

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General economic conditions

Global economy and the Covid-19 pandemic

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

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

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

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

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

Eurozone

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

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

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

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

USA

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

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

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

Asia (Japan)

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

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

Emerging markets (China)

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

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

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

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

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

Development of the construction industry

Europe

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

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

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

USA

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

the previous year. In contrast, commercial real estate construction recorded a 4% decline, while infrastructure construction stagnated.

Asia (Japan)

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

Emerging markets (China)

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

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

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

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

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

Digitalization in construction

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

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

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

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

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

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

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

Covid-19 pandemic

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

General statement on the economic position of the Group

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

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

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

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

Acquisitions/divestments

Holding level

No acquisitions were made at holding level in 2020.

Segment level

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

As part of the transaction, Maxon acquired the US company Red Giant LLC, Portland, USA (Red Giant) through a combination of a cash payment of approximately EUR 79.6 million and at fair value of EUR 52.7 million and the granting of shares in Maxon. After

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

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

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

Divestments

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

Cooperation and partnerships

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

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

Results of operations

Revenue development

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

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

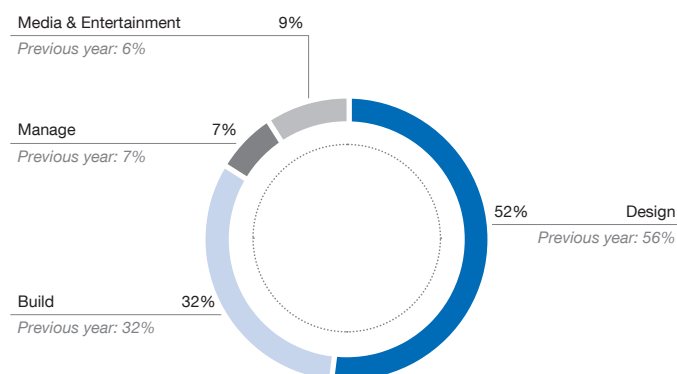
In a challenging financial year, the Nemetschek Group was able to grow across all four quarters and continue its sustainable growth path. However, compared with previous years, growth momentum was declining – also as a result of the Covid-19 pandemic. Revenue development in the financial year was without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

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

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

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

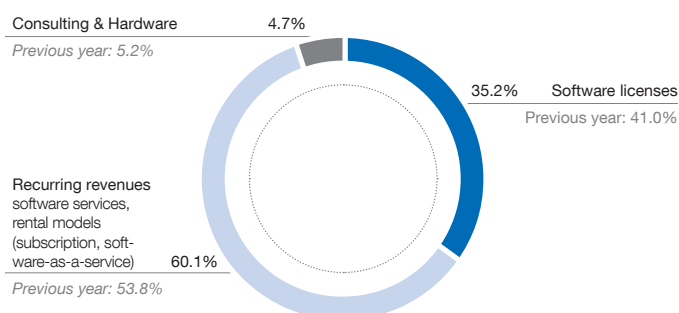
Revenues by segment



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

The [« Segment Developments »](#) section provides a detailed explanation of the revenue and earnings development of the segments.

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.

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

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

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

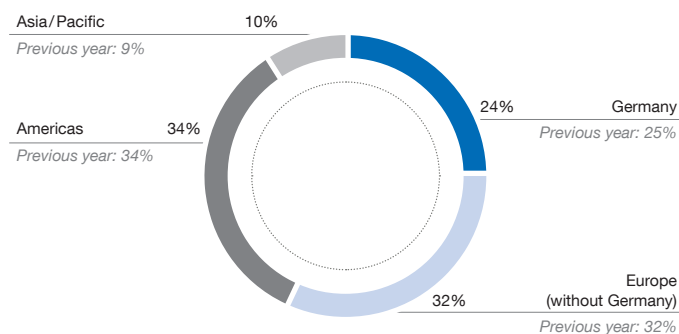
In contrast to software rental models, the entire revenue from software licenses is recognized at the time of sale (i.e., when ownership is transferred to the customer). Our strategic goal is to successively increase the proportion of recurring revenues. This goal is to be achieved by offering more software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

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

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

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

Revenue by region



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

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

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

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

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

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

Segment developments

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

Design segment

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

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

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

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

Build segment

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

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

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

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

Manage segment

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

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

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

At the same time, the level of digitalization in this segment remains low, so there may be catch-up effects.

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

Media & Entertainment segment

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

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

The **Media & Entertainment segment** was significantly strengthened by the acquisition of Red Giant. The integration of the company, which has been consolidated since January 2020, is progressing according to plan. Revenue in the 2020 financial year increased from EUR 33.9 million to EUR 55.2 million. On the one hand, the growth of 62.8% (adjusted for currency effects: 65.0%) was positively influenced by the acquisition described above. On the other, strong organic growth of 19.4% also contributed to the growth momentum. At the same time, the segment increasingly

migrated to rental models. The expected pressure on revenue growth was avoided, as Maxon was able to target many new customers and expand its expertise and market presence through its bundled solution offering.

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

Earnings performance

OVERVIEW OF GROUP KEY FIGURES

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

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

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

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

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

The net finance cost in the 2020 financial year was characterized by interest expenses for acquisition loans and lease liabilities in accordance with IFRS 16. Overall, the net finance cost amounted to EUR -2.8 million (previous year: EUR -0,4 million). The net finance cost in the previous year included reversals of contingent

purchase price payments of EUR 1.9 million. Interest expenses affecting the financial result decreased slightly in the 2020 financial year, from EUR 3.2 million in the previous year to EUR 3.0 million. This was mainly due to continued loan repayments in 2020. This was offset by commitment interest for the new loan lines of more than EUR 200 million concluded in the financial year.

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

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

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

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

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

Financial position

Main features and objectives of financial management

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

Liquidity analysis

Net liquidity/net financial liabilities in EUR million

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

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

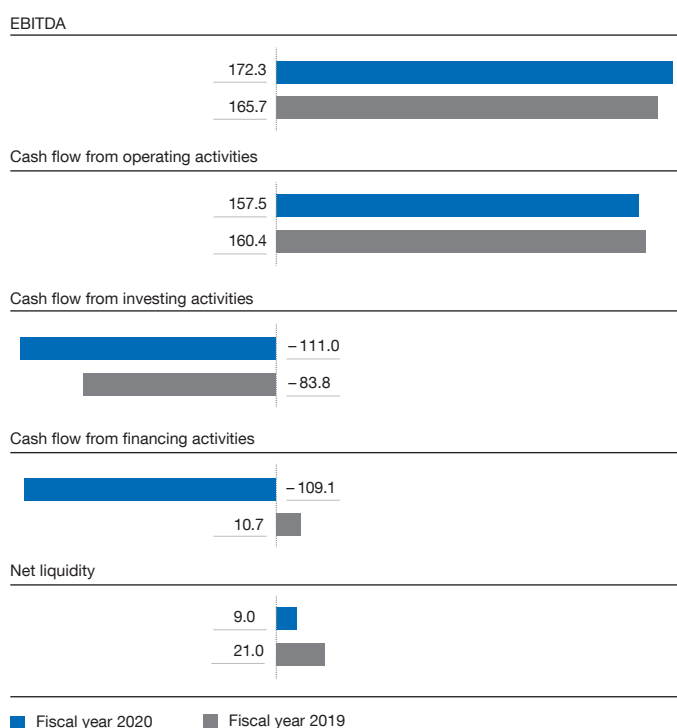
With regard to dividend payments, the Executive Board pursues a sustainable dividend policy that provides for a distribution of around 25% of the operating cash flow. The dividend payout always takes into account the overall economic development and the economic and financial situation of the company.

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

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

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

Development of cash flow



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

Cash flow from operating activities decreased by 1.8% to EUR 157.5 million in 2020 (previous year: EUR 160.4 million). In trade working capital the software service and the software subscription contracts with the corresponding recurring revenues had a significant impact on cash flow. These are advance payment

models. Compared with the previous year, the effect of the positive cash contribution from this flattened out. This is particularly due to the strong growth in software service contracts in the previous year. In the 2020 financial year, income tax payments (net) increased by EUR 9.8 million from EUR 26.5 million in 2019 to EUR 36.3 million. The considerable upturn was partly shaped by withholding tax of EUR 4.3 million paid in 2020, but not reimbursed in the 2020 financial year. In addition, in comparison to the previous year, in 2020, there were higher advance income tax payments of EUR 3.3 million. These payments also included effects of payments made in previous periods.

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

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

Management of liquidity risks

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

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

Investment analysis

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

The dividend payout also comes from operating cash flow.

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

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

1) Of which EUR 79.0 million payment.

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

Net assets

In EUR million	Dec. 31, 2020	Dec. 31, 2019	Δ nominal in %
ASSETS			
Current assets	236.4	295.5	-20.0%
Non-current assets	653.3	561.7	16.3%
Total assets	889.7	857.2	3.8%
EQUITY AND LIABILITIES			
Current liabilities	295.8	271.6	8.9%
Non-current liabilities	176.6	236.9	-25.5%
Equity, total	417.3	348.6	19.7%
Total equity and liabilities	889.7	857.2	3.8%

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

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

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

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

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

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

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

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

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

As in previous years, the Nemetschek Group determined capital costs (Weighted Average Cost of Capital) for the group of cash-generating units as part of the impairment test for goodwill.

A market risk premium of 7.5% (previous year: 7.5%) was applied. This results in capital cost rates before taxes ranging from 8.29% to 10.24% (previous year: 12.92% to 13.50%). A key driver for the reduction in WACC is the lower beta factor. This reflects the effects of Covid-19 on the capital market performance of the Group and its peer companies. Based on the market capitalization as of December 31, 2020 and the planning expectations, the internal rate of return before taxes is around 4.5%.

KEY BALANCE SHEET FIGURES

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

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

Nemetschek Group employees

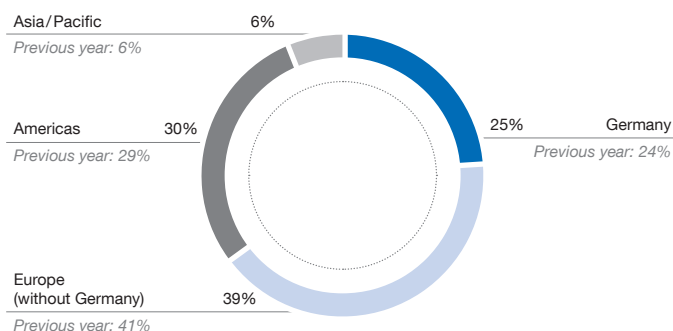
In order to act quickly and agilely in the respective markets and regions, the individual brands manage HR topics themselves. The Human Resources department of Nemetschek SE supports and advises the individual HR departments in this respect.

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

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

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

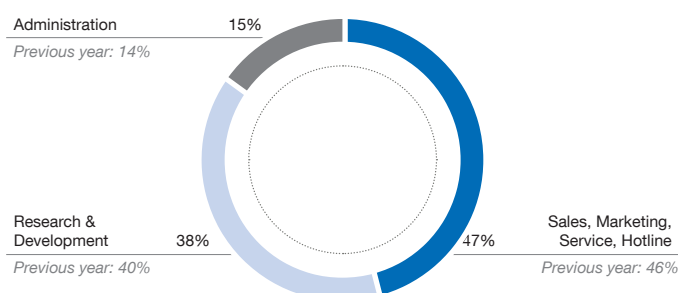
Employees by region



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

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

Employees by function



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

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

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

Revenue development and earnings situation

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

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

Income from interests of EUR 60.3 million (previous year: EUR 128.6 million) includes EUR 60.3 million in dividends from subsidiaries. The previous year included extraordinary dividends from subsidiaries to finance the Red Giant acquisition. Also, the gain on sale of the interest in Docuware GmbH of EUR 33.3 million was included in 2019. Income from profit transfer agreements in the amount of EUR 29.4 million (previous year: EUR 40.0 million) came as a result of profit transfers from Allplan GmbH, Frilo Software GmbH and Nevaris Bausoftware GmbH. In 2019 the profit transfer of Maxon Computer GmbH about EUR 10.2 million was included. Net income for the year amounted to EUR 74.0 million (previous year: EUR 150.6 million).

Net assets

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

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

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

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

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

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

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

Financial position

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

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

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

Nemetschek SE employees

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

Outlook for Nemetschek SE

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