NEMETSCHEK
BUILDING THE FUTURE

Annual Report 2003

Key Figures

€ million	2003	2002	Change
Sales revenue	95.6	105.5	- 9.4 %
Operating income	97.6	108.5	- 10.0 %
Gross profit	88.9	97.9	- 9.2 %
as % of sales revenue	93.0 %	92.8 %	
EBITDA	13.5	2.3	481.9 %
as % of sales revenue	14.1 %	2.2 %	
EBIT	5.6	- 7.9	n. a.
as % of sales revenue	5.8 %	- 7.5 %	
Net income	4.0	- 11.7	n. a.
per share in €	0.41	- 1.22	
Net income before goodwill amortization	7.3	- 7.0	n. a.
per share in €	0.75	- 0.72	
Cash flow for the period	13.0	3.0	336.6 %
Cash and cash equivalents	29.8	21.1	41.4 %
Equity	54.3	52.2	4.0 %

Contents

Foreword by the Managing Board

Ladies and gentlemen,
dear shareholders and business associates,

One of the most prominent mathematicians and physicists of the 17th century, Blaise Pascal, who was also a philosopher, described the purpose of his efforts with the sentence: “The past and present are our means, the future alone our end.” This quotation is a fitting description of the position of the Nemetschek Group today. We have spent time in recent years regenerating the group with a comprehensive restructuring program across practically all areas. We have bundled skills and capabilities, merged subsidiaries, restructured important departments, and streamlined the group. Consequently, we have been able to improve structures, and increase efficiency and flexibility at low cost. This is also reflected in our annual figures. In the operating result and annual net profit, we have reversed the operational trend and achieved very positive results. The group’s liquid assets have also increased considerably.

As a result, Nemetschek has a solid and secure foundation once again. We are now looking to the future, and our full attention will be directed at the market, our customers, and the products. We want to offer new solutions for a changing construction and real estate industry. To this end, we are seeking out dialog with architects, construction engineers, building companies, and facility and real estate managers. We also believe that it is very important to exchange ideas with universities and other higher education establishments. We are investing in research and development, and are devoting a considerable amount of our time and energy to sales and marketing.

We have one end in sight: the group should once more take on a leading role in the construction and real estate industry, be synonymous with new ideas, innovative solutions, and successful strategies. By concentrating on our core competencies of building design, construction, and management, we will also revive the old strengths of our company: a spirit of invention and courage in the development of software and services for construction and real estate in the 21st century. In the words of Blaise Pascal: “The future alone is our end.”

Best regards,

Gerhard Weiß
Chairman of the
managing board

Uwe Wassermann
Member of the
managing board

"When the winds of change blow..."

Interview with Gerhard Weiß, CEO of Nemetschek AG

Mr. Weiß, what is your assessment of the 2003 financial year?

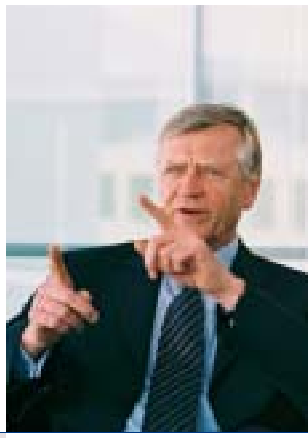
Weiß: I think we can be happy with the results. In the past two years, the group has changed considerably, and now stands on solid foundations. Taking account of the difficult conditions – the building industry is currently experiencing a difficult phase, and the overall economic situation is stagnating – the company prospered well in 2003.

What does that mean in real terms?

Weiß: The Nemetschek group has undergone fundamental changes. We have created a group structure that is forward-looking in every way. Unlike many other companies, we have not simply concentrated on saving costs or introducing superficial reforms, but have instead implemented fundamental structural changes which have put the group in a much better position again. We have paved the way for a new beginning, which redefines the role of the Nemetschek brand. A very encouraging basis for the future, and good news for shareholders and employees.

What do you believe are the main reasons for the turnaround?

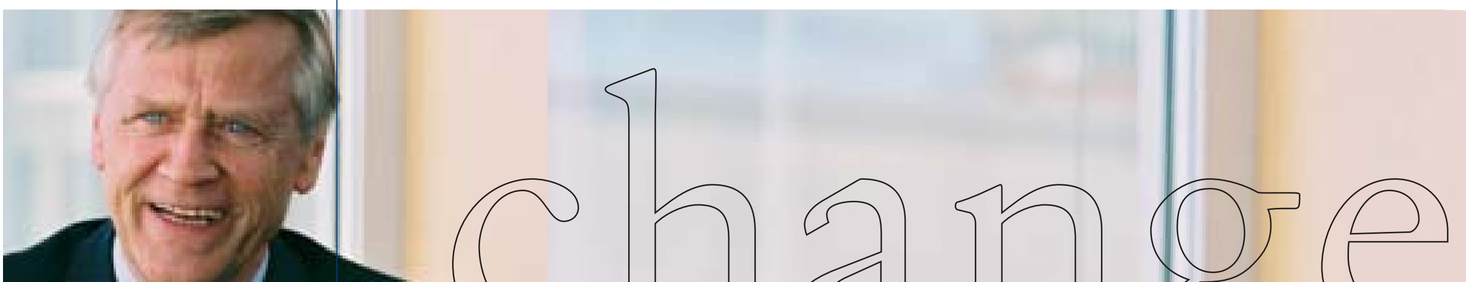
Weiß: There is a nice Chinese proverb: "When the winds of change blow, some build walls, others build windmills." We chose the windmills. Above all, it was a joint effort by the employees, management, and supervisory board. With a very ambitious restructuring program, we have been able to almost fully overcome the group's problems and difficulties. We have now adapted the cost structure to the situation in the construction and real estate industry, changed the organization by introducing a new holding structure among other things, created modern levels of management, and refocused marketing and sales activities. Overall, Nemetschek is now a lean, flexible, and future-oriented company, which makes me optimistic for the future.

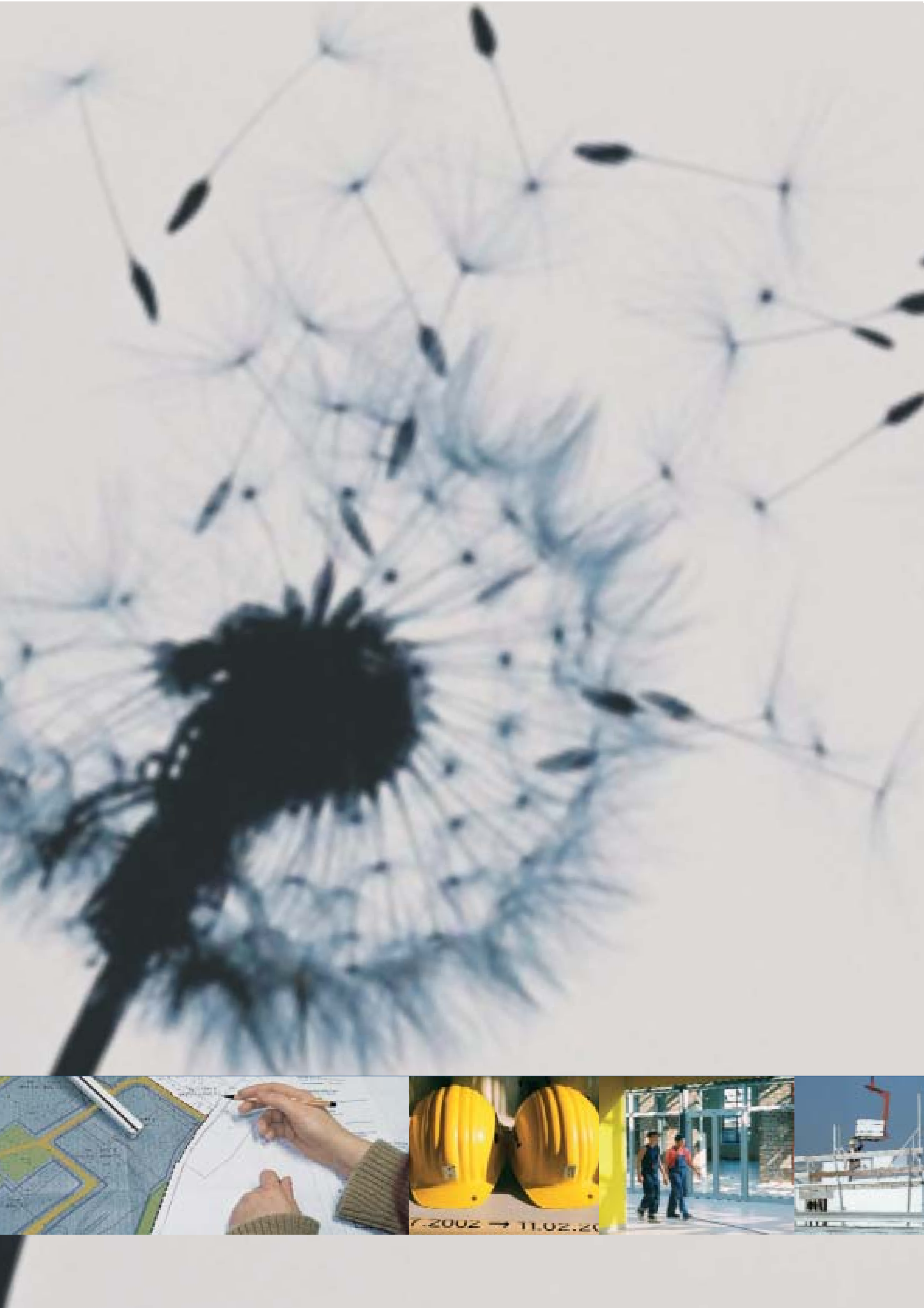


Does this also apply to the shares?
Weiß: Of course. The development of the share price over recent weeks and months indicates that the experts in banks, research departments, and the financial media have noticed and appreciate our efforts, and share our optimism. I believe the share price can still rise considerably. The group has high liquid assets, has sound financial backing, and has met the targets it announced. Therefore, there is every reason for investors to give free rein to their imagination...

What are your plans for 2004?
Weiß: Our main aim is to concentrate on the customers and the market. For two years, we were primarily concerned with the restructuring and reorientation. This process has been completed, which means we will now channel all our energy and creativity into developing new products, innovative solutions, and even better services for our target group of architects, civil engineers, and all construction specialists. Nemetschek was and is synonymous with intelligent products for the areas of building design, construction, and management. We will establish Nemetschek's leading role in the construction and real estate industry and demonstrate it in day-to-day business practice.

Is this valid for Germany alone?
Weiß: No, not at all. We will of course be trying to strengthen and expand our domestic market position, and will be implementing new measures to this end. However, the large markets and growth areas are mainly abroad. Here, we are looking towards Eastern and Western Europe, but will of course also continue to concentrate on North America and Asia too, where major construction is going on, for example in projects for airports, business parks, industrial sites, or residential areas – including those designed by renowned German engineers and architects, who know our software and have been working with it successfully for years. I am convinced that there are major opportunities for growth for our group across the world. 2004 will therefore be governed by customers, markets, and products.





Building the Future – Change Secures the Future

Today, a company's future prospects greatly rely upon how quickly it can adapt to a changing market, and how well it can meet new conditions. At the same time, it is important for an innovative software vendor to continue to develop from within, actively and dynamically, in order to meet economic challenges and actively contribute to technological progress. For these reasons, the Nemetschek group's key activities in 2003 focused on adapting to a changing market, initiating a modern corporate structure, and developing innovations.

The transformation of Nemetschek AG into a management holding is a decisive structural step towards a more flexible and transparent company. With the separation of operational business and strategic management, which was agreed in the 2003 AGM, the performance of the subsidiaries can be evaluated more effectively and controlled more easily. This more enterprising focus within the overall strategy of the Nemetschek group promotes and simplifies one's own initiative in the operational sphere and enables a more direct management approach better suited to the market. The customer focus that is such a central part of the Nemetschek group has also been further improved thanks to the new structure.

Building on intensive discussion with customers and experts and detailed market analyses, we were also able to present new solutions last year, which will help our customers master the challenges they face, for example in the acquisition of orders, in office management, and the capturing of new sources of income. In times of great change, we need to play an active role in shaping the change, and specifically realign the company to meet the new requirements.

change

...secures the future

Design Business Unit

Shaping Changes Positively

The Design business unit of the Nemetschek group can look back on an eventful year. In order to react aggressively to the changes in the building industry, we took several important steps in 2003 in order to even better meet customer requirements and market conditions and to strengthen our technological leadership in the area of software for architects and engineers. We have looked closely at customer requirements and market analyses and engaged in discussion with experts in the field, and have realigned both our software development and sales organization accordingly.

Like almost no other group of professionals, architects and engineers are experiencing major changes in their profession and are faced with new tasks that the market expects them to perform. While, in the past, planners were mainly concerned with the design aspects of a building, clients and investors are now demanding a stronger emphasis on the areas of quality, costs, and schedules. They expect planners to implement their projects with the highest degree of cost security and timeliness while retaining the same level of quality.

These requirements must also be reflected in the IT solution. With its integrated and coordinated software products, Nemetschek has always had a clear competitive advantage here, which we seek to increase further. At times of low construction spending, it is important for design offices to acquire orders more quickly and efficiently with the help of their IT tools, and to obtain skills in related spheres of business and capture new sources of income. Within the Allplan product family, we have therefore developed a new, integrated solution package to support precisely these tasks. This is a genuinely new step in software development for building design.

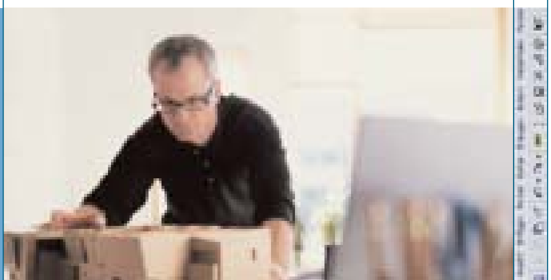
The proportion of business abroad rose in 2003; and we see further potential for growth here in the future. In France, for example, business from new customers grew, despite a saturated market. In Italy, too, good results were achieved with new software products in the area of office management. In Switzerland, major new customers were acquired, particularly in the area of civil engineering. We are also starting to capture new markets abroad: in the area of prefabricated unit production, our initial endeavors in the Far East have enjoyed success. Nemetschek North America can also look back on a very successful year. The company, which has the largest installed base in the Macintosh environment in the world, experienced exceptional sales successes with Version 10, not just in the United States; the company was also able to maintain leadership in Japan as well. Nemetschek North America's strategy of offering users a wide range of high-class CAD solutions that are affordable, modifiable, and user-friendly, has thus been a complete success.

With the modularization of its core products at the start of the year, acadgraph CAD STUDIO GmbH signaled a change that has been very well received by the market. The individual modules enhance design office performance in a number of areas, and enable tasks to be geared towards specific company requirements. One particular success is the new order from the construction and real estate company (Bau- und Liegenschaftsbetrieb, BLB) of the state of North Rhine-Westphalia, which represents the largest order in acadgraph's history.

2003 was a special year for our subsidiary Friedrich + Lochner GmbH. First, the company celebrated its 25th anniversary, and second, the year started with a generation change: at the beginning of 2003, company founder Jens Friedrich, who will continue to support the company in an advisory role, handed over corporate management to his successor Dr.-Ing. Hans Stegmüller. The success of the handover of corporate management is borne out by the good results achieved in 2003, which were in part made possible by the orientation of the software to market developments, in particular the new DIN standards.

To accommodate changes and new conditions, we need to provide flexible support for customers. Group subsidiary Glaser ISB CAD Programmsysteme GmbH has been able to do this by creating a new model for customer support. As of the new version, which was shipped in November, customers can join a customer pool, which rewards loyal customers with special prices for new versions. This and other modern and flexible systems have been well received by the market, and also led to positive results regarding the acquisition of new customers.

One thing is clear: the fundamental change in the construction industry cannot be stopped and we must instigate our own changes in a positive way in order to provide the market with forward-looking software solutions and services, because it is not possible to achieve efficient building processes without technological innovation and the use of the latest information technology. There is still great potential here for Nemetschek, which we will exploit. Even if the market situation means that we are currently experiencing a phase of modest IT investment, we expect the companies in the construction industry to increase their IT spending in the coming months and years. After all, predatory competition only allows innovative companies to survive. Therefore, companies that want to enjoy continued success in our market must keep pace with technological progress, instigate change, and move in the right direction.



Like almost no other group of professionals, architects and engineers are experiencing major changes in their profession and are faced with new tasks that the market expects them to perform. These new requirements can be optimally met with the integrated and coordinated software products from Nemetschek.

Build Business Unit

Europization Under the Auspices of Change

Last year, German construction companies experienced a growing “Europization”, which will increase further in coming years. This is partly the result of operations being moved abroad, caused by the difficult situation in the German construction sector. In addition, the construction industry is witnessing a general increase in the number of cross-company projects, which are managed by international teams. Today, building projects are often controlled and implemented independently of location and across linguistic boundaries. An IT solution provider must also react to these developments, and offer appropriate products and services. Nemetschek Bausoftware GmbH did just this in 2003, and has thus adapted successfully to the trend towards greater internationalization.

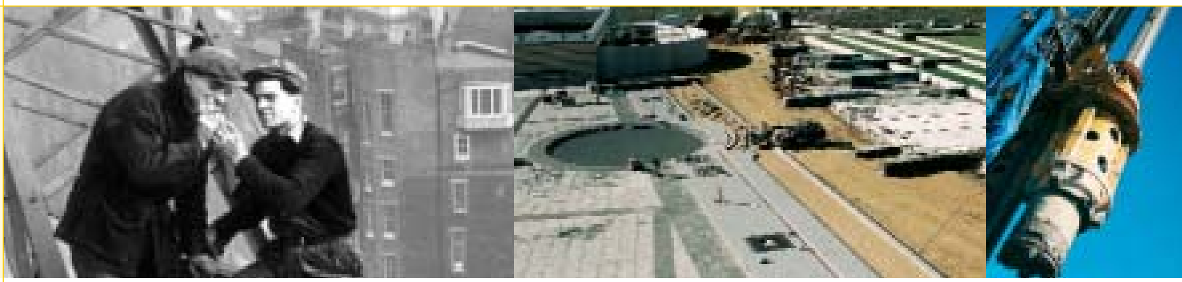
The development of multilingual software solutions with the integration of country-specific IT components such as building costings and construction salaries and wages was Nemetschek Bausoftware’s central focus. The changes to the product portfolio, made to meet new market requirements, are most clearly revealed in the new Italian and French software versions of BAU financials, which were launched in 2003, and which met with considerable interest, particularly in Switzerland. For example, Marti AG, one of the largest Swiss general contractors, is now using an Italian version in addition to the German version it has used for years. The Swiss general contractor Rampini & Cie SA, which specializes in construction engineering, hydraulic engineering, and special purpose construction, was acquired as a new customer thanks to the French-language version of BAU financials.

Nemetschek Bausoftware GmbH’s reaction to Europization is to increase its profile within Europe. This includes participation at trade fairs of international importance. The company was represented at the Orbit/Comdex in Basel, for example, and met many interested visitors. Among other things, the company unveiled its billing software for bulk materials, BAU financials KiFa, which has a special Swiss version, and was extremely well-received by the target group.

Despite cautious investment, new customers were also acquired in Germany. For example, the Bohle group, a service provider from Gummersbach, and Torkret AG in Essen will be using BAU financials in the future. MBN Bau AG, which operates in the road construction, construction engineering, and civil engineering sector, procured the rivera project management solution in 2003 and thus added another Nemetschek product to its existing Bau für Windows software.

As an additional step, Nemetschek Bausoftware plans to develop a personnel information system (PIS) and management information system (MIS), the purpose of which is to support construction companies in simplifying and optimizing business areas such as office management and the organization of work, particularly in the changing market.

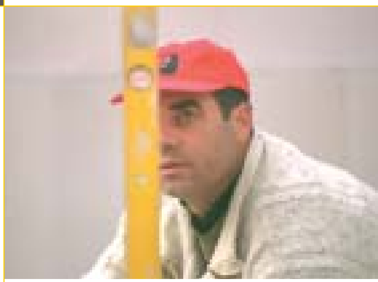
The increasing Europization and collaboration across national boundaries in construction projects requires modern, networked IT solutions. Location-independent projects involving international teams across language boundaries are efficiently controlled and executed with powerful and multilingual software applications.



All these successful projects demonstrate that the merger between IBD GmbH and Henke & Partner GmbH & Co. KG to form Nemetschek Bausoftware GmbH two years ago was the right decision. The transformation has led to significant synergies, the team has become a powerful unit, and will continue to expertly master the challenges posed by Europization.

2003 was once again very successful for the Austrian ING. AUER – Die Bausoftware GmbH, too. Not only did the company post successful sales and profit figures, it was also able to win important new accounts such as, for example, the offices of the Kärnten state government and Wiengas GmbH in the AVA sector (tenders, contracting, and invoicing), and Max Aicher Bau GmbH & Co. KG in the invoice and costing sector. Alongside the classical construction companies, the company is increasingly winning customers in the plant engineering sector.

The 2003 versions of the AUER Success and AUER Safety products were launched in June. This went extremely smoothly, and the new products have made a significant contribution to the company's development. AUER Success is available in German, English and Czech language versions.



Management Business Unit

The Future Lies In Integrated Solutions

For some years, the management of real estate has been moving away from traditional, linear processes towards more closely connected relationships between the participants. In this network, users, tenants, property owners, landlords, the public sector, banks, planners, and building contractors are striving for integrated, long-term solutions in order to achieve an attractive profit. Beyond the creation and sale of a building, one of companies' central concerns today is the return on investment over the complete life cycle of a property. To meet these customer requirements, Nemetschek CREM Solutions GmbH & Co. KG offers its customers one-stop, integrated solutions for the areas of facility management and the real estate industry.

Because the costs for the use and management of a property amount to 5–15 percent of the acquisition costs each year, in times when budgets are tight, companies and authorities increasingly try to exploit the potential for optimization in real estate management, something which can be achieved with integrated IT solutions. Since companies and authorities have improved their core processes, in particular, in recent years, the optimization of the infrastructure for Corporate Real Estate Management (CREM) is now gaining in importance. By taking advantage of the services offered by Nemetschek CREM Solutions GmbH & Co. KG, a company can achieve cost savings of up to 30 percent in real estate management alone.

In 2003, Nemetschek CREM Solutions introduced a new version with improved technology for the area of real estate, to enable the public sector, industry, and property management companies to systematically exploit potential savings. It offers greater ease of use and user-friendliness. The successful Allfa solution, which is used for infrastructure-related and technical facility management, was optimized further. Nemetschek CREM Solutions also presented an Intranet solution for car park, visitor, and key management, and the development of a document management solution for facility management. The connection to AutoCAD was also enhanced to enable the use of the Allfa facility management system not just for Allplan but also for the Autodesk environment.

The orders won in 2003 are proof that the Nemetschek CREM Solutions GmbH & Co. KG strategy for the product portfolio and service offering is right. Many large cities and computer centers in the state of North Rhine-Westphalia use Nemetschek. Eurocopter, a company belonging to the EADS group, was a new customer acquisition last year. New orders were signed with municipalities and regional authorities in France, and with companies such as Strabag and the logistics provider TNT in Austria.

As one of the few providers that offers integrated IT solutions for commercial, technical, and infrastructure-related real estate management, Nemetschek CREM Solutions GmbH & Co. KG is very well positioned in a market with great future potential. The integration of a wide variety of business applications such as SAP, Paisy or Navision is one of the company's particular strengths. By building on solution integration, we will further strengthen the position of Nemetschek CREM Solutions GmbH & Co. KG. In the near future, the focus will also turn to further modules that will help customers to optimize their business processes, increase transparency in building management, and save costs.

New Business Opportunities Business Unit

Even though the rate of growth is falling in the area of multimedia applications, the developments at MAXON Computer GmbH are positive. In 2003, the company once again increased its market share. With the current versions of the CINEMA 4D and BodyPaint 3D products and the completely new Sketch and Toon, new customer groups were captured and existing customers' product loyalty was ensured.

The market trend in the multimedia sphere is still clearly moving in the direction of "more affordable" applications – MAXON's strategy of a modular product range has turned out to be absolutely right. While competitors have only stood out with price reductions, MAXON has not just kept its prices stable, but also increased its customer base.

The product range's reputation is also revealed in the projects that have been implemented with the software. For example, in connection with the forthcoming football World Cup, to be hosted by Germany in 2006, Frankfurt's Waldstadion, the multifunctional arena in Düsseldorf, and the Gottlieb Daimler Stadium in Stuttgart have been visualized with the MAXON CINEMA 4D solution.

The goal for MAXON Computer GmbH in 2004 will again be to increase business abroad, in particular in countries where the company is directly represented, such as the United States, the United Kingdom, and Japan. With a consistent product policy, MAXON will continue to prove itself worldwide as a reliable partner for its customers.

In recent years, building management has experienced considerable changes, and today, real estate must be multifunctional and flexible. The cost factor is also becoming increasingly important: beyond the creation and sale of a building, one of companies' central concerns is the return on investment over the complete life cycle of a property.

The Share

Share Price Development

The development on the world's stock markets in 2003 was characterized by the general economic and political insecurity caused by the Iraq war at the start of the year, on the one hand, and the increasing signs of economic recovery over the rest of the year, on the other. After the slow economic development in previous years had already clearly depressed share prices, the tensions leading up to the Iraq war again led to a considerable drop in share prices on the world's stock markets. While the DAX index opened at almost 2900 points at the start of the year, it reached its lowest closing price since 1995 at just over 2200 points on March 12, 2003. By the end of the year, the DAX stood at 3965 points, 37 percent higher than at the start of the year. The TecDAX index for technology stocks experienced a similar development with an advancement of 50.9 percent over the year.

The Nemetschek share price showed an encouraging development after its disappointing performance in previous years: starting at 1.25 Euro at the beginning of the year, the price rose by 388 percent to 6.10 Euro on December 30, 2003. After the positive corporate results in the first quarter were received cautiously by the market, the share price rose constantly after the publication of the half-yearly figures. In addition to the clearly improved results, the share price development reflects the increased trust on the part of investors, which is attributed to the confirmation of the company forecasts, and also borne out by a noticeable rise in interest from institutions.

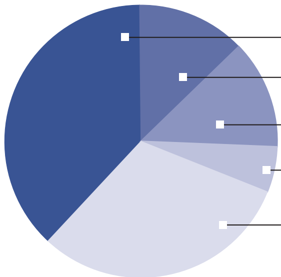
As a result of the successful restructuring measures carried out over the past two years, the Nemetschek group is once again in the black and is well placed to take advantage of the available opportunities for growth and profit-making with a clearly improved cost structure. We therefore believe that the share price has further potential, too. With a share price of 6.10 Euro at the end of the year, the company is moderately valued with a market capitalization of 58.7 million Euro. This applies particularly with regard to the sales revenue of 95.6 million Euro, equity capital of 54.3 million Euro, liquid assets of 29.8 million Euro, and a profit per share before goodwill amortization of 0.75 Euro.

Stock Chart for 2003

Chart of Nemetschek share price compared to TecDAX (adapted)

Shareholder Structure

The shareholder structure on December 31, 2003 continues to reflect the high involvement of the Nemetschek family. The family is still the majority shareholder, and owns 69.1 percent of the stock. The free-float amounts to 30.9 percent of shares, including 0.15 percent owned by Nemetschek AG.



Notice According to German Securities Trade Act (WpHG)
According to Sec. 15a of WpHG the following securities transaction was published: sale of 400,000 shares of Nemetschek AG on April 25, 2003 by Ms. Ingrid Nemetschek for Euro 1.60 per share.

Key Figures for the Nemetschek Share

		2003	2002
Net income per share*	in €	0.41	–1.22
Net income per share before goodwill amortisation*	in €	0.75	–0.72
Period cash flow per share *	in €	1.35	0.31
Shareholders' equity per share*	in €	5.64	5.42
High	in €	7.40	4.58
Low	in €	1.20	1.10
Share price as of Dec. 31	in €	6.10	1.31
Market capitalisation as of Dec. 31	in million €	58.71	12.61
Price/sales ratio		0.61	0.12
Price/earnings ratio (P/E)		14.79	n.a.
Price/earnings ratio (P/E) before goodwill amortization		8.09	n.a.
Price/equity ratio		1.08	0.24

*Calculation base: 9.625 million shares

Number of shares held by directors as of December 31, 2003

	Number of shares	Subscription rights
Managing board		
Gerhard Weiß	26,092	0
Uwe Wassermann	24,667	0
Supervisory board		
Kurt Dobitsch	0	0
Prof. Georg Nemetschek	3,646,732	0
Rüdiger Herzog	0	0
Company shares owned by Nemetschek AG	14,245	0

Corporate Governance

On September 6, 2001, the German Federal Government appointed the Commission for German Corporate Governance Code, the purpose of which was to draw up internationally and nationally recognized principles of good and responsible corporate management ("corporate governance"). Consequently, this government commission passed the German Corporate Governance Code on February 26, 2002. The Code contains important legislative regulations and recommendations on the management and supervision of Germany's publicly traded corporations. It is based on 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 management of German companies.

The government commission remains in existence, and each year assesses whether amendments need to be made to the German Corporate Governance Code. The first set of changes, which primarily include further recommendations in the area of executive board remuneration, were approved in the plenary session on May 21, 2003.

Nemetschek AG welcomes the introduction of the German Corporate Governance Code as a valuable contribution to value-based and transparent corporate management. Every year, the managing board and supervisory board of Nemetschek AG will issue a statement that the company adhered to recommendations of the government commission's German Corporate Governance Code, and will specify which recommendations were and are not being implemented. The most recent declaration was published on June 27, 2003, and shareholders can view it by visiting Nemetschek AG's Internet website at http://www.nemetschek.de, under "Investor Relations/Corporate Governance".

In relation to the German Corporate Governance Code, Nemetschek AG has introduced an alteration to the articles of association as agreed in the AGM on July 29, 2003. This alteration will simplify the granting of power of attorney to the proxy named by Nemetschek AG. As a result, the power of attorney can be granted by fax and – if a provision for this is included for this in the invitation to the AGM – electronically.

In a further decision taken at the AGM of July 29, 2003, the supervisory board was reduced from six to three members. Taking account of this change, and contrary to the recommendation of the German Corporate Governance Code, committees of the supervisory board will not be formed in future, as all tasks will be observed by the body as a whole.

Declaration of Compliance Pursuant to Sec. 161 AktG (Stock Corporation Act) for 2003

"According to Sec. 161 Stock Corporation Act, the managing board and the supervisory board of Nemetschek Aktiengesellschaft declare that the recommendations of the German Corporate Governance Code published in the electronic Federal Gazette on November 26, 2002 have been and are complied with since the last Declaration of Compliance in December 2002, with the exception of the following points:

- In essence, all such reports and documentation as had been requested for the General Meeting, including the annual report, were published on the website of the Company together with the agenda of the Meeting (2.3.1 of the Code). The special auditor's report to be submitted to the General Meeting 2003 was published on the website of the Company without any such sections as contained confidential information.
- Under the D&O insurance, there is no deductible for officers (3.8, paragraph 2, of the Code). Nemetschek AG does not believe that a deductible would improve the motivation or sense of responsibility of the officers of the managing board and the supervisory board.
- The remuneration for members of the managing board is shown in a single amount in the annual report. An itemized account of the remuneration for members of the managing board, according to basic salary, profit-related components and components related to long-term incentive awards, is not currently planned (4.2.4 of the Code).

- An age limit for members of the managing board and supervisory board has not been set out in explicit terms, and there is no plan to do so at this point (5.1.2, paras. 2 and 5.4.1, of the Code). Such age limit would generally limit the Company in its choices of suitable members of the managing board and supervisory board. Members are appointed solely on the basis of professional expertise and required experience. The Company, therefore, does not comply with said recommendation.
- The remuneration for members of the supervisory board is set out in the Articles of Association. The chairman and the deputy chairman each receive a higher remuneration for their activities. No profit-oriented remuneration has been planned (5.4.5, paragraph 2, of the Code). The remuneration for members of the supervisory board is shown, as an aggregate amount, in the consolidated accounts. Remuneration for personally rendered services is not stated, and there are no plans to do so (5.4.5, paragraph 3, of the Code).
- The consolidated accounts will be published within 90 days of the end of the fiscal year; interim reports will be published within 60 days. The publication of interim reports within 45 days is generally not possible due to the extensive group structure, the requirement of translation, and the employment of external service providers for the purpose of preparing such documents (7.1.2 of the Code)."

Munich, June 27, 2003

Managing board and supervisory board
of Nemetschek Aktiengesellschaft

Additional Information

Managing Board Pay Structure

Managing board remuneration is made up of two parts: a basic wage and a variable remuneration. The variable remuneration is largely dependent on the company's sales and profit targets being achieved. A smaller portion of the variable remuneration is paid out if individual targets are achieved. The managing board also participates in the company's stock option scheme, and receives from this an additional variable component with long-term incentives and an element of risk. No option rights were issued to members of the managing board as of December 31, 2003.

Stock Option Scheme (Employee Stock Options)

Nemetschek AG offers employees in Nemetschek AG and subsidiaries that can make a substantial contribution to the company value a stock option scheme. The purpose of this is to attract qualified managers and ensure they stay with the company over the long term.

On June 29, 2003, the Nemetschek AGM abolished the managing board's authority to issue option rights and the existing conditional capital from the 1999 stock option scheme, and decided on a new stock option scheme for 2003.

This 2003 share option scheme contains conditional capital of 850,000 Euro. The waiting period is scaled over four years: 50 percent of the issued option rights can be assigned at the end of two years, a further 25 percent at the end of three years, and the remaining 25 percent at the end of four years. The duration of the issued option rights can be up to ten years. The exercise price corresponds to the average closing price of the Nemetschek stock before the resolution relating to issue.

An ambitious target was set for the 2003 stock option scheme: at the end of a two-year period starting from the day of issue of the option rights, the value of the Nemetschek stock must be at least 150 percent of the exercise price. At the end of a three-year period starting from the day of issue of the option rights, the value of the Nemetschek stock must be at least 175 percent of the exercise price. No option rights were issued as of December 31, 2003.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Consolidated Financial Statements

Group Management Report

Summary

In 2003, the global economy was very unsettled. While the first half-year was dominated by uncertainty and a reluctance to invest due to the war in Iraq, as the year went on the economic situation started to pick up. In Germany, on the other hand, the gross domestic product decreased slightly.

In the Nemetschek group, the focus in fiscal 2003 was on improving the results of operations. Thus, although sales were down as expected, the Nemetschek group achieved an operative turnaround. Both the operating result and the net income were positive. This positive development is due to the restructuring measures successfully implemented in the prior years to enhance efficiency and gear activities systematically to market requirements. As a result, it was possible to cut operating expenses substantially, particularly in the personnel area. The sales development was negatively impacted by the continuing difficult economic situation and a further drop in spending in the German construction industry. In the foreign business, sales were also down, in this case however due to unfavorable exchange rate effects.

Situation of the Construction Industry

Construction

Building activity in Germany has been in decline for several years and in 2003 it deteriorated even further. According to the HDI ["Hauptverband der Deutschen Bauindustrie": Construction Employers Association] and the statistics for January through October 2003, the four-percent drop in sales in the building and civil engineering trade forecast at the beginning of the year did in fact occur. Commercial building, which dropped 7.1 percent, was particularly hard hit, and public construction was also 2.9 percent down on the prior year. This negative trend is attributable to the general stagnation of the economy and the empty public purse. With a decrease of just 1.6 percent, residential construction did relatively well. However, due to the cuts in the state first-time home-buyers grant, building projects have been brought forward. As regards the future development of construction spending, the economic situation in Germany is expected to bottom out in 2004, and at -1.5 percentage points the HDI expects an only moderate drop in sales in the building and civil engineering trade.

Based on estimates of Euroconstruct, in 2003, the building volume in western Europe was down only slightly at -0.2 percent. This was due to the weaker demand for housing and in commercial and public building construction, while significant growth was recorded in the civil and underground engineering and in the field of renovation. However, with the general economic conditions improving, the construction volume in western Europe is expected to rise again, and the building construction industry is again set to make a positive contribution. For 2004 and 2005, Euroconstruct has forecast growth rates of 0.9 percent or 1.6 percent, respectively. In eastern Europe, after falling construction spending in the years 2001 to 2003, a positive and dynamic development is expected, with growth rates of 4.3 percent forecast for 2004 and 8.6 percent in 2005.

IT Expenditures Bottom out in 2003

In 2003, spending in the IT sector reached rock bottom. According to estimates by the European Information Technology Observatory (EITO), spending on information technology in western Europe during 2003 was 0.7 percent and in Germany even 2.1 percent down on the prior year figures, and below the forecasts which had projected growth of 1.9 in western Europe. However, as evidence of a worldwide turnaround became apparent as the year progressed, for 2004, EITO is now estimating IT growth of 2.2 percent in western Europe and of one percent in Germany.

Market Trends

Competitive pressure in the German construction industry remains very fierce, demanding greater efficiency of the market players. The answer to these problems is integrated software solutions whose aligned interfaces save the user a lot of time while at the same time enhancing the data quality. Moreover, integrated systems offer the company help throughout the process from order canvassing right through to billing.

While the market for software solutions to support the primary work process in companies, e.g. CAD software, has more or less reached saturation, we see potential in systems which raise the efficiency of secondary processes and also help to monitor and manage costs. With the help of such office management systems, processes can be controlled, events documented, expenses recorded and costs and revenues allocated.

In the field of cost estimates for construction projects, we also see a growing market for software applications. According to a decision of the German Federal Supreme Court, the planning of an architect is deficient if construction cost ceilings promised to the client are not observed. As a result, the accuracy of cost estimates is growing in importance.

We also expect growth in the area of mobile data processing on the building site. Using innovative Tablet PCs and mobile pocket computers (MDA, mobile digital assistant), data such as recording defects can be recorded and further processed on the building site without changing media.

Divisions Achieve Earnings Turnaround

Design

Despite the weakness of the German market, the Nemetschek group succeeded in recording a positive operating result in the Design division, where sales were down, as expected.

Meanwhile, the market for CAD software for architects and construction engineers is largely saturated. The main sales potential is to be found in follow-up sales to existing customers, the withdrawal or crowding out of competitors or entrants to the profession. The business climate among the architects is still extremely depressed, although the appraisal of the current business situation has improved. This development is due to an improved order situation on account of orders brought forward as a result of the cuts in the first-time home-buyers grant from the government. Business expectations have, however, declined still further.

The difficult conditions on the German market led to a drop in sales in the Design division. There was also a drop in foreign sales, this was, however, due to exchange rate effects. Thanks to the successfully implemented restructuring measures, the operating result was improved significantly. Following a loss in fiscal 2002, earnings in 2003 were positive.

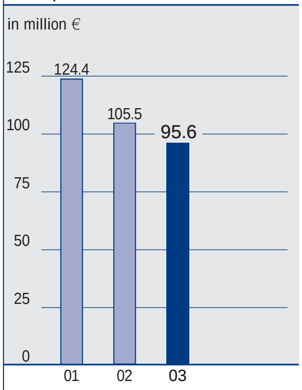
To achieve even greater market and customer proximity in these difficult markets, the operating units "Sales" and "Development" were spun off from Nemetschek AG into legally independent entities. The former "Sales" unit is now called Nemetschek Deutschland GmbH, while the "Development" unit is now called Nemetschek Technology GmbH. Both companies are wholly owned by Nemetschek AG. The spin-off was decided at the shareholders' meeting on July 29, 2003. With a view to improving efficiency, the sales organization of Nemetschek Deutschland GmbH has been geared more closely to indirect selling via distribution partners.

At the end of 2003, Nemetschek Technology GmbH presented a new version of the CAD software Allplan 2004 that focuses on draft, documentation and presentation, thus supporting the competitiveness of architect and design bureaus in the tendering phase. New product versions of the office and project management software MyOffice and the AVA software Allright, which automatically calculates areas and costs, were also launched.

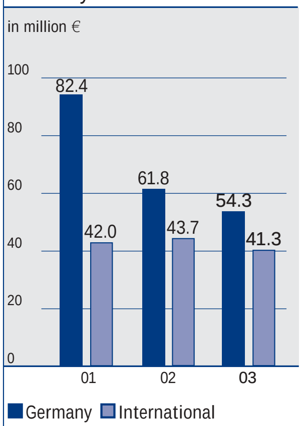
The American subsidiary NEMETSCHEK NORTH AMERICA Inc. succeeded in further expanding its very good international market position, increasing both sales and income on a US dollar basis. Sales recorded by the European selling companies were down on the prior year, mainly due to the weaker Swiss franc.

While the subsidiary Glaser ISB CAD Programmsysteme GmbH, which works in the field of constructional engineering, suffered a drop in sales, sales at Friedrich + Lochner GmbH grew by more than 20 percent due to increased demand for the conversion to the new German Industrial Standard DIN 1045, while the increase in results was disproportionately high. acadgraph CAD STUDIO GmbH also recorded a double-digit increase in sales, improving its position in the sale of CAD products of Autodesk Inc., which have been delivered directly by Autodesk since December 2003.

Group Revenues



Group Revenues Germany/International



Build

In the Build division, which comprises Nemetschek Bausoftware GmbH and ING. AUER – Die Bausoftware GmbH, sales were down slightly, as expected. However, by systematically using synergy effects, it recorded the best operating result before goodwill amortization in the history of the Nemetschek group. The decline in sales was sustained by Nemetschek Bausoftware GmbH which had emerged from the merger of the group companies IBD GmbH and Henke & Partner GmbH & Co. KG as of January 1, 2002. Nevertheless, sales and profit projections were exceeded because part of the domestic drop in sales was compensated for by the business expansion in Switzerland and Austria, which progressed faster than planned.

ING. AUER – Die Bausoftware GmbH, which mainly operates in Austria, upheld sales and in particular profits on a high level. This was due in part to the new versions AUER Success 2003 and AUER Safety 2003, which were very well received on the market.

Manage

The Manage division combines the group activities in commercial real estate and in the technically oriented sector of facility management, bundled in Nemetschek CREM Solutions GmbH & Co. KG. Although sales were seriously in decline, the negative result was improved significantly. Nevertheless, actual figures fell significantly short of sales and earnings projections. The measures developed in response in order to reorganize and position the company are currently being implemented. The main unique selling point of Nemetschek CREM Solutions, namely the integration of real estate and facility management, is to be built into a main pillar of the company in future.

New Business Opportunities

The New Business Opportunities division (NBO) comprises MAXON Computer GmbH and its subsidiaries in the USA and the UK, which operate in the field of multimedia and visualization. Despite unfavorable exchange rates, the MAXON sub-group virtually upheld the sales level of the prior year, while the operating result was improved markedly. Business development on the American market was successful. Sales there – in local currency – experienced a double-digit increase. The new program module Sketch and Toon that was launched in November 2003 contributed to the success of the company. Sketch and Toon now also allows non-photorealistic rendering which can be used to produce quick sketches, high-quality technical illustrations and a wide range of artistic painting styles. Other important events included the start of the new 8.5 version of CINEMA 4D and the BodyPaint 3D Version 2.

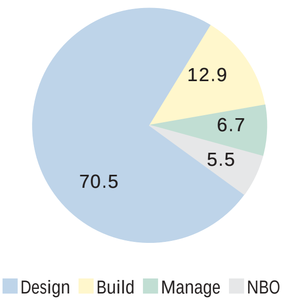
Group Sales in Decline

Due to the continuing economic weakness of the German construction industry combined with exchange rate and deconsolidation effects, the group sales of EUR 95.6 million were EUR 9.9 million below the prior-year figure of EUR 105.5 million. Exchange rate effects as a result of the weak US dollar and the lower Swiss franc accounted for EUR 2.4 million of the drop in sales. A further drop in sales of EUR 2.5 million was caused by the deconsolidation of Apsis Software AG and international sales companies in Poland and Croatia.

Sales decreases were suffered particularly in the Design and Manage divisions. In the Design division, sales came to EUR 70.5 million (prior year: EUR 76.3 million). A sales decrease of EUR 4.7 million is attributable to exchange rate and deconsolidation effects. The Manage division recorded sales of EUR 6.7 million (prior year: EUR 10.3 million). At EUR 12.9 million and EUR 5.5 million, respectively, the Build and NBO divisions fell just short of the prior-year figures of EUR 13.2 million and EUR 5.7 million. In the NBO division, negative exchange rate effects of EUR 0.1 million were incurred.

Domestic sales dropped by 12 percent to EUR 54.3 million (prior year: EUR 61.8 million). This figure contains deconsolidation effects of EUR 2.3 million. Due to exchange rate effects of EUR 2.4 million, foreign sales dropped by 5 percent to EUR 41.3 million (prior year: EUR 43.7 million). The share of foreign sales rose slightly to 43 percent (prior year: 41 percent).

Group Revenues
Business Units in million €



Operating Result and Net Income Positive

In fiscal 2003, the Nemetschek group recorded a sound positive operating result of EUR 5.6 million (prior year: EUR -7.9 million), thus achieving an operative turnaround. The positive development in results is due to the restructuring measures successfully implemented in prior years, which resulted in a reduction of operating expenses of EUR 24.4 million to EUR 92.0 million (prior year: EUR 116.4 million). The main savings were made in the area of personnel expenses, which were reduced by EUR 15.4 million, and other operating expenses, which were cut by around EUR 4.8 million. The cost of purchased services was also reduced by EUR 1.9 million.

With the exception of the Manage division, all the divisions made a positive contribution to earnings. In the Design division, the operating result came to EUR 4.9 million (prior year: EUR -2.6 million). In the Build division, the operating result was up at EUR 2.1 million (prior year: EUR 0.9 million). In the Manage and NBO divisions, the operating results stood at EUR -1.5 million (prior year: EUR -4.1 million) and EUR 0.1 million (prior year: EUR -2.1 million), respectively.

As a result of the positive operating result, net income of EUR 4.0 million was recorded compared to a net loss of EUR -11.7 million in the prior year. The fact that the income from associated enterprises result improved significantly to EUR 0.4 million (prior year: EUR -1.6 million) had a positive effect, as did the drop in tax expense to EUR 1.8 million (prior year: EUR 2.6 million).

Cash and Cash Equivalents up EUR 8.7 million

In fiscal 2003, cash and cash equivalents rose by EUR 8.7 million from EUR 21.1 million in the prior year to EUR 29.8 million as of December 31, 2003. This pleasing development in liquidity is due above all to the high cash flow of the period of EUR 13.0 million (prior year: EUR 3.0 million). The drop in trade receivables by EUR 4.4 million to EUR 12.6 million also enhanced the liquidity situation. Capital expenditures came to EUR 4.2 million (prior year: EUR 5.5 million). These comprise investments in intangible assets (EUR 2.6 million), including the purchase of another 8 percent in ING. AUER – Die Bausoftware GmbH.

EUR 1.0 million was spent on property, plant and equipment. Payments of variable purchase prices towards earlier acquisitions amounted to EUR 0.3 million.

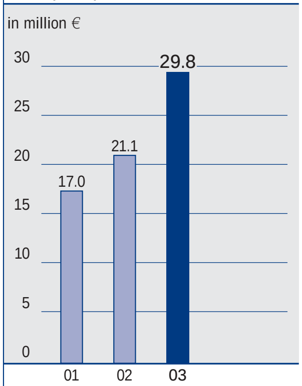
Sound Balance Sheet Structure

While total assets remained virtually unchanged at EUR 83.7 million (prior year: EUR 85.7 million), current assets rose to EUR 46.6 million (prior year: EUR 42.3 million). This reflects the increase in cash and cash equivalents, as well as the reduction in trade account receivables. Fixed assets, on the other hand, dropped by EUR 6.3 million, largely due to amortization and depreciation.

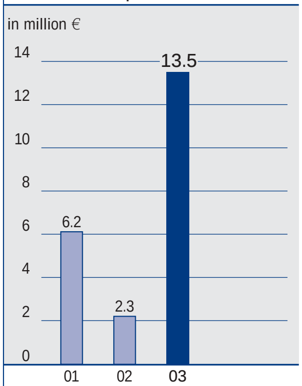
The sound balance sheet structure is also reflected in the fact that the liabilities (incl. minority interests) of EUR 29.4 million are also entirely covered by cash and cash equivalents (EUR 29.8 million). Compared to the current assets of EUR 46.6 million, the liabilities are in fact covered more than 1.5 times (incl. minority interests).

Due to the unfavorable exchange rate development of the US dollar, the net income for the year of EUR 4.0 million is not reflected in full in the changes in group equity. Equity was raised by EUR 2.1 million to EUR 54.3 million (prior year: EUR 52.2 million). The currency translation item changed from EUR -0.5 million to EUR -2.4 million.

Group Liquid Assets



EBITDA Group



Research and Development

The strategy pursued by the Nemetschek group is to offer its customers integrated and state-of-the-art software solutions in terms of performance and function.

Research and development therefore play an important role. This is reflected in the fact that 33 percent of staff are employed in research-and development-related areas. As of December 31, 2003, there were 212 employees working in the areas of software development and product management within the Nemetschek group. Another 25 employees work in quality control and documentation.

Besides the development departments at the various group companies, research and development activities are also carried out at the international development location in Bratislava. As of December 31, 2003, there were just under 80 employees working there who provide development services for several group companies.

The Nemetschek group's focus is on new and continued development of standard software and on project business involving customizations based on existing Nemetschek products. The Nemetschek group also plays an active role in various EU research projects as well as in projects sponsored by the German Federal Ministry for Economic Affairs, e.g. since fiscal 2002 it has been involved in the publicly sponsored project MOBIKO ("Mobile Cooperation in the construction industry using wireless communication techniques"). November 2003 saw the start of the ArKoS project ("Architecture for the management of Collaborative Scenarios") sponsored by the German Federal Ministry for Education and Research, in which Nemetschek is a member of the core consortium consisting of eight companies and research institutes. The architecture developed within the ArKoS project is to support cross-company business processes involving intensive cooperation and coordination. By way of an example, it is to be implemented in the construction industry, because here in particular dynamic cooperation is a critical success factor for large projects.

Employees

As of December 31, 2003, the Nemetschek group had 716 employees (full-time equivalents), of whom 382 work in Germany. As of December 31, 2002, the group still had a headcount of 760, of which 429 were employed in Germany. Most of the employees are highly qualified architects, construction engineers, information scientists and economists. The drop in headcount is largely a repercussion of the restructuring program from 2002.

Risks to Future Development

As a software manufacturer and service provider specializing in the design, construction and management, the group is exposed to economic developments in the construction industry, particularly as regards the first two divisions, design and construction. For several years now, these two sectors have been in a phase of intense consolidation which has led to cut-throat competition and economic losses for customers. Owing to the high level of saturation with CAD products of the German market in particular, winning new customers is an increasingly difficult task. The Nemetschek group has reacted to these unfavorable market conditions by implementing an extensive restructuring and cost cutting program. As a result, although sales were lower, the company returned to the profit zone in fiscal 2003. If this trend continues or if there is further deterioration in the construction industry, it can however not be ruled out that this will have a serious negative impact on the sales and earnings of the group and therefore also on its liquidity.

Nemetschek offers internally generated as well as third party software. The market segments addressed by the group are characterized by quickly changing technologies. The changing needs of customers are related to the continuous introduction of new products. Newly developed software standards often prove to have short product life cycles. The success of the group will depend on its ability to respond quickly and consistently by developing new and improved products and bringing them to market. This requires keeping abreast of technological developments on the market, meeting new software standards and doing justice to the growing expectations of our customers.

In this regard, it is important that we retain highly qualified IT staff. With an attractive and modern working environment in Germany and the establishment of a foreign development location in Bratislava, Nemetschek hopes to retain and win a sufficient number of highly qualified, motivated staff.

In the period from 1998 through 2000, Nemetschek AG acquired a number of companies. The success of these acquisitions depends on their integration in the Nemetschek group, as well as the clear definition of the position of these companies within the markets they serve. To avoid exposure to possible risks with respect to the results of operations and liquidity position, Nemetschek has bundled competencies at the respective subsidiaries. In addition, Nemetschek AG has improved its management support program and has implemented strict cost management and consistent controlling measures.

During the ordinary course of business, the Nemetschek group is exposed to exchange rate fluctuations, particularly in the US dollar zone. Exchange rate fluctuations may affect total sales. These are counterbalanced by expenses in the same currency. To a certain extent, the estimated profit distributions are hedged by forward exchange contracts.

Subsequent Events

There were no significant events after the end of fiscal 2003.

Outlook

Despite the planned lower level of sales, the Nemetschek group returned to the profit zone in fiscal 2003 thanks to the successful implementation of restructuring measures. As a result, the financial basis in terms of cash and cash equivalents and the earnings situation improved significantly.

In 2004, the world economic situation as a whole is expected to improve significantly. Although construction spending in Germany is expected to bottom out, a general turnaround is not yet expected. With the successfully concluded restructuring program and the reorganization of the group, the Nemetschek group has created the prerequisites needed to benefit from the improved conditions and to generate growth again. In light of the generally more optimistic mood and a brightening economy, the Netmetschek group has therefore planned a slight increase in sales for fiscal 2004, both at home and abroad. Due to the low share of variable costs customary in the software business, a further increase in profit is therefore anticipated.

Munich, March 12, 2004
Nemetschek Aktiengesellschaft

Gerhard Weiß	Uwe Wassermann
CEO	Managing board

Report of the Supervisory Board for the Fiscal Year 2003 of Nemetschek Aktiengesellschaft

During the past 2003 fiscal year, Nemetschek AG's supervisory board fulfilled the tasks and duties it is legally obliged to perform. The board met six times during the year to confer on the company's strategic and business developments and to debate current results and fundamental questions.

Nemetschek AG's managing board has 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. In addition, the supervisory board was kept informed by the managing board about important business processes, intended business plans, as well as about the company's strategic orientation. 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 monitored and supported the managing board's work. Approval was given for projects requiring approval. The supervisory board did not form any committees.

Topics debated at individual supervisory board meetings included the following:

Meeting in February 2003: Deliberations at this meeting focused on preliminary results for the 2002 business year, as well as on planning processes for the 2003 business year. In addition, the board discussed results of the restructuring measures, the company's strategic orientation, as well as development-related topics for Nemetschek AG.

Meeting in March 2003: During this meeting, the supervisory board discussed the annual financial statement presented by the managing board, Nemetschek AG's management report, consolidated financial statements and the group's management report, as well as the auditor's reports and audit results. During this supervisory board meeting, which was also attended by the appointed auditor, the board established Nemetschek AG's annual financial statement for 2002 and approved the consolidated statement for 2002, which had also been audited. Additional topics discussed at this meeting were the planned transformation into a holding company and the 2003 stock option plan to be reissued at the time.

Meeting in May 2003: This supervisory board meeting dealt with the managing board's report on business developments during the first quarter and additional business outlook prospects. Other topics included the planned holding structure, results of the special audit, assignment of stock options from the stock option program, as well as topics related to individual Nemetschek subsidiaries.

Meeting in June 2003: This supervisory board meeting focused on preparations for the Annual General Meeting on July 29, 2003. Central items of discussion were the contracts and changes in statutes pursuant to outsourcing the “Development” and “Sales” business segments from Nemetschek AG. The board also debated the new version of the German Corporate Governance Code dated May 21, 2003. In accordance with Sec. 161 of the Stock Corporation Act, the compliance declaration of June 27, 2003 was subsequently published on Nemetschek AG's homepage.

Meeting in July 2003: During this meeting, the supervisory board discussed the managing board's report on business developments during the second quarter and additional business outlook prospects, especially in Germany for Nemetschek AG, as well as for the subsidiaries MAXON Computer GmbH and Nemetschek CREM Solutions GmbH & Co. KG.

Meeting in October 2003: During this meeting, the supervisory board discussed the managing board's report on business developments during the third quarter and additional outlook prospects for the current year, as well as for the coming 2004 fiscal year. These discussions centerd on Nemetschek Deutschland GmbH, MAXON Computer GmbH, and on Nemetschek CREM Solutions GmbH & Co. KG. The board also debated the status and results of the group's strategy discussions.

The annual financial statement of Nemetschek AG prepared by the managing board according to the German Commercial Code for the fiscal year 2003 and the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as of December 31, 2003 and thus making use of the exemption according to Sec. 292a HGB as well as the group's management report, taking into account the accounting principles and the management report of the company, have been audited and approved without qualification by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Munich. The supervisory board has persuaded itself as to the independence of the auditors.

The meeting of the supervisory board on March 19, 2004, held to discuss Nemetschek AG's annual financial statement and management report as well as the consolidated financial statements and the 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, too. 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 of Nemetschek AG and the consolidated financial statement for fiscal year 2003. The annual financial statement of Nemetschek AG for fiscal year 2003 are thus final.

The following changes to the supervisory board were implemented during the 2003 fiscal year: Nemetschek AG's AGM on July 29, 2003 resulted in the decision to adopt a change in statutes that reduces the number of supervisory board members from six to three. A new supervisory board was elected at the same time. Mr. Kurt Dobitsch was elected chairman of the supervisory board and Prof. Georg Nemetschek was elected vice chairman of the supervisory board. Mr. Rüdiger Herzog and Dr. Jürgen Peters were designated additional supervisory board members. Dr. Ralf Nemetschek retired from the supervisory board. With the entry of the change in statutes in the commercial register on October 14, 2003, Dr. Jürgen Peters retired from the supervisory board.

The supervisory board would like to thank the managing board and all Nemetschek group employees for their dedication and work performance during the past fiscal year.

Munich, March 19, 2004

Kurt Dobitsch
Chairman of the supervisory board

Consolidated Balance Sheet

as of December 31, 2003 and as of December 31, 2002

Assets (Thousands of €)	2003	2002	[Notes]
Current assets			
Cash and cash equivalents	29,833	21,091	[23]
Trade receivables, net	12,626	17,064	[13]
Receivables from associated enterprises	117	52	
Inventories	619	1,093	
Tax refund claims for income taxes	552	345	[14]
Prepaid expenses and other current assets	2,898	2,691	[14]
Current assets, total	**46,645**	**42,336**	
Fixed assets			
Property, plant and equipment	4,149	5,257	[12]
Intangible assets	4,497	6,302	[12]
Goodwill	26,408	29,433	[12]
Shares in associated enterprises	325	10	
Deferred taxes	1,354	1,714	[10]
Other fixed assets	318	648	[14]
Fixed assets, total	**37,051**	**43,364**	
Total assets	**83,696**	**85,700**	

The accompanying notes to the Consolidated Balance Sheet form an integral part of these consolidated financial statements.

Equity and liabilities Thousands of €	2003	2002	[Notes]
Current liabilities			
Short-term loans and current portion of long-term loans	1,403	1,486	[19]
Trade payables	4,139	4,916	[19]
Payments received on account of orders	102	109	[19]
Provisions and accrued liabilities	9,557	10,115	[18]
Deferred income	5,988	6,863	[20]
Income taxes	691	704	
Other current liabilities	4,436	6,063	[19]
Current liabilities, total	26,316	30,256	
Long-term liabilities			
Long-term debt without short-term portion	561	560	[19]
Deferred taxes	1,552	1,743	[10]
Pension provisions	372	706	[18]
Long-term liabilities, total	2,485	3,009	
Minority interests	619	261	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserve	47,110	95,880	[17]
Revenue reserves	3,579	3,580	[17]
Currency translation	–2,410	–543	
Accumulated loss	–3,628	–56,368	
Equity, total	54,276	52,174	
Equity and liabilities, total	83,696	85,700	

The accompanying notes to the Consolidated Balance Sheet form an integral part of these consolidated financial statements.

Consolidated Income Statement

for the period from January 1 to December 31, 2003 and 2002

Thousands of €	2003	2002	[Notes]
Sales	95,639	105,544	[1]
Other operating income	1,946	2,925	[3]
Operating income	97,585	108,469	
Cost of materials/cost of purchased services	–8,645	–10,528	[4]
Personnel expenses	–43,460	–58,853	[5]
Depreciation of property, plant and equipment and amortization of intangible assets	–4,616	–5,441	[6]
Goodwill amortization	–3,286	–4,787	[6]
Other operating expenses	–31,985	–36,769	[7]
Operating expenses	–91,992	–116,378	
Operating result	5,593	–7,909	
Interest income	362	555	[9]
Income/expenses from associated enterprises	381	–1,584	[8]
Earnings before taxes and minority interests	6,336	–8,938	
Income taxes	–1,824	–2,590	[10]
Earnings before minority interests	4,512	–11,528	
Minority interests	–543	–210	[11]
Net income/net loss for the year	3,969	–11,738	
Earnings per share in EUR (basic)	0.41	–1.22	[21]
Earnings per share in EUR (diluted)	0.41	–1.22	
Average number of shares outstanding (basic)	9,625,000	9,625,000	
Average number of shares outstanding (diluted)	9,625,000	9,625,000	

The accompanying notes to the Consolidated Income Statement form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2003 and 2002

Thousands of €	2003	2002
Net result (before taxes)	5,793	–9,148
Change in pension provision	–334	80
Amortization and depreciation of fixed assets	7,902	10,228
Income/expense from associated enterprises	–381	1,584
Income/expense from disposal of property, plant and equipment	–13	226
Cash flow for the period	12,967	2,970
Interest income	–621	–793
Interest expenses	259	238
Change in provisions and accrued liabilities	–558	1,857
Change in inventories, trade receivables, other assets	4,763	7,659
Change in trade payables, other liabilities	–1,842	1,100
Cash received from distributions of associated companies	99	0
Interest received	621	420
Income taxes received	276	0
Income taxes paid	–1,997	–1,583
Cash flow from operating activities	13,967	11,868
Capital expenditures	–3,603	–5,212
Change in liabilities from acquisitions	–657	–514
Cash received from the disposal of fixed assets	100	200
Cash flow from investing activities	–4,160	–5,526
Repayment liabilities to banks	–83	–680
Interest paid	–179	–269
Minority interests paid	–185	–970
Cash flow from financing activities	–447	–1,919
Changes in cash and cash equivalents	9,360	4,423
Effect of exchange rate differences on cash and cash equivalents	–618	–321
Cash and cash equivalents at the beginning of the period	21,091	16,989
Cash and cash equivalents at the end of the period	29,833	21,091
Additional disclosures		
Capital expenditures on property, plant and equipment through finance leases	0	0
Other non-cash capital expenditures	0	0

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

The Consolidated Cash Flow Statement is explained in note [23].

Statement of Changes in Group Equity

for the period from January 1, 2002 to December 31, 2003

Thousands of €	Capital stock	Capital reserve	Revenue reserves	Currency translation	Retained earnings/ accumulated loss	Group shares
As of January 1, 2002	9,625	95,880	3,580	1,048	–44,645	65,488
Treasury shares					44	44
Changes, accumulated loss					–29	–29
Changes currency translation				-1,591		–1,591
Net income					–11,738	–11,738
As of December 31, 2002	9,625	95,880	3,580	–543	–56,368	52,174
Changes, accumulated loss		–48,770	–1		48,771	0
Changes currency translation				–1,867		–1,867
Net income					3,969	3,969
As of December 31, 2003	9,625	47,110	3,579	–2,410	–3,628	54,276

The accompanying notes to the Statement of Changes in Group Equity form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements as of December 31, 2003

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 14 languages, are used by more than 160,000 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. 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 also works in the fields of visualization and animation of media production (MAXON GmbH).

Nemetschek AG was founded on September 10, 1997 by conversion of Nemetschek GmbH and has been listed on the German Stock Exchange since March 10, 1999, since January 1, 2003 in the Prime Standard segment. The registered office of Nemetschek AG is at 81829 Munich, Germany, Konrad-Zuse-Platz 1.

Information on the German Corporate Governance Code

The declaration of compliance was submitted in June 2003 and can be accessed by the shareholders on the homepage of Nemetschek (www.nemetschek.de) in the investor relations section.

General Disclosures

As of December 31, 2003 the consolidated financial statements have been prepared, as in the prior year, according to International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). The figures for the prior year were calculated according to the same principles. The consolidated financial statements prepared in accordance with IFRS make use of the exempting provisions according to the German law to facilitate the raising of capital included in Sec. 292a HGB [Handelsgesetzbuch: German Commercial Code]. Compliance of group accounting with the 7th EU Directive, which is required for exemption from the obligation to prepare consolidated financial statements in accordance with the German Commercial Code, has been based on the interpretation of the directive by German Accounting Standard No. 1 (GAS 1), “Exempting consolidated financial statements in accordance with Sec. 292a HGB”. The company is listed in the Prime Standard segment of the stock exchange and applies the provisions of Sec. 292a 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 recognition, measurement and consolidation methods used under IFRS differ in the following main respects from the HGB provisions:

Intangible Assets:

Under IFRS, self-generated intangible assets must be recognized if the criteria for recognition are satisfied. Under HGB, they may not be capitalized.

Financial Instruments:

Certain financial instruments are measured under IFRS at market value. Under HGB, financial instruments are valued according to the imparity principle. The IFRS criteria for hedge accounting diverge from those under HGB.

Currency Translation:
The main differences here relate to the treatment of securities, receivables and liabilities in foreign currency which, under IFRS, are valued at closing rates while under German law the principle of imparity has to be observed.

Deferred Taxes:
Under HGB, deferred taxes are determined on all temporary differences between the commercial and tax balance sheets in accordance with the timing concept. Under IFRS, deferred taxes are recorded on all temporary differences between the carrying amounts in the tax accounts and in the consolidated balance sheet, i.e. this also applies to differences that have arisen without profit and loss effect.

Minority Interests:
Under IFRS, profit shares allocable to minority shareholders in the income statement or their shares in the balance sheet are disclosed in a separate item below equity.

Provisions for Pensions and Similar Obligations:
Under IFRS, the pension provisions are valued using the projected unit credit method. In addition to the current and future pension claims, future anticipated pension increases are considered.

Capital Consolidation:
Under HGB, the book value method and the revaluation method are both permissible. Under IFRS, regardless of the costs, revaluation is performed proportionately (benchmark method) or in full (alternative allowed method).

The accompanying financial statements have been prepared under the historical cost convention, with the following exceptions:

- Financial assets held for trading and available for sale are measured at fair value,

as presented below in the recognition and measurement methods.

The income statement has been prepared using the cost summary method.

The currency used in the consolidated financial statements is EUR, in the notes the figures are stated in EUR million, unless otherwise stated.

Consolidation Group

The consolidated financial statements include Nemetschek AG and all of the foreign and domestic subsidiaries. Associated enterprises are valued using the equity method. The subsidiaries included in the consolidated financial statements and the companies valued at equity are listed below on the basis of the commercial balance sheets I (HB I) prepared by the individual companies under local law:

The following affiliated companies have been included in the consolidated financial statements:

Name, registered office of the company in €	Shareholding %	Equity Dec. 31, 2003	Net result for the year 2003
Nemetschek AG, Munich		63,426,035	12,295,745
Direct investments			
Nemetschek Deutschland GmbH, Munich	100.00	2,515,617	15,617
Nemetschek Technology GmbH, Munich	100.00	2,000,000	0
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	100.00	15,956,979	945,078
Nemetschek FRANCE SARL, Asnières, France	100.00	112,646	– 383,373
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	81.00	461,432	194,169
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00	995,656	183,005
NEMETSCHEK Ges.m.b.H., Salzburg, Austria	100.00	234,278	207,875
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	– 111,992	– 235,653
NEMETSCHEK (UK) Ltd., Bedford, UK	100.00	– 207,268	– 112,136
Nemetschek Slovensko s.r.o., Bratislava, Slovakia	100.00	139,251	– 19,470
NEMETSCHEK s.r.o., Prague, Czech Republic	100.00	– 64,477	25,673
NEMETSCHEK kft., Budapest, Hungary	100.00	– 7,076	– 60,734
NEMETSCHEK OOO, Moscow, Russia	100.00	– 170,556	– 67,175
acadgraph CAD STUDIO GmbH, Munich	100.00	– 682,904	0
Friedrich + Lochner GmbH, Stuttgart	100.00	51,129	0
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	70.00	852,720	– 734,993
Nemetschek Bausoftware GmbH, Karlsruhe	92.00	1,614,834	1,191,120
ING. AUER – Die Bausoftware GmbH, Mondsee, Austria	75.00	2,180,547	1,902,947
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	99.75	0	– 969,702
Nemetschek CREM Verwaltungs GmbH, Munich	100.00	57,258	4,341
MAXON Computer GmbH, Friedrichsdorf	70.00	1,117,400	183,715
Nemetschek Verwaltungs GmbH, Munich	100.00	25,656	– 116
Indirect investments			
MAXON COMPUTER Inc., Thousand Oaks, California, USA	63.00	66,571	103,993
MAXON Computer Ltd., Bedford, UK	63.00	– 187,617	– 51,159
Associated enterprises valued according to the equity method			
Name, registered office of the company			
DocuWare Aktiengesellschaft, Germering	30.00	3,415,932	959,694
Sidoun GmbH, Freiburg i. Breisgau (June 30, 2003)	16.26	0	– 339,912
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	101,160	32,183
TraiCen IT Training & Consulting GmbH, Munich	33.00	0	– 104,361

The information about the companies corresponds to the local individual financial statements, translated into EUR.

Subsidiaries with different balance sheet dates prepare interim financial statements.

Changes in the Consolidation Group

The composition of the companies included in the consolidated financial statements changed during the course of the fiscal year 2003.

The following companies and newly purchased shares in companies were included in the consolidated financial statements for the first time:

- Initial consolidation of formations Nemetschek Deutschland GmbH, Munich, and Nemetschek Technology GmbH, Munich
- Purchase of another 8 % shares in ING. AUER – Die Bausoftware GmbH, Mondsee, Austria.

A total of EUR 1.4 million was spent in cash on the acquisition of shares in fiscal 2003; these are the acquisition costs.

EUR 0.3 million was paid out on the variable component of company acquisitions made before 2003 (MAXON Computer GmbH).

The following shares were sold or the companies were removed from the consolidation group in 2003:

- The 100 % share in NEMETSCHEK d.o.o., Rijeka, Croatia, was sold as of March 31, 2003 (EUR 0.1 million) and the company was deconsolidated at the same time.
- NEMETSCHEK Polska Sp. Zo.o., Warsaw, Poland, that was already in liquidation in 2002, was deconsolidated as of December 31, 2003.

The change in the consolidation group did not result in any material changes, either in sales or in the balance sheet.

Goodwill is amortized on a straight-line basis over the expected useful life of ten to fifteen years.

Goodwill developed as follows:

€ million	2003	2002
Brought forward Jan 1	29.4	33.2
Additions/disposals	1.4	2.3
Impairment losses	0.0	–1.5
Amortization	–3.3	–3.3
Currency differences	–1.1	–1.3
As of Dec 31	26.4	29.4

Consolidation Principles

The consolidated financial statements of the group include Nemetschek AG, Munich, and the companies that it controls. This control is normally evidenced when the group owns, either directly or indirectly, more than 50 % of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority interests are shown separately in the balance sheets and income statements, respectively.

The purchase method of accounting is used for business acquisitions. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of the acquisition or to the date of disposal.

Shares in associated enterprises (generally investments of between 20 % to 50 % in a company's equity) where a significant influence is exercised by Nemetschek AG are accounted for using the equity method. Investments in associates are reassessed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

Intercompany balances and transactions, including intercompany profits, are eliminated. The financial statements of domestic and foreign companies included in the consolidation are prepared using uniform recognition and measurement methods and principles.

Use of Estimates When Preparing the Consolidated Financial Statements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the notes to the financial statements, and the income statement. Actual results may diverge from these estimates.

Foreign Currency Translation

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. All monetary assets and liabilities are translated at closing rate. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized as operating expense or income in the income statement in the period in which they arise.

The foreign investments in the consolidated group are independent from a financial, economic and organizational perspective. These are thus regarded as independent foreign entities. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet (this also includes any goodwill) and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

The following exchange rates are used for currency translation involving currencies in countries that do not participate in the European Monetary Union:

Currency	Average exchange rate in 2003	Exchange rate as of December 31, 2003	Average exchange rate in, 2002	Exchange rate as of December 31, 2002
EUR/USD	1.1420	1.2620	0.9505	1.0415
EUR/CHF	1.5230	1.5579	1.4658	1.4520
EUR/SKK	41.4258	41.1700	42.5125	41.6300
EUR/CZK	31.8779	32.4100	30.7496	31.4300
EUR/RUR	34.8805	36.5580	29.9189	33.2660
EUR/HUF	254.6458	262.5000	242.5917	235.800
EUR/GBP	0.6931	0.7048	0.6293	0.6501

Recognition and Measurement Principles

Intangible assets have been capitalized at cost and are depreciated by means of scheduled depreciation using the straight-line method over the normal useful life of between three and fifteen years.

Expenditures for research and development are charged against income in the period in which they are incurred except for project development costs which comply strictly with the following criteria:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- a potential market exists for the product or its usefulness in case of internal use is demonstrated, and adequate technical, financial and other resources required for completion of the project are available.

Capitalized development costs are amortized on a straight-line basis over a period of five years. The recoverable amount of development costs is revalued whenever there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exist.

Publicly funded development subsidies from the EU for periodic basic research are recorded on the basis of the hours worked. These are recognized as other operating income in the consolidated financial statements.

Property, plant and equipment are measured at cost less scheduled depreciation. The useful life is three to ten years. If property, plant and equipment items are sold or disposed of, their costs and related accumulated depreciation is eliminated from the balance sheet and the resulting gain or loss on sale is recorded in the income statement.

Property, plant and equipment and intangible assets (including capitalized development costs and goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if that is not possible, for the cash-generating unit.

A reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversals are posted to the income statement (IAS 36).

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized in the income statement as an expense on a straight-line basis over the lease term (IAS 17.25).

Inventories solely comprise merchandise which is carried at cost. Due consideration is given to inventory risks resulting from impaired salability in the form of appropriate mark-downs. If the net realizable value is lower on the balance sheet date, then the lower value is stated. If the net realizable value increases for inventories that have already been devalued, the resulting reinstatement of original value is recorded as a reduction of the cost of materials.

Borrowing costs are immediately recorded as an expense.

Payments received on account from customers are recorded as liabilities.

Receivables and other assets are shown at the fair value of the consideration and measured at their amortized cost after forming appropriate valuation allowances.

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long-term receivables, loans and investments. The recognition and measurement criteria used for these items are shown in the recognition and measurement methods contained in the notes to these financial statements. All financial assets within the meaning of IAS 3 are classified in the category “loans granted by the company and receivables”.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The initial recognition of a financial asset is at cost which corresponds to the fair value of the consideration given or received; transaction costs are included (IAS 39.66).

Gains and losses from the measurement of available for sale financial assets are posted directly to a reserve in the equity section until the financial asset is sold, withdrawn or otherwise disposed of, or if it were determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period (IAS 39.103) [note 24].

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less and that are not subject to risk of change in value.

Reserves are created in accordance with statutory requirements and the articles of incorporation and bylaws [note 17].

In the case of option plans, the fair value of the option is recorded as personnel expense over the waiting period of the issued options.

The company provides defined benefit pension plans for selected members of management. The provisions are valued every year by reputable independent valuers. Pension provisions and similar obligations are calculated according to 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 profit and loss.

All other provisions take into account all obligations discernable on the balance sheet date that are related to transactions or events that have already taken place but for which the amount or due date is uncertain. Long-term provisions must be discounted at the balance sheet date, unless the effects are immaterial.

Contingent liabilities are not recognized in the financial statements until their utilization is more likely than not. They are stated in the notes to the consolidated financial statements provided utilization is not remote.

Deferred taxes are calculated based on the balance-sheet-oriented liability method (IAS 12). This involves recording deferred taxes for all substantial temporary recognition and measurement differences between IFRS and tax values. Further, deferred tax assets for future pecuniary advantages from unused tax losses must be taken into account. Deferred tax assets for recognition and measurement differences and for unused tax losses are only taken into account if they are expected to be realized. Deferred taxes are valued taking into account the respective national income tax rates which apply in the individual countries at the time of realization or which are expected (basis: applicable tax law). Deferred tax assets and liabilities are only offset if the prerequisites of IAS 12 are met.

Liabilities are reported at amortized cost.

Deferred income relates to income received before the balance sheet date that relates to following periods.

Minority interests contain a share of fair values of the identified assets and liabilities at the time the subsidiary is acquired. The losses applicable 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, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary shows profits at a later point in time, these are allocated in full to the majority holding unless these exceed the accumulated loss shares assumed by the minority interests (IAS 27.27).

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue from rendering services is recognized by reference to the percentage of completion when they can be measured reliably. The percentage of completion is determined based on surveys of work performed.

Basic Information on Revenue Recognition

Nemetschek generally distinguishes between the recognition of revenue from the sale of goods and merchandise, from the rendering of services and income from interest, licenses and dividends.

Revenue from the sale of goods and merchandise must be recognized (point in time) if, and only if, all of the following conditions are fulfilled (IAS 18.14):

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

Revenue from the rendering of services must be recognized if (IAS 18.20):

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

This has the following implications for the Nemetschek group:

a.) Software and licenses

aa.) 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 user rights in return for fixed compensation (non-recurring licenses) which give the licensee unrestricted use is a sale for economic purposes 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 enterprise. The time at which this occurs usually coincides with occurrence of the future event.

ab.) Sales transactions via sales representatives/agents

From an economic perspective, income is generally recorded when ownership and the related risks and rewards linked to ownership are transferred. However, if the seller is acting as an agent/representative, income is not recorded until the software/hardware is sold to the final customer.

b.) 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).

c.) Consulting

ca.) Contract for supplies and services
The aforementioned criteria for the sale of services generally apply. If necessary, revenue is recognized using the percentage of completion method in accordance with the defined consulting stages agreed upon. The consulting stage does not have to be completed in full. Costs are recorded accordingly.

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

d.) 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 sale price of software/hardware contains a certain partial amount for subsequent services (e.g. maintenance), this amount is accrued and recorded as income pro rata temporis over the periods in which the services are rendered. The accrued amount is initially recognized as a liability.

e.) Training

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

The company divides its activities into the segments planning, building, use and NBO (new business opportunities).

The segment reporting divides the group worldwide into the segments Design, Build, Manage and NBO (New Business Opportunities). The business segments Design, Build, Manage and NBO form the basis for the primary segment reporting.

Subsequent events that provide additional information about the company's position at the balance sheet date have been taken into account in the financial statements as required. Subsequent events that do not require consideration are stated in the notes, if they are material (IAS 10.7, 10.20).

Notes to the Consolidated Income Statement

[1] Sales

€ million	2003	2002
Software and licenses	48.4	52.9
Hardware	2.2	3.0
Services (consulting, training)	8.1	11.5
Maintenance (software service agreements)	36.9	38.1
	95.6	105.5

The breakdown of sales by segment is shown under segment reporting [note 25].

[2] Own Work Capitalized

According to the version of IAS 38 applicable at the balance sheet date, development costs can be capitalized unless they are incurred for basic research or are not related to projects, provided that the prerequisites of IAS 38.45 are fulfilled.

The company was involved in non-project-related product development in 2003. The development costs of projects that have not satisfied the criteria of IAS 38.45 are recorded as an expense. If the prior-year development activities were related to usable products, the expenses incurred were capitalized. These included direct personnel costs plus allocable overheads. Development expenses were last recognized in 2000.

The useful life of capitalized development costs is assumed to be five years. Depreciation starts upon commercial exploitation of the development results in the year the costs were incurred, using the straight-line method. Disposal is recorded in analysis of fixed assets after the economic life has elapsed. In 2003, EUR 18.7 million was spent on research and development (prior year: EUR 20.3 million).

[3] Other Operating Income

€ million	2003	2002
Development subsidies for EU projects	0.5	0.4
Income from the disposal of assets	0.1	0.2
Other income relating to other periods	0.3	0.9
Income from subleases and offsetting other services	0.7	0.6
Other	0.3	0.8
	1.9	2.9

The income from exchange rate differences of EUR 0.1 million is contained in the position "Other".

[4] Cost of Materials

€ million	2003	2002
Cost of merchandise	6.9	6.4
Cost of purchased services	1.7	4.1
	8.6	10.5

[5] Personnel Expenses

€ million	2003	2002
Wages and salaries	36.3	50.3
Social security and other pension costs	7.2	8.6
	43.5	58.9

Social security and other pension costs contain pension obligations of less than EUR 0.1 million (prior year: EUR 0.2 million) and the customary local expenses of the state pension insurance for employees.

The average number of employees for the year was:

	2003	2002
Number of employees	743	881

The actual number of employees as of balance sheet date December 31, 2003 came to 716 (prior year: 760).

[6] Amortization/Depreciation

€ million	2003	2002
Amortization of intangible assets	2.7	2.7
Amortization of goodwill	3.3	4.8
Depreciation of property, plant and equipment	1.9	2.7
	7.9	10.2

The amortization of goodwill in the prior year contained impairment losses of EUR 1.5 million. The impairment losses relate largely to the deconsolidation of subsidiaries in 2002.

[7] Other Operating Expenses

€ million	2003	2002
Expenses for third-party services	3.4	3.7
Advertising expenses	3.7	5.3
Rent/leases	6.4	7.0
Commission	5.6	5.4
Legal and consulting fees	2.8	2.9
Travel expenses	1.8	2.3
Vehicle costs	1.9	2.2
Communication	1.3	1.9
Sundry	5.1	6.1
	32.0	36.8

“Sundry other operating expenses” consist of various items of less than EUR 0.5 million. The expense from exchange rate differences of EUR 0.1 million (prior year: EUR 0.1 million) is contained in the position “Sundry”. This position is shown net of specific valuation allowances of EUR 0.4 million that are no longer needed.

[8] Income/Expenses from Associated Enterprises

The investment income contains write-ups on associated enterprises of EUR 0.3 million (prior year: EUR 1.2 million depreciation) and further distributions of EUR 0.1 million (prior year: EUR 0.4 million expenses).

[9] Interest Income/Expenses

€ million	2003	2002
Other interest and similar income	0.6	0.4
Interest and similar expenses	–0.2	–0.2
Income/expense from swap transaction	0.0	0.4
	0.4	0.6

[10] Income Taxes

€ million	2003	2002
Current income taxes	1.9	2.0
Income tax received, prior years	–0.3	0.0
Deferred taxes	0.2	0.6
	1.8	2.6

The income tax rates of the individual companies range from 34 % and 41.8 % (prior year: 34 % and 40.5 %). The income tax expense is based on the theoretical tax income of Nemetschek AG in Germany. This is based on a tax rate of 41.8 % (prior year: 40.5 %), which is calculated as follows:

figures in %	2003	2003	2002	2002
Earnings before tax	100.0		100.0	
19.2 % trade tax	19.2	19.2	19.2	19.2
	80.8		80.8	
26.5 %/25 % corporate income tax	21.4	21.4	20.2	20.2
5.5 % solidarity surcharge	1.2	1.2	1.1	1.1
	58.2	41.8	59.5	40.5

€ million	2003	2002
Earnings before tax	6.4	–8.7
Theoretical tax 41.8 % (prior year: 40.5 %)	2.7	–3.5
Differences to foreign tax rates	–0.9	0.6
Tax effects on:		
Amortization of goodwill from capital consolidation	1.2	1.5
At-equity consolidation of associated enterprises	–0.2	0.0
Use of unrecognized deferred taxes on unused tax losses	–0.8	3.9
Income tax received, prior years	–0.3	0.0
Non-deductible expenses	0.1	0.1
Effective tax expense	1.8	2.6
Effective tax rate (in %)	28 %	–

Deferred tax assets and liabilities are summarized as follows:

€ million	2003	2002
Deferred tax assets		
Unused tax losses	1.4	1.1
Valuation difference due to prepaid expenses	0.0	0.6
	1.4	1.7
Deferred tax liabilities		
Valuation differences from software capitalization	0.4	0.6
Valuation differences from goodwill amortization	1.2	1.1
	1.6	1.7

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

€ million	2003	2002
Losses according to companies	58.5	69.3
of which confirmed unused losses	58.5	32.3
Deferred tax assets, gross	22.7	13.1
Unrecognized deferred tax assets on unused tax losses	–21.3	–12.0
Deferred tax assets, net	1.4	1.1

The losses according to the companies have decreased by EUR 10.8 million compared to the prior year due to the spin-offs from Nemetschek AG. Moreover, no deferred taxes are recorded on temporary differences of net EUR 8.5 million because the realization is not adequately secured.

These positions mainly contain deferred tax assets on unused tax losses which are likely to be realized in future. The deferred tax assets on the unused tax losses were recognized on the basis of the expense and income planning of Nemetschek AG (parent company) and subsidiaries for the fiscal year 2004.

[11] Minority Interests

€ million	2003	2002
Profit shares allocable to minority interests	0.5	0.5
Loss allocable to minority interests	0.0	–0.3
	0.5	0.2

The profit and loss shares of minority interests are shown net in the income statement.

Notes to the Consolidated Balance Sheet

An analysis of fixed assets is presented on the last page of these notes to the consolidated financial statements.

[12] Fixed Assets

[13] Trade Receivables

€ million	2003	2002
Trade receivables (before bad debt allowances)	15.5	20.6
Specific bad debt allowances	–2.9	–3.5
Trade receivables, net	12.6	17.1

Provision was made for the bad debt risk by setting up appropriate specific valuation allowances.

[14] Tax Refund Claims, Other Assets and Prepaid Expenses

€ million	2003	2002
Tax refund claims for income taxes	0.6	0.3
Reinsurance policy	0.2	0.5
Short-term loan receivables	0.2	0.3
Prepaid expenses	1.6	1.8
Loans	0.1	0.2
Loan, accumulated	0.2	0.1
Other	0.9	0.5
	3.8	3.7

Unlike the presentation last year, the loans were not recorded as a separate balance sheet position, but included under other assets.

[15] Equity

The development of the capital reserve, the revenue reserves and the retained earnings of the group is presented in the statement of changes in equity.

[16] Capital Stock

As of December 31, 2003 the capital stock of Nemetschek Aktiengesellschaft amounts to EUR 9,625,000. There are 9,625,000 no-par shares (no change from prior year).

According to the shareholders' meeting on July 29, 2003, the managing board is authorized until July 28, 2008 to:

- increase the capital stock, with the consent of the supervisory board, by issuing new no-par shares made out to the bearer in exchange for cash contributions, once or several times, by a maximum of EUR 1,200,000.00 (Authorized Capital I).
- increase the capital stock, with the consent of the supervisory board, by issuing new no-par shares made out to the bearer in exchange for cash contributions or contributions in kind, once or several times, by a maximum of EUR 3,600,000.00 (Authorized Capital II).

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, 2003, no option rights had been issued (prior year: 144,100 options).

[17] Capital Reserves/ Revenue Reserves

We refer to the statement of changes in group equity. The legal reserve of the prior year (2002: EUR 1.5 k) was offset against the loss carryforward. In the balance sheet, the other reserves remain unchanged at EUR 3.6 million (prior year: EUR 3.6 million). The group holds 14,245 treasury shares. The value of these shares (EUR 61 k) has been netted with the reserves. EUR 48.8 million from the capital reserve was used to offset the loss carryforward of Nemetschek AG. The remaining capital reserve is subject to restrictions provided for in Sec. 150 (4) AktG [Aktiengesetz: Stock Corporation Law). Pursuant to Sec. 150 AktG, together the legal reserve and the capital reserve must exceed one tenth of the capital stock, so that they can be used to offset losses or for an increase in capital from company funds. If the legal reserve and the capital reserve together do not exceed one tenth of the capital stock, they may only be used to offset losses if the loss is not covered by the profit carryforward or net income and cannot be offset by releasing other revenue reserves.

[18] Provisions and Accrued Liabilities

The obligation resulting from pension plans is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the profit and loss. In the year ending December 31, 2003, there were no curtailments; one pension plan was settled without further expenditures in 2003. The other plans were continued beyond this period. The pension plans contain pension claim after reaching the age of 65 amounting to 60 % of the last net salary, up to a maximum amount of EUR 3,834 (DEM 7,500). All the claims are vested.

The following table reconciles the obligations with the amounts recognized in the balance sheet:

€ million	As of Jan. 1, 2003	Utilization	Reversals	Additions	As of Dec. 31, 2003
Pension provisions	0.7	0.3	0.0	0.0	0.4
Pension provisions (prior year)	0.6	0.0	0.0	0.1	0.7

€ million	2003	2002
Present value of obligations	0.4	0.7
Net liability recognized in balance sheet	0.4	0.7

The expense for post-employment benefits is less than EUR 0.1 million; the expense is disclosed under personnel expenses. As of December 31, 2003, the principal actuarial assumptions used to determine pension obligations were as follows:

	2003	2002
Discount rate	5.5 %	5.5 %
Future salary increases	2.0 %	2.0 %
Future pension increases	1.0 %	1.0 %

Accrued liabilities contain the following items:

€ million	2003	2002
Commission/bonuses (employees)	2.9	1.8
Vacation accrued by employees	1.6	1.6
Legal and consulting fees/financial statement costs	0.6	0.6
Outstanding supplier invoices	0.6	0.7
Severance payments	0.3	1.6
Maintenance	0.2	0.0
Other accrued liabilities (individual items below EUR 0.1 million)	1.3	1.1
	7.5	7.4

Other provisions include the following items:

€ million	As of Jan. 1, 2003	Utilization	Reversals	Additions	As of Dec. 31, 2003
Potential losses, unused rented space	1.7	0.8	0.0	0.1	1.0
Warranties	0.5	0.1	0.0	0.2	0.6
Credit notes on invoices	0.5	0.5	0.0	0.3	0.3
Archiving costs	0.0	0.0	0.0	0.2	0.2
	2.7	1.4	0.0	0.8	2.1

- The potential loss provision for rent was extrapolated on the basis of the current vacant space and determined for the next 12 months.
- The provision for credit notes contains an allowance for any credit notes from the sales of the prior year.
- The warranty provisions have been set up in an amount equivalent to 0.5 % of sales less purchased products; individual risks have been valued separately (sales subject to warranty).

With the exception of the archiving costs, all provisions are short-term and are expected to be used within the next 12 months.

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 will not be fully covered by insurance 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 net assets and results of operations of the group.

[19] Liabilities

Liabilities, categorized by due dates, are comprised as follows:

€ million	Total amount	up to 1 year	1 year – 5 years	more than 5 years
Liabilities to banks (loans)	2.0	1.4	0.2	0.4
December 31, 2002	2.0	1.5	0.1	0.4
Payments received on account of orders	0.1	0.1	0	0
December 31, 2002	0.1	0.1	0	0
Trade payables	4.1	4.1	0	0
December 31, 2002	4.9	4.9	0	0
Other liabilities	4.4	4.4	0	0
December 31, 2002	6.1	6.1	0	0
of which taxes	2.0			
of which relating to social security	0.9			
December 31, 2003	10.6	10.0	0.2	0.4
December 31, 2002	13.1	12.6	0.1	0.4

Trade payables are subject to the usual retention of title provisions relating to the supply of movable fixed assets and inventories.

As of December 31, 2003, the group has a registered land charge for EUR 1 million in favor of Credit- und Volksbank e. G. Wuppertal to secure a liability of Nemetschek CREM Solutions GmbH & Co. KG. Further liabilities secured by encumbrances or collateral assignment did not exist as of December 31, 2003. Liabilities to banks contain three loans with interest rates of between 6 % and 7.5 %. The loans have maturities until 2004 and 2022.

[20] Deferred Income

Deferred income amounts to EUR 6.0 million (prior year: EUR 6.9 million). The complete amount will result in sales in the first half of 2004.

[21] Earnings per Share

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

For the purpose of calculating diluted earnings per share, the net earnings attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all diluting potential 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 when 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. As of December 31, 2003, a total of zero potential ordinary shares were excluded from the calculation of diluted loss per share. Before the shareholders' meeting, the option holders waived the 144,100 share options from 2002; otherwise, the share options would have lapsed because the period allowed expired after the shareholders' meeting. There are therefore no potential ordinary shares which could have led to dilution.

	2003	2002
Net earnings in EUR million	4.0	– 11.7
Average number of outstanding ordinary shares as of December 31	9,625,000	9,625,000
Average number of shares to be included in the calculation of diluted EPS as of December 31	9,625,000	9,625,000
Earnings per share in EUR, basic	**0.41**	**– 1.22**
Earnings per share in EUR, diluted	**0.41**	**– 1.22**

[22] Financial Commitments

€ million	Total	due 2004	due 2005-2008	due from 2009
Rental agreements	24.9	5.0	14.4	5.5
December 31, 2002	28.2	5.1	15.1	8.0
Lease agreements	1.2	0.7	0.5	0.0
December 31, 2002	1.8	1.0	0.8	0.0
Purchase price adjustments from acquisitions/put options	5.1	0.8	4.1	0.2
December 31, 2002	10.7	3.1	4.8	2.8
Total financial commitments	**31.2**	**6.5**	**19.0**	**5.7**

€ million	Total	2003	2004-2007	from 2008
December 31, 2002	40.7	9.2	20.7	10.8

The rental agreements consist almost exclusively of rental agreements for office space with limited terms. The lease commitments mainly consist of leases for vehicles and telecommunication equipment. Rent commitments are offset against expected income from non-cancelable sub-leases for the years 2004 through 2006, totaling EUR 0.7 million (prior year: EUR 0.7 million).

In the course of the acquisitions in previous years, some variable purchase price obligations were entered into, depending on the future results of the investments acquired. The variable components of the purchase prices mainly depend on equity and results of ordinary operations.

[23] Notes to the Cash Flow Statement

The cash flow statement is split up into cash flows from operating, investing and financing activities. Cash flow from operating activities amounts to EUR 14.0 million (prior year: EUR 11.7 million). The cash flow from investing activities of EUR –4.2 million (prior: year EUR –5.5 million) stems from purchase price payments for acquisitions and the resulting goodwill (EUR 2.4 million, prior year: EUR 2.2 million) and capital expenditures on purchased intangible assets and property, plant and equipment of EUR 1.8 million (prior year: EUR 3.3 million).

The group's total cash and cash equivalents split up as follows:

€ million	2003	2002
Bank balances	29.8	21.1

[24] Financial Instruments

In the course of ordinary operations, the Nemetschek group is exposed in particular to exchange rate fluctuations. It is company policy to exclude or limit these risks by entering into hedge transactions. 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. Groupwide 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. Only first-class national banks whose credit rating is checked regularly by rating agencies may act as partners for hedging transactions.

The aim of the company with regard to financial risk management is to mitigate the risks presented below by the methods described.

Foreign Exchange Risk Management

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. Transaction risks are calculated in each foreign currency and include assets and liabilities denominated in foreign currency and certain off-balance sheet items such as fixed and probable purchase and sales commitments. 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.

Liquidity Risks

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 company under normal trading conditions.

The credit rating of the group allows sufficient cash to be procured. Moreover, the company has lines of credit that have not yet been used.

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.

Credit Risks

Credit 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 risk with any single customer or customer group. The maximum credit risk can be calculated from the amounts shown in the balance sheet.

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 sale. Fair values are obtained from market prices, discounted cash flow analyses and option pricing models, as appropriate.

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

Financial Assets and Current Financial Liabilities

The carrying amount of cash, other financial assets and short-term financial liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. The fair values of publicly traded instruments are estimated based on market prices for those or similar investments where no market prices are available. 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 flows or the underlying net asset base for each investment. All carrying amounts approximate the fair value of the corresponding items.

Long-Term Loans

The fair value of long-term loans is based on the market price for identical or similar credit or at current interest rates for debt capital of a similar maturity. The fair value of long-term loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

Management believes that the exposure to an interest rate risk for financial assets and liabilities as of December 31, 2003 was low since their deviation from their respective fair values was not significant.

Where necessary, reference is made to the notes with respect to the disclosures on financial instruments and their main contractual conditions which affect the amount, timing and security of future cash flow.

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

[25] Segment Reporting

The group divides its activities into the segments Design, Build, Manage and NBO (New Business Opportunities). The Design segment contains the architecture and engineering division and is mainly characterized by the development and marketing of 3-dimensional CAD 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 construction projects. The group also has an NBO segment (New Business Opportunities) involved in visualization and animation in media production.

Income statement disclosures:

2003 € million	Total	Elimination	Design	Build	Manage	NBO
Sales, external	95.6	0.0	70.5	12.9	6.7	5.5
Intersegment sales	0.0	–1.4	0.5	0.1	0.5	0.3
Total sales	95.6	–1.4	71.0	13.0	7.2	5.8
Amortization and depreciation	7.9	0.0	5.2	1.5	0.4	0.8
EBIT	5.6	0.0	4.9	2.1	–1.5	0.1
Interest income/Interest expense	0.4					
Result of associated enterprises	0.4					
Income taxes	–1.8					
Minority interests	–0.5					
Net income for the year	4.0					

2002 € million	Total	Elimination	Design	Build	Manage	NBO
Sales, external	105.5	0.0	76.3	13.2	10.3	5.7
Intersegment sales	0.0	–1.7	0.6	0.1	0.6	0.4
Total sales	105.5	–1.7	76.9	13.3	10.9	6.1
Amortization and depreciation	10.2	0.0	7.8	1.4	0.3	0.7
EBIT	–7.9	0.0	–2.6	0.9	–4.1	–2.1
Interest income/Interest expenses	0.6					
Result of associated enterprises	–1.6					
Income taxes	–2.6					
Minority interests	–0.2					
Net income for the year	–11.7					

Intersegment transfer prices are based on a percentage share of the sales or list price of the software.

Balance sheet disclosures:

2003 € million	Total	Design	Build	Manage	NBO
Cash and cash equivalents	19.2	14.8	3.5	0.4	0.5
Trade receivables, net	12.6	9.8	1.6	0.5	0.7
Inventories	0.6	0.4	0.1	0.0	0.1
Other assets, prepaid expenses	3.3	2.6	0.1	0.4	0.2
Fixed assets	35.1	14.9	13.0	3.0	4.2
of which additions fixed assets	3.6	1.3	1.6	0.1	0.6
Segment assets	70.8	42.5	18.3	4.3	5.7
Cash and cash equivalents Nemetschek AG, not allocated	10.7				
Financial assets, associated enterprises	0.3				
Income tax claim, not allocated, and deferred tax assets	1.9				
Total assets	83.7				
Liabilities	8.7	7.6	0.5	0.3	0.3
Provisions and accrued liabilities (incl. pension provision)	9.9	8.0	0.7	0.5	0.7
Deferred income	6.0	5.8	0.1	0.1	0.0
Segment liabilities	24.6	21.4	1.3	0.9	1.0
Liabilities, not allocated*	4.2				
Total liabilities	28.8				

* The liabilities that were not allocated are from loans, income taxes and deferred taxes.

2002 € million	Total	Design	Build	Manage	NBO
Cash and cash equivalents	21.1	17.5	2.9	0.4	0.3
Trade receivables, net	17.1	13.4	1.8	1.2	0.7
Inventories	1.1	1.0	0.0	0.0	0.1
Other assets, prepaid expenses	3.3	2.5	0.2	0.3	0.3
Fixed assets	41.0	20.5	12.9	3.3	4.3
of which additions to fixed assets	6.8	1.2	1.8	1.4	2.4
Segment assets	83.6	54.9	17.8	5.2	5.7
Income tax claim, not allocated, and deferred tax assets	2.1				
Total assets	85.7				
Liabilities	11.1	9.2	0.6	0.5	0.8
Provisions and accrued liabilities (incl. pension provision)	10.5	9.0	0.6	0.4	0.5
Deferred income	6.9	6.6	0.2	0.1	0.0
Segment liabilities	28.5	24.8	1.4	1.0	1.3
Liabilities, not allocated*	4.8				
Total liabilities	33.3				

* The liabilities that were not allocated are from loans, income taxes and deferred taxes.

Classified by geographic area, the situation is as follows:

€ million	Sales revenue 2003	Fixed assets	Additions to fixed assets	Sales revenue 2002	Fixed assets	Additions to fixed assets
Germany	54.3	21.0	1.6	61.8	25.5	4.4
Other countries	41.3	14.1	2.0	43.7	15.5	2.4
Total	95.6	35.1	3.6	105.5	41.0	6.8

[26] Subsequent Events

There were no events of significance subsequent to the balance sheet date of December 31, 2003.

[27] Related Parties

Nemetschek AG concluded a rent agreement for office space with Concentra GmbH & Co KG (limited partner: former supervisory board members Dr. Ralf Nemetschek and Alexander Nemetschek) in 2000. The remaining term of the agreement is 7 years. The agreement results in net rent of EUR 2.4 million per year.

The group carries out transactions with associated enterprises. These transactions are part of ordinary activities and are treated on an arm's-length basis. One of the main transactions was the purchase of a license for less than EUR 0.1 million.

The balance sheet includes the following amounts resulting from transactions with associated enterprises:

€ million	2003	2002
Trade receivables and other assets	0.1	0.0
Trade payables and other liabilities	0.0	0.0

Total remuneration paid to managing board members for the fiscal year 2003 amounted to EUR 0.6 million (prior year: EUR 1.2 million).

Remuneration of supervisory board members amounted to EUR 0.1 million (prior year: EUR 0.1 million).

[28] Date of Publication

The consolidated financial statements were authorized for publication on March 12, 2004 (date of management authorization for issue to the supervisory board).

[29] Disclosures about Members of the Supervisory Board and the Managing Board of the Company

Supervisory board

Mr. Kurt Dobitsch (Degree in engineering, active as entrepreneur)
Chairman
Member of the following supervisory boards:

- United Internet AG (Chairman)
- Bechtle AG,
- DocuWare AG
- 1 & 1 Internet AG
- Twenty4help AG
- R & S AG

Prof. Georg Nemetschek (Degree in engineering, active as entrepreneur)
Deputy chairman

Mr. Rüdiger Herzog
(Lawyer, active as managing board member)
Member from July 29, 2003

Dr. Ralf Nemetschek (Degree in physics)
Member until July 29, 2003

Dr. Jürgen Peters (Lawyer and tax advisor)
Member until October 14, 2003
Member of the following supervisory boards:

- AVITAG AG

Managing board

Mr. Gerhard Weiß (Degree in business management)
Chairman
Member of the following supervisory boards:

- NEMETSCHEK Slovensko s.r.o.
- Nemetschek Bausoftware GmbH

Mr. Uwe Wassermann (Degree in engineering)
Member of the following supervisory boards:

- NEMETSCHEK NORTH AMERICA Inc.
- Nemetschek Fides & Partner AG
- Nemetschek Bausoftware GmbH

Munich, March 12, 2004

Nemetschek Aktiengesellschaft

Gerhard Weiß

Uwe Wassermann

Analysis of the Fixed Assets of the Group

as of December 31, 2003 and as of December 31, 2002

Development of purchase cost / production cost

Thousends of €	As of Jan. 1, 2003	Translation differences	Additions	Disposals	As of Dec. 31, 2003
I. Intangible assets					
Industrial and similar rights	9,412	–39	915	27	10,261
Self-generated software	3,972	0	0	184	3,788
Goodwill	75,334	–3,573	1,686	595	72,852
	88,718	–3,612	2,601	806	86,901
II. Property, plant and equipment					
Land and buildings	1,122	0	0	0	1,122
Other equipment, furniture and fixtures	15,801	–263	969	1,239	15,268
	16,923	–263	969	1,239	16,390
III. Financial assets					
Associated enterprises	10,818	0	33	417	1,434
	10,818	0	33	417	10,434
Total fixed assets of the group	116,459	–3,875	3,603	2,462	113,725

Development of accumulated depreciation / Carrying amount

As of Jan. 1, 2003	Translation differences	Amortization and depreciation	Reversal of impairment loss equity method	Disposals	As of Dec. 31, 2003	Carrying amount As of Dec. 31, 2003	Carrying amount As of Dec. 31, 2002
4,842	–23	1,945	0	25	6,739	3,522	4,570
2,240	0	757	0	184	2,813	975	1,732
45,901	–2,445	3,286	0	298	46,444	26,408	29,433
52,983	–2,468	5,988	0	507	55,996	30,905	35,735
493	0	23	0	0	516	606	629
11,173	–187	1,891	0	1,152	11,725	3,543	4,628
11,666	–187	1,914	0	1,152	12,241	4,149	5,257
10,808	0	7	289	417	10,109	325	10
10,808	0	7	289	417	10,109	325	10
75,457	–2,655	7,909	289	2,076	78,346	35,379	41,002

Report of Independent Auditors

We have audited the consolidated financial statements of Nemetschek Aktiengesellschaft as of December 31, 2002, including the consolidated balance sheet and the related consolidated statements of income, cash flows, changes in shareholders' equity and notes for the year then ended. The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

We conducted our audit in accordance with the German Auditing Rules and in compliance with the generally accepted standards of auditing prescribed by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer) and in accordance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. In establishing the audit procedures, we considered our knowledge about the group's business operations, its economic and legal environment, and expectations of possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present a true and fair view of the group's financial position, results of operations and cash flows in accordance with IFRS.

Our audit, which also includes the group's management report for the fiscal period from January 1, 2003 to December 31, 2003 which is the responsibility of the Board of Directors, has not given rise to any reservations. In our opinion, the group's management report conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1, 2003 to December 31, 2003 meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code.

Munich, March 12, 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Marxer	Fuchs
Public Accountants	Public Accountants

Financial Statements of Nemetschek AG

Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2003 and as of December 31, 2002

Assets in €	Dec. 31, 2003	Dec. 31, 2002
A. FIXED ASSETS		
I. Intangible Assets		
1. Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	37,507.00	2,470,377.00
2. Goodwill	0.00	550,962.00
	37,507.00	3,021,339.00
II. Property, plant and equipment		
1. Leasehold improvements	1,204,719.00	1,493,731.00
2. Other equipment, fixtures, fittings and equipment	151,670.00	1,274,753.00
	1,356,389.00	2,768,484.00
III. Financial assets		
1. Shares in affiliated companies	40,654,924.88	35,671,090.88
2. Loans due from affiliated companies	10,143,878.25	1,672,740.04
3. Investments	35,725.84	10,225.84
4. Loans due from other group companies	27,256.00	35,121.29
	50,861,784.97	37,389,178.05
TOTAL FIXED ASSETS	52,255,680.97	43,179,001.05
B. Current assets		
I. Inventories		
Merchandise	0.0	130,149.36
II. Accounts receivable and other assets		
1. Accounts receivable from trading	23,290.60	5,007,430.00
2. Accounts due from affiliated companies	3,520,154.62	3,799,288.60
3. Accounts due from other group companies	408.84	17,060.47
4. Other assets	635,243.02	757,157.70
	4,179,097.08	9,580,936.77
III. Marketable securities		
Treasury stock	60,540.59	16,381.75
IV. Cash on hand and cash in banks	10,654,417.71	11,820,858.83
TOTAL CURRENT ASSETS	14,894,055.38	21,548,326.71
C. DEFERRED CHARGES AND PREPAID EXPENSES	13,820.64	888,625.94
	67,163,556.99	65,615,953.70

Liabilities and shareholders´ equity	Dec. 31, 2003	Dec. 31, 2002
A. SHAREHOLDERS´ EQUITY		
I. Capital subscribed (Conditional Capital EUR 850,000.00 [prior year: EUR 766,000.00])	9,625,000.00	9,625,000.00
II. Capital surplus	50,161,451.47	98,931,594.57
III. Earnings reserves		
1. Legal reserve	0.00	1,449.51
2. Reserve for treasury stock	60,540.59	16,381.75
3. Other earnings reserves	3,579,043.17	3,579,043.17
	3,639,583.76	3,596,874.43
IV. Balance sheet deficit	0.00	- 61,023,179.51
TOTAL SHAREHOLDERS´ EQUITY	63,426,035.23	51,130,289.49
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accruals for pensions and similar obligation	0.00	359,857.00
2. Other provisions and accrued liabilities	2,035,615.00	6,577,761.76
TOTAL PROVISIONS AND ACCRUED LIABILITIES	2,035,615.00	6,937,618.76
C. LIABILITIES		
1. Trade accounts payable	176,703.50	1,222,652.11
2. Accounts due to affiliated companies	25,000.00	30,700.90
3. Accounts due to other group companies	0.00	11,371.59
4. Other liabilities - thereof for taxes EUR 919,574.44 (prior year: EUR 1,076.527,53) - thereof for social security EUR 14,025.92 (prior year: EUR 529,809.30)	1,500,203.26	3,718,164.25
TOTAL LIABILITIES	1,701,906.76	4,982,888.85
D. DEFERRED CHARGES	0.00	2,565,156.60
	67,163,556.99	65,615,953.70

Income Statement of Nemetschek Aktiengesellschaft

for the period from January 1 to December 31, 2003 and 2002

	2003	2002
1. Sales	2,645,916.83	41,391,845.90
2. Other operating income	3,336,799.42	3,007,070.63
Operating income	5,982,716.25	44,398,916.53
3. Cost of materials		
a) Cost of raw materials and supplies and purchased merchandise	0.00	–1,551,600.26
b) Cost of purchased services	0.00	–2,222,954.95
4. Personnel expenses		
a) Wages and salaries	–1,281,144.03	–22,137,702.46
b) Social security, pension and other benefit costs -thereof for pensions: EUR 4,848.12 (prior year: EUR 94,469.44)	–269,379.42	–2,984,820.86
5. Depreciation and amortization costs and other write-offs	–349,052.52	–2,195,802.90
6. Other operating expenses	–5,485,870.59	–22,432,162.66
Operating expenses	–7,385,446.56	–53,525,044.09
Operating results	–1,402,730.31	–9,126,127.56
7. Income from investments -thereof from affiliated companies: EUR 1,939,528.21 (prior year: EUR 2,249,228.72)	1,939,528.21	2,249,228.72
8. Income from loans -thereof from affiliated companies: EUR 471,934.45 (prior year: EUR 142,033.63)	482,696.07	194,159.95
9. Income from profit and loss absorption agreements	885,061.40	193,316.85
10. Other interest and similar income -thereof from affiliated companies: EUR 8,612.69 (prior year: EUR 40,707.42)	314,797.42	633,674.14
11. Write-offs of financial assets	0,00	–4,942,341.51
12. Expenses from profit and loss absorption agreements	–303,781.06	–113,281.27
13. Expenses from investments - thereof from affiliated companies: EUR 372,870.35 (prior year: EUR 0)	–372,870.35	0.00
14. Interest and similar expenses - thereof to affiliated companies: EUR 201.25 (prior year: EUR 375.61)	–92,941.94	–10.406.93
15. Profit/Loss from ordinary operations	1,449,759.44	–10,921,777.61
16. Extraordinary income	10,800,000.00	0.00
17. Taxes on income	45,800.18	–52,704.72
18. Other taxes	186.12	–792.87
19. Net income/Net loss	12,295,745.74	–10,975,275.20
20. Loss carried forward from the previous fiscal year	–61,023,179.51	–50,092,063.15
21. Transfer from capital surplus	48,770,143.10	0.00
22. Transfer from earnings reserve from reserve for treasury stock	–44,158.84	44,158.84
23. Transfer from legal reserve	1,449.51	0.00
24. Accumulated loss	0.00	61,023,179.51

Imprint
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Nemetschek AG, Munich

Concept and Editorial Office
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Richard Höll
(Nemetschek AG)

Design and Layout
FIRST RABBIT GmbH, Cologne

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