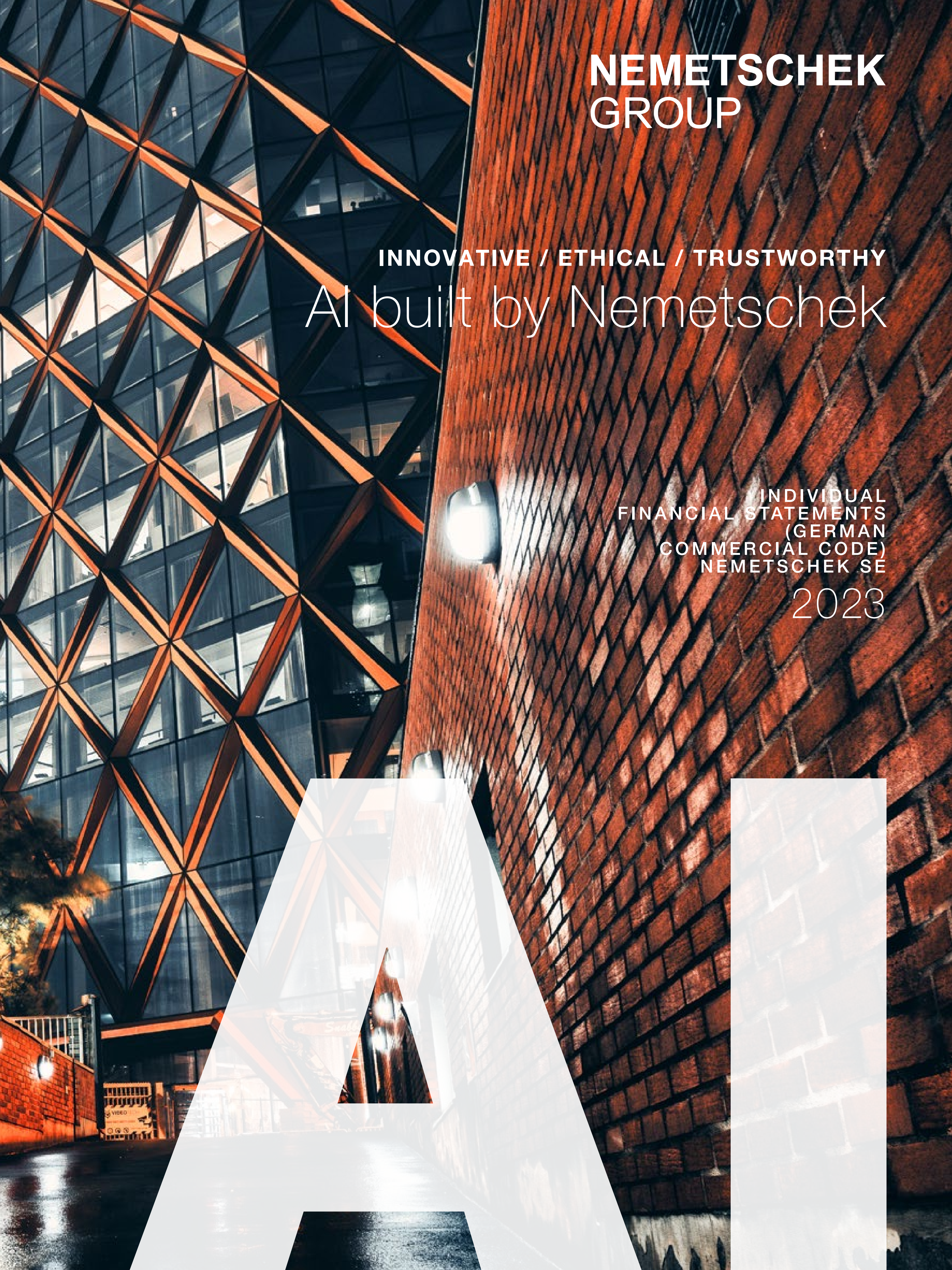

NEMETSCHEK
GROUP

INNOVATIVE / ETHICAL / TRUSTWORTHY

AI built by Nemetschek

INDIVIDUAL
FINANCIAL STATEMENTS
(GERMAN
COMMERCIAL CODE)
NEMETSCHEK SE

2023

AI

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Combined Management Report for the 2023 Fiscal Year

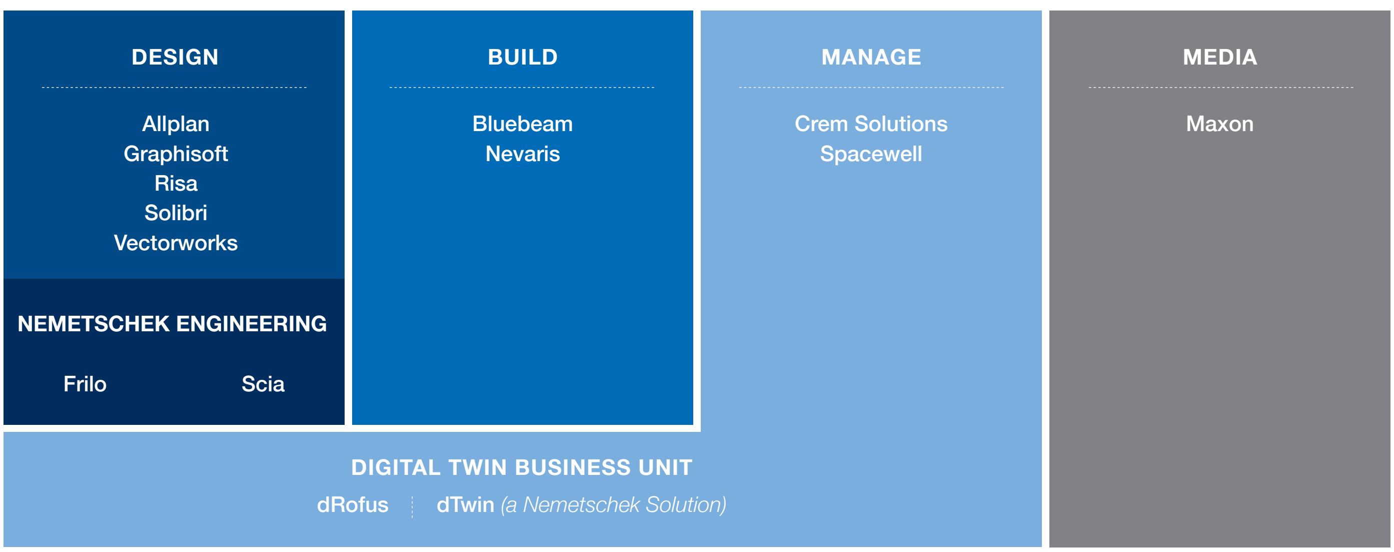
About This Report

The management report of Nemetschek SE and the Group management report for the 2023 fiscal year have been combined. The Corporate Governance Statement pursuant to section 161 of the German Stock Corporation Act (AktG) is published on the Nemetschek SE website at *ir.nemetschek.com/corporate-governance*. It can also be found in the section *<< To Our Shareholders >>.* The consolidated financial statements as of December 31, 2023, that have been prepared by Nemetschek comply with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) as at December 31, 2023, and, additionally, with the requirements of the German Commercial Code in connection with German Accounting Standards.

1 Group Principles

1.1 Group Business Model

Organization and Structure



The global Nemetschek Group comprises Nemetschek SE and its subsidiaries. The company's history dates back 60 years to its foundation in 1963 by Prof. Georg Nemetschek. Today, the Nemetschek Group is a global provider of digital software solutions for all disciplines across the building and infrastructure project life cycle (i.e., the AEC/O industry – architecture, engineering, construction, and operation) as well as for all stages during the creation of digital 2D and 3D content in the media sector.

The strategic holding company, Nemetschek SE, is headquartered in Munich, Germany, while the company's operating activities are carried out through four segments with a total of 13 brands (previous year: 13 brands). The brands are subsidiaries or groups of subsidiaries which operate in the market under an overarching Group strategy. This group structure reflects the company's philosophy of central management at the Group level and a high degree of business freedom at the subsidiary level. This enables the individual brands to focus on their respective clients' needs to increase the benefits and added value for the client. This segment and brand approach ensures that market changes can be quickly identified, analyzed, and evaluated and that client wishes can be implemented promptly, too.

Nemetschek SE houses the central functions Corporate Finance & Tax, Controlling & Risk Management, Investor Relations & Corporate Communication, People/Human Resources, Mergers & Acquisitions, Start-Up & Venture Investments, IT, Information Security, Global Procurement, Transformation Office, Internal Audit, and Corporate Legal & Compliance, which all perform key governance duties for the Group and brands. This approach enables the brands to focus fully on exploring new potential client demands and doing business.

Business Activities

Proximity to markets and clients is a key success factor for Nemetschek. With its software solutions, the Nemetschek Group supports **digitalization** along the entire construction life cycle – from the planning and construction phases to the operation, renovation, and demolition phases. This strategically integrated approach makes it possible to concentrate investments and expertise on the client-oriented segments and thus offer an end-to-end workflow and comprehensive support for clients in the building life cycle.

The Nemetschek Group's clear commitment to OPEN BIM and the associated open interfaces increase interoperability, collaboration, efficiency, and communication with different disciplines across the construction life cycle. At the same time, Nemetschek is focusing on future topics that the Group believes will shape and change the construction industry in the coming years. Such topics include artificial intelligence, digital twins, machine learning, sustainability, and the usage of IoT devices and sensors. That is why these topics are also part of the Nemetschek Group's innovation and development activities.

Added to this are digital solutions for visualization, 3D modeling, and animation, which are used in the media and entertainment industries in particular as well as the construction industry. The Nemetschek Group offers solutions for these fields, too, covering the complete content creation workflow and appealing to the entire production process for creative output.

Segments

The Nemetschek Group structure and its solution portfolio are reflected in the reporting structure with the four client-focused segments Design, Build, Manage, and Media. An Executive Board member or Segment Head is generally assigned to each segment. The close interlocking of the holding company and segments also ensures close coordination between the subsidiaries as well as a high degree of management efficiency.

Furthermore, there are benefits for the brands as well as the Group overall from the stronger harmonization and centralization of general and administrative functions, access to additional resources and tools, and intensified knowledge exchange. For instance, the brands can concentrate their capacity and resources more on the operational implementation of the corporate targets and strategy, including in particular greater client loyalty and the exploitation of additional growth opportunities.

To leverage synergies within the Nemetschek Group, the Executive Board and Segment Heads support the coordination of strategic projects between the brands in their respective segment as well as cross-segment cooperation between individual brands. As a result, the subsidiaries benefit from synergies for their segment and for the wider Group in relation to internationalization, the exchange of best practices, sales, marketing, and development activities. Simultaneously, the internal structures and processes were harmonized further during the 2023 fiscal year. Central administrative functions such as People/HR, Controlling & Risk Management, Finance, and IT were harmonized further, letting the brands focus even more strongly on their client-adjacent topics.

The company's legal structure is outlined in the notes to the consolidated financial statements in *<< Note 32 List of Companies in the Nemetschek Group >>*.

Changes within the Segment Structure

dRofus, a brand that was allocated to the Build segment in the 2022 fiscal year, has been allocated to the Digital Twin business unit since January 1, 2023, and is consolidated with the Manage segment. With the brand's solutions for data management and BIM collaboration for workflow support and providing building information during the entire building life cycle, dRofus possesses capabilities for covering the complete AEC/O life cycle and, in doing so, forms an important tie between the various segments. The dTwin solution launched in 2023 is also allocated to this business unit and is consolidated with the Manage segment. dTwin, a SaaS-based, horizontal, and open digital twin platform, provides data-based insights across the entire life cycle of a construction project.

Starting in the 2024 fiscal year, the Digital Twin business unit will be consolidated with the Design segment along with the dRofus brand and dTwin solution.

Design Segment

The portfolio particularly features OPEN BIM solutions for computer-aided design (CAD) and computer-aided engineering (CAE), which are used in 2D and 3D planning and the design phase as well as in the visualization of buildings and infrastructure projects. These are complemented by BIM-based solutions for quality assurance and control and to avoid errors and conflicts during the planning and construction phase.

The individual brands within the Design segment target a broad range of different, specialized fields within architecture, design, and engineering. The segment's most recent two fiscal years in particular were characterized by integration and harmonization activities. The merger of individual brands and the expansion of cross-brand collaboration has resulted in the successful creation of extended and harmonized client offerings in particular, increasing the benefits for clients even further.

The segment's major client groups include, above all, architects, designers, engineers from all disciplines, including structural engineers, specialist planners, and landscape designers as well as developers and general contractors. The solutions offered enable clients to carry out their tasks across all phases, from planning and design right up to factory and construction planning.

The Design segment's market, compared with the Build and Manage segment markets, has a historically higher degree of maturity, as digitalization in this area was promoted earlier than in the other two segment markets. The total addressable market

(TAM) of the Design segment is predicted to grow from €7.9 billion in 2022 to approximately €12 billion in 2027. This equates to an average expected market growth rate of just under 9% for the period from 2022 to 2027.

Build Segment

In the Build segment, the Nemetschek Group offers integrated, complete 5D BIM solutions from the bidding and award phase to invoicing, budgeting, scheduling, and costing. These solutions also include commercial enterprise resource planning (ERP) solutions from the Nevaris brand for construction-related cost accounting and financial accounting. On top of that, it has PDF-based and, in parts, cloud-based workflow solutions from the Bluebeam brand for digital work processes, collaboration, and documentation.

The Build segment's clients include construction companies, developers, and suppliers as well as general contractors, planning offices, architects, and civil engineers, among others.

The Build segment's underlying TAM is expected to grow from €4.4 billion in 2022 to an anticipated €8.9 billion in 2027, corresponding to an average expected growth rate of 15% annually.

Manage Segment

The Manage segment rounds off the Nemetschek Group's range of solutions for all disciplines across the entire building and infrastructure project life cycle. It brings together competencies in the field of building management as well as professional property management.

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

The segment's main clients include property managers, facility managers, and global real estate companies as well as banks and insurance companies, among others.

The Manage segment's TAM was sized at €5 billion in 2022 and is predicted to grow by an average of approximately 8.5% annually to just under €7.5 billion by 2027.

Media Segment

In the Media segment, the Nemetschek Group offers professional solutions for all phases of a digital creative project via its Maxon brand. Its product portfolio includes, among other things, solutions for 3D modeling, painting, animation, sculpting, and rendering. These solutions are used across the world to create objects such as 3D motion graphics, architecture and product visualizations, computer game graphics, medical illustrations, industrial designs, and visual effects.

The Media segment primarily targets clients from the international media and entertainment industries in addition to architects and designers. These clients include film and television studios, advertising agencies, the video games industry, product and graphic designers, and creative freelancers.

The Nemetschek Group targets the global 3D animation market in its Media segment. The latter's TAM was estimated at €5 billion in 2022, and the market volume is expected to grow to approximately €8.9 billion by 2027. This corresponds to average growth of 12% annually.

The key performance indicators of the four segments are detailed in *<< 3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group >>*.

Locations

Nemetschek SE is headquartered in Munich, Germany. The Nemetschek Group's 13 brands develop and market their solutions globally from a total of 81 (previous year: 82) locations.

NEMETSCHEK LOCATIONS GLOBALLY

1.2 Growth Drivers, Goals and Strategy

Growth Drivers

The macroeconomic impacts from the current global crises and geopolitical conflicts are influencing the global construction sector, too, and that has dampened the industry's growth trajectory and has potential to dampen it still further, at least in the short term. Be that as it may, the long-term, structural growth drivers in the global construction sector remain intact, which means that there may be a new, lasting phase of growth in the future. The conclusions drawn in the previous year continue to apply, and they are that the world's growing population, increasing urbanization globally, demographic shifts, and the associated rise in demand for housing and infrastructure represent key growth drivers for the construction industry. Lastly, the chronic shortage of workers in the construction industry is a global issue.

As a maker of software for the construction sector, the Nemetschek Group, in its three segments in the AEC/O industry, profits from other long-term, structural growth drivers as well:

- Digitalization within the construction industry remains at a low level compared with other industries. There is increasing importance on catch-up effects and increased investment in industry-specific software solutions that manage processes more efficiently and therefore increase quality and reduce costs and time. The consequences of the current crises have demonstrated this once more.
- Government regulations that require or make the use of BIM software mandatory for state-funded construction and infrastructure projects continue to pave the way for further growth of the Nemetschek Group worldwide. The UK and the Scandinavian countries are particular pioneers in Europe when it comes to implementing BIM regulations and using BIM-enabled software solutions, on a similar level to Singapore. The US and other countries such as Japan already have BIM regulations for public construction and infrastructure projects.
- Furthermore, the importance of sustainability and environmental protection in the planning, construction, operation, and renovation of buildings is growing constantly. Roughly 90% of all construction projects currently exceed the anticipated schedule or budgeted costs. On top of that, more than 20% of the material used in a construction project is wasted or needs to be reworked. The construction industry is responsible for about 40% of global carbon emissions in total. A more energy- and resource-efficient way of working throughout the entire construction process, including the subsequent usage phase, is therefore a critical factor in achieving the climate targets set by policymakers (e.g., the EU European Green Deal). Intelligent BIM software solutions for more sustainable and resource-conserving planning and construction, as well as more efficient building operation, form a key basis for this.

Additionally, there are the media and entertainment industries, which are marked by high growth and constantly rising demand for digital content. It is a dynamic environment where multiple growth drivers offer companies in the industries a variety of opportunities for bolstering their position. Developing innovative solutions and satisfying the developing needs of consumers is critical for this.

The rising demand for visual content is based on factors such as the following long-term growth drivers:

- Lasting upturn in the 3D animation market. The demand for premium visual content in various industries, such as film production, advertising, game development, and virtual reality, is increasing continuously. Businesses are making stronger use of visually appealing animations to convey their messages effectively and capture the interest of their target audiences.
- Digitalization from improved accessibility. Continued digitalization and the improved availability of high-performing hardware and software make a significant contribution to the growth of the 3D animation market. The easier access to advanced tools enables businesses and creatives to create complex 3D animations and bring innovative projects to fruition.
- Technological progress in virtual reality (VR) and augmented reality (AR). The use of VR and AR is a significant influence on the expansion of the 3D animation market. For example, the latest product developments from globally leading corporations such as Apple, with its Apple Vision Pro VR goggles, or Meta's Smart Glasses, indicate that there will be a strong trend toward increasingly virtual worlds and applications. These technologies unlock new dimensions for immersive and interactive 3D experiences. Businesses are also increasingly using VR and AR to develop innovative applications for usage in professional settings, be they training, product presentations, or virtual simulations.

Goals

The strategy of the Nemetschek Group is based on an extensive analysis of markets, competitors, technological, economic, and societal trends, and economic and regulatory conditions. The Group strives for sustainable and long-term success by pursuing a strategic approach aligned with the company vision. The strategy aims to optimally use the good growth opportunities in both sectors addressed by Nemetschek. In addition, the aim is to lead customers into digitalization and make the AEC/O industry more sustainable. With its focus on technology and innovation as well as its continuous exchange with scientific institutions, the Nemetschek Group strives to expand its strong market position in a highly competitive environment. Furthermore, the Group mitigates risk by diversifying its activities across four segments for the entire building and infrastructure project life cycle, as well as the media sector. Furthermore, Nemetschek is continuously internationalizing its business. The ever-increasing share of recurring revenues also ensures a high level of economic visibility and resilience. Ultimately, the Nemetschek Group's goal is to achieve sustainable differentiation and thus offer its customers the greatest possible benefit and added value, which simultaneously leads to sustainable and long-term value creation for its shareholders and stakeholders.

To achieve these goals, the Executive Board, together with the Nemetschek Group's Executive Leadership Team, has defined a comprehensive strategy based on strategic focus themes. This strategy is implemented consistently with suitable initiatives and measures.

Vision and Mission

The strategy centers around a clear commitment to the vision and mission of the Nemetschek Group. To realize its vision „Shape the world in all dimensions", the company's mission is to be the preferred and most trusted software provider and partner for the architecture, engineering, construction, construction management (AEC/O), and media industries. The vision and mission are the guiding principles for all business activities and the basis for strategic action. The vision and mission are the guiding principles for all business activities and the basis for strategic actions.

Strategic Cornerstones

Artificial Intelligence (AI)

An overarching goal across the Nemetschek Group is to be a leader in the field of (generative) artificial intelligence (AI). This alignment as an AI-first company emphasizes its ambitions to be a technological pioneer in the AEC/O and media industries. At the same time, it also includes a clear commitment to ethical, trustworthy, and sustainable AI practices. Simultaneously, the Nemetschek Group has the task of examining AI principles and the necessity of trust, ethics, and independence in order to provide the best protection possible for integrity and the intellectual property of clients.

This structure maintains the long-standing principles and high ethical standards of the Nemetschek Group, which was founded by Professor Georg Nemetschek in 1963. The company sees two main application areas in the field of AI. Its usage offers the opportunity to increase internal efficiency in almost all business functions, for example in research and development or in customer service, in order to ensure better customer support and greater customer satisfaction. Secondly, the Nemetschek Group aims to add AI-based functions, plug-ins, and tools to its products in order to further increase the benefits for clients. Three different approaches are taken to achieve this goal:

- Firstly, AI is one of the focuses for the Group's research and development activities. To this end, the Nemetschek Group is establishing an AI Innovation Hub which will be one of the central drivers of its in-house development activities. The Nemetschek Group firmly believes that the data sets used to train deep-learning algorithms in particular are the key to the development of new functions that will offer customers genuine added value in the future. The Nemetschek Group covers the entire building life cycle in the AEC/O industry and the complete process for creative design element creation in the media industry and therefore possesses a large and broad-based data set. This data set can be used to expand the company's own product portfolio with innovative and disruptive AI solutions which in turn support customers in improving their productivity and efficiency.

- Secondly, the Nemetschek Group maintains close exchange with the TUM Georg Nemetschek Institute Artificial Intelligence for the Built World, which receives funding from the Nemetschek Innovation Foundation. In 2023, there was a double-digit number of interesting joint, multidisciplinary AI research projects for the AEC/O industry, which represents a significant increase versus the previous year. This enables the Nemetschek Group to stay close to the latest developments in academic education and research.
- Thirdly, Nemetschek invests in a range of highly innovative start-ups, including ones that develop and advance new solutions in the various application areas for artificial intelligence. For instance, these start-ups develop solutions for tasks such as AI-based 3D point cloud models or the identification and mapping of BIM objects. One goal is to bring together the start-ups' AI developments and competencies with those of the Nemetschek Group's brands in order to draw inspiration and enrich each other. Simultaneously, this ensures that the Nemetschek Group product portfolio is expanded accordingly and that the necessary speed is achieved in the development of new AI solutions. Investments in start-ups also have the potential to develop pioneering and innovative products and solutions that are not only disruptive for the Nemetschek Group itself, but also the entire AEC/O and media industries.

Business Model – Transition to Subscription and SaaS Models

An important goal of the Nemetschek Group is to significantly increase its recurring revenues, especially through the stronger implementation of subscription and software as a service (SaaS) solutions. Several Group brands have already successfully completed the transformation to subscription and SaaS models, while other brands have either started this process or are in the implementation phase. The gradual transition of the individual brands' business models ensures that the short-term accounting-related dampening effect on Group revenue and margins, is only visible to a very limited extent. Subscription and SaaS models offer a number of advantages for the Nemetschek Group's customers as well as for the Group itself. Customers, for example, can use the software more flexibly and avoid the, in comparison to a subscription offering, higher one-time license fee. At the same time, they benefit from an even more intensive customer support as well as faster and continuous innovation cycles, which results in greater customer satisfaction and loyalty. Conversely, the transition provides the Nemetschek Group with opportunities to address and win new customer groups and increase customer loyalty, among other benefits. Together with the greater potential for up- and cross-selling, Nemetschek has an opportunity to generate revenues that are higher over the entire length of a customer relationship compared to the classic model of a license with a service agreement.

In addition, the visibility, resilience, and predictability of the revenue, earnings, and liquidity increase significantly, which is an even greater advantage in times of economic uncertainty. Furthermore, the transition to desktop-based subscription models is often a prerequisite for the subsequent introduction of new cloud features. In the four segments of the Nemetschek Group, the implementation and offering of rental models are at different stages of development, with each segment continuously increasing or having already significantly increased the share of recurring revenues through subscription and SaaS.. At Group level, revenues from subscriptions and SaaS accounted for 35.4% of total revenue (previous year: 25.5%). This represents a significant currency-adjusted growth of 51.1% compared to the previous year.

Company-Wide Nemetschek Platform

Nemetschek Cloud Platform and Infrastructure

The continuing digital transformation in the construction industry and the transition from information and data silos to end-to-end workflows in the AEC/O industry require a seamless exchange of data and information between all parties and solutions involved in the construction life cycle. With the Nemetschek Group's commitment to open standards and OPEN BIM, the company's focus ever since its founding has been on minimizing information loss and data breaches in the exchange of data, models, and information. This increases efficiency, productivity, and sustainability during the entire construction life cycle. Today, this exchange involves the management and provision of increasingly large amounts of data (big data) from various sources, such as the Internet of Things (IoT), which is needed for the planning, implementation, and management of building structures.

The Group-wide cloud platform that Nemetschek is currently developing will represent a transforming approach to linking data and collaborating within the Nemetschek ecosystem. With the objective of connecting the Nemetschek Group's individual solutions, the cloud platform is intended to make seamless data exchanges easier and therefore enable an effective collaboration across different disciplines. It is designed to connect users, processes, and technologies across the entire life cycle of buildings and infrastructure projects and thus enable intelligent workflows.

Digital Twin Product Innovation

One of the Nemetschek Group's cloud infrastructure initiatives is the use and expansion of the Digital Twin technology. A Digital Twin business unit was established in 2022 to work on the development of a horizontal, data-centric, open, and cloud-based platform which results in more efficiency and sustainability during the construction life cycle.

A digital twin is essentially a digital representation of a physical building in which digitized information is linked to its physical counterpart. The developments center around the dTwin digital twin platform, which was launched at the end of 2023. Pilot projects have been underway with potential customers since then. This open and horizontal SaaS cloud solution provides data-based insights and helps customers to manage and operate building structures efficiently from planning through to operation. All relevant (historical) data and information over the entire building life cycle as well as real-time data from building operation from sensors and connected open interfaces are bundled and linked with each other. A digital twin not only enables a modern, comprehensive visualization, but also provides valuable insights through analyses, simulations, and suggestions for optimization.

The dTwin solution from Nemetschek thus closes the gap between planning, construction, and operation and enables an open, data-driven Building Lifecycle Intelligence™ approach. The current focus is primarily on the operational phase and the management of large, complex building portfolios.

Product/Market Strategy

In addition to the technological development of the Nemetschek Cloud platform and new innovative products such as dTwin, the product market strategy is also being further developed. The aim is to significantly expand the growth opportunities of the Nemetschek Group by offering integrated solutions in addition to the already successful individual solutions of the Nemetschek brands. These integrated solutions will initially address the market segment of larger, multidisciplinary, and international customers in particular, though not exclusively.

Go-to-Market Approach

Internationalization

The Nemetschek Group concentrates on the three major regions of Europe, the Americas, and the Asia-Pacific, with Europe (incl. Germany) accounting for the largest share of Group revenue at 53% (see also *<< 3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group – Revenues by Region >>*). Ongoing internationalization, with a goal of developing further growth opportunities and further reducing the dependence on individual countries and regions, plays a crucial role in the successful implementation of the growth strategy. In order to participate even stronger in the expected higher growth of the two regions North America and Asia/Pacific, the Nemetschek Group is consistently focusing on these two growth regions, without neglecting the European market. In this context, acquisitions also represent an opportunity to open up new markets. The US, the largest regional market, and especially the countries in the Asia-Pacific region, which have previously been significantly underrepresented (approximately 10% of Group revenues), offer a attractive growth potential. The Nemetschek Group focuses especially on Japan, Singapore, Hong Kong, Malaysia, and India. The Indian market in particular offers enormous growth opportunities due to the dynamic economic and demographic development expected in the coming years. Consequently, the Nemetschek Group seeks to better utilize these opportunities by strengthening its presence in India.

Key Account Management and Cross-Selling

The Nemetschek Group's brands sell their solutions directly through their in-house sales organizations as well as indirectly via resellers and distribution partners. Both sales channels have proven to be effective with brand-specific sales approaches that are used flexibly depending on the circumstances of the relevant market and customer groups. In addition, the Nemetschek Group is increasingly using digital sales channels such as e-commerce, particularly in connection with the newly introduced subscription and SaaS models.

In order to increasingly address the market segment of larger, multinational and multidisciplinary customers, a global key account management system was implemented for the Nemetschek Group. The aim of key account management is, on the one hand, to offer customers a comprehensive, integrated and more closely networked range of solutions out of one hand. On the other hand, the global operation and approach means that the Nemetschek Group can provide this customer group with even more intensive support based on their specific customer needs.

A central element of the corporate strategy is also to intensify cross-selling potential across the entire Nemetschek Group. In addition to the large, international customers who combine various disciplines under one roof, individual brands also offer their customers solution packages with different products from the entire Nemetschek portfolio. This strategy makes it possible to use resources more efficiently by further strengthening and expanding existing client relationships.

Innovation

Research and Development Strategy and Focuses

Innovation and technological leadership have been an integral element of the Nemetschek Group identity and DNA since its founding. In light of the constantly transforming business environment, which is marked by disruption from factors such as AI, a company's strength at innovating has a crucially important role in determining wether it remains competitive and a technology leader. The Nemetschek Group's innovation strategy is oriented toward the continuous improvement of the existing product portfolio (e.g., new releases such as Archicad 27 and Allplan 2024) as well as the development of trailblazing new technologies and solutions (e.g., Archicad AI Visualizer). Therefore, the Nemetschek Group endeavors to drive and thus have a significant influence on the digital transformation in its industries – AEC/O and media – through targeted investments in research and development. Research and development focus areas are therefore topics such as artificial intelligence, digital twin or cloud-based features and solutions as well as the Group-wide cloud platform and infrastructure.

Venture Investments/Mergers and Acquisitions

In order to benefit even more from technological developments in the rapidly growing AEC/O industry, the Nemetschek Group is pursuing an investment strategy for venture investments and start-ups. In contrast to the proven M&A approach, the focus of this strategy is not on established companies, but rather on smaller, young, and highly innovative start-ups. This approach gives the Nemetschek Group early access to up-and-coming and potentially disruptive technologies with considerable growth potential. The Nemetschek Group thus guides and supports companies from the early stages of their development. Synergies are created through networking with the Group's own established brands in order to develop the full potential of the start-ups. For venture investments, the Nemetschek Group acquires minority interests which it can then potentially expand over time if there are successful developments.

A further aspect of the Nemetschek Group's venture strategy is the continuous support of the Built Environment Venture Lab at the Technical University of Munich. This underlines the Group's commitment to innovation and to actively shaping the future of the construction industry.

In addition to venture investments, the Nemetschek Group continues to view acquisitions of selected target companies with an established market presence as an important strategic option to continuously expand its own technological capabilities, market presence, and product. As part of its growth strategy, the company continuously conducts a "make or buy" assessment, particularly in relation to the aspects of product development and internationalization. This strategic approach enables the Nemetschek Group to respond flexibly to technological developments and fortify its position as an important player in the AEC/O industry as well as 3D animation.

In addition to innovative strength, management and business prospects, the decisive criteria for selecting potential takeover candidates are, in particular, the expansion or rounding off of the company's own technological expertise. The identification of and due-diligence checks on suitable targets take place at Group level as well as in the relevant segments and brand companies. External partners and specialized consultants support the M&A process to ensure that potential acquisitions are in line with the strategic goals of the Nemetschek Group.

From a regional perspective, the Nemetschek Group's current focus is on the European and North American markets. Preference is given to companies that already operate on the basis of subscription and/or SaaS models. In recent years, company acquisitions were successfully realized and integrated, particularly in the Media segment. There are currently M&A activities and targets in all segments.

The acquisitions and investments that were carried out in the 2023 fiscal year and are of material relevance to business performance are described in detail in *<< 3.2 Business Performance in 2023 and Key Events Influencing Business Performance >>*.

Business Enablement

Business Enablement is a global strategic initiative to reduce the complexity arising from the wide brand variety in the Nemetschek Group. The aim is to raise operational excellence through greater organizational efficiency and effectiveness, harmonized processes, the exchange of best practices, and an optimized tool and support system landscape. This includes, for example, harmonizing the back-end systems for human resources, enterprise resource planning (ERP), and customer relationship management (CRM), or the increase in development centers that are used by multiple brands. Furthermore, besides the harmonization of enablement processes and IT infrastructure, an organizational harmonization of various business functions such as People/HR, Controlling & Risk Management, Finance, and IT is also taking place. The resulting synergies, more efficient scaling possibilities as well as cost efficiency and effectiveness will make an important contribution to the implementation of the growth strategy and further investments in the future value creation of the Nemetschek Group.

The Nemetschek Group‘s strategic orientation, key topics and corporate goals are carefully anchored in the strategic plan and form the guiding principle for corporate development. The strategic plan is discussed and reviewed in detail at regular intervals by the Executive Board and the segment heads together with the global Nemetschek management team and in cooperation with the Supervisory Board. Identified deviations from the targets set out in the strategic plan are countered with targeted countermeasures. If necessary, targets are adjusted to ensure that the Nemetschek Group‘s strategy always meets current market, competitive and customer requirements.

1.3 Research and Development

Research and development are a very high priority at Nemetschek. In the 2023 financial year, €201.6 million (previous year: €182.6 million) were invested in research and development.

Around 24% of Group revenues therefore went toward research and development in the 2023 fiscal year (previous year: around 23%) and into new and further development of the solution portfolio. Furthermore, roughly 39% (previous year: 40%) of employees work in research and development, emphasizing once more the high priority that this area of business has for the Nemetschek Group.

The development of new, innovative solutions and enhancement of tried and tested ones rested largely on internal resources and only drew on the services of third parties to a small extent. In terms of expenditure, 88% (previous year: 90%) was on internal R&D employees (including cost of goods sold and depreciation and amortization) and just 12% (previous year: 10%) on external service providers.

Through its research and development activities, the Nemetschek Group is pursuing an aim of further expanding its innovation in the AEC/O and media markets, and identifying technological trends at an early stage, developing them into marketable solutions, and establishing them in the market. Proximity to and cooperation with clients is a key component of this. Ideas and potential for improvement are identified in close exchange with clients and then evaluated by the brands in the respective segments.

In each segment, the Segment Heads, together with their segment’s brands, draw up a road map as part of the annual planning process where the strategic product developments at brand level and across brands are laid out. Regular review discussions are held between the brands and Segment Heads as well as the Executive Board to present and verify the progress in implementing the road map and, if necessary, decide new measures.

The Group’s brands have their own development departments. There are also cross-brand development centers which the brands access. In addition to the enhancement of the brands’ individual solutions, there is a strategic focus on cross-brand development projects in the segments as well as strategic initiatives which also extend across the segments.

Innovation Focuses

All brands continuously enhance their existing solutions. The brands, in their respective segments, worked on tasks such as improving the user-friendliness of their solutions, process optimization, and integrated interfaces and connections for a seamless OPEN BIM workflow. Simultaneously, all brands work on steadily expanding their existing solution portfolios to reflect technological trends and changed client needs and, in doing so, secure their position as innovation leaders in their markets. A special, cross-segment focus for development work in the 2023 fiscal year remained the ongoing development of subscription and SaaS offerings.

The further development of the digital twin platform in particular as well as developments surrounding artificial intelligence were priorities, alongside topics such as sustainability and interoperability.

The Digital Twin business unit, which was inaugurated in the 2022 fiscal year, ties together the entire AEC/O life cycle. Its developments center around the dTwin digital twin platform, which was launched in fall 2023. This open and horizontal SaaS cloud solution provides data-based insights and helps clients to manage building structures efficiently from planning through to operation. By bringing together all the relevant data and information from across the building life cycle and real-time data from building operation using sensors and other sources that can be connected via open interfaces, Nemetschek’s new dTwin solution closes the gap between planning, construction, and operation, enabling an open, data-driven Building Lifecycle Intelligence™ approach. The initial focus for this is on clients involved in building operation and management.

Another important focus for development activities is innovation from the use of artificial intelligence, with work being done on various initiatives across the Group. In late 2023, Nemetschek announced product expansions and strategic partnerships that use artificial intelligence (AI) technologies to improve processes in the construction life cycle and in the media industry, increase productivity, and promote creativity. The objective of the initiatives is to provide clients in the AEC/O and 3D animation industries with trustworthy and ethically sound artificial intelligence.

Nemetschek’s Graphisoft brand, for example, debuted an AI-based visualizer for its BIM software solution, Archicad. Using an AI engine that generates high-quality imaging, the software’s users can shorten the early design process by generating multiple design visualizations without modeling them in 3D. The AI visualizer will be available for Nemetschek's Allplan and Vectorworks brands in 2024, too.

Allplan has, in addition, begun a technology partnership with AI start-up elevait. Through its partnership with elevait, a specialist in the field of artificial intelligence, it is aiming to use existing volumes of data systematically through the application of artificial intelligence and, in doing so, drive efficiency increases and quality improvements in the construction industry.

The Nemetschek Group sees major business potential in the field of artificial intelligence and is working intensively on enhancing its portfolio of products and solutions steadily.

Complementing its own innovation strength, the Nemetschek Group also wishes to build more on external innovation strength and invest in smaller, young, and highly innovative enterprises, i.e., start-ups. Read more about this in << 1.2 Growth Drivers, Goals and Strategy >>. For this reason, further interests in young and innovative companies were acquired during the 2023 fiscal year. The focus of these investments' innovation is on artificial intelligence, sustainability in the construction sector, efficiency, costs, and project management. Moreover, cooperation and partnership with innovative businesses, colleges, and universities is part of the Nemetschek Group's DNA and the subject of gradual, ongoing development.

Maintaining contact with science and teaching has been a key concern since the Nemetschek Group was founded in 1963. Nemetschek traces its origins to higher education, where its software solutions have had a presence for decades. The brand companies provide students and professors with free software licenses and online training material as part of their "campus programs." This applies to core markets in Europe and, these days, many other markets too, especially the US.

On top of that, Nemetschek regularly helps out university programs with its involvement in invitations to student competitions for supporting young and talented people in architecture and engineering. For example, Nemetschek provides support to the Leonhard Obermeyer Center at the Technical University of Munich as a partner. Close collaboration with universities and colleges simultaneously safeguards the Nemetschek Group's innovation capabilities as it is placed close to new topics, trends, and innovative developments through the close ties to higher education.

1.4 Corporate Management and Governance

General Information

A key success factor in the Nemetschek Group's structure is its combination of a flat group structure with corresponding processes and synergies on the one hand and flexibility and entrepreneurially led brands on the other.

The strategic alignment of the Nemetschek Group and operational governance is overseen by the Executive Board and the Segment Heads of Nemetschek SE. This includes the strategic positioning of the Nemetschek Group in the relevant sales markets globally and its short- and medium-term revenues, earnings, liquidity, and investment planning. It also involves an orientation toward the competitive and market environments.

Business management takes place within the segments. Strategic targets are used as a basis for setting the targets and annual objectives of the segments and associated brand companies. In the annual planning process, these targets and annual objectives are coordinated with the brand companies, fleshed out with specifications by the brand companies, and backgrounded with quantitative and qualitative subtargets for marketing, sales, research and development, and administration. The annual planning, subtargets, and medium-term planning are coordinated between the CEOs of the individual brands and the relevant segment heads, then within the Executive Board of the Nemetschek Group in the next step. The Supervisory Board monitors and advises the Executive Board throughout the above processes.

Throughout the year, the Group's targets are monitored and evaluated each month using a Group-wide management information system with detailed reporting of key performance indicators for revenue, growth, and earnings. These indicators are compared with previous years' and plan data. The respective brand CEOs, Segment Heads, and the Executive Board discuss any deviations from the plan on a monthly basis and decide on possible measures.

Financial Performance Indicators

Nemetschek Group's key financial performance indicators (core performance indicators) remain revenue, revenue growth (currency adjusted), EBITDA and the EBITDA margin. In order to present the progress of the ongoing transition of the business model to subscription and SaaS models and thus also the total recurring revenues more transparently, additional key indicators were included in the course of 2022 compared to the previous year, although these are not intended for the explicit steering of the company. The indicators are as follows:

	FY 2023	FY 2022
Revenue (absolute)	X	X
Revenue growth (currency adjusted)	X	X
Annual recurring revenue (ARR)	X	-
ARR growth (currency adjusted)	*X*	-
Share of recurring revenue in total revenue	*X*	-
EBITDA	X	X
EBITDA margin	X	X

Non-financial performance indicators are currently not outlined in the management of the company.

Growth-Related Performance Indicators

To plan and manage the profitable growth strategy, the year-over-year absolute revenue and revenue growth figures in nominal and currency-adjusted presentation are used for measuring growth at Group and segment levels. The currency-adjusted revenue growth is calculated as the nominal revenue growth less or plus the translation effects during the course of the year from the revenue attained in foreign currencies. Revenue is the main indicator of business growth, making it a key parameter for external as well as internal evaluation of business success.

For a more transparent presentation of the future growth dynamic and of the success in the ongoing transition of business to subscription and SaaS models, and therefore of all recurring revenue, the Nemetschek Group implemented an annual recurring revenue (ARR) indicator during the course of the 2022 fiscal year. It consists of the average of all recurring revenue (from subscription, SaaS, and service agreements) in the most recent three months, multiplied by four. This new indicator is an important measure of the Group's future potential for revenue and cash flow growth.

Complementary "enabler" metrics have been defined to analyze the development of recurring revenue and also manage its development in a targeted way. Firstly, the currency-adjusted growth in recurring revenue is considered, with the currency adjustment being calculated analogously to the corresponding calculation of total revenue. Furthermore, the share of recurring revenue to total revenue is also studied for management purposes. The sum of all recurring revenue (subscription, SaaS, and service agreements) is viewed proportionally to the Group's revenue for this.

Profitability-Related Performance Indicators

Earnings before interest, taxes, depreciation, and amortization (EBITDA) is used to manage profitability and provide an indicator of free cash flow. It is calculated as presented in the consolidated financial statements (IFRS) << Consolidated Financial Statements (IFRS) Consolidated Statement of Cash Flows >>. EBITDA provides information on profitability and includes all items on the income statement that relate to operating performance. Similarly, the EBITDA margin is used for the steering of the company. It represents EBITDA proportionally to the Group's revenue and provides information about the company's profitability, including in comparison with competitors and other businesses. Because of their importance for the financial success of the business, the key performance indicators of revenue, EBITDA, and – since the 2022 fiscal year – ARR are also essential components of the performance management system.

The achievement of business targets is also assessed based on the development of financial performance indicators which are set for the purposes of business management and are also an element of the short- and long-term remuneration of the Executive Board. Information about the remuneration of members of the Executive Board and Supervisory Board is provided in a separate remuneration report that is available on Nemetschek SE's website at *ir.nemetschek.com/corporate-governance*.

Detailed information about the development of the Nemetschek Group and its segments in the 2023 fiscal year and in comparison to the previous year can be found in *<< 3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group >>*. In addition, a comparison of actual and forecast business performance in the 2023 fiscal year can be found in *<< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>*.

In addition to the performance indicators described above, Nemetschek SE, as an individual company, is also managed based on the liquidity required in the Group. This ensures that Nemetschek SE can discharge its obligations, especially to pay a dividend and service loans, at all times.

The most important financial performance indicators of Nemetschek SE are as follows:

	FY 2023	FY 2022
Net income for the period	X	X
Gross liquidity	X	X

Gross liquidity comprises balances of cash and cash equivalents at banks.

2 Non-Financial Statement

2.1 About This Report and the Company

About This Report

The Nemetschek Group has integrated its Group Non-Financial Statement into the Group's Annual Report. In accordance with Section 317 (2) of the German Commercial Code (Handelsgesetzbuch – HGB), the Group Non-Financial Statement is not subject to the statutory audit. Auditing firm PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft (PwC) subjected the Group Non-Financial Statement of the Nemetschek Group to a limited-assurance audit. The Supervisory Board has also examined this statement and reached the conclusion that there are no grounds for reservations.

This section of the Group Management Commentary contains the Nemetschek Group's Group Non-financial Statement based on the German CSR Directive Implementation Act (CSR-RUG), which came into effect on January 1, 2017. Based on the requirements set forth in section 315c in conjunction with sections 289c to 289e of the HGB, a company must transparently describe in detail its key nonfinancial activities within the Nemetschek Group in relation to five aspects specified in the law: respect for human rights, combating corruption and bribery, employee concerns, environmental concerns, and social concerns. In accordance with Article 8 of Regulation 2020/852 of the European Parliament and the Council of the European Union of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, this Non-Financial Statement by the Nemetschek Group outlines whether and to what extent the Group's activities are associated with economic activities that qualify as environmentally sustainable. Information on this is included in section *<< 2.4 EU Taxonomy >>* of this Non-Financial Statement.

This Non-Financial Statement is directed at clients, business partners, employees and investors of the Nemetschek Group, as well as interested representatives from business, science, politics and society. Unless otherwise indicated, this Group Non-Financial Statement applies to all companies included in the consolidated financial statements, and sets out the company's objectives with respect to its non-financial activities, the structures it has created, and the measures that have helped to foster sustainable development in the 2023 fiscal year.

The Nemetschek Group did not apply an external framework for the preparation of its Non-Financial Statement for the 2023 fiscal year, for reasons including the major changes in the regulatory environment at present. Instead, the existing reporting structures were used like in previous years. The Nemetschek Group based its reporting, materiality analysis and management approaches on the standards of the Global Reporting Initiative (GRI Standards). With effect from fiscal year 2024, the Nemetschek Group is required, pursuant to the Corporate Sustainability Reporting Directive (CSRD) adopted by the European Commission, to report on its sustainability activities in line with the European Sustainability Reporting Standards (ESRS). The company continued its preparations for CSRD-compliant reporting and implementation in 2023 in order to meet the regulatory requirements for reporting year 2024.

To improve readability, the masculine form is used for the majority of personal nouns in this Group Non-Financial Statement. This does not imply any discrimination against other genders, but is intended to be understood as gender-neutral in the interests of linguistic simplification.

The Nemetschek Group is a global provider of software solutions in the AEC/O industry (architecture, engineering, construction and operation) and the media sector. The Nemetschek Group's business model is described in depth in the section *<< Group Business Model >>* of this Group Management Commentary.

2.2 Sustainability at the Nemetschek Group

Approach to Sustainability

The Nemetschek Group places considerable importance on good corporate governance and social and environmental responsibility. The Group aims to increase efficiency and productivity along the entire value chain of the construction industry through its software solutions. These solutions cover the complete workflow in the life cycle of a construction or infrastructure project, from the first sketch to the construction and operation of the property. Architects, engineers of various disciplines, building contractors, property developers, property managers, and building managers can use the Nemetschek Group's software solutions to design, build, and manage properties and building structures digitally and efficiently throughout the building life cycle.

We focus on acting sustainably not only in the development of our software solutions, but also in how we treat our employees and approach our role in society. For this reason, the Nemetschek Group has defined standards in its Code of Conduct for the way in which it conducts day-to-day business. The Code of Conduct is regularly reviewed to ensure it is current and revised accordingly. Specifically, it says:

> *"Each of us contributes to the public image of the Nemetschek Group through our appearance, conduct, and actions. We are all responsible for ensuring that we, as the Nemetschek Group, live up to our global legal and social responsibility."*

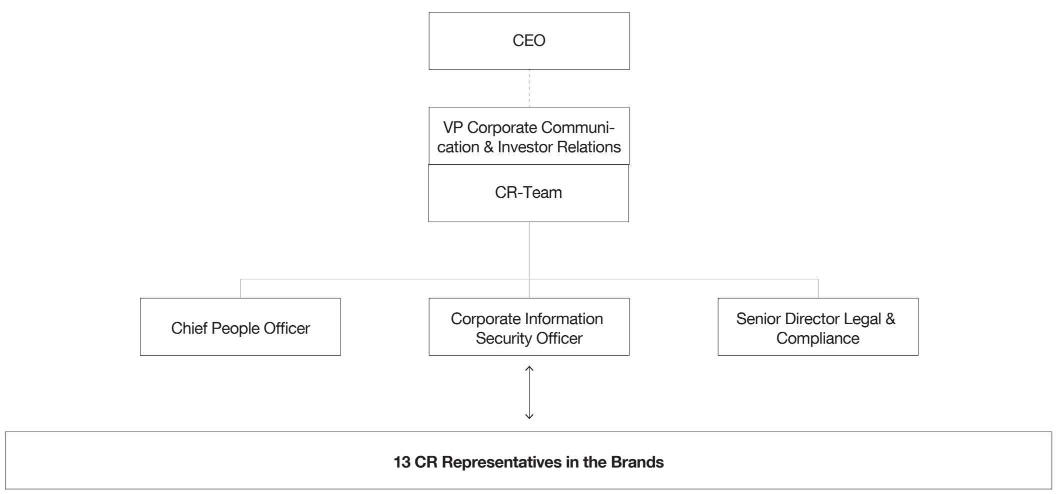
The Code of Conduct states that the Nemetschek Group does not tolerate any form of discrimination or harassment, nor corruption of any kind. Furthermore, each and every employee is required to use all resources sparingly and in an environmentally friendly manner in everyday working life. Employee responsibility also plays a significant role.

Beyond its own organization, the Nemetschek Group also has its suppliers commit to a Supplier Code of Conduct for suppliers and business partners, for example. This particular code of conduct provides guidelines that include the fundamental principles of the International Labour Organization (ILO), among other things. Further information on these two topics is provided in the section *<< Integrity and Compliance >>*.

Sustainability Structures within the Company

There are standards applicable across the Group that provide the basis for sustainability-related activities. They cement sustainability as an integral part of all business practices of the Nemetschek Group. The sustainability team and the cross-functional Core Sustainability Team identify sustainability-related topics and coordinate the implementation of the corresponding measures. The sustainability team maintains close contact with the Executive Board in this regard. The Chief Executive Officer (CEO) holds responsibility for sustainability within the Executive Board. The CEO engages intensively with the sustainability team about the progress on relevant activities within the company, usually once per quarter, and discusses the next steps to take. Furthermore, the Executive and Supervisory Boards are kept abreast of key sustainability developments by means of a report every quarter. The regular reporting to and dialog with the Executive and Supervisory Boards focus in particular on the key issues identified through the Materiality Analysis, which is described below, and on the development of these issues.

THE GROUP'S CORPORATE RESPONSIBILITY (CR) STRUCTURE



Because the Nemetschek Group consists of 13 brands, many of the non-financial issues are also managed by the brands independently. In order to coordinate the activities and align them across the Group, the sustainability representatives of all brands hold regular discussions on matters such as the ongoing development of the future sustainability strategy, non-financial risks and best practices within the brands. The virtual meetings have been held once per quarter since the middle of the fiscal year. The sustainability representatives are the driving force for the relevant sustainability issues within their brand and are tasked with exchanging information with Nemetschek SE as well as with their colleagues at their brand and beyond.

Stakeholder Management

The key stakeholders for the Nemetschek Group are its employees, business partners, clients, suppliers, and investors, as well as universities and other educational establishments, the media and society at large. Contact with business partners and collaboration with universities and other educational establishments happens largely directly via the subsidiaries. The investors are kept up to date by means of periodic reports on financial market matters, and through their regular contact with the Investor Relations department and the Executive Board. The Annual General Meeting also provides an opportunity for direct dialog with the shareholders. The Nemetschek Group strives to communicate openly and reliably with all stakeholders, and in so doing, also to develop its sustainability activities on an ongoing basis. Continual dialog with stakeholders is intended to increase transparency and reinforce trust in the Nemetschek Group, while also helping to share its sustainability approach.

Material Risks

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

Similarly to the previous year, no material risks that would very likely have serious effects were identified for 2023 with respect to the topics defined in the non-financial reporting. Consequently, there remained no risks for 2023 that, on a net basis, meet the materiality criteria under section 289c (3)(3) and (4) HGB. This risk assessment was coordinated with the sustainability representatives for the brands during the reporting period.

Materiality Analysis

The Nemetschek Group performs an extensive materiality analysis every two years in order to align its sustainability activities with the interests of stakeholders. An assessment of the key issues and their validity is conducted in the intervening years. The Group started to carry out a double materiality analysis pursuant to the requirements of the ESRS standards in the 2023 fiscal year, and plans further strategic development of this approach in 2024. Reporting for the 2023 fiscal year was therefore based on the materiality analysis last performed in 2021, which was reviewed in terms of validity, and its key topics used as the basis for the sustainability report in the reporting year.

A variety of external frameworks such as the GRI Standards and various ESG and sustainability ratings were used to assess how current and relevant selected topics in the 2021 materiality analysis were. Then, roughly 850 internal and external stakeholders were consulted to identify material topics and their relevance to the Group's business and to evaluate the impacts on the environment, employees, and society. Weighting the individual results ensured that the overall result was representative. The CR Core Team concluded the process by discussing and validating the ranking of the issues at a final workshop. These results were presented to the Executive Board and subsequently reported to the Supervisory Board.

The following table shows the topics that were identified as material and their allocation to the overarching fields of action and concerns under the CSR-RUG.

FIELDS OF ACTION AND MATERIAL TOPICS

Field of Action ("concern" under CSR-RUG)	**Material Topics at Nemetschek Group**
Employees and Society (Social Issues and Employees)	» Attracting and retaining employees » Training and education » Employee health » Diversity and inclusion » Client relationships » Partnerships with higher-education institutions
Environment and Climate (Environment)	» Environmental and social effects of products
Integrity and Compliance (Human Rights and Combating Corruption)	» Fair business practices and anticorruption » Antidiscrimination » Data protection and information security

The Nemetschek Group additionally reports on the subject "Group Energy Consumption and Emissions" in the section *<< Environment and Climate >>* in the Group Non-Financial Report 2023 in light of the future regulatory requirements of the CSRD and resulting mandatory application of the ESRS standards.

2.3 Key Non-Financial Issues

Employees and Society

At the Nemetschek Group, the focus is on employees. The Nemetschek Group believes that satisfied, successful, and healthy employees are crucial to sustainable business development. The Group's management maintains an open dialog with all employees at all levels and has set clear focus areas and objectives for human resources work at the company. The most important goals remain the same, namely, to create the best possible environment, to attract the best talent to the company and retain it, to offer equal opportunities, and to treat everyone with the utmost respect and appreciation. A global incentive system was established for Nemetschek Group managers in the 2023 fiscal year to reinforce these goals. And this social responsibility is not limited to only the employees at the Group. It also applies to clients, partners, and society as a whole. The Nemetschek Group Code of Conduct states the importance of acting responsibly in relation to all our stakeholders.

Management Approach – Employee Responsibility

In addition to the Nemetschek Group Code of Conduct, the People Letter of Commitment defines basic standards and requirements for key issues affecting employees, including diversity and employee well-being. They include core instruments for employee recruitment and development. Regular employee development conversations between employees and their managers as well as programs for supporting employee health are just two examples from these fields.

A Group-wide Business Enablement initiative was launched in 2023 to develop and harmonize the internal processes and structures of the AEC/O brands. Gaining and retaining employees, education and training, employee health, and diversity and inclusion are focal points of the Business Enablement initiative in the area of People/Human Resources. Owing to regional differences in terms of the labor markets in which the brands are active, the brands are also still free to define brand-specific standards and to develop their own People/HR guidelines that go beyond the minimum requirements stated in the People Letter of Commitment or govern additional topics.

The “People/Human Resources” department of Nemetschek SE supports and advises the HR departments of the individual brands. The Chief People Officer (CPO) is responsible for the “People/Human Resources department” within Nemetschek SE and reports to the CEO. There is a reporting line between the CPO and the HR managers of the individual brands in order to ensure management of the key HR topics throughout the Group. The HR departments within the Nemetschek Group also maintain close cross-brand dialog on current and future HR issues, such as development and support of talent in the company.

The Business Enablement initiative identified core processes throughout the employee life cycle in the 2023 fiscal year which can be harmonized and scaled within the Nemetschek Group. Various functional cross-brand expert teams were then formed for a range of core processes, including Talent Acquisition, Talent Management, Total Rewards, People Operations, Business Partnering and People Experience, which are responsible for ongoing development of these areas throughout the Group.

A new human experience management (HXM) cloud solution was introduced in 2023, to which the majority of the group is already connected. The HXM platform links Group-wide core HR processes across the Nemetschek Group and forms the basis for internal and external reporting, assessment, and management of employee-related data.

The Nemetschek Group’s values are characterized by open and transparent communication. This is also maintained at the Group-wide “NEMunplugged” employee events. These quarterly hybrid events introduced new members of the workforce’s management and provided an overview of the current Group-wide activities and of the Group’s strategic direction during the 2023 fiscal year. Moreover, the Executive Board/Executive Leadership Team regularly presents current business development and further data and facts on the Group and its segments. The Nemetschek Management Forum, comprising the top management of Nemetschek SE and the CEOs of the individual brand companies, also holds regular meetings, both virtually and in person, to discuss and pursue matters of strategic relevance.

Gaining and Retaining Employees

Attracting and retaining highly qualified and highly motivated employees is one of the keys to success for the entire software industry. The shortage of skilled IT workers also affects enterprises like the Nemetschek Group. The AEC/O market and the media and entertainment industry are characterized by a high speed of innovation. When it comes to finding skilled and highly talented workers, the Nemetschek Group must compete with businesses of comparable structures and sizes as well as international corporations.

Attractive working conditions and a positive working environment help attract the best talent to the Nemetschek Group and retain it in the Group. One of the key aims of HR activity is to develop the size of the workforce to enable realization of the Group‘s targeted growth potential and to avoid the restrictions of a skilled labor shortage. The Nemetschek Group uses the development of the number of its employees and staff turnover as an indicator of the success of its measures. It plans to also set targets for gaining and retaining employees in the 2024 fiscal year in connection with its ongoing development of sustainability-related activities. In particular, the methods used by the Nemetschek Group’s brands for actively finding employees include social media platforms as well as recommendations from its own employees.

In order to retain skilled employees and managers in the long term, the Nemetschek Group keeps working on maintaining and reinforcing its appeal as an employer. Flexible working time models, which are laid down as a standard in the People Letter of Commitment, contribute to this, too. Some brands have also developed their own additional rules in this area. Across the Group, all brands support remote working, for example, and equip their employees accordingly. The structure of the individual working time models depends on the business model of the respective brand.

In 2023, the number of employees in the Nemetschek Group decreased by 19 or 0.6% compared with the previous year. As at December 31, 2023, the Nemetschek Group employed 3,429 people (previous year: 3,448). Employee turnover, which is defined as non-company-initiated employee departures in relation to the total headcount, was 6.7% in 2023 (2022: 9.1%).

Education and Training

The Nemetschek Group is committed to ongoing education and training. As a company that uses and promotes digitalization, the Nemetschek Group also offers young people in particular long-term prospects. Talented young people at the company have the ability to develop and gradually take on leadership responsibilities. The overriding aim of the training and education activities is to support Nemetschek Group employees in matters relating to professional and social skills, thereby enabling experts and managers to be developed from among the junior staff. The Nemetschek Group's LinkedIn Learning program provides all brand companies with access to a range of continuing professional development opportunities, in which employees can select training courses to suit their needs from a broad spectrum of subjects. Almost 2,400 Nemetschek Group employees took advantage of this offer in the reporting year. In addition to professional training measures, Themed Learning Challenges are also conducted each month via the intranet with various video content. These included subjects such as "Mindset Matters", "Sustainability in the Workplace" and "Artificial Intelligence and Machine Learning" in 2023. Leadership and expert training sessions are also offered in the individual brand companies of the Nemetschek Group; this year they have been consolidated and harmonized at Group level. The purpose behind them is to create an opportunity for the junior staff to be able to develop into managers as well as for the brands to support and promote career pathways for experts.

Training needs and corresponding initiatives are analyzed and addressed within the respective brands. The People Letter of Commitment describes the minimum requirements for professional development and further education. The individual requirements for professional development and further education are defined in annual development conversations between employees and their managers and then put into practice with targeted measures during the following year. Individual development targets and possibilities as well as specific measures and goals are also discussed. These development conversations took place at all brands in 2023, as in the previous year.

Employee Health

For the Nemetschek Group, it is of the utmost importance that employees are offered a healthy and safe work environment. This includes minimizing the risk of occupational accidents and work-related illnesses. The company continuously adapts the health-related measures and initiatives to the changing requirements of the working environment.

In its People Letter of Commitment, the Nemetschek Group defined minimum requirements for Group-wide workplace health initiatives for all brands. Measures that were previously largely managed on a decentralized basis are currently undergoing continuous development by the newly formed expert teams within the AEC/O brands in a uniform Group-wide manner. One aim of health management is to give our employees the opportunity to participate in and to promote health-related measures offered by the company. The vast majority of brand companies offered their employees initiatives for their health in the reporting year, including preventive measures such as health screenings and subsidies for gyms.

Diversity and Inclusion

Diversity is part of the corporate culture at the Nemetschek Group. Different cultures and distinct individuality are important drivers for the Group's innovation and should therefore be promoted in a targeted manner. This guiding principle relating to the diverse and inclusive corporate culture can be found on the Nemetschek Group website and has also been communicated via internal channels:

> *"We, the Nemetschek Group, are a global organization with employees from nearly 70 nations. For us, diversity, equity, inclusion, and belonging are the keys to unleashing our full potential and driving true innovation.*
>
> *We can provide our clients the best support for influencing the world by having a diverse culture. We aim to treat EVERYONE with respect and appreciation, regardless of their differences. Valuing diverse opinions and creating equal opportunities for all are of the utmost importance for us as an organization, and as individuals."*

The company resolved targets to increase the proportion of women in leadership roles by December 31, 2025, on the Supervisory Board (target 25%), the Executive Board (target 25%) and for the first management tier below the Executive Board (target 28.6%), all of which were achieved in 2023. The share of women on the Supervisory Board was 33.3% as at December 31, 2023 (December 31, 2022: 33.3%). The Supervisory Board appointed a female CFO effective January 1, 2023, which made the proportion of women on the Executive Board 50% as at December 31, 2023 (December 31, 2022: 0%). The first management tier below the Executive Board, which comprises employees who report directly to the Executive Board members, comprised 28.6% women as at December 31, 2023 (December 31, 2022: 25%*).

A Group-wide diversity training concept was developed in the 2023 fiscal year for 2024 to further raise awareness about diversity and inclusion issues within the Nemetschek Group.

* Correction to prior-year figure. The first management tier comprised 16 individuals as of December 31, 2022, of whom 4 were women.

Management Approach – Clients and Society

Every company in the Nemetschek Group bears social responsibility that extends beyond the mere purpose of its operating activities. Focusing purely on economic financials can increase risks in the long term. Personal communication, including digital communication formats and client contact are particularly important for the Nemetschek Group, and these communication channels are valuable for day-to-day collaboration. Besides the various day-to-day challenges, the Nemetschek Group as a business partner attaches particular importance to long-term client relationships and deep cooperation in the higher-education sector. With this in mind, common goals and thematic focus points are coordinated at the level of Nemetschek SE. A key account management (KAM) program was introduced at Group level in the reporting year as a new strategic pillar to consolidate and increase client satisfaction, particularly among major corporate clients. KAM is a special approach to managing and maintaining relations with our largest cross-brand clients. The KAM strategy comprises dedicated measures to ensure an advantageous long-term partnership for both parties, including personalized relationship management, proactive problem-solving at individual client level, tailor-made solutions and offerings aligned with the specific needs of individual major clients. Continual dialog on alignment with developing needs is a priority for the Nemetschek Group and is intended to offer the clients bespoke and strategic added value.

Client Relationships

Satisfaction is an important factor for long-term client relationships, which is why all brands (previous year: 12) analyze information that provides an indication of client satisfaction. One overriding objective is to have a high level of transparency across all brands with regard to client wishes and satisfaction and to continuously incorporate the findings into our go-to-market approach. At 9 (previous year: 9) of the brands, there are systematic targets in this field. This issue is currently managed in a decentralized manner so that specific client needs can be addressed with precision. Most brands use defined indicators to measure the satisfaction of their clients, including for example churn rate, net promoter score, and client satisfaction score. The brands regularly perform client surveys for this purpose and we incorporate the results from them into our go-to-market approach.

To achieve high client satisfaction right from the start, the majority of the brand companies in the Nemetschek Group involved their clients in product development at an early stage in the 2023 fiscal year, as in the previous year. Measures designed to contribute to product quality and client satisfaction include joint development projects, client panels, user groups and communities, product previews, beta testing, and workshops.

We also aim to carry out client surveys at Group level in future due to our targeted future revenue growth and our efforts to further increase the benefits for clients from integration between the individual brands. This should provide findings that may further improve collaboration with clients.

Partnerships with Higher-Education Institutions

The Nemetschek Group has its roots in the university context. Beyond that, it is also a pioneer of digitalization in the construction industry. With this in mind, cooperation with educational institutions is particularly important to the Group. It is our long-term aim to provide support with software solutions to all relevant institutions offering architecture and construction education in its core markets, such as Europe – focusing on German-speaking markets – and the US. In this context, talented young people are approached in a targeted manner at an early stage in order to plan, construct, and manage buildings and infrastructure projects sustainably. Almost all brands engage in networking activities for students and clients, e.g., through specially provided job platforms, various training formats, guest lectures, job fairs at universities, and cooperation with student associations and academic faculties.

The Nemetschek Group is also involved in a large number of industry associations and institutions such as buildingSMART and the German Construction Software Association (Bundesverband Bausoftware – BVBS), and is a member of NIMA, formerly the UK BIM Alliance. The brands are also active individually in many national and international associations and organizations to promote OPEN BIM solutions and workflows.

Environment and Climate

Sustainable business and healthy ecosystems are the basis of healthy living. The construction industry is one of the most resource-intensive sectors of the economy. The demand for housing is also continuously increasing. As a result, the construction industry is facing the challenge of using raw materials and energy more efficiently in order to plan, build, and manage buildings more sustainably.

As a partner of and provider of solutions to the AEC/O industry, the Nemetschek Group has a major responsibility toward the environment. Our greatest display of commitment to the environment is our offering of software solutions that improve efficient resource usage in the construction industry and building management, help to use materials more conservatively, and also contribute to reducing the energy needed by buildings.

Minimizing the use of energy and level of emissions along the value chain also plays an important role at the Nemetschek Group in making a long-term commitment to mitigating climate change and limiting global warming to a maximum of 1.5 degrees Celsius.

Management Approach

An important objective of the Nemetschek Group is to help the construction industry to plan, build, and manage more efficiently and thus to do business in a way that consumes fewer resources overall and improves sustainability. To this end, management of the relevant aspects, such as research and development, is the responsibility of the individual brands.

Environmental protection is enshrined in the Nemetschek Group's Code of Conduct. With this central document, all employees are urged to conserve natural resources in the course of their activities and to consider environmental as well as commercial concerns when selecting suppliers, advertising materials, and other external services. The Supplier Code of Conduct also requires suppliers to use resources responsibly and minimize the environmental impact. The Nemetschek Group set out its commitment to environmental protection in its "Group Environmental Guideline", which defines core obligations, including among other things requirements to adhere to all relevant laws and internal policies, integrate environmentally relevant processes into day-to-day operations, and encourage all employees to take responsibility for environmental protection and practice that actively in their workplace. Fulfilling these obligations entails transparency and open communication with all stakeholders on environmentally relevant topics, for example, along with responsible supplier selection and product, material, and service procurement. The Guideline was drawn up by the sustainability team in consultation with the brands and relevant company departments, and coordinated with, and approved by the Executive Board and segment managers. The Group Environmental Guideline was reviewed during the reporting period.

Group Energy Consumption and Emissions

The Nemetschek Group is currently working hard to ensure uniform tracking of energy consumption and the associated emissions within its own operations throughout the Group to use as a basis for setting its own targets for prevention and reduction in future. The Group uses the internationally recognized Greenhouse Gas (GHG) Protocol standards for orientation in tracking and reporting greenhouse gas emissions. The GHG Protocol categorizes greenhouse gas emissions into Scopes 1, 2, and 3. Direct greenhouse gas emissions (Scope 1) are emissions from sources that are owned or directly controlled by a company. These include emissions from energy sources at the company's sites, such as natural gas and heating oil, as well as emissions from the company's vehicle fleet. Indirect greenhouse gas emissions (Scope 2) are those occurring through the use of purchased energy, such as electricity and district heating/cooling.

The environmental footprint was determined for the first time in the 2022 fiscal year based on the Nemetschek Group's Scope 1 and Scope 2 emissions in 2021*. The focus in the 2023 fiscal year was on Group-wide tracking of, and improved data availability on energy consumption in order to calculate Scope 1 and Scope 2 emissions for 2022 from the approximately 80 office locations around the world. Energy consumption was recorded at site level; the data was consolidated and Scope 1 and Scope 2 emissions disclosed at Group level. Data collection is particularly challenging given the heterogeneous structure of the Nemetschek Group. Consumption at offices that were unable to report any data to the Group due to renting circumstances was estimated based on their size in order to provide a total consumption figure.

GREENHOUSE GAS EMISSIONS – SCOPE 1 AND 2

GHG emissions* in t CO2 equivalent	2022
Scope 1	2,997
Scope 2**	1,740
Total Scope 1 & 2	**4,737**

* Greenhouse gas emissions calculated pursuant to the GHG Protocol. Scope 1 emissions include emissions from stationary combustion and from the vehicle fleet.
** Scope 2 emissions are calculated based on local carbon emission factors for the sites (market-based). Unavailable data has been replaced with country-specific carbon emission factors.

No new emission reduction targets were set in the reporting year in light of the new regulatory reporting requirements under the CSRD applicable from the 2024 fiscal year. Instead, the company opted to establish a complete and adequate emissions baseline to facilitate target setting in the future.

Indirect greenhouse gas emissions occurring along the upstream and downstream value chains are defined under Scope 3 of the GHG Protocol and account for the majority of companies' greenhouse gas emissions. These include emissions from purchased goods and services, capital goods, waste, business travel, employee commuting and the use of sold products. The first assessment of the relevant Scope 3 categories for the software sector began in 2023, and will be further developed in 2024 by involving central company functions of the Nemetschek Group.

Environmental and Social Effects of Products

According to the Global Status Report 2022 published by the Global Alliance for Building and Construction, buildings were responsible for 37% of energy-related carbon emissions in 2021. According to the report, emissions will have to be reduced by more than 98% compared with the 2020 level in order to achieve net zero by 2050.

* Due to improved data transparency and changes in the calculation methodology, the Scope 1 and Scope 2 emissions for 2022 are not fully comparable with the previous year 2021. The previous year's figures will be published in the << *Sustainability Report 2023* >>.

The environmental and social effects of the Nemetschek Group's solutions mainly relate to two areas: the specified benefits during the life cycle of a building and the incorporation of sustainability-related considerations into software development. For the latter area, the BIM (building information modeling) digital working method and open standards known as OPEN BIM form the basis of software development. BIM enables buildings to be planned and built more precisely and efficiently, reducing errors and the need for reconstruction throughout the construction life cycle. The Nemetschek Group divides this construction life cycle into three phases: design, build and manage.

Design Phase

Using the software developed by the Nemetschek Group, users can plan with greater foresight and precision and avoid reconstruction. Moreover, buildings are optimized from as early as the planning stage – also in terms of energy efficiency. For example, using Vectorworks' solutions, the position of the sun and its angle of incidence can be simulated with digital solutions, making it possible to plan windows optimally. In addition, the improved planning offered by Allplan-brand software optimizes steel connections and reduces the consumption of connecting materials by 25%. Vectorworks' Embodied Carbon Calculator is a software solution that provides an integrated modeling and carbon assessment workflow that allows designers and architects to quickly measure the impact of their material and product choices on their project's carbon footprint. Energos, also from Vectorworks, allows architects to control their project's energy consumption during the design phase, meaning they can perform an initial energy analysis during the design phase without much extra work. Graphisoft's EcoDesigner STAR enables architects to design energy-efficient buildings by combining 3D models with climate data and operational profiles. This allows the energy performance of buildings to be evaluated under a wide range of conditions.

Build Phase

Solutions from the Build segment enable savings and optimizations to be made during the build phase. For example, the Planbar planning tool from Allplan can help minimize material use in production and reduce scrap during the prefabrication of concrete constructions. On construction sites, the use of Bluebeam Revu can reduce paper consumption by up to 90%. It is also possible to efficiently calculate the carbon footprint during the build phase. Allplan Precast offers a plug-in for this purpose as well as solutions in cooperation with Built-Heat.

Manage Phase

Roughly 80% of the costs of a building are incurred during the utilization phase, with a large share of this expenditure going toward energy consumption.

Spacewell Energy from subsidiary DEXMA Sensors S.L. (DEXMA) provides data-driven "energy intelligence" via a software-as-a-service (SaaS) solution. The solution reports energy consumption, analyzes usage patterns and inefficiencies, and detects anomalies in real time. Spacewell Energy enables organizations to automate energy data management in order to minimize energy consumption in their facilities. In addition, integrated workplace management systems from Spacewell enable optimum management of heating, ventilation, and lighting. They can also be used to plan and use the available office space efficiently because they show how much space is actually required, enabling resources to be conserved.

The Nemetschek Group also brought the data-driven dTwin platform to the market in the reporting year, enabling building owners to create a digital image of the actual building, which they can use to manage it more efficiently and sustainably or to remodel it if required.

Furthermore, seamless virtual documentation enables simple and targeted modifications to the buildings, even years after their construction. At the moment, it is not generally known which materials were used when buildings are converted or demolished decades later. The resulting uncertainty costs time, money, and resources. With the exact recording, documentation, and archiving using Nemetschek Group software products, modernization projects are much simpler to calculate and plan. If the construction materials used are already known before the start of any demolition work, demolition measures can be deployed in a targeted manner to obtain raw materials through recycling.

The Nemetschek Group's Sustainability Report presents further specific examples of implementation in our clients' projects; see *<< Sustainability Report 2023 >>*.

Integrity and Compliance

Both the regulatory environment of Nemetschek SE, which is listed on the German MDAX and TecDAX, and the international focus of the Nemetschek Group are complex and highly regulated. The Group-wide compliance risk analysis completed in 2022 highlighted gross risk potential in areas including anticorruption, antitrust law, data protection and information security, and export and sanctions. Any violation of the regulatory requirements and provisions could have negative effects on the company's assets, finances, earnings, share price or reputation.

The Nemetschek Group is therefore fully committed to fair competition and firmly rejects corruption and bribery in particular. This is based on its conviction that long-term business success can be achieved only by acting in a legally compliant and responsible manner, and that these efforts will also have a positive payoff for our stakeholders' satisfaction. An open corporate culture and an established compliance management system (CMS) are key in the fight against corruption and bribery and to mitigate other material risk areas.

Actual or suspected violations of applicable laws, internal regulations, or ethical standards could have negative financial consequences. Accordingly, the Group's primary objective is to avoid compliance incidents comprehensively and systematically. To this end, the Nemetschek Group takes a preventive, risk-based, and tailored compliance approach and fosters a corporate culture in which all employees are sensitized to the issue and receive appropriate training.

Management Approach

Compliance-related activities, which are based on the Group-wide risk analysis completed in 2022, are closely integrated with risk management and the internal control system. Corporate Legal & Compliance controls compliance activities across the Group. The focus of these activities is on creating suitable structures and processes as well as on supporting the efficient realization of targeted, risk-based compliance measures (including the implementation of Group policies and processes, awareness-raising and communication initiatives, and training). Corporate Legal & Compliance is also the point of contact for any individual questions that may arise from within the organization. There is a direct reporting line to the Executive Board member and CFO of the Nemetschek Group. Internal Audit regularly performs internal audits to assess compliance with internal guidelines and legal requirements.

As an international organization, the Nemetschek Group has a corporate responsibility toward society and the environment. The commitment and objective of the Nemetschek Group in the area of Corporate Legal & Compliance is to comply with the applicable laws everywhere and at all times, to respect fundamental ethical values, and to act in a sustainable manner. This applies not just to employees, but also to suppliers and business partners.

Our employees are expected to treat each other and third parties fairly and respectfully. The Group-wide Code of Conduct includes the key issues of human rights, and environment and climate. The Code of Conduct is transparent and available to view at any time, in both German and English, on the intranet and the Group website. It has been publicized throughout the Group and is binding for all employees regardless of their position in the company. The Nemetschek Group is also active outside its own companies and is committed to strengthening human rights, and combating modern slavery and human trafficking in its supply chains. Our official statements on the UK Modern Slavery Act and the Norwegian Transparency Act disclose our initiatives on these topics and are available in full transparency on the Group's website. We have also prepared a statement on the Australian Modern Slavery Act, which we will publish along with updated versions of the other statements in early 2024.

The Nemetschek Group's public image is also shaped by its suppliers and business partners. In order to promote trusting and long-term business relationships, the Nemetschek Group focuses on transparent and lawful execution of all transactions. The Nemetschek Group expects its suppliers and business partners to do the same. The Supplier Code of Conduct communicated Group-wide for this purpose can also be viewed on the Group's website and is mandatory for our suppliers and business partners. The Nemetschek Group employs a risk-based approach which provides for case-by-case integration of the Supplier Code of Conduct based on the potential risk exposure identified in a specific business partner integrity check performed in advance and by applying special contractual and communicative measures (e.g., explanations and information by referring to the website and by using targeted, risk-based compliance clauses, etc.). This Code of Conduct requires suppliers and business partners to take corporate responsibility in relation to issues such as human rights, antidiscrimination, and the environment and climate. It also addresses topics such as ensuring transparent business relationships, fair market behavior, and data and information protection. Furthermore, suppliers and business partners are expected to comply with the principles of the UN Global Compact and the fundamental principles of the International Labour Organization (ILO).

The Group-wide compliance management system (CMS) forms the basis of the preventive compliance approach. The practical implementation of this system in the subsidiaries is carried out by the local executive bodies and compliance coordinators of the individual brands of the Nemetschek Group and by the Group-wide compliance network. Videoconferences were held in March, July, and December 2023 in this area, and provided the opportunity for participants to discuss and receive training on key compliance issues, in some cases relating to the current situation. Reports on potential compliance incidents are also prepared four times a year. The results in 2023 were consolidated for the Group and reviewed by Corporate Legal & Compliance before being reported directly to the CFO of the Nemetschek Group. Ad hoc compliance reports are also prepared as required as part of an applied due diligence process. The Executive Board, Audit Committee, and Supervisory Board are updated at least four times per year about compliance-related matters, and at least once per year about the expansion of compliance structures and compliance-related initiatives that have been performed and are still planned.

The preventive compliance approach also included an initial online self-assessment of the Nemetschek Group CMS offered by the German Institute for Corporate Governance (ICG), which was performed by Corporate Legal & Compliance. The assessment contains control questions on “formal requirements”, “basic values”, “compliance”, “commitment” and “communication and monitoring”. The result showed that the Nemetschek Group CMS meets all key requirements, which was comprehensively and transparently reported to the Executive Board and Audit Committee.

The basis of the preventive compliance approach also includes Group-wide regulations in the form of policies on various topics. There are Group policies on the topics of money laundering and terrorist financing, data protection, antitrust law, anticorruption, risk management, and internal control. Corporate Legal & Compliance regularly develops dedicated compliance guidelines for further specific topics and communicates them Group-wide. An important goal is to provide our employees with up-to-date and comprehensible regulations and information on matters relevant to the company and also to offer appropriate training. In the last reporting period, these included policies on supply chain compliance and human rights, and the crisis management process. On a day-to-day basis, these policies and guidelines are complemented with additional, current Compliance Communication Papers which are distributed through the compliance network. They provide information about a variety of matters such as anticorruption, antitrust law, combating money laundering and terrorist financing, conflicts of interest, export control and sanction monitoring, supply chain compliance, whistleblowing, dawn raids and search warrants, and data protection.

To keep employees aware of the current compliance rules, regular employee information is required. Mandatory Group-wide e-learning training on compliance (including anticorruption) and data protection and information security, and regular individual refresher courses on compliance topics ensure that the relevant rules are an integral part of everyday working life. Corporate Legal & Compliance also held special workshops tailored to the needs of individual subsidiaries during the reporting year to accelerate the implementation of important policies and processes and to provide information and specific training on key issues (e.g., compliance, anticorruption, antitrust law and IT dawn raids).

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

The Nemetschek Group demands and promotes an open “speak-up” culture. It encourages its employees to report behavior that may violate its Code of Conduct, which they can do by contacting their superiors, the relevant HR manager, or Corporate Legal & Compliance directly.

Moreover, there is a digital, Group-wide whistleblowing system that can also be used anonymously if desired, which is proactively communicated by Corporate Legal & Compliance throughout the Group on an annual basis. This digital system has also been open to third parties since the end of 2022, with the option to use it in a range of languages to submit tip-offs. To this end, the whistleblowing system has been made transparent and accessible to all on the Group‘s website. This conscious decision to open up the whistleblower system outside the company achieved further development and professionalism aims in the areas of supply chain due diligence. In this system, tip-offs can be submitted digitally in German or English to the provider Legaltegrity using the whistleblowing tool or via telephone.

In order to meet the requirement for overall responsibility under corporate group law, Corporate Legal & Compliance also functions as an independent internal reporting office to assess tip-offs received as part of the investigation process and to delegate tasks appropriately. The process to be adhered to for processing tip-offs received is set out in writing, and applies in particular to any tips-offs relating to Corporate Legal & Compliance itself or Executive Board members. No substantial compliance violations were reported during the 2023 fiscal year or the previous year.

Fair Business Practices and Anticorruption

The Group-wide Code of Conduct incorporates considerations relating to fair business practices and anticorruption extensively. For example, the Code of Conduct clearly states that corruption, bribery, and other forms of illegally granting and accepting benefits – including in relation to officials and elected representatives – are not tolerated in the Nemetschek Group. In its Code of Conduct, the Nemetschek Group is also fully committed to competition by fair means and strict compliance with antitrust and export control law. All employees of the Group must act in accordance with the applicable competition laws. In addition, the Code of Conduct defines the rules on the separation of private and Group interests and the handling of company and business secrets.

Antidiscrimination

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

> *"The Nemetschek Group does not tolerate any form of discrimination or harassment within the Group, whether based on origin, gender, disability, religion, age, sexual orientation, political views, or trade union activities."*

Any employees who are subjected to or observe any form of discrimination or inappropriate behavior are encouraged to report this through the reporting channels described. All incidents of possible discrimination that were reported or otherwise became known were reviewed accordingly during the reporting period. There were no incidents that would have necessitated steps of a disciplinary or legal nature during the 2023 fiscal year, as was the case the year before.

Human Rights

Respecting and strengthening human rights and combatting modern slavery and child labor are essential components of our responsible supply chain compliance. Both the Supplier Code of Conduct and our official statements on the UK Modern Slavery Act and the Norwegian Transparency Act underscore our Group-wide approach. The Nemetschek Group also published statements for 2023 which are intended to provide more transparency about the Nemetschek Group's supply chain. The statements outline the steps that were taken in 2023 to prevent modern slavery and human trafficking in business and supply chains. The Code of Conduct also lays out clear specifications for the upholding of all human rights and for compliance at business partners so that responsibility is taken consciously when choosing suppliers and business partners right from the initiation stage of a business relationship. The same applies to business partners who are informed and contractually obliged to comply through risk-based and specially drawn up compliance and human rights clauses. A practical guide to the issue of supply chain compliance, based on the requirements of the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG), and regular general training on these matters within the compliance network and compliance workshops raised general awareness about these important topics during the reporting period.

Data Protection and Information Security

The Nemetschek Group is at the vanguard of the digital transformation of the AEC/O and media/entertainment industries and covers the entire life cycles of construction and infrastructure projects. The software products are mainly installed in clients' IT systems; the risks in terms of data protection and information security are therefore considered to be limited. Nevertheless, the Nemetschek Group takes responsibility and is committed to handling the data of employees, clients, and partners with care across the Group. These employees, clients, and partners can rely on their data being protected in line with the latest technical standards at the Nemetschek Group and being processed in compliance with relevant regulations.

The Group follows a largely decentralized approach for this in accordance with its organizational structure. It allows for central guidelines, monitoring processes, and assistance but primarily allocates responsibility to the brands. Maintaining data protection and information security is a task shared by all employees at the Nemetschek Group. To this end, all brands have committed to the Code of Conduct.

Data Protection

The international requirements for compliance, data retention, data security, and the protection of personal data are continually increasing. A comprehensive, Group-wide set of regulations therefore provides the basis for effective data protection. These regulations comprise a comprehensive Group Data Protection Guideline, as well as further extensive tools which are available in German and English on the Group intranet and are updated as and when required. These regulations must be observed and adhered to by all brands in the Group. Regional obligations and provisions such as those of the European Union's General Data Protection Regulation (GDPR) must be complied with.

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

In addition, employees receive training and communication measures are carried out. New employees are notified of confidentiality requirements relating to the handling of sensitive and personal data and are required by their contracts to maintain secrecy. Furthermore, all employees – and not just those in Europe – are required to participate in data protection training at regular intervals of at least every two to three years and to provide documented evidence of this training. An e-learning course set up specifically to deal with the issue of data protection is offered across the Group in both German and English. Corporate Legal & Compliance designed an update training course on this subject in the 2023 fiscal year, which will be offered to all subsidiaries to meet their local training obligations from 2024.

Information Security

Information security is a particularly fast growing division of the Nemetschek Group. This growth has been driven by both the significant rise in cyber attacks – including on the Nemetschek Group – and the increasing security-related requirements our clients have of our products coupled with increasing statutory and regulatory requirements on our company and our software solutions.

Group Information Security manages Group-wide information security activities with the aim of ensuring appropriate organizational and technical measures are in place at all times at both at Group and individual brand level. The Corporate Information Security Officer (CISO) is responsible for the department and reports directly to the Executive Board member and CFO of the Nemetschek Group. Information security is organized via a Group-wide information security management system (ISMS) used in the respective brand companies. The ISMS is based on the internationally recognized information security standard ISO 27001 and governs responsibilities in the Group and the brand companies and the cooperation between all functions relevant to information security. In addition to other initiatives resolved by the Executive Board in 2023, preparations were also made for ISO 27001 certification of the ISMS, which is due to be completed in the 2024 fiscal year.

Company-specific requirements are governed in the Group-wide information security policy, which is signed by the Executive Board and updated at least once a year. These include the Group Information Security Guideline and the Group Information Security Policies. These comprise guidelines for the organization of information security, for the integration of management, and for the necessary technical and organizational measures that serve the implementation and monitoring of information security. The scope of this information security policy, which is binding for all Group units, covers the protection of all IT systems, the data stored in them, and the security of our products, employees, and offices.

The information security measures in place at the Nemetschek Group aim to prevent security incidents, detect them in their root stages, and ensure a prompt and appropriate response if they do occur. The most important measures are also continually monitored and reviewed at regular intervals by independent bodies as well as by Internal Audit and Information Security.

A standardized Group-wide information security architecture comprising various state-of-the art information security systems was developed and established in the brand companies and their IT systems in 2023. Centralized monitoring of these components, assessment of all identified security events and the reaction to them is provided via the newly created Security Operation Center (SOC), which also includes a 24/7 detection function for attacks on employees or IT systems. All attacks detected or reported that are not fully automatically repelled by the security architecture are recorded by the SOC employees and transferred to the defined security incident response process.

Additional focal points of information security are included in regular training for all employees, through online courses, e-mail phishing simulations, ad hoc communication, and the inclusion of information security measures in daily workflows. The mandatory Group-wide e-learning training on information security is also updated on an annual basis.

The Nemetschek Group also has Group-wide cyber security insurance to provide additional protection against information security risks. This will be renewed for the 2024 fiscal year following an audit of the information security architecture by the insurance provider in 2023.

2.4 EU Taxonomy

As of fiscal year 2021, companies required to prepare non-financial consolidated financial statements in accordance with Section 315b HGB must comply with the requirements of the EU taxonomy, more specifically Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation).

The EU taxonomy provides a uniform classification system for the environmental sustainability of economic activities. The purpose of this system is to make companies' sustainability activities easier to compare and to implement the European Green Deal, which aims to achieve climate neutrality in the EU in line with the Paris Climate Agreement by 2050.

Article 9 of the Taxonomy Regulation sets out the following six environmental objectives to which environmentally sustainable economic activities can contribute:

ENVIRONMENTAL OBJECTIVES OF THE EU

1. Climate change mitigation (CCM)	**4. The transition to a circular economy** (CE)
2. Climate change adaptation (CCA)	**5. Pollution prevention and control** (PPC)
3. The sustainable use and protection of water and marine resources (WTR)	**6. The protection and restoration of biodiversity and ecosystems** (BIO)

The EU taxonomy differentiates between taxonomy-eligible and taxonomy-aligned economic activities. The first step is to assess whether an economic activity is included in Annex I and II to Commission Delegated Regulation (EU) 2023/2485 or Annex I to IV to Commission Delegated Regulation (EU) 2023/2486, and is therefore taxonomy-eligible. Later steps involve examining whether this taxonomy-eligible economic activity meets the defined criteria for making a substantial contribution to one of the six environmental objectives listed above, does not do significant harm to any of the remaining five environmental objectives, and also complies with a minimum safeguard. Only if it meets the aforementioned criteria is an economic activity deemed taxonomy-eligible, and is therefore “environmentally sustainable” within the meaning of the EU taxonomy.

Since 2021, the EU taxonomy has required companies with a reporting obligation to disclose the proportion of revenue, capital expenditure (CapEx) and operating expenditure (OpEx) relating to environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation) that is deemed taxonomy-eligible. Disclosure of the taxonomy-aligned proportions relating to environmental objectives 1 and 2 has been mandatory since 2022.

In June 2023, the European Commission adopted the delegated act on environmental objectives 3 to 6, amendments to the disclosure requirements and adjustments to environmental objectives 1 and 2 concerning an expansion to include additional economic activities and adjustments to the assessment criteria for existing activities. The delegated act on environmental objectives 3 to 6 (the Environmental Delegated Act) sets out the technical screening criteria for economic activities making a substantial contribution to one or more of the environmental objectives 3 to 6. The adjustments to environmental objectives 1 and 2 (the Climate Delegated Act) include an expansion to add further economic activities and adjustments to the existing technical screening criteria for existing activities. There were also amendments to the disclosure obligations (the Disclosure Delegated Act), such as regarding the structure of the templates to be used.

Pursuant to the Taxonomy Regulation, Nemetschek SE is required to report for the 2023 fiscal year the taxonomy-eligibility of the newly introduced economic activities under environmental objectives 3 to 6, the taxonomy-eligibility of the new economic activities under environmental objectives 1 and 2, and the taxonomy-alignment of existing economic activities under environmental objectives 1 and 2, taking in to account the amendments to the assessment criteria and disclosure obligations.

Process for Identifying Taxonomy-Eligible and Taxonomy-Aligned Activities at the Nemetschek Group

A working group of experts and managers from Finance, Controlling & Risk Management, Investor Relations, and the sustainability team was put together to identify taxonomy-eligible and taxonomy-aligned activities at the company. This working group analyzed and assessed the amendments to the rules under the Taxonomy Regulation and their effect on the Nemetschek Group portfolio again in the 2023 fiscal year.

In previous years, determining the taxonomy-eligibility of revenue had started by identifying the revenue streams based on segment, brand and product. These revenue streams were next allocated to the relevant economic activities based on Annex I and II to the Climate Delegated Act, and then validated – first at Nemetschek SE level, and subsequently with the Controlling departments of the operating units. This was followed by an analysis of the taxonomy-eligibility of the capital expenditure and operating expenditure.

This analysis was subjected to a comprehensive review in 2023 in terms of its validity for the economic activities of the Nemetschek Group, and due to the changes in the regulatory environment described above, was expanded and updated as set out below:

» **Step 1:** Review of revenue streams determined in the preceding years by segment, brand and product.

» **Step 2:** Assessment of relevant economic activities based on Annex I and II to the Climate Delegated Act and Annex I and II to the Complementary Delegated Act.*

» **Step 3:** Analysis of relevant economic activities based on the adjustments and supplements to the Delegated Act amending the Climate Delegated Act.

» **Step 4:** Assessment of relevant economic activities based on Annex I to IV to the Environmental Delegated Act.

» **Step 5:** Validation of the economic activities and revenue streams at the level of Nemetschek SE and the operating units regarding taxonomy-eligible revenue.

» **Step 6:** Subsequent analysis of the taxonomy-eligibility of the capital expenditure (CapEx) and operating expenditure (OpEx). The analysis follows the approach described for revenue validation (steps 1 to 5).

* Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. The relevance of the affected economic activities for the Nemetschek Group was assessed based on template 1 “Nuclear and fossil gas related activities” as set out in the regulation. The template is included at the end of the section.

To avoid double counting, the revenue, capital expenditure and operating expenditure were always allocated to one relevant economic activity only.

In reviewing the economic activities with due consideration for the expansion in 2023 of the Taxonomy Regulation rules, either very few or no activities were identified or verifiable as taxonomy-eligible for the Nemetschek Group among the revenue, capital expenditure and operating expenditure. A review of taxonomy alignment was not performed.

The following figures were determined based on the process described and in relation to the base values in connection with the International Financial Reporting Standards (IFRS) used in preparing the consolidated financial statements. The basis of consolidation of the consolidated financial statements applies, i.e., all subsidiaries and associates were included when determining the key figures.

In-Depth Analysis of Revenue

Revenue pursuant to the EU taxonomy comprises the revenue recognized in the consolidated statement of comprehensive income (IFRS). To determine the proportion of taxonomy-eligible and taxonomy-aligned revenue, the relevant revenue (numerator) is set in relation to the revenue recognized in the consolidated statement of comprehensive income (denominator). Revenue in accordance with the EU taxonomy amounted to EUR 851.6 million for the 2023 fiscal year; see *<< Consolidated Financial Statements (IFRS) – Consolidated Statement of Comprehensive Income >>*.

The analysis explained above comprising all environmental objectives identified the following taxonomy-eligible activities, which could in principle result in taxonomy-eligible and taxonomy-aligned revenue.

With respect to environmental objective 1 (climate change mitigation), the following economic activities were identified: 8.2 (Data-driven solutions for GHG emissions reductions) and 9.3 (Professional services related to energy performance of buildings). The in-depth analysis found that these activities had very little or no effect at all on the economic activity of the Nemetschek Group. The verified activities are currently limited to parts of the business activities of the Spanish company DEXMA, which was acquired at the end of 2020 financial year and integrated into the Group brand Spacewell. The revenue from the verified taxonomy-eligible activities was therefore in the low to mid-single digit million euro range, as in the previous year, and thus significantly below one percent of the total revenue generated in the Nemetschek Group in 2023 of EUR 851.6 million. Accordingly, no revenue can be verified that currently makes a substantial contribution to the climate objectives. Following an in-depth analysis for the 2023 fiscal year, the economic activities listed in the new environmental objectives 3 to 6 were classified as taxonomy-non-eligible, as they are not currently clearly assignable to the Nemetschek Group‘s business activity and the assessment of client behavior regarding the use of the software solutions of the Nemetschek Group is associated with uncertainties.

In-Depth Analysis of Capital Expenditure (CapEx)

Capital expenditure pursuant to the EU taxonomy comprises additions to property, plant and equipment, additions to intangible assets, in particular capitalized development costs, and additions to right-of-use assets pursuant to IFRS 16.

Capital expenditure in 2023 comprised additions to property, plant and equipment of EUR 6.3 million (previous year: EUR 14.0 million) (*<< Note 15 Property, plant and equipment >>* in the notes to the consolidated financial statements), additions to intangible assets in the amount of EUR 6.0 million (previous year: EUR 33.1 million) (*<< Note 16 Intangible assets and goodwill >>* in the notes to the consolidated financial statements), and additions to right-of-use assets in the amount of EUR 11.4 million (previous year: EUR 27.4 million) (*<< Note 17 Leases >>*) in the notes to the consolidated financial statements). Overall, this expenditure amounted to EUR 23.7 million in 2023 (previous year: EUR 74.5 million). To determine the taxonomy-eligible or taxonomy-aligned proportion, the capital expenditure assessed as taxonomy-eligible or taxonomy-aligned (numerator) is set in relation to the determined total capital expenditure (denominator).

The Nemetschek Group’s verified capital expenditure (CapEx) is of secondary importance overall due to the Group’s business model. Based on the analysis conducted, only a small amount of taxonomy-eligible capital expenditure was identified (less than EUR 0.5 million), which includes leasehold improvements and parts of company vehicles. Due to the minor importance of the verified expenditure, an assessment based on the technical screening criteria was not performed and the determined CapEx was reported as taxonomy-non-eligible and therefore taxonomy-non-aligned.

In-Depth Analysis of Operating Expenditure (OpEx)

Operating expenditure (OpEx) pursuant to the EU taxonomy comprises direct, non-capitalized costs relating to research and development, building renovations, short-term leases, maintenance, and repair.

These include:

» Research and development expenses recognized as an expense in the consolidated income statement in the reporting period. In accordance with the consolidated financial statements (IAS 38.126), these include all non-capitalized expenses directly attributable to research or development activities.

» Maintenance and repair costs were determined based on the maintenance and repair costs allocated to internal cost centers. The corresponding cost items can be found in the divisional costs in the income statement.

Operating expenditure in accordance with the EU taxonomy amounted to EUR 203.7 million in 2023. Based on the analysis performed, taxonomy-eligible operating expenditure of less than one percent of total operating expenditure was identified pursuant to the EU taxonomy, as in the previous year. These include R&D expenses for DEXMA, which was acquired at the end of 2020 fiscal year. Due to the minor importance of this verified operating expenditure, an assessment based on the technical screening criteria was not performed and the determined OpEx was reported as taxonomy-non-eligible and therefore taxonomy-non-aligned.

The majority of the economic activities of the Nemetschek Group that could contribute to environmentally sustainable development within the construction industry are not currently covered by the delegated acts adopted in the EU Taxonomy Regulation or cannot be verified accordingly. However, the company's IT solutions contribute to making the life cycle of a building more efficient and resource-friendly, from the planning stage, through construction and management, right down to demolition. Examples of how the company's products and solutions can nevertheless contribute to positive environmental and social development are provided in the *<< Sustainability Report 2023 >>*.

In light of possible additions to the economic activities currently specified in the delegated act, it cannot be ruled out that the business activities of the Nemetschek Group will be covered by the EU taxonomy in future, and that the company will also be able to disclose environmentally sustainable business activities pursuant to the EU Taxonomy Regulation. There may also be changes in future due to portfolio activities.

SUMMARY PRESENTATION OF THE TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

	Revenue		CapEx		OpEx	
	In EUR million	in %	In EUR million	in %	In EUR million	in %
Nemetschek Group	851.6	100%	23.7	100%	203.7	100%
Of which taxonomy eligible business activities	0.0	0%	0.0	0%	0.0	0%

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year	2023			Substantial Contribution Criteria					
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosys-tems (10)
Text		in euro millions	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–
Of which Enabling		–	–	–	–	–	–	–	–
Of which Transitional		–	–						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	–	–	–	–	–	–	–
A. Turnover of Taxonomy eligible activities (A1 + A2)		–	–	–	–	–	–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities		**851.6**	**100%**						
Total		**851.6**	**100%**						

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year	2023			Substantial Contribution Criteria					
Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosys-tems (10)
Text		in euro millions	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–
Of which Enabling		–	–	–	–	–	–	–	–
Of which Transitional		–	–	–					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	–	–	–	–	–	–	–
A. CapEx of Taxonomy eligible activities (A1 + A2)		–	–	–	–	–	–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities		**23.7**	**100%**						
Total		**23.7**	**100%**						

DNSH criteria ('Does Not Significantly Harm')									
Climate Change Mitigation (11)	Climate Change Adaptation (12)	Climate Change Adaptation (12)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosys-tems (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligble (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
–	–	–	–	–	–	–	–		
–	–	–	–	–	–	–	–	**E**	
–	–	–	–	–	–	–	–		**T**
							–		
							–		

DNSH criteria ('Does Not Significantly Harm')									
Climate Change Mitigation (11)	Climate Change Adaptation (12)	Climate Change Adaptation (12)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosys-tems (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligble (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
–	–	–	–	–	–	–	–		
–	–	–	–	–	–	–	–	**E**	
–	–	–	–	–	–	–	–		**T**
							–		
							–		

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year	2023			Substantial Contribution Criteria					
Economic activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosys-tems (10)
Text		in euro millions	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–	–	–	–	–
Of which Enabling		–	–	–	–	–	–	–	–
Of which Transitional		–	–						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	–	–	–	–	–	–	–
A. OpEx of Taxonomy eligible activities (A1 + A2)		–	–	–	–	–	–	–	–
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx of Taxonomy-non-eligible activities		**203.7**	**100%**						
Total		**203.7**	**100%**						

TEMPLATE 1 - NUCLEAR AND FOSSIL GAS RELATED ACTIVITIES

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

DNSH criteria ('Does Not Significantly Harm')									
Climate Change Mitigation (11)	Climate Change Adaptation (12)	Climate Change Adaptation (12)	Pollution (14)	Circular Economy (15)	Biodiversity and ecosys-tems (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligble (A.2.) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
–	–	–	–	–	–	–	–		
–	–	–	–	–	–	–	–	**E**	
–	–	–	–	–	–	–	–		**T**
							–		
							–		

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General Economic Conditions

Global Economy

The global economy continued to feel the effects of geopolitical crises and conflicts in 2023 but generally proved to be resilient. However, momentum slowed in the course of the year due in part to the subsiding post-pandemic catch-up effects. Moreover, the currently high interest rates and declining, but still high, inflation are continuing to place a damper on corporate spending and consumption as well as on private households.

In its Annual Report 2023/2024 published on November 8, 2023, the German Council of Economic Experts expected global gross domestic product (GDP) to climb by 2.7% in 2023, thus exceeding the rate that had been forecast in its Annual Report 2022/2023. In its World Economic Outlook published on January 30, 2024, the International Monetary Fund (IMF) currently expects growth of 3.1% in 2023, i.e. slightly in excess of its October 2023 forecast of 3.0% (World Economic Outlook Update).

Developments in the regions that are relevant for the Nemetschek Group are discussed below.

Eurozone

The geopolitical crises and conflicts already mentioned left clear traces on the Eurozone economy. The economic upheaval in the wake of the energy crisis primarily caused by the Russian war of aggression on Ukraine and the resultant high inflation prompted substantially slower growth in the Eurozone. In September 2023, the European Central Bank raised its key rates for the tenth consecutive time, triggering a significant decline in lending in the Eurozone. The expiry of government support in connection with the Covid-19 pandemic also placed a damper on growth, while the stabilizing factors from the catch-up effects in the aftermath of the Covid-19 pandemic – especially in the service sector – also left traces. Within the Eurozone, the German economy in particular cooled off sharply. Currently, industry and also the construction sector are still benefiting from existing order backlogs, although these are now declining significantly due to the low volume of new orders.

Overall, in its Annual Report 2023/2024 published on November 8, 2023, the German Council of Economic Experts assumed economic growth of 0.6% for 2023. The IMF forecast growth of 0.5% for 2023 in its World Economic Outlook Update published on January 30, 2024. For Germany, the German Council of Economic Experts projected contraction of 0.4% for 2023, while the IMF's January 2024 update pointed to a slowdown of 0.3%.

The muted economic growth had only a minor impact on the Eurozone employment market in the course of 2023. In its Annual Report 2023/2024, the German Council of Economic Experts forecasts an unemployment rate of 6.5% for 2023, down slightly on the previous year's figure of 6.7%. However, the numbers vary greatly from country to country, ranging from 3.1% in Germany to 11.9% in Spain for 2023. The rapidly growing and long-term shortage of skilled workers in some sectors, including the software segment, is increasingly coming to the fore and may exert a drag on growth in some economic sectors.

USA

The US economy proved to be resilient in 2023. Economic growth was particularly driven by strong domestic demand, which was fueled by persistently solid consumer spending and heavy capital spending in the corporate sector – supported by expansionary fiscal policies and investment programs such as the Inflation Reduction Act (IRA) worth US $738 billion. In particular, heavy spending on commercial construction by the US semiconductor industry was a major source of growth. Given the high interest rates and the consumption of excess private savings that had accumulated during the Covid-19 pandemic, there are signs and risks suggesting that domestic demand could taper off.

Overall, in its Annual Report 2023/2024, the German Council of Economic Experts assumed economic growth of 2.4% for 2023. For the United States, the IMF projects growth of 2.5% for 2023 in its World Economic Outlook Update published on January 30, 2024.

Asia

Within Asia, Japan is currently the Nemetschek Group's strongest regional single market in terms of revenues. In 2023, the Japanese economy was also dragged down by high inflation, which was additionally fueled by the Bank of Japan's accommodative monetary policies. The German Council of Economic Experts forecasts what by Japanese standards is a high inflation rate of 3.2% for the country for 2023. All in all, however, the Japanese economy recovered from the previous year's weak performance. Whereas the late waves of the Covid-19 pandemic had left deep traces on the Japanese economy in 2022, rebounding tourism in particular as well as the favorable performance of the automotive industry generated positive impetus in 2023.

Overall, the German Council of Economic Experts expected the Asia region's gross domestic product to grow by 4.5% in 2023, and Japan's gross domestic product to grow by 1.8%. The IMF anticipated growth of 1.9% for Japan in 2023 (World Economic Outlook Update).

Emerging Markets / India

The emerging markets are growing in importance for the Nemetschek Group. It is already active in individual countries and regions, such as India and Hungary. Conditions in the Chinese economy are also relevant for the Nemetschek Group. Given its size, changes in the Chinese economy as well as the country's economic policies have a direct bearing on the global economy.

Overall, in its Annual Report 2023/2024, the German Council of Economic Experts projects economic growth of 4.7% in the emerging markets for 2023. The IMF's World Economic Outlook Update points to expansion of 4.1% in 2023.

Developments in the emerging countries reveal substantial regional disparities. Thus, according to the IMF, the Asian emerging markets are set to grow by 5.4% in 2023, up from 4.5% in 2022. This increase was also driven by continued sharp growth in India. According to the IMF, the European emerging markets should grow by 2.7% in 2023, up from only 1.2% in 2022. This trend is being heavily influenced by the recovery of the Russian economy, which the IMF assumes will expand by 3.0% again in 2023. The IMF forecasts growth of 2.5% for the Latin American emerging markets in 2023. The year-on-year decline is mainly due to the downward movement in commodity prices in the course of the year. In 2022, high commodity prices had resulted in relatively strong growth rates. Growth in the Middle East and Central Asia should reach 2.0% in 2023. The substantial slowdown primarily reflects declining commodity prices and lower deliveries from oil exporters. The IMF forecasts economic growth of 3.3% in 2023 for the African emerging markets.

Sources: German Council of Economic Experts, Annual Report 2023/2024 dated November 8, 2023 and International Monetary Fund, World Economic Outlook Update dated January 30, 2024.

Development of the Underlying Industry-Specific Conditions in the Construction Industry

Europe

Accounting for a good 50% of revenue, the European construction industry remains the main market for the Nemetschek Group. After slowing to just under 3% in 2022 primarily as a result of high interest rates, growth in the construction industry lost further momentum in 2023, falling by 1.7% over the previous year. The main drivers were persistently high interest rates, continued inflation – especially in the construction sector – as well as the geopolitical uncertainties and their possible impact on the economy.

The individual European markets performed very disparately in some cases in 2023. Whereas Sweden (–10.6%), Finland (–10.1%) and Hungary (–8.0%) sustained the heaviest declines, substantial growth rates were achieved in countries such as Spain (+2.8%), Poland (+2.2%) and Portugal (+1.3%). The construction industry in the German market, which is important for the Nemetschek Group (–2.3%), contracted at a slightly greater rate than the European average.

North America

The United States is one of the most important markets for the Nemetschek Group. Based on the estimates of the North American Engineering and Construction Outlook (FMI, October 2023), the construction industry in the **United States** was significantly more resilient than its European counterpart and was able to continue growing by 5% in 2023 (as of October 2023). With an increase of roughly 12%, economic momentum was a good deal more pronounced in 2022. Whereas commercial building construction (+17%) and the infrastructure sector (+11%) rose sharply, the housing market (–6%) shrank significantly. Within commercial building construction (+17%), the construction of production facilities in particular made a disproportionately large contribution of 58% to growth. This growth is primarily being driven by heavy capital spending in the semiconductor industry on new manufacturing capacities. The housing construction market (–6%) also paints a mixed picture. While the number of single-family homes (–13%) and renovations (–4%) declined significantly in some cases, the number of multi-family homes (+18%) grew substantially but failed to make up for the overall decline in the other two segments.

After achieving strong growth in 2022 of +12%, the construction industry in **Canada** lost substantial momentum in 2023, shrinking by 3% year-on-year in 2023. This was primarily due to the 12% year-on-year decline in housing construction. Within housing construction, single-family homes (–20%), multi-family homes (–7%) and renovations (–12%) were all down.

Asia/Pacific

The Asia/Pacific construction industry is the world's largest and registered a decline of 1.7% in 2023. However, regional trends were highly disparate in individual cases last year. Thus, China, which is by far the largest market in the region, contracted substantially by 5.4%. On the other hand, most of the other regional construction industries posted what in some cases was strong growth in 2023. Thus, the construction sector expanded by 7.0% in India and by 1.8% in Japan. According to the latest estimates, the construction markets in other parts of Asia grew by an aggregate 3.8%.

Sources: 96th EUROCONSTRUCT Summary Report, Winter 2023 (November 2023); 2023 North American Engineering and Construction Outlook, Fourth Quarter Edition (October 2023), Building, Real Estate, Construction and Housing, Department of Statistics Singapore, Construction Work Done, Australia (Preliminary), Australian Bureau of Statistics, Oxford Economics/Haver Analysts).

Development of the Media and Entertainment Industry

The global 3D animation market was also adversely affected by the geopolitical crises and conflicts. In addition, the industry felt the effects of the film and TV strike in Hollywood. Consequently, the Media segment was unable to unleash its full growth potential. Despite these factors, the media and entertainment market continued to grow.

One reason for the segment's resilience was the broad base of different submarkets and client groups addressed by the Maxon brand with its portfolio of innovative solutions. For example, Maxon's professional solutions for the production of digital 2D and 3D content are used for the creation and rendering of visual effects in feature films, TV shows and commercials as well as for applications in the games industry and in the fields of medical illustration, virtual reality (VR), augmented reality (AR), architecture and industrial design.

In the long term, these submarkets will benefit from strong structural growth drivers. The media and entertainment market is expected to reach EUR 8.9 billion by 2027, equivalent to an annual average growth rate of 12%.

3.2 Business Performance in 2023 and Key Events Influencing the Company's Business Performance

General Statement on the Economic Position of the Group

2023 was again marked by geopolitical conflicts and crises, high inflation, rising interest rates and the macroeconomic challenges resulting from these factors. The consequences of the ongoing Russian war of aggression on Ukraine as well as the escalating Israel-Gaza conflict influenced world events as well as the global economy. Nevertheless, the Nemetschek Group continued to perform well in this very demanding environment, achieving good business results.

In the course of 2023, business performed better than originally expected and projected in the March forecast for the year despite the simultaneous adoption of subscription and SaaS models.

In particular, the operational strength of the Nemetschek Group's business and the resilience of its business model have shown once again that it can perform very successfully even in a challenging and demanding environment. Given the strong operating performance during the year, the Executive Board raised the original targets for 2023 in October, rendering them more precise *<< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>*.

In the financial year 2023, Group revenue increased by 6.2% (currency-adjusted: 8.0%) to EUR 851.6 million despite the ongoing transition of the business model to subscription and SaaS models and a challenging market environment. As a result, currency-adjusted Group growth was at the upper end of the raised forecast corridor of 6% to 8% (previously: 4% to 6%).

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR 257.7 million (previous year: EUR 257.0 million). At 30.3%, the EBITDA margin was therefore at the upper end of the forecast corridor of 28% to 30%, as already stated in October.

Annual recurring revenue (ARR) increased by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million. ARR growth was therefore significantly higher than revenue growth, which indicates a significant growth potential in the coming twelve months.

In line with the Group's strategy, the share of recurring revenue as a percentage of total revenue increased significantly to 76.6%. This was more than 10 percentage points above the previous year's level (66.4%) and also in line with the guidance (share of >75%).

The ongoing Russian war of aggression on Ukraine as well as the Israel-Gaza conflict escalated by the Hamas attack on Israel have left traces on the company and its employees. The Nemetschek Group is providing assistance to people in the affected regions.

The Nemetschek Group continues to believe that the economic sanctions imposed on Russia are an important instrument for restoring peace in Ukraine and is therefore suspending new business in Russia and all activities with sanctioned persons, organizations or regions until further notice. In 2021, i.e. before the outbreak of war, business in Russia accounted for roughly 0.5% of total Group revenue. Currently, Nemetschek is not engaged in any business at all in Russia. All in all, the direct effects of this on the Nemetschek Group's business performance were negligible in 2023.

With the Hamas terror attacks on Israel on October 7, 2023, the Israel-Gaza conflict escalated and led to a renewed outbreak of war. As the Nemetschek Group does not have any direct business relations in the war region and does not engage in any activities there, the immediate consequences of the war on its earnings, financial and asset situation were insignificant in 2023.

In addition to the direct effects described above for the Nemetschek Group, both the Russian war of aggression on Ukraine and the armed Israel-Gaza conflict left traces on the global economy in 2023, see *<< 3.1 Macroeconomic and industry conditions >>*.

Overall, the business model, which is characterized by a broad portfolio of solutions, strong regional diversification in different client segments and a widening proportion of recurring revenue, proved to be very resilient in the face of these crises. In addition to actively dealing with global crises and their impact on the company, the Nemetschek Group continued to push ahead with the strategic initiatives initiated in 2023, reaching important milestones. The main focus was on further internationalization, the expansion of the subscription and SaaS models, the continuous development of innovative solutions, and the acquisition of new customers.

The Nemetschek Group has been pursuing the goal of sustainable and profitable growth for many years. In order to address the challenges arising from the growing scale of the company, its governance structures were adjusted in 2022, while the composition of the Supervisory Board was widened from four to six members in this connection. In 2023, the next step in the company's development was implemented and the formation and reinforcement of the management team successfully completed ahead of the next growth phase. To this end, the existing Executive Leadership Team (ELT) was strengthened to achieve greater agility and clout in addressing future priorities such as artificial intelligence (AI) and other important strategic aspects such as client-oriented solutions, heightened market coverage, innovative future products and continued internationalization. Alongside the two members of the Executive Board CEO Yves Padrines and CFO Louise Öfverström, the ELT includes the Chief Division Officers (CDO) of the segments, among others. As part of these restructuring efforts, experienced industry experts with pronounced innovative and technological skills were recruited.

M&A / Start-Ups and Venture Investments

The strategic "Start-ups and Venture Investments" initiative strengthened the Nemetschek Group's innovation-oriented focus on new technologies and investments in young companies, resulting in further investments in 2023, see *<< 1.2 Growth Drivers, Goals and Strategy >>*.

Holding Company Level

The strategic objective of stepping up investments in start-ups and thereby accelerating the company's own innovative strength and fostering close cooperation between such entities and the Nemetschek brands was consistently and successfully pursued in 2023. In the course of the year under review, the Nemetschek Group acquired stakes in selected international companies in line with its strategic priorities.

The share acquired in UK start-up **Preoptima** entails an investment in a software solution for calculating and reducing the carbon footprint in the construction industry. This software solution, which also incorporates artificial intelligence (AI) and generative design, covers the entire life cycle of buildings, thus complementing the Nemetschek Group's strategic approach to driving sustainability and innovation in the construction industry.

With the investment in startup **SmartPM**, which is based in Atlanta (United States), the Nemetschek Group intends to continue driving forward the digital transformation in the construction industry and widen its reach in the important US market. The SmartPM software entails a cloud-based platform for increasingly automated project management in the construction industry. The solution optimizes existing planning software solutions by improving scheduling quality and automating project management processes.

The Nemetschek Group provided seed capital for Irish company **LiveCosts**, which offers an innovative IT solution for the efficient cost monitoring of construction projects. This seed capital is intended to help LiveCosts open up new markets. The company's SaaS solution offers strong synergies with existing Nemetschek solutions in the Build segment and supports the digital transformation in the construction industry.

In the course of the year, the Nemetschek Group also acquired a stake in UK start-up **Stylib**, a company offering architects and planners a platform based on artificial intelligence and machine learning for material search and evaluation as well as the corresponding selection and management of suppliers. The Stylib SaaS solution enhances the planning and management efficiency of construction projects and is helping to drive forward the digital transformation in the construction industry.

As well as this, the Nemetschek Group invested in US start-up **Briq**, which offers a data-driven, collaborative platform for automating financial processes in the construction industry. Briq makes it possible to manage workflows, data, cash flows and projects, while improving processes, precision, and business operations.

In addition, there were further investments in young companies. For one thing, the expertise and technology of the start-ups in which the Nemetschek Group invests are networked with its brands and the joint activities strengthened. For another, this brings Nemetschek into contact with disruptive innovations in the construction industry.

In addition to these investments, partnerships were forged on the segment and brand level in the year under review aimed at helping the Nemetschek Group to implement its business strategy.

Details can be found in the notes to the consolidated financial statements under << Acquisition of subsidiaries >>.

Divestments
There were no portfolio divestments in 2023.

3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group

Earnings

Revenue Developments
In 2023, Group revenue rose by 6.2% to EUR 851.6 million (previous year: EUR 801.8 million). Adjusted for currency effects (i.e. on the basis of constant exchange rates compared with the previous year), revenue growth would have reached 8.0%. 2023 was thus impacted by negative currency effects, particularly from the US dollar. The ARR (annual recurring revenue) metric introduced in the course of the previous year was very favorable << 1.3 Business Management and Corporate Governance>>. It increased by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million in 2023 (previous year: EUR 581.7 million), achieving a significantly higher rate of growth than total revenue, something which in turn points to strong future growth. The proportion of annual recurring revenue widened significantly to 76.6% in 2023 (previous year: 66.4%).

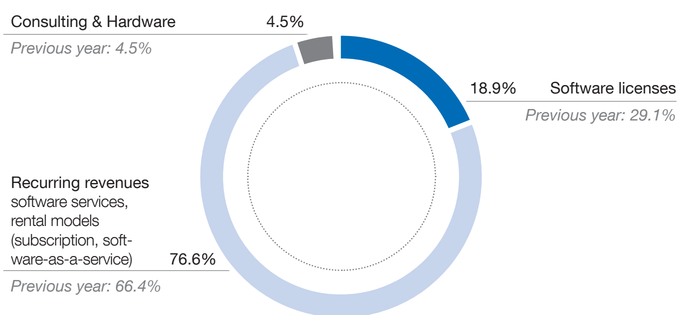
This means that the currency-adjusted revenue growth achieved in 2023 exceeded the range of 4% to 6% originally forecast in March 2023 and also reached the upper edge of the target corridor of 6% to 8%, which had been adjusted upwards in October 2023. At 26.7%, ARR growth also exceeded the March 2023 forecast of >25%. The same thing applies to the proportion of annual recurring revenue in total revenue, which at 76.6% exceeded the projected figure of >75%. See also << 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>.

In an economically challenging environment, the Nemetschek Group was able to grow year-on-year over all four quarters and thus continue on its sustained growth trajectory, while at the same time converting its business model from licenses to subscription and SaaS products. After the anticipated lower pace in the first half of 2023, which was partially due to the progress planned and achieved in transitioning to subscription and SaaS models, growth picked up significantly again in the second half of the year, returning to double-digit rates in operating business. All Group segments contributed to growth in 2023 – further information can be found in << Development of the Segments >>.

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	**FY 2023**	FY 2022	Δ nominal	Δ currency-adjusted
Total year	**851.6**	**801.8**	**6.2%**	**8.0%**
Q1	204.6	192.2	6.5%	5.5%
Q2	207.5	203.8	1.8%	3.3%
Q3	219.8	202.8	8.4%	12.6%
Q4	219.6	203.0	8.2%	10.9%

Revenue Development by Type



The Nemetschek Group divides its revenue into three types: recurring revenue from software service contracts and rental models such as subscription and SaaS (software as a service), software licenses and consulting and hardware.

Pure "software revenue" is divided into software rental models, software services and software licenses.

In the case of software rental models, a distinction is made between subscription and SaaS products. In subscription models, the software remains on the clients' own local systems as standard, while in the case of SaaS models the current version of the software is normally on the Nemetschek brands' servers, which clients can then access.

Revenue from software rental models is recognized over the agreed term of the contract or partly also on a point-in-time basis 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, all revenue from software licenses is recognized on a point-in-time basis (i.e. when ownership is transferred to the client). The strategic goal is to successively widen the proportion of recurring revenue. This goal is to be achieved by offering more software rental models, which will lead to a more resilient and even stable business model for the Nemetschek Group.

The transformation of the business model away from classic licensing business in favor of a model characterized by high recurring revenue, particularly through the adoption of subscription and SaaS models, was pursued successfully in 2023. This transformation makes it possible to generate significantly higher revenue over the client lifetime. At the same time, these revenue flows are more resilient and thus offer greater forward visibility. In the short term, however, the adoption of rental models has a temporarily dampening impact on revenue growth for accounting-related reasons.

In 2023, the Nemetschek Group's **recurring revenue from service contracts and rental models** rose by 22.5% (currency-adjusted: 24.7%) to EUR 652.7 million (previous year: EUR 532.6 million). Consequently, the previous year's strong momentum of growth in recurring revenue (27.8% or currency-adjusted: 21.7%) continued. Accordingly, the growth rate for recurring revenue again exceeded the Nemetschek Group's total revenue growth (6.2% or currency-adjusted: 8.0%), causing the share of recurring revenue in total revenue to widen to 76.6% (previous year: 66.4%). The **ARR** (annual recurring revenue) metric introduced in the previous year rose by 23.5% (currency-adjusted: 26.7%) in 2023 to EUR 718.6 million (previous year: EUR 581.7 million) and reflects the ongoing implementation of the strategic change in the business model in favor of rental models.

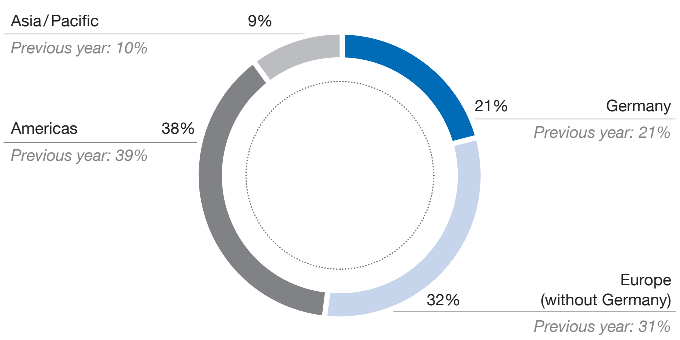
Revenue from **subscription and SaaS (rental models)**, which is included in recurring revenue, also increased by 47.8% (currency-adjusted: 51.1%) to EUR 301.8 million (previous year: EUR 204.2 million) in the year under review, significantly outstripping the growth of the Group. All segments continued to contribute to this growth in 2023. The greatest driver of this performance was the Build segment, in which the Bluebeam brand has been planning and specifically implementing the transition to a subscription model since September 2022. This favorable performance was also underpinned by the Design segment, in which a number of brands focused more heavily on subscription and SaaS models in the year under review. In the Media segment, the transition to a subscription model was also successfully completed in 2023.

The proportion of subscription and SaaS revenue in total revenue widened again significantly from 25.5% to 35.4% in 2023. Revenue from service contracts rose by 6.8% (currency-adjusted: 8.4%) from EUR 328.4 million to EUR 350.9 million in 2023. The proportion of revenue from service contracts amounted to 41.2% in the year under review, thus matching the previous year's figure of 41.0%.

Revenue from **software licenses** contracted sharply over the prior year in line with the strategy, dropping by 30.9% (currency adjusted: 29.8%) from EUR 233.1 million to EUR 161.1 million. Accordingly, the share of total revenue attributable to software licenses fell from 29.1% in the previous year to 18.9% in 2023. This also reflects the already advanced transformation of the business model.

At 4.5%, the proportion of **consulting and hardware** revenue remained unchanged over the previous year (4.5%).

Revenue by Region



A major strategic goal of the Nemetschek Group is the further internationalization of its business alongside the development of markets with strong growth potential.

Revenue generated in **Germany** rose by 6.1% in 2023, while foreign revenue climbed by 6.2% and thus at a similar rate. At 79%, the proportion of foreign revenue was thus comparable to the previous year (previous year: 79%). As expected, foreign growth was dampened by negative currency effects, in particular from the US dollar, as well as by the conversion of the business model to subscription and SaaS systems, driven by the Bluebeam brand.

Europe (excluding Germany) has been severely impacted by the effects of the Covid-19 pandemic in recent years, while the macroeconomic fallout from the prevailing geopolitical challenges has also left traces on the European economy and particularly the construction industry. Nemetschek's businesses in Europe have also felt the effects of substantially more muted growth over the last few years. The growth momentum stabilized in 2023 despite the ongoing difficult conditions. Revenue in Europe (excluding Germany) increased by 10% in 2023. As a result of this disproportionately high growth in relation to the Group's overall performance, the share of total revenue increased to 32% (previous year: 31%).

Revenue in Germany climbed by 6.1% in the course of the year, meaning that there was no material change in the share in total revenue.

As expected, the pace of growth declined in 2023 in the **Americas**. In line with expectations, the revenue growth of around 5% in the US was impeded by the conversion of the business model of the Bluebeam brand, which is the largest revenue driver, in favor of a subscription and SaaS system along with the related accounting effects. In addition, this year's strikes in the film and TV industry in the United States placed a temporary damper on demand in the Media segment. With revenue growth slightly lower than the Group figure, the share in revenue contracted slightly to 38% in 2023 (previous year: 39%). Even so, the Americas are still the Group's strongest region in terms of revenue.

In the year under review, revenue in **Asia/Pacific** declined slightly by 1.3% over the previous year. As a result, the share accounted for by this region in total revenue shrank marginally from roughly 10% in the previous year to around 9%.

Earnings Performance

OVERVIEW OF KEY GROUP PERFORMANCE FIGURES

In EUR million	FY 2023	FY 2022	Δ nominal in %
Revenue	**851.6**	**801.8**	**6.2%**
EBITDA	**257.7**	**257.0**	**0.3%**
EBITDA margin	30.3%	32.0%	–1.7pp
EBIT	**199.5**	**198.1**	**0.7%**
EBIT margin	23.4%	24.7%	–1.3pp
Net income for the year (equity holders of the parent company)	**161.3**	**161.9**	**–0.4%**
Earnings per share in EUR	1.40	1.40	–0.4%
Net income for the year before depreciation from PPA	**183.8**	**186.9[1)]**	**–1.7%**
Earnings per share before depreciation from PPA in EUR	1.59	1.62[1)]	–1.7%

1) The net income for the year before depreciation from PPA and the corresponding earnings per share reported for the previous year have been restated to allow for adjustments to the relevant depreciation figures relating to minority interests.

At EUR 257.7 million, **EBITDA** (Group earnings before interest, taxes, depreciation and amortization) was slightly higher than in the previous year (EUR 257.0 million). It increased by 0.3% in nominal terms but by 4.2% in currency-adjusted terms.

As planned, the **EBITDA margin** contracted over the previous year for accounting-related reasons due to the adoption of subscription business and, at 30.3%, was 1.7 percentage points down on the previous year's figure of 32.0%. Consequently, it was slightly higher than the forecast range of 28.0% to 30.0% that had been published in March 2023 and confirmed in October 2023, see *<< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>*.

2023 showed that the Nemetschek Group is able to maintain its intended profitable growth trajectory even in challenging times.

The margin contraction is attributable in particular to the strategic transformation of the business model away from licensing models in favor of subscription and SaaS systems, something which has a short-term diluting effect on margins for accounting-related reasons. Moreover, some of the markets addressed, such as Europe, faced macroeconomic headwinds in 2023, particularly in the first half of the year. In addition to that, profitability in 2023 was impeded by non-recurring personnel expenses and relatively high expenditure on trade fairs in connection with the implementation of the "go-to-market" approach.

Operating expenses increased by a total of 7.3% to EUR 661.0 million (previous year: EUR 616.2 million). This was slightly higher than the 6.2% increase in revenue. Personnel expenses are the largest single item within operating expenses, rising by 7.0% in 2023 and, hence, also somewhat more quickly than revenue, to EUR 360.9 million (previous year: EUR 337.2 million). This particularly reflects higher wages and salaries due to inflation. In addition, there were transformation-related effects (*<< Employees of the Nemetschek Group >>*). Other operating expenses increased by 10.4% to EUR 208.0 million (previous year: EUR 188.4 million) for inflation-related reasons, among other things. This item reflects investments in IT systems, expenses for external personnel as well as legal and consulting costs. At EUR 58.2 million, depreciation of fixed assets was slightly lower than in the previous year (EUR 58.8 million). The depreciation from purchase price allocation included in this item dropped slightly from EUR 31.8 million to EUR 29.4 million. Depreciation of leased assets in accordance with IFRS 16 increased slightly by EUR 0.4 million to EUR 16.7 million. Excluding depreciation and amortization, operating expenses increased by 8.1% to EUR 602.8 million (previous year: EUR 557.4 million).

Overall, the financial result amounted to EUR 4.8 million in 2023 (previous year: EUR 1.3 million). Interest expenses for acquisition loans and lease liabilities in accordance with IFRS 16 affecting the financial result rose from EUR 2.6 million in the previous year to EUR 3.3 million in 2023. However, at EUR 3.4 million (previous year: EUR 0.5 million), interest income substantially exceeded interest expenses in 2023. The other financial income of EUR 4.7 million was also higher than in the previous year (EUR 3.4 million). The income generated in 2023 primarily resulted from fair-value remeasurement gains on investments in venture companies as well as foreign currency gains. In the previous year, the item had mainly consisted of foreign currency gains.

Earnings before interest and taxes (EBIT) rose slightly by 0.7% to EUR 199.5 million and were thus in line with the previous year (EUR 198.1 million).

Income taxes increased from EUR 34.4 million in 2022 to EUR 40.6 million in 2023. At 19.8%, the Group tax rate was up on the previous year (17.3%). Effects from loss carryforwards initially recognized in 2022 were also apparent in tax expenses in 2023. Expenses from the recognition of German minimum tax effects from cross-border transactions have the opposite effect. These regulations will apply for a final time in 2023 following the introduction of the new OECD minimum taxation rules (Pillar 2).

Net income (Group earnings after taxes) declined slightly by 0.7% from EUR 165.1 million to EUR 164.0 million in 2023. Net income for the year (equity holders of the parent company) also fell slightly from EUR 161.9 million to EUR 161.3 million, dropping by 0.4%.

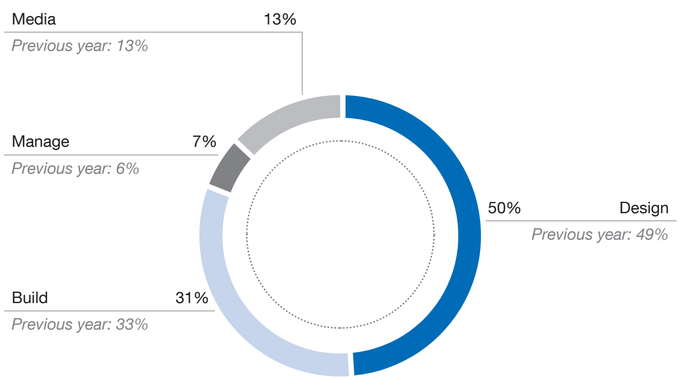
Earnings per share came to EUR 1.40 (previous year: EUR 1.40). EPS adjusted for the effects of depreciation from PPA fell by 1.7% from EUR 1.62 in 2022 to EUR 1.59 in 2023.

Segment Developments

The strategic and operational management of the Nemetschek Group is carried out via the four segments: Design, Build, Manage and Media. The individual brands and their companies are allocated to the respective segments; see *<< 1.1 Group Business Model >>*. The segments are particularly managed on the basis of the following financial performance indicators: revenue and year-on-year revenue growth as well as EBITDA and the EBITDA margin as operational earnings indicators *<< 1.3 Corporate Management and Governance >>.*

The distribution of revenue by segment was virtually unchanged over the previous year and broke down as follows in 2023:

Revenue by segment



The segment structure was changed in 2023 in response to a strategic realignment. The dRofus brand, which had been allocated to the Build segment in 2022, was transferred to the Digital Twin business unit with effect from January 1, 2023 and consolidated in the Manage segment. The Digital Twin business unit is consolidated in the Design segment from January 1, 2024. Further information can be found in << 1.1 Group Business Model >>.

In order to present the performance of the relevant segments transparently, the previous figures for the two segments concerned have been restated and, thus, rendered comparable. In addition, the consolidation column has been allocated directly to the segments (including the previous year's adjustment) since January 1, 2023.

The performance of the individual segments is set out below.

Design Segment

in EUR millions or percent	**FY 2023**	FY 2022	Δ nominal	Δ currency-adjusted
Revenue	423.3	389.9	8,6%	9,7%
EBITDA	120.2	115.7	3.9%	7.6%
EBITDA margin	28.4%	29.7%	–1.3pp	

In the **Design segment**, whose regional focus is on Europe, revenue of EUR 423.3 million was posted in 2023 (previous year: EUR 389.9 million). Accordingly, it grew by 8.6% (currency-adjusted: 9.7%). In 2023, the market environment in which the Design segment operates particularly felt the effects of the still high interest rates and the geopolitical crises together with their economic impact. On the one hand, this led to longer sales cycles for clients in the construction industry, thus placing a damper on growth potential. On the other hand, the market situation also spurred the transformation of the business model in favor of recurring revenue models. In the year under review, all brands contributed to the pleasing growth in recurring revenue, which at 16.3% (currency-adjusted: 17.5%) increased at a significantly greater pace than the segment's total revenue.

Segment EBITDA rose from EUR 115.7 million in the previous year to EUR 120.2 million, translating into an increase of 3.9%. Adjusted for currency effects and, thus, on a like-for-like basis with the previous year, it would have increased by 7.6%. The slower growth in EBITDA compared to revenue caused the EBITDA margin to contract slightly from 29.7% in 2022 to 28.4% in 2023. The slightly slower EBITDA growth compared to revenue was primarily due to accounting-related effects caused by the adoption of recurring-revenue models, such as subscription and SaaS products. The segment's profitability also came under pressure from planned non-recurring personnel expenses as well as budgeted higher expenses for trade fairs in connection with a reinforced and harmonized "go-to-market" approach.

Build Segment

in EUR millions or percent	FY 2023	FY 2022[1]	Δ nominal	Δ currency-adjusted
Revenue	265.4	259.9	2,1%	4,8%
EBITDA	93.1	95.2	−2.3%	2.3%
EBITDA margin	35.1%	36.6%	−1,6pp	

1) Following the strategic reorganization of one brand (dRofus) between the Build and Manage segments, the previous year's figures have been restated and rendered comparable with the current segment structure.

In the **Build segment**, which mainly addresses construction companies in the United States, growth slowed as planned in 2023 due to the conversion of the business model to a subscription and SaaS system, which has a dampening effect on revenue in the short term due to accounting-related factors. Despite this transition, revenue rose slightly to EUR 265.4 million in 2023 (previous year: EUR 259.9 million). This translated into growth of 2.1%. Adjusted for currency effects arising in the year, growth would have reached 4.8%. The appreciable effect of currency factors is primarily due to the segment's large footprint in the United States and trends in the US dollar in the year under review.

Generally speaking, the Nemetschek Group continues to benefit from the low level of digitization in the construction sector and strong demand, especially in the Americas. The transition to subscription and SaaS models for Bluebeam, the Nemetschek Group's top-selling brand, remained successful and on track in 2023. Consequently, revenue in this category more than doubled over the previous year. In the course of the third quarter of 2023 and, hence, one year after the commencement of the transition, growth accelerated again significantly. This trend also continued in the fourth quarter, with growth gaining further momentum.

The EBITDA of EUR 93.1 million achieved in 2023 was mainly impacted by the adoption of subscription and SaaS models and the resulting short-term damper on earnings, which dropped by 2.3% (currency-adjusted: 2.3%) compared with the previous year (EUR 95.2 million). The corresponding EBITDA margin remained at a high 35.1% (previous year: 36.6%).

Manage Segment

in EUR millions or percent	FY 2023	FY 2022[1]	Δ nominal	Δ currency-adjusted
Revenue	59.1	54.7	8,0%	9,8%
EBITDA	1.4	4.3	−67.9%	−72.3%
EBITDA margin	2.3%	7.8%	−5,5pp	-

1) Following the strategic reorganization of one brand (dRofus) between the Build and Manage segments, the previous year's figures have been restated and rendered comparable with the current segment structure.

The **Manage segment**, which comprises activities relating to building and workplace management, generated revenue of EUR 59.1 million in the year under review (previous year: EUR 54.7 million). This translated into growth of 8.0% or, in currency-adjusted terms, 9.8%.

The Manage segment is continuing to feel the effects of macroeconomic uncertainty coupled with the consequences of the Covid-19 pandemic, which are having a protracted impact on this segment. However, the stabilization in demand from facility managers emerging in the second half of the previous year, particularly in the European commercial construction sector, continued in the course of 2023. Even so, facility managers' capital spending budgets have still not returned to pre-crisis levels. Because the degree of digitization is particularly low in this segment and the importance of energy efficiency and savings in existing and operated buildings is also steadily rising, the Nemetschek Group continues to see potential for further growth in this segment. The dRofus brand has been allocated to the segment since January 1, 2023 and forms part of the newly created Digital Twin business unit, which will be consolidated within the Design segment from 2024.

Segment EBITDA fell from EUR 4.3 million in the previous year to EUR 1.4 million. As a result, the EBITDA margin contracted from 7.8% in the previous year to 2.3% in 2023. This performance was particularly attributable to capital spending on the new Digital Twin business unit, which is allocated to this segment.

Media Segment

in EUR millions or percent	FY 2023	FY 2022	Δ nominal	Δ currency-adjusted
Revenue	111.4	104.7	6,4%	8,6%
EBITDA	43.1	41.8	3.0%	7.3%
EBITDA margin	38.7%	39.9%	−1.2pp	-

Revenue in the Media segment rose by 6.4% (currency-adjusted: 8.6%) in 2023 from EUR 104.7 million to EUR 111.4 million. There were no acquisition-related growth effects in the year under review. Nor were there any material positive non-recurring effects, which had spurred segment growth in earlier years. On the contrary, strikes in the United States film and TV industry in 2023 placed a temporary damper on demand.

Segment EBITDA climbed to EUR 43.1 million (previous year: EUR 41.8 million). The EBITDA margin shrank slightly from 39.9% in the previous year to 38.7% but still remains at a high level.

Financial Position

Main Features and Objectives of Financial Management

The primary objective of financial management is to control and secure liquidity within the Nemetschek Group, ensure access to the debt market and manage foreign currencies and interest risks. Financing and financial risk management is organized centrally and controlled by global governance. To ensure efficient cash and liquidity management, Nemetschek SE 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 in the form of loans granted by group companies.

The financial stability of the Group is reflected in a balanced ratio of debt to equity. The equity ratio stood at 61.4% on the reporting date (December 31, 2023) (previous year: 57.5%). The renewed increase over the previous year is due to the strong Group earnings in 2023 and the almost complete discharge of financial liabilities. Liabilities to banks dropped again significantly compared with the previous year, declining from EUR 71.9 million in the previous year to EUR 6.9 million as of December 31, 2023 due to the repayments made during the year.

In view of the favorable business outlook and very solid funding structure, the Nemetschek Group is able to raise substantial liquidity beyond its existing facilities from the debt markets at short notice. Combined with the potential use of equity instruments, it can finance significant investments.

Liquidity analysis

Net liquidity/net financial liabilities in EUR million

	December 31, 2023	December 31, 2022
Short-term financial debt and short-term shares of long-term financial debt	6.8	65.1
+ non-current financial liabilities	0.1	6.9
Total financial liabilities	**6.9**	**71.9**
Cash and cash equivalents	268.0	196.8
Total liquidity	**268.0**	**196.8**
Net liquidity/net financial debt (-)	**261.2**	**124.9**

As of December 31, 2023, the Group held cash and cash equivalents of EUR 268.0 million (previous year: EUR 196.8 million). The increase of EUR 71.2 million or 36.2% over the previous year reflects the high quality of the Nemetschek Group’s cash flows. When investing the surplus liquidity, short-term, risk-free availability is generally more important than maximizing earnings in order to be able to fall back quickly on available funds in the event of possible acquisitions and to keep the risk profile of the Group low.

At EUR 6.9 million on the reporting date, financial liabilities (bank loans) fell significantly short of the previous year (EUR 71.9 million). These financial liabilities are used almost exclusively to finance acquisitions made in the past and were repaid virtually in full in the course of 2023. The interest rate on the loans is between 0.49% p.a. and 2.87% p.a.

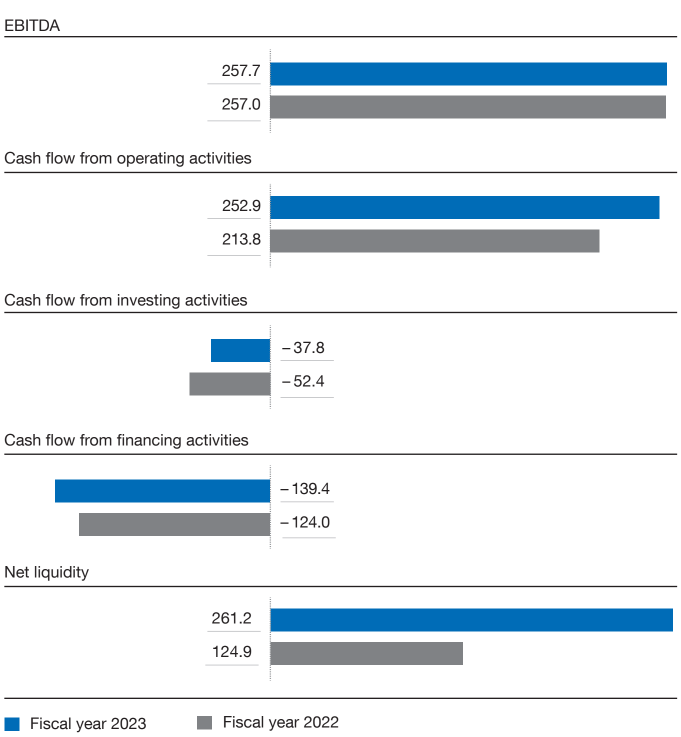
The decline of EUR 6.8 million in non-current financial liabilities in the course of 2023 is due to their reclassification as current financial liabilities. With respect to current financial liabilities, acquisition loans and further current components of financial liabilities of a total of EUR 83.6 million as well as bank loans of EUR 18.5 million were repaid in 2023.

None of the existing credit facilities of a total of EUR 357.0 million (previous year: EUR 284.5 million) has been utilized as of December 31, 2023. In addition to the cash on hand, these can be utilized to fund the profitable growth strategy.

As a result of the aforementioned changes in the relevant balance sheet items, the Group’s net liquidity increased to EUR 261.2 million as of December 31, 2023 (previous year: net liquidity of EUR 124.9 million).

With its high earnings power plus its net liquidity, the Nemetschek Group is able to raise substantial liquidity for investment purposes. With regard to dividend payments, the Executive Board pursues a sustainable dividend policy that provides for a distribution of around 25% of the operating cash flow. The dividend payout always takes into account the overall economic development and the economic and financial situation of the company. Total dividends of EUR 52.0 million were paid in 2023 (previous year: EUR 45.0 million).

DEVELOPMENT OF CASH FLOW



At EUR 258.9 million, the Group's cash flow in the year under review remained steady at the previous year's level (previous year: EUR 258.5 million).

Cash flow from operating activities climbed by EUR 39.1 million or 18.3% over the previous year to EUR 252.9 million in 2023 (previous year: EUR 213.8 million). This increase was mainly driven by the favorable performance of trade working capital. Management of trade working capital generated a cash flow effect of EUR 49.4 million (previous year: EUR 26.7 million). This favorable development was particularly underpinned by prepayment business models under software service and software subscription contracts generating the corresponding recurring revenue. Compared to the previous year, the positive cash flow effect increased again significantly due to the continued very good performance of this business model. The opposite effect arose from other working capital, which was characterized by higher personnel- and tax-related payments compared with the previous year.

Income taxes paid (net) decreased by EUR 2.0 million or 3.5% from EUR 59.6 million in 2022 to EUR 57.6 million in 2023. In addition to the increase resulting from the expansion of business operations, the taxation of development expenses in the United States in particular has an opposite effect. This regulation was introduced for the first time in 2022, resulting in the highest cash outflow. The related payments leveled off in 2023.

Cash flow from investing activities amounted to EUR – 37.8 million in 2023 (previous year: EUR – 52.4 million).

The previous year had been affected by payments of EUR 21.0 million for business combinations. In 2023, EUR 1.5 million was paid for liabilities arising from business combinations from previous years.

Payments made for equity investments increased substantially in 2023. At EUR 24.1 million (previous year: EUR 4.8 million), they reflect the equity interests acquired in start-ups in the course of the year (<< 3.2 Business Performance in 2023 and Key Events Influencing the Company's Business Performance, Acquisitions/ Divestments >>).

Cash flow from investing activities also includes expansion and replacement spending of EUR 12.7 million on fixed assets (previous year: EUR 19.0 million). The high figure for the previous year particularly reflects expansion-related investments in IT server equipment as well as spending on office space.

Cash flow from financing activities amounted to EUR – 139.4 million in 2023 (previous year: EUR – 124.0 million). The increase in payments made is mainly due to the fact that new loans were substantially lower than loan repayments. Cash and cash equivalents of EUR 18.5 million were raised in 2023 (previous year: EUR 40.8 million).

The opposite effect arose from the repayment of bank loans raised in previous years amounting to EUR 83.6 million (including EUR 27.7 million for acquisition loans). In the previous year, repayments of EUR 98.7 million (including EUR 35.7 million for acquisition loans) had been made.

Furthermore, the cash flow from financing activities was impacted by the dividend payment for 2023 of EUR 52.0 million (previous year: EUR 45.0 million) as well as payments of capital and interest on lease liabilities, with an amount of EUR 16.5 million (previous year: EUR 16.0 million) relating to repayments in 2023.

Management of Liquidity Risks

Liquidity risks arise when, for example, clients 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 (e.g. internal bank ratings) allows it to raise sufficient additional liquidity. As of December 31, 2023, it also had unutilized credit facilities of EUR 357.0 million (previous year: EUR 284.5 million). Nemetschek continually monitors the risk of a liquidity shortage using regular liquidity analyses and planning. Maturities of financial assets (receivables, fixed-term deposits, etc.) and expected cash flows from operating activities are taken into account. The objective is to continuously cover the ongoing need for financial resources while maintaining flexibility in financing. Further information on the management of financial risks can also be found in the Risk and Opportunities Report *<< 6 Report on Risks and Opportunities>>*.

Investment Analysis

In order to continue securing its market position in the AEC/O and media markets and to be able to continuously open up new areas of application, investments in research and development and capacity expansion as well as replacement and rationalization measures are required. Business combinations and investments in start-up companies also play an important role for the Nemetschek Group. Such transactions are largely financed by means of bank loans. Depending on the terms of the loan, the Company may also use its own funds. The acquisitions completed in 2023 were financed internally.

In total, the Nemetschek Group invested EUR 24.1 million in 2023 (previous year: EUR 81.1 million), of which EUR 6.3 million was for property, plant and equipment (previous year: EUR 14.3 million), primarily composed of expansion and replacement spending, and EUR 6.4 million for intangible assets (previous year: EUR 39.4 million). The main investments in the previous year had involved business combinations.

Off-balance-sheet obligations

Information on off-balance-sheet obligations can be found in *<< Note 27 Financial obligations >>* .

Net Assets

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Δ nominal in %
ASSETS			
Current assets	418.2	327.1	27.8%
Non-current assets	856.1	871.0	−1.7%
Total assets	**1,274.3**	**1,198.1**	**6.4%**

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Δ nominal in %
LIABILITIES			
Current liabilities	400.6	403.8	−0.8%
Non-current liabilities	91.8	105.1	−12.6%
Total equity	**781.9**	**689.2**	**13.4%**
Total liabilities	**1,274.3**	**1,198.1**	**6.4%**

The consolidated balance sheet total as of December 31, 2023 increased by EUR 76.2 million or 6.4% to EUR 1,274.3 million (previous year: EUR 1,198.1 million).

Current assets

On the assets side of the consolidated balance sheet, current assets increased by EUR 91.1 million or 27.8% from EUR 327.1 million in the previous year to EUR 418.2 million in 2023. This was mainly due to the increase of EUR 71.2 million or 36.2% in cash and cash equivalents and the increase of EUR 15.1 million or 17.9% in trade receivables resulting from the growth in business. The percentage increase in receivables is higher than the 6.2% increase in revenue and is primarily attributable to the further growth in the share accounted for by rental models as well as high invoicing in December 2023. In addition, tax receivables increased significantly from EUR 11.3 million in the previous year to EUR 19.0 million as of December 31, 2023.

Non-current assets

Non-current assets dropped by EUR 14.9 million or 1.7% to EUR 856.1 million (previous year: EUR 871.0 million).

This was mainly attributable to changes in intangible assets, which declined significantly by EUR 36.6 million or 21.3% to EUR 135.1 million (previous year: EUR 171.7 million). Additions to intangible assets were more than offset by amortization and disposals. Moreover, goodwill declined by EUR 5.0 million or 0.9% from EUR 557.0 million to EUR 552.0 million as of December 31, 2023. This was predominantly due to currency translation effects, as a material part of the goodwill is denominated in non-EUR currencies, particularly the US dollar. Moreover, right-of-use assets under leases also contributed to the decline in non-current assets. These fell by EUR 8.9 million or 12.7% to EUR 60.9 million as of December 31, 2023 (previous year: EUR 69.8 million). Additions, particularly in the form of land and buildings, were more than offset by scheduled depreciation as well as disposals. However, these declines were also accompanied by increases. Other financial assets in particular increased significantly by EUR 11.2 million or 61.0% from EUR 18.4 million (previous year) to EUR 29.6 million as of December 31, 2023. This sharp increase was particularly underpinned by equity investments (ventures) in 2023, which had a corresponding effect on this item.

Property, plant and equipment contracted by EUR 2.9 million or 10.7% to EUR 23.7 million (previous year: EUR 26.6 million). Replacement spending on office space was more than offset by depreciation. The higher scheduled depreciation compared with the previous year is primarily due to the expansion-related investments in IT server equipment as well as investments in office space in the previous year.

Current liabilities

At EUR 400.6 million, current liabilities fell slightly short of the previous year (previous year: EUR 403.8 million). Rising by EUR 58.2 million from EUR 206.9 million in 2022 to EUR 265.1 million at the end of 2023, the greatest increase came from deferred revenue, primarily as a result of the larger volume of business. The opposite effect arose from changes in current financial liabilities and the current component of non-current financial liabilities. This part of financial liabilities, due for settlement within the next twelve months, fell by EUR 58.3 million to EUR 6.8 million (previous year: EUR 65.1 million), see << Liquidity Analysis >>. Current provisions also decreased by EUR 5.5 million, mainly as a result of lower personnel-related provisions.

Non-current liabilities

Non-current liabilities fell by EUR 13.2 million from EUR 105.1 million to EUR 91.8 million as of December 31, 2023. The most pronounced decline was in lease liabilities, which decreased by EUR 9.6 million from EUR 62.4 million to EUR 52.8 million as of December 31, 2023. The change is described in detail in the notes to the consolidated financial statements under << Note 17 Leases >> Deferred tax liabilities also fell by EUR 3.1 million or 15.4% over the previous year to EUR 16.7 million as of December 31, 2023 (previous year: EUR 19.8 million). In addition, non-current loans with no current component also declined significantly, dropping by EUR 6.8 million from EUR 6.9 million to EUR 0.1 million as of December 31, 2023 due to reclassifications of non-current loans as current loans.

The opposite effect arose from the increase in deferred revenue, which rose by EUR 3.6 million from EUR 2.6 million to EUR 6.2 million as of December 31, 2023 as a result of the realignment of the business model in favor of recurring revenue. Income tax liabilities also rose from EUR 6.0 million in the previous year to EUR 9.2 million.

Equity

As of December 31, 2023, equity increased by EUR 92.7 million from EUR 689.2 million (2022 reporting date) to EUR 781.9 million. The significant increase is primarily due to higher retained earnings of EUR 640.8 million (previous year: EUR 533.9 million). The opposite effect arose from other comprehensive income of EUR –22.8 million, which was mainly influenced by negative currency translation effects.

The equity ratio widened to 61.4% at the end of 2023 (previous year: 57.5%). The current liability ratio stood at 31.4% (previous year: 33.7%) and the non-current liability ratio at 7.2% (previous year: 8.8%) of the balance sheet total.

KEY BALANCE SHEET FIGURES

In EUR million	FY 2023	FY 2022	Change in %
Liquid assets	268.0	196.8	36.2%
Goodwill/Company value	552.0	557.0	–0.9%
Equity	781.9	689.2	+13.4%
Balance sheet total	1,274.3	1,198.1	+6.4%
Equity ratio in %	61.4%	57.5%	+3.9pp

As in previous years, the Nemetschek Group determined capital costs (WACC = 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 7.0% (previous year: 7.25%) was applied. This results in capital cost rates before taxes ranging from 13.1% to 18.6% (previous year: 12.0% to 19.5%). In 2023, the further increase in interest rates in response to continued high inflation, which, however, receded over the course of the year, had an impact on the parameters derived from the capital market. Based on market capitalization as of December 31, 2023 and the planning expectations, the internal rate of return before taxes is 5.0% (previous year: 7.5%).

Nemetschek Group Employees

Personnel matters are managed locally in order to be able to act adequately and directly in the relevant markets and regions. Nemetschek SE's People/HR department is globally responsible for the strategic development of human resources management and coordinates the strategic orientation with the respective HR departments of the individual brands.

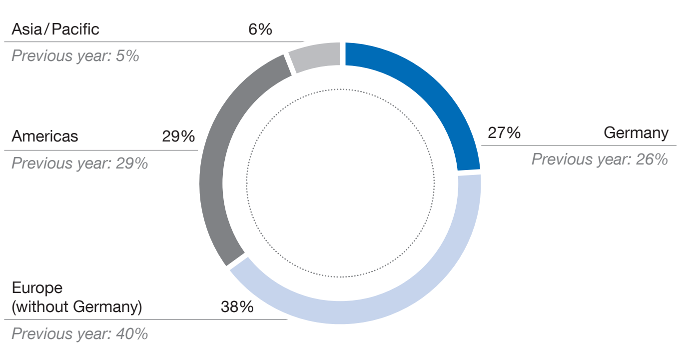
Further information on human resources work can be found in the non-financial statement under *<< 2.2 Key non-financial issues – Employee and Society >>*.

As of December 31, 2023, the Nemetschek Group had 3,429 employees worldwide (previous year: 3,448), equivalent to a slight decline of 19 employees or 0.6%. This does not include employees on parental leave, freelancers and those on long-term sick leave.

Employees by Region

At 73% (previous year: 74%), the majority of Nemetschek Group employees were based outside Germany at the end of 2023.

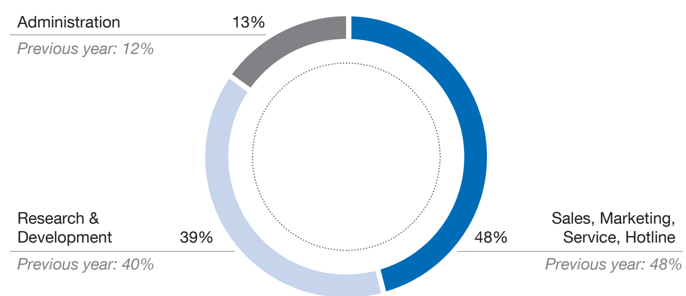
The following table shows the distribution of employees across the Nemetschek Group's key regions and Germany, the country in which the company has its headquarters.



Employees by Function

On average, the Nemetschek Group employed 3,415 people worldwide in 2023, an increase of just under 4% compared with the previous year (3,291). The average number of employees in research and development was 1,329 (previous year: 1,316), or 38.9% of the total workforce (previous year: 40.0%).

The number of sales, marketing and customer support employees averaged 1,656 (previous year: 1,571). In addition, 430 employees (previous year: 404) worked in administration.



Personnel Expenses

Personnel expenses increased by 7.0% to EUR 360.9 million in 2023 (previous year: EUR 337.2 million), resulting in a personnel expense ratio (personnel expenses/revenue) of 42.4% (previous year: 42.1%).

3.4 Earnings, Financial Position and Net Assets of Nemetschek SE

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

Revenue Development and Earnings Situation

Nemetschek SE's revenues of EUR 9.5 million in 2023 (previous year: EUR 8.7 million) resulted primarily from income from licensing the umbrella brand "A Nemetschek Company".

Other operating income increased to EUR 15.5 million (previous year: EUR 13.2 million). In the year under review, it included income from currency translation of EUR 4.1 million (previous year: EUR 7.0 million) and income of EUR 9.2 million (previous year: EUR 5.2 million) from expenses recharged to subsidiaries. Personnel expenses for wages and salaries fell from EUR 14.1 million in the previous year to EUR 12.5 million. This is primarily due to a decline in variable salary components from EUR 5.9 million in 2022 to EUR 4.2 million in 2023. Other operating expenses increased from EUR 23.6 million in the previous year to EUR 30.4 million in 2023 and thus in line with other operating income. This was mainly due to increased expenses for consulting services (EUR 5.8 million up from EUR 2.9 million in the previous year), software costs (EUR 6.2 million up from EUR 4.1 million in the previous year) and marketing costs (EUR 2.8 million up from EUR 1.2 million in the previous year). Expenses from currency differences (EUR 4.2 million, down from EUR 6.5 million in the previous year) fell due to exchange rate effects, primarily from the US dollar.

Income from equity interests of EUR 124.1 million (previous year: EUR 53.0 million) includes EUR 124.0 million in dividends from subsidiaries (previous year: EUR 52.9 million). Income of EUR 27.7 million (previous year: EUR 32.4 million) from profit transfer agreements arose from profit transfers from Allplan GmbH and the Frilo Software GmbH. This is offset by expenses from the transfer of losses amounting to EUR 2.1 million (previous year: EUR 0.5 million from the Nevaris Bausoftware GmbH. Net income for the year increased to EUR 123.5 million (previous year: EUR 29.8 million).

Net Assets

Nemetschek SE's balance sheet is mainly characterized by financial assets amounting to EUR 587.1 million (previous year: EUR 569.9 million). Affiliates accounted for by far the largest share of EUR 576.9 million (previous year: EUR 531.5 million). Loans to affiliated companies fell by EUR 34.2 million due to the contribution of loan receivables to equity shares in affiliated companies. The amount of EUR 1.8 million (previous year: EUR 34.2 million) is due to the grant of a contingently repayable loan to a subsidiary in the course of 2023. With regard to current assets, current loan receivables from affiliates, trade receivables from affiliates and profit and loss transfer agreements amounted to EUR 167.6 million as of the balance sheet date (previous year: EUR 183.3 million). As of the end of 2023, other assets included tax receivables of EUR 14.5 million (previous year: EUR 7.1 million).

Cash and cash equivalents stood at EUR 6.7 million at the end of 2023 (previous year: EUR 3.6 million).

The other side of the balance sheet is dominated by liabilities to banks and Group companies. As a result of scheduled repayments and new loans, bank liabilities fell to EUR 6.6 million (previous year: EUR 71.3 million). Equity increased by EUR 66.4 million to EUR 528.4 million. The net income for 2023 of EUR 123.5 million was offset by the dividend payment of EUR 52.0 million (EUR 45.0 million) that was distributed in 2023. Nemetschek SE's equity ratio was 67.4% as of the balance sheet date (previous year: 60.0%).

Provisions increased by EUR 4.9 million to EUR 14.8million. The main reasons for this are that the company recognized a repurchase obligation for treasury shares in the amount of EUR 5.2 million as part of share-based payments (see „Share-based payments") and a provision of EUR 2.3 million recognized for the first time due to the additional taxation regulation. Offsetting effects result from various individual items. Liabilities to affiliates mainly resulted from cash pooling (EUR 111.8 million; previous year: EUR 91.3 million) and short-term intercompany loans of EUR 109.3 million (previous year: EUR 127.3 million).

In 2023, control agreements and profit and loss transfer agreements were in force with the following subsidiaries: Allplan GmbH, Frilo Software GmbH and Nevaris Bausoftware GmbH. There were also profit and loss transfer agreements and control agreements between Allplan GmbH and Allplan Deutschland GmbH.

Financial Position

Nemetschek SE's financing activities mainly comprised redemption payments of EUR 83.21 million (previous year: EUR 87.7 million), new loans of EUR 18.51 million (previous year: EUR 40.8 million) and the dividend payment of EUR 52.0 million (previous year: EUR 45.0 million).

In 2023, Nemetschek SE extended the existing bilateral credit facilities, increasing them to a total of EUR 357.0 million (previous year: EUR 284.5 million). These credit facilities were granted with a term of up to one year. As of the end of 2023, Nemetschek SE had not drawn on any of these facilities.

In 2023, interest payments of EUR 1.4 million (previous year: EUR 0.8 million) were made on loans taken out and credit facilities.

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

Report on opportunities and risks of Nemetschek SE

Nemetschek SE is materially influenced by the risks and opportunities of the Group. Compared with the Group, Nemetschek SE is exposed to a greater foreign currency risk from intra-group financing. These foreign currency risks are mainly offset by means of natural hedging. Remaining material risk peaks are addressed in individual cases by means of hedging transactions. There were no open hedges as of the balance sheet date.

Nemetschek SE Employees

On average, Nemetschek SE had 66 employees in 2023 (previous year: 62).

Outlook for Nemetschek SE and Comparison of Actual and Forecast Business Performance

The future development of Nemetschek SE with its significant opportunities and risks is significantly influenced by the forecasts of the Nemetschek Group set out in the Opportunity and Risk Report. Based on the Group's planning, Nemetschek SE expects another small increase in the net investment result and thus in net income in the financial year 2024. In the past financial year, this was significantly higher than in the previous year and higher than expected for 2023. This was caused by higher financing requirements. Nemetschek SE expects a positive earnings trend in the upper single-digit percentage range and, for 2024, a net profit for the year that is higher than in the past financial year, which will also increase in the upper single-digit percentage range.

Furthermore, the Nemetschek SE is expected to report positive gross liquidity in 2024 in the lower double-digit percentage range above the previous year‘s level. The previous year‘s forecast was slightly exceeded, as Nemetschek SE reported positive gross liquidity in the mid-single-digit million range.

The company plans to continue distributing around 25% of its operating cash flow to its shareholders in the future. The dividend policy is always subject to the overall macroeconomic development and the economic and financial situation of the company.

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

The original forecast for 2023 factored in the uncertain macroeconomic conditions prevailing at the beginning of 2023 as a result of the Russian war of aggression on Ukraine and what in some cases are the severe consequences for the global economy. The forecast was also based on the assumption that the global economy would grow by 2% to 3%, as predicted by the German Council of Economic Experts and the IMF at the time, and that growth would slow compared with the previous year. Likewise, the subdued state of the construction industry was taken into account in the forecast. In addition, the forecast for 2023 particularly assumed short-term dampening effects on revenue and earnings due to the conversion of the business model from classic licensing to a subscription and SaaS system. In light of these assumptions, the Executive Board entered the 2023 financial year with a realistic, generally positive, but also cautious outlook, projecting currency-adjusted revenue growth in a range of between 4% and 6%, accompanied by substantially greater growth of >25% in annual recurring revenue (ARR), thus increasing the share of annual recurring revenue in total revenue to over 75% at the end of the year. The Executive Board projected an EBITDA margin in a range of 28 – 30%.

Despite the difficult and still challenging economic conditions, such as the persistently high interest rates as a result of the continued high but now declining inflation rates in many key economic regions, as well as the likewise persistent effects of the Russian war of aggression on Ukraine, e.g. the energy crisis in Europe, and recent developments in the Gaza-Israel conflict, as explained in *<< 3.2 Business Performance 2023 and Key Events Influencing the Company's Business Performance >>*, the outlook for global growth as forecast by the IMF and the German Council of Economic Experts at the time was achieved or even slightly exceeded. Instead of roughly 2 – 3%, the current consensus is that global growth will reach the upper edge of the range and thus come in at around 3% in 2023. The construction industry, which is of material importance for the Nemetschek Group, performed in accordance with the description contained in *<< 3.1 Macroeconomic and industry-specific expectations >>* in 2023, although the macroeconomic effects were particularly evident here, especially in Germany and other parts of Europe.

Given this environment, the Nemetschek Group again performed encouragingly. Throughout the entire year, business expanded, driven by long-term structural growth drivers such as the low degree of digitization in the construction industry, the requirements of greater efficiency, time and cost savings along the construction and infrastructure life cycle, mounting rules with respect to the use of BIM as well as heightened sustainability and environmental protection requirements and lower carbon emission rules. This was joined by continued strong customer demand and the pronounced growth in recurring revenue from subscription and software-as-a-service (SaaS) products. The very good performance during the year prompted the Executive Board to adjust its original March 2023 revenue forecast slightly upwards and to announce a more precise target for the EBITDA margin. Accordingly, guidance was released on October 23, 2023 providing for currency-adjusted revenue growth of 6% to 8% for 2023, with an EBITDA margin at the upper end of the originally projected range of 28% to 30%. The forecast for growth in annual recurring revenue and its share in total revenue was not adjusted in October 2023.

Overall, revenue of EUR 851.6 million was achieved in 2023, corresponding to nominal growth of 6.2% and currency-adjusted growth of 8.0%. This means that the currency-adjusted revenue growth achieved in 2023 is above the range of 4% to 6% originally forecast in March 2023 and also at the upper end of the target corridor of 6% to 8%, which had been adjusted upwards in October 2023. The reasons for the encouraging growth despite the still challenging macroeconomic environment included the further increase in the proportion of recurring revenue as a basis for the targeted sustainable growth, the consistent work on the defined strategic priorities and the ongoing internationalization of the Group's business.

Driven by this favorable revenue performance, profitability also improved in 2023. In nominal terms, EBITDA rose slightly by 0.3% (currency-adjusted: 4.2%) to EUR 257.7 million, translating into an EBITDA margin of 30.3% and thus slightly exceeding the original range of 28% to 30% that had been forecast in March 2023 and rendered more specific in October 2023.

COMPARISON OF ACTUAL AND PROJECTED BUSINESS PERFORMANCE – OVERVIEW

	Financial year 2022 Actual	Financial year 2023 Forecast March 2023	Financial year 2023 Forecast (update) October 2023	Financial year 2023 actual	Δ nominal in %	Δ currency-adjusted
Revenue or revenue growth	EUR 801.8 million	Currency-adjusted growth: 4% - 6%	Currency-adjusted growth 6% - 8%	EUR 851.6 million	6.2%	8,0%
ARR or ARR growth (annual recurring revenue)	EUR 581.7 million	ARR growth: > 25%	ARR growth: > 25%	EUR 718.6 million	23.5%	26.7%
Share of recurring revenue in total revenue	66.4%	Share of recurring revenue >75%	Share of recurring revenue >75%	76.6%	+10.2pp	–
EBITDA or EBITDA margin	EUR 257.0 million, 32.0%	EBTIDA margin: 28% - 30%	Upper end of bandwidth 28% - 30%	EUR 257.7 million; 30.3%	0.3%	4.2%

5 Main Characteristics of the Internal Control and Risk and Opportunity Management System

General risk management and internal control system*

Governance Structure

Overall responsibility for the internal control (ICS) and risk and opportunity management system (RMS) at the Group level lies with the Executive Board of Nemetschek SE. The RMS and the ICS cover Nemetschek SE and all consolidated subsidiaries and apply the three-lines-of-defense model approach.

The first "line of defense" entails the management of operating business in conjunction with the central Group functions. They are responsible for identifying, evaluating and managing any risks that may occur. To this end, measures are defined and implemented to address the risks identified. In organizational terms, the second "line of defense" is the central risk management function, which reports to Corporate Controlling. The risk management function, which has been operating as a separate department within the Corporate Controlling organization since 2023, is responsible for the Group-wide risk and opportunity management system (RMS). The RMS undergoes continuous further development and is anchored in the Group by means of appropriate information. The Risk Committee also forms part of this second "line of defense". This body, which is composed of the segment managers and the risk category owners, discusses the combined Group-wide risks and opportunities as well as the measures taken and their impact with the Executive Board on a quarterly basis. In addition, the central risk management function prepares the reports for internal as well as external stakeholders. Internal Audit is the third "line of defense" and acts as an independent control unit of the Executive Board. It regularly reviews the effectiveness of the RMS and ICS on behalf of the Supervisory Board and also submits suggestions that contribute to its continuous improvement.

THREE LINES OF DEFENSE MODEL

In summary, this means that the two systems are implemented in the operating units, i.e. on the level of the local process owners of the Group companies ("1st line of defense"). The Corporate Controlling (RMS/ICS) and Corporate Finance (accounting-related ICS) functions ("2nd line of defense") are responsible for designing and developing the systems. In cooperation with other central functions, they also coordinate the preparation and communication of principles, policies and other information such as the Group account framework for the RMS and ICS. These units also organize and arrange training in conjunction with the central functions involved. The ICS and the RMS entail the management of risks and opportunities relevant for the achievement of business objectives, the appropriateness and reliability of internal and external accounting and compliance with the legal requirements and regulations applicable to the Nemetschek Group. Sustainability aspects, which are being continuously developed on the basis of regulatory requirements, are also increasingly taken into account included here. The Internal Audit function ("3rd line of defense") as an independent function regularly reviews the effectiveness of the two systems. Audit activities are performed within the framework of the annual audit plan or on the basis of audits requested during the year. The Audit Committee is systematically involved in the Group-wide ICS and RMS. It primarily monitors the accounts, the accounting process and also the effectiveness and the appropriateness of the ICS, the RMS and the Internal Audit function.

* These disclosures are not part of the management report and are therefore unaudited.

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

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

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

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

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

Access rights are defined in the accounting-related IT systems in accordance with our information security policy to prevent unauthorized access. The above-mentioned manual and system-based checks are also applied to the transfer of the financial information prepared in accordance with the International Financial Reporting Standards (IFRS) for inclusion in the annual financial statements of Nemetschek SE.

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

The Audit Committee is involved in the accounting-related ICS, see *<< Governance >>*.

6 Report on Risks and Opportunities

Risk and Opportunity Management System

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

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

The risk and opportunity management process aims at systematically identifying any changes to the Group's viability at an early stage and addressing any risks jeopardizing its ability to manage its success. It follows the "three lines of defense" model.

As risk and opportunity management is integrated within Corporate Controlling for organizational purposes, it is aligned with the planning and reporting processes and their criteria. In addition, steps are taken to ensure that risks arising from business operations are evaluated across the Group on the basis of uniform quantitative and qualitative criteria and categories for the purpose of greater comparability. In contrast to the previous year, opportunities were not quantified, as strategic opportunities are the subject of the company's aspiration. However, opportunities are recorded, discussed and assessed, but not explicitly quantified individually for internal management purposes. This is generally only done when an opportunity is deemed sufficiently worthy of investment and is considered in corporate and financial planning.

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

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

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

Risk Evaluation and Reporting

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

» **Risk identification:** Definition of risk areas and identification of significant strategic and performance-related risks

» **Risk assessment:** Standardized assessment and evaluation of the risks and opportunities identified by means of uniform assessment procedures, taking into account their probability and the extent of potential loss

» **Risk aggregation:** Analysis of the overall risk position

» **Risk control:** Measures to manage risks with the objectives of avoiding, reducing and transferring risks

» **Risk monitoring:** Monitoring the risks of early warning indicators

» **Risk Reporting:** Regular reporting, at least quarterly, as well as on an ad-hoc basis to the responsible functions and committees ensures transparency and good corporate governance.

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

» Market Risks

» Operational Risks

» Legal, Tax and Compliance Risks

» IT and information security risks as well as

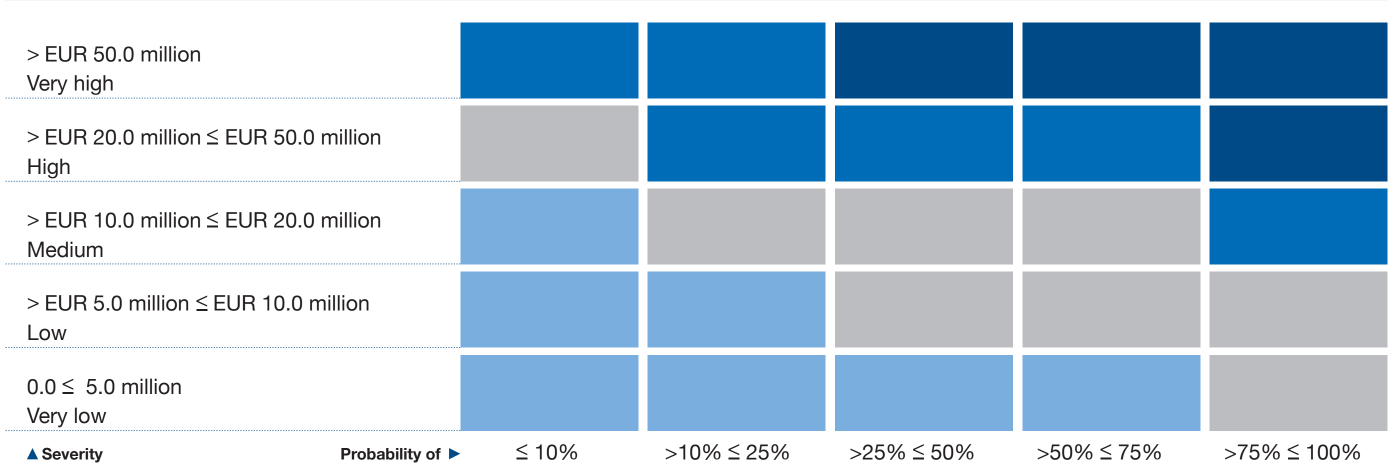
» Financial Risks

In view of their growing importance, IT and Information Security risks were combined in a separate category in the course of 2023 and also reported separately.

In order to take suitable measures to deal with risks that could threaten the continued existence of the Nemetschek Group, any risks identified are evaluated and then classified on the basis of their estimated likelihood of occurrence and the extent to which they are expected to affect the earnings, financial position, net assets and reputation of the Nemetschek Group.

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

RISK CLASSIFICATION MATRIX



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

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

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

The Nemetschek Group's most significant risks across all risk categories as of the balance sheet date December 31, 2023 are as follows

» Foreign-exchange Risk

» Macroeconomic and Industry-Specific Market Risks,

» Parts of operational Risks (products, technologies and processes as well as human resources), and

» Parts of IT and Information Security Risks

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

Market Risks

Macroeconomic and General Conditions

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

The ongoing Russian war of aggression, as well as the escalation of the Gaza-Israel conflict and the resulting war, have no significant direct impact on the business operations of the Nemetschek Group. However, indirect consequences such as the energy crisis in Europe caused by the Russian war of aggression or shifts in public-sector budgets in favor of military spending planned by different governments may have an indirect negative impact on the business of the Nemetschek Group. The regional spread of armed conflicts, which may lead to the involvement of NATO, as well as any further geopolitical upheavals triggered by the existing conflicts could cause a significant deterioration in the global economic situation and subsequently have a corresponding negative impact on global economic growth and capital spending in the corporate sector.

Nemetschek continually monitors developments in key economies and the construction and media industries by means of widely available early warning indicators such as the market indicator of the Euroconstruct market institute or the Construction Confidence Indicator (CCI), as well as by analyzing its own marketing situation. The media and entertainment market is also closely monitored and events such as the strike by the film industry in the United States are observed. The highly targeted markets in Europe, North America, and Asia are continuously analyzed. Thanks to its international business orientation, the Nemetschek Group is characterized by broad risk diversification. Moreover, the individual segments react differently to economic cycles in terms of timing. The Design segment – which accounts for roughly 50% of the Nemetschek Group's revenue – is positioned at the beginning of the building life cycle and would be the first to feel the effects of any general economic downswing. The Build segment would only be affected downstream. The Manage and Media segments target different end clients, which increases risk diversification. The Manage segment is not directly dependent on the building process, as the focus in this segment is on efficiency enhancements in the management of properties. The Media segment is almost completely isolated from the construction industry.

Within the current client structure, there are currently no individual clients accounting for a material proportion of revenue. The Nemetschek Group is highly diversified, both in terms of regional distribution and client mix. At over 76.6% (previous year: 66.4%) of total revenue, the large proportion of recurring revenue is also a risk-minimizing factor. The Nemetschek Group's strategy prioritizes the further expansion of recurring revenue and continued internationalization, and these aims are systematically pursued on a long-term basis.

Sector Development

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

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

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

Competitive Environment

The software market is competitive, and characterized by the rapid pace of technology, and heavy fragmentation. However, for businesses that operate sustainably, this market also offers opportunities. With the increased use of new technologies, such as artificial intelligence in the construction and media industries, new companies with strong financial resources can enter the market and quickly gain a strong market position.

Nemetschek closely monitors the competitive environment and, with its financial resources, is able to actively shape change in the industry. This is done through sustainable investments in its own research and development activities, on the one hand, and through acquisitions of or investments in start-up companies on the other hand. Furthermore, entry barriers in both industries are relatively high due to the complexity of the solutions and client relationships and proximity.

Operational Risks

Corporate Strategy

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

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

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

The Nemetschek Group continuously evaluates existing as well as new technologies, monitors the market on an ongoing basis and revises its market assessments on the basis of these findings.

Thanks to its close relationships with its clients, a broad range of attractive client solutions and its role as a leading innovator, the Nemetschek Group continuously works on creating attractive and innovative solutions with many benefits for clients, thus minimizing the risks arising from the strategic orientation adopted. The Group's risk situation changed slightly in the course of the year. Changes may arise from competitors, mainly as a result of the sharp growth in the significance of artificial intelligence (AI) and its rapid ongoing development. The Nemetschek Group sees this development as harboring opportunities as well as risks which are being closely observed and actively addressed within the company. For one thing, the Group has been investing in innovations for years, with a particular focus on AI. For another, Nemetschek invests in start-ups in the AI sector to remain close to their development and to bring the start-ups together with the Nemetschek Group's existing brands.

Sales and Marketing

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

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

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

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

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

Products, Technologies and Processes

In contrast to the previous year, the two risk categories products/technology and processes have been combined into a single risk. In an environment characterized by rapid technological progress, products, the technologies used and ongoing development must meet high demands.

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

The Nemetschek Group's software products incorporate third-party technology in some cases. The loss of or poor quality of the technology could lead to delays in the delivery of the company's own software and to increased expenses for the procurement of replacement technology or for quality improvement. It addresses this risk by selecting suppliers carefully and ensuring adequate quality assurance.

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

Further risk potential exists in the realignment of the product lines. In such cases, the Nemetschek Group takes care to intensify the exchange of information with the clients affected and to comprehensively explain the benefits of the realignment or migration.

Human Resources

The software industry is currently facing a growing shortage of qualified employees, particularly in the areas of software development as well as marketing and sales.

The prevailing shortage has constituted a risk to the sector for many years. If qualified skilled or management employees were to leave the Nemetschek Group and no suitable replacement could be found, this could have a negative effect on business development.

This is particularly significant if it also results in a loss of expertise. To recruit and retain employees, the Nemetschek Group offers flexible working models as well as attractive salaries and working conditions. In addition, it works very closely with universities, provides scholarships, and awards doctoral positions to identify young specialists and to recruit them at an early stage. Moreover, the company aims to offer its employees an attractive workplace, appealing development opportunities, and consequently a bond between the employees and the company.

Acquisitions, Venture Investments and Integration

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

There is a risk that merged or acquired entities do not develop in line with expectations, preventing the defined earnings targets from being reached. This could negatively impact the Nemetschek Group's earnings, financial position and net assets. Goodwill, which arises from business combinations, is subject to impairment testing at least once a year. It is possible that the value of an acquiree proves to be impaired due to commercial developments, meaning that the purchase price may need to be written off in full or in part. This would negatively impact the Nemetschek Group's earnings, financial position and net assets.

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

Legal, Tax and Compliance Risks

Legal Risks

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

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 earnings, financial position and net assets, the share price, or the reputation of the company.

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

Tax Risks

By having global subsidiaries, the Nemetschek Group is subject to the local tax laws and regulations that apply to each one. Changes to these regulations may lead to higher tax expenses and, connected with this, higher cash outflows. Furthermore, changes may adversely affect the deferred tax assets and liabilities recognized.

The Nemetschek Group's future tax situation is subject to uncertainty over the US tax reform, as a considerable part of its profits are generated in that country. In addition, the Nemetschek Group will come within the scope of the future BEPS (Base Erosion and Profit Shifting) Initiative 2.0 of the Organization for Economic Development and Cooperation (OECD) and its local implementations. They range from increased transparency, such as country-based reporting, to requirements for minimum taxation. The very likely implementation of the EU Minimum Taxation Directive is expected to have an impact on the Group's tax position.

Compliance and Governance Risks

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

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

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

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

IT and Information Security Risks

IT Risks – Data Security, Data Privacy and Information Security

The requirements with regard to compliance, data retention, data security as well as data privacy are increasing in severity all the time. On the one hand, new and extensive regulations and legal stipulations are planned in the current regulatory environment, while on the other, the requirements that individual clients have are also rising. The General Data Protection Regulation (GDPR) is currently the most significant regulation in force. In addition, local data protection authorities may impose other sanctions under Article 83 of the GDPR. The Nemetschek Group has designed its processes to be fundamentally compliant with data-protection requirements, and an external data protection officer also helps to ensure compliance with the data protection regulations.

Information Security Risks

The Nemetschek Group is observing a growing threat to Group-wide information security in the market environment. This development is also resulting in risks to the security of products and solutions as well as the IT systems and networks of the Nemetschek Group. Like other global companies, the Nemetschek Group is exposed to the threat of cyber-attacks by increasingly professional perpetrators, supported by organized crime and possibly also by government structures engaged in industrial espionage or even sabotage. For this reason, the resultant risks rose in the course of the year.

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

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

- Group-wide implementation of a modern cyber defense architecture.
- Establishment of a Group-wide information security management system in accordance with ISO 2700x, which also includes the management of IT and information security risks.
- Installation of a global information security organization with established reporting lines to the Executive Board.
- Close collaboration and regular exchange between the information security managers and experts of the Nemetschek Group.
- Establishment of dedicated information security technologies, processes and organizational measures that are integrated into IT and operational processes.
- Regular information security training and awareness-raising campaigns for all employees.

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

Financial Risks

The objectives and methods for dealing with financial risks are also described in detail in the notes to the consolidated financial statements under *<< Financial Risk Management Objectives and Methods >>*.

Liquidity Risk

On the basis of the existing financial liabilities, there is a general liquidity risk if earnings deteriorate. At the end of 2023, the Nemetschek Group had liabilities to banks of around EUR 6.9 million (previous year: EUR 72 million). The Group continued to generate positive cash flows from operating activities in 2023, allowing it to settle liabilities that have already fallen due for payment or will do so in the future. Nemetschek SE ensures to some extent the availability of decentralized financial resources via central cash pooling and intra-Group distribution and financing options. As a matter of principle, the Group pursues conservative and risk-averse financing strategies. The Group Treasury function has been significantly strengthened over the previous years and aspects such as banks, liquidity, and risk management steadily enhanced through the continued upscaling of governance structures and revisions to processes and systems.

Currency Risks

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

Default Risk and Risk Management

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

The Nemetschek Group has no significant concentration of credit risks with any single client or groups of clients. The maximum credit risk equals the amounts recognized on the face of the balance sheet.

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

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

Interest Rate Risk

As a result of the measures taken by central banks to curb inflation, interest rates are currently high, especially in Europe and the United States. However, management does not currently see any significant interest rate risk for the company due to the Nemetschek Group's financing structure. Long-term financing arrangements are hedged with fixed interest rates. Future M&A activities may have an impact on future interest payments and are therefore assessed in each individual transaction. Given the company's good earnings and financial situation and, hence, its creditworthiness, the adverse effect of the interest rate risk on the Nemetschek Group would be limited.

Opportunity Management and Reporting

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

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

The Nemetschek Group's opportunity management process is based on the risk management process.

The opportunities set out and described below are considered to offer the greatest potential for the Nemetschek Group as of the balance sheet date December 31, 2023:

Opportunity Field	Opportunity Category
	Macroeconomic and General Conditions
	Sector Development
Economic Opportunities	Competitive Environment
	Corporate Strategy
	Sales and Marketing
	Products, Technologies and Business Processes
	Human Resources
Operational Opportunities	Acquisitions, venture investments and integration

Economic Opportunities

Macroeconomic and General Conditions

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

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

Sector Development

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

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

Further opportunities may arise in the Media segment as the creation of digital content and worlds, together with 3D animation is increasingly growing in importance. One example of this is the metaverse, which merges the virtual with the real world. In addition, there is a growing need for digital content and rising demand for gaming. These trends could have a positive impact on demand for solutions in the Media segment.

Competitive Environment

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

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

Operational Opportunities

Corporate Strategy

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

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

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

Sales and Marketing

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

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

Products, Technologies and Processes

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

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

Human Resources

The Nemetschek Group is aligned with long-term growth. With size-based adjustments in the organization of structures and workflows, changes can be made that provide relief for the current organizational structure and offer appealing development opportunities for Nemetschek Group employees or entry opportunities for external candidates. The functional organizational structure of the G&A functions (HR/People, Controlling & Risk Management, Finance and IT) rolled out in 2023 may also enhance the appeal of roles in these areas. Furthermore, a more closely coordinated brand identity, portraying a globally active group, offers an opportunity to heighten the company's appeal for existing and future employees. The existing, close cooperation with a broad network of universities, particularly in Europe and the US, also offers an opportunity to further grow the reputation and appeal of the Nemetschek Group among university graduates. Financially potent companies such as the Nemetschek Group offer greater appeal as employers, particularly in uncertain economic times and thus have options for retaining employees and hiring new ones.

Acquisitions, Venture Investments and Integration

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

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

Summary Assessment of the Group's Opportunity and Risk Situation

Compared to the previous year, there have been no material changes in the company's overall risk profile or individual risks and opportunities. The adjustments to the risk profile mainly reflect the slight elevation of market risks compared to the previous year, particularly with regard to the overall and sector-specific outlook and the competitive environment, as well as the slight increase in operating risks. The Nemetschek Group also sees a heightened risk of cyber-attacks compared to the previous year. 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 asset structure, the liquidity position, and the financing structure.

7 Outlook 2024

Overall Economic Development

As a globally active company, the Nemetschek Group is influenced by worldwide economic developments and industry-specific trends. These developments may also impact the Group's future earnings, financial and asset situation.

The outlook for the global economy is currently influenced by many factors that are subject to great uncertainties. Geopolitical conflicts and crises, in particular, and their impact on global markets are continuing to leave traces on the global economy. Despite the adverse circumstances, the global economy proved to be robust in 2023, reflecting companies' mounting resilience.

The consequences of the ongoing Russian war of aggression on Ukraine, the terrorist attacks by Hamas in Israel, which has prompted a military response from Israel, as well as the difficult trade relations between the United States and China will have an impact on the global economy in 2024. Above all, the restrictive monetary policies triggered by the conflicts and crises described above are having a dampening effect and will take their toll in 2024.

In addition to the above-mentioned factors, the increasing transformation efforts and activities in individual economic regions (e.g. the European Green Deal in the European Union) towards a more sustainable economy are also leading to major changes in the economic framework, yielding opportunities as well as risks for individual sectors.

The monetary measures taken by governments and central banks exerted their effect in 2023. Inflation rates are expected to continue declining, gradually reaching the central banks' targets. As a result, the current tight monetary policies may be eased in the future.

Given the large number of existing and potential geopolitical conflicts, the current forecasts are fraught with high uncertainty.

Overall, the International Monetary Fund (IMF) in its World Economic Outlook published on 30 January 2024 and the German Council of Economic Experts in its Annual Report 23/24 published on 8 November 2023 expect the global economy to flatline or slow in 2024. While the IMF is predicting an increase in gross domestic product (GDP) of 3.1%, the German Council of Economic Experts projects growth of just 2.2%.

The following forecasts have been issued for the main regions in which the Nemetschek Group operates:

GDP in the **Eurozone** is expected to expand by 1.1% (German Council of Economic Experts) or 0.9% (IMF) in 2024. In the EU, the fallout from the energy crisis, caused primarily by the Russian war of aggression on Ukraine, is still having a negative impact. The still restrictive monetary policies in the EU are also continuing to have a dampening effect on the economy, with the European construction industry in particular bearing the brunt.

The **German** economy should regain some momentum compared to 2023 and return to a growth trajectory with expansion of 0.7% according to the German Council of Economic Experts. The IMF likewise expects a slight increase in economic output of 0.5% for Germany. Due to the comparatively high level of industrialization, particularly in energy-intensive sectors, the German economy is currently suffering particularly severely from the consequences of the energy crisis and historically high interest rates.

The German Council of Economic Experts is forecasting growth of 1.6% for the **United States** in 2024, while the IMF expects growth of 2.1%. Accordingly, both institutions assume that the US economy will lose momentum. In particular, the high interest rates could place a damper on the economy in 2024, with government support programs primarily intended to promote corporate investment.

For **Asia** – where both institutions see the greatest regional growth globally for 2024 – the German Council of Economic Experts forecasts an increase in GDP of 3.8%. **China** is expected to grow by 4.3% In its January 2024 update, the IMF puts economic growth in China at 4.2% and thus lower than in the previous year. The Chinese economy continues to suffer from the consequences of the real estate crisis, although industrial output is expected to normalize further. Growth rates in India are also likely to exceed the global and Asian forecasts. The IMF expects economic output to grow by 6.5%. This is consistent with the estimates of the German Council of Economic Experts, which anticipates growth of 6.2%.

Overall, the uncertainties associated with the aforementioned forecasts are considerable and particularly depend on the further course of political and economic conflicts, crises and underlying conditions. Any risks occurring or worsening or any deterioration in conditions may have a negative effect on the global economy. Likewise, an end to the war in Ukraine or the Middle East or an improvement in general conditions may generate impetus for the global economy, feeding through to the industries and regions addressed by the Nemetschek Group. The IMF and the German Council of Economic Experts currently believe that the short-term risks for the global economy outweigh the opportunities.

Sources: German Council of Economic Experts, Annual Report 23/24 dated November 8, 2023 and International Monetary Fund, World Economic Outlook Update dated January 30, 2024.

Development of the Underlying Industry-Specific Conditions

Construction Industry

The construction industry is influenced by the prevailing macroeconomic and political conditions. The effects previously described of the current geopolitical crises and conflicts are also leaving traces on the construction industry in particular. High interest rates, restrictive monetary policies and persistently high prices are triggering greater investment reticence on the part of companies and private property developers, at least in the short term. However, the current situation in the construction industry is forcing planning and construction companies in particular to improve the efficiency of their planning and building processes. The need for improved efficiency and cost savings may therefore also provide important impetus for the further digitalization of the industry. Moreover, sustainability and environmental protection are becoming increasingly important in the planning, construction, operation and renovation of buildings. A more energy- and resource-efficient approach throughout the entire construction process, including the subsequent use phase, is therefore a critical factor in achieving the political climate targets. This should also generate impetus for the construction industry.

The experts at Euroconstruct (November 2023) project a sequential inflation-adjusted decline in the construction industry in **Europe**. They forecast a decline of 1.7% in 2023, widening to 2.1% in 2024. Euroconstruct sees a recovery emerging in the European construction industry and a return to a growth trajectory in 2025.

The **German** construction industry, which is of particular importance for the Nemetschek Group, is expected to contract by 2.2% in 2024. This decline is therefore within the range forecast for 2023, for which experts project contraction of 2.3%. At 2.2% in 2024, the decline forecast for Germany is slightly above the average for the Euroconstruct countries (decline of 2.1%). The highest growth rates across Europe are expected in Ireland (+4.4%), Slovakia (+2.9%) and Poland (+2.5%). By contrast, Italy (–7.3%), Sweden (–5.7%) and Denmark (–4.9%) are expected to experience the sharpest declines in construction output in 2024.

In the **United States**, construction output should expand by 5% in 2023, before flatlining and shrinking slightly in 2024 (0%) and 2025 (–1%), respectively. Whereas residential construction in particular is expected to shrink substantially by 7% in 2024 and 3% in 2025, the non-residential sector should expand by 5% in 2024. Output in this sector will also likely shrink by 2% in 2025.

The construction industry in **Asia** should contract slightly by 0.4%. A decline of 2.6% is projected for China, while India should remain stable (growth of 0.2%), with Japan displaying substantial growth of 5.2%.

Source: 96th Euroconstruct Summary Report Winter 2023; North American Engineering and Construction Outlook Fourth Quarter Edition (October 2023).

Digitalization in Construction

Digitalization in the construction industry is less advanced than in other industries due to the high degree of fragmentation, non-serial production processes and the low profitability and the low margins in construction. Nevertheless, a large number of players in the construction industry view the digital transformation as a key competitive advantage and a strategic priority. Mounting regulation – including for sustainable construction, high material costs, the continued shortage of skilled labor and the lessons learned from the Covid-19 pandemic – may spur and even accelerate existing trends such as digitization in the medium to long term. Accordingly, the Nemetschek Group is operating in a market that remains dynamic and offers great growth potential in the coming years. The increasing establishment of an open standard for data exchange, which ensures compatibility between different software solutions and thus fosters the increasing establishment of BIM, will have a particularly positive effect. The driver behind this development is the international non-profit organization buildingSMART, which promotes digitalization in the construction industry.

Development of the Media and Entertainment Industry

The media and entertainment industry continues to benefit from a steady increase in demand for high-quality content and animation by artists and creators, as well as the growing use of visual effects (VFX) in films and videos, as well as high demand from the gaming industry. Although demand in the industry temporarily stalled as a result of the strikes in Hollywood in 2023, Nemetschek still sees great market potential – especially in the medium term – from the metaverse and the creation of an artificial environment in the form of augmented reality (AR) or virtual reality (VR). In this market, the Nemetschek Group is very well positioned with the Media segment and the Maxon brand to leverage future growth potential in the underlying market.

General Statement on Expected Development

Outlook for the Nemetschek Group

Despite the underlying macroeconomic and industry-specific conditions and challenges outlined above, the Executive Board is optimistic about 2024.

In the short term, the planned ongoing adoption of subscription and SaaS models will have a temporary dampening effect on revenue growth and profitability due to accounting-related effects. At the same time, however, the conversion to subscription and SaaS models means that higher revenues can be generated over the client lifetime. Moreover, revenues are more predictable and, as a result, business generally gains added resilience – even across economic cycles.

In the medium and long term, the significant structural growth drivers such as the low level of digitalization in the construction industry, the requirements of greater efficiency and time and cost savings in the construction life cycle, mounting regulations on

BIM use, increased demands for sustainability, environmental protection and lower carbon emissions as well as ongoing urbanization remain fully intact. A further factor is the ongoing shortage of skilled workers, which has in fact been exacerbated by the crises of recent years.

On a like-for-like basis, we expect an attractive revenue growth in 2024. Specifically, currency-adjusted revenue growth should be in a range of 10% to 11%. Growth in recurring revenue, as measured by the annual recurring revenue (ARR) KPI, is expected to increase significantly faster than Group revenue at around 25%. The share of recurring revenue in total revenue is therefore expected to continue widening to roughly 85% at the end of the current year. The EBITDA margin should be in a range of 30% to 31%.

	Financial year 2023 Actual	Financial year 2024 Forecast March 2024
Revenue or currency-adjusted revenue growth	EUR 851.6 million, 8.0%	Currency-adjusted revenue growth of 10 to 11%
ARR or ARR growth (annual recurring revenue)	EUR 718.6 million, 26.7%	ARR growth of ~25%
Share of recurring revenue in total revenue	76.6%	Share of recurring revenue in total revenue: ~85%
EBITDA or EBITDA margin	EUR 157.7 million, 30.3 %	EBITDA margin of 30% to 31%

As business development is influenced by currency effects, particularly the US dollar, the outlook for revenue growth is stated on a currency-adjusted basis in order to better assess the company‘s operational strength.

Dividends

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

In general, it should be borne in mind in connection with the forecast that, in addition to a change in underlying economic conditions, changes in currency exchange rates and possible portfolio modifications as a result of M&A activities could have an impact on the Group’s revenue and earnings, and ultimately also on the achievement of the forecast. For this reason, the forecast for 2024 has been prepared on a basis comparable with the previous year, assuming constant exchange rates and a portfolio unaffected by M&A activities. Nemetschek SE expects net income in the mid double-digit million range and gross liquidity in the lower single-digit million range in 2024.

Notes on the Outlook

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

8 Other Disclosures

Corporate Governance Declaration

The Corporate-Governance Statement pursuant to sections 289f and 315d of the German Commercial Code (HGB) is part of the Group Management Commentary. It is published on the website *ir.nemetschek.com/corporate-governance*. In accordance with HGB section 317(2), sixth sentence, the professional audit of the disclosures under HGB sections 289f and 315d is limited to whether the disclosures were made. The corporate governance declaration can also be found in the 2023 Annual Report in the chapter entitled *<< To our Shareholders >>*.

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

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

(1) Composition of subscribed capital
As of December 31, 2023, the share capital of Nemetschek SE amounts to EUR 115,500,000.00 and is divided into 115,500,000 no-par bearer shares.

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

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

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

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

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

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

If there is a good cause, the Supervisory Board can revoke the appointment of the Executive Board member (Article 9 (1), Article 39 (2) of the SE Regulation and Section 84 (4) sentences 1 and 2 of the AktG).

The amendments to the Articles of Incorporation are governed by Article 59 of the SE Regulation, Section 51 of the SE Act and Section 179 of the German Stock Corporation Act in conjunction with Articles 14 and 19 of Nemetschek SE's Articles of Incorporation. According to this provision, amendments to the Articles of Incorporation are generally decided by the Annual General Meeting with a two-thirds majority of the votes. If at least half of the share capital is represented, a simple majority of the votes cast is sufficient. If the law also requires a majority of the share capital represented at the Annual General Meeting to pass resolutions, a simple majority of the share capital represented at the time of the resolution is sufficient, to the extent permitted by law. In accordance with Section 14 of Nemetschek SE's Articles of Incorporation, the Supervisory Board is authorized to decide on amendments to the Articles of Incorporation that affect only its wording.

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

sory Board, to disapply, in full or in part, on one or more occasions, the shareholders' subscription right in accordance with the details of the resolution on agenda item 8 by the Annual General Meeting of May 12, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) Significant agreements of the company subject to a change of control following a takeover offer

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

(9) Compensation agreements concluded by the company with members of the Executive Board or employees in the event of a takeover offer

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

Related Entities Report

The Executive Board of Nemetschek SE has prepared a report on the company's relationships with affiliated companies (dependency report) in accordance with Section 312 of the German Stock Corporation Act and has declared the following at the end of the report:

Our company, Nemetschek SE, received appropriate consideration for each legal transaction listed in the report on relationships with affiliated companies for the reporting period from January 1, 2023 to December 31, 2023 in the light of the circumstances known to us at the time the legal transactions were carried out. Nemetschek SE has not taken or omitted any measures.

Munich, March 15, 2024

Yves Padrines

Louise Övferström

Statement of financial position Nemetschek SE

as of December 31, 2023 (individual financial statements as per the German Commercial Code – HGB)

ASSETS in €	December 31, 2023	December 31, 2022
A. Fixed Assets		
I. Intangible assets		
1. Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	647,363.55	65,624.06
2. Prepayments made on intangible assets	0.00	250,000.00
	647,363.55	**315,624.06**
II. Property, plant and equipment		
1. Fixtures, fittings and equipment	233,242.44	253,080.45
	233,242.44	**253,080.45**
III. Financial assets		
1. Shares in affiliated companies	576,868,494.79	531,542,964.86
2. Loans due from affiliated companies	1,800,000.00	34,250,000.00
3. Investments	1,962,222.33	1,962,222.33
4. Other financial assets	6,458,369.87	2,194,706.04
	587,089,086.99	**569,949,893.23**
TOTAL FIXED ASSETS	**587,969,692.98**	**570,518,597.74**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Trade receivables	0.00	7,735.50
2. Accounts due from affiliated companies – thereof Accounts receivable from trading: EUR 1,391,499.95 (previous year: EUR 120,671.27)	167,628,458.06	183,342,866.65
3. Other assets	14,979,682.74	7,287,577.16
	182,608,140.80	**190,638,179.31**
II. Cash and cash equivalents	**6,693,297.82**	**3,568,565.23**
TOTAL CURRENT ASSETS	**189,301,438.62**	**194,206,744.54**
C. DEFERRED AND PREPAID EXPENSES	**5,205,222.21**	**4,279,799.14**
D. DEFERRED TAX ASSETS	**1,553,125.00**	**1,114,282.63**
	784,029,478.81	**770,119,424.05**

As the result of rounding, it is possible that the individual figures in these individual financial statements do not exactly add up to the totals given and that the percentage disclosures do not reflect the absolute values from which they are derived.

Equity and liabilities in €	December 31, 2023	December 31, 2022
A. EQUITY		
I. Subscribed capital	**115,500,000.00**	**115,500,000.00**
II. Capital reserve	**20,529,856.90**	**20,529,856.90**
III. Retained earnings	**23,377,983.39**	**28,585,721.39**
IV. Unappropriated profit	**368,958,906.34**	**297,400,872.05**
TOTAL EQUITY	**528,366,746.63**	**462,016,450.34**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	2,417,316.60	58,814.61
2. Other provisions and accrued liabilities	12,430,563.00	9,849,910.64
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**14,847,879.60**	**9,908,725.25**
C. LIABILITIES		
1. Liabilities due to banks	6,600,000.00	71,300,000.00
2. Trade accounts payable	2,085,571.22	1,854,748.86
3. Accounts due to affiliated companies	225,744,766.84	220,849,637.99
4. Accounts due to associated companies	103,100.00	0.00
5. Other liabilities – thereof taxes: EUR 2,063,561.04 (previous year: EUR 1,099,860,58) – thereof social security: EUR 0 (previous year: EUR 0)	2,199,539.07	1,245,781.04
TOTAL LIABILITIES	**236,732,977.13**	**295,250,167.89**
E. Deferred revenue	**3,948,886.77**	**2,818,008.66**
E. Deferred tax liability	**132,988.68**	**126,071.91**
	784,029,478.81	**770,119,424.05**

Statement of comprehensive income Nemetschek SE

for the period from January 1 to December 31, 2023 (individual financial statements HGB)

in €	2023	2022
1. Revenues	9,493,205.11	8,734,798.80
2. Other operating income – thereof for inccome from currency revaluation: EUR 4,109,398.82 (previous year: EUR 7,015,990.74)	15,497,947.48	13,204,964.63
3. Personnel expenses		
a) Wages and salaries	–12,510,077.53	–14,067,767.11
b) Social security, pension and other benefit costs – thereof for pension: EUR 118,812.15 (previous year: EUR 134,595.75)	–1,190,137.72	–1,122,797.87
4. Depreciation and amortization of intangible assets, property, plants and equipment	–214,617.54	–186,733.63
5. Other operating expense – thereof for expensefrom currency revaluation: EUR 4,195,807.18 (previous year: EUR 6,499,378.86)	–30,424,774.14	–23,549,648.28
6. Income from investments – thereof from affiliated companies: EUR 123,982,125.38 (previous year: EUR 52,890,412.74)	124,149,936.65	53,024,815.88
7. Income from profit and loss transfer agreements – thereof from affiliated companies: EUR 27,703,436.72 (previous year: EUR 32,379,100.34)	27,703,436.72	32,379,100.34
8. Income from loans due to affiliated companies – thereof from affiliates companies: EUR 988,252.48 (previous year: EUR 1,548,658.59)	988,252.48	1,548,658.59
9. Other interest and similar income – thereof from affiliated companies: EUR 11,165,430.71 (Vorjahr EUR 6,111,009.75)	11,203,181.43	6,111,009.75
10. Expenses from loss absorption – thereof from affiliates companies: EUR 2,095,955.37 (previous year: EUR 456,696.86)	–2,095,955.37	–456,696.86
11. Depreciation of financial assets	0.00	–34,787,240.00
12. Interest and similar expenses – thereof from affiliated companies: EUR 12,147,415.84 (previous year: EUR 4,823,520.34)	–13,731,568.37	–5,961,580.77
13. Taxes on income – thereof expenses from changes in deferred taxes recognized in the balance sheet: EUR 431,925.60 (previous year: EUR 582,188.70)	–5,334,186.91	–5,083,893.48
14. Earnings after tax	**123,534,642.29**	**29,786,989.99**
15. Other Taxes	–1,608.00	–1,332.00
16. Net Income	**123,533,034.29**	**29,785,657.99**
17. Profit carried forward from previous year	245,425,872.05	267,615,214.06
17. Unappropriated profit	**368,958,906.34**	**297,400,872.05**

Notes Nemetschek SE

Accounting principles

The annual financial statements as of December 31, 2023 of Nemetschek SE, Munich, are prepared in accordance with § 264 d HGB in conjunction with § 267 (3) HGB on the basis of the provisions of the German Commercial Code (HGB) concerning the accounting of large corporations and the German Stock Corporation Act (AktG). The company is listed with the District Court of Munich under Commercial registry number HRB 224638. The consolidated IFRS financial statements of Nemetschek SE (greatest and smallest consolidation scope) is available at Nemetschek SE in Munich.

Principles

The accounting principles of the annual financial statements as of December 31, 2023 are based on the provisions of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG). The accounting and valuation are carried out as of the balance sheet date.

Intangible assets are capitalized at cost or measured using the lower fair value as of the balance sheet date. They are amortized using the straight-line method over a period of 2 to 5 years.

Prepayments made on intangible assets are measured at acquisition cost.

Fixed assets are measured at cost, accounting for scheduled amortization, or at the lower fair value as of the balance sheet date. They are amortized as follows using the straight-line method over their normal useful lives: office equipment 3 to 10 years, leasehold improvements 5 to 10 years.

Additions to movable fixed assets are amortized using the straight-line method (pro rata temporis). Movable assets belonging to fixed assets with cost values not exceeding EUR 800.00 are amortized in full the year they are acquired.

In the case of **investments in affiliated companies**, **investments** and **other financial assets**, the share rights are generally accounted using acquisition costs and loans are generally accounted using the nominal value or the lower fair value as of the balance sheet date. Amortization is carried out only in the case of expected ongoing impairment.

Noncurrent loans to affiliated companies with an original term of more than one year are disclosed under loans due from affiliated companies.

Receivables and other assets are accounted at nominal value. Recognizable risks are taken into account by means of bad debt allowances. Interest-free receivables or other assets are recorded at present value.

Cash and cash equivalents are recognized using nominal values.

Prepaid expenses are expenses disclosed before the balance sheet date to the extent that they represent expenditure for a specific period after this date.

Subscribed capital is recognized at nominal value.

In the case of **provisions**, all recognizable risks and uncertain liabilities are taken into account. The provisions are recognized at the amount which is deemed necessary according to reasonable business judgement.

Liabilities are recognized with the settlement amounts.

Deferred revenue is income received before the balance sheet date that relates to a certain period after that date.

Deferred taxes are recognized for temporary differences in the consolidated entity between the accounting values of assets, liabilities and expenses and their tax-relevant values to the extent that they decrease in subsequent financial years. Existing tax losses carried forward are recognized if loss offsetting is anticipated within the next five years. There is no offsetting of deferred tax assets and deferred tax liabilities. For the recognition and valuation of deferred taxes, differences arising from the application of the German Minimum Tax Act (Mindeststeuergesetz) were not considered.

The nature-of-expense method is applied in the **statement of comprehensive income.**

Revenues are disclosed for umbrella brand licences as well as apportionments to subsidiaries for services rendered. The umbrella brand licences constitute a service contract for the use of the umbrella brand “A NEMETSCHEK COMPANY”.

Currency translation

To the extent that the annual financial statements contain assets and liabilities in foreign currency, translation into euros is on the basis of the exchange rate at the time of the transaction. As of the balance sheet date, the assets and liabilities in foreign currency are measured using the mean exchange rate. Unrealized gains arising from foreign currency valuation are only recognized provided that they involve assets or liabilities with a remaining term of less than one year. The “of these” notes disclosed in the statement of comprehensive income regarding currency translation contain realized as well as unrealized foreign exchange rate differences. Pursuant to § 277 (5) Sentence 2 HGB, income/expenses from currency translation are to be respectively reported separately under the items “Other operating income” or “Other operating expenses”.

Income from marketable securities and loans

Pursuant to § 275 (2) No. 10 HGB, income from marketable securities and loans are to be disclosed separately as separate items.

Amortization arising from financial assets

Amortization on financial assets is on the basis of expected ongoing impairment (moderate lower of cost or market principle). Appreciation occurs inasmuch as, at least in part, the reasons for amortization no longer apply. Instances of appreciation occur up to the amount of the amortized costs.

Notes to the statement of financial position

Fixed assets

The development of fixed assets is represented in a statement of changes in noncurrrent assets, which also shows the amortization of the financial year, on the last page of these notes.

Investments held by Nemetschek SE

Nemetschek SE has a minimum direct or indirect interest of 20% in the following companies. The information on the companies corresponds to local IFRS financial statements at the time the annual financial statements of Nemetschek SE were prepared, shown in EUR k.

AFFILIATED ENTITIES

Name, registered office of the entity	Shareholding in %	Equity Dec. 31, 2023	Net Income 2023
Design segment			
Allplan Česko s.r.o., Prague, Czech Republic	100.00	800	103
Allplan Deutschland GmbH, Munich, Germany (1), (2)	100.00	4,392	20,016
Allplan France S.A.R.L., Puteaux, France	100.00	2,198	1,168
Allplan GmbH, Munich, Germany (1), (2)	100.00	39,759	27,168
Allplan Italia S.r.l., Trient, Italy	100.00	1,307	235
Allplan Österreich GmbH, Puch bei Hallein, Austria	100.00	1,973	985
Allplan Schweiz AG, Wallisellen, Switzerland	93.33	1,561	1,059
Allplan Software Engineering GmbH, Puch bei Hallein, Austria	100.00	2,766	895
Allplan Software Singapore Pte. Ltd., Singapore	100.00	–340	188
Allplan Slovensko s.r.o., Bratislava, Slovakia	100.00	1,733	477
Allplan Systems España S.A., Madrid, Spain	100.00	–662	–6
Allplan UK Ltd., Salford, Great Britain	100.00	–333	27
DC-Software Doster & Christmann GmbH, Munich, Germany	100.00	1,293	734
Design Data Corporation, Lincoln, Nebraska, United States	100.00	3,876	1,443
FRILO Software GmbH, Stuttgart, Germany (1), (2), (3)	100.00	57	649

AFFILIATED ENTITIES

Name, registered office of the entity	**Sharehold-ing in %**	Equity Dec. 31, 2023	Net Income 2023
Graphisoft Asia Ltd., Hong Kong, China	100.00	2,087	353
Graphisoft Brasil Serviços de Tecnologia da Informação Ltda, São Paulo, Brazil	100.00	–1,832	–35
Graphisoft Building Systems GmbH, Ascheberg, Germany (1)	100.00	13,845	1,608
Graphisoft Deutschland GmbH, Munich, Germany (1)	100.00	7,715	60
Graphisoft France SAS, Paris, France (4)	100.00	3,007	2,505
Graphisoft Italia S.R.L., Spinea, Italy	100.00	1,335	426
Graphisoft Japan Co., Tokyo, Japan	100.00	2,195	374
Graphisoft México S.A. de C.V., Mexico D.F., Mexico	100.00	171	–113
Graphisoft North America, Inc., Waltham, Massachusetts, United States	100.00	–850	484
Graphisoft Scandinavia AS, Klepp Stasjon, Norway	100.00	10,064	2,174
Graphisoft SE, Budapest, Hungary	100.00	90,856	35,638
Graphisoft Switzerland SA, Estavayer-le-lac, Switzerland (4)	100.00	1,179	734
Graphisoft UK Ltd., Uxbridge, Great Britain	100.00	2,123	416
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	13,937	1,169
RISA Tech, Inc., Foothill Ranch, California, United States	100.00	18,101	4,007
Scia CZ s.r.o., Prague, Czech Republic	100.00	947	312
Scia France S.A.R.L., Lille, France	100.00	235	94
Scia Group International nv, Hasselt, Belgium	100.00	1,967	–7
Scia Nederland B.V., Utrecht, Netherlands	100.00	1,172	121
Scia nv, Hasselt, Belgium	100.00	3,487	615
Scia SK s.r.o., Zilina, Slovakia	100.00	36	37
Solibri DACH GmbH, Hamburg, Germany (1)	100.00	349	127
Solibri LLC, Scottsdale, Arizona, United States	100.00	–416	–123
Solibri Oy, Helsinki, Finland	100.00	851	635
Solibri UK Ltd., Leeds, Great Britain	100.00	–1,105	–194
Solibri Benelux B.V., Hoofddorp, Netherlands	100.00	103	99
Vectorworks Canada, Inc., Vancouver, British-Columbia, Canada	100.00	320	–160
Vectorworks UK, Ltd., Newbury, Great Britain	100.00	4,073	226
Vectorworks, Inc., Columbia, Maryland, United States	100.00	43,308	23,611
Vectorworks Australia Pty Ltd., Rosebery, New South Wales, Australia	100.00	805	141
Build segment			
123erfasst.de GmbH, Lohne, Germany	100.00	8,039	2,209
Bluebeam AB, Kista, Sweden	100.00	3,018	–16
Bluebeam GmbH, Munich, Germany (1)	100.00	–2,154	471
Bluebeam, Inc., Pasadena, California, United States (3)	100.00	96,975	68,816
Bluebeam Limited UK, Ltd., London, Great Britain	100.00	12,146	2,940
Bluebeam Australia PTY, Ltd., Sydney, Australia	100.00	13,550	4,785
NEVARIS Bausoftware GmbH, Bremen, Germany (1), (2)	100.00	17,590	–2,180
NEVARIS Bausoftware GmbH, Elixhausen, Austria	100.00	6,540	1,766
Manage segment			
Crem Solutions GmbH & Co. KG, Ratingen, Germany (1)	100.00	13,289	3,198
Crem Solutions Verwaltungs GmbH, Munich, Germany	100.00	80	1
Dexma Sensors S.L., Barcelona, Spain	100.00	725	235
dRofus AB, Stockholm, Sweden	100.00	189	–3
dRofus AS, Oslo, Norway	100.00	2,184	506
dRofus Inc., Lincoln, Nebraska, United States	100.00	353	–14

Continuation:

AFFILIATED ENTITIES

Name, registered office of the entity	Sharehold-ing in %	Equity Dec. 31, 2023	Net Income 2023
dRofus Pty Ltd, North Sydney, Australia	100.00	182	–143
FASEAS NV, Antwerp, Belgium	100.00	–9,040	–4,134
MCS Americas Single Member LLC, New York City, New York, United States	100.00	–4,055	–238
MCS NV, Antwerp, Belgium	100.00	–3,652	–3,126
myMCS AB, Knivsta, Sweden	100.00	369	126
Nemetschek India Private Limited, Hyderabad, India	100.00	2,525	400
Spacewell International NV, Antwerp, Belgium	100.00	116,571	226
Spacewell Netherlands Holding B.V., Arnhem, Netherlands	100.00	–13,429	162
Spacewell Netherlands B.V., Arnhem, Netherlands	100.00	12,353	1,648
Media segment			
Maxon Computer Canada, Inc., Montreal, Québec, Canada	83.55	795	–51
Maxon Computer GmbH, Bad Homburg v.d.H., Germany	83.55	145,192	21,110
Maxon Computer, Inc., Thousand Oaks, California, United States	83.55	4,591	15,411
Maxon Computer Ltd., Cranfield, Bedfordshire, Great Britain	83.55	2,367	984
Maxon Computer Japan KK, Tokyo, Japan	83.55	747	–360
Other			
Nemetschek, Inc., Foothill Ranch, California, United States	100.00	28,341	8,153
Tech-Unternehmen 1 Holding LLC, United States (5)	100.00	9,050	–5
Tech-Unternehmen 2 Holding GmbH & Co. KG, Germany (6)	100.00	16,238	–2,489

(1) In the fiscal year 2023, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:
- Option not to prepare notes to the financial statements;
- Option not to prepare a management report (Graphisoft Building Systems GmbH, Allplan GmbH, Allplan Deutschland GmbH, Graphisoft Deutschland GmbH, NEVARIS Bausoftware GmbH und Crem Solutions GmbH & Co. KG);
- Option not to publish the annual financial statements;
- Option not to audit the annual financial statements (Graphisoft Building Systems GmbH, Allplan GmbH, Allplan Deutschland GmbH, Graphisoft Deutschland GmbH, NEVARIS Bausoftware GmbH und Crem Solutions GmbH & Co. KG).

(2) The net income for the year recorded by Allplan GmbH, Frilo Software GmbH and, Nevaris Bausoftware GmbH is shown prior to the profit and loss transfer agreement with Nemetschek SE in each case. The net income for the year recorded by Allplan Deutschland GmbH is shown prior to the profit and loss transfer agreement with Allplan GmbH.

(3) In the fiscal year 2023 the following mergers have been made:
- SCIA DACH GmbH was merged with FRILO Software GmbH;
- Bluebeam Holding, Inc. was merged with Bluebeam, Inc.

(4) In the fiscal year 2023 the following company name changes have been made:
- Abvent SA, France was renamed into Graphisoft France SAS;
- Abvent SA, Switzerland was renamed into Graphisoft Switzerland SA.

(5) Annual finanial closings will be prepared according to local GAAP (US GAAP). Equity and annual results are reported as of September 30, 2023. Providing the real name is contractually prohibited.

(6) Annual finanial closings will be prepared according to local GAAP (HGB). Equity and annual results are reported as of November 30, 2023. Providing the real name is contractually prohibited.

Loans due from affiliated companies

In the 2023 financial year, loans in the amount of EUR 34,250k were placed in Spacewell International NV as an increase in capital. A disclosure is made accordingly in the statement of fixed assets.

Brand	Issue year	Amount in Thousands of €	Balance as of Dec. 31, 2022 in Thousands of €	Capital increase in 2023 in Thousands of €	**Balance as of Dec. 31, 2023 in Thousands of €**	Due date
Spacewell International NV	2019	18,250	18,250	–18,250	0	
Spacewell International NV	2020	20,000	16,000	–16,000	0	
Solibri oy	2023	1,800	0		1,800	4/15/2025
		40,050	**34,250**	**–34,250**	**1,800**	

Investments

As of the balance sheet date, Nemetschek SE has the following minority holdings.

INVESTMENTS

Name, registered office of the entity	Thousands of €	Shareholding in %	Equity Dec. 31, 2023	Annual result 2023
Nemetschek OOD, Bulgaria		20.00%	9,883	2,414
Sablono GmbH, Berlin		22.14%	1,048	–1,216
Imerso AS, Norway		16.82%	2,328	–809

Accounts receivable and other assets

Included in other assets, in the amount of EUR 14,980k (previous year: EUR 7,287k), are mainly payments for corporate income tax refunds and trade tax refunds for the financial years 2020 to 2023 with a remaining term of less than one year in the amount of EUR 14,516k (previous year: EUR 7,066k), payments in the amount of EUR 315k (previous year: EUR 137k) and a receivable pursuant to § 6 of the German Research Allowance Act (Forschungszulagengesetz – FZulG) concerning planned research and development (planned R&D) in the amount of EUR 121k (previous year: EUR 62k). As in the previous year, accounts receivable and other assets have a remaining term of no more than one year.

Accounts due from affiliated companies

Accounts due from affiliated companies mainly constitute a claim in respect of a short-term loan in the amount of EUR 105,783k/USD 116,890k (previous year: EUR 109,591k/USD 116,890k), receivables from profit and loss transfer agreements in the amount of EUR 27,703k (previous year: EUR 32,379k) and receivables from cash pooling in the amount of EUR 26,814k (previous year: EUR 37,693k). Accounts due from affiliated companies are due within one year.

Prepaid expenses

The prepaid expenses result mainly from the consolidation of purchasing within the Nemetschek Group. Accordingly, offsetting items are recorded in the area of deferred expenses to be passed on to the subsidiaries.

Deferred tax assets

Deferred tax assets exist as a result of the different measurement of financial assets, provisions and receivables and payables vis-à-vis affiliated companies in the commercial balance sheet and the tax balance sheet as of December 31, 2023 in the amount of EUR 1,553k (previous year: EUR 1,114k). The tax rate used as a basis is 32.20% (previous year: 32.23%).

Subscribed capital

The share capital of Nemetschek SE amounts to EUR 115,500k (previous year: EUR 115,500k). It is divided into 115,500,000 no-par value bearer shares.

Each share is attributed with EUR 1.00 of share capital.

The capital is fully paid up.

Capital reserve

The capital reserve remains unchanged vis-à-vis the previous year and amounts to EUR 20,530k. The revenue reserves affect other revenue reserves as per § 266 (3A III) No. 4 HGB.

Retained earnings

Within the scope of share-based payments, the company recorded a buyback obligation for own shares in the amount of EUR 5,208k (see "Share-based payment").

Unappropriated profit

The balance sheet profit developed as follows:

in €	
As of December 31, 2022	297,400,872.05
- Dividend	51,975,000.00
+ Net income 2023	123,533,034.29
As of December 31, 2023	**368,958,906.34**

The deferred tax assets exceed deferred tax liabilities by EUR 1,420k. Profits can only be paid out if readily available reserves remaining after the payout, plus profits carried forward and minus losses carried forward, correspond at least to the total amounts paid out.

Proposal on the appropriation of profits

The executive board proposes to the supervisory board that a dividend in the amount of EUR 55,440,000.00 be paid out for the 2023 financial year. This corresponds to EUR 0.48 per share; the remaining amount will be carried to a new account.

Provisions

The tax provisions contain provisions for previous years in the amount of EUR 117k (previous year: EUR 59k). The audit for the years 2016 to 2019 began at the end of the year 2021. To date, this has not resulted in any final findings. Insights arising from the audit led to an increase in provisions by EUR 58k. As a result of controlled foreign corporation rules, a provision in the amount of EUR 2,300k was made for the first time, of which EUR 706k relates to other periods.

Other provisions include the following amounts:

Thousands of €	**As of Jan. 1, 2023**	Utilization	Resolution	Supply	**As of Dec. 31, 2023**
Outstanding invoices	2,335	1,782	327	3,059	3,285
Commission/bonuses for employees	6,958	5,119	1,839	8,398	8,398
Year end audit	418	262	24	418	550
Other	139	122	0	181	198
Total	**9,850**	**7,285**	**2,190**	**12,056**	**12,431**

Liabilities

The liabilities, classified by due date, comprise the following:

Thousands of €	Total	Less than 1 year	1 to 5 years
Liabilities to banks	**6,600**	**6,600**	**0**
Dec. 31, 2022	71,300	64,700	6,600
Trade accounts payable	**2,086**	**2,086**	**0**
Dec. 31, 2022	1,855	1,855	0
Accounts payable to affiliated companies	**225,745**	**225,745**	**0**
Dec. 31, 2022	220,850	220,850	0
Accounts payable to associated companies	**103**	**103**	**0**
Dec. 31, 2022	0	0	0
Tax liabilities	**2,064**	**2,064**	**0**
Dec. 31, 2022	1,100	1,100	0
Other liabilities	**135**	**135**	**0**
Dec. 31, 2022	146	146	0
Dec. 31, 2023	**236,733**	**236,733**	**0**
Dec. 31, 2022	295,251	288,651	6,600

Disclosed liabilities to banks are the result of loans for acquisitions and drawing on lines of credit. Interest amounts to 0.49%. The financial key figures “Debt covenants” to be met, which were agreed upon with the lenders, were met as of December 31, 2023. Liabilities vis-à-vis affiliated companies mainly consist of loan liabilities and liabilities arising from cash pooling in the amount of EUR 111,754k (previous year: EUR 91,329k). Liabilities arising from loans vis-à-vis other affiliated companies in the amount of EUR 109,268k (previous year: EUR 127,275k) are predominantly due in USD (EUR 106,968k, USD 118,200k (previous year: EUR 94,236k, USD 107,700k). In contrast to this, there are claims arising from loans, which are likewise due in USD (EUR 105,783k, USD 116,890k). The term of all affected contracts is less than one year. There are no liabilities with a remaining term of more than five years.

Liabilities which are due within one year exceed cash and cash equivalents, short-term receivables and other assets by EUR 61.9 million. Payables contained in the liabilities amounting to EUR 236.7 million (previous year: EUR 295.3 million) are mainly as a result of payables vis-à-vis affiliated companies (EUR 225.7 million, previous year: EUR 220.9 million). Nemetschek SE is able to exercise control of these companies in order to extend the payables beyond the currently applicable due date. Moreover, Nemetschek SE is able to request dividends from the affiliated companies in order to further increase short-term liquidity. In addition, Nemetschek SE has approved lines of credit which are unused in the amount of EUR 357.0 million. Consequently, Nemetschek SE is able to more than compensate for the shortfall described above by means of internal as well as external financing measures.

Deferred expenses

The deferred expenses arise from the passing on of costs as a result of the consolidation of purchasing within the Nemetschek Group. Accordingly, offsetting items are recorded in the area of prepaid expenses for the incoming invoices.

Deferred tax liabilities

In the 2023 financial year, deferred tax liabilities in the amount of EUR 133k (previous year: EUR 126k) were disclosed, which are mainly attributable to differences in the measurement of financial assets. The measurement was made using a tax rate of 32.20%.

Summary of deferred taxes

DEFERRED TAXES

Thousands of €	As of Jan. 1, 2023	Change	As off Dec. 31, 2023
Deferred tax assets	1,114	439	1,553
Deferred tax liability	126	7	133

Minimum Tax Act

As a result of the application of the German Minimum Tax Act (Mindeststeuergesetz) and minimum tax acts from other countries, Nemetschek SE anticipates no impact on the actual tax expenses or tax revenue.

Notes to the statement of comprehensive income

Revenues in the amount of EUR 9,493k (previous year: EUR 8,735k) mainly comprise umbrella brand licence remuneration with affiliated companies, EUR 9,227k (previous year: EUR 8,426k). Of these, EUR 2,943k (previous year: EUR 2,814k) were generated with affiliated domestic companies.

In the 2023 financial year, other operating income amounts to EUR 15,498k (previous year: EUR 13.205k). This also includes income from unrealized foreign currency gains in the amount of EUR 3,682k (previous year: EUR 6,291k) and income from charging out to affiliated companies in the amount of EUR 9,158k (previous year: EUR 5,208k) as well as income from divesting provisions unrelated to the accounting period in the amount of EUR 2,190k (previous year: EUR 939k).

Personnel expenses decreased from EUR 14,068k in the previous year to EUR 12,510k. In the reporting year, running personnel expenses rose as a result of the increase in the number of staff. Terminations of employment contracts for members of the executive board had the opposite effect.

The rise in other operating expenses is, among other things, as a result of IT software costs of EUR 6,208k (previous year: EUR 4,105k), consulting costs of EUR 5,835k (previous year: EUR 2,869k), marketing costs of EUR 2,803k (previous year: EUR 1,212k) and travel costs of EUR 540k (previous year: EUR 469k). The cause is essentially an increase in costs as a result of consolidating purchasing within the Nemetschek Group. There are correspondingly offsetting items for individual costs in other operating income as a result of amounts charged out to affiliated companies. Expenses arising from unrealized currency losses in the amount of EUR 3,995k (previous year: EUR 6,176k) are included.

Other disclosures

Contingents

thousands of €	Dec. 31, 2023	Dec. 31, 2022
Bank guarantees	188	188

Contingent liabilities mainly affect guarantees for leases. At present, there is no indication of any utilization.

In the 2023 financial year, Nemetschek SE submitted letters of moral intent valid until the next balance sheet date (December 31, 2024). Thus it is possible to apply the easements of § 264 (3) HGB for these companies. The obligation of Nemetschek SE to assume liabilities respectively covers all liabilities relevant for the financial statements existing as of the balance sheet date (December 31, 2023) as well as all obligations arising from pending transactions not accounted for on the balance sheet date. Utilization is unlikely at present due to the positive earnings of the companies.

Letters of moral intent were submitted for the following companies:

- Graphisoft Deutschland GmbH, Munich
- Bluebeam GmbH, Munich
- GRAPHISOFT Building Systems GmbH, Ascheberg.

Other financial obligations

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	4,441	634	2,538	1,269
Leases	90	55	35	0
Total financial commitments as of December 31, 2023	**4,531**	**689**	**2,573**	**1,269**
Rental agreements	5,216	652	2,608	1,956
Leases	137	76	61	0
Total financial commitments as of December 31, 2022	**5,353**	**728**	**2,669**	**1,956**

Profit and loss transfer agreements and domination agreements exist between Nemetschek SE and the following companies:

- Frilo Software GmbH, Stuttgart
- Allplan GmbH, Munich
- NEVARIS Bausoftware GmbH, Bremen

A profit and loss transfer agreement and a domination agreement also exist between Allplan GmbH, Munich, and its subsidiary Allplan Deutschland GmbH, Munich.

Off-balance-sheet business

In the year 2023, Nemetschek SE extended existing bilateral lines of credit and increased these in total to EUR 357,000k (previous year: EUR 284,500k). These lines of credit were granted with a term of up to one year.

Personnel

Nemetschek SE employed a staff of 66 on average for the year (previous year: 62). Of these, 6 serve as executives (previous year: 6), 48 as employees (previous year: 41) and 12 as part-time staff (previous year: 15).

Information on the German “Corporate Governance Code”

The Declaration of Conformity was submitted on March 6, 2024. The relevant current version is available to the shareholders on the website of Nemetschek SE (www.nemetschek.com).

Long Term Incentive Plan

Executive Board members of Nemetschek SE participate in Long Term Incentive Plans ("LTIP"). The LTIP depends primarily on the achievement of defined corporate targets for the development of the adjusted EBITDA, EBITA or EBT. The performance and vesting period is three years. As the Supervisory Board may decide at its reasonable discretion to transfer Nemetschek shares instead of cash for the LTIPs starting 2022, they are accounted as equity-settled share-based payments.

The LTIP consists of two LTIP pools: one fixed and one dynamic. The scope of the fixed and dynamic pools is first calculated based on the relevant financial criterion. To do this, the actual figure for the reference year (last year before the start of the LTIP period) is deducted from the actual figure for the last year of the LTIP period. The difference is multiplied by the relevant pool percentage defined by the Supervisory Board at the start of the LTIP period. The fixed pool share for each member of the Executive Board is defined by the Supervisory Board at the start of the LTIP period. For Executive Board members with responsibility for (operating) divisions, the dynamic pool share is distributed based on their division's share of the total revenues in the last year of the LTIP period. For other Executive Board members, the dynamic share depends on the EPS (earnings per share) development or the Group revenue development. Payment is limited to EUR 2,000k, gross, for regular members, and EUR 3,000k, gross, for the Executive Board Chairperson. The fair value at grant was EUR 1,786k (previous year: EUR 2,478k).

In the 2023 financial year, in total, expenses in the amount of EUR 1,264k (previous year: EUR 519k) were recognized. The amount of EUR 519k recognized in the previous year was released during the financial year because two members of the executive board left the company; this amount was included in other operating income. It was agreed that LTIP ceases to be valid without offset.

An executive receives an LTIP which is entirely cash-settled. In the 2023 financial year, a provision of EUR 424k was made.

Stock Appreciation Rights

Executive Board members of Nemetschek SE and key employees of Nemetschek Group may participate in a share-based payment in the form of Stock Appreciation Rights ("SAR"). SARs are intended to allow to share the company's future success on a medium- and long-term basis. The SARs are virtual subscription rights that can be granted as "Performance SARs" or as "New Hire SARs". The proceeds are determined by multiplying the exercised number of SARs by the difference between an issue price (the "issue price") and the average (arithmetic mean) of the closing prices of the Nemetschek share in Xetra trading on the Frankfurt Stock Exchange on the last 10 trading days before the day when the exercise notification is received. The payment amount per exercised SAR is limited to 100% of the issue price per SAR, i.e. the increase in value per SAR to be paid out corresponds at the most to the defined issue price per SAR. The issue price for the Performance SARs corresponds to the average (arithmetic mean) of the closing prices of the Nemetschek share in Xetra trading on the Frankfurt Stock Exchange on the last 10 trading days before the day of the Supervisory Board's resolution on the grant of Performance SARs. For the New Hire SARs, the issue price corresponds to the average (arithmetic mean) of the closing prices of the Nemetschek shares on the last 200 trading days before the day of the Supervisory Board's resolution on the grant of New Hire SARs. The granted SARs can be exercised as follows: 25% of the granted SARs can be exercised one year after the grant date, another 25% two years after the grant date, another 25% three years after the grant date and the remaining 25% four years after the grant date (together the "vesting period", and each the "vesting date"). All SARs must be exercised before five years have passed since the respective allocation date, otherwise they expire without compensation (the "exercise period"). On March 24, 2023, 220,000 Performance SARs and 40,000 New Hire SARs were granted to Executive Board members of Nemetschek SE (previous year: 200,000 Performance SARs and 200,000 New Hire SARs). In addition, 50,000 Performance SARs were granted to another key employee of Nemetschek Group. The Supervisory Board may decide, at its reasonable discretion, to transfer Nemetschek shares instead of cash. Expenses for equity-settled share-based payments are measured at fair value at the grant date using a Monte-Carlo-Simulation. The fair value at grant is EUR 3,277k (previous year: EUR 898k) for the Performance SARs and EUR 406k (previous year: EUR 636k) for the New Hire SARs. Because one member of the executive board left the company, 80,000 performance SARs were released.

The company recognized an obligation to buy back own shares in the amount of EUR 5,208k (see "Retained earnings").

Executive board

In the 2023 financial year, members of the executive board received a total remuneration of EUR 11,899k (previous year: EUR 10,943k). Of this, EUR 5,354k (previous year: EUR 6,930k) are attributable to benefits due in the short term, EUR 6,454k (previous year: EUR 4,013k) to benefits due in the long term and EUR 886k (previous year: EUR 1,715k) to benefits after termination of the employment relationship.

Members of the executive board of Nemetschek SE participate in a share-based remuneration plan in the form of stock appreciation rights.

As a consequence of mutually agreed upon termination of employment relationships involving members of the executive board, expenses for severance payments in the amount of EUR 886k (previous year: EUR 1,715k) were recognized.

Supervisory board

A fixed remuneration was paid to the members of the supervisory board of Nemetschek SE as of May 12 for the 2022 financial year. Since May 12, 2022, this has been supplemented by a performance-related remuneration. As the total amount, EUR 1,104k (previous year: EUR 1,077k) in total was paid in remuneration. Supervisory board remuneration is disclosed in detail in the Nemetschek SE remuneration report.

Auditors' remuneration

AUDITORS' FEES

Thousands of €	2023	2022
Financial statements audit services	753	626
Other confirmation services	22	61
Other audit services	0	67
Total	**775**	**754**

The other assurance services include costs for the assurance of the non-financial declaration (in the previous year additional costs for assurance of the financial key figures "Debt covenants" to be met, which were agreed upon with the lenders). The other services in the previous year are in connection with auditing the implementation of the treasury management system.

Treasury shares

The annual general meeting on May 28, 2019 authorized the company to purchase up to 11,550,000 treasury shares by May 28, 2024, either once or several times. The executive board was empowered to use the treasury shares purchased for any legally permitted purpose. There were no changes or acquisitions in this regard in the year 2023.

Authorized capital

On May 12, 2021, the annual general meeting authorized the executive board to increase share capital, with the consent of the supervisory board, up to May 11, 2026 in return for cash contributions and/or contributions in kind once or repeatedly up to a total of 11,550,000, whereby it is possible to exclude the shareholders' right of subscription (Authorized Capital 2021/1). This has not been exercised to date.

Contingent capital

The annual general meeting on May 12, 2021 contingently increased the share capital of the company by up to EUR 11,550k by means of issuing up to 11,550,000 new, no-par value bearer shares (Contingent Capital 2021).

Supplementary report

There are no matters subject to mandatory reporting.

Disclosure requirements under § 33 (1) of the German Securities Trading Act (WPHG)

The direct and indirect voting rights of the following persons/institutions in Nemetschek SE as of December 31, 2023, are as follows:

» N-Integral GmbH, Grünwald, Germany: 45.65 %
previous year: 45.65%)
Nemetschek Stiftung, Grünwald, Germany: 45.65%
(previous year: 45.65%)
Dr. Ralf Nemetschek, Munich, Germany: 45.65%
(previous year: 45.65 %)

» Allianz Global Investors GmbH, Frankfurt, Germany: 2,997% (previous year: 4.99 %)

» BlackRock, Inc., Wilmington, United States of America: 3.26% (previous year: 3.26 %)

The disclosures are based on the information reported to Nemetschek SE under §§ 33 ff. WpHG. The actual number of shareholder voting rights can deviate from the number disclosed due to interim, non-reportable or unreported trading.

Voting right declaration of Nemetschek SE:

VOTING RIGHT DECLARATION

Shareholder	Stock declaration as at	Missed (-) or exceeded (+) thresholds	New voting right share	Number of voting rights	Of which held as treasury shares	Of which to be assigned
		in %	in %		in %	in %
Dr. Ralf Nemetschek, Germany	6/28/2022	30, 25, 20, 15, 10, 5, 3 (+)	45.65	52,727,634	2.72	42,93*
BlackRock, Inc., United States of America	5/2/2022	3 (+)	3.26	3,766,019	3.26	0.00

* The voting rights of Dr. Ralf Nemetschek are attributed via the Nemetschek-Stiftung and N-Integral GmbH.

Supervisory Board

Kurt Dobitsch, Businessman
Chairman
Year of birth 1954, Nationality: Austrian
First appointed 1998, Term expires 2027

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany, Chairman
- Bechtle AG (publicly listed), Gaildorf, Germany
- Singhammer IT Consulting AG (not listed), Munich, Germany
- 1 & 1 AG (publicly listed), Maintal, Germany, Chairman
  Mandates affiliated to the Group:
  - 1 & 1 Mail & Media Applications SE, Montabaur, Germany, Chairman
  - IONOS Holding SE (publicly listed), Montabaur, Germany

Dr. Gernot Strube, Businessman
Deputy Chairman
Year of birth 1965, Nationality: German
First appointed 2022, Term expires 2027

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany

Iris M. Helke, Auditor in own practice
Year of birth 1970, Nationality: German
First appointed as of July 1, 2023

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany, Chairperson of the Audit Committee

Bill Krouch, Consultant
Year of birth 1959, Nationality: US American
First appointed 2018, Term expires 2027

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany
- INVESTCORP (not listed), New York, USA

Christine Schöneweis, Senior Vice President and COO
Intelligent Enterprise Solutions, SAP SE
Year of birth 1976, Nationality: German
First appointed 2022, Term expires 2027

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany
- 1 & 1 AG (publicly listed), Maintal, Germany (as of May 16, 2023)

Prof. Dr. Andreas Söffing, Tax Consultant and Partner
Flick, Gocke, Schaumburg
Year of birth 1962, Nationality: German
First appointed 2022, Term expires 2027

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany
- United Internet AG (publicly listed), Montabaur, Germany

Membership of comparable domestic and foreign supervisory bodies of commercial enterprises:
- Advisory board of Deutsche Oppenheim Family Office AG, Cologne, Germany, Deputy Chairman

Patricia Geibel-Conrad, Auditor/Tax Consultant
in own practice
Deputy Chairwoman (until June 30, 2023)
Year of birth 1962, Nationality: German
First appointed 2022

Member of the following Supervisory Boards:
- Nemetschek SE (publicly listed), Munich, Germany, Chairwoman of the Audit Committee (until June 30, 2023)
- DEUTZ AG (publicly listed), Cologne, Germany Chairwoman of the Audit Committee
- CEWE Stiftung & Co. KGaA (publicly listed), Oldenburg, Germany, Chairwoman of the Audit Committee

Prof. Georg Nemetschek, Businessman
Honorary Chairman of the Supervisory Board
Year of birth 1934, Nationality: German
First appointed 2001

Committees of the Supervisory Board
Audit Committee

Iris M. Helke, Chairwoman (as of July 28, 2023)
Kurt Dobitsch
Dr. Gernot Strube
Patricia Geibel-Conrad, Chairwoman (until June 30, 2023)

Executive Board

Yves Padrines
(Master of Business Administration, MBA)
Chief Executive Officer (as of March 1, 2022)
Born in 1976, Nationality: French

Member of Advisory Boards of affiliated companies:
- Maxon Computer GmbH, Germany

Louise Öfverström
(Master of Science in Business Administration)
Chief Financial Officer (as of January 1, 2023)
Born in 1975, Nationality: Swedish

Further group-internal mandate:
- Managing Director Nemetschek Austria Beteiligungen GmbH

Member of Supervisory Boards of affiliated companies:
- Bluebeam Holding, Inc., USA
- Bluebeam Inc., USA
- Nemetschek Inc., USA

Further external mandate:
- Rheinmetall AG, Germany

Viktor Várkonyi
(Master in Informatik, MBA)
Chief Division Officer, Planning & Design Division
(until June 30, 2023)
Born in 1967, Nationality: Hungarian

Member of Supervisory Boards of affiliated companies:
- Graphisoft SE, Hungary (until June 19, 2023)
- RISA Tech. Inc., USA (until June 30, 2023)
- SCIA Group International NV, Belgium (until June 30, 2023)
- SCIA NV, Belgium (until June 30, 2023)
- Solibri Oy, Finland (until June 21, 2023)
- Vectorworks, Inc., USA (until June 30, 2023)

Jon Elliott
(Master in Business Administration, MBA)
Chief Division Officer, Build & Construct Division
(until September 5, 2023)
Born in 1976, Nationality: US American

Further group-internal mandate (until September 5, 2023) :
- CEO Bluebeam Holding, Inc., USA
- CEO Bluebeam, Inc., USA
- Director Bluebeam Ltd., UK
- CEO Nemetschek Inc., USA

Member of Supervisory Boards of affiliated companies (until September 5, 2023):
- Nemetschek Inc., USA

Munich, March 15, 2024

Nemetschek SE

Yves Padrines   Louise Öfverström

Statement of fixed assets of Nemetschek SE

From December 31, 2022 to December 31, 2023

		Development of historic costs				
2023	in €	**As of Jan. 1, 2023**	Additions	Reclassification	Disposal	**As of Dec. 31, 2023**
I.	**Intangible assets**					
1.	Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	2,007,526.75	436,381.00	250,000.00	0.00	2,693,907.75
2.	Prepayments made on intangible assets	250,000.00	0.00	–250,000.00	0.00	0.00
		2,257,526.75	**436,381.00**	**0.00**	**0.00**	**2,693,907.75**
II.	**Property, plant and equipment**					
1.	Fixtures, fittings and equipment	2,059,630.90	90,138.02	0.00	0.00	2,149,768.92
		2,059,630.90	**90,138.02**	**0.00**	**0.00**	**2,149,768.92**
III.	**Financial assets**					
1.	Shares in affiliated companies	566,330,204.86	45,325,529.93	0.00	0.00	611,655,734.79
2.	Loans due from affiliated companies	34,250,000.00	1,800,000.00	0.00	34,250,000.00	1,800,000.00
3.	Investments	1,962,222.33	0.00	0.00	0.00	1,962,222.33
4.	Other financial assets	2,194,706.04	4,263,663.83	0.00	0.00	6,458,369.87
		604,737,133.23	**51,389,193.76**	**0.00**	**34,250,000.00**	**621,876,326.99**
Total fixed assets		**609,054,290.88**	**51,915,712.78**	**0.00**	**34,250,000.00**	**626,720,003.66**

Development of accumulated depreciation / amortization					Carrying amount	
As of Jan. 1, 2023	Additions	Attributions	Disposal	**As of Dec. 31, 2023**	**As of Dec. 31, 2023**	As of Dec. 31, 2022
1,941,902.69	104,641.51	0.00	0.00	2,046,544.20	647,363.55	65,624.06
0.00	0.00	0.00	0.00	0.00	0.00	250,000.00
1,941,902.69	**104,641.51**	**0.00**	**0.00**	**2,046,544.20**	**647,363.55**	**315,624.06**
1,806,550.45	109,976.03	0.00	0.00	1,916,526.48	233,242.44	253,080.45
1,806,550.45	**109,976.03**	**0.00**	**0.00**	**1,916,526.48**	**233,242.44**	**253,080.45**
34,787,240.00	0.00	0.00	0.00	34,787,240.00	576,868,494.79	531,542,964.86
0.00	0.00	0.00	0.00	0.00	1,800,000.00	34,250,000.00
0.00	0.00	0.00	0.00	0.00	1,962,222.33	1,962,222.33
0.00	0.00	0.00	0.00	0.00	6,458,369.87	2,194,706.04
34,787,240.00	**0.00**	**0.00**	**0.00**	**34,787,240.00**	**587,089,086.99**	**569,949,893.23**
38,535,693.14	**214,617.54**	**0.00**	**0.00**	**38,750,310.68**	**587,969,692.98**	**570,518,597.74**

Declaration of Confirmation of the members of the authorized body

"I hereby confirm that, to the best of my knowledge, in accordance with the applicable financial reporting framework, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company and the management report gives a true and fair view of business performance, including the results of operations and the situation of the company, and describes the main opportunities and risks and anticipated development of the company."

Munich, March 15, 2024

Yves Padrines

Louise Öfverström

Translation only – German text is authoritative

Independent Auditor's Report

To Nemetschek SE, München

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Nemetschek SE, München, which comprise the balance sheet as at 31 December 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Nemetschek SE, which is combined with the group management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

» the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles and

» the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other information" section.

Pursuant to § 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

I. Measurement of shares in affiliated companies

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

I. Measurement of shares in affiliated companies

1. In the annual financial statements of the Company shares in affiliated companies amounting to € 576.9 million (73.6 % of total assets) are reported under the "Financial assets" balance sheet item. Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and supplementary documentation no further write-downs were not required for the financial year. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of the valuation , among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate and rates of growth applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate as well as rates of growth applied, and assessed the calculation model.

   In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies.

3. The Company's disclosures relating to the financial investment are contained in sections "Accounting principles" and "Notes to the profit and loss account" of the notes to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in subsection "Englische Bezeichnung bitte noch einfügen" in section "Englische Bezeichnung bitte noch einfügen" of the management report
- the non-financial group statement to comply with §§ 315b to 315c HGB included in section "Englische Bezeichnung bitte noch einfügen" of the group management report
- the subsection "Englische Bezeichnung bitte noch einfügen" in section "Englische Bezeichnung bitte noch einfügen" of the management report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

» Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

» Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

» Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file XY_AG_JA+LB_ESEF-JJJJ-MM-TT.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 23 May 2023. We were engaged by the supervisory board on 29 November 2023. We have been the auditor of the Nemetschek SE, München, without interruption since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Katharina Deni.

Munich, March 15, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Katharina Deni	ppa. Vera Daners
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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Nemetschek Group (Investor Relations)

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NEMETSCHEK
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