

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 pic-

ture. 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 process-

es 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 alone¹.

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 credit-worthy 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.