

# Combined Management Report for the 2022 Financial Year

## About This Report

The management report of Nemetschek SE and the Group management report for the 2022 financial year have been consolidated. The corporate governance declaration in accordance with Section 161 of the German Stock Corporation Act (AktG) is published on the website [ir.nemetschek.com/en/corporate-governance](https://ir.nemetschek.com/en/corporate-governance). The corporate governance declaration can also be found in the chapter [«\*To our Shareholders\*»](#). The consolidated financial statements prepared by Nemetschek as of December 31, 2022 comply with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) as of December 31, 2022, as well as with the requirements of the German Commercial Code in conjunction with the German Accounting Standards.

## 1 Group Principles

### 1.1 Group Business Model

#### Organization

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 software solutions in the AEC/O industry (architecture, engineering, construction, and operation) as well as in the Media segment.

The strategic holding company, Nemetschek SE, is headquartered in Munich, Germany. The company's operating activities are clustered in four segments with a total of 13 brands in 2022 (previous year: 13 brands). The brands are represented by subsidiaries or groups of subsidiaries that operate independently in the market under an overarching group strategy. This group structure reflects the company's philosophy of central management at holding company level and a high degree of entrepreneurial freedom at subsidiary level. The subsidiaries operate as largely independently managed brands in their respective end markets. This enables the individual brands to focus on their respective customers' needs and thus increase the benefits and added value for the customers. Nemetschek SE takes on Group responsibility for the central Group-functions including Corporate Finance & Tax, Controlling, Investor Relations & Communication, Corporate Development & Operations, Mergers & Acquisitions, Start-up & Venture Investments, Human Resources, IT & Business Solutions, Corporate Audit and Corporate Legal & Compliance so as to enable the brands to focus fully on tapping new customer potential.

The corporate structure of the Nemetschek Group, with its portfolio of solutions ensuring a comprehensive end-to-end workflow across the entire construction lifecycle and encompassing solutions for the world of media, is reflected in the reporting structure

with its four segments: Design, Build, Manage and Media. An Executive Board member or Segment Manager is assigned to each segment. The close interlocking of the Group holding company and segments also ensures close coordination with the subsidiaries as well as a high degree of management efficiency. To leverage synergies within the Nemetschek Group, the Executive Board members support the coordination of strategic projects between the brands in the respective segment but also cross-segment cooperation between individual brands. As a result, the subsidiaries benefit from synergies at segment and Group level with regard to internationalization, the exchange of best practices, and sales and development activities.

The legal structure of the company is presented in the notes to the consolidated financial statements under item [«\*32 List of Companies in the Nemetschek Group\*»](#).

#### Business Activities

The Nemetschek Group offers digital solutions for all disciplines across the entire lifecycle of buildings and infrastructure projects, as well as for all phases in the creation of 2D and 3D digital content in the Media segment.

In the AEC/O segment, the aim of offering networked solutions is to further improve cooperation between the various professional groups in the construction industry and to make this cooperation more efficient. Our broad portfolio comprising graphical, analytical and commercial solutions therefore enables an end-to-end workflow in the lifecycle of construction and infrastructure projects.

The brands are the "experts" and "entrepreneurs" in their specific customer segment, and have a high level of expertise in their respective market segment. Customers include architectural and design offices of all sizes, structural planners, engineers of all disciplines, planning and service providers, construction companies and their suppliers, process controllers and general administrators, as well as property, building and facility managers.

Here, the Nemetschek Group's software solutions meet the requirements of the central working method within the planning, construction and administrative process for buildings known as Building Information Modeling (BIM). BIM, an integral part of the digitalization of the construction industry, is used to digitally record and connect all design, quality, timing and business requirements and data. This information is used to create a virtual, three-dimensional, semantic building model. Time and cost planning aspects are added as fourth and fifth dimensions starting in the simulation phase. BIM therefore helps to identify and correct planning errors as early as the digital planning phase and thus before construction actually begins. This ultimately enables more efficient and resource-conserving construction.

The Nemetschek Group has been following this integrated BIM approach for more than 30 years. Building Information Modeling enables efficient, sustainable and transparent collaboration, improving the workflow for all those involved throughout the entire planning and building process and subsequent use phase of a property or infrastructure project. Data generated via BIM throughout the entire construction process also form the basis for a digital twin – a digital image of a building that is created during the planning phase and continuously enriched with updated information throughout the entire building lifecycle, e.g. on the building construction, the building physics and energetic behavior and the building use. This allows forecasts to be made about changes to the building itself or its use. Ideally, the digital-physical connection is bidirectional. That means that the digital twin can cause changes in the physical object, and these changes are registered in the virtual copy. As a result, information and implications from each phase of a building's lifecycle – whether related to cost, durability, or user experience – can be applied to other phases. Ultimately, these insights can help architects, engineers and building managers design and operate efficient and sustainable buildings. This accumulation of data, also in conjunction with artificial intelligence (AI), is called Building Lifecycle Intelligence (BLI).

The Nemetschek Group also develops and promotes OPEN BIM solutions and workflows to enable seamless and open cooperation between the various disciplines in the construction industry – regardless of their choice of software. The OPEN BIM standard also makes it possible for the Nemetschek Group's software solutions to communicate seamlessly with competitors' software solutions via open standards for data and communication interfaces (e.g. IFC from buildingSMART). This allows the seamless transfer and documentation of all information, data, and digital models relevant to construction throughout the building's entire creation and operational cycle. Nemetschek is thus making a key contribution to further establishing this digital method of working as a standard in the AEC/O industry.

In view of sustainability, the Nemetschek Group's software solutions also contribute to more resource-efficient planning and construction and subsequently more efficient operation across the entire lifecycle of buildings and infrastructure projects. Detailed documentation also enables efficient operation across the entire lifecycle – for example, a structure can thus be efficiently rebuilt and renovated years after completion.

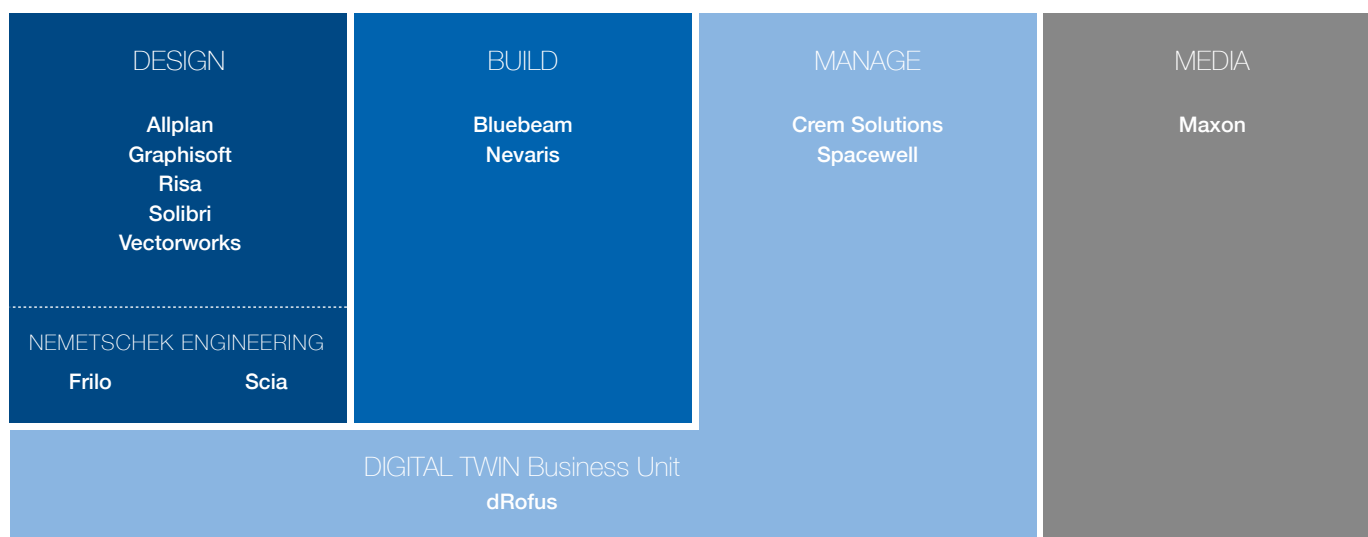
For creative and accurate planning and implementation along the building lifecycle, 3D visualizations are of great importance. Visual effects create a realistic presentation for the owner, property developer or building contractor. With the Nemetschek Group solutions, planners and architects can quickly, easily and precisely create 3D models from drawings and make more informed decisions based on the exact structural or dynamic visualizations. At the same time, the Nemetschek Group with its Media segment is also a provider in the field of 3D animation solutions. The Nemetschek Group thus supports artists in optimizing their crea-

tive workflows, e.g. through 3D modeling, simulation and animation, tools for editing, motion design, and film production as well as rendering solutions for high-end productions. Our professional solutions for producing 2D and 3D digital content are used to create and render visual effects in feature films, TV shows and commercials, as well as for applications in the gaming industry and for applications in the areas of medical illustration, architecture and industrial design. Since the end of 2021, the Nemetschek Group portfolio has also integrated the US-based company Pixologic, Inc. with its solution ZBrush, an Oscar-winning sculpting and painting software used by renowned film studios, game developers, designers, advertisers, and illustrators worldwide.

### Segments

The Nemetschek Group total of 13 brands are divided among the four segments of Design, Build, Manage and Media according to their respective focus on specific end markets and customer groups. In the 2022 financial year, there were changes in the segment structure aimed at further harmonizing the portfolio. For this purpose, the Frilo and Scia brands in the Design segment were merged into one competence center (Nemetschek Engineering). However, the product brands have been preserved as part of the new alliance. The aim of this alliance is to offer a comprehensive overall package of software solutions with static presentation and calculation options to further optimize interoperability and to serve customers from a single source. In addition, a new "Digital Twin" business unit was created to act as a horizontal binding element between the segments in the AEC/O industry. Our dRofus brand, which was still allocated to the Build segment in the year under review, is assigned to the Digital Twin business unit and consolidated in the Manage segment as of January 1, 2023. With its data management and BIM collaboration solutions for supporting workflows and providing building information throughout the entire building lifecycle, dRofus has the expertise to cover the complete AEC/O lifecycle and thus acts as a binding element linking the different segments.

The segments are responsible for implementing the Nemetschek Group's operating activities in accordance with the objectives and strategic framework specified by the Group holding company.



### Design Segment

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

Major customer groups include architects; designers; engineers from all disciplines, including structural engineers; specialist planners and landscape designers; as well as owners and general contractors. The solutions offered enable customers to carry out their tasks across all phases, from planning and design right up to factory and construction planning. In particular, the portfolio features OPEN BIM solutions for computer-aided design (CAD) and computer-aided engineering (CAE), which are used in 2D and 3D building design and imaging. These are complemented by BIM-based solutions for quality assurance and control and to avoid errors and conflicts during the planning and construction phase.

The integration of the SDS/2 brand into Allplan initiated in 2021 as part of the ongoing process of consolidation within the segments was successfully completed. The merger with SDS/2, a provider of software solutions for detailed steel construction planning, further strengthened Allplan's position as an expert in platform-based BIM solutions for building lifecycles. In addition, the merger of the Graphisoft and Data Design Systems brands, which was instigated in the previous year, was completed during the year of review as planned. Combining technology and expertise from Graphisoft – a global provider of BIM software solutions for architecture and Data Design System – the planning software specialist for technical building installations – has expanded the offerings and expertise of both companies worldwide for their customers. Since mid-2022, the Frilo and Scia brands have been joining forces in the competence center Nemetschek Engineering.

### Build Segment

In the Build segment, the Nemetschek Group offers integrated complete 5D BIM solutions from the bidding and award phase to invoicing, budgeting, scheduling and cost calculation. This also includes commercial ERP (Enterprise Resource Planning) solutions for construction-related accounting from the Nevaris brand as well as PDF-based and, in part, cloud-based workflow solutions for digital work processes, collaboration and documentation from the US-based subsidiary Bluebeam brand – which was once again the Nemetschek Group's strongest brand in terms of revenues in 2022.

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

### Manage Segment

The Manage segment rounds out the Nemetschek Group's range of solutions for all disciplines across the entire lifecycle of buildings and infrastructure projects. The Group's smallest business segment in terms of revenues bundles its competencies in the field of facility management and professional property management. Key customers include property managers, facility managers, globally active property companies, banks, and insurance companies.

The segment's two brands – Spacewell and Crem Solutions – offer software solutions across all commercial processes in property management as well as modular and integrated solutions for property, facility and workplace management (IWMS, integrated workplace management system). The portfolio also includes a smart building platform that uses intelligent sensors and big data analysis to help improve productivity and efficiency in the operation and management of buildings. These are complemented by artificial intelligence-based energy management solutions for optimizing the use of energy in buildings and reducing CO<sub>2</sub> emissions.

### Media Segment

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

Maxon is a provider of professional solutions across all phases of a creative project. Its product portfolio includes 3D modeling, painting, animation, sculpting and rendering solutions for the creative industry. All over the world, creative professionals from a wide range of fields use the solutions to create 3D motion graphics, architectural or product visualizations, graphics for computer games, medical illustrations, industrial design, visual effects, and much more.

Maxon's product portfolio helps artists and creative professionals optimize their workflows as part of content design. The Maxon ONE product suite, which unites all Maxon products, includes the Cinema 4D suite for 3D modeling, simulation and animation; the integrated Red Giant product range with tools for editing, motion design and film production; the sculpting and painting solution ZBrush; and the Redshift rendering solutions for high-end production. The Forger sculpting app for 3D modeling on mobile devices rounds off Maxon's comprehensive product range.

The key figures of the four segments are detailed under [<< 3.3 Results of Operations, Financial Position and Net Assets of the Nemetschek Group >>](#).

### Locations

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

#### NEMETSCHKEK LOCATIONS WORLDWIDE



## Growth Drivers, Market and Competition

### Growth Drivers

The macroeconomic impacts of the current global crises and geopolitical tensions are also affecting the global construction industry, which may slow down the industry's growth pace – at least in the short term. Nevertheless, the long-term structural growth drivers of the global construction industry are still ticking over, which means there is potential for a new, lasting phase of growth in the future. As in the previous year it remains to be stated: The growing world population, increasing urbanization and the associated rising demand for housing are key growth drivers of the industry. The construction industry already generates around 13% of global GDP. By 2030, the construction industry market is expected to grow by 42% to around EUR 13 trillion.

On top of that, there is the ongoing and increasingly dynamic transformation towards a more sustainable world, which requires extensive investment in infrastructure and the energy-efficient refurbishment of buildings, among other things. At present, 36% of annual global energy consumption is attributable to the construction and operation of buildings. In view of this, there is growing demand for efficiency, quality and sustainability in the construction industry.

Another key growth driver remains the digital transformation of the construction industry, which is far less advanced than just about all other key industries, such as the automotive industry. This means the construction industry has a significant need to catch up when it comes to the use of digital technologies. This represents great market potential for Nemetschek. IT expenditure in the construction industry is expected to increase by around 13% annually in the next few years. The impact of the global Covid-19 pandemic and the macroeconomic repercussions of Russia's war of aggression against Ukraine, as well as the sharp increase in remote working, supply chain disruptions, and significant increases in the price of energy and materials, have highlighted the need for and benefits of digital solutions and have accelerated digital transformation, including in the construction industry. Optimizing collaboration between everyone involved in a construction project through systematic digitalization will offer the industry great potential to increase efficiency moving forward by shortening construction times, improving quality and lowering costs.

The Nemetschek Group benefits from several, long-term, structural growth drivers in its three core segments of the AEC/O industry:

- » Digitalization in the construction industry is still at a low level compared with other industries. Two factors that are becoming increasingly important include catch-up effects and the increased investment in industry-specific software solutions that control processes more efficiently and therefore increase quality and reduce costs and time spent. The repercussions of the current crises have demonstrated that once again.

- » State regulations that require or make the use of BIM software mandatory for state-financed construction projects continue to pave the way for further growth of the Nemetschek Group worldwide. Alongside the USA, the UK and the Scandinavian countries are particular pioneers in Europe when it comes to the introduction of BIM regulations and the use of BIM-enabled software solutions.
- » The increasing use of software over the entire building lifecycle is required by the BIM regulations so that a model-based and continuous workflow may be achieved. The Nemetschek Group brings its solutions to all phases of the construction lifecycle and meets the requirements of an integrated workflow, starting with the transition from 2D software solutions to model-based 3D BIM solutions – including on what are termed digital twins –, to the increased use of solutions for cost and time calculation and collaboration to products for the efficient use and management of buildings.
- » Furthermore, sustainability and environmental protection are becoming increasingly important in the planning, construction and operation of buildings. This is particularly true for the construction sector, as buildings and the construction industry are responsible for 40% of global CO<sub>2</sub> emissions. A more energy- and resource-efficient way of working throughout the entire construction process, including the subsequent use phase, is therefore a key factor in achieving the climate targets set by policy makers (e.g. European Green Deal). Intelligent BIM software solutions for more sustainable and resource-conserving construction, as well as more efficient building operation, form an essential foundation for this.

Overall, the digital transformation in the AEC/O market will – despite or rather because of the current macroeconomic situation – continue to lead to strong demand for solutions that enable a digital workflow in the various disciplines of the Design, Build and Manage segments. These market conditions provide the Nemetschek Group with a strong framework for its long-term growth ambition. It should be noted that the degree of digitalization and the above-mentioned drivers have different effects on the respective segments. In the Design segment, the markets are already being penetrated more strongly by software solutions. Here, the Nemetschek Group sees the transformation from 2D to 3D solutions as a key driver in the coming years. In the Build and Manage segments, digitalization is far less advanced than in the Design segment, which means that investments in software solutions are likely to drive the market more strongly.

Sources: 2022 Global Status Report For Buildings And Construction; McKinsey (October 2020) – Rise of the platform era; Oxford Economics (September 2021) – Future of Construction.

The media and entertainment industries are also characterized by high growth and steadily increasing demand for digital content. In addition, the change in usage behavior has again accelerated significantly, with an increasing shift to digital due in part to the global Covid-19 pandemic.

This is reflected in the continued positive development of digital application areas, for example in the field of Internet video, streaming models, video games, e-sports, and AR and VR. This trend is also reflected in the revenue figures for the German media industry: Although non-digital segments continued to generate the lion's share of the industry's total revenue, namely EUR 36.7 billion in 2020, the digital segment once again grew much more strongly and now accounts for EUR 18.7 billion.

The following trends and developments are also currently visible worldwide: The production of films, series and TV shows is becoming increasingly digital – and is relying to a greater extent on more sophisticated digital solutions to create special effects, animations and much more. The advertising industry is also shifting towards more personalized and digital advertising. This underscores the need for digital solutions that enable more efficient and targeted production of commercials – to better reach the relevant target groups as well as to enable adaptation to new, mobile formats. One of the strongest growth drivers, the video games industry, will become one of the largest markets by 2026 – in part due to the younger generation, which has grown up with digital tools and has been familiar with consuming digital content, such as video games, since childhood.

The next major technological paradigm shift – the metaverse – is taking on more and more concrete form. In the metaverse, users can access immersive virtual experiences using a VR headset or other connecting device. Initial applications for the metaverse are already available now. In the future, the metaverse could be an astonishingly realistic world. The implications of this open and virtual digital world are enormous for businesses, especially entertainment and media companies.

Sources: <https://www.pwc.de/de/technologie-medien-und-telekommunikation/gemo/2021/german-entertainment-media-outlook-2021-2025-summary.pdf>; <https://www.pwc.com/gx/en/industries/tmt/media/outlook/outlook-perspectives.html>; <https://www.tagesschau.de/wirtschaft/unternehmen/facebook-umbenennung-meta-103.html>.

### Market and Competition

The Nemetschek Group is a global player in the AEC/O software market. In 2022, the global AEC/O software market amounted to almost EUR 19 billion. Based on external market data and internal analyses, the Nemetschek Group assumes that the market will grow annually by an average of almost 11% to a volume of around EUR 28 billion in 2026.

The Design market segment has a historically higher degree of maturity compared to Build and Manage, as digitalization in this area was promoted earlier than in the two other market segments. The Design market segment is expected to grow from around EUR 5.7 billion in 2022 to around EUR 8.4 billion in 2026. This leads to an average market growth rate of around 10% for

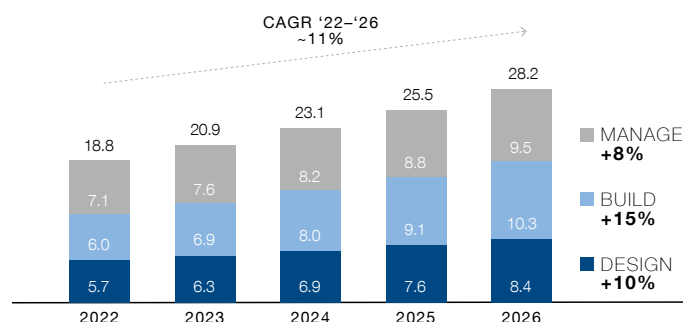
the period 2022-2026, with the Asia/Pacific and Americas regions offering the greatest growth potential in the coming years.

The Build segment's underlying market is expected to grow from around EUR 6 billion in 2022 to an anticipated EUR 10 billion in 2026, corresponding to an anticipated average annual growth rate of around 15%. In this market segment, too, above-average growth potential is seen for the Asia/Pacific and Americas regions.

In 2022, the market volume in the Manage segment amounted to around EUR 7 billion. By 2026, this market segment is expected to grow by around 8% per year to almost EUR 10 billion. The Americas is the largest regional market, but slightly above-average market growth is expected for the Asia/Pacific region.

### GLOBAL AEC/O SOFTWARE MARKET

End-user expenditure in EUR billion



\* Compound Annual Growth Rate.  
Sources: Cambashi Q3 2022; Verdantix; Nemetschek Research.

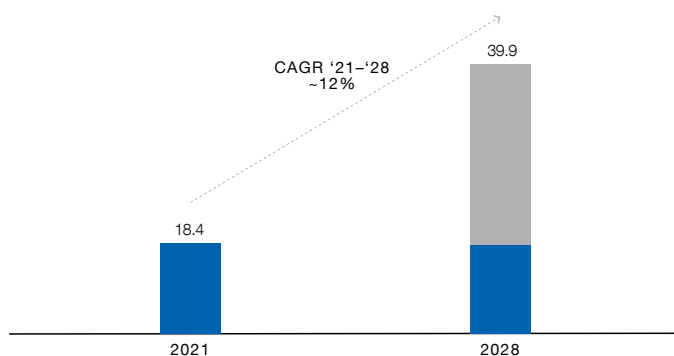
The AEC/O software industry can be described as a highly fragmented competitive environment. Therefore, depending on the segment and region, the Nemetschek Group faces competition from different companies. Despite the period of market consolidation that has been ongoing for years now, the market continues to be influenced by a large number of small, local companies. By contrast, the Nemetschek Group is one of the few global companies actively shaping the process of consolidation through acquisitions. The main competitors in the AEC/O segment are in particular US-based companies such as Autodesk, Trimble, Bentley, Procore, and Oracle.

In the Media segment, the Nemetschek Group addresses the global 3D animation market, which is characterized by structurally high growth rates and potential. The market volume is estimated at around USD 18 billion in 2021, with even higher growth momentum anticipated in the coming years compared to the AEC/O software industry. The market volume is expected to grow to around USD 40 billion by 2028. That equates to average growth of around 12% per annum and thus higher than the anticipated market growth rate for the AEC/O software industry. The current high and expected further increase in demand for high-

quality content and animations by creative professionals, as well as the increasing use of visual effects (VFX) in films, videos and the gaming industry, are some of the most important growth factors. Moreover, increasing integration of artificial intelligence (AI) in 3D animation is expected to give an added boost to market growth. In addition, the proliferation of VFX in the entertainment industry and the trend of using VFX in advertising and infomercials to showcase products with 3D elements is driving the growth of the 3D animation market. The main competitors in the Media market segment include Autodesk, The Foundry, Side FX, Adobe, MAGIX, and LumaFusion.

#### GLOBAL 3D-ANIMATION MARKET

in EUR billion



Source: <https://www.researchandmarkets.com/reports/4452097>.

## 1.2 Targets and Strategy

The strategic positioning of the Nemetschek Group is based on three key characteristics. These three characteristics apply to the medium term and form the basis of the company's strategic approach:

**#1:** With its software solutions, the Nemetschek Group supports **digitalization** along the entire construction lifecycle – from the planning and construction and operation/renovation phase to the demolition of buildings. This strategically integrated approach makes it possible to bundle and focus investments and expertise on the customer-oriented segments and thus offer end-to-end support for customers in the building lifecycle. At the same time, the Nemetschek Group's solutions enable the workflow in the construction lifecycle to be improved and greater efficiency to be achieved, particularly in the use of construction materials and in the management of building sites thanks to their end-to-end approach. Added to this are digital solutions for visualizations, 3D modeling and animation, which, in particular, find a market in the media and entertainment industry as well as the construction industry. Here,

too, the Nemetschek Group's solutions cover the entire content creation workflow and thus address the entire creative content production process.

**#2:** With four segments under the umbrella of a strategic holding company, the **Group structure** enables the Nemetschek Group to bundle the competencies of its 13 brands in the best possible way in its customer-oriented segments of the AEC/O industry and in the Media area. This structure is intended to increase the benefits and added value for the customer. The focus here is on the further integration and stronger cooperation of several brands under the roof of the Nemetschek Group, which allows it to offer an integrated and more networked range of solutions. This has already been accomplished in the Media segment. Here, the Maxon brand, which has fully integrated all acquisitions made to date, offers a comprehensive range of solutions for the complete workflow of creative professionals. In the AEC/O segment, the aim is to further improve cooperation between the various professional groups in the construction industry and to make this cooperation more efficient. In addition, the bundled offerings are intended to address and win over the customer group of (multinational) key accounts in particular in an even more targeted manner. The brands are "experts" in their specific customer segment and have a high level of expertise and very close customer relationships in their respective market segment. This segment and brand approach ensures that market changes can be quickly identified, analyzed and evaluated and that customer requirements can be responded to promptly. At the same time, the Nemetschek Group benefits from synergies at segment and Group level with regard to internationalization and sales strategies, the exchange and sharing of best practices, and development activities.

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

In areas where we consider integration or bundling effects to be very advantageous, we have also merged group brands in recent years. For instance, the aim of last year's merger of the Graphisoft and Data Design System brands is to further expand their range of integrated, multidisciplinary planning solutions. The step-by-step implementation of the merger of the Allplan brand with Precast Software Engineering (which was accomplished in 2021) and the SDS/2 brand (which was accomplished in 2022) brings together knowledge, expertise and technology to enable a seamless and integrated BIM workflow to be mapped from planning through to production and construction. In this process, the platform-based BIM solution takes "buildability" into account right from the start to

ensure continuous BIM workflows, including during the transition from the planning phase to the construction phase. The smooth transfer of data, including all relevant information for the construction companies, is essential for completing construction projects within their cost and budget framework. Since mid-2022, the Frilo and Scia brands have also pooled their forces in the competence center Nemetschek Engineering so as to offer a comprehensive overall package of software solutions with static presentation and calculation options from a single source.

These strategic measures enable the respective brands to benefit from complementary competencies in order to drive growth further. Thus, it is not only “smaller” brands that benefit from the presence and sales strength of the internationally focused Graphisoft and Allplan brands. In particular, this integrated product portfolio now enables us to address the needs of larger, often integrated and multidisciplinary customer groups in an even more targeted way. To this end, the brands are also focusing increasingly on direct sales alongside the indirect sales model. As part of this strategy, for example, Graphisoft, acquired Abvent, its reseller for French-speaking markets in late 2022. A mix of licensing and rental models had proved successful in the past in ensuring the best possible benefits to customers. However, it has become increasingly clear in recent years, particularly in the wake of the Covid-19 pandemic, that there is a gradual shift in purchasing behavior toward more subscription and SaaS models due to their diverse benefits for customers and the software provider. Consequently, the company’s objective is to significantly increase the proportion of recurring revenues, particularly through subscriptions and SaaS. In addition, the sales concept was extended or greatly expanded to include digital sales channels such as e-commerce selling.

The **Build** segment’s strategy pursues the aim of advancing the digitalization of construction companies, thus making a material contribution to increasing efficiency in the construction process. Small and medium-sized enterprises (SMEs), whose digitalization strategies are often still in the early stages, represent a market that offers growth opportunities and has seen little penetration to date. The aim is to meet a construction project’s cost, scheduling and quality requirements reliably through an intuitive product range that offers maximum customer benefits. Due to the still low degree of digitalization in Europe and Asia compared to the USA, there are opportunities for growth through further internationalization of Bluebeam’s collaboration solutions, which are already widespread in the USA. To enable it to meet customers’ requirements in an even more targeted way and further increase its attractiveness for new customers, Bluebeam has offered newly developed cloud features for the first time since September 2022 as part of the transition of its product and sales approach to a subscription-based and SaaS model. The subscription/SaaS model makes it possible to integrate

product innovations into an existing product at any time and thus speed up development cycles. As a result, a customer has automatic access to the current software version with the latest features.

The **Manage** segment’s aim is to digitalize the management of buildings through an innovative software portfolio. We see large potential here, not only with respect to increasing efficiency in the use of buildings, but also in terms of taking a more targeted approach to users’ needs, as well as operating buildings in a sustainable and environmentally friendly way while optimizing energy consumption. The Manage segment systematically uses the latest technologies such as the Cloud, the Internet of Things (IoT), artificial intelligence, and machine learning for this, pursuing the strategy of a modular and integrated software platform that maps the relevant work processes in property, facility and workplace management (IWMS, Integrated Workplace Management System). Furthermore, Nemetschek provides an intelligent smart building solution that uses IoT sensors and big data analysis to improve productivity and efficiency for building managers. In addition, there are solutions for increasing energy efficiency, for example Spacewell Energy, which are playing an increasingly important role given the current rise in energy costs.

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

The **Media** segment has also been significantly strengthened by acquisitions in the past few years. Following the acquisition of Redshift (rendering solution) and Red Giant (solutions for motion design and visual effects), Maxon further expanded the product portfolio of the Maxon brand again at the end of 2021 with the acquisition of the Pixologic business operations (provider of the ZBrush sculpting and painting software). A particular focus in fiscal 2022 was therefore on fully integrating the acquired companies.

The Maxon One production suite, which is offered via a subscription model, combines all Maxon products in one complete package. Maxon has gained a good position in the large and dynamically growing 3D animation and emerging metaverse market with an end-to-end software portfolio along the entire digital content creation value chain. In addition, close cooperations with hardware manufacturers such as Intel, AMD and Apple guarantee optimized software solutions that support current technologies. Maxon is already globally active and is pursuing the aims of continuing its international expansion and exploiting opportunities arising from the diversified customer demand that is typical of the market. The focus here is on



the subscription offering – with the objective, firstly, to target new customers, and, secondly, to bring innovations to customers even more quickly.

**#3: OPEN BIM.** Nemetschek's clear commitment to OPEN BIM and the associated open interfaces increase interoperability, collaboration and communication with its different disciplines along the entire construction lifecycle. In addition, integration of competitors' software programs is also possible, thus substantially extending the circle of potential users. At the same time, Nemetschek is focusing on future topics that will shape and change the construction industry in the coming years. These include topics such as the digital twin, machine learning, artificial intelligence, and the use of IoT devices and sensors. These topics are therefore also part of the Nemetschek Group's development activities.

To achieve the medium-term strategic alignment, focus topics have been defined and implemented programmatically. These topics were defined, concretized and selectively adapted in the course of the year under review, including by the new CEO:

### Subscription/Software as a Service (SaaS)

The overarching goal of the Nemetschek Group is to further increase its recurring revenues, in particular by offering subscription as well as SaaS solutions. Some brands have already largely converted their offerings to subscription and SaaS, while other brands are in the process of doing so or preparing for it.

By offering subscription and SaaS models, Nemetschek can tap into new customer groups, as the customer can use the software flexibly and without a one-off license fee, which is sometimes high and must be paid in advance. In addition, Nemetschek has the opportunity to generate higher revenues through up-selling and cross-selling. At the same time, however, the visibility and predictability of revenues also increase. Moreover, the Nemetschek Group can accompany customers even more closely and increase their loyalty and provide them with the features they want even faster. Nemetschek will generate more value in the long term through the higher payments made over the entire customer lifecycle under rental models than through the traditional license including a service contract. The switch from a licensing model to subscription or software as a service represents a transformation to a new business model, which entails investments and conversion effects. The offer and implementation of rental models is at different stages of progress in the four segments. The segments' goal and strategies are shown in the chapter [« 7 Outlook 2023 »](#). As part of that, the Nemetschek Group addresses the different needs of customer groups, depending on discipline and region.

### Innovative Solutions (Cloud Infrastructure, Digital Twin)

Around 23% (previous year: around 22%) of Group revenues flowed into research and development in the 2022 financial year and thus into new and further developments of the solution portfolio. In each segment, the Segment Managers, together with their brands, have drawn up a roadmap for the next three years as part of the annual budget process, in which the strategic product developments at brand level and across brands are recorded. The degree of implementation of the roadmap is presented and verified in regular review meetings between the brands and the respective Segment Managers.

The brands have their own development departments. There are also cross-brand development centers, e.g. in Bulgaria, to which the brands have access. The Nemetschek Group has also built up development expertise in other countries such as Slovakia and India.

In addition to the further development of the brands' individual solutions, the strategic focus is on cross-brand development projects in the segments and strategic initiatives that extend across the segments. That includes, for example, the SaaS-based solution Solibri Inside, which is integrated into the design brands Allplan, Graphisoft Archicad and Vectorworks in order to conduct quality checks directly in the design phase. The digital transformation in the construction industry and the path toward a networked construction lifecycle go hand in hand with a continuous exchange of data and information as well as the management and provision of ever-increasing amounts of data (big data) for the planning, realization and subsequent operation and management of buildings and infrastructure projects with continuous workflows. The focus of the solutions developed by Nemetschek is therefore on reducing information loss and data disruption. New fields of development activities include topics such as digital twins, cloud features, Artificial Intelligence (AI) or the Internet of Things (IoT).

The various disciplines along the construction lifecycle very often still work in information silos, making collaboration and an integrated workflow difficult. This is where the development activities of the Nemetschek Group come into play. The aim is to provide workflow solutions for higher quality and efficiency in the planning, construction and administrative process in order to avoid conflicts. This can be achieved by eliminating redundancies and reducing costs and time for coordination and quality inspection.

The Nemetschek Group aims to actively shape and drive the digital transformation of the construction industry and to grow sustainably and profitably in the process. The use of innovative technologies, such as digital twins, and the efficient development of industry- or customer-specific solutions is vital in that. They also include cloud technology. Cloud technologies are better suited than traditional on-premise approaches for leveraging the cloud's advantages and solving the many challenges that customers face, such as mobile access capabilities. This topic is also of great strategic importance for Nemetschek. New developments are already being created and offered as cloud-native features – such as the Bluebeam Cloud, which was launched in September 2022. However, cloud technology is not only a focus at brand level. The Nemetschek Group sees the need to create a cross-AE-C/O cloud infrastructure in order to leverage synergies in the portfolio and create a basis for all brands. The initiative aims to deploy a common cloud infrastructure that all brands can access and use to build solutions for specific customers and use cases.

One of the initiatives relating to the topic of a common cloud infrastructure at the Nemetschek Group is the use and expansion of cross-brand digital twin technology. To enable that, the Digital Twin business unit was launched in 2022 in order to develop a horizontal, data-centric, open, and cloud-based platform that will deliver greater efficiency and sustainability in the construction lifecycle. A digital twin is basically a digital image of the physical building in which digitalized information is linked to its physical counterpart. A digital twin can be used to conduct simulations in different planning phases or lifecycles of a building or infrastructure process, the findings of which are then incorporated into the real project, thus significantly reducing the risk of errors, conflicts and redundancies beforehand and making processes far more efficient. The digital twin as a common solution platform for the Design, Build and Manage segments enables new customer groups and market segments to be tapped.

#### **Go-to-Market Approach and Internationalization**

Sales in the brands are handled directly by the brands' own sales organizations and indirectly via resellers and distribution partners. Both sales channels have proven their worth and are used flexibly depending on market conditions. A further objective is to make greater use of digital sales channels in the future, such as e-commerce selling.

In addition to the established brand-specific sales approach, the existing group structure is to be used to bundle the competencies of the 13 brand companies to an even greater extent in the future so as to be able to offer customers an integrated and more closely networked range of solutions.

By offering cross-brand solutions and establishing key account management, the aim is to increase customer benefit and address and win additional customer groups. The objective of key account management is to sell the solutions from the Nemetschek Group from a single source and thus also to address larger companies that need integrated solutions or a bundle of solutions for different disciplines.

Further internationalization is also key to the successful implementation of our growth strategy. The focus is on the three major economic regions of Europe, the Americas and Asia/Pacific. The Americas are the largest regional market, followed by Europe and Asia/Pacific. Sustainable market growth is expected in all three regions in the coming years, with the greatest market growth potential seen outside Europe. As a logical consequence, the Nemetschek Group is focusing in particular on the Americas and Asia/Pacific regions. In recent years, the Nemetschek Group has been able to continually expand its market position abroad, i.e. outside Germany, and strengthen its position in the international target sales markets. Revenue outside Germany increased further in the 2022 financial year in line with our internationalization strategy. Around 79% of Group revenues are now generated outside Germany (previous year: 76%). Europe (excluding Germany) contributes around 30% to revenues (previous year: 32%). The Americas are the world's largest single market for AEC/O software, and thus of great importance for the Nemetschek Group. Nemetschek has developed well in this highly competitive growth market in recent years and now generates 39% of its revenues (previous year: 34%) in the Americas region, with the USA as the largest single regional market. The share generated in Asia/Pacific was around 10% (previous year: 10%). The Group's brands mutually support each other in their expansion in the USA and Europe: The good market position of the US companies makes it easier for European Nemetschek brands to enter markets and expand abroad and vice versa.

The status of BIM regulations also plays a major role in the strategic focus on the regions mentioned above and the respective countries. In some countries, for example, the use of BIM software solutions is already mandatory for state-funded projects, such as in the USA, Singapore, the UK, Scandinavia or Japan. These countries thus offer the Nemetschek Group excellent general conditions for future growth.

### Acquisitions and Investments in Start-ups and Ventures

The Nemetschek Group aims to grow inorganically through acquisitions in addition to organic growth. Suitable target companies in the respective segments are identified internally at holding company and segment level and by the brand companies themselves, as well as, by specialized external partners and consultants.

The target companies should either extend or round off the technological expertise in the workflow of construction processes and strengthen the expertise in the Media segment. Another goal is to gain market shares in international markets. Strong management, innovative and complementary software solutions, and an established and promising business model are vital factors in assessing potential acquisition targets. Regionally, the focus is currently on the European and North American market. In addition, the Nemetschek Group are more likely to invest in companies that already run their business on the basis of subscription and/or SaaS models. Following the acquisition and integration of acquired companies (mainly in the Media segment) in recent years, the focus is currently on all segments, with a particular emphasis on the Build segment, as the growth potential there is high and the degree of digitization of this industry sector is still relatively low.

After an acquisition, the holding company generally accompanies the brands during their integration into the segments and the group, and integrates the new brands into the processes and the reporting system established throughout the company. The acquired companies have become an important part of an internationally operating group and thus benefit from established structures and possible synergies. In addition to acquisitions at segment level, acquisitions at brand level are also possible and desirable. However, essential criteria applicable at the Group, such as technological expansion, regional expansion, distribution structure and financial solidity, must be met. In the 2022 financial year, for example, Graphisoft SE, which is headquartered in Budapest, Hungary, and is part of the Design segment, acquired Abvent, a sales partner from the AV-Tech Group. The acquisition strengthens the Design segment's presence in the important markets of France and French-speaking Switzerland, enabling it to further expand its market and sales expertise. The Frilo Software GmbH, which is also assigned to the Design segment, was strengthened by the acquisition of DC-Software Doster & Christmann GmbH. The acquisition means Frilo expands its product portfolio in the field of foundation engineering and strengthens its position as a provider of structural analysis programs.

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

In the 2022 financial year, for example, the Nemetschek Group took a stake in the British start-up SymTerra, which is headquartered in London, UK, as part of a financing round. SymTerra is a digital platform for construction site communication, and its use is intended to boost efficiency in construction site management. The investment in SymTerra is the Nemetschek Group's first investment in a UK start-up and a continuation of our strategy to support young companies and thus shape the future AEC/O market and drive innovations.

The further support for the Venture Lab Built Environment at the Technical University of Munich is also part of the Nemetschek Group's venture strategy to foster innovation and thus help actively shape the construction industry of the future.

The Nemetschek Group will continue to invest more strongly in start-ups moving ahead, because product excellence and innovative strength are the key to being able to offer customers real technological added value in the future.

Even though acquisitions represent an important growth option, the Nemetschek Group always has opportunities to open up new business areas organically as an alternative or expand existing ones thanks to its very broad expertise along the entire construction lifecycle and in the media environment. To "make or buy" is a consideration that is permanently taken into account as part of implementation of the growth strategy.

### Business Structures and Processes (Business Enablement)

Across all the segments, the focus is still on reducing the complexity resulting from the diversity of brands. Internal processes and IT structures are streamlined further and optimized. This includes, for example, harmonizing the internal back-end systems in the areas of Human Resources, ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management). In this context, further expansion of cross-brand development centers is also planned in order to pool resources and leverage expertise for multiple brands. Countries such as India or selected Eastern European countries, where qualified software developers are available, are particularly suitable for this purpose.

This and subsequent further optimization of business structures will unlock synergies, with the ultimate aim of increasing operational excellence, i.e. improving the company's ability to continuously optimize the value chain in terms of efficiency and effectiveness. At the same time, further harmonization and partial centralization, particularly in support and enabling functions, is intended to enable the brands to generate further growth and, in future, to focus even more strongly on the development and go to market as well as on further deepening customer relationships.

Our strategic direction and focus topics, along with the targets and milestones, are set out in a strategic plan and are regularly discussed within the Executive Board and with the Supervisory Board. Countermeasures are developed and implemented where deviations from the targets set out in the strategic plan are identified. Targets are also adjusted where required. There were no adjustments to the strategic objectives in the 2022 financial year.

## 1.3 Corporate Management and Governance

### General information

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

Responsibility for the strategic alignment of the Nemetschek Group and operational corporate management lies with the Executive Board and, respectively, the Segment Managers of Nemetschek SE. This includes the strategic positioning of the Nemetschek Group on the relevant global sales markets and its short and medium-term revenues and earnings planning. This also orients the company toward the competitive and market environment.

The company is managed at the level of the four operating segments. In this process, the targets and annual objectives of the segments and related brand companies are derived from the strategic targets. In the annual planning process, these are coordinated with the brand companies, specified by the brand companies and recorded with quantitative and qualitative sub-targets for marketing, sales and development. The annual planning, sub-targets and medium-term planning are coordinated between the managers of the individual brands and the member of the Executive Board responsible for the segment and, in a subsequent step, within the Nemetschek Group Executive Board. The Supervisory Board monitors and advises the Executive Board throughout all processes mentioned above.

Throughout the year, Group targets are monitored and evaluated on a monthly basis using a Group-wide management information system, with detailed reporting on the key performance indicators of revenues, growth and earnings. These indicators are compared with previous year and plan data. The respective segment managers and the Executive Board discuss any deviations from the plan on a monthly basis. In case of deviations, suitable measures are defined and followed-up.

### Financial Performance Indicators

The key financial performance indicators (core management ratios) of the Nemetschek Group have been expanded compared with the previous year and comprise the following both at Group holding company and segment level:

	FY 2022	FY 2021
Sales revenues (in absolute terms)	X	X
Sales growth (currency-adjusted)	X	X
ARR (annual recurring revenue)	X	
EBITDA	X	X
EBITDA margin	X	X

In order to plan and steer the profitable growth strategy, absolute revenues and revenues growth in absolute and currency-adjusted terms compared with the previous year are used both on a Group as well as Segment and brand level. To present the future growth dynamic and success of the ongoing transition of business to subscription-based and SaaS models, and thus also all the recurring revenues, more transparently, the Nemetschek Group implemented an annual recurring revenue (ARR) indicator in the course of the 2022 financial year. This KPI reflects the average of all recurring revenues (Subscription, SaaS and maintenance contracts) over the last three months multiplied by 4. This new indicator is an important measure of the Group's future potential for revenue and also cash flow growth. The operating result (EBITDA) is used to control profitability. EBITDA provides information on profitability and includes all items of the income statement relating

to operating performance. Because of their importance for the financial success of the business, the key performance indicators of revenues, EBITDA and (since the 2022 financial year) the ARR are also essential components of the performance management system.

The achievement of corporate targets is also assessed based on the development of financial performance indicators that are set for the purposes of managing the company and that also form part of the short and long-term remuneration of the Executive Board. Information on the remuneration of members of the Executive Board and Supervisory Board is provided in a separate remuneration report that is available on Nemetschek SE's website at [ir.Nemetschek.com/en/corporate-governance](https://ir.Nemetschek.com/en/corporate-governance).

Information on the detailed development of the Nemetschek Group and its segments in the 2022 financial year and in comparison to the previous year can be found under [« 3.3 Results of Operations, Financial Position and Net Assets of the Nemetschek Group »](#). In addition, a comparison of current and forecast business development can be found under [« 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

In addition to the performance indicators described above, Nemetschek SE is also controlled with regard to the liquidity required in the company. This ensures that Nemetschek SE can meet its obligations at all times, in particular to pay the dividend and repay the loan.

The key financial performance indicators (core management ratios) of the Nemetschek SE are as follows:

	FY 2022	FY 2021
Net income	X	X
Net liquidity	X	X

Net liquidity comprises cash and cash equivalents at banks.

## 1.4 Research and Development

Research and development are of very high priority for Nemetschek. In the 2022 financial year, EUR 182.6 million (previous year: EUR 148.9 million) were invested in research and development.

Around 23% of Group revenues thus flowed into research and development in the 2022 financial year (previous year: around 22%) and thus into new and further developments of the solution portfolio. Moreover, around 40% (previous year: 39%) of employees work in research and development, again underlining the high importance of this area for the Nemetschek Group.

Through its research and development activities, the Nemetschek Group is pursuing the aim of further expanding its innovative

strength in the AEC/O and Media markets, and identifying technological trends at an early stage, developing them into marketable solutions and establishing them on the market. Proximity to and cooperation with customers is a key component of this. Ideas and potential for improvement are identified in close dialog with customers and then evaluated by the brands in the respective segments.

In addition, there are cross-brand development projects in the respective segments designed to leverage synergies, address new customer segments and expand the portfolio. Key strategic and cross-brand projects are managed by the respective Segment Manager and developed further in cooperation with the brands. In foreign markets, adapting solutions to national standards and regulations remains important.

All brands focusing on the AEC/O markets contribute to the OPEN BIM approach with their solutions and support open interfaces to promote the exchange of information and data along the construction process value chain. Together with partners in the global buildingSMART initiative promoting the further development and standardization of open exchange standards – including software solutions from external companies – in BIM projects, Nemetschek is involved in the further development and implementation of corresponding standards, in particular the Industry Foundation Classes (IFC). IFC is a manufacturer-independent, freely available and particularly powerful format for the exchange of 3D component-oriented design data in the construction industry. The brand companies are continuously working to improve and certify their interfaces for seamless exchange with other OPEN BIM solutions. In addition, the brand companies are working on the development of collaborative additional functions, such as tracing which project participant has received, read, possibly changed or already released which detailed information and when.

### Innovation Focus

All brands are continually developing their existing solutions. In their respective segments, the brands have focused on issues such as improving the user-friendliness of their solutions, process optimizations and integrated interfaces and connections for a smooth OPEN BIM workflow. The focus in the year under review was also on improvements aimed at minimizing the time required, increasing efficiency and productivity in the planning and construction process, and optimizing workflows. At the same time, all brands are working to constantly enlarge and expand their existing portfolio of solutions to reflect technological trends and changing customer requirements and thus secure their innovation leadership in their markets. Across all segments, development activities also focused in particular on subscription and SaaS offerings.

The product portfolios of all four segments were characterized by numerous innovations in 2022.

In the **Design** segment, the annual updates to the solutions of the individual brands focused primarily on innovations to improve coordination of BIM workflows so as to increase efficiency as well as to enable more sparing use of resources. These functions are steadily gaining in importance due to the continuing high level of prices for raw materials and the ever-increasing demands for sustainability and energy efficiency in buildings. In particular, the two design brands Allplan and Solibri deepened their collaboration in the year under review by developing a real-time workflow for problem management. Furthermore, Allplan qualified for the final of the German Innovation Award in 2022 with its solution for bridge construction. The Frilo brand was also able to significantly strengthen its portfolio even further by acquiring DC-Software in the field of foundation engineering.

The Nemetschek brand Solibri announced the launch of a new cloud-based service offering in 2022 called Solibri Inside. The SaaS (software as a service) solution offers users of Allplan, Graphisoft Archicad and Vectorworks the ability to check models directly in the design phase and thus significantly enhance the quality of digital building and collaboration.

In the **Build** segment, the company pressed ahead with cloud technology in particular: In the year under review, the Bluebeam brand released its “Bluebeam Cloud,” a software suite of mobile and browser-based solutions for working from anywhere using any device, which is available for the first time only as a SaaS offering. With Bluebeam Cloud, project teams at the building site have access to the flagship product Bluebeam Revu and can thus access all data and work from anywhere, even using their mobile devices. That makes workflows even more efficient and enables seamless connectivity as well as better collaboration and optimized data availability.

In the **Manage** segment, the Spacewell brand responded to the energy crisis by further developing Spacewell Energy. This is a software as a service (SaaS) solution that helps detect, monitor and reduce energy consumption in buildings by combining IoT sensors, real-time data and artificial intelligence. As a result, buildings can be operated and managed more sustainably, resource-efficiently and smartly. Furthermore, synergies were created by merging Axserion and Cobundu into “Spacewell Workplace” to provide customers with even more tailored support for building management and the implementation of hybrid workplace models.

In the **Media** segment, the integration of ZBrush, the solution from the acquired US company Pixologic, Inc. into the Maxon ONE suite, which bundles all the brand’s offerings, was completed. That gives all Maxon ONE users access to the ZBrush sculpting software. In the year under review, Maxon also became a founding member of the “Metaverse Standards Forum,” a body that has set itself the goal of promoting an open metaverse – i.e. the merging of virtual reality and actual reality – by establishing interoperability standards. Together with Adobe, Epic Games, Meta, Microsoft, and NVIDIA as well as other founding members,

Maxon thus wants to contribute to developing and building an open, inclusive Metaverse – and also to advancing the open standards in the virtual space that have been part of the Nemetschek Group’s DNA for 60 years.

Contact with research and teaching has also been an important concern of the Nemetschek Group since it was founded in 1963. Nemetschek has its roots in the university environment and has been present there for decades with its software solutions. The brand companies provide students and professors with free software licenses and online training materials as part of their campus programs. In addition to the core markets in Europe, this now also takes place in many other markets, above all the USA.

In addition, Nemetschek regularly supports university programs through its involvement in student contests to promote young architecture and engineering talents. For example, Nemetschek supports the Leonhard Obermeyer Center of the Technical University of Munich as a partner. At the same time, close cooperation with universities and colleges of technology also ensures the Nemetschek Group’s ability to innovate, as it is close to new innovations, topics and trends thanks to its strong ties with higher education institutions.

Across all segments, the topic of the “digital twin” was of great importance for the Nemetschek Group in 2022. To this end, a new executive was recruited in the middle of the year in the person of César Flores Rodríguez as Chief Division Officer for the Manage segment, who also heads the newly created Digital Twin business unit. The objective of this Business Unit is to act as a binding element that links the entire AEC/O portfolio. The focus of the development work is on a digital twin platform as an open and horizontal cloud solution that provides a common cloud infrastructure. The aim of that is to better leverage the synergies between the individual brands of the Nemetschek Group in order to create a shared platform with which workflows in the building life-cycle can be networked even better. The initial focus here is on customers from the field of building operation and management and helping them better manage and maintain their buildings. At the same time, customers have access to all relevant data for a building via an open cloud platform, from the design and construction phase to all processes in the buildings to real-time data by means of installed sensors. This platform thus represents an important/critical link between all brands and, in line with the company’s OPEN BIM philosophy, is also open to data based on third-party software solutions.

In the development of innovative solutions and the further development of proven ones, internal resources were mainly used, while the services of third parties were used only to a small extent. 90% of the expenses are attributable to internal R&D staff (including materials usage and amortization) and only 10% to external staff.

In addition to its own innovative strength, the Nemetschek Group intends to increasingly build on external innovative strength in the

future and therefore invest in smaller, still young and highly innovative companies, called start-up companies (see [<< 1.2 Targets and Strategy >>](#)). Further investments were thus made in several young and innovative companies in the 2022 financial year. The focus of these investments is on certain areas of innovation: artificial intelligence, reality capture, communication, and digitalization. Furthermore, cooperations and partnerships with colleges of technology and universities are part of the company's DNA and are thus being gradually developed further; see [<< 3.2 Business Performance in 2022 and Key Events Influencing the Company's Business Performance >>](#).

## 2 Nonfinancial Statement

### General Information

The Nemetschek Group has integrated its non-financial Group Statement into the Group's Annual Report. In accordance with Section 317(2) of the German Commercial Code (Handelsgesetzbuch, HGB), the non-financial Group Statement is not subject to a statutory audit. Auditing firm PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft (PwC), Munich, subjected the non-financial Group 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 Nonfinancial 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 non-financial 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 (EU) 2020/852 of the European Parliament and of the Council of the European Union (EU Taxonomy Regulation) of June 18, 2020 on establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2020, the Nemetschek Group discloses in this non-financial statement 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 [<< 2.3 EU Taxonomy >>](#) of this Nonfinancial Statement.

The Nemetschek Group did not apply an external framework for the preparation of its Nonfinancial Statement for the 2022 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. Having said this, there is currently a general effort underway to align the Group's sustainability reporting with the standards of the Global Reporting Initiative (GRI Standards). For example, the materiality analysis carried out and also the implementation of the management approaches are based on the GRI standards. The Nemetschek Group will, in the future, use the European Sustainability Reporting Standards (ESRS) to meet the requirements of the Corporate Sustainability Reporting Directive (CSRD). The company has launched corresponding initiatives for their implementation and intends to have them completed by the 2024 reporting period.