands Redshift and Red Giant. The successful migration is reflected in the strong growth of the brand and the significant broadening of the customer base.

The strategic objective is to increase visibility and predictability with the successive increase in recurring revenues from rental models while still maintaining close customer contact and increasing customer satisfaction by a faster pace of innovation.

Growth – Organic and Inorganic as well as Investments in Start-ups

The sustainable organic development of the Nemetschek Group will continue to be supplemented by value-adding acquisitions with the objective of closing gaps in the Group portfolio and thus extending and rounding out 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 structure, the Nemetschek Group has the financial resources to finance its planned future growth through acquisitions, cooperations and partnerships. As in the past, the preferred form of financing for acquisitions is possible via current cash flow, the liquidity portfolio and borrowing capital.

In the 2021 financial year, Nemetschek further expanded its Media & Entertainment segment and significantly strengthened its positioning in the fast-growing metaverse market with the acquisition of the business operations of the Los Angeles-based US company Pixologic, a specialist in digital 3D sculpting and painting.

In addition, Nemetschek has invested in start-up companies in order to further increase its innovative strength. Last year, for example, Nemetschek took minority stakes in three young and innovative companies from Germany, the USA and Norway as part of financing rounds. We will continue these start-up investments in the future, because product excellence and innovative strength are the key to ensuring that we can continue to offer architects, engineers and facility managers real technological added value in the future.

Focal points and objectives of the Nemetschek Group's acquisition activities are described in detail under *<< 1.2 Targets and Strategy – Acquisitions >>*. In addition, the activities carried out in connection with acquisitions and divestments in the 2021 financial year are described in detail under *<< 3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance – Acquisitions/Divestments >>* as well as in the notes to the consolidated financial statements under *<< Acquisition of Subsidiaries >>.*

Investments and Liquidity

As in previous years, operating cash flow in 2022 should help 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 and retain existing employees worldwide in a targeted manner in 2022 and therefore expects a moderate increase in personnel expenses. Other operating expenses, including selling expenses, will also tend to rise in 2022 regarding the further planned international expansion. In individual cases, key elements of the investment planning for 2022 are to be re-examined and assessed in the context of the ongoing uncertain business environment, taking account of the potentially changing conditions. The Nemetschek Group is continuing its investment policy in order to implement its corporate strategy aimed at profitable growth.

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 Expected Development

Outlook for the Nemetschek Group

Over the more than two-year duration of the Covid-19 pandemic, the Nemetschek Group has demonstrated it has a crisis-resistant business model. Furthermore, it continued to pursue its strategic objective of profitable growth with great momentum in the 2021 financial year. Thanks to recurring revenues from service contracts subscription, which now account for a share of around 61%, the Nemetschek Group has a high degree of planning security. In addition, the international positioning of the Group and the targeting of different customer groups across the four segments offer a broad risk diversification. Added to this is the financial structure of the Nemetschek Group with an equity ratio of around 51% and high cash generation.

In our forecast for business performance, 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 around 4% in 2022.

As long as the war remains isolated between Russia and Ukraine, the Nemetschek Group currently sees general economic and inflationary developments in particular as the main risks. In addition, shifts in economic investments (from infrastructure/sustainability to defense) can also have a negative effect on the business. The current business (sales) in Ukraine and Russia is not material for Nemetschek. In the event of an expansion of the armed conflict, further risks could be added.

Furthermore, we have assumed positive development in the construction industry overall in our forecast for 2022. We view the requirement for digitalization in the construction industry as an additional and key growth driver for our business. This comes in addition to ever higher sustainability standards in the planning, construction and management of buildings. Despite a short-term dip in growth, the development of the construction industry has demonstrated its high level of resilience in the face of the Covid-19 pandemic. Construction output thus reached the pre-crisis level of 2019 in many key markets as early as 2021.

The media and entertainment industry, in turn, benefits from a continuously increasing demand for high-quality content and animation by creatives and the increasing use of visual effects (VFX) in films and videos. In addition, there is the trend around metaverse and the creation of an artificial environment. Nemetschek expects a hughe market potential and, through its Maxon brand, is well positioned to benefit from the future growth of the market.

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 forecasted growth. Key foreign currencies that are important for the Group are in particular the US dollar and the Hungarian forint. Analogously to previous years, the forecast for 2022 was prepared on the basis of constant exchange rates.

Taking account of general economic and industry-specific conditions, the Executive Board has a positive outlook for the 2022 financial year. On the basis of constant exchange rates and the current brand portfolio, it is anticipating revenue growth to be in the 12%–14% range. Recurring revenues are expected to grow at an above-average rate, thus further expanding their share of total revenues. The EBITDA margin is expected to be in a range of 32%–33%.

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 and an expansion of the Ukraine conflict.

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 the like. 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

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 2021 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, 2021, 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 four 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
The Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to a total of EUR 11,550,000 through the issue of up to 11,550,000 new no-par bearer shares against cash and/or non-cash contributions on one or more occasions until May 11, 2026 (inclusive) (Authorized Capital 2021). Shareholders are to be granted their statutory subscription right to the new shares. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply, in full or in part, on one or more occa-

sions, the shareholders' subscription right in accordance with the details of the resolution on agenda item 8 by the Annual General Meeting of May 12, 2021.

The company's share capital is contingently increased by up to EUR 11,550,000.00 through the issue of up to 11,550,000 new no-par bearer shares (Contingent Capital 2021). The Contingent Capital 2021 serves the purpose of issuing shares to the creditors of convertible bonds and/or bonds with warrants with conversion or option rights and/or conversion or option obligations (or a combination of these instruments) that are issued in accordance with the authorization of the Annual General Meeting of the company of May 12, 2021 under agenda item 9 by Nemetschek SE or domestic or foreign companies in which Nemetschek SE holds a direct or indirect interest with the majority of voting rights and capital, until May 11, 2026. In each case, the new shares will be issued at the conversion or option price to be determined in accordance with the authorization of the Annual General Meeting of the company of May 12, 2021 under agenda item 9. The contingent capital increase may only be carried out to the extent that the holders of conversion or option rights under the specified bonds exercise their conversion or option rights or conversion or option obligations under such bonds are fulfilled and provided that such conversion or option rights or conversion or option obligations are not served through treasury shares, through shares from authorized capital or through other benefits. The new shares will confer a share in profits from the beginning of the financial year in which they are created through the exercising of conversion/option rights or fulfillment of conversion/option obligations. As far as legally permissible, the Executive Board may, with the approval of the Supervisory Board, also specify that new shares will also confer a share in profits for a past financial year in derogation of Section 60 (2) of the German Stock Corporation Act (AktG). The Executive Board is authorized to stipulate further details regarding the implementation of the contingent capital increase.

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.

Munich, March 17, 2022

Yves Padrines   Dr. Axel Kaufmann   Viktor Várkonyi   Jon Elliott

Consolidated financial statements

(IFRS)

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Consolidated financial statements (IFRS)

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

Consolidated statement of comprehensive income

for the period from January 1 to December 31, 2021 and 2020

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2021	2020	[Notes]
Revenues	**681,471**	**596,905**	[1]
Other income	9,829	10,161	[2]
Operating income	**691,300**	**607,066**	
Cost of goods and services	−25,343	−23,682	[3]
Personnel expenses	−292,019	−267,065	[4]
Depreciation of property, plant and equipment and amortization of intangible assets	−49,974	−49,778	[5]
thereof amortization of intangible assets due to purchase price allocation	*−25,437*	*−24,498*	
Other expenses	−151,974	−144,027	[6]
Operating expenses	**−519,309**	**−484,552**	
Operating result (EBIT)	**171,991**	**122,515**	
Interest income	147	278	[7]
Interest expenses	−2,740	−2,979	[7]
Other financial income/expenses	892	−61	[8]
Net finance costs	**−1,700**	**−2,761**	
Share of net profit of associates	334	274	[9], [18]
Earnings before taxes (EBT)	**170,625**	**120,027**	
Income taxes	−33,702	−22,334	[10]
Net income for the year	**136,923**	**97,693**	
Other comprehensive income:			
Difference from currency translation	23,259	−30,894	
Items of other comprehensive income that are reclassified subsequently to profit or loss	**23,259**	**−30,894**	
Gains/losses from the revaluation of defined benefit pension plans	174	−200	
Tax effect	−52	57	
Items of other comprehensive income that will not be reclassified to profit or loss	**122**	**−143**	
Subtotal other comprehensive income	**23,381**	**−31,036**	
Total comprehensive income for the year	**160,304**	**66,657**	
Net profit or loss for the period attributable to:			
Equity holders of the parent	134,618	96,947	
Non-controlling interests	2,305	747	
Net income for the year	**136,923**	**97,693**	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	156,594	67,813	
Non-controlling interests	3,710	−1,156	
Total comprehensive income for the year	**160,304**	**66,657**	
Earnings per share (undiluted) in euros	1.17	0.84	[11]
Earnings per share (diluted) in euros	1.17	0.84	[11]
Average number of shares outstanding (undiluted)	115,500,000	115,500,000	[24]
Average number of shares outstanding (diluted)	115,500,000	115,500,000	[24]

Consolidated statement of financial position

as at December 31, 2021 and December 31, 2020

STATEMENT OF FINANCIAL POSITION

Assets Thousands of €	**December 31, 2021**	December 31, 2020	[Notes]
Current assets			
Cash and cash equivalents	157,095	139,320	[12]
Trade receivables	70,108	64,571	[13]
Inventories	949	642	[14]
Income tax receivables	4,766	6,010	[10]
Other financial assets	1,220	1,624	[14], [23]
Other non-financial assets	28,990	24,204	[14]
Current assets, total	**263,128**	**236,371**	
Non-current assets			
Property, plant and equipment	20,736	21,628	[15]
Intangible assets	158,884	138,176	[16]
Goodwill	523,967	416,706	[16]
Right-of-use assets	59,233	61,328	[17]
Investments in associates	4,063	1,344	[18]
Deferred tax assets	8,208	7,465	[10]
Other financial assets	13,816	4,835	[14], [23]
Other non-financial assets	2,158	1,809	[14]
Non-current assets, total	**791,064**	**653,290**	
Total assets	**1,054,193**	**889,661**	

Equity and liabilities Thousands of €	December 31, 2021	December 31, 2020	[Notes]
Current liabilities			
Short-term borrowings and current portion of long-term loans	93,766	59,601	[19], [23]
Trade payables	11,260	11,229	[19], [23]
Provisions and accrued liabilities	71,744	56,250	[20]
Deferred revenue	157,975	129,469	[1]
Income tax liabilities	11,496	9,253	[10]
Other financial liabilities	7,355	1,618	[19], [23]
Lease liabilities	14,060	13,369	[19], [23]
Other non-financial liabilities	16,870	15,023	[21]
Current liabilities, total	**384,526**	**295,813**	
Non-current liabilities			
Long-term borrowings without current portion	34,935	70,670	[19], [23]
Deferred tax liabilities	20,590	25,222	[10]
Pensions and related obligations	3,601	3,083	[22]
Provisions	4,530	4,153	[20]
Deferred revenue	2,966	2,406	[1]
Income tax liabilities	4,787	3,050	[10]
Other financial liabilities	1,241	8,731	[19], [23]
Lease liabilities	51,977	54,254	[19], [23]
Other non-financial liabilities	3,379	4,986	[21]
Non-current liabilities, total	**128,005**	**176,556**	
Equity			**[24]**
Subscribed capital	115,500	115,500	
Capital reserve	12,485	12,485	
Retained earnings	415,410	315,341	
Other comprehensive income	−17,533	−39,408	
Equity (group shares)	**525,862**	**403,919**	
Non-controlling interests	15,799	13,373	
Equity, total	**541,662**	**417,292**	
Total equity and liabilities	**1,054,193**	**889,661**	

Consolidated cash flow statement

for the period from January 1 to December 31, 2021 and 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	2021	2020	[Notes]
Profit (before tax)	170,625	120,027	
Depreciation and amortization of fixed assets	49,974	49,778	
Net finance costs	1,700	2,761	
Share of net profit of associates	−334	−274	
EBITDA	**221,965**	**172,293**	**[26]**
Other non-cash transactions	109	5,202	
Cash flow for the period	**222,074**	**177,494**	**[26]**
Change in trade working capital	18,576	6,816	
Change in other working capital	10,608	9,246	
Dividends received from associates	97	31	
Interests received	92	208	
Income taxes received	3,309	6,966	
Income taxes paid	−40,395	−43,270	
Cash flow from operating activities	**214,361**	**157,490**	**[26]**
Capital expenditure	−9,925	−9,100	
Changes in liabilities from acquisitions	−1,683	−637	
Cash received from disposal of fixed assets	245	421	
Cash paid for acquisition of subsidiaries, net of cash acquired	−127,070	−101,689	
Cash paid for acquisition of equity instruments of other entities	−6,732	0	
Cash paid for acquisition of interests in associates	−2,452	0	
Cash flow from investing activities	**−147,617**	**−111,005**	**[26]**
Dividend payments	−34,650	−32,340	
Dividend payments to non-controlling interests	−1,283	−938	
Cash received from loans	75,579	6,850	
Repayment of borrowings	−77,500	−65,385	
Principal elements of lease payments	−15,110	−13,156	
Interests paid	−2,390	−2,670	
Payments for acquisitions of non-controlling interests	0	−1,500	
Cash flow from financing activities	**−55,354**	**−109,139**	**[26]**
Changes in cash and cash equivalents	**11,390**	**−62,653**	
Effect of exchange rate differences on cash and cash equivalents	**6,385**	**−7,170**	
Cash and cash equivalents at the beginning of the period	**139,320**	**209,143**	
Cash and cash equivalents at the end of the period	**157,095**	**139,320**	**[12]**

Consolidated statement of changes in equity

for the period from January 1, 2020 to December 31, 2021

EQUITY

	Equity attributable to the parent company's shareholders						
Thousands of €	Subscribed capital	Capital reserve	Retained earnings	Translation reserve	**Total**	Non-controlling interests	**Total equity**
As of January 1, 2020	**115,500**	**12,485**	**230,924**	**–10,396**	**348,513**	**103**	**348,616**
Other comprehensive income	-	-	–121	–29,012	–29,133	–1,903	–31,036
Net income for the year	-	-	96,947	-	96,947	747	97,693
Total comprehensive income for the year	**0**	**0**	**96,825**	**–29,012**	**67,813**	**–1,156**	**66,657**
Acquisition of a subsidiary	-	-	19,932	-	19,932	15,364	35,296
Dividend payments to non-controlling interests	-	-	-	-	0	–938	–938
Dividend payment	-	-	–32,340	-	–32,340	-	–32,340
As of December 31, 2020	**115,500**	**12,485**	**315,341**	**–39,408**	**403,918**	**13,373**	**417,292**
As of January 1, 2021	**115,500**	**12,485**	**315,341**	**–39,408**	**403,918**	**13,373**	**417,292**
Other comprehensive income	-	-	101	21,875	21,976	1,405	23,381
Net income for the year	-	-	134,618	-	134,618	2,305	136,923
Total comprehensive income for the year	**0**	**0**	**134,719**	**21,875**	**156,594**	**3,710**	**160,304**
Dividend payments to non-controlling interests	-	-	-	-	0	–1,283	–1,283
Dividend payment	-	-	–34,650	-	–34,650	-	–34,650
December 31, 2021	**115,500**	**12,485**	**415,410**	**–17,533**	**525,862**	**15,799**	**541,662**

For more information, reference is made to the notes business combinations and [24] Equity.

Notes to the consolidated financial statements

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Notes to the consolidated financial statements for the fiscal year 2021

General information

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

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

The consolidated financial statements of Nemetschek SE as at December 31, 2021 comprise Nemetschek SE and its subsidiaries and are prepared in compliance with International Financial Reporting Standards and the relevant interpretations (IFRS) as to be applied in the European Union (EU) as at December 31, 2021, and the additional requirements pursuant to § 315e HGB German Commercial Code (HGB).

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

Accounting standards applied for the first time in 2021

The Group has initially adopted the following amendments that became effective as at 1 January 2021:

» Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

» Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

Neither amendment has a material effect on the Group's financial statements.

Accounting standards that are not yet effective

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

PUBLISHED FINANCIAL REPORTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

Amendments to standards/interpretations		Mandatory application	Anticipated effects
IFRS 3	References to the Conceptual Framework	Jan. 1, 2022	No material effects expected
IAS 37	Onerous Contracts - Costs of Fulfilling a Contract	Jan. 1, 2022	No material effects expected
IAS 16	PP&E: Proceeds before Intended Use	Jan. 1, 2022	No material effects expected
AIP 2018–2020	IFRS 1, IFRS 9, IFRS 16, IAS 41	Jan. 1, 2022	No material effects expected
IFRS 17	Including Amendments to IFRS 17	Jan. 1, 2023	No effects expected
IAS 1	Classification of Liabilities as Current or Non-current including Deferral of Effective Date	Jan. 1, 2023	No material effects expected
IAS 1	Disclosure of Accounting Policies	Jan. 1, 2023	No material effects expected
IAS 8	Definition of Accounting Estimates	Jan. 1, 2023	No material effects expected
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	No material effects expected
IAS 1	Disclosure of Accounting Policies	Jan. 1, 2023	No material effects expected

Summary of significant accounting policies

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

Consolidation principles

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

A schedule of the shareholdings of Nemetschek SE is shown in section [32] of the consolidated financial statements.

Subsidiaries

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

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

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

Non-controlling interests

Non-controlling interests have a share in the earnings of the reporting period. Their interests in the shareholders' equity of subsidiaries are reported separately from the equity of the Group. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For transactions with non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

Associates

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

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

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

Valuation methods

The following table shows the most important subsequent valuation principles:

SUBSEQUENT VALUATION METHODS

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

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

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

Investments in equity instruments do not fulfill the cash flow conditions. The instruments are measured at fair value through profit or loss.

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

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

The subsequent measurement of financial assets is as follows:

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS ACCORDING TO IFRS 9

IFRS 9 category	Subsequent measurement principle
Amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by loss allowances. Interest income, foreign exchange gains and losses and loss allowances are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. When available, management uses external resources like market studies to support the assumptions. Revisions to estimates are recognized prospectively. Besides other risk factors impacting the Group's business, additional uncertainties arising from the Covid-19 pandemic have been factored in.

Information about assumptions and estimation uncertainties on December 31, 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year is included in the following notes:

» Note [16] - Impairment of goodwill: key assumptions underlying recoverable amounts.

» Note business combinations: fair value of the consideration transferred (including contingent consideration), fair value of intangible assets acquired as well as their useful lives.

» Note [10] - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized.

» Notes [13] and [23] - measurement of loss allowances for trade receivables: The determination of loss allowances is based on historical values which are adjusted to account for information relating to the future. Material (special) items from the past may distort risk provisioning, which may make correction necessary.

Fair value estimation

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

» Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

» Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is derived from prices), and

» Level 3: Inputs for asset or liability that are not based on observable market data (that is unobservable inputs).

On December 31, 2021 and 2020, the Group's financial instruments carried in the statement of financial position at fair value are categorized within Level 3 of the fair value hierarchy. They are reported in the statement of financial position as other financial assets and other financial liabilities. In accordance with IFRS 13, the following overview shows the valuation methods as well as the unobservable inputs used:

DETERMINATION OF FAIR VALUES

	Other financial liabilities	Other financial assets
Type	Contingent consideration	Unlisted equity securities
Valuation method	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value adjustments are recognized under other financial expenses/income.	A market based approach is used, evaluating a variety of quantitative and qualitative factors such as last financing round, actual and forecasted results, milestone achievements, cash position, recent or planned transactions, and market comparable companies (venture capital method). The fair value adjustments are recognized under other financial expenses / income.
Significant unobservable inputs	Probability adjusted revenues and profits	NA
Relationship of significant unobservable inputs to fair value	An increase in the probability adjusted revenues and profits used in isolation would result in an increase in the fair value.	NA

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

Currency translation

Functional and presentation currency

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

Group companies

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

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

Transactions and balances

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

Cash and cash equivalents

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

Trade receivables

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

Inventories

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

Other financial assets

Other financial assets mainly relate to security deposits carried at amortized cost and equity instruments recognized at fair value through profit or loss.

Impairment of financial assets

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

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

For other financial assets, Nemetschek Group applies the general impairment approach according to IFRS 9. As it is the policy of Nemetschek Group to invest only in high-quality assets of issuers with a minimum internal or external rating of at least investment grade, the low credit risk exception is used. Thus, these assets are always allocated to stage 1 of the three-stage credit loss model and, if material, a loss allowance for an amount equal to 12-month expected credit losses will be recorded. Impairment losses on other financial assets are shown in the line item "Other financial expenses." The credit risk of cash and cash equivalents measured at amortized cost is insignificant due to their short-term maturity, counterparties' investment grade credit ratings and established exposure limits. Therefore, Nemetschek Group did not recognize any credit impairment losses of those financial assets.

Other non-financial assets

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

Property, plant and equipment

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

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

TABLE OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

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

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

Intangible assets and goodwill

Goodwill

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

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. For purposes of internal and external reporting, the activities of Nemetschek Group are broken down into the Design, Build, Manage and Media & Entertainment segments. The budget for 2022 and the medium-term planning for the subsequent years were drawn up on the basis of this reporting structure.

Intangible assets (except goodwill)

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

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

The useful lives of intangible assets acquired in a business combination are estimates based on the economics of each specific asset which were determined in the process of the purchase price allocation. The useful lives are reviewed at each reporting date by taking into account amongst others technological change and adjusted if appropriate. The major part of these assets are brand names, technology and customer relationships. Intangibles acquired in a business combination are amortized as follows:

USEFUL LIFE OF INTANGIBLE ASSETS FROM THE PURCHASE PRICE ALLOCATION

	Useful life in years
Brand name	10 – 15
Technology	5 – 12
Customer Relationship	10 – 25

Development costs

Costs of research are expensed in the period in which they are incurred. Costs for development activities, whereby research findings are applied to a plan or design for the development of new or substantially improved intangible asset, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable. Furthermore, Nemetschek Group intends, and has sufficient resources, to complete development and use or sell the intangible asset. In the fiscal year 2021, as well as in the previous year, none of the development projects fulfilled the capitalization criteria. Development costs in the amount of EUR 148,880k (previous year: EUR 142,006k) and amortization of software acquired in business combinations in the amount of EUR 17,574k (previous year: EUR 14,516k) are carried as expenses.

Impairment of non-financial assets

Assets with a finite useful life

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

Goodwill and other assets with an indefinite useful life

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

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

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

The determination of the future cash flows and their underlying parameters such as revenue growth and EBITDA margin is performed on the basis of the knowledge gained in the past, the current economic results and the budgets approved over a period of three to five years, which contains the expected future macroeconomic developments. The budgeting for the fiscal year 2022 is prepared applying certain uniform Group assumptions "from the bottom to the top" (bottom-up method). The cash flows for the further budget years follow similar premises, however they are not at the same level of detail as the first budget year. Estimates for periods beyond the budgeting horizon are made using the perpetuity method. The growth rates applied do not account for capacity expanding investments for which cash flows have not yet been incurred. These are derived from available market studies by market research institutes and do not exceed the long-term average historical growth rates of the relevant cash-generating units. In the fiscal year 2021 a growth rate of up to 2.0% (previous year: 2.0%) was assumed.

The budgets are driven by a strongly growing business during the planning period of three to five years. In the terminal value a growth rate between 1.5% and 2.0% (previous year: 1.5% and 2.0%) is estimated leading to a gap between the last year of the detail plan and the terminal value. To derive a more realistic recoverable amount, a three year convergence period is applied. Within that period the growth rate at the end of the detail planning period converges to the growth rate applied in the terminal value.

The discount rate required for discounting future cash flows is calculated from the weighted average cost of capital (WACC) of the related cash-generating unit or group of cash-generating units after tax. The relevant pre-tax WACC in accordance with IAS 36 is derived from future cash flows after tax and the after-tax

WACC applying typical tax rates for each cash-generating unit. Then, the risk-free interest rate according to the Svensson method with accounting for risk premiums (with a floor applied by 0%), and the beta as well as the gearing ratio are derived from a group of comparable entities. The discount rate thus estimated reflects the current market returns as well as the specific risk of the respective cash-generating unit or group of cash-generating units. The discount rate applied to derive the present value of the cash flow forecasted ranges between 9.8% and 10.9% (previous year: 8.29% and 10.24%) before tax.

Leases

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

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

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

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

The Group recognizes leasehold improvements as an item of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted by using the incremental borrowing rate, as the interest rate implicit in the lease cannot be readily determined.

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

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

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

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

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

Financial liabilities

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

Financial liabilities measured at amortized cost

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss primarily include contingent consideration. Gains or losses on financial liabilities that are measured at fair value through profit or loss are included in profit or loss. Financial liabilities are derecognized when the contractual obligation is discharged or canceled, or has expired.

Offsetting of financial instruments

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

Provisions

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

Deferred revenue

Deferred revenue relates to the consideration received in advance from customers for which revenue is recognized over time.

Employee benefits

Short-term employee benefits

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

Pensions

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

Termination benefits

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

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

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

Provisions for other long-term employee benefits

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

Contingent liabilities

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

Taxes

Current income taxes

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

Deferred taxes

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

Revenues

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

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

Software

Software Licenses

Software licenses only include the software performance obligation. Revenue from software licenses is recognized when control of the software passes on to the customer. Control of the software passes on to the customer after the hardware is shipped to the customer or a link for downloading the software is sent to the customer.

Rental models

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

» For software rental models offerings that include access to the most recent version of the corresponding application via servers provided by Nemetschek Group companies, revenue is recognized straight-line over the term of the contract.

» In case the customer runs the application directly on the customer's own system, revenue is recognized at the point in time the customer has control over the software. The allocation of revenue to "Software" and other performance obligations is based on the residual value method or on the adjusted market assessment approach. The latter includes standalone selling price assumptions and judgements about technology lifetime cycles.

Advance payments received from customers for rental models are carried as deferred revenue (contract liability) and normally lead to revenue within the next twelve months.

Sales transactions via sales representatives / agents

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

Software service contracts

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

Consulting & Hardware

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

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

Grants
Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all related conditions will be complied with.

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

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

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

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

Business combinations

Acquisitions in 2021

Maxon Computer, Inc., Newbury Park, United States
Under the purchase agreement of November 23, 2021, Maxon Computer, Inc., acquired assets of Pixologic, Inc., Los Angeles, United States, within the scope of an asset deal, meeting the criteria for a business combination. The acquisition substantially completes Maxon's product line with 3D sculpting and painting expertise. It also firmly positions the company as an industry leader for providing superior creative tools to digital artists to the 3D animation market. The Group obtained control as at December 29, 2021. The purchase price amounted to EUR 121,649k. On the basis of the preliminary purchase price allocation, technology amounting to EUR 23,839k, customer relationships amounting to EUR 5,163k and brand name amounting to EUR 1,833k were recognized. The resulting goodwill amounted to EUR 90,814k. All amounts have been measured on a preliminary basis. The identified goodwill mainly represents future technology in the Media & Entertainment segment. The goodwill recognized is expected to be deductible for tax purposes. If the acquired assets had been in the Group for the entire 2021 financial year, they would have contributed revenues in the lower double-digit million Euro range.

Maxon Computer KK, Tokyo, Japan
Under the purchase agreement of November 19, 2020, Maxon Computer GmbH acquired 100% of the shares of Maxon Computer KK comprising the business segment of the Japanese distributor TMS Corp. The acquisition complements the group's existing segment Media & Entertainment. The Group obtained control as at January 19, 2021. The purchase price amounted to EUR 919k in cash as well as a contingent consideration liability in the amount of EUR 385k. On the basis of the purchase price allocation, customer relationships amounting to EUR 1,305k were recognized. The resulting goodwill amounted to EUR 1k.

Maxon Computer GmbH, Friedrichsdorf, Germany
Under the purchase agreement of February 24, 2021, Maxon Computer GmbH acquired the technology of a developer within the scope of an asset deal, meeting the criteria for a business combination. The acquisition complements the group's existing segment Media & Entertainment. The purchase price amounted to EUR 1,300k in cash as well as a contingent consideration liability in the amount of EUR 205k. On the basis of the preliminary purchase price allocation, technology amounting to EUR 119k was recognized. The resulting goodwill amounted to EUR 1,387k.

Vectorworks Australia Pty Ltd, Rosebery, Australia
Under the purchase agreement of July 14, 2021, Vectorworks, Inc. acquired 100% of the shares in Vectorworks Australia Pty Ltd, which includes the business segment of the Australian distributor OzCad Pty Ltd. The acquisition complements the group's existing segment Design. The purchase price amounted to EUR 3,288k in cash. On the basis of the preliminary purchase price allocation, customer relationships amounting to EUR 2,099k were recognized. The resulting goodwill amounted to EUR 1,876k.

Acquisitions in 2020

Red Giant LLC, Portland, United States
Under the purchase agreement of December 17, 2019, Maxon Computer GmbH acquired 100% of the shares of Red Giant LLC. The Group obtained control as at January 7, 2020. Red Giant offers a comprehensive product portfolio of motion graphics and innovative visual effects. With the acquisition Nemetschek expects to capture significant growth and technology synergies in the Media & Entertainment segment through better market and customer access and by leveraging the worldwide sales and reseller team.

The consideration transferred consists of EUR 79,553k in cash and 16% shares in Maxon Computer GmbH with a fair value of EUR 52,673k. The net cash flow on acquisition amounts to EUR 78,978k. The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

RED GIANT

Thousands of €	2020
Intangible assets	33,702
Property, plant and equipment	70
Trade receivables	667
Other current assets	164
Cash and cash equivalents	575
Deferred tax assets	330
Total assets acquired	**35,509**
Deferred tax liabilities	8,318
Accounts payable	215
Other current liabilities	971
Provisions and accruals	428
Deferred revenue	1,653
Total liabilities assumed	**11,585**
Net assets acquired	**23,924**

The carrying amount of the technology acquired at December 31, 2020 amounted to EUR 15,264k (previous year: EUR 18,784k) with a remaining amortization period of 3 years (previous year: 4 years).

The fair value of the trade receivables is also the gross amount of trade receivables. It is expected that the full contrac-tual amounts can be collected.

The non-controlling interest (16% ownership interest in Maxon Computer GmbH) recognized at the acquisition date in the amount of EUR 15,364k was measured by applying the partial goodwill method.

The goodwill arising from the acquisition has been recognized as follows:

RED GIANT

Thousands of €	2020
Consideration transferred - total	132,226
Net assets acquired	–23,924
Goodwill allocated to non-controlling interests (not capitalized due to partial goodwill method)	–17,377
Goodwill	**90,925**

The identified goodwill represents synergies in the Media & Entertainment segment. None of the goodwill recognized is expected to be deductible for tax purposes. The net exchange rate differences arising on goodwill during 2020 amounted to EUR –7,988k.

As part of the transaction, hidden reserves of Maxon Computer GmbH in the amount of EUR 19,932k were realized in equity.

In 2020, the company has generated revenues of EUR 18.8 milli-on and an EBITDA of EUR 3.5 million.

DEXMA Sensors S.L., Barcelona, Spain

With the purchase agreement of December 11, 2020, Axxerion Group B.V., acquired 100% of the shares of DEXMA Sensors S.L. The company is a provider of innovative Software-as-a-Service solutions with artificial intelligence / machine learning capabilities for energy data management. Axxerion Group B.V. acquired DEXMA Sensors S.L. because it complements the existing port-folio for facility management, property management and smart building.

In 2020, according to the preliminary purchase price allocation a goodwill of EUR 20,609k was anticipated, whereas the following table summarizes the final recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

DEXMA SENSORS S.L.

Thousands of €	2020
Intangible assets	9,539
Property, plant and equipment	45
Other non-current assets	266
Trade receivables	1,083
Other current assets	562
Cash and cash equivalents	795
Deferred tax assets	505
Total assets acquired	**12,796**
Deferred tax liabilities	2,022
Long-term debts	815
Accounts payable	290
Other current liabilities	1,805
Deferred revenue	397
Total liabilities assumed	**5,329**
Net assets acquired	**7,466**

The fair value of the trade receivables is also the gross amount of trade receivables. It is expected that the full contractual amounts can be collected.

The purchase price amounted to EUR 19,269k in cash. As part of the purchase agreement with the previous owners there will be additional cash payments to the previous owners of up to EUR 5,000k if specified revenue targets and earnings targets as well as technical milestones are met. As at the acquisition date, the fair value of the contingent consideration was estimated to be EUR 3,968k. The net cash flow on acquisition amounted to EUR 18,474k.

As at December 31, 2020 the first revenue and earnings targets were met and the contingent consideration proportionately paid in 2021. The fair value of the contingent con-sideration determined at December 31, 2021 amounts to EUR 997k (previous year EUR 3,968k). The remeasurement charge due to the delay in business development caused by the pandemic has been recognized through profit or loss.

The goodwill arising from the acquisition has been recognized as follows:

DEXMA SENSORS S.L.

Thousands of €	**2020**
Consideration transferred - total	23,237
Net assets acquired	–7,466
Goodwill	**15,771**

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

If DEXMA Sensors S.L. had been in the Group for the entire 2020 financial year, it would have contributed EUR 3,500k revenues and EUR 720k EBITDA to the Groups profit for the period.

RISA Tech, Inc., Foothill Ranch, United States

Under the purchase agreement of April 14, 2020, RISA Tech, Inc., acquired assets of ADAPT Corporation within the scope of an asset deal, meeting the criteria for a business combination. The Group obtained control as at May 1, 2020.

The purchase price amounted to EUR 4,237k. On the basis of the purchase price allocation, customer relationships amounting to EUR 1,104k, brand name amounting to EUR 372k and technology amounting to EUR 279k were recognized. On the basis of the purchase price allocation, the resulting goodwill amounted to EUR 2,882k.

Notes to the consolidated statement of comprehensive income

[1] Revenue

Revenue recognized in the period related to the following:

REVENUES

Thousands of €	2021	2020
Software and licenses	234,837	209,995
Recurring revenues (software service contracts and rental models)	416,716	359,009
Consulting & Hardware	29,918	27,902
	681,471	**596,905**

Recurring revenue includes revenue from software rental models in the amount of EUR 131,961k (previous year: EUR 90,406k).

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

REVENUES BY REGION

Thousands of €	2021	2020
Germany	161,334	146,464
Europe without Germany	218,262	189,208
Americas	233,948	202,057
Asia/Pacific	65,801	57,090
Rest of World	2,126	2,086
	681,471	**596,905**

The contract balances at December 31 are as follows:

CONTRACT BALANCES

Thousands of €	December 31, 2021	December 31, 2020
Contract assets	1,235	1,009
Deferred revenue	160,941	131,876
thereof short-term	157,975	129,469
thereof long-term	2,966	2,406

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

Of the amount totaling EUR 131,876k (previous year: EUR 122,185k) reported at the beginning of the period in deferred revenue, EUR 129,469k (previous year: EUR 118,474k) was recognized as revenue in 2021.

No revenue from performance obligations fulfilled in previous years were recognized in the fiscal years 2021 and 2020. Most of the contracts have a term of one year.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the contract term is one year or less. Additionally, the Group does not capitalize the incremental cost of obtaining a contract if the amortization period of the asset is one year or less.

The breakdown of revenues by segment can be seen under segment reporting [25].

[2] OTHER INCOME

Thousands of €	2021	2020
Income from foreign currency transactions	4,521	5,442
Subsidies	1,884	1,808
Damage	1,007	126
Customer base rental income	338	203
Income from trade fairs	264	110
Income from sale of property, plant and equipment	245	821
Other	1,570	1,650
	9,829	**10,161**

[3] COST OF GOODS AND SERVICES

Thousands of €	2021	2020
Cost of purchased software licenses and hardware	21,551	20,436
Cost of purchased services	3,792	3,246
	25,343	**23,682**

[4] PERSONNEL EXPENSES

Thousands of €	2021	2020
Wages and salaries	246,294	225,743
Social security, other pension costs and welfare	45,725	41,322
	292,019	**267,065**

[5] AMORTIZATION AND DEPRECIATION

Thousands of €	2021	2020
Amortization of intangible assets other than those acquired in a business combination	2,188	2,248
Depreciation of property, plant and equipment	7,420	7,575
Depreciation of right-of-use assets	14,929	15,457
Depreciation / amortization of tangible and intangible assets	**24,537**	**25,280**
Amortization of intangible assets due to purchase price allocation	25,437	24,498
Total amortization and depreciation	**49,974**	**49,778**

[6] OTHER EXPENSES

Thousands of €	2021	2020
Expenses for third-party services	31,352	30,515
Commissions	30,398	24,087
Marketing expenses	24,648	22,721
EDP equipment	17,672	15,552
Legal and consulting expenses	13,912	12,167
Training and recruiting expenses	5,552	5,177
Expenses from foreign currency transactions	4,669	6,544
Ancillary rent costs	4,644	4,462
Travel expenses and hospitality	3,047	2,994
Communication expenses	2,576	2,604
Vehicle expenses	2,099	2,054
Other	11,404	15,150
	151,974	**144,027**

The item “Other” consists of various immaterial items.

[7] INTEREST INCOME / EXPENSES

Thousands of €	2021	2020
Other interest and similar income	147	278
Interest and similar expenses	–2,740	–2,979
	–2,593	**–2,701**

[8] Other financial income and expenses

Other financial expenses / income amount to EUR 892k in the reporting year (previous year: EUR –61k) and relate to the revaluation of contingent consideration liabilities and foreign currency effects of intercompany loans. For more details, reference is made to the note for business combinations and financial instruments [23].

[9] Share of profit of associates

The income / expenses from associates of EUR 334k (previous year: EUR 274k) relate to Nemetschek OOD in the amount of EUR 382k (previous year: EUR 274k) and to Sablono GmbH in the amount of EUR –48k (previous year: EUR 0k). For more information, see [18].

[10] Taxes

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

INCOME TAXES

Thousands of €	2021	2020
Current tax expenses	–41,493	–29,225
Deferred tax income	7,791	6,891
thereof from addition / release of temporary differences	*6,634*	*6,775*
	–33,702	**–22,334**

The tax expenses for the fiscal year 2021 include tax income from previous years amounting to EUR 1,648k (previous year: tax income EUR 2,225k). Furthermore, in the fiscal year 2021, EUR –52k (previous year: EUR 57k) deferred taxes from the revaluation of pension obligations were recorded in other comprehensive income.

The income tax rates of the individual legal entities range from 11.1% to 34.1% (previous year: from 11.1% to 33.5%).

The tax rate for the fiscal year 2021 applied by Nemetschek SE is 32.3% (fiscal year 2020: 32.4%). It is calculated as follows:

INCOME TAX RATE

in %	2021		2020	
Earnings before taxes	100.0		100.0	
Trade tax (weighted)	16.5	16.5	16.6	16.6
	83.5		**83.4**	
Corporate income tax	15.0	15.0	15.0	15.0
Solidarity surcharge	0.8	0.8	0.8	0.8
	67.7	**32.3**	**67.6**	**32.4**

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

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

Deferred taxes at the balance sheet date comprise the following:

DEFERRED TAXES

	Consolidated balance sheet	
Thousands of €	**2021**	2020
Deferred tax assets resulting from		
Intangible assets	5,400	5,276
Property, plant and equipment	464	90
Financial Assets	251	215
Receivables	649	1,139
Deferred revenue	2,266	1,565
Pensions and related obligations	637	664
Provisions	3,320	2,493
Liabilities	582	742
Tax loss carryforward	4,281	3,552
Tax credit	1,623	1,200
Other	665	509
Lease liabilities	15,901	13,484
Offsetting	**−27,829**	**−23,464**
	8,208	**7,465**
Deferred tax liabilities resulting form		
Intangible assets	29,970	31,693
Property, plant and equipment	320	950
Receivables	585	534
Deferred revenue	712	116
Provisions	19	7
Liabilities	467	1,999
Other	1,879	1,243
Right-of-use assets	14,469	12,144
Offsetting	**−27,829**	**−23,464**
	20,590	**25,222**

The increase of deferred tax assets on loss carryforwards is mainly due to the write-up recognized in fiscal year 2021 as a result of positive impairment test and higher utilization of net operating losses in following years.

INCOME TAX RECONCILIATION

Thousands of €	**2021**	2020
Earnings before taxes	**170,625**	**120,027**
Expected tax 32.3% (previous year: 32.4%)	55,197	38,853
Differences to German and foreign tax rates	−16,314	−10,864
Tax effects on:		
Change in the recoverability of deferred tax assets and tax credits	1,754	2,311
Change of deferred taxes on permanent differences	382	244
Current and deferred taxes previous years	−1,649	−2,225
Non-deductible expenses	2,256	2,307
Tax-free income and Tax Credits	−8,454	−7,699
Tax rate changes and adaptation	−200	−295
Other	731	−298
Effective tax expense	33,702	22,334
Effective tax rate	**19.8%**	**18.6%**

At 19.8%, the Group tax rate was above the level of the previous year (18.6%). The development is mainly due to the change in determination of taxable basis for state taxes in the US state California, with the permission to treat significant portion of profits as exempt for tax purposes. Respective refunds for prior years in the amount of EUR 2.2 million have been collected in fiscal year 2020. The adjusted tax rate in fiscal year 2020 was 20.4%.

The write-up of deferred tax assets on loss carryforwards recognized in the amount of EUR 1.5 million tax income would result in adjusted tax rate for fiscal year 2021 of 20.6%.

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

DEFERRED TAX ON LOSSES CARRIED FORWARD

Thousands of €	2021	2020
Deferred tax assets, gross	15,526	12,615
Allowances on tax losses carried forward	–11,241	–9,063
Deferred tax assets on unused tax losses, net	**4,286**	**3,552**

The items contain deferred taxes on unused tax losses which are likely to be realized in the future. The deferred tax assets on tax losses carried forward were recognized on the basis of the income and expense budgets of Nemetschek SE subsidiaries for the next 3 to 5 fiscal years.

LOSSES CARRIED FORWARD WITH LIMITED LIFE OF USAGE

Thousands of €	2021	2020
Unused tax loss carried forward		
Never expire	48,593	29,632
Expire by 2026	3,047	1,583
Expire from 2026	16,814	29,318
Sum of unused tax loss carried forward	**68,454**	**60,533**

TAX CREDITS WITH LIMITED LIFE OF USAGE

Thousands of €	2021	2020
Unused tax credits		
Never expire	12,862	8,515
Expire	0	377
Sum of unused tax credits	**12,862**	**8,892**

The temporary differences associated with investments in the Group's subsidiaries in the amount of EUR 3,308k (previous year: EUR 2,812k), for which deferred tax liabilities were recognized, would result in tax expense in the amount of EUR 1,070k (previous year: EUR 579k) in following years.

There are no income tax consequences attached to the payment of dividends by Nemetschek SE to its shareholders neither in 2021 nor 2020.

[11] Earnings per share

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

EARNINGS PER SHARE

	2021	2020
Net income attributable to the parent (in thousands of EUR)	134,618	96,947
Weighted average number of ordinary shares outstanding as of December 31	115,500,000	115,500,000
Weighted average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	115,500,000	115,500,000
Earnings per share in EUR, undiluted	**1.17**	**0.84**
Earnings per share in EUR, diluted	**1.17**	**0.84**

For more details reference is made to note [24].

Notes to the consolidated statement of financial position

[12] Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS

Thousands of €	**December 31, 2021**	December 31, 2020
Bank balances	154,986	134,123
Fixed term deposits (contract period up to 3 months)	2,109	5,197
	157,095	**139,320**

[13] TRADE RECEIVABLES

Thousands of €	**December 31, 2021**	December 31, 2020
Trade receivables (before allowances)	75,453	70,307
Credit loss allowance	–5,345	–5,736
	70,108	**64,571**

Trade receivables are non-interest bearing and are generally due within 30- to 90-day terms customary for the industry. Bad debt allowances developed as follows:

DEVELOPMENT OF CREDIT LOSS ALLOWANCES

Thousands of €	January 1	Utilization	Release	Addition	**December 31**
Credit loss allowance 2021	–5,736	336	1,070	–1,015	–5,345
Credit loss allowance 2020	–3,293	902	599	–3,944	–5,736

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

AGEING STRUCTURE OF TRADE RECEIVABLES

2021 Thousands of €	not past due	Past due (by < 90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by >360 days)	**December 31, 2021**
Gross Trade receivables	51,274	17,414	2,102	1,603	3,059	75,453
Credit loss allowance	–1,594	–733	–275	–497	–2,246	–5,345
Net Trade receivables	49,680	16,681	1,828	1,107	813	70,108
Expected credit loss rate (weighted average)	3.11%	4.21%	13.06%	30.98%	73.41%	

AGEING STRUCTURE OF TRADE RECEIVABLES

2020 Thousands of €	not past due	Past due (by < 90 days)	Past due (by 90–180 days)	Past due (by 180–360 days)	Past due (by >360 days)	**December 31, 2020**
Gross Trade receivables	46,930	14,275	3,322	2,338	3,442	70,307
Credit loss allowance	–705	–766	–450	–673	–3,142	–5,736
Net Trade receivables	46,224	13,509	2,872	1,665	300	64,571
Expected credit loss rate (weighted average)	1.50%	5.37%	13.53%	28.80%	91.29%	

[14] **ASSETS**

Thousands of €	December 31, 2021	December 31, 2020
Inventories	949	642
Other financial assets	15,036	6,459
Other non-financial assets	31,148	26,013
	47,132	**33,114**

Inventories consist of third party licenses amounting to EUR 86k (previous year: EUR 121k) as well as hardware amounting to EUR 493k (previous year: EUR 118k). As in the previous year no write-downs or reversals of write-downs were recognized. On December 31, 2021 and 2020, the inventories were not pledged.

Other financial assets mainly include the shares in Reconstruct Inc. as well as security deposits from office rental agreements.

Other non-financial assets mainly consist of prepaid expenses in the amount of EUR 21,894k (previous year: EUR 17,643k), other taxes in the amount of EUR 4,305k (previous year: EUR 4,179k) as well as contract assets according to IFRS 15 in the amount of EUR 1,235k (previous year: EUR 1,009k).

[15] Property, plant and equipment

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

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

Thousands of €	2021	2020
Cost		
As of January 1	56,791	62,004
Additions	6,509	6,097
Additions from business combinations	4	136
Disposal	−3,556	−5,835
Reclassification	−504	−2,139
Foreign currency translation difference	1,947	−3,473
As of December 31	61,190	56,791
Depreciation and impairment		
As of January 1	35,163	34,384
Additions	7,420	7,575
Disposal	−3,329	−4,979
Reclassification	−1	2
Foreign currency translation difference	1,201	−1,819
As of December 31	40,454	35,163
Carrying amount December 31	**20,735**	**21,628**

No material impairment and no material write-ups were recognized on property, plant and equipment in 2021 and 2020. On December 31, 2021 and 2020, property, plant and equipment were not pledged.

[16] Intangible assets and goodwill

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

DEVELOPMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

	2021					2020				
In EUR million	Goodwill	Software and similar rights	Customer Relationship	Brand name	Non-compete agreements	Goodwill	Software and similar rights	Customer Relationship	Brand name	Non-compete agreements
Cost										
As of January 1	416,706	160,652	109,128	19,669	2,146	325,041	137,587	107,180	18,229	2,146
Additions	–	3,416	–	–	–	–	3,003	–	–	–
Additions from business combinations	94,078	23,958	8,566	1,833	–	114,415	29,936	6,660	2,348	–
Disposal	–	−1,077	–	–	–	–	−2,131	–	–	–
Reclasses	−4,838	2,145	3,598	962	–	–	2,150	–	–	–
Foreign currency translation difference	18,021	4,660	4,287	722	–	−22,751	−9,893	−4,711	−907	–
As of December 31	523,967	193,754	125,579	23,188	2,146	416,706	160,652	109,128	19,669	2,146
Amortization and impairment										
As of January 1	0	85,237	56,942	9,873	1,368	0	76,665	51,624	8,491	701
Additions	–	19,761	5,472	1,614	777	–	16,767	7,644	1,668	667
Disposal	–	−546	–	–	–	–	−1,545	–	–	–
Reclasses	–	–	–	–	–	–	–	–	–	–
Foreign currency translation difference	–	2,660	2,362	260	–	–	−6,650	−2,327	−286	–
As of December 31	0	107,113	64,776	11,747	2,146	0	85,237	56,942	9,873	1,368
Carrying amount December 31	**523,967**	**86,641**	**60,803**	**11,440**	**0**	**416,706**	**75,415**	**52,186**	**9,796**	**778**

On December 31, 2021 and 2020, the intangibles were not pledged.

Goodwill

Nemetschek is organized into divisions, which is also the organization level where goodwill is monitored. The divisions represent the operating segments Design, Build, Manage and Media & Entertainment. Please refer to note [25] for more information regarding the segment disclosures.

Goodwill is allocated as follows:

GOODWILL

Thousands of €	Carrying Amount per balance sheet Dec. 31, 2021	Discount rate after tax	Discount rate before tax	Terminal value growth rate
Division				
Design	97,525	8.39%	10.43%	1.50%
Build	110,941	8.39%	10.86%	1.50%
Manage	106,486	8.59%	10.73%	2.00%
Media & Entertainment	209,015	7.38%	9.84%	2.00%
Total group	**523,967**			

GOODWILL

Thousands of €	Carrying Amount per balance sheet Dec. 31, 2020	Discount rate after tax	Discount rate before tax	Terminal value growth rate
Division				
Design	92,817	6.69%	8.17%	1.50%
Build	104,346	6.68%	8.43%	1.50%
Manage	111,324	8.45%	10.24%	2.00%
Media & Entertainment	108,219	6.82%	8.94%	2.00%
Total group	**416,706**			

The main assumptions for the business plan, also used for impairment test purposes, are revenue and personnel cost. The development of sales volumes and prices is based on the expectations of market developments considering general economic factors as well as AEC/O sector specific factors. This also includes effects of the global Covid-19 pandemic. The development of personnel cost is a key driver to revenue because employees enable the development of successful products as well addressing markets.

According to the impairment tests for goodwill conducted in fiscal year 2021 and in the previous year, the carrying amounts are recoverable. Thus, no impairments were recognized. As in the previous year, the impairment test was carried out as at the valuation date, December 31, 2021.

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

The key assumptions to which the recoverable amount is sensitive are the WACC, the terminal growth rate as well as the EBITA in the terminal value calculation. Main value drivers of the recoverable amount are the WACC, terminal value growth rate and the margin expected in perpetuity.

The Group accounts for uncertainties within the scope of forecasts and analyzes the goodwill for impairment as well as for scenarios which are less favorable than forecast. Given that the recoverable amount exceeds the book value significantly, management foresees no realistic scenario which could trigger an impairment.

Compared to the situation in 2020 the capital markets for Nemetschek and peers were more stable. Technology stocks were in focus and respective market development bullish throughout 2021. The derived betas were higher than those from 2020.

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

[17] Leases

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

RIGHT-OF-USE ASSETS

Thousands of €	**December 31, 2021**	December 31, 2020
Right-of-use assets - Property	54,546	57,763
Right-of-use assets - Office Equipment	109	191
Right-of-use assets - Vehicles	4,579	3,374
	59,233	**61,328**

Property leases mainly include office space. Additions to the right-of-use assets during 2021 were EUR 11,419k (previous year: EUR 14,786k). The Group has estimated that potential future lease payments arising from extension options and leases not yet commenced but for which the Group is committed would result in cash outflows of EUR 6,919k (previous year: EUR 1,368k). Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation per asset class in the fiscal year is as follows:

DEPRECIATION

	Property	Vehicles	Office Equipment
Depreciation 2021	12,475	2,360	94
Depreciation 2020	13,079	2,225	154

Information on the corresponding lease liabilities can be found under financial liabilities [23]. Expenses recognized in profit or loss besides depreciation are shown in the overview below:

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

Thousands of €	**2021**	2020
Interest on lease liabilities	1,306	1,445
Expenses relating to short-term leases	574	509
Expenses relating to leases of low-value assets	183	97
Variable lease payments not included in the measurement of lease liabilities	2	2

AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	**2021**	2020
Total cash outflow for leases	16,416	14,601

[18] Investments in associates

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

Name, registered office of the entity Thousands of €	Shareholding in %	Equity	pro rata	Shareholding in %	Equity	pro rata
	2021	2021	2021	2020	2020	2020
Nemetschek OOD, Bulgaria	20.00	8,141	1,628	20.00	6,718	1,344
Sablono GmbH, Berlin	22.14	2,180	483	24.99	−453	−113

Nemetschek OOD develops customer-specific software within the scope of order developments. Sablono GmbH develops software solutions for the digital design, control and monitoring of complex building projects.

The Nemetschek Group participated in the series A financing round of Sablono GmbH with EUR 500k and the conversion of loans into equity in the amount of EUR 240k. The recognition of the unrecognized share of loss of prior years together with the reversal of loan impairment losses led to a profit or loss impact in the amount of EUR 83k. After the series A financing round the share of the Group amounts to EUR 613k which corresponds to a stake of 22.1%.

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

AGGREGATE INFORMATION OF ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL

Thousands of €	**December 31, 2021**	December 31, 2020
Group's share of net income from continuing operations	334	274
Group's share of net income from discontinued operations	0	0
Group's share of net income for the year	**334**	**274**
Group's share of other comprehensive income	0	0
Group's share of total comprehensive income	**334**	**274**
Aggregate carrying amount of the Group's interests in these associates	4,063	1,344

UNRECOGNIZED SHARE OF LOSSES OF AN ASSOCIATE

Thousands of €	**December 31, 2021**	December 31, 2020
The unrecognized share of loss of an associate for the year	0	−10
Cumulative share of loss of an associate	0	−113

The Nemetschek Group participated in a financing round for Imerso AS with EUR 1,952k which corresponds to a stake of 18,0%. Imerso AS is offering a next-generation platform to automate construction quality monitoring through a combination of advanced artificial intelligence (AI), reality capture, and BIM technologies. Although the Group has less than 20% of the voting rights, management determined that the Group has significant influence. This is on the basis that the Group participates in policy-making decisions by its board representation.

[19] Financial liabilities

FINANCIAL LIABILITIES

Thousands of €	December 31, 2021	December 31, 2020
Borrowings	128,700	130,271
Trade payables	11,260	11,229
Other financial liabilities	8,596	10,349
Lease liabilities	66,036	67,623
	214,593	**219,472**

Borrowings include acquisition loans in the amount of EUR 127,571k (previous year: EUR 129,500k). Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost.

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

Other financial liabilities comprise subsequent purchase price obligations in connection with business combinations. As of December 31, 2021 these mainly consist of EUR 6,254k (previous year: EUR 6,039k) resulting from the acquisition of Redshift Rendering Technologies, Inc., and EUR 997k (previous year: EUR 3,968k) resulting from the acquisition of Dexma Sensors S.L.

[20] Provisions and accrued liabilities

Provisions and accrued liabilities contain the following items:

PROVISIONS AND ACCRUED LIABILITIES

Thousands of €	December 31, 2021	December 31, 2020
Provisions		
Personnel	45,940	33,814
Warranty and liability risks	383	393
Other	407	416
Accruals		
Outstanding invoices	13,683	11,613
Personnel	9,237	8,297
Legal and consulting fees	2,003	1,694
Other	4,621	4,176
	76,274	**60,403**

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components. The increase is also caused by the positive business development in the financial year 2021. Long-term variable compensation components have a term of up to three years.

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

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

The development of provisions is as follows:

PROVISIONS

Thousands of €	As of January 1	Usage	Release	Additions	Reclassification	Currency translation	As of December 31	thereof long-term
Personnel	33,814	−23,929	−1,855	36,373	–	1,538	45,940	4,123
Warranty and liability risks	393	–	−43	33	–	–	383	–
Other	416	–	–	–	–	−10	407	407

[21] Other non-financial liabilities

Other current liabilities primarily comprise liabilities to the tax authorities on account of obligations to pay wage tax and value added tax (VAT) as well as to pay social security contributions to the social security authorities.

[22] Pensions and related obligations

As in the previous year, pensions and related obligations consist solely of defined benefit obligations.

German plans

The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, up to a maximum amount of EUR 3,834 per month. These claims are vested. In the year ending December 31, 2021 there were no curtailments to the plan, as was the case in the previous year:

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

Non-German plans

The plans in Austria and Italy comprise severance compensation according to § 23 and 23a of the Austrian Employee Act (Angestelltengesetz) and article 2120 of the Italian Civil Code (Trattamento di Fine Rapporto or TFR) respectively.

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

PROVISIONS FOR PENSIONS

Thousands of €	As of January 1	Changes	**As of December 31**
Defined benefit obligation 2021	3,660	387	4,047
Less plan asset 2021	578	−131	447
Status of coverage (= pension provisions) 2021	**3,083**	**518**	**3,601**
Defined benefit obligation 2020	2,530	1,130	3,660
Less plan asset 2020	604	−26	578
Status of coverage (= pension provisions) 2020	**1,926**	**1,157**	**3,083**

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

DISCOUNT RATE

	German Plans	**Non-German Plans**	German Plans	Non-German Plans
in %	**2021**	**2021**	2020	2020
Discount rate	1.25	0,35–1,0	0.85	0,6–1
Future pension increases	1.00	0.00	1.00	0.00
Salary increase	0.00	1,0–3,0	0.00	2,4–2,7

The actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date as well as the pensions expense for the upcoming fiscal year.

The mortality rates for German plans are based on the Heubeck 2018 G mortality tables. The ones for Austria are based on "AVÖ 2018-P–Angestellte"-tables of the Austrian association of actuaries (Aktuarvereinigung Österreich, AVÖ). In Italy, the mortality tables "RG48", issued by the General State Account Department (Ragioneria Generale dello Stato) of the Italian Ministry of Economic and Finance, are used as a basis.

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

CHANGE IN DEFINED BENEFIT OBLIGATIONS (DBO)

Thousands of €	2021		2020	
	German Plans	**Non-German Plans**	German Plans	Non-German Plans
DBO at beginning of fiscal year	**2,771**	**889**	**2,530**	**0**
Adjustment / reclass DBO at beginning of fiscal year	-	497	–	1,046
Current service cost	-	112	–	54
Interest expense	24	9	32	11
Actuarial changes arising from changes in demographic assumptions	-	17	–	−4
Actuarial changes arising from changes in financial assumptions	−205	−11	213	49
Experience adjustments	−1	27	−4	−50
Settlements	-	−80	–	−218
DBO at end of fiscal year	**2,588**	**1,459**	**2,771**	**889**
Fair value of plan assets at beginning of fiscal year	**578**	**0**	**604**	**0**
Interest income	4	0	8	–
Actuarial gains / (losses)	1	0	6	–
Employer contributions	23	0	23	–
Benefit payments	−159	0	−63	–
Fair value of plan assets at end of fiscal year	**446**	**0**	**578**	**0**

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

SENSITIVITY

Changes in actuarial assumptions	Thousands of €	2021		2020	
		German Plans	**Non-German Plans**	German Plans	Non-German Plans
Present value of pension obligation for the reporting date		2,588	1,459	2,771	889
Discount rate	increase by 0.5 percent points	2,359	1,382	2,508	837
	decrease by 0.5 percent points	2,848	1,542	3,071	945
Pension cost	increase by 0.5 percent points	2,779	–	2,982	–
	decrease by 0.5 percent points	2,415	–	2,581	–
Salary increase	increase by 0.5 percent points	–	1,523	–	916
	decrease by 0.5 percent points	–	1,399	–	866

The average duration of the benefit obligation at December 31, 2021 is 19.1 years (2020: 20.5 years) for German plans and 10.6 years (2020: 12.24 years) for non-German plans. The expected payments in the 2022 fiscal year amount to EUR 18k (previous year: EUR 19k) and relate to employer contributions paid into the plan assets.

[23] Financial instruments

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

FINANCIAL INSTRUMENTS

		Measurement in accordance with IFRS 9			
Thousands of €	Carrying amount per balance sheet Dec. 31, 2021	Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2021
Trade receivables	70,108	70,108	-	-	70,108
Other financial assets	15,036	7,972	7,063	-	15,036
Cash and cash equivalents	157,095	157,095	-	-	157,095
Total financial assets	**242,239**	**-**	**-**	**-**	**242,239**
Borrowings	128,700	128,700			128,700
Trade payables	11,260	11,260	-	-	11,260
Other financial liabilities	8,596	813	7,783	-	8,596
Lease liabilities	66,036	66,036	-	-	-
Total financial liabilities	**214,593**	**-**	**-**	**-**	**148,557**

FINANCIAL INSTRUMENTS

		Measurement in accordance with IFRS 9			
Thousands of €	Carrying amount per balance sheet Dec. 31, 2020	Amortized cost	Fair value impacting profit/loss	Fair value not impacting profit/loss	Fair value Dec. 31, 2020
Trade receivables	64,571	64,571	-	-	64,571
Other financial assets	6,459	6,459	-	-	6,459
Cash and cash equivalents	139,320	139,320	-	-	139,320
Total financial assets	**210,349**	**-**	**-**	**-**	**210,349**
Borrowings	130,271	130,271	-	-	130,271
Trade payables	11,229	11,229	-	-	11,229
Other financial liabilities	10,349	342	10,007	-	10,349
Lease liabilities	67,623	67,623	-	-	-
Total financial liabilities	**219,472**	**-**	**-**	**-**	**151,849**

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

The following table shows the reconciliation from the opening balances to the closing balances for other financial liabilities categorized within Level 3.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

Thousands of €	2021	2020
Balance at January 1	**10,007**	**8,262**
Changes in scope of consolidation, currency adjustments	1,054	3,435
Changes with cash effect	–1,683	–2,137
Changes recognized in profit or loss	–1,595	447
Balance at December 31	**7,783**	**10,007**

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Thousands of €	2021	2020
Financial assets measured at amortized cost	–510	–3,267
Financial liabilities measured at fair value through profit or loss	1,132	–447
Financial liabilities measured at amortized cost	–2,740	–2,979
	–2,118	**–6,693**

Net gains and losses from financial instruments comprise the results from valuations, the recognition and reversal of loss allowances, results from the translation of foreign currencies as well as interests. Financial assets measured at amortized costs include interest income in the amount of EUR 147k (previous year: EUR 278k). Financial liabilities measured at amortized cost include interest expenses in the amount of EUR –2,740k (previous year: EUR –2,979k).

Financial risk management

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

Credit risk

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

Accounts receivables

At the end of 2021, there was no relevant concentration of credit risk by type of customer. The Group's credit risk exposure is mainly influenced by individual customer characteristics. Sales of goods and services are made to customers after having conducted appropriate internal credit risk assessment. At the end of 2021 no customer accounted for more than 10% of accounts receivable.

The Covid-19 pandemic added a systematic credit risk to our customers. As of December 31, 2021, the liquidity and insolvency risks are still increased in the markets where the group operates, as compared to pre-pandemic periods.

Cash and cash equivalents

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

Liquidity risk

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

As at the balance sheet date, the Group holds cash and cash equivalents amounting to EUR 157,095k (previous year: EUR 139,320k).

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

MATURITY ANALYSIS FINANCIAL LIABILITIES

Thousands of €	**Carrying Amount**	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
December 31, 2021					
Borrowings	128,700	129,332	94,244	35,088	–
Trade payables	11,260	11,260	11,260	–	–
Other financial liabilities	8,596	8,606	7,355	1,250	–
Lease liabilities	66,036	69,987	15,168	38,126	16,694
Total	**214,593**				
December 31, 2020					
Borrowings	130,271	131,235	60,145	71,090	–
Trade payables	11,229	11,229	11,229	–	–
Other financial liabilities	10,349	10,699	1,630	9,069	–
Lease liabilities	67,623	72,470	14,610	36,659	21,201
Total	**219,472**				

Market risk

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

Currency risk

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

Sensitivity analysis of selected foreign currencies

The currency risk mainly relates to trade receivables held in foreign currency. These exist in a subsidiary in Hungary. The following table shows the foreign currency receivables:

TRADE RECEIVABLES

2021 Thousands of €	**Change of exchange rate**	Sensitivity effect on EBIT
Trade receivables		
HUF / EUR	+ 5%	–284
Total in kEUR: 5,965	**- 5%**	**314**
HUF / USD	+ 5%	–25
Total in kEUR: 516	**- 5%**	**27**

TRADE RECEIVABLES

2020 Thousands of €	**Change of exchange rate**	Sensitivity effect on EBIT
Trade receivables		
HUF / EUR	+ 5%	–260
Total in kEUR: 5,450	**- 5%**	**287**
HUF / USD	+ 5%	–13
Total in kEUR: 265	**- 5%**	**14**

Interest risk and interest risk management

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital payments to shareholders. No changes were made to the objectives, policies or processes as of December 31, 2021 or as of December 31, 2020. The Group meets externally imposed minimum capital requirements.

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

Debt capacity

The debt capacity represents the relationship between net debt and EBITDA. Net debt is essentially defined as current and non-current loans less any cash and cash equivalents. Group net liquidity / debt as of December 31, 2021 amounted to EUR 28.4 million (previous year: EUR 9.0 million).

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio amounts to 51.4% (previous year: 46.9%).

Thus, external and internal key indicators have been met.

[24] Equity

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

Nemetschek SE's **subscribed capital** as of December 31, 2021 amounted to EUR 115,500,000.00 (previous year: EUR 115,500,000.00) and is divided into 115,500,000.00 (previous year: 115,500,000.00) no-par value bearer shares. Each share is attributed with EUR 1.00 of share capital. The capital is fully paid in.

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

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

Maxon Computer GmbH has non-controlling interests that are material to the group. The main non-current assets without goodwill amount to EUR 70,349k (previous year: EUR 35,040k), the current assets to EUR 22,746k (previous year: EUR 21,383k), the non-current liabilities to EUR 9,703k (previous year: EUR 17,514k) and the current liabilities to EUR 62,782k (previous year: EUR 42,208k). Sales correspond to those of the Media & Entertainment segment.

Dividends

In the fiscal year 2021, a dividend of EUR 34,650,000.00 (previous year: EUR 32,340,000.00) was distributed to the shareholders. This represents EUR 0.30 (previous year: EUR 0.28 per share. The executive board proposes to the supervisory board that a dividend be paid in the fiscal year 2022 amounting to EUR 45,045,000.00 This corresponds to EUR 0.39 per share.

[25] Segment reporting

The Nemetschek Group is managed centrally by the Executive Board of Nemetschek SE in its function as chief operating decision maker (CODM).

Operating segments

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

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

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

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

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

Management and reporting system

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

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

In general, reconciliation includes corporate items for which headquarters are responsible as well as strategic projects.

Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are also included in the reconciliation.

SEGMENT REPORTING

2021 Thousands of €	Design	Build	Manage	Media & Entertainment	Reconciliation	Total
Revenue, total	**351,785**	**221,796**	**43,733**	**70,511**	**−6,354**	**681,471**
thereof revenue external	349,874	219,710	43,271	68,617	–	681,471
thereof intersegment revenue	29	2,087	420	1,894	−4,429	0
EBITDA	**118,946**	**91,784**	**4,057**	**25,522**	**−18,344**	**221,965**
Depreciation/Amortization						−49,974
Financial result						−1,700
Share of net profit of associates						334
EBT						**170,625**

SEGMENT REPORTING

2020 Thousands of €	Design	Build	Manage	Media & Entertainment	Reconciliation	Total
Revenue, total	**314,919**	**193,029**	**40,873**	**55,222**	**−7,137**	**596,905**
thereof revenue external	311,021	191,369	40,732	53,784	–	596,905
thereof intersegment revenue	28	1,660	54	1,438	−3,180	0
EBITDA	**95,864**	**70,089**	**3,684**	**15,536**	**−12,880**	**172,293**
Depreciation/Amortization						−49,778
Financial result						−2,761
Share of net profit of associates						274
EBT						**120,027**

Information related to geographic areas

Segment reporting by geographical region is as follows:

SEGMENT REPORTING – GEOGRAPHICAL REGION

Thousands of €	Revenues 2021	Non-current assets 2021	Revenues 2020	Non-current assets 2020
Germany	161,334	48,624	146,464	58,780
USA	233,948	439,111	202,057	307,323
Abroad (w/o USA)	286,189	281,306	248,384	274,887
Total	**681,471**	**769,041**	**596,905**	**640,990**

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

[26] Notes to the cash flow statement

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

Cash flow from operating activities amounts to EUR 214,361k (previous year: EUR 157,490k).

The cash flow from investing activities amounts to EUR –147,617k (previous year: EUR –111,005k). In the current fiscal year, this mainly includes:

» payments for the asset deal of Maxon Computer, Inc. as well as payments for the acquisition of Vectorworks Australia Pty Ltd.

» investments in the start-up Reconstruct Inc. and the associate Imerso AS

» investments in intangible assets and office equipment

The previous fiscal year primarily includes payments for the acquisition of Red Giant LLC, Dexma Sensors S.L., the asset deal of Risa Tech, Inc. and investments in intangible assets and office equipment.

[27] Financial commitments

There are guarantee obligations amounting to EUR 589k (previous year: EUR 646k) in total. These are mainly rental guarantees.

[28] Related party transactions

The Group enters into transactions with related parties. These transactions are part of ordinary activities and are treated at arm's length. Related parties are defined as parties who can exert influence on Nemetschek SE and its subsidiaries or over which Nemetschek SE and its subsidiaries exercise control or have a significant influence. They include associates accounted for using the equity method. Related parties also include the executive and supervisory boards as well as their family members and partners.

Sales and purchases of goods and services

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

(1) Rental of space as well as maintenance from Concentra GmbH & Co. KG, Munich, Germany, amounting to a total of EUR 1,505k (previous year: EUR 1,514k).

(2) Use of services from Nemetschek OOD, Bulgaria, amounting to a total of EUR 5,133k (previous year: EUR 4,459k).

As of December 31, 2021 trade payables to Concentra GmbH & Co. KG amounted to EUR 25k (previous year: EUR 40k) and trade payables to Nemetschek OOD amounted to EUR 221k (previous year: EUR 158k). As of December 31, 2021 loans given to the associate Sablono GmbH, Berlin, Germany, amounted to EUR 0k (previous year: EUR 30k).

Compensation of members of the Executive Board

Total remuneration attributable to the Executive Board amounted to EUR 5,914k (previous year: EUR 2,914k). Thereof EUR 4,468k (previous year: EUR 2,280k) relate to short-term employee benefits and EUR 1,446k (previous year: EUR 634k) relate to other long-term benefits.

Compensation of members of the Supervisory Board

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

Thousands of €	2021	2020
Kurt Dobitsch	250	250
Prof. Georg Nemetschek	225	225
Rüdiger Herzog	200	200
Bill Krouch	200	200
	875	**875**

[29] Other information

Headcount

The average headcount breaks down as follows:

HEADCOUNT

Number of employees	2021	2020
Sales/Marketing/Hotline	1,458	1,404
Development	1,232	1,158
Administration	453	446
Average headcount for the year	**3,143**	**3,008**
Headcount as of December 31	**3,180**	**3,074**

Auditor's fees

The following fees of the auditor of the consolidated financial statements were expensed in the fiscal year 2021:

AUDITOR'S FEES

Thousands of €	2021	2020
Financial statements audit services	478	477
Other audit services	40	35
	518	**512**

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

The Declaration of Conformity was submitted on December 17, 2021. The relevant current version is available to the shareholders on the website of Nemetschek SE.

(https://ir.nemetschek.com/download/companies/nemetschek/CorporateGovernance/211217_Entsprechenserklarung_ENG.pdf)

[31] Events after the balance sheet date

Subsequent events

On February 24, 2022, the political conflict between Russia and Ukraine escalated and Russia launched an invasion on the neighboring country. The war and also the associated economic sanctions against Russia will influence the development of the global economy. The Nemetschek management is monitoring the development in Ukraine and its possible effects on the results of operations, financial position and net assets of the Group and will take measures if necessary.

With effect from March 1, 2022, the supervisory board of Nemetschek SE has unanimously appointed Yves Padrines as CEO. The new executive board structure consists of Yves Padrines (CEO) and the three existing members Viktor Várkonyi (CDO Planning & Design Division), Jon Elliot (CDO Build & Construct Division) and Dr. Axel Kaufmann (CFOO).

Date of preparation

The Executive Board prepared and approved the consolidated financial statements on March 17, 2022, to be passed on to the Supervisory Board. It is the supervisory board's task to examine the consolidated financial statements and give its approval and authorization for issue.

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

AFFILIATED ENTITIES

Name, registered office of the entity	Shareholding in %
Design segment	
Allplan Česko s.r.o., Prague, Czech Republic	100.00
Allplan Deutschland GmbH, Munich*, Germany	100.00
Allplan France S.A.R.L., Paris, France	100.00
Allplan GmbH, Munich*, Germany	100.00
Allplan Inc., West Chester, Pennsylvania, United States	100.00
Allplan Italia S.r.l., Trient, Italy	100.00
Allplan Österreich GmbH, Wals-Siezenheim, Austria	100.00
Allplan Schweiz AG, Wallisellen, Switzerland	93.33
Allplan Software Engineering GmbH, Graz, Austria***	100.00
Allplan Software Singapore Pte. Ltd., Singapore	100.00
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00
Allplan Systems España S.A., Madrid, Spain	100.00
Allplan UK Ltd., Salford, Great Britain	100.00
Dacoda GmbH, Rottenburg, Germany	100.00
Data Design System AS, Klepp Stasjon, Norway	100.00
Data Design System GmbH, Ascheberg, Germany	100.00
Data Design System UK Ltd., Wiltshire, Great Britain	100.00
DDS Building Innovation AS, Klepp Stasjon, Norway	100.00
dRofus AB, Stockholm, Sweden	100.00
dRofus AS, Oslo, Norway	100.00
dRofus Inc., Lincoln, Nebraska, United States	100.00
dRofus Pty Ltd, North Sydney, Australia	100.00
Frilo Software GmbH, Stuttgart*, Germany	100.00
Graphisoft Asia Ltd., Hong Kong, China	100.00
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00
Graphisoft Deutschland GmbH, Munich*, Germany	100.00
Graphisoft Italia S.R.L., Spinea, Italy	100.00
Graphisoft Japan Co., Tokyo, Japan	100.00
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00
Graphisoft SE, Budapest, Hungary	100.00
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00
Precast Software Engineering Co. Ltd., Shanghai, China	100.00
RISA Tech, Inc., Foothill Ranch, California, United States	100.00
Scia CZ s.r.o., Prague, Czech Republic	100.00
Scia France S.A.R.L., Lille, France	100.00
Scia Group International nv, Hasselt, Belgium	100.00
Scia Nederland B.V., Arnhem, Netherlands	100.00
Scia nv, Hasselt, Belgium	100.00
Scia SK s.r.o., Zilina, Slovakia	100.00
Scia GmbH, Dortmund, Germany (consolidated since November 1, 2021)	100.00
Solibri DACH GmbH, Hamburg, Germany	100.00

Solibri LLC, Scottsdale, Arizona, United States	100.00
Solibri Oy, Helsinki, Finland	100.00
Solibri UK Ltd., Leeds, Great Britain	100.00
Solibri Benelux B.V., Hoofddorp, Netherlands (consolidated since November 1, 2021)	100.00
Vectorworks Canada, Inc., Vancouver, British-Columbia, Canada	100.00
Vectorworks UK, Ltd., Newbury, Great Britain	100.00
Vectorworks, Inc., Columbia, Maryland, United States	100.00
Vectorworks Australia Pty Ltd., Rosebery, New South Wales, Australia (consolidated since July 14, 2021)	100.00
Build segment	
123erfasst.de GmbH, Lohne, Germany	100.00
Bluebeam AB, Kista, Sweden	100.00
Bluebeam Holding, Inc., Wilmington, Delaware, United States	100.00
Bluebeam GmbH, Munich, Germany	100.00
Bluebeam, Inc., Pasadena, California, United States	100.00
Bluebeam Limited UK, Ltd., London, Great Britain	100.00
Bluebeam Australia Pty Ltd., Sydney, Australia	100.00
Design Data Corporation, Lincoln, Nebraska, United States	100.00
NEVARIS Bausoftware GmbH, Bremen*, Germany	100.00
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00
Manage segment	
Crem Solutions GmbH & Co. KG, Ratingen*, Germany	100.00
Crem Solutions Verwaltungs GmbH, Munich, Germany	100.00
Spacewell International NV, Antwerp, Belgium	100.00
FASEAS NV, Antwerp, Belgium	100.00
MCS Americas Single Member LLC, New York City, New York, United States	100.00
MCS NV, Antwerp, Belgium	100.00
MCS Solutions Private Ltd., Hyderabad, India	100.00
myMCS AB, Knivsta, Sweden	100.00
Axxerion Group B.V., Heteren, Netherlands	100.00
Axxerion B.V., Heteren, Netherlands	100.00
Plandatis B.V., Apeldoorn, Netherlands	100.00
Dexma Sensors S.L., Barcelona, Spain	100.00
Media & Entertainment segment	
Maxon Computer Canada, Inc., Montreal, Québec, Canada	83.55
Maxon Computer GmbH, Friedrichsdorf, Germany	83.55
Maxon Computer, Inc., Thousand Oaks, California, United States **	83.55
Maxon Computer Ltd., Bedford, Great Britain	83.55
Maxon Computer Japan KK, Tokyo, Japan (consolidated since January 19, 2021)	83.55
Other	
Nemetschek, Inc., Washington, District of Columbia, United States	100.00

* In the fiscal year 2021, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:
- Option not to prepare notes to the financial statements (Frilo Software GmbH, Allplan Deutschland GmbH, Graphisoft Deutschland GmbH und NEVARIS Bausoftware GmbH) .
- Option not to prepare a management report (Allplan GmbH, Allplan Deutschland GmbH, Graphisoft Deutschland GmbH, NEVARIS Bausoftware GmbH and Crem Solutions GmbH & Co. KG).
- Option not to publish the annual financial statements.
- Option not to audit the annual financial statements (Allplan GmbH, Allplan Deutschland GmbH, NEVARIS Bausoftware GmbH and Crem Solutions GmbH & Co. KG).

** In the fiscal year 2021 Red Giant LLC. and Redshift Rendering Technologies, Inc., have been merged with Maxon Computer, Inc.

***In the fiscal year 2021 Precast Software Engineering was merged with Allplan GmbH, now operating under the name Allplan Software Engineering

[33] **Bodies of the Company**

Supervisory Board

Kurt Dobitsch, Businessman
Chairman
Year of birth 1954, Nationality: Austrian
First appointed 1998, Term expires 2022

Member of the following Supervisory Boards:

» Nemetschek SE (publicly listed), Munich, Germany, Chairman
  Mandates affiliated with the Group:
  – Graphisoft SE, Budapest, Hungary (until May 31, 2021)
  – Vectorworks, Inc., Columbia, USA (until May 31, 2021)
» Bechtle AG (publicly listed), Gaildorf, Germany
» Singhammer IT Consulting AG (not listed), Munich, Germany
» United Internet AG (publicly listed), Montabaur, Germany Chairman, (until May 27, 2021)
» 1 & 1 AG (publicly listed), Maintal, Germany, Chairman
  Mandates affiliated to the Group:
  – 1 & 1 Mail & Media Applications SE, Montabaur, Germany, Chairman
  – IONOS Holding SE, Montabaur, Germany

Prof. Georg Nemetschek, Businessman
Deputy Chairman
Year of birth 1934, Nationality: German
First appointed 2001, Term expires 2022

Rüdiger Herzog, Lawyer
Year of birth 1950, Nationality: German
First appointed 2003, Term expires 2022

Member of the following supervisory boards:

» DF Deutsche Finance Holding AG (not listed), Munich, Germany, Chairman
» DF Deutsche Finance Investment GmbH, Munich, Germany, Chairman
» DBC Finance GmbH, Munich, Germany, Chairman

Bill Krouch, Businessman
Year of birth 1959, Nationality: US American
First appointed 2018, Term expires 2022

Member of the following supervisory board:

» INVESTCORP (not listed), New York, USA

Committees of the Supervisory Board

Audit Committee (as of January 1, 2022)

Rüdiger Herzog, Chairman
Kurt Dobitsch
Prof. Georg Nemetschek

Executive Board

Yves Padrines
(Master of Business Administration, MBA)
Chief Executive Officer (as of March 1, 2022)
Born in 1976, Nationality: French

Dr. Axel Kaufmann
(Dipl.-Kfm.)
Chief Financial & Operations Officer
Born in 1969, Nationality: German

Further group-internal mandate:
- Managing Director Nemetschek Austria Beteiligungen GmbH

Member of Supervisory Boards of affiliated companies:
- Bluebeam Holding, Inc., USA
- Bluebeam Inc., USA
- Maxon Computer GmbH, Germany
- Nemetschek Inc., USA
- Spacewell International NV, Belgium (as of January 12, 2022)

Viktor Várkonyi
(Master of Computer Science, MBA)
Chief Division Officer, Planning & Design Division
Born in 1967, Nationality: Hungarian

Member of Supervisory Boards of affiliated companies:
- Data Design System AS, Norway
- dRofus AS, Norway
- Graphisoft SE, Hungary
- RISA Tech. Inc., USA
- SCIA Group International NV, Belgium
- SCIA NV, Belgium
- Solibri Oy, Finland
- Vectorworks, Inc., USA

Jon Elliott
(Master of Business Administration, MBA)
Chief Division Officer, Build & Construct Division
Born in 1976, Nationality: US American

Further group-internal mandates:
- CEO Bluebeam Holding, Inc., USA
- CEO Bluebeam, Inc., USA
- Director Bluebeam Ltd., UK
- CEO Nemetschek Inc., USA

Member of the Supervisory Board of affiliated companies:
- Design Data Corp., USA (until December 31, 2021)
- Nemetschek Inc., USA (as of March 1, 2021)

Munich, March 17, 2022

Nemetschek SE

Yves Padrines   Dr. Axel Kaufmann   Viktor Várkonyi   Jon Elliott

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Declaration Confirmation of the members of the authorized body

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

Munich, March 17, 2022

Yves Padrines

Dr. Axel Kaufmann

Viktor Várkonyi

Jon Elliott

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements group management report prepared in German

Independent auditor's report

To Nemetschek SE

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

Opinions

We have audited the consolidated financial statements of Nemetschek SE, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January 2021 to 31 December 2021, the consolidated statement of financial position as of 31 December 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January 2021 to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report, which is combined with the management report of Nemetschek SE, for the fiscal year from 1 January 2021 to 31 December 2021. We have not audited the contents of the Company's information outside the annual report to which the cross-reference in section 1.3 of the group management report refer. In accordance with the German legal requirements, we have not audited the content of the non-financial declaration included in section 2 of the group management report or the corporate governance declaration, which is published on the website cited in the group management report and is a component of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2021 and of its financial performance for the fiscal year from 1 January 2021 to 31 December 2021, and

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

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Recognition of revenue from software service agreements and software rental models

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

The business activities of the Nemetschek Group comprise the sale of software licenses, the rendering of services such as a telephone hotline and software upgrades as part of software service agreements ("service agreements") as well as software rental models. Software rental models generally contain the software rental performance obligations as well as user support and software upgrades. Revenue from service agreements, which represents the largest share of revenue, is recognized on a pro rata basis over the term of the agreement. For software rental models, revenue from the performance obligations user support/upgrades is also recognized on a pro rata basis over the period in which services are rendered. The recognition of the performance obligation software rental depends on whether the application is accessed via servers provided by Nemetschek group entities or whether the customer runs the application directly on its local system. In the latter case, revenue is recognized when the customer is sent a link to download the software. In the event that the application is accessed via servers provided by Nemetschek group entities, revenue is recognized on a pro rata basis over the term of the agreement.

The allocation of the transaction price of the software rental agreements to individual performance obligations and the allocation of revenue from service agreements and software rental models in line with the accrual method of accounting constitute an area associated with a significant risk of material misstatement in the consolidated financial statements due to the judgment this involves and the materiality of the corresponding revenue, and consequently also constitute a key audit matter.

Auditor's response

In the course of our audit, we examined the processes associated with revenue recognition as well as the application of the accounting policies for service agreements and software rental models. We assessed the design of the accounting-related internal control system by obtaining an understanding of business transactions from their initiation through to their presentation in the financial state-ments as well as the controls implemented as part of the process.

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

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

Reference to related disclosures

For information on the accounting policies applied to the recognition of revenue from software service agreements and software rental models, we refer to the disclosures in the notes to the consolidated financial statements under section Summary of significant accounting policies - Revenues as well as to no. 1 Revenue and no. 25 Segment reporting.

2. Accounting for business combinations

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

The acquisition of the business operations of Pixologic Inc., Los Angeles, USA, as of 29 December 2021 as well as the finalization of the purchase price allocation for Dexma Sensors S.L., Barcelona, Spain, acquired as of 11 December 2020 were a key audit matter on account of the significant impact of these business transactions on the consolidated statement of financial position and consolidated statement of cash flows as well as the assumptions and estimates required by the executive directors for the purchase price allocation.

Auditor's response

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

In addition to comparing the consideration transferred by Nemetschek SE with the contractual bases, our audit procedures in relation to the purchase price allocation involved assessing the methodology for the identification of the acquired assets as well as the conceptual assessment of the measurement models, considering the rules in IFRS 3 Business Combinations. We verified the methods used to measure the fair values of the identified assets (including technology and the customer base). In addition, we verified the mathematical accuracy of the models used and, with regard to the determination of goodwill, verified the calculation as a residual amount between the consideration transferred less the fair value of the identified assets and liabilities acquired, taking into account the resulting deferred taxes.

In the course of the audit of the finalization of the purchase price allocation for the acquisition of Dexma Sensors S.L. Barcelona, Spain, we also analyzed the assumptions and estimates based on judgment (for example growth rates, cost of capital rates, royalty rates or remaining useful lives) made to determine the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date in order to check whether they are consistent with general and industry-specific market expectations. In addition, we compared the expected future cash flows used for measurement with internal budgets and assessed the suitability of the appraisal of an external expert, which was used by the executive directors, as audit evidence, conducted interviews with the expert and verified whether the assumptions made reflect the view of an external market participant on the acquisition date.

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

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

Reference to related disclosures

The disclosures on the accounting for business combinations are presented in the sections Summary of significant accounting policies, Judgements and estimates, Business combinations – Acquisitions in 2021, Acquisitions in 2020, as well as in no. 16 Intangible assets and goodwill in the notes to the consolidated financial statements.

3. Impairment of goodwill and intangible assets

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

Testing goodwill and intangible assets at the level of the cash-generating unit for possible impairments was a key audit matter, as the measurements underlying the impairment tests highly depend on the estimate of future cash flows – particularly against the background of the effects of the Covid-19 pandemic – and the discount rate used, and have a material effect on the consolidated financial statements.

Auditor's response

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

To test the cash-generating unit for possible impairment, we gained an understanding of the measurement models used in terms of methodology and reperformed the calculations with the assistance of internal valuation specialists. In this context, we also examined whether the budgets reflect general and industry-specific market expectations and compared the measurement parameters used for the estimates of the fair values, including any implications from the Covid-19 pandemic – in particular the estimated growth rates, the weighted average cost of capital rates and the tax rates – with publicly available data. To determine the reliability of the budgets, we compared historical budget data with actual figures on a sample basis. This also took effects caused by the Covid 19 pandemic into account.

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

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

Reference to related disclosures

For information on the accounting policies applied to the impairment of goodwill and intangible assets, we refer to the disclosures in the notes to the consolidated financial statements in the section Summary of significant accounting policies – Intangible assets and goodwill, Impairment of non-financial assets, as well as to no. 16 Intangible assets and goodwill.

Other information

The supervisory board is responsible for the supervisory board's report on the 2021 financial year of Nemetschek SE in the annual report 2021.

The executive directors and supervisory board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is published on the website cited in the group management report and is part of the corporate governance declaration. In all other respects, the executive directors are responsible for the other information.

The other information comprises the group corporate governance declaration as well as the group non-financial declaration referred to above. In addition, the other information comprises the prescribed elements of the annual report, which were provided to us prior to us issuing this auditor's report:

- "Shape the world"
- The section "To our Shareholders":
  - "Key Figures"
  - "Letter to Shareholders"
  - "The Executive Board"
  - "Report of the Supervisory"
  - "Corporate Governance Declaration"
  - "Nemetschek on the Capital Market"
- Declaration of the members of the authorized body pursuant to Sec. 297 (2) Sentence 4 HGB and Sec. 315 (1) Sentence 5 HGB
- Reference projects and
- "Other Information" (financial calendar 2022, imprint)

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

» Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Assurance conclusion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file Nemetschek_KA+KLB_ESEF-2021-12-31.zip SHA-256-checksum: [d57c965aa4ef16b4b867cba920202d78893005ccdec77520005bca694b15bd0d]) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2021 to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the assurance conclusion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

» Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

» Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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

We were elected as group auditor by the annual general meeting on 12 May 2021. We were engaged by the supervisory board on 26 November 2021. We have been the group auditor of Nemetschek SE without interruption since fiscal year 2013.

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

In addition to the audit of the consolidated financial statements, we have provided to the group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:

In addition to the statutory audit of the annual financial statements and consolidated financial statements of Nemetschek SE, we also performed audits of the financial statements of subsidiaries.

Audit-related services included assurance services in respect of the non-financial declaration and the remuneration report in accordance with the AktG. We also performed review procedures with regard to determining adherence to the covenants from the loan agreements in place with banks.

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Sonja Bauer.

Munich, 21 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bauer	Hinderer
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial statement 2021 of Nemetschek SE. The following text is a translation of the original German independent assurance report.]

Independent auditor's report on a limited assurance engagement

To Nemetschek SE, Munich

We have performed a limited assurance engagement on the non-financial statement included in the "Non-financial statement" section of the management report of Nemetschek SE, Munich (thereinafter the "Company"), which is combined with the non-financial statement of the Group and which additionally comprises the chapters "1.1 Group Business Model" in the combined management report for the period from 1 January 2021 to 31 December 2021 (thereinafter the "non-financial statement").

Our engagement did not include any disclosures for prior years and any references to further information outside of the non-financial statement.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial statement in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (thereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU Taxonomy" of the non-financial statement.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the non-financial) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors]) in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's non-financial statement is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the non-financial statement. Not subject to our assurance engagement are other references to disclosures made outside the non-financial statement and prior-year disclosures.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the employees regarding the selection of topics for the non-financial statement, the risk assessment and the policies of the Company and the Group for the topics identified as material,
- Inquiries of employees of the Company and the Group responsible for data capture and consolidation as well as the preparation of the non-financial, to evaluate the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the non-financial statement,
- Identification of likely risks of material misstatement in the non-financial statement,
- Analytical procedures on selected disclosures in the non-financial at the level of the Company and the Group,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and the corresponding disclosures in the non-financial statement,
- Evaluation of the presentation of the non-financial statement.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial statement of the Company for the period from 1 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section "EU Taxonomy" of the non-financial statement.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial statement and prior-year disclosures.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 21 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Richter	Meyer
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Extract from the Financial Statements

(HGB)

146 Balance Sheet
148 Profit and Loss Account

Financial Statements
of Nemetschek SE (German Commercial Code)

Balance Sheet

as of December 31, 2021 and as of December 31, 2020

ASSETS Thousands of €	**December 31, 2021**	December 31, 2020
A. Fixed Assets		
I. Intangible assets		
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	89	476
	89	**476**
II. Property, plant and equipment		
1. Leasehold improvements	33	41
2. Fixtures, fittings and equipment	259	302
	292	**343**
III. Financial assets		
1. Shares in affiliated companies	568,267	568,127
2. Loans due from affiliated companies	39,056	44,362
3. Investments	2,012	60
	609,335	**612,549**
TOTAL FIXED ASSETS	**609,716**	**613,368**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Trade receivables	0	2
2. Accounts due from affiliated companies – thereof Accounts receivable from trading EUR 1,635k (previous year: EUR 592k)	160,790	47,140
3. Other assets	1,623	295
	162,413	**47,438**
II. Cash and cash equivalents	**1,615**	**8,491**
TOTAL CURRENT ASSETS	**164,028**	**55,928**
C. DEFERRED AND PREPAID EXPENSES	**2,964**	**2,136**
D. DEFERRED TAX ASSETS	**1,434**	**78**
	778,142	**671,510**

EQUITY AND LIABILITIES	Thousands of €	December 31, 2021	December 31, 2020
A. EQUITY			
I. Subscribed capital		**115,500**	**115,500**
II. Capital reserve		**20,530**	**20,530**
III. Retained earnings		**28,586**	**28,586**
IV. Unappropriated profit		**312,660**	**266,270**
TOTAL EQUITY		**477,276**	**430,886**
B. PROVISIONS AND ACCRUED LIABILITIES			
1. Accrued tax liabilities		382	684
2. Other provisions and accrued liabilities		8,217	4,359
TOTAL PROVISIONS AND ACCRUED LIABILITIES		**8,599**	**5,043**
C. LIABILITIES			
1. Liabilities due to banks		118,200	129,500
2. Trade accounts payable		1,703	1,065
3. Accounts due to affiliated companies		167,598	101,055
4. Other liabilities – thereof taxes: EUR 1,608k (previous year: EUR 1,175k) – thereof social security EUR 5k (previous year: EUR 3k)		1,662	1,223
TOTAL LIABILITIES		**289,163**	**232,843**
D. Deferred revenue		2,077	1,640
E. Deferred tax liability		**1,028**	**1,098**
		778,142	**671,510**

Profit and loss account of Nemetschek SE

for the period January 1 to December 31, 2021 and 2020 (German Commercial Code)

Thousands of €	**December 31, 2021**	December 31, 2020
1. Revenues	7,560	7,229
2. Other operating income – thereof from income from currency revaluation EUR 125 (previous year: TEUR 481)	5,868	2,493
Operating income	**13,427**	**9,722**
3. Personnel expenses		
a) Wages and salaries	–11,274	–6,533
b) Social security, pension and other benefit costs – thereof for pension: EUR 127k (previous year: EUR 119k)	–954	–840
4. Depreciation and amortization of intangible assets, property, plants and equipment	–499	–501
5. Other operating expense – thereof from expense from currency revaluation TEUR 62 (previous year: TEUR 328)	–14,626	–9,817
Operating expenses	**–27,353**	**–17,691**
Operating result	**–13,926**	**–7,969**
6. Income from investments – thereof from affiliated companies: EUR 67,281k (previous year: EUR 60,255k)	67,379	60,286
7. Income from profit and loss transfer agreements	34,749	29,386
8. Other interest and similar income – thereof from affiliates companies: EUR 2,027k (previous year: EUR 1,258k)	2,066	1,257
9. Interest and similar expenses – thereof from affiliated companies: EUR 98k (previous year: EUR 6k)	–2,445	–1,120
Result from ordinary operations	**87,823**	**81,839**
10. Taxes on income – thereof expenses from changes in deferred taxes recognized in the balance sheet: EUR 1,427k (previous year: EUR -397k)	–6,782	–7,855
11. Earnings after tax	**81,041**	**73,984**
12. Other Taxes	–1	–1
13. Net Income	**81,040**	**73,983**
14. Profit carried forward from previous year	231,620	192,288
15. Unappropriated profit	**312,660**	**266,270**

Financial calendar 2022

March 22, 2022

Publication
Annual Report 2021

April 28, 2022

Publication
1st Quarter 2022

July 28, 2022

Publication
Half-year Report 2022

October 27, 2022

Publication
3rd Quarter 2022

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

NEMETSCHEK
GROUP

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