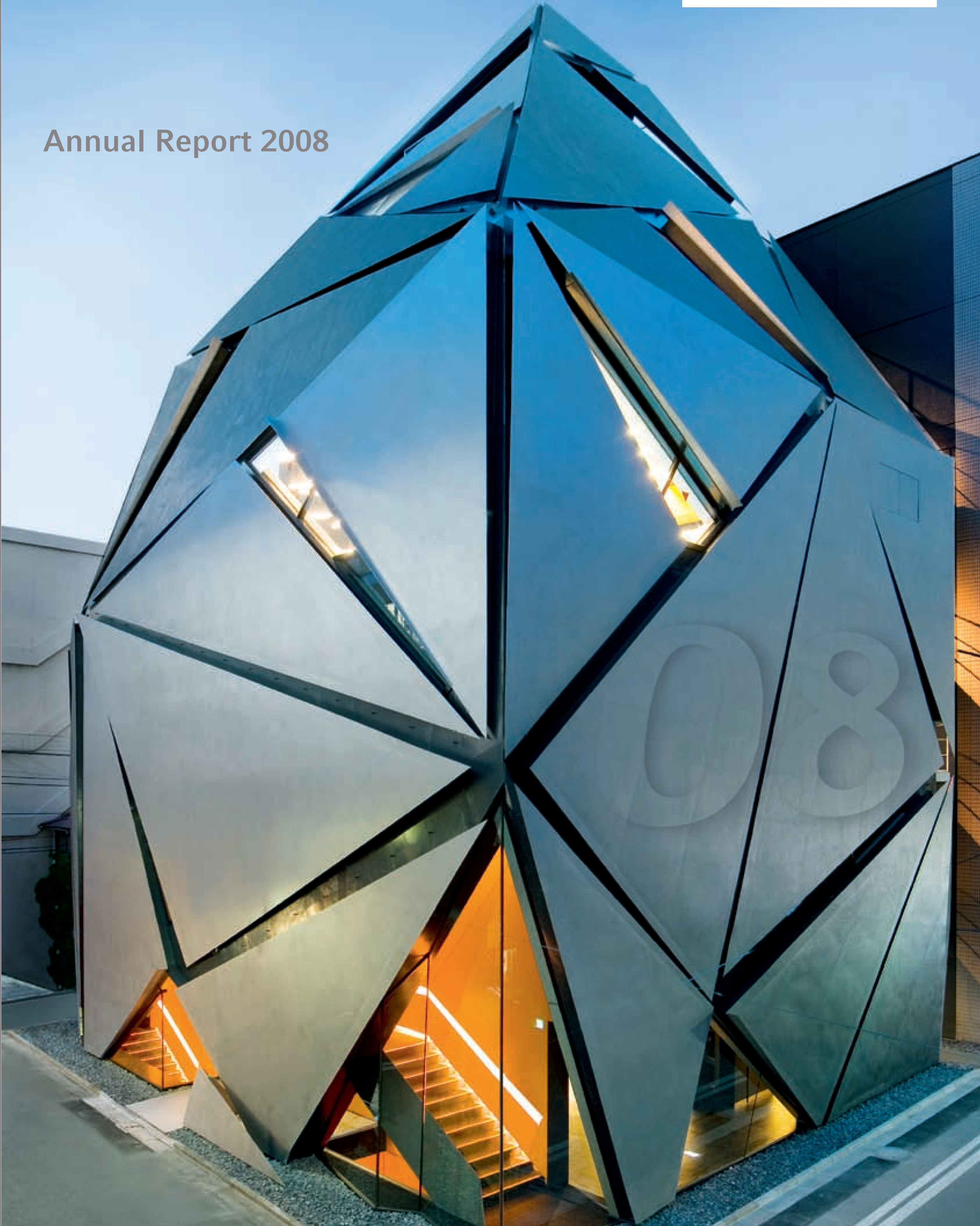
moving minds

NEMETSCHEK

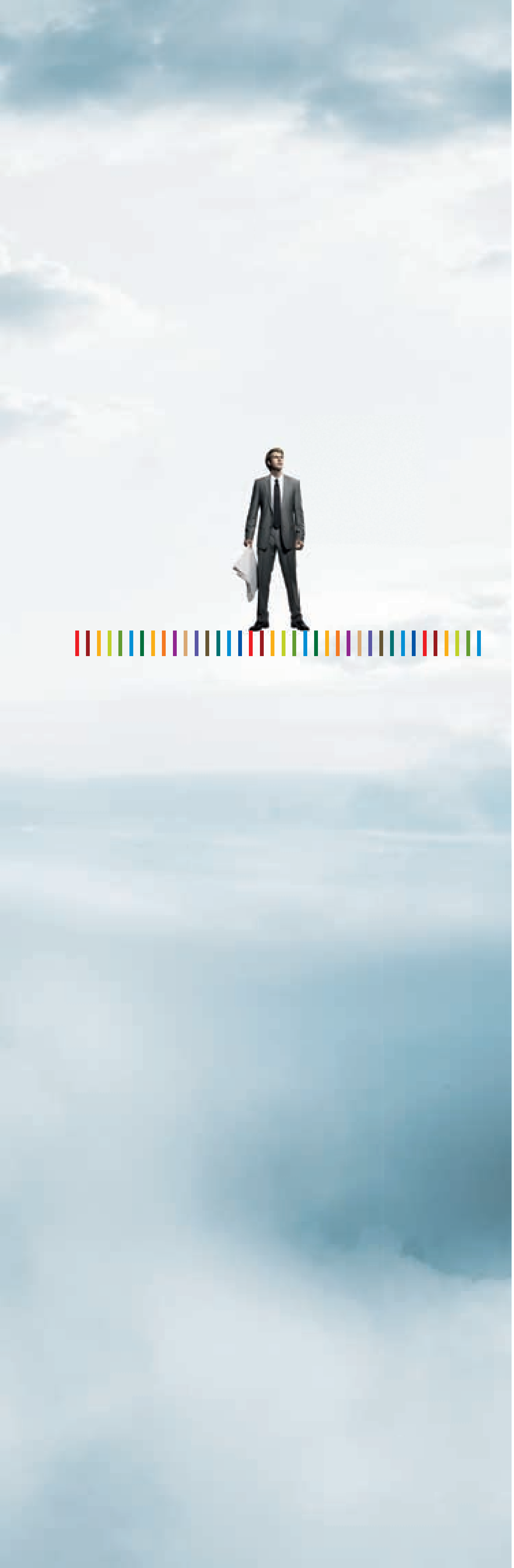
Annual Report 2008



Key figures

Nemetschek Group
2008

in million €	Dec. 31, 2008	Dec. 31, 2007	Changes
Revenues	**150.4**	**146.2**	**2.9 %**
Operating income	**153.1**	**149.1**	**2.7 %**
Gross profit	**143.6**	**139.0**	**3.3 %**
as % of revenue	95.5 %	95.1 %	
EBITDA	**31.4**	**33.6**	**−6.7 %**
as % of revenue	20.9 %	23.0 %	
per share in €	3.26	3.49	
EBIT	**21.0**	**23.9**	**−11.9 %**
as % of revenue	14.0 %	16.3 %	
per share in €	2.18	2.48	
Net income (Group shares) adjusted by PPA effects	**16.2**	**20.4**	**−20.7 %**
per share in €	1.68	2.12	
Net income (Group shares)	**10.4**	**14.6**	**−28.9 %**
per share in €	1.08	1.52	
Net income	**11.3**	**15.3**	**−26.1 %**
Cashflow for the period	**29.9**	**30.8**	**−2.8 %**
Cash and cash equivalents	**23.2**	**29.1**	**−20.2 %**
Equity	**67.9**	**62.9**	**8.0 %**
Equity-Quote	40.6 %	34.4 %	
Average number of outstanding shares (undiluted)	9,625,000	9,625,000	0.0 %



Cover: Jimbocho Theater in Tokyo, Japan, designed by NIKKEN SEKKEI Architectural Design using Graphisoft ArchiCAD

Content

Ernst Homolka,
CEO

Dear shareholders, ladies and gentlemen,

2008 was a varied year for the Nemetschek Group – with good successes in the first nine months and a weak fourth quarter. For nine months, revenues and earnings increased as planned. In the fourth quarter, however, which is usually our strongest period, our company also felt the consequences of the financial crisis: revenues sank by 4.5 percent compared to the same period in the previous year.

Nevertheless, the group still managed to increase revenues in 2008, exceeding the revenue threshold of 150 million euros for the first time. The EBITDA margin was over 20 percent and, at around 30 million euros, cash flow was almost at the same level as the previous year – something that certainly cannot be taken for granted for 2008 given the current economic climate.

Over the past fiscal year, the companies under the Nemetschek umbrella also brought new products onto the market – including attractive software updates as well as fundamental innovations. To become even more effective, we have combined some of our energies in some areas. Since the fall of 2008, our five civil engineering subsidiaries now operate together on the market as Nemetschek Engineering Group and are currently coordinating their product development. Much the same is true in the area of construction: In future, the development teams from AUER, Nemetschek Bausoftware and the Allplan BCM team will work together on a new software generation. In 2008 we managed to launch nearly all product brands under the joint Nemetschek umbrella brand, which ensured much greater visibility, particularly for smaller companies within the group.

Equipped for the crisis

Considering the current economic conditions, the Nemetschek Group must expect a weak fiscal year in 2009. We cannot expect not to be affected by the most serious world economic crisis since the end of World War Two. Our core markets in Europe will tend to shrink, while growth in emerging markets will weaken noticeably. We are hopeful, however, that the many different government programs will start to take effect from the second half of the year, not least of all in our core market in Germany. The Nemetschek Group should be able to benefit here.

In any case, we are well-advised to prepare for the worst. Depending on the future economic development of the individual companies, the managing board will react flexibly between different planning scenarios. A minor drop in revenues compared to the previous year is just as conceivable as a significant drop in revenues. Every scenario must be met with the appropriate cost reduction measures at individual company level.

This means we will therefore be able to act quickly and will do so, if necessary. In the software business a change in demand (positive or negative) can have immediate effects on earnings.

We have no doubt that we have a difficult tightrope walk ahead of us: we will need to balance margin stabilization on the one hand against ensuring the future viability of the group on the other. We will not sacrifice future growth opportunities for short-term profit. We are just as clear, however, that Nemetschek will remain a profitable company. We will repay our liabilities promptly and further strengthen our net equity.

Strengthening of capital base

This also means that we will not be issuing any dividends in 2008. Instead, we will reduce existing liabilities from the Graphisoft takeover through a special repayment of another five million euros. In the past year we already repaid four million euros on top of the planned amount and intend to maintain this tempo in the paying back of debts. Overall, the Nemetschek Group has already managed to pay back more than 50 million Euro and, thus, over half of the takeover loan within two years.

We are aware that the cancellation of the dividend this year is not good news for you as shareholders, especially in view of the weak share price. After careful assessment of all the options, however, we are convinced that this is the best approach for our (and your) company. We are consolidating the group's equity base, stabilizing the equity rate at over 40 percent. This will give us additional room to maneuver, enabling us to better navigate through the crisis and emerge from it invigorated. Nemetschek is known for its conservative approach – but also for the fact that in good times, we enable our shareholders to share directly in our success.

Our base of operations is fundamentally solid. Our customer base is broad, our product range is comprehensive and nearly 40 percent of our revenues come from long-term maintenance contracts. In 2009, we will continue to bring innovative products onto the market that increase benefits for our customers. Especially in times of crisis, technologies that help to reduce costs are in demand – and that is exactly the added value that integrated software solutions can offer. The trend towards ecological construction and renovation is also an opportunity for our company: energy-efficient construction calls for software that makes it possible to calculate the future energy requirements of a building as early as the planning phase. This is precisely the area in which our companies will soon present innovative solutions.

We are aware that the current crisis could continue for some time. For this very reason, we are playing it safe and shoring up the group. But we have been on the market for 45 years and have withstood many a storm. This crisis too will pass, and we intend to use this period to lay the foundations for future growth. I hope I can rely on your continued understanding and confidence as we work to achieve this.

Yours sincerely

Ernst Homolka
Managing Board/CEO

Nemetschek on the capital market

Share prices in freefall
Worldwide stock markets experienced a real collapse in share prices in 2008. On average, German shares lost 40 percent of their value. The Dax started the year at over 8000 points but finished the year at no more than 4810 points. The other indices did little better. By the end of the year the S-Dax was down by 46 percent and the Tec-Dax was down by 48 percent.

Nemetschek in the wake of the stock markets
Nemetschek shares reached their high point of the year in January at 22.19 euros. After that they suffered losses in what was clearly a nervous environment. After the release of the provisional figures from 2007, the share price made some ground again in the middle of February and was again above 20 euros at the end of the month. Analysts confirmed target prices between 25 and 30 euros.

During the early summer, uncertainty over the economy had an increasing effect on share prices, also affecting Nemetschek shares. After presenting favorable figures for the first quarter, the shares experienced another brief rally in May with a peak at 19.41 euros but then continued to fall – along with the rest of the market.

As a result of the worsening financial crisis and the collapse of individual banking establishments, share prices have been in freefall around the world since September. Things have been no different for Nemetschek shares. Even the presentation of positive figures at the end of October for the preceding 9 months was largely ineffective. On November 21, the price reached its lowest point of 6.38 euros. The price did not recover until December, with a small climb and slightly more lively revenues. Nemetschek shares finished the year at 10.38 euros.

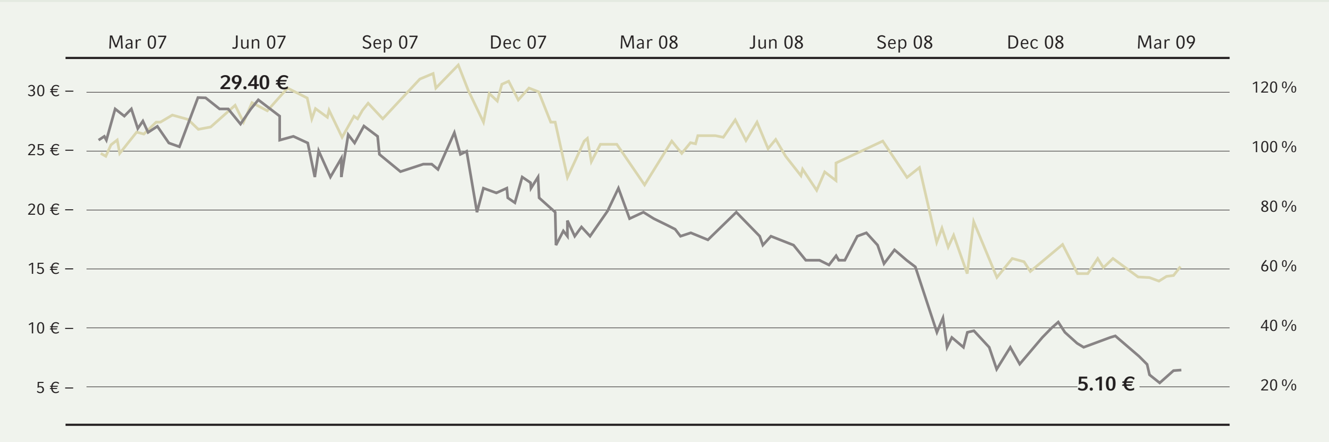
Overall, Nemetschek shares lost 53 percent of their value over the course of 2008 – the same as the average loss for all shares on the GEX, the index of listed family companies. The crisis hit other listed companies in Nemetschek's "peer group" even harder: Autodesk, the largest US competitor, lost 61 percent of its company value over the same period.

No dividends for 2008
At the general meeting on May 25, 2009, the supervisory board and management board will propose not distributing dividend payments for the 2008 fiscal year. Instead, the plan is to make a special repayment of five million euros towards the loan taken for the acquisition of Graphisoft. This will strengthen the company's net equity in a time of crisis, stabilizing the equity ratio at over 40 percent.

Shareholder structure is largely unchanged
At the end of 2008, 53.51 percent of Nemetschek shares were owned by the Nemetschek family and the Nemetschek Foundation, placing the free-float at 46.49 percent. Professor Georg Nemetschek transferred 10.39 percent of his shares in Nemetschek AG to the foundation established at the end of April 2008 and dedicated to exclusively charitable purposes.

Open dialog with all financial market participants
In times of crisis, management sticks to its belief in continuous dialog with the financial market. The management board has opened up in question and answer sessions with investors and analysts in nearly every financial center in Europe during seven road shows and several conferences. Many individual interviews have also been held at the company's head office. Regular publications have also been an important element of ongoing communications. The 2007 annual report was awarded the Gold Award by the League of American Communications Professionals (LACP) for the third time running.

Price development of the Nemetschek Share from March 1, 2007 onward



Price development of the Nemetschek share in comparison to the TecDAX (indexed)

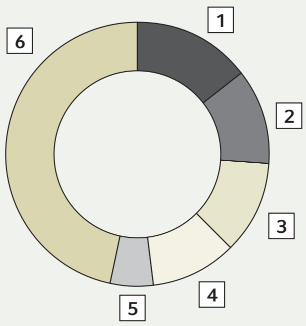
Key Figures

	2008	2007	2006
Earnings per share in €	1.08	1.52	1.41
Cash flow for the period per share in €	3.11	3.20	2.21
Equity per share in € (conglomerate stocks)	6.93	6.39	5.58
High in €	22.19	29.90	23.95
Low in €	6.38	19.25	13.46
Share price on December 31 in €	10.38	21.55	22.10
Market capitalization on December 31 in Mio. €	99.91	207.42	212.70
Price/revenues ratio	0.66	1.42	1.98
Price/earnings ratio	9.64	14.22	15.65
Price/equity ratio (conglomerate stocks)	1.49	3.37	3.96
Average number of outstanding shares in Mio. €	9.625	9.625	9.625

Shares owned by the board members as of December 31, 2008

	Stock portfolio
Managing Board	
Ernst Homolka	225
Michael Westfahl	0
Supervisory Board	
Kurt Dobitsch	0
Prof. Georg Nemetschek	1,411,322
Rüdiger Herzog	0
Alexander Nemetschek	1,107,705

Shareholder Structure



1 **14.66 %** Prof. Georg Nemetschek
2 **11.51 %** Dr. Ralf Nemetschek
3 **11.51 %** Alexander Nemetschek
4 **10.39 %** Nemetschek Stiftung
5 **5.44 %** Ingrid Nemetschek
6 **46.49 %** free-float

Nemetschek Coverage

The following analysts covered Nemetschek in 2008:

- Berenberg Bank (Sven-Erik Hintz)
- BHF Bank (Hagen Raab)
- Sal.Oppenheim (Henning Steinbrink)
- WestLB (Adrian Hopkinson)

Corporate Governance

The German Corporate Governance Code in the current version dated June 6, 2008, contains important legislative regulations and recommendations on the management and oversight of Germany's publicly traded corporations as well as nationally and internationally recognized standards for good and responsible corporate management. These rules, which are applicable in Germany, are to be made transparent for national and international investors, in order to increase trust in the corporate governance of German companies.

Responsible and value-based management and control of the company is a matter of course for Nemetschek AG and a fundamental requirement for effectively increasing the the good will. This includes efficient cooperation between the managing board and supervisory board, respect for the interests of shareholders and employees, transparent corporate communication and responsible risk handling. The managing board and supervisory board largely follow the recommendations in the current version of the Corporate Governance Code, and see corporate governance as an ongoing process. The principles are regularly checked and adapted in the light of new experiences, legal requirements, and the further development of national and international standards.

Every year, as part of the statutory regulations, the managing board and supervisory board of Nemetschek AG issue a statement that the company adhered to and adheres to recommendations of the government commission's German Corporate Governance Code. If certain recommendations have not been followed, then this is stated, too.

The last Nemetschek AG declaration of conformity in accordance with § 161 of the Stock Corporation Act was made on March 24, 2009 and can be viewed on the company's website at www.nemetschek.com. The complete text of the German Corporate Governance Code can be found on the internet at www.corporate-governance-code.de.

Declaration of conformity in compliance with § 161 of the Stock Corporation Act dated March 24, 2009

In accordance with § 161 of the Stock Corporation Act, the managing board and supervisory board of Nemetschek AG declare that the recommendations of the "Government Commission of the German Corporate Governance Code", version dated June 6, 2008, published in the official part of the electronic Federal Gazette on August 8, 2008 (hereinafter "Code"), have been and are being met with the following exceptions:

- The D&O insurance does not include excess insurance for board members (Code Item 3.8 Clause 2). Nemetschek AG does not believe that excess insurance would improve the motivation and responsibility of the members of the managing board and supervisory board.
- An age limit for members of the managing board and supervisory board has not been explicitly set and is not currently planned (Code Item 5.1.2 Clause 2 and 5.4.1). Such age limit would generally restrict the company in its selection of suitable members of the managing board and the supervisory board. Members are selected solely on the basis of technical competence and necessary experience. The company is therefore not following this recommendation.
- The managing board of Nemetschek AG does not consist of several people (Code Item 4.2.1). The managing board and supervisory board believe that the organizational structure of the Nemetschek Group and the focus of Nemetschek AG on holding tasks and group control do not call for a managing board with several people.
- The code recommendation on the formation of qualified committees is not followed (Code Item 5.3), as the supervisory board only has three members. The tasks for which the Code recommends the formation of such committees are all performed by the supervisory board of Nemetschek Aktiengesellschaft.
- Deviating from Code Item 5.4.3, the managing board of Nemetschek Aktiengesellschaft applied for the official appointment of a member of the supervisory board in February 2008, and requests the official appointment without a limit up to the next Annual General Meeting (AGM). The reason for this was that the supervisory board member concerned was already elected by the AGM 2007 for a full term and merely left the supervisory board temporarily due to illness.

Munich, March 24, 2009
Nemetschek Aktiengesellschaft

Managing Board and Supervisory Board

Additional Information

Cooperation between managing board and supervisory board
The managing board reports to the supervisory board regularly, on a timely basis and comprehensively in written and verbal form about all relevant issues relating to business development and company planning, including the risk situation, risk management and compliance. More information on this can be found in the supervisory board's report on pages 8 to 9 of this annual report and on pages 24 to 37 of the management report.

Remuneration of managing board and supervisory board
In accordance with the recommendations of the German Corporate Governance Code, we have been reporting the individual remuneration of all members of the managing board and supervisory board for a long time. A breakdown by components for the remuneration of the individual members can be found on pages 109 to 110 of the notes on the consolidated financial statement.

In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board receive both a performance-related and a fixed remuneration. This was decided by the AGM of Nemetschek AG on May 20, 2005, modified by resolution of the AGM on May 21, 2008. The variable compensation component is based on the consolidated earnings per share. It is the view of the managing board and the supervisory board that this important ratio constitutes a reliable benchmark for increasing the intrinsic value of the shares and, thus, the company's performance.

The compensation for members of the managing board consists of a base salary and a variable compensation. The variable compensation component is largely dependent on the attainment of corporate objectives with respect to sales and earnings. A smaller portion of the variable compensation is paid out upon achieving individual targets.

Stock option scheme
The stock option scheme of Nemetschek AG from 2003 matured on July 28, 2008 and has not been replaced by a new stock option scheme. Nemetschek AG has currently not issued any option rights.

Supervisory Board Report on Nemetschek AG's 2008 fiscal year

Dear Sir or Madam,
Dear shareholders,

Following a good start with increasing revenues in the first three quarters of 2008, the dramatic economic downturn finally caught up with Nemetschek AG. The last quarter did not meet expectations. Nevertheless, the company was able to increase its revenues also in 2008. Furthermore, even during the year under report, Nemetschek AG maintained its market position as Europe's leading software vendor for the design, construction and management of buildings and further expanded its worldwide presence.

Supervisory board advises and monitors work of the managing board

During the year under report, Nemetschek AG's supervisory board fulfilled the tasks and duties it is legally mandated to perform. It advised the managing board on directing the company and monitored the managing board's activities. The supervisory board was directly involved in all decisions of fundamental importance for the company. In a total of five meetings during the course of the year the supervisory board provided advice both on the company's strategic orientation and the development underway at the time.

Nemetschek AG's managing board presented the supervisory board with comprehensive quarterly reports about the business situation, including sales, revenue and liquidity developments, as well as the company's overall situation. These reports were supplemented by monthly reporting on sales development and contribution margins for the group as a whole and for the individual subsidiaries. In addition, the managing board kept the supervisory board informed about important business processes and current business plans.

The managing board also informed the supervisory board about all risk issues and risk management and the work of the compliance team. The respective reports were presented to all supervisory board members and were debated in joint sessions of the managing board and the supervisory board. With the assistance of Nemetschek AG's reports, the supervisory board supported the managing board's work and endorsed actions requiring approval. It did not form any committees. The full supervisory board and managing board attended all supervisory board meetings. The chairman of the supervisory board was also in regular contact with the managing board outside the supervisory board meetings. The managing board informed the chairman of the supervisory board about current business developments and discussed important business transactions with him.

Topics in the individual supervisory board meetings

Meeting in March 2008: During this meeting, the supervisory board discussed in detail the annual financial statement presented by the managing board, Nemetschek AG's annual report, consolidated financial statements and group management report, as well as the auditor's reports and audit results. The appointed auditor also took part. The supervisory board adopted the audited financial statements for 2007 of Nemetschek AG, approved the consolidated statement for 2007, which had also been audited, and a decision was made on the appropriation of profits.

In addition, the proposed agenda for the Annual General Meeting, the supervisory board report and the Declaration of Conformity in accordance with the German Corporate Governance Code were discussed, approved and conclusively decided on. Furthermore, the development of individual companies and projects was discussed, including the strategic 3-year plan of Graphisoft SE and the re-organization of Allplan GmbH.

Meeting in May 2008: This supervisory board meeting dealt with the managing board's report on business developments during the first quarter and additional business prospects. The central issues, furthermore, were the future strategy in the Build business unit and the constitutive meeting of the newly formed Executive Council of the Nemetschek Group. The Council is made up of the managing board and the managing directors of the most important product organizations. Its task is to define and implement the strategic orientation of the group.

Meeting in July 2008: This supervisory board meeting dealt with the business results for the second quarter and the outlook to the end of the year. In addition, the managing board reported in depth on the measures introduced by the new management and the goals in the Allplan organization. An additional topic was the planned restructuring in the Manage business unit.

Meeting in October 2008: At this meeting the managing board explained the business development in the third quarter with an outlook for 2008 as a whole. The managing board reported in detail on the current risks in view of the difficult economic setting and consulted with the supervisory board on the possible implications on the future development of sales. Furthermore, the managing board informed the supervisory board about the activities in the area of Compliance and Financial Communication.

Meeting in December 2008: The focus of this supervisory board meeting was the managing board's report on the results for the first eleven months of the current business year and the plans for the 2009 business year. Against the background of the noticeable effects of the worldwide economic crisis, which were felt starting in November, the managing board had corrected its revenue and earnings development expectations. The supervisory board was informed in detail beforehand. Due to the uncertain economic situation, the managing board explained different scenarios to the supervisory board. Besides the basic plan, an emergency plan was presented, which provides for cost measures in the event of a further economic slump and depending on the development of the individual group companies. Furthermore, the strategy for the individual business units was discussed and the common market image of the Nemetschek Engineering Group was presented.

Financial statement audited

The annual financial statements prepared by the managing board according to the German Commercial Code, taking into account the accounting principles and the management report of Nemetschek AG for the 2008 fiscal year, the consolidated financial statement prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315a Paragraph 1 of the German Commercial Code, and the group's management report for the 2008 fiscal year, have been audited and approved without qualification by the Munich office of Ernst & Young AG auditors, with headquarters in Stuttgart. The supervisory board has satisfied itself as to itself as to the independence of the auditors.

The meeting of the supervisory board held on March 24, 2009 to discuss Nemetschek AG's annual financial statements and management report as well as the consolidated financial statements and group's management report was attended by the auditors, who answered all questions thoroughly.

The supervisory board has examined the annual financial statements, the management report, the consolidated financial statements and the group's management report and is convinced of the correctness and completeness of the actual information in the report. The supervisory board approves the result of the auditor's examinations based on its own examinations and raises no objections. The supervisory board explicitly endorses the annual financial statements and the consolidated financial statements drawn up by the managing board.

The annual financial statements of Nemetschek AG for fiscal year 2008 are thus adopted. The supervisory board has discussed in depth with the managing board the proposal of the managing board regarding the appropriation of profits, especially in view of the liquidity of the company, the financial and investment planning and taking into consideration the interests of the shareholders. The uncertain overall economic outlook and the planned redemption of loans from the Graphisoft acquisition induced the supervisory board, after having made its own examination, to concur with the managing board's proposal for the appropriation of profits.

Changes in the managing board and supervisory board

The member of the managing board responsible for Sales and Marketing, Mr. Michael Westfahl, left Nemetschek AG on May 20, 2008. The position has not been reassigned.

The number of members of the supervisory board remains unchanged. After Mr. Kurt Dobitsch's temporary departure due to illness at the end of 2007, during which he was replaced by the replacement member Mr. Alexander Nemetschek, Mr. Dobitsch returned to the supervisory board at the beginning of 2008. Mr. Alexander Nemetschek then resigned from the supervisory board. For reasons relating to company law, Mr. Kurt Dobitsch was, as a precaution, legally appointed as a member of the supervisory board as a result of the resolution of the Munich local court of February 26, 2008. On March 25, 2008, the supervisory board reelected Mr. Dobitsch chairman of the supervisory board.

The supervisory board would like to thank the managing board and all Nemetschek Group employees for their performance during the year under review and for their unfailing commitment.

Munich, March 24, 2009

The Supervisory Board

Kurt Dobitsch
Chairman

Festival House and Lakeside Auditorium in Bregenz, Austria, designed by Dietrich / Untertrifaller Architekten using Allplan

The building industry is facing increasing cost pressure. More efficient processes call for smooth data exchange among all those involved.

Building More Efficiently

The efficient use of all resources is vital to being successful in business. However, this is not to be taken for granted in the construction industry. The number of examples of cost plans not adhered to is legion. It is not surprising, therefore, that productivity in this sector is significantly lower than in other industries: according to the German Federal Statistics Office, work productivity in the German manufacturing sector has increased by 35 percent in the last ten years, while the construction industry has seen an increase of barely three percent. In the United States, work productivity in the construction sector was actually declining, according to one study.

Efficient planning requires a smooth flow of information between those involved. In the automobile industry, for example, the continuous exchange of data between the manufacturer and important suppliers has long been a reality. This way, systems suppliers in particular are closely linked to the production process and can handle ever more important tasks, including in the area of research and development.

One Building – Many Are Involved

In construction, data exchange poses a disproportionately greater challenge. The construction of a building involves a variety of different technical areas: first, there are the designers – architects, civil engineers, structural engineers and specialist designers who are responsible, for example, for heating or electrical installations. Then, there are contractor firms, regulatory authorities and, naturally, the developers and their agents. Most of them use very different software systems: many architects work with two-dimensional CAD systems, a sort of digital drawing board. To design the structure and run a structural analysis, the competent civil engineer has to enter the data on the building's geometry manually into a separate structural analysis software. Also the use of a CAD-supported connection to specialist design is the exception rather than the rule. When it comes to public tenders and awarding contracts, the data is again captured manually. Finally, there are separate cost-accounting programs for tenders, awarding of contracts, invoicing and execution of building work. Integration gaps are, thus, preprogrammed, not to mention the time expended.

It becomes even more complex when the client demands changes. More than 60 percent of the work load in the construction industry stems from subsequent changes. Since there is no continuous data management system, the data has to be re-entered manually in different programs every single time. Common consequences of this are missed deadlines and unexpected cost increases. Frequently, operators of the building or property later on have only incomplete data to fall back on. A study by the U.S. National Institute of Standards and Technology (NIST) has shown that the American real-estate sector loses US$ 15.5 billion a year due to poor interoperability.

More Efficiency Through Integrated Software Solutions

This is exactly where Nemetschek software solutions come into play. The group companies provide end-to-end solutions for architects, structural designers and engineers as well as specialist designers – ranging all the way to construction software for cost and schedule planning, tenders, awarding of contracts, invoicing and execution of building work. As well, there are solutions for technical facility management and commercial property management as well as visualization software for the photo-realistic display of buildings. From CAD to ERP (Enterprise Resource Planning): the graphic, analytical and commercial solutions of the group cover the entire core process of building design, construction and management.

The objective is the smooth interdisciplinary cooperation of all those involved, united by a single data base – also known as "Building Information Modeling" (BIM). BIM is not merely a new catchword in the industry; it is an expression of holistic thinking, which is the basis for efficient building. It sees the building process not only as a sum of individual services, but as an integrated overall service produced by all trades involved. The focus is not only on the actual process of design and construction, but also takes into account the entire life cycle of buildings. In other words, at an early stage it is able to analyze the effects of planning decisions on the subsequent use and management of the building. This is how sustainable and energy-efficient construction becomes possible in the first place, for example.

2D drawing: A lot of architects still use two-dimensional CAD systems like a kind of digital drawing board for their work.

3D model: A virtual building model offers an overall view from all angles and can be used to obtain all kinds of information on the building such as, for example, the required quantities.

The "Virtual Building Model"

All BIM solutions are based on the "virtual" building model – a three-dimensional model that maps the entire building and from which all relevant building data can be derived. It links the various components of a building on the basis of "intelligent objects" to the pertinent information that can be derived be it cubic volume or shadow effects, or plans like floor plans, cross-sections, views, or quantities, costs to be incurred and evaluations pertaining to building physics. Structural designers and engineers rely on this data as much as design professionals, who add their own data to the model, e.g., for sanitary or electrical installations, and run calculations on energy efficiency. Ideally, the virtual building model is enhanced across all the stages of design, construction and use by those involved in the processes by adding information continuously – visible to all at any time, without any loss of data or transmission errors and interface problems.

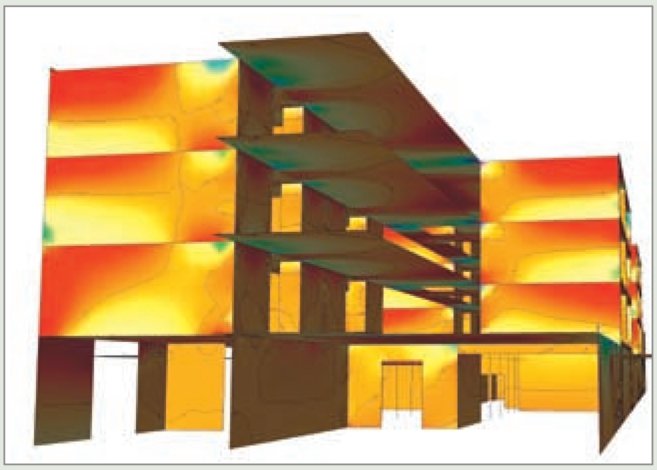
Both Nemetschek – today's Nemetschek Allplan – and Graphisoft, a Hungarian company that has been part of the group since the end of 2006, are pioneers of this virtual building model. Both started developing 3D software solutions as early as the 1990s, which have gone far beyond the digital drawing board. They started a paradigm shift in CAD development and laid the foundation for Building Information Modeling. Together they are the market leaders in 3D applications in Europe. Nemetschek North America, too, is one of the pioneers in this field, thanks to its product Vectorworks: the new software generation contains an especially powerful modeling engine that can compute in real time even complex freeform surfaces.

Smooth Interaction of CAD and Structural Analysis

The smooth interaction of CAD software and structural analysis demonstrates how interdisciplinary work on the basis of the virtual building model is to function. A building and structure model developed in Allplan is supplied to the SCIA software for the preparation of a structural analysis model and for the purpose of structural analysis – without the need for data on the building's geometry to be re-entered. The results of the calculations can be reimported into Allplan and used there to optimize the building. The results are then available for the automated creation of reinforcement designs. Changes to designs and plans are no longer an issue either: if, for example, the span of a floor slab has to be enlarged later on in order to create a more open space with fewer supports, the structural analysis software will be able to recalculate the load distribution within minutes.

What is more, specially customized solutions for structural analysis and general arrangement and reinforcement design are available from the Nemetschek subsidiaries Friedrich + Lochner and Glaser. Their solutions are integrated with the other products, thus allowing for continuous project work. Following the trend toward more efficiency is the design software for the precast concrete industry: with increasing frequency, the entire reinforced-steel frame of a building is made from precast components.

Structure model: Civil engineers are primarily interested in the load-bearing components. In the 3-D model details such as windows and doors can be hidden at the touch of a button.



Structural analysis model: Using colors, the structural engineer can see at a glance how the structure is loaded. The 3-D components are simplified as lines and planes.

Festival House in Bregenz, Austria, designed by Dietrich/Untertrifaller Architekten using Allplan

Science Center in Glasgow, Scotland, designed by Gareth Hoskins Architects using Vectorworks

Gedeon Richter Chemical Research Center

in Budapest, Hungary, designed by Zoboki-Demeter & Associates Architects using Graphisoft ArchiCAD

Precise Cost and Quantity Planning

Efficient building means, not least, complying with budgets and schedules. The ability to add to the CAD data in the virtual building model information on material properties, cost and implementation schedules, as well as the option of calculating quantities based on norms and standards in force in specific countries, is yet another fine example of the principle behind Building Information Modeling. Any necessary changes are made by the user directly to the project file. These changes are directly available to all project members. Quantities that are used as the basis for cost calculation are updated automatically. If, for example, changes to the floor plan reduce the number of windows in a building, the architect can adjust them directly in the virtual building model. All the planning partners involved in the design phase can access this change together with the revised number of windows immediately and simultaneously track the effects on costs. In addition, comparisons between different options or versions are easy to do.

As well, the system also actively warns users of any design contradictions. If the software identifies a discrepancy, it will report it to the user. The improved data comparison means that the software automatically ensures there is a minimum of possible sources of error that might generate costs or cause delays later on.

In Control of Complex Building Processes

Using integrated cost planning and AVA solutions for tenders, awarding of contracts and invoicing, users can derive detailed specifications directly from the virtual building model. They form the basis for public tenders for principal and ancillary construction companies, for price comparisons of the relevant bids and for the subsequent awarding of contracts. Having an end-to-end software solution benefits, not least, building-site controlling and accounting. For example, once the initial incoming invoice has been received from a contractor, the building supervisor can check on all the specific information related to the contract in order to verify the invoice.

In addition, the building software of the Nemetschek subsidiaries AUER and Nemetschek Bausoftware supports all other processes that relate to building-site operations – from site preparation and specific sequence plans to equipment and materials management and payroll.

Efficient Property Management

Once the building process is complete, the building enters into the longest and most expensive phase – its actual use. According to experts, management costs over the entire life cycle of a building constitute 80 percent of the total costs, which emphasizes yet again the significance of the previous planning.

The challenges that property management is faced with are immense. On the one hand, there are ever-increasing demands from tenants, and on the other hand, owners, who may often change, expect efficient use of the property and detailed reporting. In the process, it is crucial that any possible potential for boosting efficiency be utilized – this includes such things as avoiding vacancies or lowering the costs of management. Nemetschek provides both CAD solutions for technical facility management and ERP solutions (Enterprise Resource Planning) from CREM Solutions for commercial property/facility management. The latter allow for transparent reporting in accordance with the specific requirements of the owner.

Open AEC Platform

Building Information Modeling can only be successful if as many project members as possible can access the data for the virtual building models. For Nemetschek, this involves thinking outside and beyond its own product portfolio – in terms of an open AEC platform. In other words, in addition to the traditional data-exchange formats, the group also relies on open, freely-available and vendor-independent formats such as PDF and IFC. These support optimized information flow and ensure that all processes run smoothly. IFC (Industry Foundation Classes) has become established as a particularly high-performance standard data format for the intelligent exchange of 3D design data in the building industry. It can be used to exchange building models easily between software applications from different vendors. This creates a basis for the unhindered exchange of data – regardless of the software with which a user works.

The example of the Nemetschek subsidiary MAXON demonstrates the exchange via open interfaces. It has a data interface that enables the uncomplicated import and export of CAD data from a variety of software vendors. No matter which CAD software is used, architects can use the visualization and animation software of MAXON to make the virtual tours through their building drafts look as realistic as possible – as if a camera were rolling through the building.

Building Information Modeling, when thought through to the end consistently, means that the property user should have all the information regarding design and building processes simply by pressing a button. Using the virtual building model, for example, the user should be able to locate any technical problems immediately and rectify them right at the source. A good example of the benefits of the model comes from London, the British capital, in the field of anti-terror prevention: since 2008, the city has been working on a research project and developed a solution that allows rescue teams to find their way around public buildings instantly – this is based on 3D reconstructions of the buildings.

Double-Digit Market Growth Expected

Pilot projects in the U.S. have shown that the use of integrated software solutions helps reduce design and implementation times of buildings by up to 50 percent. Analysts therefore, placed the annual market volume of BIM software solutions in 2008 at US$ 800 million to US$ 1 billion. This was expected to grow further by 10 – 11 percent by 2012.

But until now there is still a considerable lack of incentives for architects to use BIM. The process has only just started, which must be built on the virtual building model. So far, estimates show that about 70 percent of architects still work with conventional 2D systems. The smaller their share in the value chain e.g., if they are responsible only for one part of the design – the more likely they are to shy away from the initially greater effort and expenditure of working with the virtual 3D model. As long as for example the fee schedule for architects in Germany does not provide for adequate compensation for additional design expenditure, many German architects refuse to provide services from which they cannot profit.

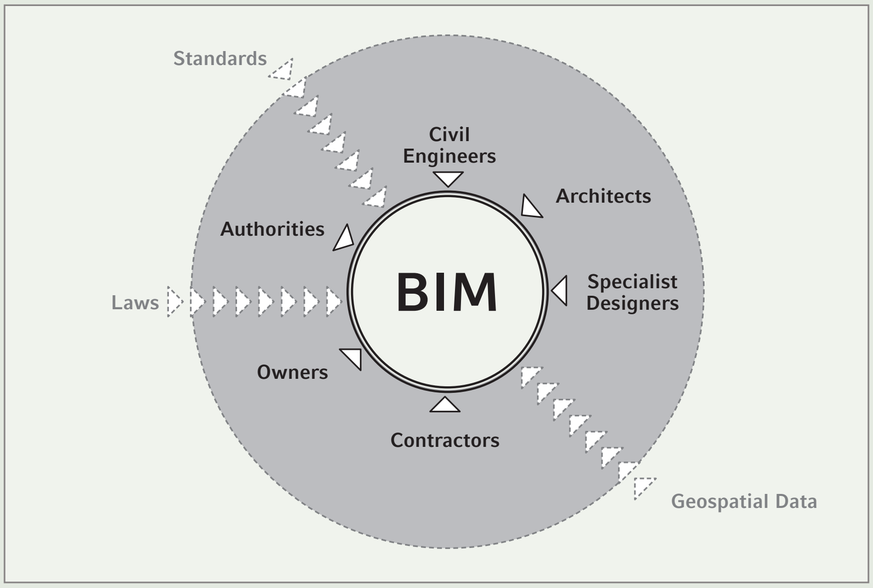
The situation is quite different for general contractors, as they benefit directly from any cost savings. However, process efficiency is increasingly becoming a major focus due to the trend towards private-public partnerships (P3). Growing cost pressures play a role, too: many industry observers believe that BIM is the only chance architects have to win contracts at a time of crisis.

Above all, though, building clients are exerting more and more pressure: a 2007 McGrawHill study shows that more and more clients are pushing for more interoperability in the construction industry. They benefit not only from cost and time savings as a result of more efficient building processes, but also from more simplified property management down the road. If one is to believe the analysts, the fact that clients are increasingly demanding it is the most important driver for BIM – followed in second place by time savings for designers. However, what is true elsewhere also applies to the construction industry: in the end, the decision rests with the customer.

BIM

Building Information Modeling

Building Information Modeling (BIM) stands for smooth collaboration among all those involved in the building process and is based on a uniform data platform – the virtual building model. BIM sees the building process as an integrated overall service produced by all the disciplines involved – from architects to building contractors. The focus is not only on the process of design and construction, but also on the entire life cycle of a building and thus on its subsequent use, too.



Corpus Museum near Leiden, Holland, designed by 3D Blueprint Architects & Engineers using Allplan. Photo-realistic visualization with MAXON CINEMA4D

Robin House Children Hospice in Balloch, Scotland,
designed by Gareth Hoskins Architects using Vectorworks

Financial Statements

Nemetschek AG
2008

Consolidated Financial Statements of Nemetschek AG (IFRS)*

Financial Statements of Nemetschek AG (German GAAP)

* Translation of German Report performed by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Munich. German version is mandatory.

Group Management Report for the 2008 Financial Year

Business and Economic Environment

Nemetschek in a Nutshell

The Nemetschek Group is Europe's leading suppliers of software solutions for architects, engineers and the construction industry. The Group's companies support their customers worldwide by providing solutions for the whole property life cycle, solutions that cover the entire value chain – from planning and visualization to the construction process proper and subsequent operation.

Thanks to the broad spectrum of services offered by its ten product brands, the Group has a solution for a just about every need. The common objective of all of Nemetschek's brands is to offer the user the greatest possible flexibility and scope for creativity. Smoothly integrated software solutions ease interdisciplinary cooperation between all players in the construction process, thus raising the efficiency of the whole process. Nemetschek is thus a pioneer in the field of Building Information Modeling (BIM). This core issue in this context is close cooperation between all functional departments based a common data basis.

The Nemetschek Group has set its sights on profitable growth, global presence and technology leadership. The Company pursues these objectives directly and by building strategic partnerships.

Overview: Revenue stands at EUR 150.4 million

In light of the effects of the financial crisis, which were already making themselves felt in 2008, the Nemetschek Group's development has been satisfactory. Revenue rose by 2.9 % to EUR 150.4 million (prior year: EUR 146.2 million). Of this amount, Nemetschek generated EUR 57.4 million in Germany, up 7.1 %. At EUR 93.0 million, the revenue generated abroad reached the same level as the prior year. Consequently, one third of revenue is generated in Germany and the remaining two thirds abroad.

The Group generated EBITDA of EUR 31.4 million (prior year: EUR 33.6 million). The EBITDA margin lay within the adjusted forecast of 20.9 % (prior year: 23.0 %).

Nemetschek was able to increase its cash flow from operating activities by 20.2 % to EUR 30.4 million (prior year: EUR 25.3 million). Cash flow in the period amounts to EUR 29.9 million (prior year: EUR 30.8 million). The equity ratio rose to 40.6 % (prior year: 34.4 %).

Developments in the Industry

Overall Economic Conditions

After more than a decade of positive economic growth in the eurozone and the US, the global economy weakened significantly in spring of 2008 as a consequence of the US real estate crisis. The magnitude of the collapse on international commodities markets and stock exchanges in the second half of the year has been unprecedented in post-war history. Not only industrialized economies have been affected, but also developing markets including China, India, Russia and eastern Europe. As a result of the global financial crisis and the insolvencies that followed, banks as well as institutional and private investors have become much more cautious about taking risks and their growth forecasts for the global economy have been adjusted downwards.

In a bid to counteract market developments, the major central banks introduced significant cuts in their key interest rates for refinancing in the fourth quarter of 2008. At the same time, extensive government guarantees were granted to the financial sector and public aid programs aimed at boosting demand were approved and implemented.

Based on a substantial weakening of the economic indicators, the OECD (January 2009) expects growth in the eurozone to contract further in the first half of 2009 compared to 2008. After that the OECD only expects a gradual improvement in economic growth through the second half of 2010.

This development will also be mirrored by negative growth rates in the European construction industry in 2009. The Euroconstruct business research group forecasts that the construction sectors of eurozone countries (residential, commercial and infrastructure construction) will contract by −4 %.

This outlook for the development of the economy going forward is currently manifested in the flagging indicators of the development of the construction sector published by the European Commission, which reached a record low at the end of 2008. The impact of the environmental factors described above on the business development of the Nemetschek Group is explained in more detail in our outlook found later in this report.

Business segments

Design

The companies active in this field – the Group's largest business segment – offer software solutions for architects, structural engineers, static engineers, sectoral planners and landscape planners. The companies active in the Design segment include Nemetschek Allplan, Graphisoft, Nemetschek North America with the product VectorWorks, Nemetschek Scia as well as the companies Friedrich & Lochner, Nemetschek Engineering and Glaser. Users prioritize flexibility, user-friendliness, functionality and the ability to make adjustments to address regional conditions. The importance of simple data exchange between functional departments is ever increasing. What are needed are integrated solutions of the kind widely offered by the Nemetschek Group – either based on high-performance interfaces or open data exchange formats such as IFC.

In the Design segment, revenue rose to EUR 124.3 million in 2008 (prior year: EUR 121.2 million). The field of engineering made a major contribution to this growth of 2.5 %. EBITDA came to EUR 24.3 million (prior year: EUR 26.2 million)

Design – Companies Focusing on Architecture

Nemetschek Allplan offers a comprehensive range of software solutions for architects and structural engineers, affording them the option of smooth planning from the design and implementation to facility management. The integration of specialist planning solutions and the seamless connection to the software of the structural engineering group is what makes the products attractive to players such as general contractors or for cooperative projects such as public-private partnerships. In 2008, Allplan entered into several forward-looking cooperation projects to allow its customers to determine the energy requirements of their buildings at an early stage. In addition, the brand was repositioned in the past fiscal year and initial steps were taken to restructure cross-border cooperation with the Company. The objective is to make Nemetschek Allplan a powerful international organization.

Graphisoft, with its Archicad CAD solution, focuses exclusively on architects and covers the entire value chain of design bureaus from the initial design to the final detailing of the construction plan. ArchiCAD's Version 12, which has been on sale since late summer 2008, uses multiprocessor technology resulting in a significant performance enhancement across all areas. Since the end of 2008, ArchiCAD also offers a solution for the integrated workflow between architects and design professionals. The Company also made progress in terms of its global expansion. For instance, Graphisoft has new distribution partners in Thailand and Hong Kong since 2008, and has successfully strengthened its market position in Scandinavia.

One of Nemetschek North America's (NNA) core products, Vectorworks is a CAD solution for design and construction planning that offers a broad spectrum of industry-specific solutions for architects, interior designers, landscape planers and stage and lighting design professionals. NNA also has an international presence and is already number two in Japan after the local market leader. Vectorworks is the world's most used CAD application on the Apple Macintosh. It is also available for the Windows environment. The most advanced modeling core available for CAD programs – Parasolid from Siemens PLM Software – was integrated in the new product generation. This performs the actual computational work and has raised the accuracy and speed of the 3D modeling program several times over.

Companies Active in Structural Engineering

The group companies active in the field of structural engineering include Nemetschek Allplan, Nemetschek Scia, Nemetschek Engineering, Friedrich & Lochner and Glaser. The Group offers CAD, structural analysis, logistics and project management solutions for all areas of structural engineering – from easy-to-learn entry-level products to high-end solutions. The structural engineering group has a combined customer base of 20,000 customers, making it Europe's largest provider of structural engineering software. In 2008, the five players joined forces to form the Nemetschek Engineering Group, an organization geared to addressing the issues that concern engineers worldwide, including interoperability and building information modeling for engineering applications.

The SCIA Group's high-end engineering solutions are used by structural engineers in stress planning to analyze and measure general two- and three-dimensional steel and reinforced concrete structures. SCIA works together with Allplan based on a virtual building model and delivers the pertinent stress analysis data. The core product – Scia Engineer allows modeling of larger and more complex structures such as bridges, towers, energy plants and tower blocks. In 2008, the Belgian subsidiary was successful in winning major customers in growth economies like Brazil and the Middle East. Moreover, SCIA has had a representative office in Dubai since the end of the year.

Nemetschek Frilo stands for a comprehensive range of structural engineering programs that essentially support the engineer's daily tasks and which are easy to use and fast. For Friedrich & Lochner GmbH's development team, 2008 saw the start of the implementation of the European EN norms, which are on the verge of being introduced in many countries. In addition, the company extended its range to include numerous innovations such as earthquake testing in the building model.

Build

The Build division comprises all products and solutions dealing with the commercial and technical cost and work invoicing, cost and deadline planning as well as calls for tenders, assignment and invoicing of construction work. They cover the whole construction process – from project cost planning and technical construction site management to commercial construction invoicing. The Build division includes Nemetschek Bausoftware GmbH, the Austrian Auer – Die Bausoftware GmbH and NEMETSCHEK Allplan GmbH's ALLPLAN BCM product line. Together, they serve more than 8,000 customers working in the fields of planning (architects and engineers), project managers and construction companies. AUER – Die Bausoftware GmbH is the unrivaled Austrian market leader. Focus on commercial solutions, Nemetschek Bausoftware GmbH not only has a strong position in Germany, it is also the Swiss market leader. The revenue generated by this segment decreased slightly by 2.6 % to EUR 12.9 million. The division's strength lies in its profitability. With EBITDA of EUR 3.5 million (prior year: EUR 4.1 million), the segment contributed an above-average margin of 27.3 % (prior year: 31.1 %) to the Nemetschek Group's success.

Manage

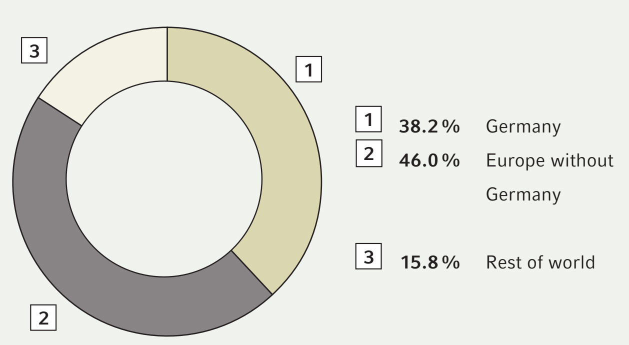
Nemetschek CREM Solutions GmbH & Co. KG operates the Manage division. The division offers software for commercial and technical real estate management. Its main product, iX-Haus 2008, is a one-stop solution for managing commercial real estate. The company also offers software for managing residential property holdings and larger operators in facility management. To this end, the company uses a holistic concept that encompasses a full range of functions from process analysis through to implementation and training. Intense cost pressure forces property managers to continually raise efficiency. Conditions are exacerbated by frequent changes in the regulatory environment and increasing demands for transparency. As a result and thanks to its intelligent reporting solutions, Nemetschek CREM Solutions was able to win a number of new customers in 2008.

As of July 1, 2008, the Allfa graphic software solution was reallocated from Nemetschek CREM Solutions to the Design division. Segment reporting for this division was adjusted in the current fiscal year and the prior year. In fiscal 2008, the Manage division generated revenue of EUR 4.2 million which was thus 17.3 % above the prior-year figure. EBITDA amounts to EUR 0.5 million (prior year: EUR 0.9 million).

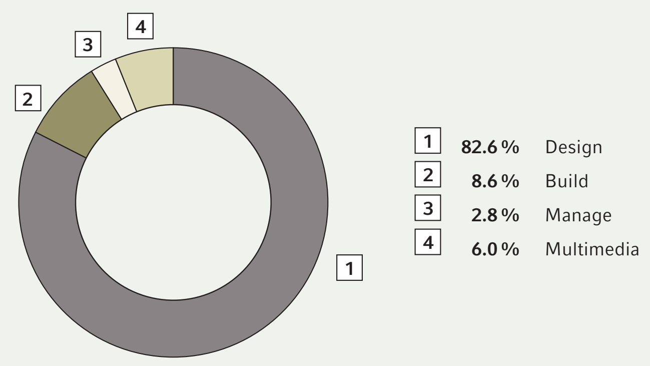
Multimedia

The Multimedia division comprises MAXON Computer GmbH in Germany and its subsidiaries in the USA and England. Due to the increasing concentration process in the industry, the Maxon Group is today one of the last independent providers of professional 3D visualization and animation software. MAXON has distribution partners in 70 countries. Its core product – CINEMA 4D – is available in nine languages. In 2008, development and marketing activities focused on the eleventh generation of CINEMA 4D. It was possible to double the program's speed on average, this includes new tools for background design and natural light simulation. The Multimedia division increased revenue by 10.8 % to EUR 9.0 million. With an EBITDA of EUR 3.1 million (prior year: EUR 2.4 million) and a margin of 34.4 % (prior year: 29.0 %) the contribution of the Multimedia segment to the overall success of the Nemetschek Group was well above average.

Group revenues by regions in %



Group revenues by Business Units in %



Corporate Management at Group Level

Nemetschek Aktiengesellschaft is a holding company with registered offices in Munich. It holds equity investments in companies offering software solutions for the AEC industry (architecture, engineering and construction) for planning, building and managing buildings and also for multimedia. The Group is organized into four divisions Design, Build, Manage and Multimedia comprising more than 40 companies with operations in Germany and abroad. The individual divisions are managed in accordance with the Group's overall strategic orientation. There is an overall plan which incorporates the annual budgets of the individual group companies. Budgeting is handled at revenue type level, product and profit center level while the associated costs are managed using the cost of sales and total cost methods. Interim reports are issued monthly, showing sales, earnings and costs for each area, with a detailed analysis of budget variance and delta on the previous year and prospects to the year end, updated monthly. These are managed using operations-based key indicators that are mapped in a management information system. Key performance indicators are the return on sales and contribution to the Group's margin. The key indicators include revenue by type and EBITA.

Disclosures pursuant to Sec. 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code] and explanatory report

(1) Composition of issued capital
Nemetschek Aktiengesellschaft's share capital as of December 31, 2008 stands at EUR 9,625,000.00 (unchanged on the prior year) and is divided into 9,625,000 no-par value bearer shares.

(2) Restrictions relating to the voting rights or transferability of shares
There are no restrictions relating to the voting rights or transferability of shares.

(3) Investments in the capital that exceed 10 % of the total voting rights
Direct and indirect investments in the issued capital (list of shareholdings) are listed below:

Prof. Georg Nemetschek	14.66 %	(prior year: 25.05 %)
Dr. Ralf Nemetschek	11.51 %	(prior year: 11.51 %)
Alexander Nemetschek	11.51 %	(prior year: 11.51 %)
Nemetschek Foundation	10.39 %	(prior year: 0.00 %)
Free float (below 10 %)	51.93 %	(prior year: 51.93 %)

All shareholders with holdings in excess of 10 % of the total voting rights are resident in Munich.

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

(5) Type of voting right controls when employees hold interests in capital and do not exercise their control rights directly
There are no voting right controls on employees with shareholdings.

(6) Legal provisions and statutes on the appointment and dismissal of members of the management board and amendments to the articles of incorporation and bylaws
The appointment and dismissal of management board members is governed by Secs. 84 and 85 AktG ["Aktiengesetz": German Stock Corporation Act] and Sec. 7 of the articles of incorporation and bylaws of Nemetschek Aktiengesellschaft. Accordingly, management board members are appointed for a maximum term of five years. Reappointment or extension of the term of office is allowed, for a term of up to five years each time.
The amendment to the articles of incorporation and bylaws are subject to Sec. 179 AktG and Art. 18 and Art. 13 of the articles of incorporation and bylaws of Nemetschek Aktiengesellschaft. These stipulate that the shareholders' meeting must pass a resolution to amend the articles of incorporation and bylaws by a simple majority of the voting rights represented – provided that the law does not require a greater majority. According to Art. 13 of the articles of incorporation and bylaws of Nemetschek AG, the supervisory board is authorized to pass resolutions that only affect the wording of the articles of incorporation and by-laws.

(7) Authority of the management board to issue or redeem shares
According to the resolution of the shareholders' meeting on July 29, 2003, the management board was authorized until July 28, 2008 to:

- Increase the share capital, once or several times, by a maximum of EUR 1,200,000.00 with the approval of the supervisory board, by issuing new no-par value bearer shares in exchange for cash contributions (Authorized Capital I). The management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights for fractional amounts. The management board is also authorized, with the approval of the supervisory board, to preclude the shareholders' subscription rights up to a proportional amount of share capital totaling EUR 962,500.00, provided the new shares are issued at an issue amount not significantly below the quoted share price.

- Increase the share capital, once or several times, by a maximum of EUR 3,600,000.00 with the approval of the supervisory board, by issuing new no-par value bearer shares in exchange for contributions in cash or in kind (Authorized Capital II). The management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights for fractional amounts. The management board is further authorized, with the approval of the supervisory board, to preclude the subscription right of the shareholders for the issue of new shares in return for contributions in kind, provided the new shares are issued for the purpose of acquiring entities or investments in entities and the acquisition is in the Company's interest.

The shareholders' meeting of July 29, 2003 passed a resolution for a contingent increase of the capital stock of the company by up to EUR 850,000.00 which serves to guarantee subscription rights (options) to board members and executives. As of December 31, 2008, no options had been issued to members of the management board (prior year: 100,000 options).

According to the resolution of the shareholders' meeting on May 21, 2008, the management board is authorized until November 20, 2009 to:

- Purchase up to 962,000 treasury shares of the Company, equivalent to just under 10 % of the share capital, in full or in part amounts, once or in several installments subject to the following conditions. At no time may the shares acquired on the basis of this authorization together with other treasury shares already purchased and held by the Company, or which are attributable to the Company under Secs. 71a et seq. AktG, constitute more than 10 % of the capital stock. The authorization may not be used for trading with treasury shares.
  This authorization replaced the authorization adopted by the shareholders' meeting of Nemetschek Aktiengesellschaft on May 23, 2007 as agenda topic 6 concerning the acquisition of treasury shares, which was thereby cancelled to the extent that no use was made of it.

- The shares can be purchased on the stock exchange or by public offer addressed to all shareholders of the Company.
  If the shares are 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 in the last five days of trading prior to the obligation to purchase them on the electronic Xetra exchange (or a comparable successor system) by more than 10 %.
  If a public purchase offer is made, the offer price for a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall short of the average closing price on the Xetra exchange over the five days of trading prior to publication of the purchase offer by more than 20 %. If the total subscription exceeds the volume of the purchase offer, shares are issued on the basis of the relative quotas. Preferential subscription to small numbers of shares may be allowed, up to a maximum of 100 shares offered for sale for each shareholder.

- The management board is authorized to use the treasury shares purchased pursuant to this authorization for any legally permissible purpose. According to Sec. 71 (1) No. 8 AktG, the management board is authorized to use treasury shares purchased pursuant to this authorization for other purposes than through the sale on the stock exchange or via an offer to all shareholders precluding the subscription rights of the shareholders:
  (a) The management board is authorized to offer treasury shares purchased by exercising the above authorization to third parties as consideration for the acquisition of entities, investments in entities or parts of entities.
  (b) The management board is authorized to use treasury shares acquired by exercising the above authorization to satisfy with share
  subscription rights under the 2003 stock option plan. The 2003 stock option plan is based on resolutions passed by the shareholders' meeting on July 29, 2003 on No. 7 (b) of the agenda (published in the electronic Federal Gazette on June 18, 2003) and on May 20, 2005 on 7 (a) of the agenda (published in the electronic Federal Gazette on April 12, 2005). Please see the resolutions of the respective annual shareholders' meetings and the latest management report for more details.
  The supervisory board must decide on any assignments of treasury shares to members of the management board.
  (c) The management board is authorized to redeem treasury shares acquired by exercising the above authorization, with the approval of the supervisory board, without any further resolution of the shareholders' meeting being required for the redemption to take effect.

(8) Significant agreements that are subject to a change in control as a result of a takeover bid

The Company has not entered into any significant agreements subject to a change in control as a result of a takeover bid.

(9) Compensation agreements with the members of the management board or employees in the event of a takeover bid

The Company has not entered into compensation agreements with the members of the management board or employees in the event of a takeover bid.

Employees

As of December 31, 2008, the Company employed 1,114 persons (prior year: 1,067) worldwide. In the fiscal year and the prior year, the headcount figures were adjusted for persons on long-term sick leave and temporary staff. The Nemetschek Group employed an annual average of 1,083 people (prior year: 1,053).

Remuneration Report

Supervisory Board

In addition to a fixed component, the remuneration paid to members of the supervisory board also contains a profit-based component. This was decided at the shareholders' meeting of Nemetschek AG on May 20, 2005. The variable remuneration is based on the Group's earnings per share. In the opinion of the management board and the supervisory board, this indicator is a reliable measure of the inherent value of the share and the underlying entrepreneurial success.

The shareholders meeting on May 21, 2008 passed a resolution to amend Art. 14 (2) of the articles of incorporation governing remuneration of the members of the supervisory board, as follows:

"Art. 14 (2) Sentence 2 of the articles of incorporation and bylaws is hereby revoked. Sentence 3 of Art. 14 (2) now becomes Sentence 2 of the articles of incorporation and bylaws and reads as follows:

In addition to the fixed remuneration pursuant to para. 1, the members of the supervisory board receive an annual profit-based component of EUR 500.00 for each EUR 0.01 of diluted earnings per share that is in excess of EUR 0.90 in the respective fiscal year reported in the consolidated financial statements pursuant to IAS 33. The variable remuneration is payable on the day of the shareholders' meeting at which the resolution is passed exonerating the members of the management board for the past fiscal year."

The amendment to the articles, i.e. the variable remuneration without any upper limit, applies from fiscal year 2008 onwards.

Remuneration of the supervisory board breaks down as follows:

Thousands of €	Fixed salary	Profit-based remune-ration	2008
Kurt Dobitsch	25.0	7.5	32.5
Prof. Georg Nemetschek	22.5	9.0	31.5
Rüdiger Herzog	17.5	9.0	26.5
Alexander Nemetschek	2.5	1.5	4.0
Total Supervisory Board Remuneration	**67.5**	**27.0**	**94.5**

Thousands of €	Fixed salary	Profit-based remune-ration	2007
Kurt Dobitsch	26.2	13.1	39.3
Prof. Georg Nemetschek	22.5	15.0	37.5
Rüdiger Herzog	16.9	15.0	31.9
Alexander Nemetschek	1.9	1.9	3.8
Total Supervisory Board Remuneration	**67.5**	**45.0**	**112.5**

Management Board

Remuneration of the management board consists of a basic salary and a variable component. The variable remuneration is generally tied to the achievement of defined revenue and profit targets. A smaller portion of the variable remuneration is paid out upon reaching individual goals.

Remuneration of the management board breaks down as follows:

Thousands of €	Fixed salary	Profit-based remune-ration	Share-Based payments	2008
Ernst Homolka	218	170	0	388
Michael Westfahl	75	0	0	75
Total Management Board Remuneration	**293**	**170**	**0**	**463**

Thousands of €	Fixed salary	Profit-based remune-ration	Share-Based payments	2007
Ernst Homolka	170	269	54	493
Michael Westfahl	168	151	54	373
Dr. Peter Mossack	73	0	0	73
Gerhard Weiß	17	7	0	24
Total Management Board Remuneration	**428**	**427**	**108**	**963**

The fixed component contains the basic salary and other taxable salary components such as health and nursing insurance as well as provisions on company cars. Mr. Homolka waived his right to share-based remuneration in October 2008. In fiscal 2008 termination benefits paid to Mr. Westfahl came to EUR 499 k. Mr. Westfahl left the Company in May 2008. In fiscal year 2007 termination benefits paid to Dr. Mossack came to EUR 690 k. Dr. Mossack left the Company in May 2007. Further details on share-based payments are made in note 28 to the consolidated financial statements.

Financial Performance / Position / Net Assets

Financial Performance

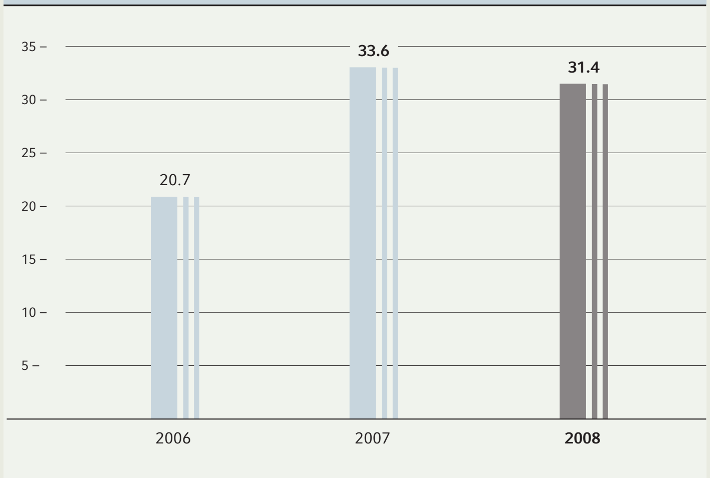
Group revenue exceeded EUR 150 million for the first time
The revenue of the Nemetschek Group rose slightly by 2.9 % to EUR 150.4 million (prior year: EUR 146.2 million). At the same time, the revenue in Germany increased by 7.1 % to EUR 57.4 million (prior year: EUR 53.6 million). Revenue generated abroad of EUR 93.0 million reached the same level as the prior-year level (EUR 92.6 million).

Group EBITDA amounts to EUR 31.4 million
As of the cut-off date, the Nemetschek Group generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 31.4 million (prior year: EUR 33.6 million). Notwithstanding the economic slowdown in the fourth quarter, the Group was able to reach the adjusted forecast with an EBITDA margin of 20.9 % (prior year: 23.0 %).

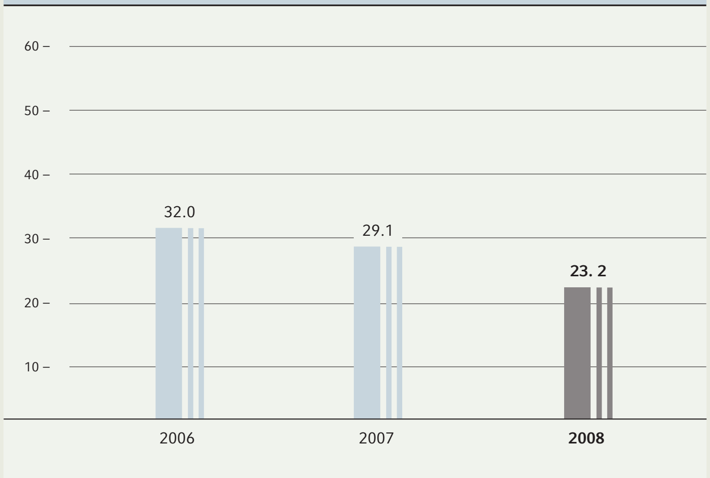
Operating expenses in the period amounted to EUR 132.1 million (prior year: EUR 125.2 million). The increase in the individual items of the income statement stemmed from the slight increase in personnel expenses (up 1 %). The Group expects personnel expenses to remain stable in fiscal year 2009. Amortization and depreciation increased by 6.0 % due to the rise in capital expenditure in the prior year. As in the prior year, depreciation from the purchase price allocation came to EUR 7.4 million. The 13.6 % rise in other operating expenses is partly attributable to bad debt allowances recognized on trade receivables, marketing expenses in connection with the launch of new software versions as well costs incurred due to the new branding. Moreover, an increasing number of services were sourced from external providers to allow a more versatile response to market developments.

At EUR 21.0 million, EBIT was 11.9 % below the prior-year figure. The financial result shoulders interest burdens of EUR 4.2 million (prior year: EUR 5.0 million) attributable to the syndicated loan facility for the Graphisoft acquisition. In addition, the remeasurement of the interest rate hedges resulted in a non-recurring interest expense of EUR 2.5 million, although there was no impact on cash flow. The Group's effective tax rate came to 27.1 % in fiscal year 2008 (prior year: 26.5 %). In this regard the net profit (attributable to the Group) decreased by 14.6 million to EUR 10.4 million. Net profit attributable to minority interests amounted to EUR 1.0 million (prior year: EUR 0.8 million). Earnings per share comes to EUR 1.08 (prior year: EUR 1.52).

EBITDA Group in million €



Cash and cash equivalents in million €



Financial Position

Cash flow from operating activities came to EUR 30.4 million

Cash flow for the period amounts to EUR 29.9 million in fiscal year 2008 (prior year: EUR 30.8 million). Non-cash transactions include interest expenses from the interest swap of EUR 2.5 million as well as impairment losses on customer receivables totaling EUR 1.5 million. Cash flow from operating activities increased by 20.2 % to EUR 30.4 million on the back of strict receivables and liquidity management (prior year: EUR 25.3 million).

Cash flow from investing activities amounts to EUR −4.7 million (prior year: EUR −102.4 million). Investment in the current fiscal year focused on replacement investments and a customer base as well as for the introduction of an ERP system. In the prior year, cash flow had been marked by the acquisition of Graphisoft as well as an additional purchase of shares in the SCIA Group.

Cash flow from financing activities also contains dividends of EUR 6.3 million (resolution dated May 21, 2008) and interest payments of EUR 4.2 million for the bank loans as well as the net profit paid out to minority interests of EUR 1.2 million. In fiscal 2008, Nemetschek repaid EUR 20.3 million of the loan of EUR 100 million obtained to finance the acquisition of the Graphisoft Group. Consequently, EUR 50.7 million has already been repaid in the last 24 months. Nemetschek has repaid EUR 4.0 million of the bank loans prematurely, without observing the repayment schedule originally agreed with the banks.

The cash and cash equivalents amount to EUR 23.2 million as of balance sheet date (prior year: EUR 29.1 million).

Net Assets

Equity ratio stands at 40.6 %

On the assets side of the balance sheet, current assets decreased from EUR 61.5 million to EUR 52.0 million. This is primarily due to the cash outflows needed to repay bank loans and distribute dividends.

Non-current assets decreased by EUR 5.9 million to EUR 115.4 million, primarily due to the systematic depreciation and amortization of assets from the purchase price allocation. The sum of intangible assets including goodwill thus decreased from EUR 111.9 million to EUR 106.7 million.

Of the current liabilities, EUR 8.0 million are attributable to the current portion of bank loans from the acquisition of Graphisoft. The non-current portion of EUR 41.3 million is disclosed under non-current liabilities. Long-term funds were obtained to finance the Graphisoft acquisition. Consequently, no changes to loans are expected at present. Other non-current financial obligations concern the remeasurement of interest hedges.

Equity amounted to EUR 67.9 million as of balance sheet date (prior year: EUR 62.9 million). Total assets as of December 31, 2008 came to EUR 167.4 million (prior year: EUR 182.8 million). The equity ratio rose accordingly from 34.4 % to 40.6 %.

Analysis of Capital Expenditures

The Group regularly makes investments to replace fixed assets. A new ERP system is currently being introduced to efficiently map the core commercial processes within the Group. The Group anticipates an initial investment of EUR 2.2 million in this regard. Capital expenditure on this project to date has totaled EUR 1.3 million. The project is scheduled for completion in all material respects by 2010.

Principles and Aims of Financial Management

The main objective of the Group's financial management is to secure the Group's financial stability and flexibility by ensuring an equilibrium between equity and debt capital. The Nemetschek Group's capital structure breaks down as follows: Equity stands at 40.6 % (prior year: 34.4 %), current liabilities come to 27.7 % (prior year: 29.6 %) and non-current liabilities stand at 31.7 % (prior year: 36.0 %). The current liabilities mainly comprise trade payables and the current portion of loans as well as other liabilities, which fall due in less than one year and are covered by current operating cash flow. The main sources of finance are current assets, including trade receivables, which stem directly from the Group's operating business.

The remaining cash flows are used for the repayment of non-current portions of loan liabilities to the syndicate of banks. Future cash flows from operating activities cover the repayment of the non-current portion of loans. The Group plans to repay the debt capital borrowed for the acquisition of the Graphisoft Group over the next four years. The Group has not implemented any other financing measures in the fiscal year.

In order to comply with the loan repayment obligations to the lenders, Nemetschek Aktiengesellschaft, as the Group's ultimate parent, needs to have access to the liquid assets of the group companies. This is secured via group-wide cash pooling with the participation of selected subsidiaries. Other liquid assets flow to the ultimate parent of the Group through the annual profit distributions of subsidiaries.

Management of Liquidity Risks

Interest hedges have been concluded to hedge interest expenses in excess of 60 % of the debt capital borrowed.

Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. The credit rating of the Group allows sufficient cash to be procured. Undrawn lines of credit totaling EUR 21.5 million are also available. To manage this risk the Company periodically assesses the credit rating of its customers.

The Group monitors its risk of a shortage of funds using monthly liquidity planning. This considers the maturity of both its financial assets (e.g. accounts receivable, fixed-term deposits) and projected cash flows from operating activities. The Group's objective is to maintain a balance between continuity of funding and flexibility.

Research and Development

The Nemetschek Group is a pioneer in the field of virtual building modeling and inter-disciplinary cooperation between all parties involved in the construction process (building information modeling – BIM). Research and development activities at all subsidiaries thus focus on the continuous enhancement of the underlying concepts and software solutions.

In order to facilitate efficient cooperation between all of the players involved in the construction process, Nemetschek has for many years also supported the exchange of building model data based on the open industry standards IFC (industry foundation class). This standard is developed by the buildingSMART initiative (formerly IAI – Industrial Alliance for Interoperability). With the CAD solutions of Allplan, ArchiCAD and Vectorworks, IFC data can be created and entered. All buildingSMART applications are certified for the current IFC 2x3 interface.

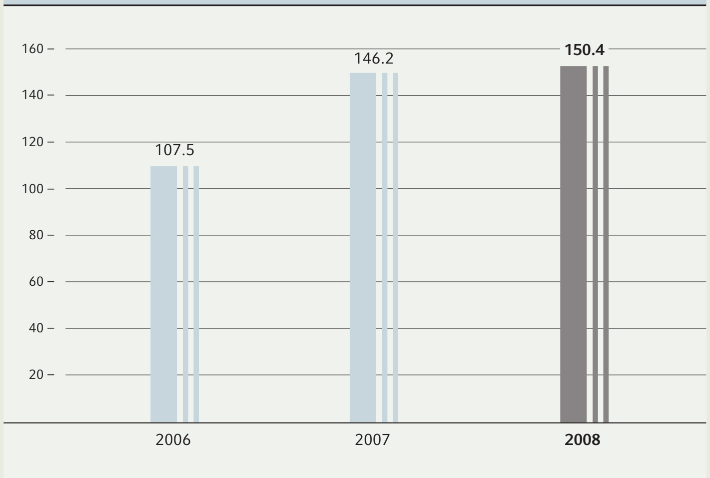
At the start of 2008, the Scia Engineering stress analysis software passed all of the relevant hurdles required for IFC certification. As a result, Scia is the world's first provider of structural analysis software to obtain complete IFC certification and is predestined for use in BIM projects. For instance, structural engineers in a number of northern European countries are now obliged to submit digital model data for public projects in IFC format.

Focusing and Usability and the Green Building

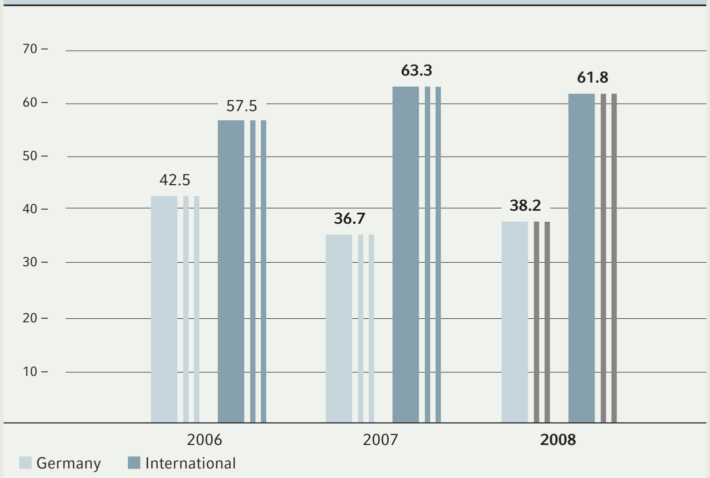
An important issue of relevance to research and development was the increasing demands on user-friendliness. Indeed, from the user's perspective, this aspect has become just as an important as the software's actual functionality. The user interface including the user navigation system has thus become a key distinguishing feature. An attractive design is not the only requirement; another is a reduction in complexity from the user's perspective. Simplicity is the key here to enhancing productivity. One of the Group's teams of software engineers led by Nemetschek Allplan has been focusing on this issue since 2008.

Another focal point of research and development was and remains on the development of solutions for environmentally conscious and energy efficient construction, green building for short. All of the Group's core products have already developed corresponding solutions and continue to enhance these. The issue of energy efficiency, for instance, was a central aspect of the development of the new software version released by Allplan. The areas covered by the new modules range from energy consulting for building clients to the exact measurement of primary energy requirements and preparing the energy ID.

Group revenues in million €



Group revenues in %



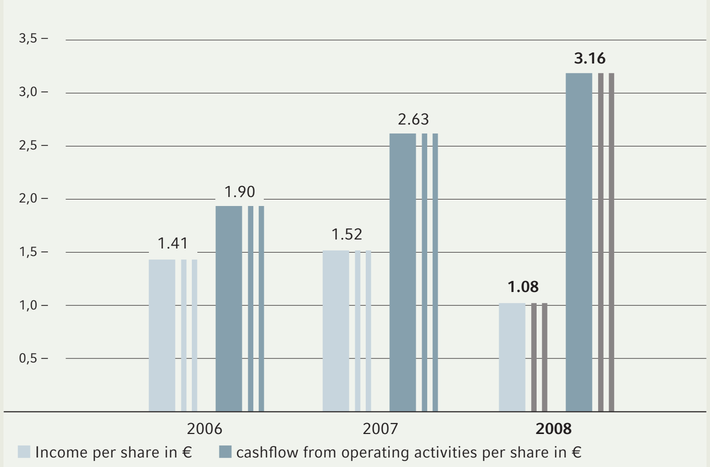
Performance Improved across the Board

At the end of 2008, Nemetschek North America reported that it had achieved a quantum leap in the development of Vectorworks. The new software generation integrates with Parasolid from Siemens PLM software, the most modern and powerful 3D modeling cores that are available for CAD applications. This performs the program's actual computational work and is thus the decisive component as regards reliability and speed of construction and modeling work. With Vectorworks 2009 it is possible to model the most complex free-form surfaces in 3D. The actual modeling work is four to five times faster than in the past. The Parasolid technology was integrated simultaneously in all modules of the Vectorworks 2009 product range. This has resulted in tailored CAD solutions for architects, landscape architects, the entertainment industry and designers.

Graphisoft addressed the issue of speed in fiscal year 2008. Apart from having a number of new features, the new version ArchiCAD 12, which has been available since late summer, is the first CAD solution for architects that uses multi-processors. This significantly speeds up the entire workflow. Graphisoft is also developing a new solution for the inter-disciplinary cooperation of design professionals. At the end of 2008, the Company introduced a new module which allowed the quick and seamless integration of all building-related data into the building model via the IFC format.

Overall, Nemetschek expensed EUR 33.1 million in research and development in the year 2008 (prior year: EUR 28.9 million).

Net income and cashflow from operating activities in €



Risk Report

Risk Management

The business of Nemetschek Aktiengesellschaft involves both opportunities and risks. We operate a risk management and control system to detect, assess and manage business risks at an early stage.

The aim is to analyze the risk profile of potential factors, detect changes in risk conditions and counteract negative developments in advance. An additional objective is to recognize and benefit from possible opportunities.

Responsibility for detecting risks at an early stage and dealing with them generally rests with the management board. In performing its duties in this area, it is assisted by the other members of management, appointed risk owners and the risk manager. The risk manager is responsible for planning, providing information, monitoring and controlling risks. The risk owners are responsible for continuously identifying, assessing and managing risks in their respective operational areas. The internal audit department is also a key element of the risk management system. In the course of its activities, it continually assesses processes and their documentation and tests process controls as to their design and effectiveness. The risk management system is reviewed by the auditor during the audit of the financial statements. To improve comparability, risks are valued group-wide based on quantitative and qualitative criteria. A risk inventory is performed every six months by surveying and recording the Group's current risk position. Regular reporting can be supplemented during the year using ad hoc information, for example when identifying risks to the continued existence of the Company as a going concern. In fiscal 2008, Nemetschek introduced a code of conduct that is applicable throughout the Group.

Risks to Future Development

The Nemetschek Group is faced with strategic risks of a medium-to long-term nature and which relate to changes in environmental factors and management processes, such as development, marketing, organizational and management processes.

There are also operating risks that tend to be of a more short-term nature, and that can arise from changes in the market environment, inadequate and erroneous internal processes, systems or external factors as well as human error. This could result in indirect and direct losses in performance and the recoverable value of assets. The Nemetschek Group mainly generates revenue from the sale of software licenses. In the software industry, it is possible to react comparatively swiftly to growing demand, and the results of additional revenue have an immediate positive impact on earnings. Conversely, a fall in demand can impact our financial performance at short notice. Revenue from products of the Nemetschek Group is distributed across several countries. Moreover, no individual customers account for a major share of revenues.

Consequently, the risks described in the above have not yet had any significant impact on the Group's results of operations from a current perspective.

The main risks that could undermine the Nemetschek Group's financials lie in the market and industry environment. The success of the Nemetschek Group mainly hinges on economic developments in the construction and real estate industries. The order situation and the financial strength of the construction industry and its players influence investments in software and, in turn, the development of the Group's business.

There is a risk at present here that economic conditions will deteriorate worldwide. Apart from the general weakness of the credit markets of relevance to the construction and real estate industry and the stringent credit conditions currently prevailing (liquidity, interest rates and risk premiums), the general conditions of the markets in which Nemetschek is active can permanently impair the purchasing power of our target groups. In addition, the negative expectation as regards the development of the economy going forward could lead to a significant reduction in investment activity in the short and medium term. The Nemetschek Group tracks such changes by analyzing the key early indicators. Risks are diversified at Nemetschek through involvement in markets in different countries, which are generally also characterized by different economic and competition risks. In addition, our risks are spread by maintaining a broad client base and a wide product portfolio, while the large portion of revenue from maintenance work also serves to mitigate risk.

Credit risks, or the risk of contractual parties defaulting, are managed by means of credit approvals, limits, monitoring procedures and regular debt reminder cycles.

Competitive conditions also have a substantial impact on the risk profile. Apart from Nemetschek, there are not many large providers large providers active on the global AEC market. Risks might arise in this context as a result of the pace of the technological change, competitors' innovations or the entry of larger software companies into the market.

As a provider of specialist skills that cover the entire life cycle of buildings, Nemetschek is exposed to a lower degree of risk than other market players.

There is a basic risk that the Nemetschek Group's innovative edge might be eroded by the competition through copying or by introducing their own innovations, or if we fail to adjust in time to changing client requirements and technological innovation. Nemetschek counters this risk by generally maintaining annual release cycles for its software products.

There are potential risks attaching to the process of developing software products in that they might fail to sufficiently address customers' needs and comply with internal quality standards.

Backed by its innovative edge, Nemetschek is in a good position to generate profitable growth in the future. Particularly the increasing international orientation towards eastern European markets and the Middle and Far East afford growth potential.

Recruiting and retaining highly qualified employees is therefore a key success factor for the Nemetschek Group. If managers or other qualified employees leave the Nemetschek Group and we cannot find suitable replacements, this may affect how our business develops. This issue is especially sensitive if it also means losing expertise and specific company data. To avoid this risk, the Nemetschek Group offers attractive labor conditions and is improving knowledge management processes continuously.

Due to the amount of financial liabilities attributable to the acquisition of the Graphisoft Group, the Company is exposed to a basic liquidity risk should the Group's results of operations deteriorate. At present, the Nemetschek Group generates a significantly positive cash flow. This is used to reduce liabilities and opens up opportunities for additional acquisitions.

The availability of decentralized financial funds is ensured by Nemetschek Aktiengesellschaft using a centralized cash pooling system.

Financial Risk Management

The objective of the Company with regard to financial risk management is to mitigate the risks presented below by the methods described. The Group generally pursues a conservative strategy with a cautious approach to risks.

Currency Risk and Risk Management

In the course of ordinary operations, the Nemetschek Group is particularly exposed to exchange rate fluctuations. It is company policy to exclude or limit these risks by entering into hedge transactions. The currency risks of the Group occur due to the fact that the Group operates and has production and sales centers in different countries worldwide. All hedging activities are coordinated or performed centrally by the group treasury.

The exchange rate fluctuation only has a limited effect at top group level because the operating subsidiaries outside the euro zone record revenue as well as cost of materials, personnel expenses and other expenses in their local currency.

As required, the Group enters into various types of foreign exchange contracts to manage its foreign exchange risk resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign currencies.

The Group entered into forward exchange contracts in the past fiscal year that were pending as of the balance sheet date. Nemetschek Aktiengesellschaft entered into forward exchange contracts amounting to CHF 2.1 million to hedge any exchange rate fluctuations that might impact the expected distributions and royalties paid by affiliated entities. When marked to market as of December 31, 2008 these instruments displayed a negative fair value of EUR 0.1 million.

Credit Risk and Risk Management

Credit risks, or the risk of contractual parties defaulting, are managed by means of credit approvals, limits, monitoring procedures and regular debt reminder cycles. Where appropriate, the Company obtains additional collateral in the form of rights to securities or arranges master netting agreements.

The Company does not expect that any of its business partners with high credit ratings will fail to meet their obligations. The Nemetschek Group has no significant concentration of credit risk with any single customer or customer group. The maximum credit risk can be calculated from the amounts shown in the balance sheet.

Credit Risk and Risk Management

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the head of credit control. There is no significant concentration of risk of default within the Group.

With respect to the other financial assets of the Group, which comprise cash and cash equivalents, the Group's maximum exposure to credit risk arises from default of the counterparty is equal to the carrying amount of these instruments.

Interest Risk and Risk Management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

On the one hand, the Group manages the interest rate risk using the interest coverage ratio. The interest coverage ratio is EBITDA divided by net interest expense.

On the other, the Group's interest expenses are managed by hedging interest expenses on borrowed capital. 60 % of the interest expenses on borrowed capital was hedged as of December 31, 2008 taking the existing interest hedge. Due to the stark change in interest rates, the interest hedge was remeasured as of the balance sheet date. This resulted in a non-recurring interest expense of EUR 2.5 million, which did not, however, have any impact on cash flow.

Summary Risk Report

Taken as a whole, we are confident that the risks identified above will not endanger the Group's continued existence as a going concern, either individually or collectively, and that the Nemetschek Group will successfully meet the challenges facing it once again in 2009. We see our opportunities to perform well and expand our market position as a leading supplier of integrated software solutions over the whole property life cycle in continuing to expand internationally and targeted acquisitions and strategic partnerships. We also intend to exploit our potential in existing markets with our innovative software solutions to the full.

Subsequent Events

After the exercise of a put option to pay a variable purchase price liability, Nemetschek acquired 3.5 % of the shares in Nemetschek Bausoftware, GmbH, Achim, by notarized agreement dated December 22, 2008. The shares were transferred effective January 2, 2009. The payment of EUR 0.5 million for the shares was made on January 22, 2009. This did not have any effects on the 2008 consolidated financial statements, since these had already been fully consolidated in the course of the acquisition of Nemetschek Bausoftware GmbH and the put option was recognized as a liability.

There have been no material changes to the background conditions described above since the fiscal year ended.

Note on Forecasts

This group management report includes forward-looking statements and information, i. e. statements about events that lie in the future. Such forward-looking statements can be recognized by the fact that they use words such as 'expect', 'intend', 'plan' and 'estimate', and other similar terms. Such forward-looking statements are based on current expectations on the basis of certain assumptions. These forward-looking statements involve known and unknown risks and uncertainties. There are many different factors, some of them outside the Nemetschek Group's control, which affect our business, profits, business strategy and results. These factors may result in the Nemetschek Group's actual results, success and performance varying significantly from statements made on results, profits and performance in such forward-looking statements, either expressly or implicitly.

Outlook for 2009 and 2010

Global Recession Expected in 2009

All international market research institutes expect the global recession to continue in 2009. Experts anticipate a decrease in the economic output of up to 3 % in the EU and the US. Growth will weaken substantially in emerging and developing countries. It is still not possible at present to accurately forecast the effects of the financial crisis. Despite the radical measures introduced by numerous governments and central banks, confidence in the financial system has not returned, and this will probably continue to weigh heavily on the economy in 2009.

Economic research institutes and the German government speak of a drop in GDP of between 1.5 % and 3 % in 2009. The downward economic trend deteriorated significantly in the fourth quarter of 2008, and there is no indication of any recovery before the end of 2009. As a traditional exporting nation, Germany is more intensely affected by the economic downturn than other countries.

The Nemetschek Group will not be able to escape the gravitational pull of these economic factors in 2009. Experts anticipate a turnaround in 2010 at the earliest.

Prospects on Key Markets Gloomy

The financial crisis was triggered by the bursting of the real estate bubbles in the US, the UK and a few other European countries. The financing of long-term real estate projects has come to a standstill. Moreover, the economic climate had deteriorated dramatically across the board. The construction section will experience a more or less severe drop in the volume of construction in just about every market.

The Nemetschek Group's core markets in central and eastern Europe have not been as heavily affected yet in 2008, although the other international markets were already feeling the effects. For 2009 and 2010, the Group's expectations diverge from market to market. Based on recent forecasts, a decrease in the volume of construction has to be assumed in central Europe in the next two years. In light of the low level of activity in the past few years, however, the collapse is probably not going to be as severe as in the boom regions. Emerging economies are still expected to grow, although construction activities will be impaired by the crisis. A turnaround on the US market is still distant, and is not expected until 2010 according to the latest forecasts.

Demand for software in the field of AEC is not expected to increase in 2009 and 2010. An upward trend is not expected at present until the second half of 2010 at the earliest. Individual national economic stimulus plans targeting infrastructure and environmental construction projects might spur demand for the Group's software solutions.

Due to the economic conditions, the management board expects that the next two years will prove difficult for the Nemetschek Group. A decrease in revenue cannot be ruled out. However, the crisis also opens up opportunities for the Group, since Nemetschek's software solutions raise the efficiency of the construction and therefore help cut cost. And the trend towards energy-efficient buildings and modernization projects also has to be considered. Moreover, the broad customer base and the high portion of long-term software service agreements are among Nemetschek's strengths. These form a solid foundation for sustainable revenue in times of economic crisis.

New Products in 2009

All of the Group's software solutions will be developed systematically in 2009 and new versions will be launched on the market. The Company will continue to drive forward medium- and long-term development projects, while focusing on customer benefits and user friendliness. In terms of products, all operating units intend to continually expand their market positions by developing a range of new solutions.

Unless the prevailing conditions change completely, the Design division will face a difficult market environment in 2009 and 2010. Management expects the Build and Manage divisions to stagnate at the level of 2008. Expectations for the Multimedia divisions are moderately positive, since this division services widely diverging industries and is therefore less dependent on individual industries.

International Expansion Affords Opportunities

The prospects for the international software market in 2009 and 2010 are not very favorable. Demand in the US and in some European markets will be in decline, although markets in emerging economies still offer some opportunities.

Thanks to the Group's increasing international orientation, the challenging environment also affords opportunities. Nemetschek's products stand for in-depth competence and precision adjustment to the requirements of relevant markets.

The Group offers country-specific solutions that are tailored to specific customer needs, while complying with local rules and legal provisions as well as customary work procedures in each country. That is what makes Nemetschek a unique player in the AEC industry and what gives the Company a clear competitive advantage. In this context, the Group will continue its strategy of gradual international expansion.

The Nemetschek Brand

To boost awareness of the Nemetschek brand, the Group revamped its image in 2008. The objective was to establish the flagship brand Nemetschek as a global competence carrier of software solutions in the fields of design, construction and management of buildings and other real estate. The Group's portfolio of brands was gradually adjusted to the Nemetschek Group's corporate image. However, some operating units will retain their market presence as independent brands, if this results in competitive advantages.

The Nemetschek Group comprises the pioneers in the development of virtual building modeling and interdisciplinary cooperation in the construction process (building information modeling – BIM). With the establishment of the Nemetschek flagship brand, the Group is signaling its bundled competency in this field. The Company's core brands are now also cooperating to deal with interdisciplinary issues. This includes an initiative to further develop the freely available and producer-independent formats PDF and IFC (industry foundation classes). These allow a straightforward exchange of 3D building data between the software programs of different producers, thus forming a key precondition for building information modeling.

Management between Different Scenarios

The current fiscal year, and possible 2010 as well, will undoubtedly prove to be a particularly challenging period for the Nemetschek Group. In light of the uncertainty of overall economic prospects, the management board will manage the Company flexibly between alternative planning scenarios in 2009 and possibly in 2010 as well – depending on the prevailing economic conditions, but also on the individual development of the respective group companies.

The more optimistic scenario is based on the premise that revenue and earnings will only decrease marginally at group level. In order to be prepared for all eventualities, the management board and the group companies' management teams, have, however, also prepared alternative plans that assume significantly lower revenue and earnings. This has already been supplemented with corresponding measures to cut costs which can be introduced quickly if required. These measures act at the level of the individual group companies as economic developments can impact each company differently.

Flexible management between the various scenarios requires close cooperation with subsidiaries and in some cases close management of subsidiaries on a monthly basis. A clear focus is required on earnings and liquidity. Strict cost management that reacts flexibly to current developments in revenue is also essential.

From a current perspective, the Group is moving within a realistic corridor as regards the aforementioned scenarios. Nevertheless, it is not possible at present – at the height of a worldwide economic crisis of unknown proportions – to venture a realistic forecast of the development of revenue and earnings in 2009 and thereafter. If economic conditions continue to deteriorate in the short term, management currently expects that this trend will also impact the Nemetschek Group's earnings in the short term. Management's expectations pertaining to the first six months of the year are even more cautious in light of the fact that first two quarters of the prior year were extremely successful.

Expectations as regards the Group's cash flow continue to be positive, and it is planned to further reduce the loan taken out in connection with the Graphisoft acquisition. Interest expenses will decrease, since more than half of the loan had already been repaid in the last two years.

The high cash flow is also one of the Group's strengths. The management board will focus on securing it going forward, as it affords a solid basis from which to master the difficulties anticipated in 2009 and 2010.

Munich, March 4, 2009

Ernst Homolka
CEO

Consolidated Balance Sheet

as of December 31, 2008 and as of December 31, 2007

Assets (Thousands of €)	Dec. 31, 2008	Dec. 31, 2007	[Notes]
Current assets			
Cash and cash equivalents	23,227	29,121	[23]
Trade receivables, net	20,314	24,645	[13]
Inventories	651	892	[14]
Tax refunded claims for income taxes	2,840	2,406	[14]
Current financial assets	139	166	[14]
Other current assets	4,815	4,264	[14]
Current assets, total	**51,986**	**61,494**	
Non-current assets			
Property, plant and equipment	4,327	4,800	[12]
Intangible assets	54,599	60,340	[12]
Goodwill	52,079	51,602	[12]
Associates/Investments	659	570	[12]
Deferred tax assets	2,043	1,860	[10]
Non-current financial assets	1,010	1,047	[14]
Other non-current assets	706	1,107	[14]
Non-current assets, total	**115,423**	**121,326**	
Total assets	**167,409**	**182,820**	

Prior year figures adjusted: Non-current assets – deferred tax assets, see footnote [10] of notes to the consolidated financial statements.

The accompanying notes to this balance sheet form an integral part of these consolidated financial statements.

Equity and liabilities Thousands of €	Dec. 31, 2008	Dec. 31, 2007	[Notes]
Current liabilities			
Short-term loans and current portion of long-term loans	8,077	16,274	[19]
Trade payables	6,640	6,598	[19]
Payments on account	151	100	[19]
Provisions and accrued liabilities	11,547	13,371	[18]
Deferred revenue	12,133	10,186	[20]
Income tax liabilities	1,524	3,079	[19]
Other current liabilities	6,225	4,452	[19]
Current liabilities, total	**46,297**	**54,060**	
Non-current liabilities			
Long-term loans without current portion	41,324	53,419	[19]
Deferred tax liabilities	8,432	10,849	[10]
Pension provisions	513	639	[18]
Non-current financial obligations	2,326	0	[21]
Other non-current liabilities	613	967	[19]
Non-current liabilities, total	**53,208**	**65,874**	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserves	41,611	41,646	[17]
Revenue reserve	52	52	[17]
Currency translation	−3,042	−4,169	[17]
Retained earnings	18,413	14,395	
Equity (Group shares)	**66,659**	**61,549**	
Minority interests	1,245	1,337	
Equity, total	**67,904**	**62,886**	
Total equity and liabilities	**167,409**	**182,820**	

Prior year figures adjusted: Non-current liabilities – deferred tax liabilities, see footnote [10] of notes to the consolidated financial statments.

The accompanying notes to this balance sheet form an integral part of these consolidated financial statements.

Consolidated Income Statement

for the period from January 1 to December 31, 2008 and 2007

Thousands of €	2008	2007	[Notes]
Revenues	**150,371**	**146,191**	[1]
Own work capitalized	232	323	[2]
Other operating income	2,481	2,543	[3]
Operating income	153,084	**149,057**	
Cost of materials/cost of purchased services	−9,476	−10,008	[4]
Personnel expenses	−61,325	−60,607	[5]
Depreciation of property, plant and equipment and amortization of intangible assets	−10,362	−9,776	[6]
thereof amortization of intangible assets due to purchase price allocation	−7,383	−7,383	[6]
Other operating expenses	−50,912	−44,808	[7]
Operating expenses	**−132,075**	**−125,199**	
Operating results	21,009	**23,858**	
Interest income	985	1,802	[9]
Interest expenses	−6,819	−4,991	[9]
Income from associates	373	221	[8]
Earnings before taxes	**15,548**	**20,890**	
Income taxes	−4,212	−5,543	[10]
Net income for the year	**11,336**	**15,347**	
Of this amount: Equity holders of the parent	10,368	14,587	
Minority interests	968	760	
	11,336	**15,347**	
Earnings per share (undiluted) in euros	1,08	1,52	[11]
Earnings per share (diluted) in euros	1,08	1,52	
Average number of shares outstanding (undiluted)	9,625,000	9,625,000	
Average number of shares outstanding (diluted)	9,625,000	9,625,000	

The accompanying notes to this income statement form an integral part of this consolidated financial statements.

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2008 and 2007

Thousands of €	2008	2007	[Notes]
Profit (before tax)	15,548	20,890	
Depreciation and Amortization of fixed assets	10,362	9,776	
Change in pension provision	−126	49	
Non-cash transactions	3,984	214	
Income from associates	−373	−221	
Losses from disposals of fixed assets	504	44	
Cash flow for the period	**29,899**	**30,752**	[23]
Interest income	−985	−1,802	
Interest expenses	6,819	4,991	
Change in other provisions and accrued liabilities	−1,824	1,284	
Change in trade receivables	2,852	35	
Change in other assets	3,752	6,305	
Change in trade payables	42	612	
Change in other liabilities	−6,699	−14,932	
Cash received from distributions of associates	284	134	
Interest received	975	1,503	
Income taxes received	719	1,034	
Income taxes paid	−5,417	−4,613	
Cash flow from operating activities	**30,417**	**25,303**	[23]
Capital expenditure	−5,501	−3,147	
Changes in liabilities from acquisitions	273	−99,227	
Cash received from the disposal of fixed assets	564	34	
Disposals of cash from deconsolidation	0	−41	
Cash flow from investing activities	**−4,664**	**−102,381**	[23]
Dividend payments	−6,256	−5,390	
Minority interests paid	−1,154	−777	
Proceeds from borrowings	0	100,000	
Repayments of borrowings	−20,292	−30,500	
Change in liabilities to banks due to acquisitions	0	−1,000	
Interest paid	−4,205	−4,669	
Proceeds from repayment of borrowings	0	14,514	
Cash flow from financing activities	**−31,907**	**72,178**	[23]
Changes in cash and cash equivalents	**−6,154**	**− 4,900**	
Effect of exchange rate differences on cash and cash equivalents	**260**	**− 490**	
Cash and cash equivalents at the beginning of the period	**29,121**	**34,511**	
Cash and cash equivalents at the end of the period	**23,227**	**29,121**	[23]

Prior year figures adjusted: Change in other assets, change in other liabilities, see footnote [10] of notes to the consolidated financial statments.

The accompanying notes to this Cash Flow Statement form an integral part of these consolidated financial statements.

Statement of Changes in Group Equity

for the period from December 31, 2006 to December 31, 2008

	Equity allocable to the parent company's shareholders							
Thousands of €	Subscribed capital	Capital reserve	Revenue reserves	Currency translation	Retained earnings/accumulated loss	**Total**	Minority interests	**Total Equity**
As of December 31, 2006	**9,625**	**41,640**	**52**	**−2,811**	**5,242**	**53,748**	**1,357**	**55,106**
Difference from currency translation				−1,358		−1,358	−33	−1,391
Net income of the year					14,587	14,587	760	15,347
Result of the period	**0**	**0**	**0**	**−1,358**	**14,587**	**13,229**	**727**	**13,956**
Share purchase from minorities						0	6	6
Additional share purchase						0	−20	−20
Share-based payments		6				6		6
Dividend payments minorites					−44	−44	−733	−777
Dividend payments					−5,390	−5,390		−5,390
As of December 31, 2007	**9,625**	**41,646**	**52**	**−4,169**	**14,395**	**61,549**	**1,337**	**62,886**
Difference from currency translation				1,127		1,127		1,127
Net income of the year					10,368	10,368	968	11,336
Result of the period	**0**	**0**	**0**	**1,127**	**10,368**	**11,495**	**968**	**12,463**
Share-based payments		−35				−35		−35
Dividend payments minorites					−94	−94	−1,060	−1,154
Dividend payments					−6,256	−6,256		−6,256
As of December 31, 2008	**9,625**	**41,611**	**52**	**−3,042**	**18,413**	**66,659**	**1,245**	**67,904**

The accompanying notes to this statement of changes in equity form an integral part of theses consolidated financial statements.

Changes in group equity are explained in notes [15, 16, 17].

Notes to the consolidated financial statements for fiscal year 2008

The Company

The Nemetschek Group is one of the leading solution providers in the world of information technology and consulting services for the design, construction and management of buildings and real estate. Its standard software solutions, available in 16 languages, are used by more than 270,000 companies in 142 countries. These IT solutions create synergies and optimize the overall building creation and management process in terms of quality, cost and time.

The full solution offering spans the entire planning, construction and management process of buildings and real estate objects. As such, it is a mediator and a link between the world of information technology and the specialist world of building clients, architects, engineers, construction companies as well as facility and real estate managers. The Group is also active in the fields of multimedia visualization and animation software.

Nemetschek Aktiengesellschaft was founded on September 10, 1997 by conversion of Nemetschek GmbH and has been listed on the German Stock Exchange in Frankfurt since March 10, 1999, and in the Prime Standard segment since January 1, 2003. The registered office of Nemetschek AG is at 81829 Munich, Germany, Konrad-Zuse-Platz 1. The annual report 2008 can be obtained there, or it can be downloaded from the internet: www.nemetschek.com/ir.

Information on the German Corporate Governance Code

The declaration of compliance was submitted in March 2008 and can be accessed by the shareholders on the homepage of Nemetschek Aktiengesellschaft (www.nemetschek.com/ir).

General

As in the prior year, the consolidated financial statements for the year ending December 31, 2008 are prepared in accordance with International Financial Reporting Standards (IFRSs), as required to be applied in the EU, and the provisions of German commercial law to be applied additionally pursuant to Sec. 315a (1) HGB [‘Handelsgesetzbuch’: German Commercial Code]. The Company is listed in the Prime Standard segment of the stock exchange and applies the provisions of Sec. 315a HGB, and is thus exempt from the provisions of Secs. 290 et seq. HGB to prepare consolidated financial statements. The group management report has been prepared in accordance with Sec. 315 HGB.

The accounting policies adopted are consistent with those of the previous fiscal year with the following exceptions:

The Group has adopted the following new and revised IFRS standards and interpretations during the year. Adoption of these revised standards and interpretations did not have had any material effect on the Group’s financial position and performance. If needed, additional disclosures were made in the notes to the consolidated financial statements, and changes implemented in the accounting policies.

- IAS 39 and IFRS 7 – Reclassification of financial assets (amendments)
- IFRIC 11 IFRS 2 – Group and treasury share transactions
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IAS 39 and IFRS 7 – Reclassification of Financial Assets

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: the amendments to IAS 39 and IFRS 7 were published in October 2008 and entered into effect retrospectively as of July 1, 2008. The amendments were made in response to the financial market crisis and allow entities the option in certain circumstances of reclassifying non-derivative financial assets from the measurement categories "held for trading" and "available-for-sale financial assets" to other measurement categories. The amendments to IFRS 7 require additional disclosures in the notes when reclassifications between measurement categories are made. This amendment did not have any effect on the Group's financial position and performance.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The Group has adopted IFRIC Interpretation 11 insofar as it applies to consolidated financial statements. In accordance with this interpretation, arrangements under which employees are granted rights to an entity's equity instruments are required to be accounted for as equity-settled share-based payment transactions when the entity buys the equity instruments from a third party or the equity instruments needed are granted by the shareholders. The Group amended its accounting policy accordingly. The Group has not issued instruments caught by this interpretation.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation provides guidance for determining the maximum amount of a surplus from a defined benefit plan that can be recognized as an asset pursuant to IAS 19 Employee Benefits. The Group amended its accounting policy accordingly. The Group's defined benefit schemes have been in deficit, therefore the adoption of this interpretation had no impact on the financial position or performance of the Group.

The Group decided not to adopt prematurely the following standards and IFRIC interpretations which have already been issued and adopted by the European Union. Generally speaking, the Group intends to adopt all standards when their adoption becomes mandatory for the first time.

- Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective January 1, 2009)
- IFRS 8 Operating Segments (effective January 1, 2009)
- IAS 1 (Revised) Presentation of Financial Statements (effective January 1, 2009)
- IAS 23 (Revised) Borrowing Costs (effective January 1, 2009)
- IFRIC 13 Customer Loyalty Programmes (applicable for fiscal years beginning on or after 1 July 2008)
- Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective January 1, 2009)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective January 1, 2009)
- IFRS Improvements Standard (effective January 1, 2009)

The principal effects of these amendments are discussed below:

Amendments to IFRS 2 Share based payments – Vesting Conditions and Cancelations
The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. This amendment did not have any effect on the Group's financial position and performance.

IFRS 8 Operating Segments
The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14 Segment Reporting upon its effective date. On the basis of its latest analyses, the Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments identified under IAS 14.

IAS 1 (Revised) Presentation of Financial Statements
The revised standard was issued in September 2007 and becomes effective for fiscal years beginning on or after January 1, 2009. This standard requires changes in equity arising from transactions with equity holders acting in their capacity as equity holders and other changes in equity to be presented separately. Therefore, the statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 23 (Revised) Borrowing Costs
The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. On the basis of its latest analyses, the Group has concluded that no borrowing costs will be capitalized.

IFRIC 13 Customer Loyalty Programs
This interpretation was issued in June 2007 and becomes effective for fiscal years beginning on or after July 1, 2008. According to this interpretation, award credits granted to customers (bonuses) must be accounted for as a separately identifiable component of the sales transactions in which they are granted. Consequently, the fair value of the consideration received must be allocated to the award credits and deferred. Revenue is recognized in the period in which the award credits granted are exercised or forfeited. Since the Group does not operate any customer loyalty programs at present, this interpretation has no effect on the consolidated financial statements.

IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
The amendments to IFRS 1 allow an entity to determine the 'cost of investments' in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. Both revisions will be effective for fiscal years beginning on or after January 1, 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for fiscal years beginning on or after January 1, 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

IFRS Improvements Standard 2008
The amendments from the 2008 improvements project were published in May 2008 and are effective for the first time for fiscal years beginning on or after January 1, 2009 – with the exception of IFRS 5, which is effective as of July 1, 2009. As part of the 2008 improvements project, a range of both material amendments having an effect on accounting and measurement and purely editorial amendments. The latter concern the revision of individual definitions and formulations, for example, in the interest of ensuring consistency with other IFRSs. The Group has not yet applied the following amendments. The Group assumes that the new standards arising from the improvement project will not have a significant impact on the financial statements.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: It was clarified that all assets and liabilities of a subsidiary whose planned disposal would lead to a loss of control over this subsidiary are to be classified as held for sale if the entity retains a non-controlling interest in the former subsidiary.

IAS 1 Presentation of Financial Statements: It was clarified that financial instruments classified as held for trading do not have to be disclosed as current assets or liabilities in the balance sheet. Classification as 'current' is based solely on the criteria set out in IAS 1.

IAS 10 Events after the Balance Sheet Date: It was clarified that dividends declared after the balance sheet date but before the financial statements are approved for publication are not recognized as a liability at the balance sheet date because they do not meet the criteria of an obligation.

IAS 16 Property, Plant and equipment: Income from items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are disclosed under revenue.

IAS 19 Employee Benefits: In addition to the revision of numerous definitions, clarification that plan adjustments resulting in a reduction in benefits related to future services must be treated as a curtailment. Plan adjustments where the reduction in benefits relates to services already rendered must be recognized as past service cost.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: The interest advantage must be calculated in the future for loans which are non- or low-interest bearing. The difference between the amount received and the discounted amount is accounted for as a government grant.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method in accordance with IAS 39.

IAS 27 Consolidated and Separate Financial Statements according to IFRS: It was clarified that subsidiaries should be accounted for in accordance with IAS 39 at fair value in the parent company's separate financial statements, even if the subsidiary is classified as held for sale.

IAS 28 Investment in Associates: Because goodwill included in the carrying amount of an investment in an associate is not recognized separately, it is not tested for impairment separately. Rather, the total carrying amount of the investments is subject to impairment testing and written down as necessary. It has now been clarified that the reversal of impairment losses on an investment in an associate should be recognized as an increase in this investment and not allocated to goodwill contained therein. Another amendment concerns the disclosure requirements for such shares in associates that are accounted for at fair value in accordance with IAS 39. Only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans will apply in the future.

IAS 29 Financial Reporting in Hyperinflationary Economies: The standard clarifies that in the case of financial statements prepared on a historical cost basis, the assets and liabilities that must or can be measured at fair value need not be restricted to property, plant and equipment and investments.

IAS 31 Interest in Joint ventures: The amendment concerns the disclosure requirements for such shares in joint ventures that are accounted for at fair value in accordance with IAS 39. In the future, these shares are only subject to the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense.

IAS 34 Interim Financial Reporting: It is clarified that undiluted and diluted earnings per share only have to be disclosed in the interim financial statements if the Company is subject to the requirements of IAS 33 Earnings per Share.

IAS 36 Impairment of Assets: Harmonization of the disclosures required on determining value in use and fair value less costs to sell using the discounted cash flows method.

IAS 38 Intangible Assets: Expenditure on products and services used for advertising and promotional activities (including mail-order catalogs) are to be recognized as an expense in future when the Group either has the right to access the goods or has received the service. In addition, the sum-of-the-units method of amortization is permitted without restriction for intangible assets.

IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications in accordance with IAS 39, and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. In addition, the reference to a 'segment' was deleted regarding the determination whether an instrument satisfies the criteria to qualify as a hedge. It is also clarified that the effective interest method should be used to measure a debt instrument once it is no longer accounted for as a fair value hedge.

IAS 40 Investment Property: In future, property being constructed or developed for future use as investment property should no longer be classified as property, plant and equipment, but rather as investment property and measured at cost. If the Company uses the fair value model and the fair value cannot be reliably determined, the property under construction is measured at cost until such time as fair value can be determined or construction is completed.

IAS 41 Agriculture: The limitation on using an input tax discount factor when determining the fair value was deleted. Also, the prohibition was revoked as regards the estimation of the fair value of cash flow resulting from the additional biological transformations and other future activities of the entity.

Published Standards and Interpretations not yet Adopted by the EU

IFRS 1 First-time Adoption of IFRS
The revised IFRS 1 was issued in November 2008 and becomes effective for the first time in fiscal years beginning on or after January 1, 2009. Only editorial changes and restructuring have been made to the standard. The amendment do not result in any changes to the accounting and measurement provisions for first-time adopters of IFRS. The provisions of IFRS 1 are addressed to first-time adopters of IFRS and do not have any effect on the Group.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and become effective for fiscal years beginning on or after 1 July 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period in which an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will not longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes according to IFRS 3R and IAS 27R will affect future acquisitions, loss of control, and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to take advantage of this possibility.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
These amendments to IAS 39 were published in August 2008 and become effective for fiscal years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 12 Service Concession Arrangements
This interpretation was released in November 2006. The interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 15 Agreements for the Construction of Real Estate
This interpretation was issued in July 2008 and becomes effective for fiscal years beginning on or after January 1, 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses rom the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statements because the Group does not conduct such activity.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

This interpretation was issued in July 2008 and becomes effective for fiscal years beginning on or after October 1, 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. Based on the latest analyses, IFRIC 16 is not expected to affect the consolidated financial statements.

IFRIC 17 Distributions of Non-Cash Assets to Owners

This interpretation was issued on November 27, 2008 and becomes effective for fiscal years beginning on or after January 1, 2009. The interpretation is to be applied prospectively. IFRIC 17 must be applied to non-cash distributions to owners with the exception of any transactions under common control. The interpretation clarifies that a dividend must be recognized as payable if the dividend is properly authorized and distribution is no longer at the discretion of the entity. An enterprise must measure the dividend at fair value of the non-cash assets, and any difference between the dividend payable and the carrying amount of the distributed assets must be posted through profit or loss. Additional disclosures must be made if the assets designated for distribution to the owner meet the definition of a discontinued operation. Based on the latest analyses, IFRIC 17 is not expected to affect the consolidated financial statements.

IFRIC 18 Transfers of Assets from Customers

This interpretation was issued in January 2009 and becomes effective for fiscal years beginning on or after July 1, 2009. This interpretation provides guidance on the accounting treatment of agreements in which an entity receives from its customers items of property, plant and equipment or cash and cash equivalents that must be used by the entity to connect those customers to a network and provide them with ongoing access to a supply of goods or services. The interpretation addresses in particular the recognition criteria of customer contributions, the timing and the amount of revenue recognition from such business transactions. This interpretation is to be applied prospectively. IFRIC 18 will not have an impact on the consolidated financial statement because the Group does not conduct such business transactions.

Balance Sheet Classification

The balance sheet items are classified into current and non-current assets and liabilities in accordance with IAS 1. Items not due within a year are disclosed as non-current assets or non-current liabilities. In addition, deferred taxes are disclosed as non-current assets or liabilities.

The consolidated financial statements are prepared on the basis of historical costs (acquisition or manufacturing cost). This does not apply to derivative financial instruments and available-for-sale financial instruments which are measured at fair value.

The income statement has been prepared using the total cost type of accounting.

The currency used in the consolidated financial statements is EUR; in the notes the figures are stated in thousands of euro (EUR k) unless otherwise specified.

Scope of Consolidated Financial Statements and Consolidation Procedures

The consolidated financial statements include Nemetschek Aktiengesellschaft, Munich, and all of the foreign and domestic subsidiaries. Associates are valued using the equity method. Subsidiaries are consolidated in full on the date of acquisition, i.e. the date on which control is transferred to the Group. They are deconsolidated when the parent ceases to have control.

Control is assumed if the Group owns, either directly or indirectly, more than half of the voting rights of an entity or is able to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The net income/loss and equity of the consolidated subsidiaries allocable to minority interests are shown separately in the income statement and in equity.

Minority interests represent the portion of profit or loss and net assets not attributable to the Group. Minority interests are disclosed separately in the consolidated income statement and consolidated balance sheet. In the consolidated balance sheet, minority interests are disclosed in equity, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the carrying amount of the share of the net assets acquired is recognized as goodwill.

The purchase method of accounting is used for the consolidation of capital of newly acquired entities. The cost of the business combination is allocated to the identifiable assets acquired and the identifiable liabilities and contingent liabilities assumed in accordance with their fair values at the acquisition date. Any excess of the cost of the business combination over the interest of the Group in the fair value of the identifiable assets, liabilities and contingent liabilities acquired is reported as goodwill. Entities acquired or disposed of during the year are included in the consolidated financial statements from the date of the acquisition or until control is lost.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances, income, expenses and unrealized gains and losses from intercompany transactions are eliminated in full.

Affiliated entities included in the consolidated financial statements

(The information about the entities corresponds to the local statutory, as of the preparing date of the consolidated financial statements; translated to EUR k):

Name, registered office of the entity — Thousands of €	Shareholding in %	Equity Dec. 31, 2008	Net income/loss for the year 2008
Nemetschek Aktiengesellschaft, Munich		80,415	8,055
Direct equity investments			
Design segment			
Nemetschek Deutschland GmbH, Munich **)	100.00	2,500	2,991
NEMETSCHEK Allplan GmbH, Munich *) **)	100.00	2,000	2,332
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	100.00	12,109	2,635
NEMETSCHEK FRANCE SARL, Asnières, France	100.00	1,005	381
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	85.67	915	472
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00	684	80
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	−774	−375
NEMETSCHEK (UK) Ltd., London, UK	100.00	6	426
NEMETSCHEK s.r.o., Prag, Czech Republic	100.00	197	194
NEMETSCHEK OOO, Moskau, Russia	100.00	−448	−158
Friedrich + Lochner GmbH, Stuttgart **)	100.00	51	1,610
SCIA International NV, Herk-de-Stad, Belgium	100.00	1,521	22
Glaser isb cad Programmsysteme GmbH, Wennigsen	70.00	1,383	521
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	100.00	17,805	1,001
DACODA GmbH, Rottenburg	51.00	115	172
Build segment			
Nemetschek Bausoftware GmbH, Achim	95.00	938	312
AUER – Die Bausoftware GmbH, Mondsee, Austria	49.90	2,928	2,645
Manage segment			
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	100.00	−147	738
Nemetschek CREM Verwaltungs GmbH, Munich	100.00	63	3
Multimedia segment			
MAXON Computer GmbH, Friedrichsdorf	70.00	1,408	2,192
Other			
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	1,370	1,659
Nemetschek Verwaltungs GmbH, Munich	100.00	27	1

Continuation:

Name. registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2008	Net income / loss for the year 2008
Indirect equity investments			
Design segment			
NEMETSCHEK Ges.m.b.H., Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00	455	301
Nemetschek Engineering GmbH, Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00	601	482
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia, via NEMETSCHEK Allplan GmbH	100.00	186	30
Via SCIA International NV, Herk-de-Stad, Belgium:			
SCIA Group NV, Herk-de-Stad, Belgium	100.00	2,570	839
SCIA W+B Software BV, Arnhem, Netherlands	100.00	255	23
SCIA Sarl, Roubaix, France	100.00	61	5
SCIA Cz s.r.o., Brno, Czech Republic	100.00	212	46
SCIA Sk s.r.o., Zilina, Slovakia	100.00	439	136
SCIA MAPS SA, Gurmels, Switzerland	100.00	−30	0
Online Projects nvba, Herk-de-Stad, Belgium	70.00	−27	−24
Via Graphisoft SE European Company Limited by Shares, Budapest, Hungary:			
Graphisoft R&D Számitástechnikai, Fejlesztö zrt., Budapest, Hungary	85.80	34,183	8,982
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00	235	31
Graphisoft Deutschland GmbH, Munich	100.00	1,060	790
Graphisoft USA Inc., Massachusetts, Newton, USA	100.00	−4,038	−369
Graphisoft Japan KK, Tokyo, Japan	100.00	−2,087	−609
Graphisoft Spain SL, Madrid, Spain	100.00	−687	−227
Graphisoft UK Ltd., Surrey, UK	100.00	−1,857	56
Build segment			
AUER – Die Bausoftware GmbH, Mondsee, Austria, via Nemetschek Austria Beteiligungen GmbH	50.10	2,928	2,645
Multimedia segment			
MAXON COMPUTER Inc., Thousand Oaks, California, USA, via MAXON Computer GmbH	63.00	604	399
MAXON Computer Ltd., Bedford, UK via MAXON Computer GmbH	63.00	16	52

*) As filed with the commercial register on January 4, 2008, Nemetschek Technology GmbH was renamed NEMETSCHEK Allplan GmbH.

**) The net income for the year recorded by NEMETSCHEK Allplan GmbH, Nemetschek Deutschland GmbH and Friedrich + Lochner GmbH is shown prior to the profit and loss transfer agreement with Nemetschek Aktiengesellschaft in each case.
In fiscal year 2008, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:
- Option not to prepare notes to the financial statements so that the annual financial statements comprise a balance sheet and income statement
- Option not to prepare a management report
- Option not to publish the annual financial statements

Associates accounted by using the equity method:

Name, registered office of the entity	Thousands of €	Shareholding in %	Equity Dec. 31, 2008	Net income/loss for the year 2008
DocuWare Aktiengesellschaft, Germering		30.00	4,437	1,242

Additional disclosures on DocuWare AG *)	Dec. 31, 2008	Dec. 31, 2007
Current assets	7,154	6,254
Non-current assets	2,747	2,613
Current liabilities	5,357	4,481
Non-current liabilities	107	110
Total assets	9,901	8,867
Revenue	8,954	7,878
Net income for the year	1,242	902

*) Full presentation 100 %

Investments

Name, registered office of the entity	Thousands of €	Shareholding in %	Equity Dec. 31, 2008	Net income/loss for the year 2008
Sidoun International GmbH, Freiburg i. Breisgau *)		16.27	−65	636
NEMETSCHEK EOOD, Sofia, Bulgaria		20.00	848	103
rivera GmbH, Karlsruhe via Nemetschek Bausoftware GmbH		20.00	2	0

*) Different fiscal year as of 30 June 2008

The assumption that significant influence is exercised on the financial assets in which voting rights of 20 % or more are held does not hold true for either NEMTSCHEK EOOD, Sofia, Bulgaria, or rivera GmbH, Karlsruhe, as influence is neither exercised on management nor in the form of a governing body. Also, there are no material business relationships and no influence is exercised beyond the mere capital investment. The financial assets constitute mere capital investments.

Changes in scope of consolidated companies in fiscal year 2008

SCIA International NV, Herk-de-Stad, Belgium

As of 30 September 2008, two inactive companies were liquidated, Campus Technology Fund, Heverlee, Belgium, and Software Adventure Cv, Herk-de-Stad, Belgium. This had no impact on either cash and cash equivalents or the earnings of the Group.

Changes in scope of consolidated companies in fiscal year 2007

Graphisoft Finland Oy, Helsinki, Finland

A final agreement was signed on March 30, 2007 to spin off the Constructor segment of the Graphisoft Group. The losses from this operation came to EUR 86 k as of the balance sheet date. These are attributable to expenses incurred in connection with the spin-off (prior year: EUR 0 k). There were no effects on the balance sheet items of Graphisoft SE. Graphisoft Finland Oy, Helsinki, Finland, was deconsolidated from the Graphisoft subgroup as of March 30, 2007. There was no gain or loss on deconsolidation, nor was there any effect on cash and cash equivalents.

Online Projects bvba, Herk-de-Stad, Belgium

As of May 23, 2007, 70 % of the shares in the newly formed Online Projects bvba, Herk-de-Stad, Belgium, were acquired via SCIA Group NV, Herk-de-Stad, Belgium. Contributed capital amounts to EUR 13 k.

NEMETSCHEK kft., Budapest, Hungary

As of 30 June 2007 Nemetschek Aktiengesellschaft sold 100 % of its shares in NEMETSCHEK kft. Budapest, Hungary. The loss on deconsolidation amounted to EUR 31 k. Cash and cash equivalents of EUR 41 k were disposed of in the transaction.

Nemetschek Fides & Partner AG, Wallisellen, Switzerland

As of September 28, 2007, Nemetschek Aktiengesellschaft acquired an additional 4.67 % of the shares in Nemetschek Fides & Partner AG, Wallisellen, Switzerland, for a purchase price of EUR 15 k. As a result, the share in capital as of the balance sheet date came to 85.67 %.

SCIA International NV, Herk-de-Stad, Belgium

On the date of filing with the share register of SCIA International NV, Herk-de-Stad, Belgium on October 5, 2007, Nemetschek Aktiengesellschaft acquired the remaining 21.16 % of the shares in the SCIA Group by share swap. The share in capital thus increased to 100 % with 81,360 treasury shares being transferred as consideration. These shares had been repurchased from the market for a total price of EUR 2,030 k including incidental acquisition costs by September 28, 2007.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary

As of 31 December 2006, Nemetschek Aktiengesellschaft acquired 54.3 % of the shares in Graphisoft SE. Taking the treasury shares of Graphisoft SE into account, the share in capital came to 56.21 %. In the course of a public takeover bid, Nemetschek Aktiengesesllschaft acquired an additional 39.4 % of the shares in Graphisoft SE on March 21, 2007. Due to the majority of voting rights of 93.7 %, the management board and the supervisory board decided to begin a squeeze-out procedure to delist Graphisoft SE from the Budapest stock exchange. As of June 14, 2007, Nemetschek Aktiengesellschaft held 100 % of the total 10,631,674 shares in Graphisoft SE. The transaction was concluded on June 15, 2007 when Graphisoft SE was officially delisted from the Budapest stock exchange.

Goodwill

Goodwill developed as follows:

Thousands of €	2008	2007
Amount carried forward as of January 1	51,602	43,560
Additions	273	8,596
Disposals	0	−97
Currency differences	204	−457
Balance as of December 31	**52,079**	**51,602**

Additions break down as folllows:

Thousands of €	2008
DACODA GmbH, Rottenburg	263
Nemetschek Bausoftware GmbH, Achim	10
Total Additions Goodwill	**273**

The additions relate to adjustments of the variable purchase prices.

The impairment-only approach is used pursuant to IFRS 3. No impairment was recorded on goodwill in the fiscal year.

The goodwill acquired from business combinations was allocated to the cash-generating unit for impairment testing. The cash-generating unit is the group entity in each case.

Carrying amounts of the goodwill were allocated to the respective cash-generating units as follows:

Thousands of €	2008	2007
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	25,500	25,500
AUER – Die Bausoftware GmbH, Mondsee, Austria	6,486	6,486
Nemetschek Bausoftware GmbH, Achim	5,541	5,531
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	4,125	3,921
MAXON Computer GmbH, Friedrichsdorf	3,008	3,008
SCIA Group NV, Herk-de-Stad, Belgium	2,785	2,785
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	2,028	2,028
Friedrich + Lochner GmbH, Stuttgart	1,293	1,293
Glaser isb cad Programmsysteme GmbH, Wennigsen	697	697
DACODA GmbH, Rottenburg	404	141
Other	212	212
Total Goodwill	**52,079**	**51,602**

The carrying amounts of the goodwill allocable to Graphisoft SE European Company Limited by Shares, Budapest, Hungary, AUER – Die Bausoftware, GmbH, Mondsee, Austria, Nemetschek Bausoftware GmbH, Achim, and NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA, are material compared to the total carrying amount of goodwill.

The recoverable amount of the cash-generating unit of the respective group entity is based on a calculation of its value in use derived from the cash flow projections for the next four years based on the financial planning approved by management. The discount rate underlying the cash flow forecasts ranges between 11.07 % and 15.37 % before tax (prior year: between 10.71 % and 14.78 %). Cash flows after the period of four years are stated as a terminal value. When calculating the values for perpetual annuities, growth deductions of 2 % to 5 % were assumed for the purpose of calculating the value in use to test the goodwill for impairment. This procedure was used for all carrying amounts.

Fundamental Assumptions for Significant Cash-Generating Units

The fundamental assumptions for the significant cash-generating units are explained below, on the basis of which management has prepared its cash flow projections to test the goodwill for impairment.

Planned Revenue / Gross Profit Margin

For the purpose of this valuation, management bases its projections on those customary for the industry. The developments in the prior fiscal year are taken into account accordingly. The markets are expected to develop in a similar manner to the prior year.

Discount Rates
The discount rates reflect the estimates of management concerning the specific risks attributable to each cash-generating unit. These are the benchmarks used by management to assess the operating performance and evaluate future investment projects.

Assumptions Pertaining to Market Share
These assumptions are important to the extent that they serve management – as with the definition of assumptions for growth rates – to assess how the position of the cash-generating unit might change compared to its competitors during the budget period. Management expects the market share held by the Group to increase during the budget period.

Increase in Personnel Expenses
It is assumed that the cost of employee remuneration will reflect industry developments.

Capital Expenditures
Replacement investments are planned in the amount of annual depreciation and amortization.

Sensitivity of Assumptions Made
Management believes that at present none of the reasonably possible changes of the key assumptions made to determine value in use of the cash-generating units could increase the carrying amount of cash-generating units materially beyond their recoverable amount.

Significant Discretionary Decisions, Estimates and Assumptions when Preparing the Consolidated Financial Statements

In the process of preparing the consolidated financial statements, management has made discretionary decisions, estimates and assumptions that have an effect on the income, expenses, assets and liabilities recognized as at the balance sheet date as well as on the disclosure of contingent liabilities. The uncertainty relating to these assumptions and estimates could lead to results that may require material adjustment to the carrying amounts of the assets and liabilities concerned in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

Impairment of Non-Financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year or whenever there is evidence that they might be impaired. Other non-financial assets are tested for impairment when there is evidence that their carrying amount might exceed the recoverable amount. Estimating a value in use requires management to make an estimate of the expected future cash flows from the assets or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required of management to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of December 31, 2008, the carrying amount of deferred tax assets was EUR 2,043 k (prior year: EUR 1,860 k).
(see note 10)

Retirement Pensions

The cost of defined benefit plans is determined using actuarial valuations. The actuarial calculation is based on assumptions concerning discount rates, mortality and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are reviewed each balance sheet date. As of 31 December 2008, the carrying amount of pension provisions came to EUR 513 k (prior year: EUR 639 k).
(see note 18)

Share-Based Payments

Within the Group, the cost from the issue of equity instruments to employees are measured at the fair value of the equity instruments on the date they are issued. An appropriate measurement method must be determined to estimate the fair value for the issue of equity instruments; this depends on the conditions of issue. It is also necessary to determine appropriate input data used in this measurement method, including in particular the expected option life, the volatility and the dividend yield as well as related assumptions. As of December 31, 2008 all share-based payment was settled by way of compensation or waived.
(see note 28)

Development Costs

Development costs are capitalized in accordance with the accounting policy presented in the notes. Initial recognition is based on the assumption by management that the technical and economic feasibility is demonstrated; this is generally the case when a product development project has reached a certain milestone with an existing project management model. In addition, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of future cash flows from the assets in order to assess the future economic benefits. Capitalized development costs as of December 31, 2008 came to EUR 364 k (prior year: EUR 465 k).

Currency Translation

The Group's consolidated financial statements are presented in euros, which is the Group's presentation currency. Each entity in the Group determines its own functional currency. That is the currency of the primary economic environment in which the respective entity operates, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of foreign operations are translated to the euro at the closing rate (incl. goodwill). Income and expenses are translated at the average exchange rate. Any resulting exchange differences are recognized separately in equity.

Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the period are recognized as other operating income or other operating expenses in the period in which they arise.

The following exchange rates are used for currency translation involving currencies in countries outside the euro zone:

Currency	**Average exchange rate in 2008**	**Exchange rate as of December 31, 2008**	Average exchange rate in 2007	Exchange rate as of December 31, 2007
EUR/USD	1.47	1.40	1.38	1.47
EUR/CHF	1.58	1.49	1.65	1.66
EUR/SKK	31.13	30.13	33.78	33.58
EUR/CZK	25.03	26.63	27.73	26.56
EUR/RUB	36.86	42.59	35.10	35.99
EUR/JPY	151.52	126.45	162.08	165.05
EUR/HUF	250.83	264.60	251.33	252.25
EUR/GBP	0.80	0.96	0.69	0.73

Accounting Policies

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The costs for replacing a part of an item of property, plant and equipment are included in its carrying amount at the time the costs are incurred, provided they meet the recognition criteria. Costs of ongoing repairs and maintenance are expensed immediately.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

	Useful life in years
IT equipment	3
Motor vehicles	5
Factory equipment	3 – 10
Leasehold improvements	5 – 10

Property, plant and equipment are derecognized upon disposal or when no further economic benefits are expected from their continued use or sale. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net recoverable value and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. The historical cost of the asset and accumulated depreciation is eliminated from the balance sheet.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year at the latest and adjusted if necessary.

Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Group’s interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment at least once a year, or whenever facts or changes in circumstances indicate that the carrying amount may be impaired.

Each unit or group of units to which the goodwill has been allocated represents the lowest level in the Group at which goodwill can be monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment losses relating to goodwill cannot be made up for in future periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under those circumstances is measured based on the relative values of the operation disposed of and the remaining part of the cash-generating unit.

Intangible Assets

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each fiscal year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with an indefinite useful life are tested for impairment at least once a year either individually or at the cash-generating unit level. Such intangible assets are not amortized as scheduled. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made prospectively.

Intangible assets not acquired in a business combination are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets are amortized as scheduled, using the straight-line method over the customary useful life of between three and five years.

Intangible assets are amortized as follows based on the purchase price allocation:

	Useful life in years
Brand name	15
Trademarks	10
Software	3 – 7
Customer Relationship	10 – 12

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net realizable value and the carrying amount of the asset, and are recognized in the income statement when the asset is derecognized.

Research and Development Costs

Research costs are expensed in the period in which they are incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate all of the following:
– the technical feasibility of completing the intangible asset so that it will be available for use or sale;
– its intention to complete and its ability to use or sell the asset;
– its ability to complete, use or sell the asset;
– how the asset will generate future economic benefits;
– the availability of resources to complete the asset;
– its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Following the initial recognition of the development expenditure, the cost model is applied. This requires that the asset be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is charged upon completion of the development phase as soon as the asset can be used. It is amortized over the period in which future benefits are expected. The assets are tested for impairment once a year.

Development Subsidies

Publicly funded development subsidies from the EU for basic research are granted on the basis of the hours worked. These are recognized as other operating income in the consolidated financial statements. Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Investments in Associates

Investments in associates are generally accounted for using the equity method. Nemetschek Aktiengesellschaft defines associates (generally investments of between 20 % and 50 % of capital) as entities subject to significant influence that are neither subsidiaries nor joint ventures.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The income statement reflects the Group's share of the results of operations of the associate.

Unless stated otherwise, the financial statements of the associates are prepared as of the same balance sheet date as the parent. Where necessary, adjustments are made to comply with the Group's uniform accounting policies.

Inventories

Inventories primarily comprise merchandise, which is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Estimated costs of completion are considered where necessary. Due consideration in the form of appropriate mark-downs is given to inventory risks relating to reduced salability.

Prepaid Expenses

Prepaid expenses are expenses paid before the balance sheet date that relate to a certain period after that date.

Treasury Shares

Own equity instruments which are repurchased (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's treasury shares.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash on hand, bank balances and short-term deposits with a maturity of three months or less. Insignificant fluctuations in value can occur.

Composition of Cash and Cash Equivalents in the Consolidated Cash Flow Statement

Cash and cash equivalents in the consolidated cash flow statement also include cash equivalents with original maturities of three months or less.

Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of an impairment loss is recognized in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
The Group determines at each balance sheet date whether there is any indication that goodwill is impaired. Goodwill is tested for impairment at least once a year. Impairment tests are also conducted if events or circumstances indicate that the carrying amount may be impaired.

The impairment loss is determined by calculating the recoverable amount of the cash-generating unit to which goodwill has been allocated. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recorded. Any impairment loss recognized on goodwill may not be made up in a subsequent period. The Group performs its impairment test of goodwill at least once a year, at the latest as of December 31.

Intangible Assets
Intangible assets with indefinite useful lives are tested for impairment at least once a year, at the latest as of December 31, either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Associates
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the amount of impairment is calculated as the difference between the fair value of the investment in the associate and the cost of the investment. This amount is recognized in the income statement.

Investments and Other Financial Assets

Initial Recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i. e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separately recognized embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognized in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise have resulted from the contract.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process. In addition to cash and cash equivalents, the Group currently carries financial assets consisting almost exclusively of loans and receivables.

Held-To-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group intends and is able to hold these to maturity. Upon initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process. The Group did not have any held-to-maturity investments in the years ended December 31, 2008 and 2007.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains or losses are recognized directly in equity. If such an investment is derecognized, the cumulative gain or loss previously recorded in equity, is recognized in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the income statement.

Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, or discounted cash flow analysis and other valuation models.

Amortized Cost

Held-to-maturity investments and loans and receivables are measured at amortized cost. This is calculated using the effective interest method net of any impairment losses taking into account any discount or premium on acquisition, and including transaction costs and fees that are an integral part of the effective interest rate.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (a 'loss event'), and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Accounts receivables from customers

For amounts due from customers carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (with the exception of future credit defaults) discounted at the financial asset's original effective interest rate, (i. e. the effective interest rate determined upon initial recognition). The carrying amount of the asset is reduced through an allowance account. The impairment loss is recognized in profit or loss.

If, in the subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The new carrying amount of the asset may not exceed the amortized cost at the time the impairment loss is reversed. The impairment loss is reversed through profit or loss.

Available-for-Sale Financial Assets

If an available-for-sale asset is impaired, an amount is recognized in equity for the difference between its cost (net of any principal repayment and amortization) and current fair value (less any impairment loss on that asset previously recognized in profit or loss). Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

Derecognition of Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the three following conditions is fulfilled:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass through arrangement that meets the criteria of IAS 39.19.
- The Group has transferred its contractual rights to receive cash flows from the financial asset and either
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset (including a cash-settled option or similar provision), the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

Initial Recognition

Financial liabilities within the scope of IAS 39 are either classified as financial liabilities at fair value through profit or loss, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft facilities, loans and borrowings, and derivative financial instruments.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39.

Gains or losses on financial liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Derivative Financial Instruments

The Group uses derivative financial instruments such as currency futures and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Where the Group will hold a derivative as an economic hedge, for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of currency futures is determined by referring to the current foreign exchange rates for currency futures with similar terms. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Derivatives not Designated as Hedging Instruments

The Group uses foreign currency denominated borrowings and currency futures to manage some of its transaction exposures. These currency futures are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally one to 24 months. Such derivatives do not qualify for hedge accounting.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Liabilities

Trade payables and other liabilities are recognized at amortized cost.

Deferred Income

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, the outflow of resources embodying economic benefits to settle the obligation is probable, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset provided the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the tax effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent Liabilities

Contingent liabilities are not recognized in the consolidated financial statements until their utilization of over 50 % is more likely than not. Contingent liabilities are disclosed in the notes to the consolidated financial statements when the probability of their utilization is between 5 % and 50 %.

Pensions and Other Post-Employment Benefits

The company provides a company pension plan for selected members of management. The provisions are measured every year by reputable independent appraisers. Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement, and measures each unit separately to build up the final obligation. The obligation is recorded as a provision in the balance sheet. Actuarial gains and losses are recognized immediately in the income statement.

Share-Based Payments

Pursuant to IFRS 2, share-based payments are recognized as an expense for stock options of executives in personnel expenses and in equity (capital reserve). Certain employees (including executives) at Nemetschek Aktiengesellschaft receive share-based payments, with the employees receiving the remuneration in the form as remuneration in the form of equity instruments.

The expenses incurred due to equity-settled share-based transactions are measured at the fair value of the equity instruments granted on the grant date. The fair value is calculated using a binominal model (Black – Scholes). Expenses incurred due to equity-settled share-based transactions are, at the same time, recorded over the period in which the service and / or service conditions are fulfilled with a corresponding increase in equity. This period ends on the date on which the entitlement of the employee in question becomes vested (vesting date).

Where an equity-settled award is cancelled, it is treated as if it had been exercised on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the grant date, the cancelled and new awards are treated as if they were a modification of the original award. Any payment made to the employee on the cancellation or settlement of the grant is accounted for as the repurchase of an equity interest, i. e. as a deduction from equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 11).

Reserves

Reserves are set up in accordance with statutory requirements and the articles of incorporation and bylaws see note 17).

Minority Interests

The share of fair values of the identifiable assets and liabilities attributable to minority interests is allocated at the time the subsidiary is acquired. The losses allocable to minority interests in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses allocable to the minority interest, are charged against the majority interest in the Group's equity, except to the extent that the minority interest has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

The Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. Finance charges are taken to profit or loss immediately. Leased assets are depreciated over the useful life of the asset. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as a Lessor

Leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and concluding an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes

Current Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation is based on the tax rates and tax laws applicable as of the balance sheet date.

Current tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred Taxes

Deferred tax is recognized using the liability method on all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) where the deferred income tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures if the entity controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

(a) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted. Future changes in tax rates are taken into account as at the balance sheet date, to the extent that their material effectiveness conditions are fulfilled in the course of the legislative process.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT
Revenue, expenses and assets are generally recognized net of VAT,
except:

(a) where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable.

(b) trade receivables and trade payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or liabilities in the balance sheet.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company from the transaction and the revenue can be reliably measured. Revenue is recognized net of VAT and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue from the provision of services is recognized by reference to the percentage of completion when it can be measured reliably. The percentage of completion is determined based on surveys of work performed and is generally based on the hours worked in proportion to the budgeted total number of hours.

Basic Information on Revenue Recognition
The Nemetschek Group generally distinguishes between the recognition of revenue from the sale of goods and merchandise, from the provision of services and revenue from royalties.

Revenue from the sale of goods and merchandise must be recognized when all the following conditions have been satisfied (IAS 18.14):

- The significant risks and rewards incidental to ownership of the goods and merchandise sold have been transferred (transfer of title)
- entity does not retain control over the goods and merchandise sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity (receipt of receivable)
- The costs incurred in respect of the transaction can be measured reliably

Revenue from the provision of services must be recognized when (IAS 18.20):

- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity (receipt of receivable)
- The stage of completion of the transaction at the balance sheet date can be measured reliably
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

Customized construction contracts are concluded as contracts for work or services or fixed price contracts. In such cases, revenue and income is calculated using the percentage of completion method provided that the prerequisites set forth in IAS 11.23 are met. This involves recognizing the individual revenue components in accordance with the percentage of completion, measured by reference to the percentage of contract costs incurred to date as a percentage of estimated total contract costs.

This has the following implications for the Nemetschek Group:

1. Software and licenses

1.1 Standard software
The aforementioned criteria for the sale of goods and merchandise are generally applied, i. e. revenue is recognized when the software is sold.

License fees and royalties resulting from the use of company assets (software) are recorded in accordance with the economic substance of the agreement. Revenue is recorded on a straight-line basis over the term of the license agreement unless agreed otherwise.

The transfer of licenses in return for fixed compensation (non-recurring licenses), which give the licensee unrestricted use is a sales transaction from an economic perspective and can be fully recognized as income.

If the inflow of license fees or royalties depends on the occurrence of a certain event in the future, revenue is recognized only if it is probable that the license fee or royalty will flow to the entity. The time at which this occurs usually coincides with occurrence of the future event.

1.2 Sales transactions via sales representatives / agents
From an economic perspective, revenue is generally recorded when ownership and the incidental risks and rewards are transferred. However, if the seller is acting as an agent / representative, revenue is not recognized until the software / hardware has been sold to the final customer.

2. Hardware

The aforementioned criteria for the sale of goods and merchandise generally apply, i. e. revenue is recognized when the hardware is sold (when the goods are delivered).

3. Consulting

3.1 Contract for services
The aforementioned criteria for the sale of services generally apply. Revenue is recognized using the percentage of completion method.

3.2 Service contract
For pure service contracts, revenue is recognized in the period in which the service is rendered (consulting agreements).

4. Maintenance

In general, the aforementioned criteria for the sale of services are applied, i. e. revenue from maintenance contracts or services is recognized in the period in which the service is rendered.

If the sales price of software / hardware contains a measurable significant amount for subsequent services (e. g. maintenance), this amount is accrued and recognized as revenue pro rata temporis over the periods in which the services are rendered. The partial amount is initially recognized as a liability.

5. Training

In general, the aforementioned criteria for the sale of services are applied, i. e. revenue is recognized in the period in which the service is rendered.

Interest Income
Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends
Dividends are recognized when the Group's right to receive the payment is established.

Segment Reporting

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For the purpose of managing the company, management has split the Group into business units and has four reportable operating segments worldwide: Design, Build, Manage and Multimedia. The business units Design, Build, Manage and Multimedia form the basis for the primary segment reporting.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

Events after the Balance Sheet Date

Events after the balance sheet that provide additional information about the Group's position at the balance sheet date have been taken into account in the financial statements as required. Non-adjusting events after the balance sheet date are stated in the notes to the consolidated financial statements if they are material.

Notes to the Consolidated Income Statement

[1] Revenues

Thousands of €	2008	2007
Software and licenses	80,848	84,641
Maintenance (software service agreements)	58,819	51,643
Services (consulting and training)	9,973	9,115
Hardware	731	792
	150,371	**146,191**

The breakdown of revenue by segment is shown under segment reporting (note 25).

[2] Own Work Capitalized

Pursuant to IAS 38, development costs must be capitalized unless they are incurred for basic research or are not related to projects, provided that the prerequisites of IAS 38.57 are fulfilled. See also the accounting policies.

The Company was involved in non-project-related product development in the fiscal year 2008. The development costs of projects that have not satisfied the criteria of IAS 38.57 have been recorded as an expense. If the development activities were related to usable products the expenses incurred were capitalized. These included direct personnel costs plus directly allocable overheads. Development costs relating to internally generated software amounting to EUR 232 k (prior year: EUR 323 k) were capitalized in the fiscal year.

The useful life of capitalized development costs is assumed to be five years. Amortization starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method. In fiscal year 2008, EUR 33,144 k was spent on research and development (prior year: EUR 28,869 k).

[3] Other Operating Income

Thousands of €	2008	2007
Income from subletting property	815	628
Foreign exchange rate gains	481	608
Offsetting other services	416	770
Development subsidies for EU projects	167	23
Other	602	514
	2,481	**2,543**

[4] Cost of Materials/Cost of Purchased Services

Thousands of €	2008	2007
Cost of purchased materials	8,086	8,402
Cost of purchased services	1,390	1,606
	9,476	**10,008**

[5] Personnel Expenses

Thousands of €	2008	2007
Wages and salaries	50,980	50,036
Social security, other pension costs and welfare	10,345	10,571
	61,325	**60,607**

The figures for the prior year were adjusted with regard to the distribution of personnel expenses.

The headcount developed as follows:

	2008	2007
Sales/marketing/hotline	563	547
Development	403	391
Administration	117	115
Average headcount for the year	**1,083**	**1,053**
Headcount as of December 31	**1,114**	**1,067**

Employees on extended sick leave and casual workers were eliminated from the statistical calculation of the headcount. The reporting for the current fiscal year and the prior year was adjusted accordingly.

[6] Depreciation and Amortization

Thousands of €	2008	2007
Amortization of intangible assets	1,144	753
Depreciation of property, plant and equipment	1,835	1,640
Depreciation/amortization of tangible and intangible assets	**2,979**	**2,393**
Amortization due to purchase price allocated intangible assets	**7,383**	**7,383**
Total depreciation and amortization	**10,362**	**9,776**

[7] Other Operating Expenses

Thousands of €	2008	2007
Commissions	8,810	7,630
Marketing expenses	7,787	7,144
Rents	7,209	7,597
Expenses for third-party services	7,040	5,445
Travel expenses	3,549	3,673
Legal and consulting costs	3,476	3,187
Vehicle costs	2,119	1,700
Bad debt allowances	1,479	124
Communication	1,212	1,317
Other	8,231	6,991
	50,912	**44,808**

The item ‘other’ consists of various items, all of which are less than EUR 1,000 k. The income from exchange rate differences of under EUR 834 k (prior year: EUR 758 k) is contained in the item ‘other’. Rent expenses are offset by income from subletting office space of EUR 481 k (prior year: EUR 608 k) (see note 3 – other operating income).

[8] Income from Associates

The **income from associates** of EUR 373 k (prior year: EUR 221 k) principally includes the additions of associates consolidated at equity and distributions.

[9] Interest Income/Expenses

Thousands of €	2008	2007
Other interest and similar income	985	1.588
Reassessment of interest rate hedges	−2,539	214
Interest and similar expenses	−4,280	−4,991
	−5,834	**−3,189**

[10] Income Taxes

Major components of income tax expense for the fiscal years 2008 and 2007 are as follows:

Thousands of €	2008	2007
Income from deferred tax	3,777	3,319
Expenses from deferred tax	−1,120	−2,410
Total deferred tax result	**2,657**	**909**
Current income from income tax	1,146	1,222
Current expenses from income tax	−8,015	−7,674
Result from current income tax income/expenses	**−6,869**	**−6,452**
Total income tax	**−4,212**	**−5,543**

The **income tax rates** of the individual entities range from 20.0 % to 39.5 % (prior year: between 20.0 % and 40.5 %). The tax rate is calculated as follows:

in %	2009		2008		2007	
Earnings before taxes	100.0		100.0		100.0	
Trade tax (weighted)	16.8	16.8	16.8	16.8	19.2	19.2
	83.2		**83.2**		**80.8**	
Corporate income tax	15.0	15.0	15.0	15.0	20.2	20.2
Solidarity surcharge	0.8	0.8	0.8	0.8	1.1	1.1
	67.4	**32.6**	**67.4**	**32.6**	**59.5**	**40.5**

Deferred taxes were measured on the basis of the nominal tax rates of Nemetschek Aktiengesellschaft or the tax rate applying to the respective subsidiary.

The tax rate for the fiscal year 2009 applied by Nemetschek Aktiengesellschaft is 32.6 % (fiscal year 2008: 32.6 %).

Deferred income tax at balance sheet date relates to the following:

	Consolidated balance sheet		Consolidated income statement	
Thousands of €	**2008**	2007	**2008**	2007
Deferred tax assets				
Unused tax losses	3,298	3,542	−244	318
Valuation differences goodwill	246	281	−35	281
Elimination of intercompany profits spin-off	345	431	-86	−211
Software development costs	765	668	97	147
Measurement of receivables	69	19	50	−412
Deferred revenue	45	98	−53	−92
Potential losses from rent	39	76	−37	−65
Warranty provision	133	122	11	19
Vacation provision	116	102	14	5
IFRS pensions	20	61	−41	−16
Elimination of intercompany profits on non-current assets	194	48	146	−18
Prepaid rent	23	31	−8	−10
Construction contract	0	0	0	−6
Measurement of liabilities	79	1	78	−1
Provision for archiving costs	16	16	0	−4
Compensations	106	0	106	0
Other	4	4	0	−7
Offsetting	−3,455	−3,640	0	0
Total deferred tax assets	**2,043**	**1,860**		
Deferred tax liabilities				
Measurement difference from purchase price allocation				
– Non-current assets of Graphisoft	9,788	11,144	1,356	1,356
– Non-current assets of SCIA	741	940	199	199
Measurement difference for goodwill	599	599	0	252
Warranty provision	86	173	87	269
Measurement of liabilities	551	961	410	−563
Non-current assets	84	69	−15	19
Recognition of internally developed software	0	99	99	−44
Construction contract	0	0	0	30
Measurement of receivables	13	447	433	−447
Other	25	57	90	−90
Offsetting	−3,455	−3,640	0	0
Total deferred tax liabilities	**8,432**	**10,849**		
Deferred tax expenses			**2,657**	**909**

Deferred tax assets and deferred tax liabilities are offset for each tax-paying entity, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the income tax of the same taxable entity and the same taxation authority. This adjustment was undertaken for the first time this reporting period.The figures for the prior year were adjusted accordingly by an amount of EUR 3,640 k.

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2008) for the fiscal years ended December 31, 2008 and 2007 is as follows:

Thousands of €	**2008**	2007
Earnings before taxes	**15,548**	**20,890**
Theoretical tax rate 32.6 % (fiscal year 2007: 40.5 %)	5,073	8,460
Differences to German and foreign tax rates	−938	−2,351
Tax effects on:		
At equity consolidation of associates	−29	−55
Use of unrecognized deferred taxes on unused losses carried forward	0	−634
Reduction of deferred taxes on losses carried forward	412	0
Effect of taxes, prior years	−96	−33
Non-deductible expenses	1,116	616
Tax free income	−1,360	−357
Tax rate changes	−6	−183
Other	40	80
Effective tax expense	**4,212**	**5,543**
Effective taxe rate	**27.1 %**	**26.5 %**

The deferred tax assets on unused losses carried forward are determined as follows:

Thousands of €	**2008**	2007
Losses according to entities	36,011	37,842
Deferred tax assets, gross	10,596	10,264
Unrecognized deferred tax assets on unused losses carried forward	−7,298	−6,722
Deferred tax assets on unused tax losses, net	**3,298**	**3,542**

The items contain deferred taxes on unused tax losses carried forward which are likely to be realized in future. The deferred tax assets on unused tax losses carried forward were recognized on the basis of the income and expense planning of Nemetschek Aktiengesellschaft (parent) and its subsidiaries for the fiscal year 2009. The companies' detailed planning relates to a one-year period. Management has stated that the recognition of deferred tax assets on unused tax losses carried forward for a longer period generally cannot be substantiated.

In addition, deferred tax assets of EUR 1,852 k were recognized by the Graphisoft sub-group (prior year: EUR 1,854 k). This is based on the deferred tax liabilities recognized in the connection with the purchase price allocation. A decision was made to not recognize deferred tax liabilities of EUR 137 k on the profits carried forward of EUR 20,941 k of a subsidiary which will only be subject to taxation of 5 % if the profits can be distributed and can be offset against tax loss carryfowards.

Other unrecognized deferred tax assets stem from the following items:

Thousands of €	**2008 Measurement**	**2008 Deferred taxes**	2007 Measurement	2007 Deferred taxes
Land and buildings (Disposal in 2008)	0	0	385	125

There are no income tax consequences attached to the payment of dividends in either 2008 or 2007 by Nemetschek Aktiengesellschaft to its shareholders.

Earnings per Share

[11] Earnings Per Share

Undiluted earnings per share do not take into account any options, and are calculated by dividing the net income for the period attributable to shares by the average number of shares during the period.

For the purpose of calculating diluted earnings per share, the net income attributable to holders of ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all potentially diluting ordinary shares from conversion of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the potentially diluting ordinary shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date on which the options were granted. When calculating diluted earnings per share, the weighted average number of ordinary shares which would be issued due to the conversion of all potentially diluting ordinary shares was not considered in any periods in which a net loss for the year was disclosed.

	2008	2007
Net income attributable to the parent (in thousands of EUR)	10,368	14,587
Average number of ordinary shares outstanding as of December 31	9,625,000	9,625,000
Average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	9,625,000	9,625,000
Earnings per share in EUR, undiluted	**1.08**	**1.52**
Earnings per share in EUR, diluted	**1.08**	**1.52**

No dilutive effect was taken into account for the options, as the strike price of the options exceeded the average share price for the ordinary shares during the reporting period.

Notes to the Consolidated Balance Sheet

[12] Fixed Assets

A statement of changes in non-current assets is presented on the last page of these notes to the consolidated financial statements.

Amortization of EUR 333 k is due to internally generated software (Build segment). As of balance sheet date no significant revenues were expected in future from this new development. For this reason its expected value in use is zero.

The development in the fair value of intangible assets due to the purchase price allocation of the Scia Group can be summarized as follows:

Thousands of €	Fair value as of acquisition Feb. 28, 2006	Useful life in years	Anual amortisation	**Net book value as of Dec. 31, 2008**	Net book value as of Dec. 31, 2007
Software	1,000	3	333	57	390
Customer relationships	2,700	10	270	1,935	2,205
Intangible assets	**3,700**		**603**	**1,992**	**2,595**

The development in the fair value of intangible assets due to the purchase price allocation of the Graphisoft Group can be summarized as follows:

Thousands of €	Fair value as of acquisition Dec. 31, 2006	Useful life in years	Anual amortisation	**Net book value as of Dec. 31, 2008**	Net book value as of Dec. 31, 2007
Brand name	5,300	15	353	4,594	4,947
Trademarks	2,800	10	280	2,240	2,520
Software	27,100	7	3,871	19,358	23,229
Customer relationships	27,300	12	2,275	22,750	25,025
Intangible assets	**62,500**		**6,779**	**48,942**	**55,721**

[13] Trade Receivables

Thousands of €	**2008**	2007
Trade receivables (before bad debt allowances)	23,935	27,188
Specific bad debt allowance	−3,621	−2,543
Trade receivables	**20,314**	**24,645**

Provision was made for the bad debt risk by setting up appropriate specific bad debt allowances and conducting portfolio-based analyses. Trade receivables are non-interest bearing and are generally on the 30 to 90 day terms customary for the industry. Pursuant to the group guidelines, receivables that are past due by more than 360 days are written off in full. Write-downs on a portfolio basis of EUR 674 k were made in the fiscal year 2008 (prior year: EUR 265 k). The carrying amount of trade receivables corresponds to their fair values.

Bad debt allowances developed as follows:

Thousands of €	January 1	Utilization	Release	Charges	December 31
Bad debt allowances 2008	−2,543	401	171	−1,650	−3,621
Bad debt allowances 2007	−2,822	403	1,055	−1,179	−2,543

The maturity profile of the trade receivables that are not impaired is as follows:

Thousands of €	Not past due	past due by (<30 days)	past due by (30–60 days)	past due by (60–90 days)	past due by (90–180 days)	past due by (180–360 days)	past due by (>360 days)	December 31
Trade receivables 2008	9,411	7,155	1,262	1,082	1,423	654	0	20,987
Trade receivables 2007	11,017	7,677	2,327	934	1,940	1,015	0	24,910

[14] Inventories, Tax Refunded Claims, Other Assets, Financial Assets

Thousands of €	2008	2007
Inventories	**651**	**892**
Tax refunded claims	**2,840**	**2,406**
Current financial assets	**139**	**166**
Other current assets	**4,815**	**4,264**
Non-current financial assets	**1,010**	**1,047**
Other non-current assets	**706**	**1,107**
	10,161	**9,882**

Inventories mainly consist of hardware EUR 320 k (prior year: EUR 598 k) and finished goods and work in process of EUR 217 k (prior year: EUR 237 k).

Tax credits for income taxes will lead to cash inflows in the next six months.

Other current assets contain prepaid expenses of EUR 3,600 k (prior year: EUR 3,116 k) which will be reclassified to expenses in the next twelve months, and also assets such as security deposits.

Other non-current financial assets mainly consist of the purchase price receivables from acadGraph CAD Studio GmbH of EUR 610 k (prior year: EUR 700 k) and employer's pension liability insurance of EUR 307 k (prior year: EUR 281 k)

The carrying amount of financial assets corresponds to their fair value.

[15] Equity

The development of issued capital, the capital reserve, the revenue reserve, the foreign currency translation reserve, the retained earnings/accumulated loss of the Group, and minority interests is presented in the statement of changes in shareholders' equity.

[16] Subscribed Capital

Nemetschek Aktiengesellschaft's share capital as of balance sheet date stands at EUR 9,625,000.00 (unchanged on the prior year) and is divided into 9,625,000 no-par value bearer shares.

According to the resolution of the shareholders' meeting on July 29, 2003, the management board was authorized until July 28, 2008 to:

- Increase the share capital, once or several times, by a maximum of EUR 1,200,000.00 with the approval of the supervisory board, by issuing new no-par value bearer shares in exchange for cash contributions (Authorized Capital I). The management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights for fractional amounts. The management board is also authorized, with the approval of the supervisory board, to preclude the shareholders' subscription rights up to a proportional amount of share capital totaling EUR 962,500.00, provided the new shares are issued at an issue amount not significantly below the quoted share price.

- Increase the share capital, once or several times, by a maximum of EUR 3,600,000.00 with the approval of the supervisory board, by issuing new no-par value bearer shares in exchange for contributions in cash or in kind (Authorized Capital II). The management board is authorized, with the approval of the supervisory board, to preclude the shareholders' statutory subscription rights for fractional amounts. The management board is further authorized, with the approval of the supervisory board, to preclude the subscription right of the shareholders for the issue of new shares in return for contributions in kind provided the new shares are issued for the purpose of acquiring entities or investments in entities and the acquisition is in the Company's interest.

- The shareholders' meeting of July 29, 2003 passed a resolution for a contingent increase of the capital stock of the Company by up to EUR 850,000.00 which serves to guarantee subscription rights (options) to board members and executives. As of December 31, 2007, 100,000 options had been issued to members of the management board. In fiscal year 2008, those options held by persons leaving the Company were compensated by other means or cancelled.

According to the resolution of the shareholders' meeting on May 23, 2007, the management board was authorized until November 22, 2008 to:

- Purchase up to 962,000 treasury shares of the Company, equivalent to just under 10 % of the share capital, in full or in part amounts, once or in several installments. At no time may the shares acquired on the basis of this authorization together with other treasury shares constitute more than 10 % of its share capital. The authorization may not be used for trading with treasury shares. This authorization replaces the authorization adopted by the shareholders' meeting of Nemetschek Aktiengesellschaft on May 23, 2006 as agenda topic 6 concerning the acquisition of treasury shares, which is hereby cancelled.

- Offer treasury shares purchased by exercising the above authorization, precluding the shareholders' subscription right, to third parties as consideration for the acquisition of entities, investments in entities or parts of entities.

- Use treasury shares acquired by exercising the above authorization, precluding the shareholders' subscription rights, to satisfy with share subscription rights under the stock option plan.

- Redeem treasury shares acquired by exercising the above authorization, with the approval of the supervisory board, without any further resolution of the shareholders' meeting being required for the redemption to take effect.

According to the resolution of the shareholders' meeting on May 21, 2008, the management board is authorized until November 20, 2009 to:

- Purchase up to 962,000 treasury shares of the Company, equivalent to just under 10 % of the share capital, in full or in part amounts, once or in several installments subject to the following conditions. At no time may the shares acquired on the basis of this authorization together with other treasury shares already purchased and held by the Company, or which are attributable to the Company under Secs. 71a et seq. AktG, constitute more than 10 % of the capital stock. The authorization may not be used for trading with treasury shares.

This authorization replaced the authorization adopted by the shareholders' meeting of Nemetschek Aktiengesellschaft on May 23, 2007 as agenda topic 6 concerning the acquisition of treasury shares, which was hereby cancelled to the extent that no use was made of it.

- The shares can be purchased on the stock exchange or by public offer addressed to all the Company's shareholders. If the shares are 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 in the last five days of trading prior to the obligation to purchase them on the electronic Xetra exchange (or a comparable successor system) by more than 10 %.
  If a public purchase offer is made, the offer price for a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall short of the average closing price on the Xetra exchange over the five days of trading prior to publication of the purchase offer by more than 20%. If the total subscription exceeds the volume of the purchase offer, shares will be subscribed on the basis of the relative quotas. Preferential subscription to small numbers of shares may be allowed, up to a maximum of 100 shares offered for sale for each shareholder.

- The management board is authorized to use the treasury shares purchased pursuant to this authorization for any legally permissible purpose. According to Sec. 71 (1) No. 8 AktG, the management board is authorized to use treasury shares purchased pursuant to this authorization for other purposes than through the sale on the stock exchange or via an offer to all shareholders precluding the subscription rights of the shareholders:
  (a) The management board is authorized to offer treasury shares purchased by exercising the above authorization to third parties as consideration for the acquisition of entities, investments in entities or parts of entities.

(b) The management board is authorized to use treasury shares acquired by exercising the above authorization, to satisfy share subscription rights under the 2003 stock option plan. The 2003 stock option plan is based on resolutions passed by the shareholders' meeting on July 29, 2003 on No. 7 (b) of the agenda (published in the electronic Federal Gazette on June 18, 2003) and on May 20, 2005 on 7 (a) of the agenda (published in the electronic Federal Gazette on April 12, 2005). Please see the resolutions of the respective shareholders' meetings and the latest management report for more details.
The supervisory board must decide on any assignments of treasury shares to members of the management board.

(c) The management board is authorized to redeem treasury shares acquired by exercising the above authorization, with the approval of the supervisory board, without any further resolution of the shareholders' meeting being required for the redemption to take effect.

[17] Capital Reserve/ Revenue Reserves/ Foreign Currency Translation/ Dividend

The **capital reserve** includes the share premium from the IPO and the value of equity-settled share-based payments granted to employees as a salary component. Changes essentially arose from offsetting against loss carryforwards in 2003. The expenses for share-based payments are explained in note 28.

The **revenue reserve** relates to the sale of treasury shares in 2005.

The **foreign currency translation reserve** records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The **dividend** of EUR 6,256 k in total was paid out on May 21, 2008 (basic dividend of EUR 0.65 per share). The payment of dividends by Nemetschek Aktiengesellschaft to the shareholders did not have any income tax implications.

Proposed Dividend
The management board and supervisory board propose that no dividend be paid.

[18] Provisions/ Accrued Liabilities/ Pension Provision

Thousands of €	2008	2007
Other provisions	1,053	1,109
Accrued liabilities	10,494	12,262
Total other provisions and accrued liabilities	**11,547**	**13,371**

As a company with international operations working in various divisions, the Group is exposed to a whole range of legal risks. This is especially true of risks for warranties, tax law and other legal disputes. The outcome of currently pending and/or future litigation cannot be predicted with certainty, so that expenses may be incurred from decisions that are not fully covered by insurances and that may have significant effects on the business and its results. Management is of the opinion that litigation currently pending is not likely to result in decisions that will significantly and negatively influence the financial position and performance of the Group.

Other Provisions

Other provisions include the following items:

Thousands of €	January 1	Utilization	Release	Charges	December 31
Guarantees and credit notes	691	423	268	748	748
Potential losses from rent	233	113	0	0	120
Archiving costs	185	0	0	0	185
Fiscal year 2008	**1,109**	**536**	**268**	**748**	**1,053**
Fiscal year 2007	**1,359**	**861**	**313**	**924**	**1,109**

The warranty provisions have been set up based on the assessment by management, based on past experience, at an amount of at least 0.5 % of revenue less purchased merchandise (i.e. sales subject to warranty).
The potential loss provision for rent was extrapolated on the basis of the current sublease agreements and determined for their remaining terms.

Accruals

Accruals contain the following items and are due within one year:

Thousands of €	2008	2007
Commission/bonuses for employees	3,832	6,213
Outstanding invoices	2,468	2,127
Vacation accrued by employees	2,226	2,002
Legal and consulting fees/cost preparing the financial statements	379	646
Other accrued liabilities (individual items below EUR 250 k)	1,589	1,274
Accrued liabilities, total	**10,494**	**12,262**

Pension Provisions

The obligation to a subsidiary's managing directors resulting from pension plans is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the income statement. There were no curtailments in the year ending December 31, 2008. The plans were continued beyond this period. The pension plans provide a benefit after reaching the age of 65 amounting to 60 % of the last net salary, up to a maximum amount of EUR 3,834.69 (DEM 7,500.00) per month. All claims are vested.

The table below shows the development of the pension obligations:

Thousands of €	January 1	Utilization	Release	Charges	December 31
Pension provisions 2008	639	0	126	0	513
Pension provisions 2007	590	0	0	49	639

Thousands of €	2008	2007
Present value of the obligation	513	639

The income and expenses relate to:

Thousands of €	2008	2007
Current service cost	32	31
Interest cost	29	27
Less actuarial gains	−187	−9
Income (prior year: expenses) for employee benefits	**−126**	**49**

The net benefit income originates from current service cost, interest and actuarial gains and amounts to EUR 126 k (prior year: expenses EUR 49 k) and is disclosed solely under personnel expenses. The mortality tables 2005 G from Dr. Klaus Heubeck were applied as in the prior year. The principal actuarial assumptions used to determine pension obligations as of December 31 were as follows:

in %	2008	2007
Discount rate	5.70	5.76
Future pension increases	1.00	1.00

The amounts for the current and previous four periods are as follows:

Thousands of €	2008	2007	2006	2005	2004
Defined benefit obligation	513	639	590	583	443
Experience adjustments of defined benefit obligation − = loss/+ = gain	8	8	49	−92	−47

The Group expects expenses of EUR 54 k for its defined benefit pension plans in the fiscal year 2009.

[19] Liabilities

Liabilities, categorized by due date, comprise the following:

2008 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	49,401	8,077	41,324	0
Payments received on account of orders	151	151	0	0
Trade payables	6,640	6,640	0	0
Tax liabilities	1,524	1,524	0	0
Other liabilities	6,838	6,225	613	0
thereof taxes	3,323	3,323	0	0
thereof relating to social security	574	574	0	0
December 31, 2008	**64,554**	**22,617**	**41,937**	**0**

2007 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	69,693	16,274	53,419	0
Payments received on account of orders	100	100	0	0
Trade payables	6,598	6,598	0	0
Tax liabilities	3,079	3,079	0	0
Other liabilities	5,419	4,452	967	0
thereof taxes	2,473	2,473	0	0
thereof relating to social security	472	472	0	0
December 31, 2007	**84,889**	**30,503**	**54,386**	**0**

Future interest payments are simulated using the interest rate applying on December 31, 2008 (3M EURIBOR). It is assumed that all other parameters remain constant. Interest payments will amount to EUR 3,217 k in the year 2009 and total EUR 5,007 k for the years 2010 to 2012.

Loans to finance the Graphisoft Acquisition

Loans primarily relate to the finance for the Graphisoft acquisition which was provided by a syndicated credit facility arranged in three tranches from WestLB AG, Düsseldorf. Financing developed as follows:

Source of funds	Fiscal Year 2007 Mio. EUR	Term	Repayment	Interest rate	Repayments as of Dec. 31, 2007 Millions of EUR	Repayments in Fiscal Year 2008 Millions of EUR	Net book value as of Dec. 31, 2008 Mio. EUR	thereof current due within 1 year Mio. EUR	thereof non-current over 1 year Mio. EUR
TRANCHE 1 "Bridge Loan"	20.0	Sep. 30, 2007	At the end of the term and max. EUR 5 million per interest period prematurely	3-M-EURIBOR zzgl. 1.0 %	20.0	0.0	0.0	0.0	0.0
TRANCHE 2 "Term Loan"	35.0	Dec. 31, 2011	Half yearly installements of EUR 3.5 million and max. EUR 5 millions per interest period prematurely	3-M-EURIBOR plus 1.5 %	3.5	7.0	24.5	7.0	17.5
TRANCHE 3 "Revolving Credit Facility"	45.0	Dec. 31, 2012	Per withdrawal at the end of the respective interest period, no later than at the end of the term	3-M-EURIBOR plus 1.5 %	7.0	13.2	24.8	1.0	23.8
Total	**100.0**				**30.5**	**20.2**	**49.3**	**8.0**	**41.3**

Borrowers are Nemetschek Aktiengesellschaft, Munich, and NEMETSCHEK Allplan GmbH (formerly: Nemetschek Technology GmbH), Munich.

Collateral was provided in the form of the shares purchased by Nemetschek Aktiengesellschaft in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, that are pledged and deposited at WestLB Hungaria zrt., Budapest, Hungary.

In connection with the agreed syndicated loan for the third tranche, Nemetschek Aktiengesellschaft has undertaken to repay an amount of 50 % of excess cash flows of fiscal year 2008 on June 30 of the following year. Excess cash flows are defined as follows: net income of the Group for the year, plus amortization and depreciation, less obligatory repayment for tranche 2, less planned capital expenditures.

Other Loans

In addition, other loans to banks of EUR 87 k (prior year: EUR 156 k) refer exclusively to SCIA Group NV, Herk-de-Stad, Belgium. Carrying amounts generally correspond with fair value. These break down as follows:

Thousands of €	Current portion	Non-current portion	Interest in %	Matures on
Loan 1	35	0	4.10	Nov. 20, 2009
Loan 2	16	24	4.71	June 21, 2010
Loan 3	1	0	4.08	March 02, 2009
Loan 4	11	0	4.69	Nov. 04, 2009
December 31, 2008	**63**	**24**		

Thousands of €	Current portion	Non-current portion	Interest in %	Matures on
Loan 1	37	35	4.10	Nov. 20, 2009
Loan 2	14	40	4.71	June 21, 2010
Loan 3	5	1	4.08	March 02, 2009
Loan 4	11	11	4.69	Nov. 04, 2009
December 31, 2007	**69**	**87**		

Trade payables are subject to the customary retention of title relating to the supply of movable fixed assets and inventories. Trade payables are non-interest bearing and are normally settled on 60-day terms. Carrying amounts generally correspond with fair value.

Other liabilities primarily comprise liabilities to the tax authorities on account of obligations to pay wage tax and VAT as well as to pay social security contributions to the social security carriers. Other liabilities are non-interest bearing and have an average term of 60 days. Carrying amounts generally correspond with fair value.

Deferred Revenue

[20] Deferred Revenue

Deferred revenue amounts to EUR 12,133 k (prior year: EUR 10,186 k). The total amount will lead to revenue in the first half of 2009.

[21] Non-current Financial Obligations

Non-Current Financial Obligations

Within the framework of the syndicated credit facility with West LB, Düsseldorf, Nemetschek Aktiengesellschaft has entered into an interest hedge. The gains or losses from measurement at fair value are recognized in profit or loss in the income statement. The negative market value of EUR 2,326 k of this interest hedge as of December 31, 2008 is presented under other non-current financial liabilities (prior year: financial assets of EUR 177 k). In total, an expense of EUR 2,539 k was recorded in fiscal year 2008. The following table displays the conditions agreed with WestLB AG, Düsseldorf and the current carrying amount:

Thousands of €	Reference amount	Date of agreement	Date of closing	Base interest rate 1/ Base interest rate 2	Factor/ interest limit (or difference)	Interest cap/ floor	**As of Dec. 31, 2008**
Participation interest rate swap	30,000	Januar 25, 2007	July 15, 2014	3-month EURIBOR /n/a	0.95/ 5.25 %	5.53 %/ 3.17 %	2,326

The conditions of the interest hedge are defined in the agreement with WestLB AG, Düsseldorf as follows: Nemetschek Aktiengesellschaft receives a variable amount equivalent to the base interest rate for each calculation period (January 15, April 15, July 15, October 15 of each fiscal year) from WestLB AG. Should the interest cap be reached in a calculation period, Nemetschek Aktiengesellschaft has undertaken to pay interest at the agreed rate to WestLB AG. Should neither the interest cap nor the interest floor be reached in a calculation period, Nemetschek Aktiengesellschaft has undertaken to pay interest at the participation rate (= factor x base interest rate) to WestLB AG. Should the interest floor be reached in a calculation period, Nemetschek Aktiengesellschaft has undertaken to pay interest at the agreed rate to WestLB AG.

[22] Financial Commitments/ Contingent Liabilities

Financial Commitments

Thousands of €	**Total**	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	14,068	5,878	7,542	648
Leases	2,751	1,061	1,646	44
Total financial commitments as of December 31, 2008	**16,819**	**6,939**	**9,188**	**692**
Rental agreements	20,850	5,955	14,285	610
Leases	2,379	925	1,436	18
Total financial commitments as of December 31, 2007	**23,229**	**6,880**	**15,721**	**628**

The rent agreements consist almost exclusively of rent agreements for office space with limited terms. The leases are subject to the customary escalation clauses and renewal options. Rent obligations are offset against expected income from non-cancelable subleases for the years 2009 through 2011 totaling EUR 944 k (prior year: EUR 690 k). The lease obligations mainly consist of leases for vehicles and telecommunications equipment.

Contingent Liabilities

As of balance sheet date, contingent liabilities amount to EUR 691 k (prior year: EUR 984 k) and mainly relate to rental agreements and bank guarantees. From a tax perspective, there are contingent liabilities of EUR 570 k (prior year: EUR 570 k) which could lead to payments over the next five years.

[23] Notes to the Cash Flow Statement

The **cash flow statement** is split into cash flows from operating, investing and financing activities.

The cash flow from **operating activities** amounts to EUR 30,417 k (prior year: EUR 25,303 k). Non-cash transactions primarily consist of the EUR 2,326 k from the revaluation of the interest hedge and bad debt allowances of trade receivables of EUR 1,479 k.

The cash flow from **investing activities** amounts to EUR −4,664 k (prior year: EUR −102,381 k). In the current year capital expenditures involved the introduction of an ERP system, replacements of property, plant and equipment, and a customer base. In the prior year, cash flow from investing activities was dominated by the purchase price paid to acquire 100 % of the shares in the Graphisoft Group (EUR −97,151 k) and the remaining 21.16 % of the shares in the SCIA Group (EUR −2,030 k).

The cash flow from **financing activities** of EUR −31,907 k (prior year: EUR 72,178 k) is dominated by the repayment of bank loans of EUR −20,292 k (prior year: EUR −30,500 k). Further cash outflows were recorded from the dividend distribution in May 2008 of EUR −6,256 k (prior year: EUR −5,390 k), interest on bank loans of EUR −4,205 k (prior year: EUR −4,669 k) and the payment of profit shares of to minority interests of EUR −1,154 k (prior year: EUR −777 k).

The Group's **cash and cash equivalents** comprise cash and short-term deposits and break down as follows:

Thousands of €	2008	2007
Bank balances	19,017	23,496
Fixed term deposits	4,210	5,625
Cash and cash equivalents	**23,227**	**29,121**

Bank balances earn interest at the floating rates for on-call deposits. Fixed-term deposits are made for terms of between one day and three months depending on the immediate cash requirements of the Group. These could be subject to slight fluctuations in value. Fixed term deposits bear interest at the respective rates applying for the term. Carrying amounts generally correspond with fair value. The Group has undrawn credit lines of EUR 21,500 k (prior year: EUR 21,500 k).

[24] Financial Instruments/Financial Risk Management Objectives and Policies

Derivative Financial Instruments

Depending on their maturity, the derivatives used as hedging instruments with positive (negative) fair values are either classified as other current assets (provisions) or as other non-current assets (provisions). Derivative financial instruments not used as hedging instruments are classified as financial assets held for trading and measured at fair value; changes in fair value are included in the result for the period.

Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation. Fair values are obtained from market prices, discounted cash flow analyses or option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Financial Assets and Financial Liabilities

There are no significant differences in the Group between the fair value and the carrying amount of financial instruments. The carrying amount of cash and cash equivalents, other financial assets and financial liabilities approximates fair value due to the relatively short-term maturity of these financial instruments.

Where no market prices are available, the fair value of publicly traded instruments is estimated based on market prices for those or similar investments. For all other instruments for which there are no market prices, a reasonable estimate of fair value has been calculated based on the expected cash flow or the underlying net asset base for each investment. All carrying amounts approximate the fair value of the corresponding items.

Financial Risk Management Objectives and Policies

The objective of the Company with regard to financial risk management is to mitigate the risks presented below by the methods described. The Group generally pursues a conservative strategy with a cautious approach to risks.

The main financial liabilities used by the Group – except for derivative financial instruments – include bank loans and overdraft facilities, trade payables and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

Credit Risk Related to Financial Instruments and Cash Deposits at Banks

The credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group's maximum exposure to credit risk for the components of the balance sheet at 31 December 2008 and 2007 is the carrying amounts as illustrated in Note 23 except for financial derivative instruments.

The Group also has derivative financial instruments. These include interest swaps and currency futures. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2008 and 2007, the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of managing Directors reviews and agrees policies for managing each of these risks which are summarized below. The Group generally pursues a conservative strategy with a cautious approach to risks.

Foreign Exchange Risk and Risk Management

In the course of ordinary operations, the Nemetschek Group is exposed to exchange rate fluctuations in particular. It is company policy to exclude or limit these risks by entering into hedge transactions. The currency risks of the Group occur due to the fact that the Group operates and has production and sales centers in different countries worldwide. All hedging activities are coordinated or performed centrally by the Group Treasury.

Due to its international business operations, the Nemetschek Group is exposed to exchange rate fluctuations on the international money and capital markets. Group-wide foreign currency policy is governed by instructions which are guided by the minimum requirements for bank trading issued by the German Federal Financial Supervisory Agency (BaFin). Only first-class national banks whose credit rating is checked regularly by rating agencies may act as partners for hedging transactions.

As required, the Group enters into various types of foreign exchange contracts to manage its foreign exchange risk resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign currencies.

The exchange rate fluctuation only has a limited effect at top group level because the operating subsidiaries outside the euro area record revenue as well as cost of materials, personnel expenses and other expenses in their local currency.

The Nemetschek Group entered into a number of forward transactions to cover possible exchange rate fluctuations from expected distributions and royalty payments denominated in CHF. When marked to market as of 31 December 2008 these instruments displayed a negative fair value of EUR 94 k.

Sensitivity Analysis of Selected Foreign Currencies

The table below shows the sensitivity of group revenue and group EBIT to a reasonably possible change in the USD and the HUF exchange rates. All other variables remain constant.

Sensitivity of USD/EUR Thousands of €	Change of exchange rate USD	Sensitivity effect to Revenues	Sensitivity effect to EBIT
Fiscal year 2008			
(average USD/EUR exchange rate = 1.47)	+5 %	−928	−208
	−5 %	1,025	230
Fiscal year 2007			
(average USD/EUR exchange rate = 1.38)	+5 %	−966	−258
	−5 %	1,068	285

Sensitivity of HUF/EUR Thousands of €	Change of exchange rate HUF	Sensitivity effect to Revenues	Sensitivity effect to EBIT
Fiscal year 2008			
(average HUF/EUR exchange rate = 250.83)	+5 %	−1,168	−422
	−5 %	1,291	466
Fiscal year 2007			
(average HUF/EUR exchange rate = 251.33)	+5 %	−1,185	−570
	−5 %	1,310	630

Liquidity Risks and Management

The Group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. The credit rating of the Group allows sufficient cash to be procured. In addition, the Group had undrawn credit lines totaling EUR 21,500 k as of 31 December 2008 (prior year: EUR 21,500 k).

To manage this risk the Company periodically assesses the credit rating of its customers. Liquidity risks can also arise from the possibility that a market for derivatives may not exist in some circumstances.

The Group continuously monitors its risk of a shortage of funds using monthly liquidity planning.

This considers the maturity of both its financial assets (e.g. accounts receivable, fixed-term deposits) and projected cash flows from operating activities. The Group's objective is to maintain a balance between continuity of funding and flexibility.

Default Risk and Risk Management

Default risks, or the risk of contractual parties defaulting, are managed by means of credit approvals, limits and monitoring procedures. Where appropriate, the Company obtains additional collateral in the form of rights to securities or arranges master netting agreements.

The Company does not expect that any of its business partners with high credit ratings will fail to meet their obligations. The Nemetschek Group has no significant concentration of credit risks with any single customer or customer group. The maximum credit risk can be calculated from the amounts shown in the balance sheet. The terms of payment are the customary 30 to 90 days for the industry.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or return capital to shareholders. No changes were made in the objectives, policies or processes as of 31 December 2008 and as of 31 December 2007. The Group meets the minimum capital requirements imposed from the outside.

The Group monitors its capital based on the gearing and equity ratios.

Gearing ratio

The gearing ratio is defined as net debt divided by EBITDA. Net debt is essentially defined as current and non-current loans less any cash and cash equivalents. The Group's gearing ratio ranges between 0 and 3.5, thus meeting external and internal key indicators.

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio comes to 40.6 % (prior year: 34.4 %). In the mid-term the Group aims for an equity ratio in excess of 50 %.

Credit Risk and Risk Management

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the head of credit control. There is no significant concentration of risk of default within the Group.

With respect to the other financial assets of the Group, which comprise cash and cash equivalents, the Group's maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of these instruments.

Interest Risk and Risk Management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

On the one hand, the Group manages the interest rate risk using the interest coverage ratio. The interest coverage ratio is EBITDA divided by net interest expense.

On the other, the Group's interest expenses are managed by hedging interest expenses on borrowed capital. As of December 31, 2008 over 60 % of the interest expenses on borrowed capital were hedged using interest swaps.

Summary of Interest Rate Risks

The following table shows the sensitivity of consolidated profit or loss to a reasonably possible change in the interest rates (due to the effect on the floating interest loans and fixed term deposits). All other variables remain constant.

Thousands of €	Reference amount	Base interest rate (average)	Change in base/ base interest rate after changes	Sensitivity effect to Net income 2008
Sensitivity interest income	985	1-month EURIBOR (4.28 %)	+0.10 % / 4.38 %	23
			−0.10 % / 4.18 %	−23
Sensitivity interest expenses	−4,280	3-month EURIBOR (4.68 + 1.5 %* = 6.14 %)	+0.10 % / 6.24 %	−70
			−0.10 % / 6.04 %	70

*) According to the terms and conditions of the syndicated loan facility arranged by WestLB AG, Düsseldorf.

Thousands of €	Reference amount	Base interest rate (average)	Change in base/ base interest rate after changes	Sensitivity effect to Net income 2007
Sensitivity interest income	1,802	1-month EURIBOR (4.08 %)	+0.10 % / 4.18 %	44
			−0.10 % / 3.98 %	−44
Sensitivity interest expenses	−4,991	3-month EURIBOR (4.28 + 1.5 %* = 5.78 %)	+0.10 % / 5.88 %	−86
			−0.10 % / 5.68 %	86

*) According to the terms and conditions of the syndicated loan facility arranged by WestLB AG, Düsseldorf.

[25] Segment Reporting

The Company divides its activities into the segments Design, Build, Manage and Multimedia. The Design segment contains the architecture and engineering division and is mainly characterized by the development and marketing of CAD, static engineering and tender software. The Build segment involves the creation and marketing of commercial software for construction companies. The Manage segment covers facility management, which involves extensive administration and management of property development projects. Also, the Group's Multimedia business unit is involved in the field of multimedia software for visualization and animation applications.

The following tables present revenue and profit and certain assets and liability information regarding the Group's business segments: Since July 1, 2008, Nemetschek CREM Solutions' Allfa graphic software solution has been allocated to the Design division. Segment reporting for these divisions was adjusted in the current fiscal year and the prior year.

Segment Reporting – Income Statement Disclosures:

2008 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	150,371	0	124,284	12,900	4,215	8,972
Intersegment revenue	0	−774	100	20	0	654
Total revenue	**150,371**	**−774**	**124,384**	**12,920**	**4,215**	**9,626**
EBITDA	**31,371**	**0**	**24,272**	**3,523**	**490**	**3,086**
Depreciation/Amortization	−10,362	0	−9,495	−474	−215	−178
Segment Operating result (EBIT)	**21,009**	**0**	**14,777**	**3,049**	**275**	**2,908**
Interest income	985					
Interest expenses	−6,819					
Income from associates	373					
Income tax	−4,212					
Net income for the year	**11,336**					

2007 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	146,191	0	121,249	13,249	3,592	8,101
Intersegment revenue	0	−920	254	18	0	648
Total revenue	**146,191**	**−920**	**121,503**	**13,267**	**3,592**	**8,749**
EBITDA	**33,634**	**0**	**26,204**	**4,122**	**956**	**2,352**
Depreciation/Amortization	−9,776	0	−9,403	−161	−38	−174
Segment Operating result (EBIT)	**23,858**	**0**	**16,801**	**3,961**	**918**	**2,178**
Interest income	1,802					
Interest expenses	−4,991					
Income from associates	221					
Income tax	−5,543					
Net income for the year	**15,347**					

The depreciation and amortization of the Design segment includes amortization and depreciation of EUR 7,383 k (prior year: EUR 7,383 k) relating to the purchase price allocation. Amortization in the Build segment includes impairment losses of EUR 333 k recorded on internally generated software.

The secondary segment reporting format for financial reporting relating to the balance sheet that is used for the Group's internal organizational and management purposes does not show a geographical breakdown. It is therefore not presented in greater detail.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and the segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Segment reporting by geographical region is as follows:

Thousands of €	**Revenues 2008**	**Fixed assets 2008**	**Additions to fixed assets 2008**	Revenues 2007	Fixed assets 2007	Additions to fixed assets 2007
Germany	57,407	16,628	2,135	53,587	16,436	1,470
Abroad	92,964	95,036	3,366	92,604	100,876	1,677
Total	**150,371**	**111,664**	**5,501**	**146,191**	**117,312**	**3,147**

The Group's geographical segments are based on the location of the Group's assets. Correspondingly, total assets of EUR 38,182 k (prior year: EUR 40,280 k) can be allocated to the German segment and total assets of EUR 129,227 k (prior year: EUR 142,540 k) to the foreign segment.

Sales to external customers disclosed in the geographical segments are allocated to the various territories on the basis of the customer's location.

Segment Reporting – Balance Sheet Disclosures:

2008 Thousands of €	Total	Design	Build	Manage	Multimedia
Trade receivables	20,314	17,552	1,518	333	911
Inventories	651	514	28	0	109
Other assets	5,316	4,729	149	11	427
Fixed assets	111,005	93,111	12,372	2,127	3,395
thereof additions to fixed assets	5,501	5,004	254	45	198
Segment assets	**137,286**	**115,906**	**14,067**	**2,471**	**4,842**
Cash and cash equivalents	23,227				
Financial assets, associates	659				
Non-allocated assets *)	6,237				
Total assets	**167,409**				
Liabilities	15,937	14,343	1,010	211	373
Provisions and accrued liabilities	11,547	9,173	827	671	876
Pension provisions	513	0	0	0	513
Deferred revenue	12,133	11,965	110	58	0
Segment liabilities	**40,130**	**35,481**	**1,947**	**940**	**1,762**
Non-allocated liabilities **)	59,375				
Total liabilities	**99,505**				

*) Not allocated: Deferred Tax Assets (EUR 2,043 k), Income Tax Assets (EUR 2,840 k) and other Assets (EUR 1,354 k)

**) Not allocated: Loans (EUR 49,401 k), Deferred Tax Liabilities (EUR 8,432 k) and other Liabilities (EUR 1,542 k)

Segment Reporting – Balance Sheet Disclosures:

2007 Thousands of €	**Total**	Design	Build	Manage	Multimedia
Trade receivables	24,645	20,746	2,485	750	664
Inventories	892	688	66	0	138
Other assets	5,270	4,587	200	16	467
Fixed assets	116,742	97,976	12,726	2,674	3,366
thereof additions to fixed assets	3,147	2,478	384	75	210
Segment assets	**147,549**	**123,997**	**15,477**	**3,440**	**4,635**
Cash and cash equivalents	29,121				
Financial assets, associates	570				
Non allocated assets *) ***)	5,580				
Total assets ***)	**182,820**				
Liabilities	12,117	10,195	1,488	77	357
Provisions and accrued liabilities	13,371	10,780	1,066	702	823
Pension provisions	639	0	0	0	639
Deferred revenue	10,186	10,013	94	79	0
Segment liabilities	**36,313**	**30,988**	**2,648**	**858**	**1,819**
Non-allocated liabilities**) ***)	83,621				
Total liabilities ***)	**119,934**				

*) Not allocated: Deferred Tax Assets (EUR 1,860 k), Income Tax Assets (EUR 2,406 k), and other Assets (EUR 1,314 k).

**) Not allocated: Loans (EUR 69,692 k), Deferred Tax Liabilities (EUR 10,849 k), and other Liabilities (EUR 3,080 k).

***) Adapted; cf. Note [10] of the Notes to the Consolidated Financial Statements

[26] Subsequent Events

Significant events after the balance sheet date are as follows:
After the exercise of a put option to pay a variable purchase price liability, Nemetschek acquired 3.5 % of the shares in Nemetschek Bausoftware, GmbH, Achim, by notarized agreement dated December 22, 2008. The shares were transferred effective January 2, 2009. The payment of EUR 0.5 million for the shares was made on January 22, 2009. This did not have any effects on the consolidated financial statements 2008, since these had already been fully consolidated in the course of the acquisition of Nemetschek Bausoftware GmbH and the put option was recognized as a liability.

[27] Related Parties

The Group enters into transactions with its associates and related parties. These transactions are part of ordinary activities and are handled at arm's length. They are classified in accordance with IAS 24.18(g) as transactions with other related parties. Among the most significant transactions is the rent of space by Nemetschek Aktiengesellschaft from Concentra GmbH & Co. KG, Munich. Since fiscal year 2000, a rental agreement for office space has been in place between Nemetschek Aktiengesellschaft and Concentra GmbH & Co. KG, Munich (limited partner: Mr. Alexander Nemetschek). The net rent for the fiscal year 2008 amounts to EUR 2,349 k (prior year: EUR 2,356 k). The contract has a remaining term of two years.

The balance sheet does not contain any outstanding items relating to significant transactions with associates and related parties.

Disclosures on Transactions Pursuant to Sec. 15a WpHG ['Wertpapierhandelsgesetz': German Securities Trading Act]

The management and supervisory board informed us that there were no purchases or sales of shares in the Company pursuant to Sec. 15a WpHG (directors' dealings) by themselves or by related parties in the fiscal year. In the prior year (September 17, 2007) Prof. Georg Nemetschek acquired 3,100 shares for EUR 73 k.

Supervisory Board / Remunerations

The members of the supervisory board of Nemetschek Aktiengesellschaft receive annual remuneration containing both fixed and variable components. Remuneration of the supervisory board breaks down as follows:

Thousands of €	Fixed components	Profit-based remuneration	**2008**
Kurt Dobitsch	25.0	7.5	32.5
Prof. Georg Nemetschek	22.5	9.0	31.5
Rüdiger Herzog	17.5	9.0	26.5
Alexander Nemetschek	2.5	1.5	4.0
Total	67.5	27.0	94.5

Thousands of €	Fixed components	Profit-based remuneration	**2007**
Kurt Dobitsch	26.2	13.1	39.3
Prof. Georg Nemetschek	22.5	15.0	37.5
Rüdiger Herzog	16.9	15.0	31.9
Alexander Nemetschek	1.9	1.9	3.8
Total	67.5	45.0	112.5

Management Board / Remunerations

The members of the management board of Nemetschek Aktiengesellschaft receive annual remuneration with a fixed and variable component. Remuneration of the management board breaks down as follows:

Thousands of €	Fixed components	Profit-based remuneration	Share-Based payments	2008
Ernst Homolka	218	170	0	388
Michael Westfahl	75	0	0	75
Total	293	170	0	463

Thousands of €	Fixed components	Profit-based remuneration	Share-Based payments	2007
Ernst Homolka	170	269	54	493
Michael Westfahl	168	151	54	373
Dr. Peter Mossack	73	0	0	73
Gerhard Weiß	17	7	0	24
Total	428	427	108	963

The fixed component contains the basic salary and other taxable salary components such as health and nursing insurance as well as provisions on company cars. Mr. Homolka waived his right to share-based remuneration in October 2008. In fiscal year 2008 termination benefits paid to Mr. Westfahl came to EUR 499 k. Mr. Westfahl left the Company in May 2008. In fiscal year 2007 termination benefits paid to Dr. Mossack came to EUR 690 k. Dr. Mossack left the Company in May 2007.

[28] Share-Based Payments

Share-Based Payments

The Group has a stock option plan for the Company's management board members, for managing directors of affiliated entities and for key employees and executives in the Company and in affiliated entities (stock option holders).

The price for the purchase of the shares when exercising the options (strike price) corresponds to the arithmetic average of the closing rates of the Nemetschek share on the Frankfurt Stock Exchange in the last five trading days prior to the resolution by the management board or – in the case of options for management board members of the company – by the supervisory board to grant the options. However, the strike price cannot fall below the pro rata share in capital stock of each no-par value share (Sec. 9 (1) AktG).

Up to 50 % of the options can be exercised two years after issue at the earliest, up to 75 % three years after issue at the earliest, and up to 100 % four years after issue at the earliest. The overall life of the options is five years.

The options can only be exercised if the price of the Nemetschek share – adjusted by any interim dividend payments, options and other special rights – on the date the option is exercised (two years after the issue of the respective tranche at the earliest) is at least 150 % of the price of the Nemetschek share on the date on which the respective tranche was granted. If three years have passed since the tranche was issued, the share price must be at least 175 % of this figure. The options granted lapse after December 15, 2010.

A further condition is that the option holder has fulfilled the personal and company targets agreed in the year of issue, unless the management board (or the supervisory board in the case of targets for the management board) confirms that failure to meet the target has no effect or only a limited effect on the exercise of the options.

100,000 options were granted to management board members in fiscal year 2005. This was the first time stock options were granted. The weighted average strike price was EUR 14.60. In fiscal year 2007 those options held by people leaving the Company were compensated by other means.

Another 100,000 options were granted to management board members in fiscal year 2007. The weighted average strike price was EUR 26.92. In fiscal year 2008, those options held by persons leaving the Company were compensated by other means or cancelled by waiver of the option holder.

The following parameters were used in the calculation.

	Granted options 2007	Granted options 2005
Volatility	42.0 %	50.0 %
Risk-free interest rate	4.0 %	3.1 %
Term for 50 %	2 Years	2 Years
Term for 25 %	3 Years	3 Years
Term for 25 %	4 Years	4 Years
Discount for meeting targets	25 %	25 %

The volatility stems from the average figure for the past three years and is forecast for the future on this basis. The options were valued using the Black-Scholes formula.

The Group recognized an expense of EUR 192 k in fiscal year 2008 for those options that were granted in the fiscal year 2007 and later annulled by waiver (prior year EUR 0 k). The options compensated by other means resulted in a release of EUR 227 k (prior year: EUR 169 k). Total additions in the fiscal year 2007 amounted to EUR 175 k. Correspondingly, the net decrease in the capital reserve in fiscal year 2008 amounts to EUR 35 k (prior year: increase EUR 6 k). More information can be found in the Consolidated Statement of Changes in Equity.

[29] Auditor's Remunerations

The following fees of the auditors of the consolidated financial statements were expensed in the fiscal year:

Thousands of €	2008	2007
Statutory financial statements	47	45
Consolidated financial statements	185	175
Total	**232**	**220**

An amount of EUR 0 k (prior year: EUR 16 k) was paid for tax advice. The expenses for other assurance and valuation services amounted to EUR 6 k (prior year: EUR 4 k). The Group paid further fees for other services amounting to EUR 7 k (prior year: EUR 7 k). No other remuneration was paid to the auditors.

[30] Release of Financial Statements

The consolidated financial statements were released to the supervisory board on March 6, 2009.

[31] Disclosures for Members of the Supervisory Board and the Management Board of the Company

Supervisory Board

Mr. Kurt Dobitsch *)
(self-employed businessman)
Chairman
– reappointed on February 26, 2008
– reelected since March 25, 2008
Member of the following supervisory boards:
- ☐ United Internet AG (Chairman)
- ☐ Bechtle AG
- ☐ DocuWare AG
- ☐ 1 & 1 Internet AG
- ☐ Hybris AG
- ☐ Graphisoft SE

Prof. Georg Nemetschek
(degree in engineering, self-employed businessman)
Deputy Chairman

Mr. Rüdiger Herzog
(attorney, managing director)
Chairman (until February 26, 2008)
Member (from February 26, 2008)
Member of the following supervisory boards
- ☐ Deutsche Finance AG (Chairman)
- ☐ Kaufhaus Ahrens AG

Mr. Alexander Nemetschek *)
(managing director)
Member (until February 26, 2008)

*) Mr. Dobitsch resigned temporarily from the supervisory board in October 2007 due to illness. He was replaced on the supervisory board by Mr. Alexander Nemetschek. On February 26, 2008, Mr. Alexander Nemetschek resigned from his seat on the supervisory board. By decision dated February 26, 2008 of the Munich District Court, at which the Company is registered, Mr. Kurt Dobitsch was reappointed to the supervisory board and thereupon reelected as chairman of the supervisory board on March 25, 2008.

Management Board

Mr. Ernst Homolka
(businessman)
Spokesperson of the management board
Finance and Administration (until May 20, 2008)
Sole member of the management board / CEO
(from May 20, 2008)
Member of the following supervisory boards:
- ☐ Nemetschek Bausoftware GmbH
- ☐ SCIA International NV
- ☐ Graphisoft SE
- ☐ NEMETSCHEK NORTH AMERICA Inc. (from May 20, 2008)

Mr. Michael Westfahl
(degree in engineering)
Sales and Marketing until May 20, 2008
Member of the following supervisory boards until 20 May 2008:
- ☐ Nemetschek Bausoftware GmbH
- ☐ Nemetschek Fides & Partner AG
- ☐ SCIA International NV
- ☐ NEMETSCHEK NORTH AMERICA Inc.

Munich, March 4, 2009

Nemetschek Aktiengesellschaft

Ernst Homolka
CEO

Statement of Fixed Assets of the Group

as of December 31, 2008 and as of December 31, 2007

2008 Thousands of €	Development of historic cost						
	As of Jan, 1, 2008	Reclassifications due to IFRS 5	Translation differences	Changes due to acquisitions	Additions	Disposals	As of Dec, 31, 2008
I. Intangible assets							
Industrial and similar rights	75,402	0	−18	0	2,597	3,157	74,824
Internally generated software	465	0	0	0	262	30	697
Goodwill	51,602	0	204	0	273	0	52,079
	127,469	**0**	**186**	**0**	**3,132**	**3,187**	**127,600**
II. Property, plant and equipment							
Land and Buildings	1,122	0	0	0	0	1,122	0
Other equipment, furniture and fixtures	14,136	0	−79	0	2,369	1,254	15,172
	15,258	**0**	**−79**	**0**	**2,369**	**2,376**	**15,172**
III. Associates/Investments							
Associates/Investments	10,453	0	0	0	0	0	10,453
	10,453	**0**	**0**	**0**	**0**	**0**	**10,453**
Total fixed assets of the group	**153,180**	**0**	**107**	**0**	**5,501**	**5,563**	**153,225**

2007 Thousands of €	Development of historic cost						
	As of Jan. 1, 2007	Reclassifications due to IFRS 5	Translation differences	Changes due to acquisitions	Additions	Disposals	As of Dec. 31, 2007
I. Intangible assets							
Industrial and similar rights	75,869	0	−53	0	1,136	1,550	75,402
Internally generated software	142	0	0	0	323	0	465
Goodwill	43,560	0	−457	8,596	0	97	51,602
	119,571	**0**	**−510**	**8,596**	**1,459**	**1,647**	**127,469**
II. Property, plant and equipment							
Land and Buildings	0	1,122	0	0	0	0	1,122
Other equipment, furniture and fixtures	16,463	0	−248	0	1,688	3,767	14,136
	16,463	**1,122**	**−248**	**0**	**1,688**	**3,767**	**15,258**
III. Associates/Investments							
Associates/Investments	10,459	0	−1	0	0	5	10,453
	10,459	**0**	**−1**	**0**	**0**	**5**	**10,453**
Total fixed assets of the group	**146,493**	**1,122**	**−759**	**8,596**	**3,147**	**5,419**	**153,180**

Development of accumulated depreciation/amortization							Carrying amount	
As of Jan. 1, 2008	Reclassifications due to IFRS 5	Translation differences	Additions	Equity method	Disposals	**As of Dec. 31, 2008**	**As of Dec. 31, 2008**	As of Dec. 31, 2007
15,527	0	−23	8,194	0	3,109	20,589	54,235	59,875
0	0	0	333	0	0	333	364	465
0	0	0	0	0	0	0	52,079	51,602
15,527	**0**	**−23**	**8,527**	**0**	**3,109**	**20,922**	**106,678**	**111,942**
562	0	0	180	0	742	0	0	560
9,896	0	−62	1,655	0	644	10,845	4,327	4,240
10,458	**0**	**−62**	**1,835**	**0**	**1,386**	**10,845**	**4,327**	**4,800**
9,883	0	0	0	89	0	9,794	659	570
9,883	**0**	**0**	**0**	**89**	**0**	**9,794**	**659**	**570**
35,868	**0**	**−85**	**10,362**	**89**	**4,495**	**41,561**	**111,664**	**117,312**

Development of accumulated depreciation/amortization							Carrying amount	
As of Jan. 1, 2007	Reclassifications due to IFRS 5	Translation differences	Additions	Equity method	Disposals	**As of Dec. 31, 2007**	**As of Dec. 31, 2007**	As of Dec. 31, 2006
8,968	0	– 40	8,136	0	1,537	15,527	59,875	66,901
0	0	0	0	0	0	0	465	142
0	0	0	0	0	0	0	51,602	43,560
8,968	**0**	**– 40**	**8,136**	**0**	**1,537**	**15,527**	**111,942**	**110,603**
0	562	0	0	0	0	562	560	0
11,955	0	– 175	1,640	0	3,524	9,896	4,240	4,508
11,955	**562**	**– 175**	**1,640**	**0**	**3,524**	**10,458**	**4,800**	**4,508**
9,975	0	0	50	137	5	9,883	570	484
9,975	**0**	**0**	**50**	**137**	**5**	**9,883**	**570**	**484**
30,898	**562**	**– 215**	**9,826**	**137**	**5,066**	**35,868**	**117,312**	**115,595**

*) The additions to amortization and depreciation of fiscal year 2008 include write-offs amounting to EUR 333 k due to discontinuing a new product development. This write-off is allocated to the Groups Build segment.

Declaration of the legal representatives

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

Munich, March 4, 2009

Ernst Homolka
CEO

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by Nemetschek Aktiengesellschaft, Munich, comprising the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2008. The preparation of the consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, March 6, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Broschulat	Marxer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2008 and as of December 31, 2007 (Statutory Accounts – German GAAP)

ASSETS in €	Dec. 31, 2008	Dec. 31, 2007
A. FIXED ASSETS		
I. Intangible Assets		
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	72,037.41	573,381.57
II. Property, plant and equipment		
1. Leasehold improvements	250,938.89	428,958.00
2. Fixtures, fittings and equipment	88,879.08	84,689.00
	339,817.97	**513,647.00**
III. Financial assets		
1. Shares in affiliated companies	149,886,972.74	157,595,300.49
2. Loans due from affiliated companies	3,019,000.00	3,721,230.00
3. Investments	1,712,275.84	1,712,275.84
	154,618,248.58	**163,028,806.33**
TOTAL FIXED ASSETS	**155,030,103.96**	**164,115,834.90**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	4,924.87	9,386.97
2. Accounts due from affiliated companies	3,642,843.59	3,851,887.73
3. Other assets	2,057,645.80	2,084,779.23
	5,705,414.26	**5,946,053.93**
II. Cash and cash equivalents	**4,960,391.71**	**4,521,173.30**
TOTAL CURRENT ASSETS	**10,665,805.97**	**10,467,227.23**
C. DEFERRED CHARGES AND PREPAID EXPENSES	**54,815.16**	**41,685.06**
	165,750,725.09	**174,624,747.19**

EQUITY AND LIABILITIES in €	Dec. 31, 2008	Dec. 31, 2007
A. EQUITY		
I. Capital subscribed – Conditional capital EUR 0.00 (prior year: EUR 850,000.00)	**9,625,000.00**	**9,625,000.00**
II. Capital reserve	**49,404,856.90**	**49,404,856.90**
III. Revenue reserve	**13,736,481.30**	**9,736,481.30**
IV. Retained earnings	**7,648,884.87**	**9,850,374.28**
TOTAL EQUITY	**80,415,223.07**	**78,616,712.48**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	201,400.00	57,300.00
2. Other provisions and accrued liabilities	3,197,097.72	1,535,706.66
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**3,398,497.72**	**1,593,006.66**
C. LIABILITIES		
1. Bank liabilities	49,300,002.12	69,536,418.50
2. Trade accounts payable	230,014.54	611,513.16
3. Accounts due to affiliated companies	31,438,142.14	23,115,018.18
4. Other liabilities – thereof taxes: EUR 906,601.97 (prior year: EUR 863,008.97)	968,845.50	1,152,078.21
TOTAL LIABILITIES	**81,937,004.30**	**94,415,028.05**
	165,750,725.09	**174,624,747.19**

Profit and Loss Account of Nemetschek Aktiengesellschaft

for the period from January 1 to December 31, 2008 and 2007 (Statutory Accounts – German GAAP)

in €	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007
1. Revenues	1,885,984.79	1,764,722.22
2. Other operating income	5,037,037.48	5,225,154.49
Operating income	**6,923,022.27**	**6,989,876.71**
3. Personnel expenses		
a) Wages and salaries	−2,325,713.89	−3,263,139.22
b) Social security, pension and other benefit costs – thereof for pensions: EUR 7,480.87 (prior year: EUR 5,236.96)	−183,488.92	−227,626.85
4. Depreciation and amortization of intangible assets and property, plant and equipment	−221,955.36	−234,307.87
5. Other operating expenses	−6,324,285.43	−7,097,603.73
Operating expenses	**−9,055,443.60**	**−10,822,677.67**
Operating results	**– 2,132,421.33**	**– 3,832,800.96**
6. Income from investments – thereof from affiliated companies: EUR 10,730,168.71 (prior year: EUR 9,139,799.35)	10,730,168.71	9,139,799.35
7. Income from profit and loss transfer agreements	6,931,189.20	6,956,306.92
8. Income from marketable securities and loans including write-ups – thereof from affiliated companies: EUR 217,730.58 (prior year: EUR 10,014,741.02)	217,730.58	10,014,741.02
9. Other interest and similar income	751,613.00	673,548.67
10. Amortization of financial assets – thereof loans: EUR 3,728.14 (prior year: EUR 50,000.00)	−43,785.89	−217,512.56
11. Interest and similar expenses – thereof from affiliated companies: EUR 1,538,079.11 (prior year: EUR 765,169.58)	−8,219,768.16	−5,408,221.64
12. Profit from ordinary operations	**8,234,726.11**	**17,325,860.80**
13. Taxes on income	−341,314.90	−172,907.41
14. Other taxes	161,349.38	137,000.00
15. Net income	**8,054,760.59**	**17,289,953.39**
16. Profit carried forward from previous year	3,594,124.28	2,296,902.19
17. Allocation to other Revenue Reserves according to Section § 58 (II) AktG	−4,000,000.00	0.00
18. Allocation to other Revenue Reserves according to Section § 58 (IIa) AktG	0.00	−9,736,481.30
19. Retained earnings	**7,648,884.87**	**9,850,374.28**

Pictures

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Financal Calendar 2009

March 27	Publication Annual Report
May 8	Quarterly statement 1/2009
May 25	AGM
August 7	First-half report 2009
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