

izer 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.