moving minds NEMETSCHEK

2011 ANNUAL REPORT

Highlights 2011

February

Nemetschek publishes provisional figures for 2011: Growth in revenue of 10 percent and record earnings

April

The Allplan Connect service portal comes online – it offers, among other features, download libraries and user forums based on the social media model

May

Nemetschek opens a branch in Brazil – its focus is on sales and service in the engineering sector

The half-year figures show two-digit growth in revenue from license and maintenance agreements

July

Opening of the Maxon ASEAN Competence Center in Singapore

Opening of a Graphisoft branch in Hong Kong

September

Nemetschek continues to grow – forecast for 2011 confirmed

October

Key Figures

NEMETSCHEK GROUP 2011

in million €	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Revenues	**164.0**	**149.7**	**135.6**	**150.4**	**146.2**
EBITDA	**39.3**	**37.1**	**30.4**	**31.4**	**33.6**
as % of revenue	24%	25%	22%	21%	23%
EBIT	**29.1**	**27.5**	**20.9**	**21.0**	**23.9**
as % of revenue	18%	18%	15%	14%	16%
Net income (group shares)	**20.8**	**18.9**	**12.2**	**10.4**	**14.6**
per share in €	2.16	1.97	1.27	1.08	1.52
Cash flow from operating activities	**37.1**	**32.3**	**23.4**	**30.4**	**25.3**
Free cash flow	**31.5**	**28.5**	**19.8**	**25.7**	**−77.1**
Net liquidity/net debt	**28.8**	**11.1**	**−9.3**	**−26.1**	**−40.4**
Equity ratio	**64%**	**57%**	**50%**	**41%**	**34%**
Headcount as of balance sheet date	**1,173**	**1,076**	**1,064**	**1,114**	**1,067**

CONTENTS OF THE ANNUAL REPORT 2011

The Nemetschek Group is Europe's leading vendor of software for architecture, engineering and construction (AEC). The graphical, analytical, and commercial solutions cover a large part of the value chain in the construction industry – from the planning and visualization of a building to the construction process to building management. Its products are used by more than 300,000 customers in 142 countries worldwide.

10 BRANDS AT 40 LOCATIONS IN 17 COUNTRIES

The Nemetschek Group has a global presence with its 10 brands at 40 locations in 17 countries.

(Locations include the majority interest in Dacoda. In some cases the same location can be home to more than one brand.)

THE COMPANY BRANDS OF THE NEMETSCHEK GROUP:

NEMETSCHEK Allplan

NEMETSCHEK Auer

NEMETSCHEK Bausoftware

NEMETSCHEK Crem

NEMETSCHEK Frilo

GLASER -isb cad- a NEMETSCHEK Company

GRAPHISOFT. a NEMETSCHEK Company

MAXON a NEMETSCHEK Company

NEMETSCHEK Scia

NEMETSCHEK Vectorworks

In use all over the world

Congress centers in the Middle East, residential complexes in the USA, bridges in Europe – our software is in use all over the globe. More than 300,000 customers in 142 countries around the world work with software programs which have been developed by the Nemetschek Group. Added to these are hundreds of thousands of students who take advantage of our solutions to assist their studies in their particular field.

Users range from internationally active construction groups to local architecture and engineering firms. Nemetschek has its broad product portfolio to thank for this multiplicity of customers, with products ranging from CAD programs and engineering and structural analysis solutions to construction software for construction cost planning and realization to a solution for the industrial design of precast concrete units. Added to this is visualization and animation software from Maxon, a multimedia subsidiary with customers all over the world, including architects, film studios, and advertising agencies. Some programs are only employed on a regional level. The construction industry is distinguished by numerous local characteristics and standards which must be taken into consideration. This so-called localization involves much more than simple translations into the local language and is a component part of the added value which Nemetschek offers its customers.

Ten leading brands at 40 locations around the world are responsible for the success of the group. Around 400 international distribution partners, many with their own dealer networks, have also contributed to this performance. Nemetschek is increasingly relying on the development of direct sales structures when it comes to addressing major customers. Products are marketed in unison where synergies are apparent, an example being a Nemetschek sales and service subsidiary in Brazil which deals with Engineering Group programs.

In the almost five decades of its history, the Nemetschek Group has grown from being market leader in Germany to Europe's biggest vendor of software for architecture and construction. More than 80 percent of its revenue is still generated in Europe – but the company has its sights clearly set on the markets beyond. The ongoing internationalization of the group is the management's number one priority.

Client: Woods Bagot, Australia
Project: Science & Technology Park, Doha/Qatar

"For us, teamwork is elementary. ArchiCAD enables us to work together flexibly."

Fergus Hohnen, Group Design Technology Manager

MANY LOCATIONS – ONE STUDIO

Projects like the Qatar Science & Technology Park present an ideal opportunity for global architecture firm Woods Bagot to demonstrate its expertise. The Australian company has been designing buildings of all kinds since 1904. Today, the company has more than 700 employees in 17 offices worldwide, with core competencies in architecture, interior design, urban design, and consulting. Woods Bagot's projects cover the sectors of workplace, education, science & health, and lifestyle. Despite its numerous locations, Woods Bagot operates as one global studio, drawing upon the best expertise available from all of its studios to meet the needs of a particular project.

CENTER FOR YOUNG COMPANIES

The Qatar Foundation supports young technology companies in order to diversify Qatar's economy and create a wide range of jobs. To this end, it set up the Qatar Science & Technology Park (QSTP). The heart of the complex is the 12,000 m² incubator center for start-ups, an environmentally sustainable complex: among other things, the technical equipment is ideally designed for the climate conditions of this desert country. At the same time, QSTP is designed as a pedestrian area via which many destinations can be reached on foot.

Woods Bagot, Australia

FOCUS ON SUSTAINABILITY

With revenues of more than 10 billion euros, Japanese construction company Obayashi is one of the global leaders in the industry. The group has impressively demonstrated its expertise with, for example, the building of a 323-meter bridge on the Hoover Dam across the Colorado in the USA, and the construction of the Dubai Metro. The company, founded in Osaka in 1892, is particularly proud of the recently constructed Tokyo Sky Tree – a skyscraper that, at 634 meters, is the world's highest self-supporting tower. To maintain its reputation as a technology leader, Obayashi is positioning itself with projects such as its own Technical Research Institute in Tokyo. In its numerous laboratories, researchers are, among other projects, developing preventive measures for earthquakes, testing new building materials, and looking for new ways of treating water and contaminated ground.

EXEMPLARY ENERGY BALANCE

At first glance, the three-story, flat-roof building with a large glass facade doesn't seem that spectacular. But if you look at the energy balance of the Obayashi Technical Research Institute headquarters, you'll think again: the 5,500 m² building in the district of Kiyose is one of the 30 buildings in Tokyo with the lowest CO_2 emissions. In addition to using all natural energy sources, the building owner was committed to providing the best working conditions. The building, which was completed in the fall of 2010, is also equipped according to the latest findings in earthquake protection.

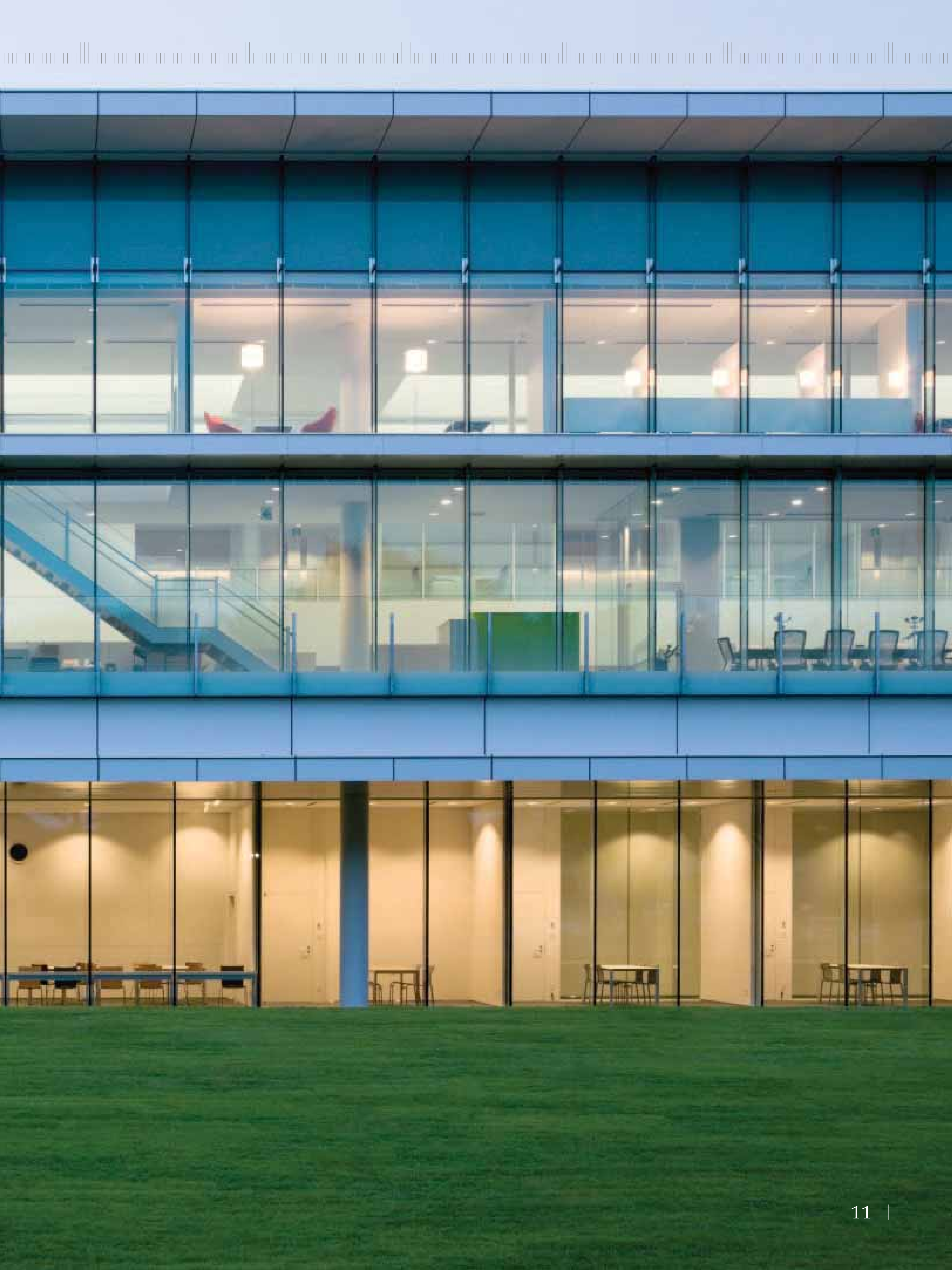
Obayashi, Japan

Client: Obayashi, Japan

Project: Obayashi Technical Research Institute, Tokyo/Japan

"We use ArchiCAD because it sustainably meets the challenge of BIM and understands what users need."

Hiroshi Miyakawa , General Manager



Client: 1100 Architect, USA

Project: Condominium Avant Chelsea, New York/USA

"The requirements relating to the use of space in Chelsea were extremely complex. With the help of Vectorworks, we were able to compare numerous design options and later create high-quality implementation designs."

Jürgen Riehm, Founder of 1100 Architect

EXTRAVAGANCE

The project portfolio of 1100 Architect is extremely diverse, ranging from single-family houses and a university to an entire city district. The company, founded in New York in 1983 by Jürgen Riehm and David Piscuskas, boasts New York University as one of its customers. In 2004, 1100 Architect opened another office in Frankfurt, Germany. The firm's 40 employees focus on the creative design of functional spaces that integrate perfectly into their environment. The best example: the shop at the Museum of Modern Art in Soho. The designers took account of all the historical building details and in parallel created a landscape of light by hiding the cast iron pillars behind glass areas illuminated from the inside. 1100 Architect attaches great importance to environmental sustainability: most buildings are certified in accordance with US quality seal specifications (LEED, USGBC).

IN THE TIGHTEST SPACE

The 3,770 m^2 Avant Chelsea residential building in New York's Chelsea district provides apartments on 12 stories, terraces on the upper floors, and an inner courtyard. The building stands on a very small plot. With an unconventional arrangement of offset building sections, 1100 Architect maximized the allowable building size and created additional penthouses and outdoor terraces on the top four stories. Despite the limited construction budget, 1100 Architect made use of nice design touches, for example, cladding the building with an elegantly proportioned standard glass wall system.

1100 Architect, USA

PLAYING TO WIN

Silverback Productions has only been around for five years, but the computer game producer from Halifax, Canada is already one of the big players on the scene. It has excellent contacts to all the key providers in the industry, from Gogii Games to Bigfishgames to Zylom. Since 2007, the 22 programmers, 3D experts, sound technicians, and draftspeople have been developing online games for PC, Mac, iOS, and mobile devices. Their biggest success: the million-selling 3D adventure game "Empress of the Deep", which is now available in 10 languages. For the first half of 2012, Silverback Productions is planning to publish more online games. It has also been successful in its second business division, the development of the Primate middleware: a tool used by developers around the world that provides a structure for creating online games.

IN MYSTICAL WORLDS

A young woman awakes on a mysterious island where she is looking for the mystical sky palace to free enslaved animals. Like "Empress of the Deep: The Darkest Secret," part two of the online adventure game with millions of players worldwide, "Song of the Blue Whale" impresses with fantastic color and unusual animation in 3D. With its combination of exotic and strange graphics, the designers are in particular targeting the female market – 90 percent of those who have bought "Empress of the Deep" are women.

Silverback Productions, Canada

Client: Silverback Productions, Canada

Project: Online adventure game "Song of the Blue Whale"

"With Cinema4D, everything is intuitive. Even artists who have never worked with Cinema4D before can create impressive 3D visuals with the software after just a short time."

Willie Stevenson, Director Silverback Productions

Client: Daewoo E&C, South Korea
Project: Dry dock, Duqm Port/Oman

"We had to draw up thousands of plans for all structures – in a very short space of time. We managed it because we were able to work effectively with Allplan Engineering."

Chris Kim, Senior Manager BasisSoft, Daewoo provider for software

SPECIALIST FOR LARGE PROJECTS

Daewoo Engineering & Construction (Daewoo E&C) seems to know no bounds: since its foundation in 1973, the South Korean construction company has laid more than 1,000 kilometers of gas pipeline, built tankers with a capacity of around 1.8 million cubic meters, and constructed canals, bridges, waste water plants, and skyscrapers in more than 30 countries around the world. More than 3,300 employees work in its 30 or so offices, which are located in China, Russia, Nigeria, the United States, and Qatar, among other places. They are responsible for all phases of a project, from planning to commissioning. Two of its most recent projects are the dry dock in Oman and the technically demanding transport route over land and sea between the Korean coastal towns of Pusan and Goje: 3.5 kilometers of bridges and 3.7 kilometers of tunnel make up the heart of the approximately 8 kilometer long route.

GIANTS IN THE DESERT

Close to international shipping routes and far from the notorious Strait of Hormuz, the 1,300-kilometer coast of Oman is an ideal port of call for shipping. The construction of harbors, therefore, has a high priority in the sultanate. An ultra-modern industrial zone with a huge harbor area was recently built in Duqm Port. At the heart of this complex are two 410-meter long dry docks that can accommodate tankers with a capacity of up to 350,000 tons. The two docks are supplied via a suitably large pump station.

Daewoo E&C, South Korea

UP FOR EVERY TASK

Swiss engineering office amsler bombeli et associés in Geneva welcomes new challenges. For its private and public sector clients, the 75 employees of the office, founded in 1979, often test the limits of material and design possibilities. And their in-depth understanding of the areas of structural engineering, infrastructure, engineering geology, and environmental technology works in their favor here. Recently, the engineers demonstrated their expertise with the Hans Wilsdorf Bridge in Geneva, which features a company-first design: a grid structure in which each steel element has different dimensions and therefore acts differently on the structure. amsler bombeli et associés customarily manages this type of project from start to finish: from the initial draft and analysis of ground quality to placement of the final structural element.

ELEGANT CURVE OVER THE ARVE

Steel and prestressed concrete characterize the Hans Wilsdorf Bridge in Geneva, but the 85.4-meter long, 16-meter wide structure, which will open in June 2012, still looks elegant and light. 40 steel profiles with a thickness of 40 centimeters give the bridge its elliptical form. The complex tube-shaped geometry of the structure was one of the challenges engineering office amsler bombeli et associés had to overcome. An additional challenge was optimizing the steel thicknesses and qualities, which was achieved using 250 parametric cross-sections in the design.

amsler bombeli et associés, Switzerland

Client: amsler bombeli et associés, Switzerland
Project: Hans Wilsdorf Bridge, Geneva/Switzerland

"With the help of Scia Engineer we were able to draw the steel grid of the bridge exactly in 3D and test the accuracy of our design – we thereby created a construction never seen before."

David Amsler, Board member

TO OUR SHAREHOLDERS

To our Shareholders

Tim Alexander Lüdke, Chief Executive Officer

Dear Shareholders, Ladies and Gentlemen,

It gives me great pleasure to present the new – and for me the first – Nemetschek annual report. The team has once again compiled a publication with all the latest figures and information on our group. Additionally, as the new CEO, I would also like to offer you a few insights into my strategy and philosophy, approaches which will shape the company in the future. One of the most important new developments is, undoubtedly, the addition of new talent to the board, and I look forward with immense pleasure to the competent support which Tanja Tamara Dreilich will provide as of the 1st of May of this year when she will assist me in the position of CFO.

But first a brief look back. 2011 was a successful year for Nemetschek, with the group growing by 10 percent and the operating margin amounting to 24 percent. The success achieved in the past year is due to the international teams of all 10 Nemetschek AG subsidiaries who have done an excellent job at 40 locations in 17 countries.

I have visited numerous locations in recent months to gain an impression of each individual business, and I must say that this “stocktaking” exercise filled me with enthusiasm! On the one hand, the motivation of employees and colleagues who, with their extensive know-how and enormous focus on customers, are responsible for developing solutions and, on the other, a range of fascinating high-tech products filled me with optimism and confidence in the excellent basis on which Nemetschek AG is built, a basis which will assure healthy, sustained growth in the future.

Architects, engineers and building designers all over the world already work with solutions from Nemetschek, and this global orientation is a matter of enormous pride for us. You can find a few particularly fascinating examples of this success in this report.

Nemetschek will press ahead in its pursuit of internationalization in 2012. The opening of our subsidiaries in Brazil and Hong Kong last year represented important moves towards the exploitation of new markets, and further steps will follow in this respect. Under my management, the holding will support subsidiaries in their internationalization efforts and set the strategic course to be pursued. To achieve this, I will be working together with the CEOs of our four largest companies (see page 28-29) to develop a strategy for growth for the entire group which will advance our enterprise significantly in the coming years.

We will both urge and promote cooperation where synergies are apparent, an example being in the Engineering group. This more vigorous focus on intensified cooperation has also been successfully practiced on an internal level since the beginning of the year in areas such as IT and Human Resources, with interdepartmental teams being set up for this purpose.

Nemetschek is a technological enterprise which invests substantially in research and development. The customer advantage derived from this will play a more prominent role in the future. All subsidiaries need to invest in product and process innovations if they wish to acquire new customers and secure the loyalty of existing ones. It is also vital that all product brands systematically further develop their, in part, already realized internet and cloud solutions to offer our customers additional innovative added value. Nemetschek will, in the future, also rely on international partnerships to a greater degree than before. With its broad level of know-how in design, construction, and management, the group is predestined to integrate partners from a variety of areas. Common cooperation platforms are as conceivable in this respect as involvement in joint ventures or additional acquisitions and, consequently, changes to our spectrum.

Dear shareholders, the Nemetschek Group has demonstrated in the past that it is capable of growth defined by stable profitability. Our main focus will continue to lie in this area. Rest assured that Tanja Tamara Dreilich and I will do everything to lead the Nemetschek Group and its 1,173 colleagues around the world to new heights of success in future. I know I can rely on your trust and support in this respect. Please don't hesitate to contact me directly should you so wish, or you may also refer to Corporate Communications and the IR Team should you have any questions.

Yours,

Tim Alexander Lüdke

The Nemetschek Management Team

Tim Alexander Lüdke

Viktor Varkonyi

Tanja Tamara Dreilich

Strategic and operational corporate management is realized in the context of the Nemetschek Corporate Strategy Council established at the beginning of 2012. It consists of the board and the four CEOs of the largest Nemetschek product companies.

Tim Alexander Lüdke

CEO, board member since November 2011

43, most recently a partner at Russell Reynolds Associates, previously at GE CompuNet and Dell

Tanja Tamara Dreilich

CFO, board member as of May 2012

42, hitherto manager within the Gagfah Group, prior to that at Nordzucker AG and General Motors

Jean-Pierre Rammant

CEO of Business Unit Engineering since January 2012

61, founder and CEO of SCIA, previously a professor at the Engineering College Group in Leuven

Peter Mehlstäubler

CEO of Allplan since 2008

55, previously Vice President at mental images and Alias Systems SAS in Canada

Jean-Pierre Rammant

Sean Flaherty

Peter Mehlstäubler

Viktor Varkonyi

CEO of Graphisoft since 2009

44, began as a software engineer in 1992 at Graphisoft, later CTO

Sean Flaherty

CEO of Vectorworks since 2005

43, at Vectorworks (then still Diehl Graphsoft) since 1985, successor to the company founder

The Nemetschek Management Team also includes

Uwe Hüttner: Head of the Construction Group, Construction/Alphanumeric business unit manager
Helmut Houdek: CEO AUER – die Bausoftware
Michael Homscheid, Wolfgang Götz: CEOs of Nemetschek Bausoftware
Uwe Bärtels, Harald Egel, Harald Schneider: CEOs of MAXON
Hans Stegmüller: CEO of Friedrich + Lochner
Daniel Niesler, Jürgen Pak: CEOs of NEMETSCHEK Crem Solutions
Werner Maresch: CEO of Nemetschek Precast
Matthias Glaser: CEO of GLASER -isb cad-

Nemetschek on the Capital Market

A DIFFICULT YEAR ON THE STOCK MARKET

2011 was a difficult year for investors. While the DAX (German stock index) exceeded the 7,000-point mark at the start of the year, the bad news from Fukushima triggered short-term panic on the stock markets: At its peak, the DAX fell 13 percent. Although these downturns were quickly made good again in subsequent months, the threat of state bankruptcies following the economic crisis sent the stock markets worldwide plunging in the second half of the year.

Overall, the DAX closed the year at 5,898, 16 percent weaker than at the start of the year; the TecDAX lost more than 20 percent. The Nemetschek stock, which is listed in the Prime Standard (ISIN DE0006452907), had also lost almost 17 percent of its value by the end of the year.

SHARE PRICE HIT BY THE FINANCIAL CRISIS

Good quarterly results and purchase recommendations provided impetus

After starting 2011 at a price of 31.95 euros, and rising to over 33 euros, the Nemetschek stock received an initial blow in mid February following the Libyan crisis. Subsequently it fluctuated between 30 and 32 euros for a number of weeks. The earthquake in Japan and its repercussions led to market turmoil worldwide in mid March 2011; the Nemetschek stock also fell to below 30 euros again for the first time. While it was able to recover again within two days, side-stepping followed lasting several weeks. At the beginning of May, the stock gained new impetus following publication of the good results from the first quarter on April 29. In the following days, the Nemetschek share price rose to over 33 euros in a more optimistic capital market environment, and then hovered at around the 32 euro mark for several weeks. After Goldman Sachs recommended purchase of the shares again in mid June, the stock experienced a clear rise in price with moderate trade turnover (157,600 shares in June 2011) and ultimately reached a long-time high of 35.67 euros on July 4.

From the middle of the year, global stock markets plunged following the financial and debt crisis – with the Nemetschek stock following suit. In August alone, the price fell 15 percent to 26.92 euros with relatively high turnover (266,000 traded shares). Individual competitors were even harder hit: in the three months from July to September 2011, the Autodesk stock lost 28 percent of its value, compared to a total of almost 18 percent for the Nemetschek stock. After months of side-stepping with a short-term low of 23.48, the stock closed on December 31, 2011 at 25.80 euros.

MAJORITY OF SHARES OWNED BY FAMILY

More than 53 percent of the 9,625 million shares are held by the Nemetschek family. The remaining 46.5 percent are free floating. Around 50 percent of the freely tradable stocks are held by institutional investors. Of these, only two hold over three percent of the capital stock of Nemetschek AG. The remaining stocks are held by private investors. Two designated sponsors provide sufficient liquidity for the stock: WestLB and ICF exchange brokers on behalf of DZ-Bank. DZ-Bank, WestLB and Goldman Sachs published regular analyses of the Nemet-

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

PRICE DEVELOPMENT OF THE NEMETSCHEK SHARE FROM JANUARY 1, 2011 TO DECEMBER 31, 2011

schek stock in 2011. After the announcement of the 2010 provisional figures and the outlook for 2011, the analysts from DZ-Bank and Goldman Sachs reinforced their purchase recommendations and price targets in February; WestLB even increased the price target for the stock from 42 to 45 euros. In view of the stock market downturn and fears of recession, however, the analysts reduced their expectations regarding the company's earnings at the end of the year: Thus DZ-Bank reduced the price target for the Nemetschek stock from 44 to 39 euros.

DIVIDEND DOUBLED

70 percent of the voting stock was represented in the vote at the AGM on May 24, 2011. All items on the agenda requiring consent were voted through by stock holders with over 97 percent support. The resolution on the appropriation of profits and payment of a dividend of 1 euro (previous year 0.50 euros) was approved by 99.99 percent.

CONTINUOUS COMMUNICATION WITH THE FINANCIAL MARKET

In 2011, Nemetschek AG maintained its ongoing dialog with the financial market. At roadshows and conferences in various European cities, the managing board and the IR manager met investors and analysts to discuss the company. There were also telephone conferences for the presentation of the quarterly figures, and numerous one-to-one meetings. A regular newsletter informed investors and interested parties about relevant trends in the group and subsidiaries.

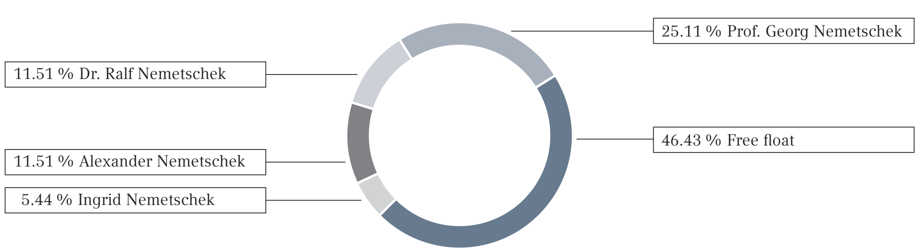
Managing board and IR explained the corporate situation at roadshows and conferences

To ensure that timely and consistent information is provided to all actors in the financial market, the company makes all the relevant information available online at www.nemetschek.com, including excerpts from telephone conferences. The 2010 annual report received several awards, including the LAPC (League of American Communications Professionals) and Gold Award MerCommawards.

KEY FIGURES

	2011	2010
Earnings per share in €	2.16	1.97
Cash flow for the period per share in €	3.95	3.61
Equity per share in € (group shares)	10.64	9.57
Dividend per share in €	1.00	0.50
High in €	35.67	32.28
Low in €	23.48	15.68
Closing price on December 31 in €	25.80	31.87
Price/earnings ratio	11.94	16.26
Market capitalization on December 31 in € million	248.33	306.75
Average number of shares traded per day (via Xetra)	6,290	6,236
Average number of outstanding shares in millions	9.625	9.625

SHAREHOLDER STRUCTURE



Corporate Governance

The German Corporate Governance Code in the current version dated May 26, 2010 contains recommendations on the management and oversight of Germany's publicly traded corporations as well as nationally and internationally recognized standards for good corporate management. For Nemetschek AG's managing board and supervisory board, responsible and value-based corporate management and supervision are a matter of course and a basic prerequisite for economic activity over the long term. This includes efficient cooperation between the managing board and supervisory board, respect for the interests of shareholders and employees, transparent corporate communication and responsible risk handling.

The managing board and supervisory board largely follow the recommendations in the current version of the Corporate Governance Code. The few exceptions concern individual regulations in the Code, which, from their point of view, do not suit the requirements of medium-sized enterprises.

Every year, as part of the statutory regulations, the managing board and supervisory board of Nemetschek AG issue a statement that the company adhered to and adheres to recommendations of the government commission's German Corporate Governance Code. If certain recommendations have not been followed, then this is stated, too. The current Nemetschek AG declaration of conformity in accordance with § 161 of the Stock Corporation Act, which can be viewed on the company's website at www.nemetschek.com, was made in March 2012.

Additional Information

COOPERATION BETWEEN MANAGING BOARD AND SUPERVISORY BOARD

The managing board has sole responsibility for the management of Nemetschek AG and is committed to the interests of the company and to increasing the shareholder value over the long term. It reports to the supervisory board regularly, quickly and comprehensively in written and verbal form about all relevant issues relating to business development and company planning, including the risk situation, risk management and compliance. More information on this can be found in the supervisory board's report on pages 35-37 of this annual report as well as in the management report.

COMPLIANCE AND RISK MANAGEMENT

Compliance i.e. the act of adhering to valid provisions is a basic prerequisite for successful economic activity over the long term. The managing board ensures that legal requirements and internal company guidelines within the Nemetschek Group are adhered to. They are supported in this by a Compliance Team. The Compliance Team's tasks include providing support for the management bodies and departments in the group's companies to ensure that all business processes conform to the law and meet the internal guidelines.

To highlight the importance of compliance in the group and ensure the sustainability of the compliance program, all employees in the Nemetschek Group go through a compliance training program. This training program is conducted on site in order to enhance the program's effectiveness.

Detailed information on Nemetschek AG's risk management system can be found on pages 58-64 of the management report.

REMUNERATION OF MANAGING BOARD AND SUPERVISORY BOARD

In accordance with the recommendations of the German Corporate Governance Code, we have been reporting the individual remuneration of all members of the managing board and supervisory board for a long time. The individual remunerations, broken down into remuneration components, can be found in the management report.

The remuneration for members of the managing board consists of a base salary (fixed) and performance-dependent variable remuneration. The variable remuneration in turn contains a short-term and long-term component. The short-term, performance-dependent variable remuneration depends primarily on company targets achieved with respect to sales and earnings, which are agreed at the beginning of each year between the supervisory board and managing board. With a view to corporate management over the long term and in accordance with the provisions of the act on the appropriateness of managing board remuneration [”Gesetz zur Angemessenheit der Vorstandsvergütungen (VorstAG)“], a long-term component was added to the managing board remuneration system at the end of 2009, the payment of which depends on the achievement of defined company targets relating to earnings and share price. The period under consideration here is in each case three years.

In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board also receive performance-related and fixed remuneration. This is based on the consolidated earnings per share (diluted earnings per share in accordance with IAS 33).

DIRECTORS’ DEALINGS AND STOCK OPTION SCHEME

On January 4, 2011, Professor Georg Nemetschek, founder and supervisory board member of Nemetschek AG, bought 5,000 Nemetschek AG shares at a price of 33.02 euros. No other transactions subject to report were announced in 2011.

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

TRANSPARENCY

Nemetschek lays great importance on transparency and ensures strictly that the principle of equal treatment for shareholders is adhered to. The entire corporate communication is geared to informing all investors comprehensively and in a timely manner. As part of its investor relations activities, Nemetschek regularly organizes meetings with analysts and institutional investors. The publication of the quarterly statements is followed by regular telephone conferences. The presentations made in this connection are made freely available simultaneously on the Internet at www.Nemetschek.com; the corresponding audio recordings are published subsequently.

As soon as Nemetschek receives notification from a shareholder that he or she has reached, surpassed, or fallen below the voting threshold defined in the German Securities Trading Act, this is published immediately by the company. Information on the shares held by the managing board and supervisory board can be found in the notes.

The financial calendar published on the internet contains all the publication dates for the relevant financial reports. In this respect, Nemetschek has set itself the goal of exceeding the provisions of the German Corporate Governance Code and publishes its quarterly results within 30 days of the end of the relevant reporting period

Declaration of conformity in accordance with § 161 of the Stock Corporation Act, dated March 2012

In accordance with § 161 of the Stock Corporation Act, the managing board and supervisory board of Nemetschek AG declare that the recommendations of the ”Government Commission of the German Corporate Governance Code“, version dated May 26, 2010, published in the official part of the electronic Federal Gazette on July 2, 2010 (hereinafter ”Code“), have been and are being met with the following exceptions:

- The D & O insurance does not include excess insurance for supervisory board members (Code Item 3.2 Clause 2). Nemetschek AG does not believe that excess insurance would increase the motivation and sense of responsibility of the members of the supervisory board.

- Up to the end of October 2011, the managing board of Nemetschek Aktiengesellschaft consisted of just one person (Code Item 4.2.1). The managing board and supervisory board believe that the organizational structure of the Nemetschek Group and the focus of Nemetschek AG on holding tasks and group control did not call for a managing board with several people. In view of the growth targets and further internationalization of the Nemetschek Group, in the summer of 2011 the managing board and supervisory board decided by mutual agreement to extend the managing board. Effective from November 1, 2011, Mr. Tim Alexander Lüdke was appointed as a further member of the managing board with the function of spokesman of the managing board. Mr. Ernst Homolka was appointed Chief Financial Officer (CFO). Since his departure from the managing board on December 31, 2011, Mr. Lüdke is temporarily managing the company business as the sole member of the managing board. Effective from May 1, 2012, Ms. Tanja Tamara Dreilich was appointed as a member of the managing board with responsibility for the area of finance.
- The employment contract of Mr. Ernst Homolka, who ceased to be a member of the managing board on December 31, 2011, does not contain a severance payment cap (Code Item 4.2.3 Clause 4), because the managing board contract had a term of only three years, and this short contract term provided sufficient protection against an inappropriate severance payment. A severance payment cap was agreed with the newly appointed managing board members Mr. Tim Alexander Lüdke and Ms. Tanja Tamara Dreilich.
- Code Item 5.1.2 Clause 2 Sentence 3 and Code Item 5.4.1 Clause 2 and Clause 3 are not followed. An age limit for members of the managing board and the supervisory board has not been defined explicitly and is not currently planned. Such age limit would generally restrict the company in its selection of suitable members of the managing board and the supervisory board. With regard to the composition of the supervisory board, the individual's experience, skills and knowledge are of primary importance to the company. In contrast, the supervisory board regards diversity criteria as less important, even if these are expressly welcomed – as are the associated efforts toward an appropriate representation of women. The company's positive attitude to the diversity demanded by the Code is also reflected in the appointment of Ms. Tanja Tamara Dreilich as Chief Financial Officer (CFO) of the company effective from May 1, 2012.
- The code recommendation on the formation of qualified committees of the supervisory board is not followed (Code Item 5.3), as the supervisory board only has three members. The tasks for which the Code recommends the formation of such committees are all performed by the supervisory board of Nemetschek Aktiengesellschaft.
- Deviating from Code Item 5.4.3, Sentence 2, the managing board of Nemetschek Aktiengesellschaft applied for the official appointment of a member of the supervisory board in February 2008 and requests the official appointment without a limit up to the next AGM. The reason for this was that the supervisory board member concerned was already elected by the AGM 2007 for a full term and merely left the supervisory board temporarily due to illness. The supervisory board member concerned will put himself forward for election by the shareholders again at the AGM 2012.

Munich, March 2012
Nemetschek Aktiengesellschaft

Tim Alexander Lüdke
Chief Executive Officer

Kurt Dobitsch
Chairman of the Supervisory Board

Supervisory Board Report on Nemetschek AG's 2011 fiscal year

Ladies and Gentlemen,
dear Shareholders,

2011 was a successful year for the Nemetschek Group. The profitable group grew again by 10 percent. The changes made in the managing board and in important management functions will strengthen operational business and create the foundation for more intensive international market penetration, ensuring stronger future, long-term growth with stable profitability.

INTENSIVE SUPPORT FOR MANAGING BOARD AND COMPANIES

The supervisory board carried out the auditing and control tasks assigned to it by law and articles of incorporation with the utmost care in 2011. We regularly advised the managing board on corporate governance and closely supported and monitored the business development of the corporate group. The supervisory board was directly involved in all decisions of fundamental importance for the company. In addition to personal contacts with individual members of the supervisory board, the managing board provided the entire committee with information about the development of sales, revenue and liquidity, as well as adherence to the plans of the group and the individual companies each month with written reports. In the regular meetings over the year, we discussed the current quarterly development and short- and medium-term prospects and on numerous occasions talked about the long-term growth and earnings strategy.

The managing board informed the supervisory board about all issues relating to risks and risk management and the work relating to compliance. The detailed reports were available to every supervisory board member and were discussed in detail. On the basis of the managing board's reports, the supervisory board supported the managing board's work and endorsed actions requiring approval. No committees were formed. The full supervisory board and managing board attended all supervisory board meetings.

MEETINGS WITH A BROAD RANGE OF TOPICS

In the year being reported, seven supervisory board meetings were held – in January, March (balance sheet meeting for the 2010 financial report), July, October and December. Where required, we also included the decisions in the written circular procedure. In the balance sheet meeting, the committee – attended by the appointed auditor – approved the financial statement of Nemetschek AG for the previous year, approved the consolidated financial statements, agreed to the proposal for the appropriation of profits and approved the 2011 annual plan.

In addition to the personnel decisions described below relating to the managing board, other important advisory topics in the past financial year were:

- The Declaration of Compliance in accordance with the German Corporate Governance Code
- Greater internationalization of the product companies
- Systematic medium- and long-term growth strategy with stable profitability
- The structural and organizational development of the Nemetschek Group
- The opportunities arising from the paradigm shift in the industry caused by the internet
- The effective increase in competitiveness through acquisitions
- The control and risk management system
- The 2012 business plan

SUPERVISORY BOARD AND MANAGING BOARD

There were changes in the managing board in the 2011 financial year. In July 2011, sole managing board member Ernst Homolka asked the supervisory board to appoint another managing board member to help manage the tasks. On November 1, 2011 the supervisory board appointed Mr. Tim Alexander Lüdke as a further managing board member and managing board spokesman, and Mr. Homolka reassumed the function of Chief Financial Officer (CFO), as planned. After Mr. Homolka publicly announced in October that he would not be extending his contract, his managing board contract came to an end prematurely on December 31, 2011 by mutual agreement. He will continue to be available to the company in an advisory capacity until mid 2012, if required. The supervisory board appointed Ms. Tanja Tamara Dreilich as the new Chief Financial Officer (CFO) as of May 1, 2012.

There were no personnel changes in the supervisory board in the reporting period.

FINANCIAL STATEMENT AUDIT 2011 EXPLAINED IN DETAIL

The annual financial statement prepared by the managing board according to the German Commercial Code, taking into consideration the accounting principles and annual report of Nemetschek AG for the 2011 fiscal year, the consolidated financial statement prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to §315a Paragraph 1 of the German Civil Code, and the consolidated annual report for the 2011 fiscal year have been audited and approved without qualification by auditing firm KPMG AG Berlin, Munich branch. The supervisory board has investigated the independence of the auditors and obtained a written declaration of independence from the auditors.

The final documents and managing board's proposal on the appropriation of profits as well as the auditor's audit reports were available to the supervisory board in good time. The meeting of the supervisory board held on March 14, 2012 to discuss, on the basis of the auditor's reports, Nemetschek AG's annual financial statements and management report as well as the consolidated financial statements and group management report was attended by the auditors, who answered all questions thoroughly, reported in detail on all the key results of their audit and answered all the supervisory board's questions in detail.

Taking the auditor's reports into consideration, the supervisory board has examined the annual financial statements, the management report, the consolidated financial statements and the group's management report and is convinced of the correctness and completeness of the actual information. The supervisory board approved the result of the auditor's examinations based on its own examinations. The supervisory board raised no objections. The supervisory board explicitly endorsed the financial statement and consolidated statement 2011 of Nemetschek AG in the balance sheet meeting on March 14, 2012. The annual financial statements of Nemetschek AG for fiscal year 2011 are thus final.

The supervisory board also approved the new Declaration of Conformity in accordance with the German Corporate Governance Code (in the current version dated May 26, 2010; see page 33-34) in March 2012.

DECISION ON DIVIDEND

Following its own investigations, the supervisory board agrees to the managing board's proposal on the appropriation of profits. We agree with the managing board's management report und group management report and regard the proposal on the appropriation of profits as reasonable. In accordance with legal rulings and the articles of incorporation, it was decided to propose the following appropriation of profits to the Annual General Meeting in May 2012:

Of the balance sheet profit amounting to 32,430,968.66 euros, 11,068,750.00 euros will be paid out to the shareholders. This represents a dividend per share of 1.15 euros (previous year: 1.00 euro). The remaining balance sheet profit of 21,362,218.66 euros will be carried to a new account.

We are convinced that Nemetschek AG is a high-performing company that meets its customers' needs with attractive products within its many strong brands and can thus take above-average advantage of the global business opportunities available. The supervisory board would like to thank the managing board and all Nemetschek Group employees for their dedication and excellent work during the 2011 fiscal year.

Munich, March 14, 2012

The Supervisory Board

Kurt Dobitsch
Chairman

Client: Atushi Kitagawara, Japan

Project: Congress Center Big Palette Fukushima, Koriyama/Japan

"Vectorworks was used simultaneously for various disciplines in the team. We were therefore able to exchange data effectively and keep to the strict project specifications without any problems."

Atushi Kitagawara, Founder Atushi Kitagawara Architects

ARTIST AND ARCHITECT

61 year old Atushi Kitagawara was initially a painter, and this artistic background manifests itself in every design – for town planning, landscape design or furniture – created by his office, founded in Tokyo in 1982 and now employing 23 people. Functionality alone is not enough for Kitagawara: he is always seeking to recreate particular forms or movements. The world-famous architect won numerous awards for the Keith Haring Museum in Nakamura, for example.

INSPIRATION FROM THE SEA OF JAPAN

For the Big Palette Fukushima, a 23,000 m² congress and exhibition center in Koriyama, Japan, Kitagawara was inspired by the movement of waves in the Koriyama bay. The complex, the heart of which is the exhibition building and conference room, recreates the natural form of water. In 2000, the Big Palette was awarded Japan's highest architecture prize.

Atushi Kitagawara, Japan

GROUP MANAGEMENT REPORT

Group Management Report for the Financial Year 2011

The Company

Nemetschek in brief

The Nemetschek Group is Europe's leading vendor of software for architecture and construction. The companies under the umbrella of Nemetschek Aktiengesellschaft provide end-to-end solutions for architects, structural designers, civil and specialist engineers – ranging all the way to construction software for cost and schedule planning, tenders, awarding of contracts, invoicing and execution of building work. There are also solutions for technical facility management and commercial property management as well as visualization software for architecture, film, animation and advertising.

From CAD (Computer-Aided Design) to ERP (Enterprise Resource Planning): The graphical, analytical and commercial solutions from the group cover a substantial portion of the entire value chain in construction – from the planning and visualization of a building and the construction process itself, through to building management. With its ten product brands, the group offers a broad range of software solutions for a heterogeneous market. The software solutions, some of which are closely interlinked, facilitate interdisciplinary collaboration among those involved in the building process and, thus, make the process itself more efficient. Globally more than 300,000 customers work with software solutions from the group.

Nemetschek was founded in 1963 as an engineering office by Professor Georg Nemetschek. Today the company employs 1,173 people worldwide. In the financial year 2011, Nemetschek achieved revenues of EUR 164.0 million and an operating result (EBITDA) of EUR 39.3 million.

Business segments

Under the Nemetschek Group umbrella, ten product companies operate in the market largely independently. Each company is assigned to one of the four business segments: Design, Build, Manage and Multimedia.

DESIGN

The Design segment represents the largest business unit of Nemetschek

In the largest business segment of the group the companies have a global presence and offer software solutions for architects, civil engineers, structural designers as well as design professionals and landscape designers. They therefore primarily offer programs for CAD and CAE (Computer-Aided Engineering) – for planning in 2D or for 3D (3-dimensional) component-oriented design.

DESIGN – FOCUS ON ARCHITECTURE

Companies focused on architecture include the German Company Nemetschek **Allplan**, the Hungarian company **Graphisoft** with its core product Archicad and Nemetschek **Vectorworks** with its main headquarters in the USA.

Nemetschek **Allplan**, which until now has had a strong presence primarily in Europe, represents the group's platform product: Allplan offers comprehensive solutions for architects, civil engineers and facility managers, and thus provides an instrument for largely integrated planning, from design through execution to subsequent building management. The integration of specialist design solutions and their seamless connection to the software of the Nemetschek Engineering Group make the product attractive not least for general contractors and for projects in the area of public-private partnerships.

The Hungarian company **Graphisoft**, with its globally marketed CAD solution ArchiCAD, primarily targets architects and covers the entire value chain of a design office, from the initial draft through to the final details of the working drawings. In the last few years Graphisoft was able to secure its international presence and to attract leading construction groups as customers, for example in Japan. Since the end of 2011 the company has had its own branch in Hong Kong and an office in Shanghai.

The American Nemetschek subsidiary **Vectorworks** (located close to Washington D.C.) develops and sells a CAD solution for design and execution planning and offers a broad spectrum of specific industry solutions for architects, interior designers, landscape planners and for stage and lighting designers. Vectorworks is also sold worldwide and is the CAD program most used on Apple Macintosh.

Vectorworks is the most globally used CAD program on Apple Macintosh

DESIGN – FOCUS ON CONSTRUCTION ENGINEERING

Companies focused on construction engineering include Nemetschek **Allplan** (with the product line for construction engineering), Nemetschek **Scia, Friedrich & Lochner** and **Glaser**, as well as the pre-cast solution based on Allplan. The group offers solutions for all areas of construction engineering including CAD, structural analysis, logistics and project management to high-end solutions. The companies focused on construction engineering together have over 20,000 customers.

The Belgian company Nemetschek Scia, alongside Allplan the largest company in the group, offers solutions for the high-end engineering area. These are used by construction engineers in stress planning to analyze and measure general two- and three-dimensional steel and reinforced concrete structures with other materials. The core product Scia Engineer permits the modeling of large and complex structures such as bridges, towers, energy plants and tower blocks. Additionally, there is Scia Steel, software for integrated production management in steel construction manufacturing.

An important product of the Engineering Group is the program Precast based on Allplan, with which manufacturers of pre-fabricated concrete units can industrially plan their work. The integrated Precast part manager supports order processing from bids processing to implementation and thus connects the operating departments such as construction, sales, production, delivery and assembly. With the Precast solution Nemetschek has already been able to win numerous contracts in countries like Mexico, China and Singapore.

With the Precast solution Nemetschek has also been able to win numerous contracts in emerging countries

The Stuttgart company **Friedrich&Lochner** is also a member of the Engineering Group: This company represents a comprehensive range of structural engineering programs that primarily support engineers' day-to-day work. The Frilo software is particularly characterized by ease of use and fast results.

BUILD

The Build business segment comprises all products and solutions that deal with commercial and technical cost and work invoicing, cost and deadline planning, and calls for tenders, assignment and invoicing (AVA) of construction work. They cover the actual construction process – from project cost planning and technical building site management through to commercial construction invoicing. The Build business segment, which has to date concentrated on German-speaking markets, includes the companies Nemetschek **Bausoftware**, the Austrian company **Auer – Die Bausoftware** and the Allplan BCM product line of Nemetschek Allplan. They operate primarily in Germany, Austria and Switzerland.

Together, they have over 8,000 customers from the areas of design (architects and engineers) and construction management as well as construction companies, and support more than 50,000 user licenses. Auer – Die Bausoftware GmbH is the undisputed market leader in Austria, Nemetschek Bausoftware GmbH, with its primarily commercial solutions, has a strong position in Germany and, in its target group of the larger medium-sized construction companies, is also market leader in Switzerland.

MANAGE

The Manage business segment is represented by Nemetschek **Crem Solutions**. Its product portfolio aims at real estate and the housing industry for the management and settlement of its real estate and property. The main product, Crem iX-Haus is an integrated all-in-one solution for the management of large portfolios with complex operating requirements. Characteristics related to the industry offer perfectly tailored solutions for commercial administrations and for housing sector administration processes. Particularly due to its detailed reporting Crem iX-Haus is also a valuable support in the area of asset management.

MULTIMEDIA

The visualization software from Maxon is marketed in over 80 countries worldwide

The Multimedia business segment comprises the **Maxon** headquarters in Germany and its subsidiaries in the USA and England as well as branch offices in France and Japan. The 3D software for visualization and animation is available in ten languages and is marketed in over 80 countries. Thanks to the numerous areas of application for the Cinema 4D software and the heterogeneous customer structure – from architecture offices to film studios – Maxon is comparatively independent of single industries. International radio stations also rely upon the software from Maxon just as leading film studios and producers of online games.

Strategy and market position

LEADING IN EUROPE

Since the acquisition of Graphisoft, in 2007, Nemetschek has been Europe's leading vendor of software for architects, engineers and the construction industry and intends to grow profitably. Worldwide, the group is number two behind US supplier Autodesk. The industry has undergone a process of consolidation in which Nemetschek was actively involved. Today, there are now just a few international players. In contrast, there are numerous small, local providers, which make up a good half of the market volume. This reflects the marked heterogeneous nature of the market, which is characterized by the numerous disciplines involved in the building process, different philosophies and different regional rules and standards.

CLOSENESS TO CUSTOMER'S REQUIREMENTS

Nemetschek concentrates on its core market AEC

Unlike its competitors, Nemetschek concentrates on the AEC market (Architecture, Engineering, Construction). This is where the company has its roots, and where it sees its future as an industry specialist. To meet the wide range of customer demands, the group offers a broad range of solutions that are tailored to particular working methods and local requirements. No other supplier is closer to the needs of its clientele – this is part of the company's mission and philosophy.

In order to satisfy the numerous customer demands Nemetschek relies on its cooperation with partners from the sector who, themselves, offer the "best-in-class" solutions in specialist areas – for example in the area of service engineering.

THE FOCUS IS ALWAYS ON THE LIFE CYCLE OF A BUILDING

A central topic in the building sector is so-called Building Information Modeling (BIM). This term, which is sometimes interpreted in various ways, means, as defined by the industry organization buildingSmart, the "integrated process of designing, building and managing" – with the objective of increasing quality and efficiency of the whole process. Such an integrated philosophy has been associated with Nemetschek Aktiengesellschaft since it went public – and is clearly reflected in the business segments of Design, Build and Manage.

Also with regard to environmentally friendly building this is of fundamental importance: After all, 80 % of all decisions relating to a building's future energy requirements are made early on in the design phase. Around the world, requirements relating to the sustainability of buildings are increasing, which poses significant challenges for designers and construction companies.

The Nemetschek Group sees its central task as making it easier for its customers to overcome these challenges and providing them with the tools they need.

INTERNATIONAL PRESENCE

The Nemetschek Group has its roots in Europe and generates more than 80 % of its revenues here. Above all, the countries in which Nemetschek is traditionally strong (for example Germany and France) are the growth locomotives of Europe for the foreseeable future. Despite this the group expects future growth above all in Latin America and Asia.

The extension of international presence is a central objective of the group

Against this background, Nemetschek opened a branch in Brazil in 2011 – with the focus on the marketing of solutions of the Engineering Group. The Nemetschek subsidiary Graphisoft has had a presence with its own branch in Hong Kong since the end of last year and will also cultivate the Chinese market from there. The precast solution based on Allplan, with which manufacturers of ready-made concrete components can plan their work industrially, was able to secure new customers in China and Vietnam in 2011; for several months the program has also been distributed via a representation in Singapore. These are important steps on the way to a strong internationalization of the Nemetschek Group – and others will follow.

Corporate responsibility

For Nemetschek, acting responsibly means supporting its customers and employees as best possible and always finding forward-looking solutions. Nemetschek's business model is based on sustainability. Three aspects are at the forefront of this: the environment, employees and society.

ENVIRONMENT

All CAD suppliers offer solutions for environmentally-friendly building

With its software solutions, Nemetschek plays an important role in ensuring that building is more efficient and sustainable. The solutions help architects and engineers to design energy-efficient buildings and minimize material consumption. All CAD suppliers under Nemetschek's roof have integrated appropriate solutions in their programs. With Ecodesigner from Graphisoft, architects are, for example, already able to determine the likely energy requirements of their buildings in the early design phase and compare different designs with each other. This program has been granted several awards.

Nemetschek is a member of the German Sustainable Building Council (DGNB), which develops the German Sustainable Building Certificate and awards it together with the German Federal Ministry of Traffic, Building and Urban Affairs (BMVBS). Furthermore, Nemetschek supports the "EnergieCity Leipzig", an experience center for sustainable energy and environmental technology as well as for energy-efficient building and renovation.

Environmental protection is also taken seriously within the company. For example, almost all companies use video conferences in order to reduce business trips to a minimum. They also increasingly using innovative teaching methods such as e-learning and learning videos instead of printed manuals and operating instructions which clearly minimize the consumption of paper. The dispatch of DVDs is also gradually being replaced by the availability of download possibilities from the internet. In addition to this there are various individual initiatives in the companies.

EMPLOYEES

The companies in the group make every effort to provide their employees with the best possible working conditions and the opportunity to achieve a good work/life balance. The focus here is on offering more flexible working times and a comprehensive continuing education program. The specific conditions vary from country to country. In the larger companies there are various special services such as, for example, the possibility of company pension schemes, company car rules and subsidies for canteen meals.

For Nemetschek it is natural to treat employees of both sexes equally in terms of salary and there are several examples of women in leading management positions. The Nemetschek Group places great importance on treating its employees correctly and on a good working relationship. The principles for this are laid down in the internal code of conduct and are made accessible to employees, together with other aspects in special internal training courses.

SOCIETY

The company has its roots in the university environment and for many decades has had a presence there with its software and appropriate support. All the large product companies provide free software licenses and online training materials to students and professors as part of their so-called campus programs. Additionally, Nemetschek Aktiengesellschaft supports various young talent initiatives, for instance, in 2011 the international student competition ”Documenta Center of Information and Communication“. This was presented by the Kassel University in cooperation with the art exhibition documenta.

Report on enterprise controlling and declaration on corporate management

As a holding company with registered offices in Munich, Nemetschek Aktiengesellschaft holds majority interests in companies that develop and globally market software solutions for the complete life cycle of buildings. The group, with its nationally and internationally operational product brands, is split into four business segments, Design, Build, Manage and Multimedia. The operational and strategic management of the group is performed via the four segments.

The company management of the group is based on the group strategy jointly approved by both the managing board and supervisory board. This covers the strategic positioning of the group and its portfolio, as well as the concrete, medium-term sales and revenue projections. The group specifications and annual targets for the product brands and their companies are derived from the strategic aims. These company targets are reconciled with the group companies in the annual planning process at profit center level, are substantiated and assigned individual quantitative and qualitative targets by them for marketing and development. The agreement of the annual plan, its individual targets and medium-term plan are performed jointly with the supervisory board in a special meeting.

During the year, the group targets are monitored on the basis of a group-wide management information system with detailed reporting of the key performance indicators for the sales, cost and revenue situation. The central controlling indicators for Nemetschek Aktiengesellschaft are revenues and growth as well as the operating result (EBITDA) per segment.

Strategic and operational corporate management is carried out in close consultation with the newly founded Corporate Strategy Council of the Nemetschek Group. This comprises the top managers from the four largest organizations and the managing board. Furthermore, there are regular cross-company reconciliation processes in important areas such as, for example, finances and controlling.

COMPLIANCE DECLARATION IN ACCORDANCE WITH § 161 AKTG

The declaration in accordance with §161 of the Stock Corporation Act is published within a separate section of the annual report of Nemetschek Aktiengesellschaft as well as on the website www.nemetschek.com.

WORKING PRACTICES OF THE SUPERVISORY BOARD

For information on the working practices of the supervisory board, we refer to the supervisory board report.

Disclosures pursuant to § 315 (4) HGB (German Commercial Code) and explanatory report

(1) COMPOSITION OF THE SUBSCRIBED CAPITAL

Nemetschek Aktiengesellschaft's share capital as of December 31, 2011 amounts to EUR 9,625,000.00 (unchanged compared to previous year) and is divided into 9,625,000 bearer shares.

(2) RESTRICTIONS RELATING TO THE VOTING RIGHTS OR TRANSFERABILITY OF SHARES

There are no restrictions relating to the voting rights or transferability of shares.

(3) INVESTMENTS IN CAPITAL EXCEEDING 10 % OF THE VOTING CAPITAL

Investments in capital (structure of shareholders) exceeding 10 % of voting rights are illustrated in the notes to the consolidated financial statements under "Related Parties".

(4) SHARES WITH SPECIAL RIGHTS GRANTING CONTROL

There are no shares with special rights granting control.

(5) TYPE OF VOTING RIGHT CONTROLS WHEN EMPLOYEES HOLD INTERESTS IN CAPITAL AND DO NOT EXERCISE THEIR CONTROL RIGHTS DIRECTLY

There are no voting right controls on employees with shareholdings.

(6) LEGAL PROVISIONS AND STATUTES ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGING BOARD AND AMENDMENTS TO THE STATUTES

The appointment and dismissal of managing board members is governed by §§ 84 and 85 AktG (German Stock Corporation Act) in connection with § 7 of the statutes of Nemetschek Aktiengesellschaft. Accordingly, managing board members are appointed by the supervisory board for a maximum of five years. Reappointment or extension of the term of office is allowed, for a term of up to five years each time.

The amendment to the statutes is subject to § 179 AktG (Stock Corporation Act) in connection with §§ 18 and 13 of the statutes of Nemetschek Aktiengesellschaft. These stipulate that the annual general meeting must pass a resolution to amend the statutes by a simple majority of the voting rights represented – provided that the law does not require a greater majority. According to § 13 of the statutes of Nemetschek Aktiengesellschaft the supervisory board is authorized to pass resolutions that only affect the wording of the statutes.

(7) AUTHORISATION OF THE MANAGING BOARD TO ISSUE OR REDEEM SHARES

According to § 71 (1) No. 8 AktG the company requires a special authorization by the annual general meeting to acquire and trade its treasury shares, to the extent not legally expressly permitted. An authorization resolution was presented to the annual general meeting on May 26, 2010 and resolved accordingly by the shareholders. This recommended resolution was based on the changed § 71 (1) No. 8 AktG (Stock Corporation Act) in the law for the implementation of the rights of shareholders guideline dated July 30, 2009 (ARUG) according to which the authorization can be given for a period of up to five years.

In accordance with the resolution on agenda item 6 of the annual general meeting dated May 26, 2010, the authorization is valid worded as follows:

"6.1 The company is empowered to purchase up to 962,000 treasury shares by May 25, 2015, either once or several times, which is almost 10 % of the current nominal capital, in full or in part complying with the following conditions. At no time may the shares acquired on the basis of this authorization together with other shares of the company the company has already purchased and still holds or which are attributable to it in accordance with §§ 71a et seq. AktG (Stock Corporation Act) constitute more than 10 % of its share capital. The authorization may not be used for the purpose of trading treasury shares.

This authorization replaces the authorization adopted by the annual general meeting of Nemetschek Aktiengesellschaft on May 25, 2009 as agenda item 6, concerning the acquisition of treasury shares, which is hereby cancelled to the extent it is not exercised.

6.2 The shares are purchased, as opted by the managing board, via the stock exchange or by way of a public offer addressed to all the company's shareholders.

a) If the shares are purchased on the stock exchange, the purchase price of a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall below the average closing price in the last five days of trading prior to the obligation to purchase them on the electronic exchange (Xetra – or a representative, comparably functioning successor system) by more than 10 %.

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

6.3 The managing board is empowered to use the treasury shares purchased pursuant to this authorization for any legally permitted purpose, in particular also for the following purposes:

a) With authorization by the supervisory board the shares may be offered as consideration for the acquisition of entities, investments in entities or parts of entities.

b) The shares may be redeemed with the approval of the supervisory board, without any further resolution of the annual general meeting being required for the redemption to take effect. Redemption leads to a reduction in capital. The managing board may alternatively decide that the share capital remains unchanged on redemption and is increased instead by the inclusion of the proportion of other shares within share capital in accordance with § 8 (3) AktG. The managing board is authorized in this case to adjust the number of shares in the statutes.

6.4 The subscription right of the shareholders on these treasury shares is excluded to the extent that these are exercised in accordance with the above-mentioned authorization under item 6.3 lit. a) of the agenda."

(8) SIGNIFICANT AGREEMENTS THAT ARE SUBJECT TO A CHANGE IN CONTROL AS A RESULT OF A TAKEOVER BID

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

(9) COMPENSATION AGREEMENTS OF THE COMPANY WITH THE MEMBERS OF THE MANAGING BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

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

Remuneration report

SUPERVISORY BOARD

In addition to a fixed component, the remuneration paid to members of the supervisory board contains a profit-based component. The variable compensation component is based on the consolidated earnings (diluted earnings per share). It is the view of the managing board and the supervisory board that this important ratio constitutes a reliable benchmark for increasing the intrinsic value of the shares and, thus, the company's performance.

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

2011 Thousands of €	Fixed components	Variable components	2011
Kurt Dobitsch	30.0	63.0	93.0
Prof. Georg Nemetschek	22.5	63.0	85.5
Rüdiger Herzog	15.0	63.0	78.0
Total	**67.5**	**189.0**	**256.5**

2010 Thousands of €	Fixed components	Variable components	2010
Kurt Dobitsch	30.0	53.5	83.5
Prof. Georg Nemetschek	22.5	53.5	76.0
Rüdiger Herzog	15.0	53.5	68.5
Total	**67.5**	**160.5**	**228.0**

MANAGING BOARD

The remuneration of members of the managing board consists of a basic salary (fixed compensation) and variable, performance-based compensation. The variable compensation has a current and non-current component.

Remuneration of the managing board breaks down as follows:

REMUNERATION OF THE MANAGING BOARD

2011 Thousands of €	Fixed components	Variable components (short-term)	Variable components (long-term)	2011
Tim Alexander Lüdke	64	45	0	109
Ernst Homolka	264	213	0	477
Total	**328**	**258**	**0**	**586**

2010 Thousands of €	Fixed components	Variable components (short-term)	Variable components (long-term)	2010
Ernst Homolka	266	216	64	546
Total	**266**	**216**	**64**	**546**

The fixed compensation includes the fixed salary and other taxable salary components such as health and nursing insurance as well as a company car. The current performance-based variable compensation mainly depends on corporate objectives achieved with regard to the development of revenues and results, which are agreed between the supervisory and managing boards at the beginning of each financial year.

The non-current performance-related variable compensation of the managing board depends on the achievement of defined objectives with regard to the development of results and share price, such as set out at the end of 2009 in the Long-Term Incentive Plan (LTIP). The period to be observed is always three financial years. The non-current performance-related variable compensation for Ernst Homolka amounting to EUR 64 k disclosed in 2010 relates to the portion of the expected total remuneration at the end of the period earned up to the year-end. This is to be allocated to the current financial year as an expense; the payment will, however, not be made until the end of the relevant three-year period and requires that the managing board member is in a non-terminated employment relationship with Nemetschek Aktiengesellschaft at the time of payment of the whole remuneration.

The sole managing director to date, Ernst Homolka, was removed as at November 1, 2011 by the supervisory board from his office as board member/CEO and appointed board member/CFO. As at December 31, 2011 the employment relationship was finally mutually terminated. The obligation for payment of a performance-related, non-current remuneration was cancelled completely on termination of the employment relationship as at December 31, 2011 since the condition of the existence of a non-terminated employment relationship at the time of payment of the whole remuneration could no longer be met. The provision set up was released to income. On the occasion of termination of the employment relationship remuneration of EUR 330 k has been agreed which will be paid in the financial year 2012.

On November 1, 2011 Tim Alexander Lüdke was appointed by the supervisory board as board member/CEO and spokesman of the board. The variable remuneration agreed with Mr. Lüdke amounting to EUR 22.5 k gross monthly will be paid for the period from November 1, 2011 to March 31, 2012, independent of further conditions. The fixed variable remuneration paid in the period January 1, 2012 to March 31, 2012 will be offset against the payment of the whole variable remuneration for 2012.

Employees

As of December 31, 2011, the Nemetschek Group employed 1,173 staff worldwide (previous year: 1,076). The statistical determination and allocation of employee numbers does not include any employees on parent leave, freelancers or the long-term ill. The Nemetschek Group employed an annual average of 1,150 people (previous year: 1,063). The background to the increase in the number of employees is the specific increase in personnel in the group companies in order to lay the foundations for future growth.

The Nemetschek Group employed 59 % (previous year: 60 %) of its staff outside Germany. An average of 545 employees (previous year: 484) are employed in the area of research and development in the Nemetschek Group. An average of 484 employees (previous year: 456) work in sales, marketing and hotline, 121 employees (previous year: 123) work in administration – including 22 trainees (previous year: 21), who primarily work in the commercial departments as well as in IT and development. As a rule, they have a good chance of being employed by the company once their training has been completed.

FLEXIBLE WORKING HOURS AND ONGOING TRAINING

Nemetschek relies on highly motivated employees and offers them attractive working conditions. Rulings on flexible working hours are a matter of course for many employees in the group, but the details vary considerably from company to company and also depend on country-specific rulings. The same applies for part-time work, in the context of either parental leave or early semi-retirement.

Over 30 % of the workforce comprises architects and engineers, which demonstrates the company's strong roots in the industry. These also include a large group of women – overall the group has around 30 % female employees and at management level there are also more and more women.

Employees in the Nemetschek Group have numerous opportunities for development in the form of internal and external training courses. The range of topics covered by training events range from subject-specific training, foreign-language and IT courses to management training and seminars on the subject of teamwork and self-management.

It goes without saying for Nemetschek that employees are appropriately remunerated. In addition to this, voluntary additional benefits are often paid such as subsidies for canteen meals. Performance-related pay also contributes to the high level of employee motivation. This is the norm in most of the companies.

Performance-related remuneration also contributes to the high level of employee motivation

The revenues and earnings of the company as well as the achievement of personal targets are usually the criteria for measuring this. In some cases, managers and sales employees are primarily measured based on the overall success of the company, while the variable portion for the other employees, in contrast, depends on the achievement of individual or team targets.

Research and development

The development and enhancement of products and solutions is the basis for Nemetschek's success. The company will only be able to generate profitable growth in the future with continuous product and process innovations. In 2011, the group invested EUR 41.2 million (previous year: EUR 36.0 million) in research and development. For most of these activities, internal group resources were utilized and third-party services only used to a limited extent. On average for the year, the group employed 545 people (previous year: 484) in this area, which is 47 % (previous year: 46%) of the total headcount of the Nemetschek Group.

EFFICIENCY INCREASES WITH THE HELP OF BUILDING INFORMATION MODELING

Nemetschek supports the Building Information Modeling (BIM). This "integrated process of designing, building and managing" (definition of the industry organization buildingSMART) is a design method based on digital building models. These models are prepared with the help of 3-dimensional and building component oriented CAD software and integrate all geometric and descriptive information. The exchange of the building models via exchange formats that are independent of manufacturers simplify the reconciliation between the various technical areas and optimizes the complete planning process. Through this the energy volume and cost calculations, or the handover to facility management, can be simply integrated.

Nemetschek is one of the pioneers of BIM and here relies on the comprehensive manufacturer cooperation on open data exchange formats such as the IFC format developed by the industry organization buildingSMART. Furthermore, Nemetschek is working on the development of collaborative additional functions – for example in order to follow which project participant received, read and potentially changed or approved which detailed information and when. For the relevant building project a reference model (BIM-Model) will result in which the relevant properties of the process models are administered and these models are also linked to one another. Thus, for example the consequence of individual changes to a technical model on all other models can be simulated and better coordinated. This development is currently being promoted across the companies by the Nemetschek Engineering Group.

Nemetschek is one of the pioneers of BIM

SUBSIDIARIES FOCUS ON THE INTERNET

Many Nemetschek subsidiaries use the Internet to offer their customers added value. The Hungarian company Graphisoft already has, until now, a unique solution for cross-location team work of architects via the Internet. Allplan has offered its customers a central internet service since Spring 2011, which does not only enable auto-updates but also a direct link to the hotline and access to constantly up-dated planning tools.

Most of the subsidiaries work on extensive web-based solutions. Thus, Vectorworks, for example, is offering its service-contract customers so-called "Cloud Services" which simplify their cooperation with partners and customers and is expected to facilitate the entire daily routine. Via these services, customers cannot only hold and exchange data better but they can also relocate activities which demand time and steal computer capacity, such as detailed calculations, to the cloud and, in the meantime, continue to work parallel with their CAD workstation.

The new building software, which the Construction Group will introduce to the market in an initial configuration version at the end of 2012 for technical project development in Germany and Austria, is then expected to be available as "software on demand". Later, additional modular components are due to be offered as individual cloud applications or cloud services. With the so-called Nemetschek Web App Suite the Construction Group then enables its customers online access to the current project and corporate data via various mobile end devices such as iPad or other tablets.

THE FOCUS REMAINS ON SUSTAINABLE BUILDING

Ecodesigner offers new functions and significantly more information

All CAD providers under the Nemetschek umbrella offer solutions for planning sustainable buildings and have developed these further. Graphisoft has continued to optimize the Ecodesigner in 2011 and also offers new functions (for example, the possibility of calculating the thermal output of profile walls). The evaluation report supplies 40 % more information, including the net energy requirement, as well as the primary energy consumption. New graphic diagrams simplify the immediate visualization of the calculation results. Furthermore, using Ecodesigner, architects can export their BIM data into the Excel table of the passive house project planning package (a tool developed by the Passive House Institute Darmstadt) and, thus, evaluate and document its passive house drafts in agreement with the requirements of the Institute. The development of the Ecodesigner will also continue to go forward in 2012, it is expected to offer even more functions in the context of calculation, documentation and data exchange.

The Underlying Conditions

Overall economic conditions

The year 2011 was marked by the debt crisis of several European economies such as Greece, Portugal and Ireland. Also, leading economies to date had to accept downgrading by the rating agency. Against this backdrop, the indicators for business development worsened worldwide: In the fourth quarter the world business climate indicator of the IFO Institute amounting to 79, fell below the long-term average of 97, thus signalizing the start of the world economy in a recession phase. In the USA the growth rate for 2011 fell from 3 % to 1.8 %.

The real development in the economy, however, appeared clearly more stable than forecast for 2011 in some countries such as Germany. As the result of an improved external contribution and higher building investments, according to the preliminary figures for January 2012 growth in GDP in Germany at 3 % was significantly higher than estimated.

Building sector situation

Also in 2011 the development of the building sector was not able to separate itself from the development of the world economy. According to the sector experts from EuroConstruct, in 2011 the building volume remained almost stable in Europe compared to the previous year. In 2011 only in structural engineering was there a small amount of growth in Europe.

According to the Federal Statistical Office Germany, revenues in the building industry in Germany were 10.5 % higher from January to November 2011 than in the same period of the previous year. This positive development was also confirmed by the IFO economic climate for the construction industry which constantly improved up to the middle of the year to a long-term above-average level at the same time as higher capacity utilization of the construction industry.

In 2011 construction volume in the USA declined slightly according to the industry analyses. The US economic program ARRA was phased out. Accordingly, demand for residential and commercial property developed weakly.

The situation of the Japanese construction industry improved substantially

On the other hand, the situation in the Japanese construction industry improved clearly during the year 2011: The sector obviously benefited from the measures for reconstruction of the North East destroyed by the earthquake. In October 2011 the Japanese MLIT (Ministry of Land, Infrastructure and Transport) forecast an increase in public construction investment of 8.3 % for 2011. According to estimates by the Japanese government the rebuilding of the regions affected by the earthquake cost at least EUR 200 billion, of which a substantial amount is expected to be for construction measures

Report on the Earnings, Financial, and Net Asset Situation

Earnings situation

GROUP REVENUES OF EUR 164 MILLION

In fiscal 2011, the Nemetschek Group achieved revenues of EUR 164.0 million (previous year: EUR 149.7 million), which represents a plus of 10 %. Revenues in license fees climbed by 9 % to EUR 81.3 million. The revenues from service agreements rose by 11 % from EUR 66.8 million to EUR 74.3 million – thus, in the meantime, over 45 % of group revenues are recurring. In the foreign markets, revenues increased by 9 % to EUR 96.3 million, while in Germany they even rose by 11 % to EUR 67.7 million.

STRONG GROWTH IN THE TWO LARGEST BUSINESS SEGMENTS

Maxon was able to increase its revenues by 26 percent

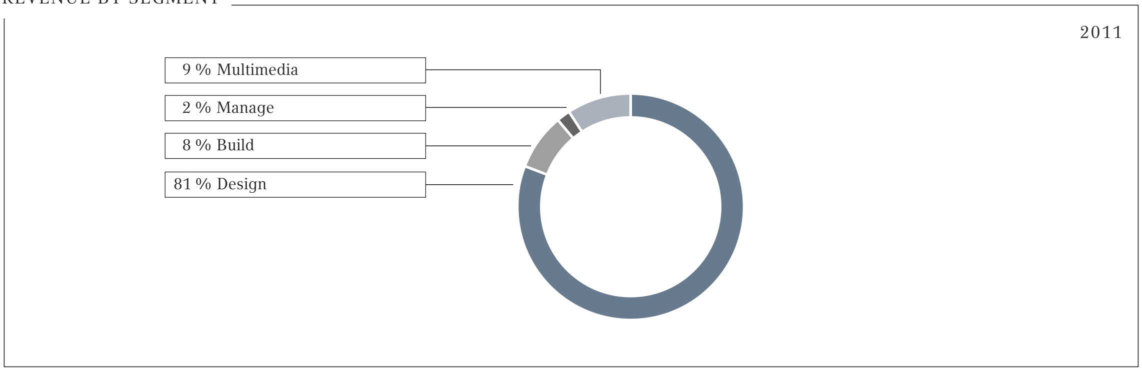
In the Design business segment, that is, in the companies with their focus on architecture and construction engineering, revenues rose by 9 % to EUR 132.6 million (previous year: EUR 121.6 million). Accordingly, EBITDA climbed by 3 % to EUR 28.1 million (previous year: EUR 27.3 million), the EBITDA margin was 21 % (previous year: 22 %). The companies in this business area increased domestically and abroad, in particular they benefited from the strong growth in the construction industry in Germany.

In the Multimedia segment, revenues rose compared to the previous year by 26 % to EUR 13.9 million. EBITDA rose by 47 % to EUR 6.2 million. This represents a margin of 44 % (previous year: 38 %). A major reason for this success in 2011 was the reorganization of the product range at the end of 2010. Due to the discontinuation of numerous configuration possibilities, the product is simpler to position and to market. This was not only an advantage for sales to new customers, but Maxon also showed increased revenues to existing customers who, as part of the change in product range, often changed to a larger program version. The unusually high revenue margin of Maxon is due to fact that the costs of the initiatives introduced in 2011 for further growth were not fully visible until 2012.

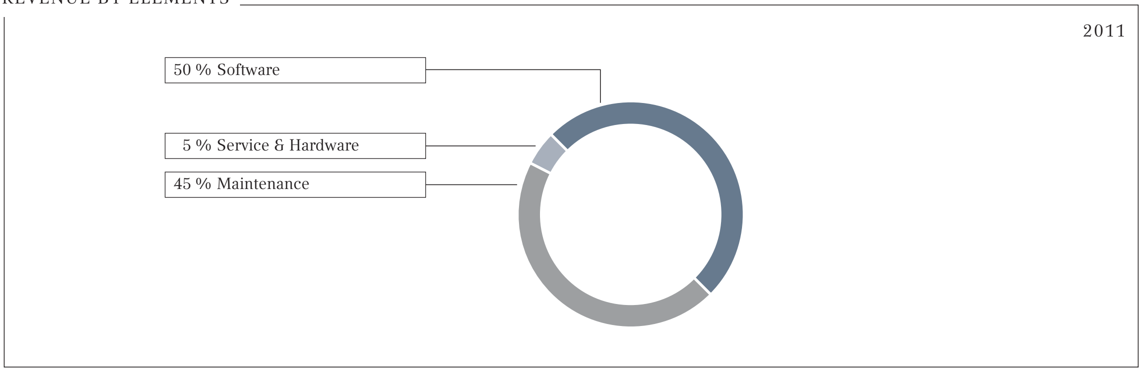
Both companies in the Build segment were able to marginally increase the revenue level of the previous year and reached revenues of EUR 13.8 million (previous year: EUR 13.5 million). With an EBITDA of EUR 4.8 million (previous year: EUR 5.3 million), the EBITDA margin was 35 % (previous year: 39 %). In this business segment, which is strongly influenced by project business, certain reluctance by customers to invest has recently been evident, and some contracts for which marketing expenses had already been incurred were postponed.

In the Manage business segment sales rose slightly from EUR 3.6 million to EUR 3.7 million, the EBITDA was at the previous year level of EUR 0.3 million. 2011 was a year of reorganization for this area. Under new management the Nemetschek Crem Solutions has recently been able to attract new customers.

REVENUE BY SEGMENT



REVENUE BY ELEMENTS



GROUP EBITDA AT A HIGH LEVEL

The EBITDA margin amounted to 24 percent

Due to the increased revenues in 2011, the Nemetschek Group generated the highest group operating result before tax, interest and depreciation (EBITDA) of EUR 39.3 million (previous year: EUR 37.1 million) in the company's history. The EBITDA margin amounted to 24 % (previous year: 25 %), as forecast in March 2011.

The operating expenses amounted to EUR 139.2 million (previous year: EUR 126.4 million). The higher personnel expenses of EUR 70.6 million (previous year: EUR 64.3 million) are mainly a result of the targeted increase in personnel at some group companies, one-off effects from changes in management and from rises in variable salary components due to the positive revenue development. Additionally, there were higher personnel costs in Graphisoft as the result of a change in the employee and salary structure of the Hungarian subsidiary.

The operating expenses amounted to EUR 50.4 million (previous year: EUR 44.4 million). This increase is primarily due to higher expenses for the market introduction of new product versions of the subsidiaries as well as the revenue-related expenses for the distributor commissions. In addition, there were exchange losses in the first two quarters as well as additional expenses for consulting services as part of the planned growth initiatives.

Amortization on the purchase price allocation related to the acquisition of Graphisoft was unchanged compared to the previous year at EUR 7.1 million.

EARNINGS PER SHARE OF EUR 2.16

In the fiscal year 2011, the Nemetschek Group raised its group result before taxes and interest (EBIT) by 6 % to EUR 29.1 million (previous year: EUR 27.5 million). As a result of the successful repayment of debts, interest expense fell from EUR 3.0 million to EUR 1.8 million. The net financial result includes interest income of EUR 0.4 million (previous year interest expense: EUR 0.2 million) which related to a changed market valuation of the interest hedge concluded as part of the financing of the Graphisoft acquisition.

The group's tax rate amounted to 20 % (previous year: 24 %). This mainly resulted from the application of the progressive tax rate in Hungary. In particular, the revaluation of deferred taxes as part of the purchase price allocation of the Hungarian Graphisoft Group was affected by this and led in effect to a net deferred tax income amounting to EUR 1.4 million.

Against this background, net income for the year rose by 12 % to EUR 22.4 million. The previous year result of EUR 20.1 million also included a one-off effect in the form of income of EUR 1.6 million from the sale of 8% of the shares in DocuWare AG. Net income for the year (group share) increased to EUR 20.8 million (previous year: EUR 18.9 million). The earnings per share were EUR 2.16 (previous year: EUR 1.97), a plus of 10 %.

Net income for the year increased to EUR 22.4 million

Financial situation

OPERATING CASH FLOW CLIMBS TO EUR 37 MILLION

The strong operating result for the fiscal year 2011 is also reflected in the operating cash flow. Compared to the previous year, this rose by 15 % to EUR 37.1 million (previous year: EUR 32.3 million). The cash flow for the period rose by EUR 3.3 million to EUR 38.0 million (previous year: EUR 34.7 million).

The operating cash flow rose by 15 percent

Adjusted for a one-off effect in the previous year (sale of DocuWare shares of EUR 1.6 million), the cash flow from investing activities of EUR 5.6 million was slightly higher than the previous year level (EUR 5.4 million). This included payments for the granting of a loan to mapolis AG, Munich as well as payments as part of the formation of international subsidiaries.

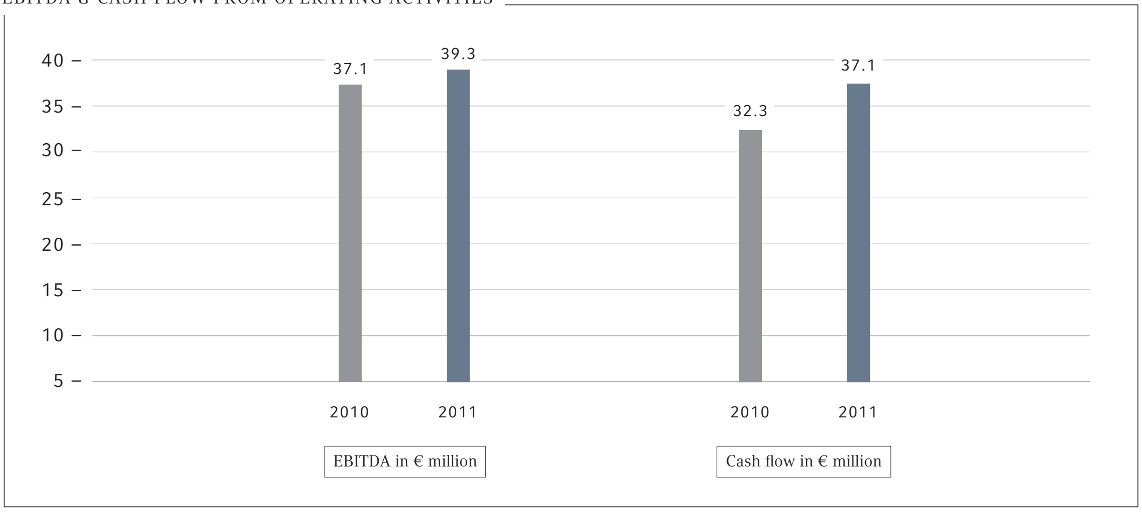
CASH AND CASH EQUIVALENTS OVER EUR 33 MILLION

The cash flow from financing activities amounted to EUR −28.0 million (previous year: EUR −21.4 million) and primarily consists of the dividend distribution amounting to EUR −9.6 million and repayment of loans from the financing of the Graphisoft acquisition amounting to EUR −14.8 million (previous year: EUR −12.7 million).

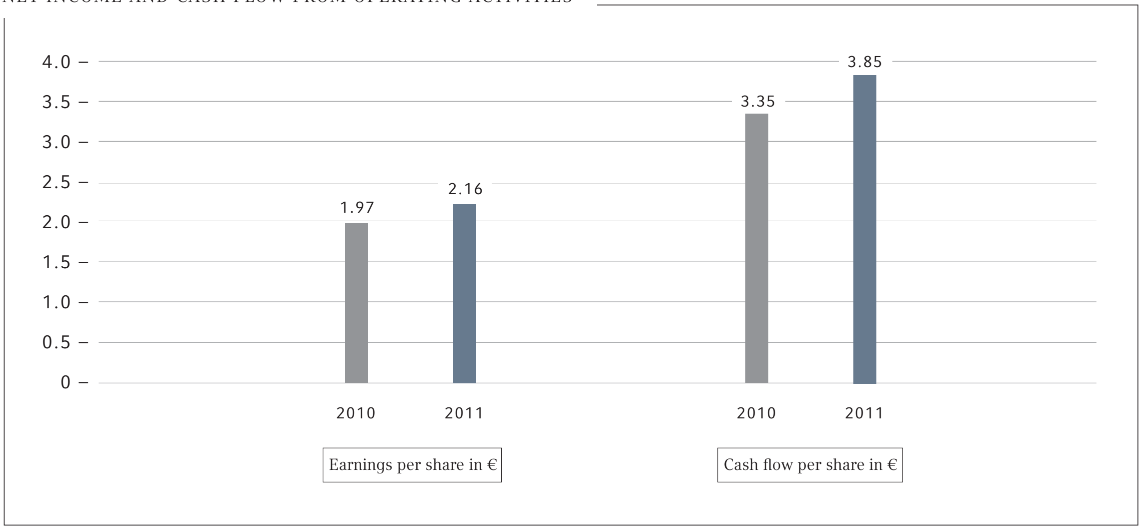
Within five years, Nemetschek has repaid a total of EUR 95.3 million of the bank loan of EUR 100.0 million taken out to finance the Graphisoft acquisition. The outstanding repayment of the remaining loan of EUR 4.7 million is planned for the first half of 2012.

Cash and cash equivalents amounted to EUR 33.5 million at the balance sheet date (previous year: EUR 30.6 million) with a remaining loan liability of EUR 4.7 million (previous year: EUR 19.5 million). Thus, the cash funds exceed the remaining loans by EUR 28.8 million.

EBITDA & CASH FLOW FROM OPERATING ACTIVITIES



NET INCOME AND CASH FLOW FROM OPERATING ACTIVITIES



Net asset situation

EQUITY RATIO AT 64 %

On the assets side of the balance sheet, current assets increased from EUR 63.1 million to EUR 65.7 million. The reason for this is the increase in liquid funds by EUR 2.9 million and higher receivables as part of the expanded business activities in 2011.

Non-current assets decreased by EUR 5.5 million to EUR 96.7 million, primarily due to the systematic depreciation and amortization of assets from the purchase price allocation. The total value of intangible assets including goodwill thus decreased from EUR 95.0 million to EUR 89.0 million.

Current financial liabilities reduced by EUR 7.2 million to EUR 51.2 million. This was mainly due to the change in the current portion of the loan debt. In accordance with the bank loan repayment plan from the takeover of Graphisoft, EUR 4.7 million is still to be repaid within the first half year of 2012. The deferred revenues increased as a consequence of maintenance fees already invoiced from EUR 17.6 million to EUR 19.2 million. The provisions and accrued liabilities rose mainly due to late invoices as well as variable salary components.

Deferred revenue increased to EUR 19.2 million

Non-current liabilities no longer include loan liabilities from the Graphisoft acquisition (previous year: EUR 3.5 million). Other non-current financial obligations relate to the interest rate hedge accounted for at market value amounting to EUR 3.4 million (previous year: EUR 3.7 million). The reduction in deferred tax liabilities from EUR 5.0 million to EUR 2.5 million results mainly from the revaluation of deferred taxes due to the adjustment of the Hungarian tax rate from 19 % to 10 %.

The equity capital totals EUR 103.7 million at the balance sheet date (previous year: EUR 93.5 million). On December 31, 2011, total assets amounted to EUR 162.4 million (previous year: EUR 165.3 million). The equity ratio rose accordingly from 57 % to 64 %.

INVESTMENT ANALYSIS

In total the group invested EUR 5.1 million (previous year: EUR 5.5 million). Nemetschek regularly makes investments to replace fixed assets. Additionally, in the fiscal year 2011 the group invested EUR 1.1 million (previous year: EUR 0.9 million) in new product development in the Build business segment. Investments of EUR 5 to 6 million are expected for the fiscal year 2012.

Principles and aims of financial management

The main aim of financial management is to secure the group's financial stability and flexibility by ensuring an equilibrium between equity and debt capital. The Nemetschek Group's capital structure breaks down as follows: equity 64 % (previous year: 57 %), current debt capital 31 % (previous year: 35 %), non-current debt capital 5 % (previous year: 8 %). The current liabilities mainly comprise trade payables and the current portion of loans as well as other liabilities that fall due in less than one year and are covered by current operating cash flow. The main sources of finance are current assets, including trade receivables, which stem directly from the group's operating business.

The additional cash flows generated are used for the repayment of the remaining loan liabilities to the syndicate of banks. The group plans to repay the debt capital borrowed for the acquisition of the Graphisoft Group within the fiscal year 2012. The group did not implement any other financing measures in the past fiscal year.

To ensure efficient cash and liquidity management, Nemetschek Aktiengesellschaft, as the group's ultimate parent, carries out group-wide cash pooling with selected subsidiaries. Other liquid assets flow to the ultimate parent of the group through the annual profit distributions of subsidiaries.

MANAGEMENT OF LIQUIDITY RISKS

An interest rate swap has been concluded to hedge 100 % of the interest expenses from remaining loan liabilities as at the balance sheet date.

Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. To manage this risk the company periodically assesses the credit rating of its customers.

Lines of credit of EUR 21.5 million not yet taken up are also available

The credit rating of the group allows sufficient cash to be procured. Furthermore, lines of credit not yet taken up of EUR 21.5 million are also available. The group monitors its risk of a shortage of funds using monthly liquidity planning. This considers the maturity of both its financial assets (accounts receivable, fixed-term deposits etc.) and projected cash flows from operating activities. The group's objective is to maintain a balance between constant coverage of financial funding requirements and the guarantee of maintaining flexibility.

Opportunity and Risk Report

Risk management

The business activities of Nemetschek Aktiengesellschaft involve both opportunities and risks. We operate a risk management and control system to detect, assess and manage business risks.

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

An important part of the risk management system is the internal auditor who monitors the effectiveness of the processes

Responsibility for detecting risks at an early stage and dealing with them generally rests with the managing board. In performing its duties in this area, it is assisted by the general managers of the subsidiaries and the managers responsible for the Engineering and Construction business divisions, the defined risk owner and the risk manager. The risk manager is responsible for planning, providing information, monitoring and controlling risks. The so-called "risk owners" are responsible for continuously identifying, assessing and managing risks in their respective strategic and operational areas. The internal auditor is also a key element of the risk management system who, in the course of his activities, continually monitors the functional diligence and effectiveness of the processes.

To improve comparability, risks are valued across the whole group based on uniform quantitative and qualitative criteria. A risk inventory is performed every six months by surveying and recording the group's current risk position. Regular reporting can be supplemented during the year using ad hoc information, for example when identifying risks to the continued existence of the company as a going concern.

Accounting-related risk management and internal controlling system

The risk management system and internal controlling system generally also cover the accounting processes as well as all risks and checks with regard to accounting. This relates to all parts of the risk management system and internal controlling system that could have a significant impact on the consolidated financial statement of Nemetschek Aktiengesellschaft.

The aim of risk management with regard to the accounting processes is to identify and assess risks that could prevent the consolidated financial statement complying with the applicable regulations. The impact of identified risks on the consolidated financial statement must be assessed and evaluated. The aim of the internal controlling system is to establish sufficient security through the set-up of controls so that the consolidated financial statement complies with the relevant regulations, despite identified risks.

The risk management system covers the AG and all subsidiaries relevant for the consolidated financial statements

Both the risk management system and the internal controlling system cover Nemetschek Aktiengesellschaft and all subsidiaries relevant for the consolidated financial statement with all processes relevant for preparation of the financial statements. The controls relevant for accounting primarily concern the risk of a significant misstatement in the consolidated financial statement of Nemetschek Aktiengesellschaft. An evaluation of the significance of misstatements is based on the probability of occurrence and the effects on revenue, on EBITDA and on the balance sheet total.

Significant elements of risk controlling and management in accounting are: the assignment of responsibilities and controls during the preparation of the financial statements, group-wide requirements in the form of guidelines on accounting and the preparation of the financial statements, and appropriate rules for accessing the IT systems. The principle of dual control and functional separation are also important control principles in the accounting process.

An evaluation of the effectiveness of internal controls with regard to accounting is an integral part of the checks carried out in 2011 by the internal audit department. In addition to the internal audit department, the year-end auditor carries out an evaluation with regard to accounting-relevant processes as part of his auditing activities.

Twice a year, the supervisory board is informed about the significant identified risks in the group and the efficiency of the risk management system and accounting-relevant internal controlling system. As part of his audit, the year-end auditor is also obliged to report to the supervisory board about accounting-relevant risks or control weaknesses, as well as any other significant weaknesses of the risk management system and accouting-relevant internal controlling system identified during his audit work.

Twice a year, the supervisory board is informed about the identified risks and the efficiency of the risk management system

Risks and opportunities

On the one hand, the Nemetschek Group is faced with strategic risks of a medium-to long-term nature and which relate to changes in the environmental and market factors, competitive conditions, technological progress and management processes, such as, for example, development, marketing, organizational and management processes. On the other hand, there are also operating risks that tend to be of a more short-term nature, and that can arise from changes in the market environment, inadequate and erroneous internal processes, systems or external factors as well as human error. As a result, the efficiency of the organization and the recoverable value of assets can be impaired.

The Nemetschek Group's factors for success are based on its decades of experience in the development and marketing of software in the AEC environment, its well-qualified, innovative and highly motivated employees at all levels, as well stringent and efficient business processes. Opportunities for further development of the business base and for expansion of the portfolio are systematically identified and exploited wherever possible.

The success of the group is based on decades of experience, innovative employees and efficient processes

Economic, political and regulatory risks, social conflicts, instabilities, natural disasters

The demand by customers for software, services and solutions from the Nemetschek company depends on their order situation and financing conditions. These could be influenced by the current situation and future expectations of the underlying conditions for the sector and the economy generally. Nemetschek is active in various markets, the economies of which could go into a recession and crisis due to potential cuts in state spending, new financial laws on spending and debt limitations, high unemployment, as well as natural disasters or conflicts. There is basically the possibility that, as part of a rapid change in the economic situation or state regulation in individual countries or in economic communities, conditions arise that threaten our existing business models or market opportunities in its substance. Such changes could in turn also have a negative impact on the sales, the financial and earnings situation and the existing assets of the company.

Nemetschek closely follows the development of the important economies and their construction industries using generally available early warning indicators and analysis of their own marketing situation. Thanks to its international sales orientation the company can spread the risk. However, we cannot rule out the possibility that the economic conditions in central markets could have a lasting negative impact on business activities, our financial position and results of operations, or on our funds.

The broad customer base and diverse product portfolio also ensure a spread of risks

Market

The main opportunities and risks, which could lead to a significant change to the Nemetschek Group's economic situation, lie in the market and industry environments.

The Nemetschek Group generally generates revenues from software licenses and income from maintenance contracts from clients in the global AEC sector (architecture, engineering, construction).

In the software industry, it is possible to react comparatively quickly to an increase in demand and the results of additional revenue have an immediate, positive effect. Conversely, a fall in demand can impact the revenue situation at short notice due to a delay in adjusting costs.

Revenue from products of the Nemetschek Group is distributed, however, geographically across several countries. Moreover, no individual customers account for a major share of revenues. Consequently, the risks described above have not yet had any significant impact on the group's earnings situation. As a leading company in the AEC industry and thanks to its size and expertise, Nemetschek has a good chance of continuing to expand its market share.

The success of the Nemetschek Group mainly hinges on the economic development in the construction and real estate industry. The order situation and financial strength of the construction industry and its players influence the industry's investments in software, and, in turn, the development of the group's business.

The fundamental willingness of private and institutional building clients to invest also plays an important role in future development. Even after this latest recession has passed, there is still a certain risk that global economic conditions will take another turn for the worse. The general conditions of the economies in which Nemetschek is active can permanently impair the purchasing power of our target groups. In addition, the negative expectation as regards further economic development could lead to a decline in investment.

The group constantly evaluates market and technological trends

The Nemetschek Group tracks such changes by regularly analyzing the early key indicators. From a medium-term perspective, there is the possibility that the construction industry will continue to recover and, additionally, there are growth opportunities in the emerging countries which the group would also like to use consistently.

Risks are diversified at Nemetschek additionally through involvement in markets in different countries, which are generally also characterized by different economic and competition risks. In addition, risk is spread by maintaining a broad client base and a wide product portfolio, while the large portion of revenue from maintenance work also serves to mitigate risk. Risk of default, namely the risk of contractual parties defaulting, is managed by means of credit approvals, limits, monitoring procedures and regular debt reminder cycles.

Competitive conditions also have a substantial impact on the risk profile. Apart from Nemetschek, there are not many large vendors active on the global AEC market. Risks may arise in this context as a result of the pace of technological change, competitors' innovations or the appearance of new companies in the market. Nemetschek, however, considers these risks manageable. The company invests substantially in research and development and has innovative products. It sees itself as a competence provider and is prepared to go to great lengths to accommodate the needs of its customers. With its Design, Build and Manage business segments it covers the whole life cycle of buildings. In addition to these, the Multimedia segment, which is mostly not dependent on any one sector, has made good progress. Thus, Nemetschek is exposed to a lower level of risk than the other market participants

Corporate strategy

Risks can also result from corporate decisions which change the opportunity and risk profiles in the short and long terms.

Furthermore, the demand of our customers for products, solutions and services is generally subject to constant change. The measures introduced for the continued development of our business for further product development, for expansion of business fields or marketing measures initiated could prove not to be successful. The risk also exists that the corporate decisions made and the allocation of resources for the permanent securing of the company may not be adequate and could jeopardize the substance of the company.

In order to control these risks there is a close cooperation between development and marketing of our products and the requirements of the markets and our target groups. The competitive situation is regularly analyzed with regard to technology, market participants and business models. Furthermore, as part of various sector forums we are in continuously close dialogue on the development of the AEC sector with analysts and key customers.

Marketing and distribution risks

The varying sales models of the group are based on the approach of technically reliable sales partners and highly qualified employees with specialist knowledge. These contribute to the optimal processing of the customer segments, and to ensuring high customer satisfaction and guarantee sustainability of the earnings situation. We administer the various markets as part of differing sales and business models. As a result of the partially high complexity of the products, marketing them is very demanding. Knowledge of the technologies and products is subject to constant change due to fast technical progress.

The loss of sales partners or of parts of sales personnel could negatively impact the earnings situation of the group. The group companies meet this risk through careful selection and training, as well as management, of the sales partners and personnel through incentive and performance systems. The sales employees are also paid performance-related variable premiums and provisions in addition to their fixed remuneration.

Sales partners are carefully selected and controlled

Product risks

There is a basic risk that the innovative advantage achieved by the Nemetschek Group might be lost through innovations from competitors as well as through failure to acknowledge and adapt, at all or in time, to changing customer requirements and technological innovation. Nemetschek counters this risk by generally offering annual release cycles for its software products. Here is an opportunity to win additional market shares, thanks to the extensive product range tailored to local customer requirements.

For most of the software programs there are new releases annually

There are potential internal risks attached to the process of developing software products in that they might fail to sufficiently fulfill customers' needs and internal quality standards. However, as a result of its closeness to customers and its innovative products, Nemetschek has good opportunities for future profitable growth. Even the continued promotion of internationalism in emerging countries such as Brazil, offers growth potential.

The technology of third-parties is partly included in the software production of the group companies. Where this is lost or there is a lack of quality in technology, this can lead to delays in own software supply, as well as to increased expenses for the procurement of replacement technology or for quality improvement. The group companies account for this risk through careful selection of suppliers and adequate quality assurance.

Project risks

To a limited extent Nemetschek generates revenues as part of project contracts with customers in various countries. This type of business has a different risk profile from a traditional software license business since, in order to provide the services, we have to partially use staff with key knowledge and external personnel, and we are reliant on the support of the customers for project realization and on an exact documentation for provision of the service (systems specification).

It is possible that, due to inadequate service provision, compensation for damages could be claimed from our company. For example, as a consequence of country-specific varying legal requirements contractual claims may only be met to a limited extent. To avoid such risks we have issued guidelines on the awarding of contracts, which require a legal and commercial examination of such projects.

Technology risks / IT security

The risk exists that technology used is no longer "state of the art". The product portfolio strategy followed for cloud applications and web services is to help the group to develop new markets and to secure market position.

Should the expected market demand for cloud applications and web services be weaker, or should other web technologies prevail, the situation could arise in which income does not cover the investments made.

The group bears this risk by constantly evaluating technology and by regularly updating market estimates, as well as focusing the product portfolio strategy on current market conditions. Overall, Nemetschek is convinced that new business opportunities will arise from the trend to cloud computing.

Processes

The core processes of software development, marketing and organization in the Nemetschek Group are subject to continuous checks and improvements by management. The performance and goal orientation of these processes is assessed and optimized during strategic and operational planning. Nevertheless, the fundamental risks still exist that, due to inadequate availability of resources or changed underlying conditions, the required and planned process results might not meet customer requirements in terms of timing and content, and therefore might lead to loss of capital.

Employees

In order to commit employees, the group offers attractive working conditions

Recruiting and retaining highly qualified employees is a key success factor for the Nemetschek Group. If managers or other qualified employees leave the Nemetschek Group and suitable replacements are not found, this may adversely affect business development. This issue is particularly sensitive if it also means losing knowledge and specific company data. To prevent this risk, the Nemetschek Group offers attractive labor conditions and is continually improving knowledge management processes.

Compliance and governance risks

The regulatory environment of Nemetschek Aktiengesellschaft listed in the German Prime Standard is continuously intensified, the concentration of regulations increases constantly. Any potential infringement of the existing regulations can have a negative effect on the net assets, financial situation and results of operations, the share price and the reputation of the company.

In the software sector developments are increasingly protected by patents. The patent activities mainly relate to the American market, whereby protection of software by patents is also steadily increasing in other markets. The infringement of patents can have a negative effect on the net assets, financial situation and results of operations, the share price and the reputation of the company. The Nemetschek Group performs regular monitoring of patent activities of competitors.

Customers of the Nemetschek Group are, to a limited extent, governments or publicly owned companies and the business activities in the Engineering division partially consist of large volume contracts. The prevalence of corruption or also only appropriate accusations can impede participation in public tendering and have negative effects on further economic activity, net assets, financial situation and results of operations, the share price and reputation. Against this background Nemetschek has, together with the implementation of the Code of Conduct for all employees, issued an anti-corruption program.

The Nemetschek Group has branches in 17 countries and is subject to the local tax laws and rules. Changes to these regulations could lead to a high tax expense and to cash outflows related to this. Furthermore, changes would have an impact on the deferred tax assets and liabilities set up. However, it is also possible that changes in tax regulations have a positive effect on the earnings of the company. The Nemetschek Group has no influence on changes to the tax environment.

Finances

Where there are high financial liabilities there is basically a liquidity risk where the earnings situation of the group worsens. At present, the Nemetschek Group still only has low debt and generates a significantly positive cash flow, which is used to reduce liabilities and opens up opportunities for additional acquisitions. The availability of decentralized funds is ensured by Nemetschek Aktiengesellschaft using a centralized cash pooling system. The objective of the group with regard to financial risk management is to mitigate the risks presented below by the methods described. The group generally pursues a conservative, risk-averse strategy.

Currency risk and risk management

In the course of ordinary operations, the Nemetschek Group is particularly exposed to exchange rate fluctuations. The group's strategy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group occur due to the fact that the group operates and has production sites and sales establishments in different countries worldwide. All hedging activities are coordinated and agreed with group treasury. Exchange rate fluctuations only have a limited effect at the top group level because the operating subsidiaries outside of the Euro area record revenue as well as cost of materials, personnel expenses and other expenses in their local currencies. As required, the group companies enter into various types of foreign exchange contracts where appropriate to manage its foreign exchange risk resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign curren-cies. On the balance sheet date, there are no pending forward exchange contracts in the group.

Default risk and risk management

Risk of default, namely the risk of contractual parties defaulting, is managed by means of credit approvals, limits, monitoring procedures and regular debt reminder cycles. Where appropriate, the company obtains additional collateral in the form of rights to securities or arranges global netting agreements.

The company does not expect that any of its business partners deemed highly creditworthy will fail to meet their obligations. The Nemetschek Group has no significant concentration of credit risks with any single customer or specific customer group. From today's perspective, the maximum credit risk can be calculated from the amounts shown in the balance sheet.

The group trades only with recognized, creditworthy third parties. All customers that wish to trade on credit terms with the group are subject to credit verification procedures if materiality criteria are exceeded. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. If risks of default are identified, appropriate accounting precautions will be taken.

For transactions that do not occur in the country of the relevant operating unit, the group does not offer credit terms without the prior approval of the head of credit control. Within the group there is no material concentration of default risks from today's perspective. With respect to the other financial assets of the group, which comprise cash and cash equivalents, the group's maximum exposure to credit risk arising from default of the counter-party is equal to the carrying amount of these instruments.

Credit risk and risk management

For bank loans, there are contractual agreements with defined key figures ("covenants") as a result of the credit facility arranged for the Graphisoft acquisition. The following covenants have been agreed: gearing ratio, interest coverage ratio, and equity ratio. A breach of these covenants could cause the remaining loan liabilities to become due directly. Consequently, the group monitors compliance with these covenants. As in the previous year all covenant amounts were complied with.

Interest risk and risk management

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates. On the one hand, the group manages the interest rate risk using the interest coverage ratio. The interest coverage ratio is the relationship of EBITDA to net interest expense. On the other hand, the group's interest expenses are managed by interest rate hedges for securing interest expenses on debt capital. As in the previous year, based on an existing interest hedge as at the balance sheet date, 100 % of the interest expenses on debt capital taken up is covered. The group is following a risk-averse strategy.

Summary assessment of the group's opportunity and risk situation

In summary, the management of Nemetschek is convinced that none of the main risks identified above, neither individually nor as a whole, threaten the existence of the company, and that the group will continue to successfully master challenges now and in the future. Its chances of expanding market position as the leading supplier of integrated software solutions for the whole life cycle of buildings, result from stronger internationalization, as well as in the systematic exploitation of the potential within existing markets, supported by the consistent implementation of new technologies.

Supplementary Report

There were no significant events after the end of the fiscal year. With regard to the underlying conditions described, there were no further changes worthy of note after the end of the fiscal year.

Note on forecasts

This management report contains statements and information about transactions and processes that are in the future. These forward-looking statements are identified from formulations such as "expect", "intend", "plan", "evaluate" or similar terms. Such forward-looking statements are based on our expectations today and certain assumptions. They therefore involve a number of risks and uncertainties. Numerous factors, many of which are outside the Nemetschek Group's sphere of influence, affect the Nemetschek Group's business activity, success, business strategy, and results. These factors may mean that the actual results, success, and performance of the Nemetschek Group may significantly deviate from the information on results, success, or performance explicitly or implicitly mentioned in these forward-looking statements.

Outlook Report 2012/2013

UNCERTAIN ECONOMIC PROSPECTS

In the second half of 2011 the economic prospects slowed down in all economic regions of the world. Above all, in Europe the growing uncertainty of refinancing requirements for economies such as Greece, Portugal, Italy and the downgrading of best debtors to date such as France have clearly depressed the mood and the expectations for 2012. In January 2012 the International Monetary Fund (IMF) forecast a negative growth of –0.5 % for the Euro zone. Still, individual countries are expected to achieve slight growth, including Germany with an expected increase in Gross Domestic Product (GDP) of 0.3 %. On the other hand, the IMF expects that countries like Italy and economies in the peripheral regions of Europe will slide further into recession.

Forecasts for the US economy look better: Here the IMF expects slight growth amounting to 1.8 %. The Japanese economy is also expected to rise in 2012: At 1.7 %, although the increase in GDP would be lower than in the previous year, it should be driven again by the necessary reconstruction after the devastating earthquake in March 2011.

Significant growth is expected by the experts of the IMF only in some emerging countries: Thus, for Brazil an increase in Gross Domestic Product of 3 % has been forecast, whereas for China it is even 8 %.

DIFFERING FORECASTS FOR THE CONSTRUCTION INDUSTRY

Euroconstruct expects stable investments in the construction area

The forecasts for the European construction industry are, against this background, reserved. In November 2011 the research association EuroConstruct withdrew its forecasts for the year 2012. In early summer 2011 it expected growth of 2.2 % in 2012 and now only forecasts a marginal increase in overall investments in the European construction sector of 0.2 %. Accordingly, these will not increase to 2.2 % again until 2013.

On closer observation however, there is a more differentiated picture: according to this, the experts of EuroConstruct are confident that the countries of the DACH region (Germany, Austria and Switzerland) and Scandinavia will grow substantially. For Germany it has forecast an increase in construction services amounting to 2.4 %, for France an increase of 1.7 %.

The construction industry in Germany remains on a growth course

In the German construction industry the business climate index rose again at the beginning of 2012: Although the companies participating in the IFO economic test were less satisfied with their current business situation than in December, they still expected a noticeable rise in business for the immediate future. Architects and engineers also became more positive again than in December according to the IFO survey and wish to expand their employee bases.

In the USA, meanwhile, no recovery is in sight even in 2012 for the construction sector. Weak consumer confidence, high unemployment and the loss in value of properties held is depressing the mood. Additionally, the Senate and Congress resolved a cost savings plan in August 2011, which affects the infrastructure investments for the next ten years. On the contrary, for 2012 in Japan the climb in real construction is forecast at 2.2 %, above all driven by private residential property construction which is even supposed to rise by 5.1 % in the current fiscal year.

The emerging countries in Asia and Latin America promise significantly higher growth rates in the construction sector: for 2012, industry experts expect an average growth in construction volume of over 8 % in Brazil and in China this is even expected to reach around 10 % in 2012.

CAREFUL OPTIMISM IN THE BUSINESS SEGMENTS

Opportunities also exist in the further internationalization of the subsidiaries

Assuming mainly stable underlying conditions the product companies expect a clear growth in revenues again for 2012 and 2013 in the Design business segment – thanks to its strong presence in the DACH region, but also driven by further internationalization, above all in the new markets. In the Build segment, Nemetschek should benefit from the positive situation of the construction industry in the German-speaking countries and grow slightly in 2012. However, this segment, which is strongly dependent on project business, is particularly vulnerable if economic uncertainty increases. In the Manage segment, management also expects improved business development. The marketing offensive initiated in 2011 is expected to show its success in 2012. The Multimedia area is expected to continue to benefit from the trend for visualization in 3D, as well as its stronger presence in Asia and, thus, also should be a growth engine for Nemetschek in the current fiscal year.

FOCUS ON INNOVATION AND INTERNATIONALISATION

At the end of 2012 the first version of a new generation of building software will come onto the market

In 2012 and 2013, investments in research and development will remain at a high level. The product companies of Nemetschek will only be able to generate profitable growth in the future with constant product and process innovations. Additionally, there are investments in the BIM ability of software programs and their internet connectivity. The Build business segment will, furthermore, present the first version of a completely new generation of software for project processing at the end of 2012.

In order to achieve sustainable double digit growth, the group has to continue to develop its internationalization beyond Europe. The attention of Nemetschek's top management will be focused on this over the next few years. The first steps were already taken in this direction in 2011 with the opening of a Brazilian branch. Nemetschek do Brasil markets the products of the Engineering Group – Allplan Ingenieurbau, Allplan Precast, Scia Engineer and Scia Steel – and also offers them as a package where possible. This approach is very promising and could act as a benchmark in further emerging countries. The large suppliers of CAD programs Graphisoft and Vectorworks are also intensifying their international presence and are using systematic key-account management and direct sales structures for large customers more often. Thus, Graphisoft is addressing the Chinese market from Hong Kong and is concentrating there above all on the large construction projects.

Furthermore, Nemetschek continues to expand its network of partnerships. This applies to both joint BIM platforms and to the further internationalization or connectivity of special software solutions. In this context acquisitions are conceivable, as well as the formation of joint ventures.

FURTHER INCREASES IN REVENUES PLANNED

Although economic uncertainties remain, the Nemetschek Group sees sales growth of about EUR 180 million as achievable. From experience, although the market for AEC software depends on the development of the construction industry, thanks to the efficiency gains as a consequence of the use of the software, however, it is growing as a rule even faster.

Cost discipline is traditionally high in the group. However, the large subsidiaries are planning investments in product innovations and the continued expansion of their market presence which will entail a moderate increase in personnel. Furthermore, Nemetschek holding is planning various initiatives to intensify cooperation within the group by way of a joint infrastructure and better coordination of processes in order to set the course for continued growth. Against this background the managing board expects an EBITDA margin to be achieved in 2012 similar to that of the previous year.

Currently, the company is also expecting a similar increase in sales and margin development in 2013 to the extent that the underlying conditions do not deteriorate significantly.

Munich, March 2, 2012

Tim Alexander Lüdke
Chief Executive Officer

Client: Leonardi, Brazil
Project: Airport parking deck, São Paulo/Brazil

"We like working with the Nemetschek software because we are able to simulate our designs with Scia Engineer in 3D before construction starts, and the Precast solution offers everything – from design and costing through to logistics."

Carlos Alberto Gennari, Managing director Leonardi

SUCCESS WITH PRECAST CONCRETE PARTS

Precast concrete manufacturer Leonardi in São Paulo, founded in 1989 and currently employing 350 people, constructs practically any buildings in which precast concrete parts can be used – from warehouses, shopping malls, industry parks to car parks. The company tripled its production capacity with the opening of a new production site in Atibaia, Brazil in 2010. There, the Brazilian company produces the honeycombed precast concrete slabs that are one of their particular specialisms. In 2011, Leonardi's revenue grew 20 percent to around 33 million euros; for 2012, the company again expects two-figure growth.

PARKING IN A BEEHIVE

With passenger numbers growing 20 percent year on year, São Paulo Airport wanted to provide sufficient parking spaces with a new 45,000 m² car park. Just 45 days were planned for the honeycombed precast concrete slabs. The feat was achieved: all parts arrived precast and on time, and the building was completed on schedule.

Leonardi, Brasilia

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated Financial Statements for the Fiscal Year 2011

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31, 2011 and 2010

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2011	2010	[Notes]
Revenues	**164,011**	**149,745**	[1]
Own work capitalized	1,109	1,242	[2]
Other operating income	3,176	2,898	[3]
Operating Income	**168,296**	**153,885**	
Cost of materials/cost of purchased services	– 7,981	– 8,113	[4]
Personnel expenses	– 70,647	– 64,322	[5]
Depreciation of property, plant and equipment and amortization of intangible assets	– 10,203	– 9,591	[6]
thereof amortization of intangible assets due to purchase price allocation	– 7,050	– 7,050	[6]
Other operating expenses	– 50,397	– 44,361	[7]
Operating expenses	**–139,228**	**–126,387**	
Operating results (EBIT)	**29,068**	**27,498**	
Interest income	617	279	[9]
Interest expenses	– 1,808	– 2,979	[9]
Income from associates	179	1,731	[8]
Earnings before taxes	**28,056**	**26,529**	
Income taxes	– 5,609	– 6,461	[10]
Net income for the year	**22,447**	**20,068**	
Other comprehensive income:			
Difference from currency translation	– 836	58	
Total comprehensive income for the year	**21,611**	**20,126**	
Net income for the year attributable to:			
Equity holders of the parent	20,805	18,945	
Minority interests	1,642	1,123	
Net income for the year	**22,447**	**20,068**	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	19,969	19,003	
Minority interests	1,642	1,123	
Total comprehensive income for the year	**21,611**	**20,126**	
Earnings per share (undiluted) in euros	2.16	1.97	[11]
Earnings per share (diluted) in euros	2.16	1.97	
Average number of shares outstanding (undiluted)	9,625,000	9,625,000	
Average number of shares outstanding (diluted)	9,625,000	9,625,000	

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

Consolidated Statement of Financial Position

as of December 31, 2011 and 2010

STATEMENT OF FINANCIAL POSITION

ASSETS Thousands of €	December 31, 2011	December 31, 2010	[Notes]
Current assets			
Cash and cash equivalents	33,501	30,634	[23]
Trade receivables, net	23,680	22,967	[13]
Inventories	667	607	[14]
Tax refunded claims for income taxes	1,363	2,381	[14]
Current financial assets	96	279	[14]
Other current assets	6,410	6,235	[14]
Current assets, total	**65,717**	**63,103**	
Non-current assets			
Property, plant and equipment	4,541	4,191	[12]
Intangible assets	36,226	42,687	[12]
Goodwill	52,728	52,271	[12]
Associates/investments	1,136	599	[12]
Deferred tax assets	1,214	1,237	[10]
Non-current financial assets	78	521	[14]
Other non-current assets	784	709	[14]
Non-current assets, total	**96,707**	**102,215**	
Total assets	**162,424**	**165,318**	

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

EQUITY AND LIABILITIES Thousands of €	December 31, 2011	December 31, 2010	[Notes]
Current liabilities			
Short-term loans and current portion of long-term loans	4,700	16,000	[19]
Trade payables	5,672	4,550	[19]
Provisions and accrued liabilities	14,157	12,240	[18]
Deferred revenue	19,220	17,555	[20]
Income tax liabilities	2,477	2,760	[19]
Other current liabilities	4,953	5,300	[19]
Current liabilities, total	**51,179**	**58,405**	
Non-current liabilities			
Long-term loans without current portion	0	3,500	[19]
Deferred tax liabilities	2,459	4,953	[10]
Pensions and related obligations	814	736	[18]
Non-current financial obligations	3,372	3,724	[21]
Other non-current liabilities	887	533	[19]
Non-current liabilities, total	**7,532**	**13,446**	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserve	41,360	41,420	[17]
Revenue reserve	52	52	[17]
Currency translation	– 4,582	– 3,746	[17]
Retained earnings	55,909	44,747	
Equity (Group shares)	**102,364**	**92,098**	
Minority interests	1,349	1,369	
Equity, total	**103,713**	**93,467**	
Total equity and liabilities	**162,424**	**165,318**	

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

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2011 and 2010

CASH FLOW STATEMENT

Thousands of €	2011	2010	[Notes]
Profit (before tax)	28,056	26,529	
Depreciation and amortization of fixed assets	10,203	9,591	
Change in pension provision	78	536	
Other non-cash transactions	– 451	– 379	
Income from associates	– 179	– 1,731	
Losses from disposals of fixed assets	333	154	
Cash flow for the period	**38,040**	**34,700**	[23]
Interest income	– 617	– 279	
Interest expenses	1,808	2,979	
Change in other provisions and accrued liabilities	1,917	2,869	
Change in trade receivables	– 614	– 1,213	
Change in other assets	6,619	4,128	
Change in trade payables	1,122	– 457	
Change in other liabilities	– 5,874	– 6,433	
Cash received from distributions of associates	156	146	
Interest received	207	166	
Income taxes received	984	881	
Income taxes paid	– 6,652	– 5,218	
Cash flow from operating activities	**37,096**	**32,269**	[23]
Capital expenditure	– 5,071	– 5,526	
Cash paid for granted loans	– 500	0	
Cash received from disposal of shares in associates	0	1,646	
Cash received from the disposal of fixed assets	108	104	
Cash paid for founding subsidiaries	– 103	0	
Cash flow from investing activities	**–5,566**	**–3,776**	[23]
Dividend payments	– 9,625	– 4,813	
Minority interests paid	– 1,667	– 1,171	
Cash paid for additional shares purchased from intercompanies	– 73	– 370	
Repayments of borrowings	– 14,800	– 12,787	
Interest paid	– 1,797	– 2,210	
Cash flow from financing activities	**–27,962**	**–21,351**	[23]
Changes in cash and cash equivalents	**3,568**	**7,142**	
Effect of exchange rate differences on cash and cash equivalents	**–701**	**631**	
Cash and cash equivalents at the beginning of the period	**30,634**	**22,861**	
Cash and cash equivalents at the end of the period	**33,501**	**30,634**	[23]

The accompanying notes to this cash flow statement form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31, 2011 and 2010

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the parent company's shareholders							
Thousands of €	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Retained earnings	**Total**	Minority interests	**Total equity**
As of January 1, 2010	**9,625**	**41,611**	**52**	**−3,804**	**30,643**	**78,127**	**1,458**	**79,585**
Difference from currency translation				58		58		58
Net income for the year					18,945	18,945	1,123	20,068
Total comprehensive income for the year	**0**	**0**	**0**	**58**	**18,945**	**19,003**	**1,123**	**20,126**
Share purchase from minorities		− 191				− 191	− 69	− 260
Dividend payments minorities					− 28	− 28	− 1,143	− 1,171
Dividend payment					− 4,813	− 4,813		− 4,813
As of December 31, 2010	**9,625**	**41,420**	**52**	**−3,746**	**44,747**	**92,098**	**1,369**	**93,467**
As of January 1, 2011	**9,625**	**41,420**	**52**	**−3,746**	**44,747**	**92,098**	**1,369**	**93,467**
Difference from currency translation				− 836		− 836		− 836
Net income for the year					20,805	20,805	1,642	22,447
Total comprehensive income for the year	**0**	**0**	**0**	**−836**	**20,805**	**19,969**	**1,642**	**21,611**
Share purchase from minorities		− 60				− 60	− 13	− 73
Dividend payments minorities					− 18	− 18	− 1,649	− 1,667
Dividend payment					− 9,625	− 9,625		− 9,625
As of December 31, 2011	**9,625**	**41,360**	**52**	**−4,582**	**55,909**	**102,364**	**1,349**	**103,713**

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

Notes to the Consolidated Financial Statements for the Fiscal Year 2011

The Company

The Nemetschek Group is Europe's leading vendor of software for architecture and construction. The companies under the umbrella of Nemetschek Aktiengesellschaft provide end-to-end solutions for architects, structural designers, civil and specialist engineers – ranging all the way to construction software for cost and schedule planning, tenders, awarding of contracts, invoicing and execution of building work. There are also solutions for technical facility management and commercial property management as well as visualization software for architecture, film, animation and advertising.

From CAD (Computer-Aided Design) to ERP (Enterprise Resource Planning): the graphical, analytical and commercial solutions from the group cover a substantial portion of the entire value chain in construction – from the planning and visualization of a building and the construction process itself, through to building management. With its ten product brands, the group offers a broad range of software solutions for a heterogeneous market. The software solutions which are partially closely linked facilitate the interdisciplinary cooperation of the participants in the building process and thus enable the process to work more efficiently. Worldwide, more than 300,000 customers work with software solutions from the group.

Nemetschek Aktiengesellschaft, as ultimate Group company, was founded by the conversion of Nemetschek GmbH on September 10, 1997 and has been quoted on the stock exchange in Frankfurt since March 10, 1999 and in the "Prime Standard" segment since January 1, 2003. The registered office of Nemetschek Aktiengesellschaft is at 81829 Munich, Germany, Konrad-Zuse-Platz 1. The annual report 2011 can be obtained there, or can be downloaded from the internet at www.nemetschek.com.

Information on the "German Corporate Governance Code"

The declaration of conformity was submitted on March 24, 2011. The relevant current version is available to the shareholders on the website of Nemetschek Aktiengesellschaft (www.nemetschek.com).

General Information

The currency used in the consolidated financial statements is EUR. Information is shown in the consolidated financial statements in EUR k (€ k) unless otherwise specified.

The consolidated financial statements of Nemetschek Aktiengesellschaft, including prior year comparatives, have been prepared in accordance with the International Financial Reporting Standards (IFRS), as required to be applied in the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as well as of the Standing Interpretations Committee (SIC). All compulsory standards and interpretations have been observed. Furthermore, in addition to disclosure requirements in accordance with IFRS, all information and explanations applicable under § 315a (1) HGB, which are required additionally under German Commercial Law where consolidated financial statements are prepared under IFRS, are also disclosed.

The consolidated statement of financial position and consolidated statement of comprehensive income have been prepared in accordance with IAS 1 (revised 2007) "Presentation of Financial Statements". The statement of comprehensive income has been prepared using the nature of expense method as well as according to the definition of the "one statement approach". The statement of financial position has been classified by applying the current/non-current distinction.

Accounting policies adopted

Accounting policies adopted in the fiscal year 2011 are consistent with those policies adopted in the previous year. Compared to the consolidated financial statements for the year ending December 31, 2010, the following standards and interpretations have changed or were applied for the first time as a result of being adopted by EU law or because they became mandatory for the first time:

IAS 24 (REVISED), "RELATED PARTY DISCLOSURES"

The revised version of IAS 24 replaces IAS 24 (2003) and was published in November 2009 by IASB and adopted into EU law on July 19, 2010. The revised standard is effective for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. With the amendment of IAS 24, the definition of related parties has, in particular, been revised. A further focus of the revision was also on the introduction of a simplification rule for entities controlled, jointly managed or significantly influenced by government (so-called government-related entities). The simplification rule, which only requires certain minimum disclosures, covers disclosures regarding transactions of the reporting entity itself with government, as well as disclosures relating to transactions with other government-related entities. The Nemetschek Group has been applying the new rules from January 1, 2011. The changes are relevant to the Nemetschek Group.

IFRIC 14, "IAS 19 – PREPAYMENTS AS PART OF MINIMUM FUNDING REQUIREMENTS"

The amendment of the interpretation IFRIC 14 was published by the IASB in November 2009 and adopted into EU law on July 19, 2010. It is of relevance when a pension plan includes a minimum funding requirement and the entity makes prepaid contributions towards this. In comparison with existing provisions, the economic benefit of prepayments by the entity, which reduce future contributions due to the minimum funding requirement, is recognized as an asset. Where there is a minimum funding obligation that relates to the contributions for future services, the interpretation now envisages recognition of an asset resulting from the sum of two amounts. These are, on the one hand, the voluntary prepayment, which reduces the minimum funding requirement and additionally, on the other hand, the estimated future service cost that should be accounted for. The estimated amounts based on the minimum funding requirement (excluding the prepaid contribution) must be deducted here. The Interpretation is effective for fiscal years beginning on or after January 1,2011. These amendments must be applied from the beginning of the earliest comparable period in the first financial statements to which this interpretation applies. Adjustments resulting from the application of these amendments must be included in retained earnings brought forward in the opening balance sheet of this comparable period. The regulations are relevant to the Nemetschek Group.

IMPROVEMENTS TO IFRS 2010

As part of its annual improvement project, in May 2010, the IASB published changes to existing IFRS. These include both amendments to various IFRS affecting recognition, measurement and the disclosure of business transactions, as well as terminology or editorial corrections. These are applicable to fiscal years which begin on or after July 1, 2010. Earlier application is permitted. The EU-commission adopted the changes into European Law on February 18, 2011. The application of these amendments has no material effect on the consolidated financial statements of Nemetschek Aktiengesellschaft.

Future changes in accounting policies

PROSPECTIVE IFRS CHANGES 2011 / 2012

The following IFRS were issued at the balance sheet date by the IASB or IFRIC but are not mandatorily applicable until later reporting periods or have not yet been adopted into EU law. The Nemetschek Group has decided not to exercise the possible option of early application of standards and interpretations which are not mandatorily applicable until later reporting periods.

IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS"

In June 2010 the IASB published an amendment to IAS 1 "Presentation of Financial Statements". The amendment is applicable for fiscal years beginning after July 1, 2011 and was not adopted by the EU. Through the amendment there is an allocation of the item of other results into amounts that are classified to the statement of profit and loss and amounts that are not classified to the statement of profit and loss. The Nemetschek Group expects corresponding effects on the disclosure of other results from this change.

IAS 12 "INCOME TAXES"

In December 2010 the IASB issued an amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets". The amendment is applicable for fiscal years beginning after January 1, 2012 and has not yet been adopted by the EU. According to IAS 12 the measurement of deferred taxes depends on whether or not the temporary difference reverses through use or sale. In those cases where measurement is at the fair value in accordance with IAS 40 Investment Property, a presumption is made that recovery of the carrying amount will be through sale. Nemetschek Group does not expect any effects from this change.

IAS 19 "EMPLOYEE BENEFITS"

In June 2010 the IASB published a revision of IAS 19 "Employee Benefits". The amendment is applicable for fiscal years beginning after January 1, 2013 and has not yet been adopted by the EU. As a result of the amendment the corridor method will be abolished and, thus, actuarial gains and losses are to be recorded in full in other comprehensive income. The calculation of financing expenses is, additionally, to be made on a net basis, i.e. the interest expense and the expected income from plan assets are to be determined net accounting for the interest rate underlying the defined benefit obligation. The Nemetschek Group already accounted for these effects in the fiscal year 2011.

IFRS 1 "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS"

In December 2010 the IASB approved the amendment of IFRS 1 "First-time Adoption of International Financial Reporting Standards". The amendment is applicable for fiscal years beginning after July 1, 2011 and has not yet been adopted by the EU. Through the amendments the reference to the fixed transition date "1 January 2004" was replaced with "date of transition to IFRS" as well as application guidance for the presentation of financial statements conforming to IFRS in case that an entity cannot comply with the IFRS requirements for a period due to hyperinflation of its functional currency. Nemetschek Group does not expect any effects from this change.

IFRS 7 "FINANCIAL INSTRUMENTS"

In October 2010 IASB published an amendment to IFRS 7 "Financial Instruments: Disclosures". The amendment is applicable for fiscal years beginning after July 1, 2011 and has not yet been adopted by the EU. The amendments comprise disclosure requirements, which are to be provided in connection with a transfer of financial assets. A transfer of assets occurs, for example, where trade accounts receivable are sold (factoring) or where there are so-called "asset-backed securities" (ABS) transactions. Nemetschek Group does not expect any effects from this change.

IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 was published in November 2009. This standard is the first step to replacing the standard IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 fundamentally changes the requirements to date on the classification and measurement of financial assets and is expected to have an effect on the accounting for financial assets within the group. The standard is not applicable until fiscal years beginning on or after January 1, 2013, however earlier application is permitted. The standard has not yet, however, been adopted into EU law (endorsement). The Nemetschek Group is currently analyzing the effects on the consolidated financial statements.

IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS", IFRS 11 "JOINT ARRANGEMENTS", IFRS 12 "DISCLOSURE OF INTERESTS IN OTHER ENTITIES", IAS 27 "SEPARATE FINANCIAL STATEMENTS", IAS 28 "INVESTMENTS IN ASSOCIATES AND JOINT VENTURES"

In May 2011, a package of five standards was issued by the IASB which dealt with consolidation (IFRS 10), joint arrangements (IFRS 11), disclosures of interests in other entities (IFRS 12), separate financial statements (IAS 27 (2011)) and investments in associates and joint ventures (IAS 28 (2011)). The amendments are applicable for fiscal years beginning on or after January 1, 2013 and have not yet been adopted by the EU.

The major requirements of the new standards are as follows:

- IFRS 10 "Consolidated Financial Statements" includes the introduction of a uniform consolidation model for all entities, which is based on the control of the subsidiary by the parent company. The concept of control is to be applied both to the parent-subsidiary relationships, which are based on voting rights, as well as to parent-subsidiary relationships, which result from other contractual agreements. The definition of the controlling principle as a basis for the consolidation is supported by comprehensive application guidelines which show various possibilities as to how a reporting entity (investor) can control another entity (investee).
- IFRS 11 "Joint Arrangements" deals with the classification of "joint arrangements". A joint arrangement is defined as a contractual agreement under which two or more parties have joint control of something. Joint control can extend to a joint operation or a joint venture. The classification of a joint arrangement as a joint operation or as a joint venture depends on the rights and obligations that are attributed to the parties of the arrangement. Inclusion in the consolidated financial statements is in accordance with the equity method.
- IFRS 12 "Disclosure of Interests in Other Entities" relates to the necessary disclosures in the notes for entities which hold interests in subsidiaries, joint arrangements (joint operations or joint ventures), associates and/or non-consolidated structured units.
- IAS 27 (2011) "Separate Financial Statements" only includes, after the amendment, the unchanged rules for IFRS separate financial statements; IAS 28 (2011) "Investments in Associates and Joint Ventures" was aligned to the new standards IFRS 10, 11 and 12.

The Nemetschek Group expects the five standards to be applied for the first time in the consolidated financial statements for the fiscal year beginning on January 1, 2013. The effects are currently being analyzed.

IFRS 13 "FAIR VALUE MEASUREMENT"

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement". The standard is applicable for fiscal years beginning on or after January 1, 2013 and has not yet been adopted by the EU. IFRS 13 contains uniform guidelines regarding fair value measurements as well as the related disclosures for monetary and non-monetary items. The Nemetschek Group expects IFRS 13 to be applied for the first time in the consolidated financial statements for the fiscal year beginning on January 1, 2013. Application of this standard could influence values in the consolidated financial statements and thus lead to extensive disclosures. The effects are currently being analyzed.

IMPROVEMENTS TO IFRS 2011

As part of its annual improvements project, in June 2011 the IASB issued an exposure draft on changes to existing IFRS. These include both amendments to various IFRS affecting recognition, measurement and the disclosure of business transactions, as well as terminology or editorial corrections. The deadline for comments expired on October 21, 2011 and the comments are currently being evaluated. It cannot be presently estimated when a final publication can be expected. The Nemetschek Group is currently checking the potential effects of implementation of the changes on the consolidated financial statements.

Companies consolidated and basis of consolidation

SUBSIDIARIES

In addition to Nemetschek Aktiengesellschaft, Munich, the consolidated financial statements comprise all domestic and foreign subsidiaries. Subsidiaries are consolidated in full from the date of acquisition, i.e. the date on which control is transferred to the group. Consolidation ends when the parent ceases to have control.

Control exists if the group is able to govern the financial and operating policies of an entity so as to gain benefits for the group from its activities. Control is assumed if the group owns, either directly or indirectly, more than half of the voting rights of an entity.

Minority interests represent the portion of net income/loss and net assets not attributable to the group. Minority interests are disclosed separately in the consolidated statement of comprehensive income and in the consolidated statement of financial position. In the consolidated statement of financial position, minority interests are disclosed in equity, separately from the equity attributable to owners of the parent company.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses from inter-company transactions are eliminated in full.

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

SHARES IN ASSOCIATES

Investments in associates are generally accounted for using the equity method. Nemetschek Aktiengesellschaft defines associates (generally investments of between 20 % and 50 % of capital) as entities subject to significant influence that are neither subsidiaries nor joint ventures. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The income statement includes the group's share of the results of operations of the associate.

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

ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Name, registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2011	**pro rata**
DocuWare Aktiengesellschaft, Germering	22.41	4,575	1,025

ADDITIONAL DISCLOSURES ON DOCUWARE AG

	Dec. 31, 2011	**pro rata**	Dec. 31, 2010	pro rata
Assets	9,931	2,226	9,434	2,114
Liabilities	5,356	1,200	5,752	1,289
Total assets	9,931	2,226	9,434	2,114
Revenue	11,725	2,628	10,228	2,292
Net income for the year	799	179	1,060	238

FINANCIAL ASSETS

Name, registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2011	**Net income/loss for the year 2011**
Sidoun International GmbH, Freiburg i. Breisgau *)	16.27	– 25	– 388
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	1,391	287
rivera GmbH, Karlsruhe via Nemetschek Bausoftware GmbH	20.00	1	15

*) Fiscal year ends on June 30, 2011

The assumption that significant influence is exercised on the financial assets in which voting rights of 20 % and more are held, does not hold true for either NEMETSCHEK EOOD, Sofia, Bulgaria, or for rivera GmbH, Karlsruhe, since influence is neither exercised on management nor in the form of a governing body. Similarly, there are neither material business relationships, nor is influence exercised, beyond the mere capital investment. The financial assets constitute mere capital investments.

AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ARE

(the companies listed are fully consolidated in the group financial statements of Nemetschek Aktiengesellschaft):

AFFILIATED COMPANIES

Name, registered office of the entity	Shareholding in %
Nemetschek Aktiengesellschaft, Munich	
Direct equity investments	
Design segment	
Nemetschek Deutschland GmbH, Munich *)	100.00
NEMETSCHEK Allplan GmbH, Munich *)	100.00
NEMETSCHEK Vectorworks Inc., Columbia, Maryland, USA	100.00
NEMETSCHEK FRANCE SARL, Asnières, France	100.00
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	93.33
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00
NEMETSCHEK s.r.o., Prague, Czech Republic	100.00
NEMETSCHEK OOO, Moskau, Russia	100.00
NEMETSCHEK DO BRASIL SOFTWARE LTDA, São Paulo, Brazil	99.90
Friedrich + Lochner GmbH, Stuttgart *)	100.00
SCIA International NV, Herk-de-Stad, Belgium	100.00
Glaser isb cad Programmsysteme GmbH, Wennigsen	70.00
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	100.00
DACODA GmbH, Rottenburg	51.00
Build segment	
Nemetschek Bausoftware GmbH, Achim	98.50
AUER – Die Bausoftware GmbH, Mondsee, Austria	49.90
Manage segment	
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	100.00
Nemetschek CREM Verwaltungs GmbH, Munich	100.00
Multimedia segment	
MAXON Computer GmbH, Friedrichsdorf	70.00
Other	
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00
Nemetschek Verwaltungs GmbH, Munich	100.00

CONTINUED

Name, registered office of the entity	Shareholding in %
Indirect equity investments	
Design segment	
NEMETSCHEK Ges.m.b.H., Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00
Nemetschek Engineering GmbH, Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia, via NEMETSCHEK Allplan GmbH	100.00
Via SCIA International NV, Herk-de-Stad, Belgium:	
SCIA Group NV, Herk-de-Stad, Belgium	100.00
SCIA W+B Software BV, Arnhem, Netherlands	100.00
SCIA Sarl, Roubaix, France	100.00
SCIA Cz s.r.o., Brno, Czech Republic	100.00
SCIA Sk s.r.o., Zilina, Slovakia	100.00
Online Projects nvba, Herk-de-Stad, Belgium	70.00
Via Graphisoft SE European Company Limited by Shares, Budapest, Hungary:	
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00
Graphisoft Deutschland GmbH, Munich	100.00
Graphisoft USA Inc., Newton, Massachusetts, USA	100.00
Graphisoft Japan KK, Tokyo, Japan	100.00
Graphisoft Spain SL, Madrid, Spain	100.00
Graphisoft UK Ltd., Surrey, UK	100.00
Graphisoft Hong Kong Ltd., Victoria, Hong Kong	100.00
Build segment	
AUER – Die Bausoftware GmbH, Mondsee, Österreich, via Nemetschek Austria Beteiligungen GmbH	50.10
Multimedia segment	
MAXON Computer Inc., Thousand Oaks, California, USA, via MAXON Computer GmbH	63.00
MAXON Computer Ltd., Bedford, UK via MAXON Computer GmbH	70.00

*) In fiscal year 2011, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:

- Option not to prepare notes to the financial statements so that the annual financial statements comprise a balance sheet and income statement
- Option not to prepare a management report
- Option not to publish the annual financial statements

Changes in consolidated companies in the fiscal year 2011

The group of companies consolidated is the same as of December 31, 2010 except for the following changes:

GRAPHISOFT HONG KONG LTD., VICTORIA, HONG KONG

On 5 September 2011 Graphisoft SE, Budapest, Hungary, purchased 100 % of the shares in an off-the-shelf company in Hong Kong. This was renamed Graphisoft Hong Kong Ltd., Victoria, Hong Kong. This purchase involved the payment of EUR 4 k. The company is included in the sub-consolidation of Graphisoft SE. Nemetschek Aktiengesellschaft still holds 100 % of the shares in Graphisoft SE.

NEMETSCHEK DO BRASIL SOFTWARE LTDA, SÃO PAULO, BRAZIL

On August 22, 2011 the foundation of NEMETSCHEK DO BRASIL SOFTWARE LTDA, São Paulo, Brazil was completed with the filing in the commercial register of the subscribed capital of EUR 99 k. Nemetschek Aktiengesellschaft holds 99.9 % of the company.

NEMETSCHEK FIDES & PARTNER AG, WALLISELLEN, SWITZERLAND

On June 15, 2011 Nemetschek Aktiengesellschaft purchased further 1.6 % of shares in Nemetschek Fides & Partner AG, Wallisellen, Switzerland. This purchase involved the payment of EUR 73 k. As of December 31, 2011 Nemetschek Aktiengesellschaft holds 93.3 % of the shares (previous year: 91.7 %).

SCIA MAPS SA, GURMELS, SWITZERLAND

In the fiscal year 2011 the non-operating company was liquidated. There were no material effects in the Group.

Changes in consolidated companies in the fiscal year 2010

GRAPHISOFT R&D ZRT., BUDAPEST, HUNGARY AND GRAPHISOFT SE, BUDAPEST

As of May 28, 2010 Graphisoft R&D zrt., Budapest, Hungary purchased all remaining capital shares still held externally for a purchase price of EUR 70 k. Accordingly, the indirect share of Nemetschek Aktiengesellschaft in Graphisoft R&D zrt. at September 30, 2010 amounted to 100 % (previous year: 85.8 %). As of October 1, 2010 Graphisoft SE European Company Limited by Shares, Budapest, Hungary, referred to below as Graphisoft SE, was merged with its 100 % subsidiary Graphisoft R&D zrt., Budapest, Hungary. Nemetschek Aktiengesellschaft still holds 100 % of the shares in the parent company Graphisoft SE, Budapest, Hungary.

NEMETSCHEK (UK) LTD., LONDON, GREAT BRITAIN

On May 11, 2010 the dormant NEMETSCHEK (UK) Ltd., London, Great Britain was removed from the English Register of Companies. Accordingly, the company was deconsolidated without any material effects.

NEMETSCHEK FIDES & PARTNER AG, WALLISELLEN, SWITZERLAND

On May 8, 2010 and on July 8, 2010 Nemetschek Aktiengesellschaft purchased further shares in Nemetschek Fides & Partner AG, Wallisellen, Switzerland. As of December 31, 2010 Nemetschek Aktiengesellschaft has held 91.7 % of the shares (previous year: 85.7 %). This purchase involved the payment of EUR 276 k.

DOCUWARE AG, GERMERING

As of April 30, 2010 Nemetschek Aktiengesellschaft sold 8 % of its shares held in DocuWare AG, Germering. The price for the shares disposed of amounted to EUR 1,646 k. DocuWare AG is included in the consolidated financial statements of Nemetschek Aktiengesellschaft as in the prior year "At Equity" – since May 1, 2010 at 22 % (previous year: 30 %).

MAXON COMPUTER LTD., BEDFORD, GREAT BRITAIN

As of April 19, 2010 MAXON Computer Ltd., Bedford, Great Britain purchased all the minority shares for a purchase price of EUR 24 k. After the capital increase was performed, as of December 31, 2010 MAXON Computer GmbH, Friedrichsdorf, holds 100 % of MAXON Computer Ltd. Nemetschek Aktiengesellschaft still held, unchanged from December 31, 2009, a total of 70 % of the shares in MAXON Computer GmbH. Accordingly, as of December 31, 2010 the indirect holding of Nemetschek Aktiengesellschaft in MAXON Computer Ltd. amounts to 70 % (previous year: 63 %).

Goodwill

Goodwill developed as follows:

GOODWILL DEVELOPMENT

Thousands of €	2011	2010
Amount carried forward as of January 1	52,271	51,958
Additions	316	0
Currency differences	141	313
Balance as of December 31	**52,728**	**52,271**

The increase amounting to EUR 316 k resulted from the fair value measurement of the Dacoda put option.

In accordance with IFRS 3 the impairment only approach is applied. There was no impairment of goodwill in the year under report.

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

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

GOODWILL ALLOCATION

Thousands of €	2011	2010
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	25,500	25,500
AUER – Die Bausoftware GmbH, Mondsee, Austria	6,486	6,486
Nemetschek Bausoftware GmbH, Achim	5,541	5,541
NEMETSCHEK Vectorworks Inc., Columbia, Maryland, USA	4,458	4,317
MAXON Computer GmbH, Friedrichsdorf	3,008	3,008
SCIA Group NV, Herk-de-Stad, Belgium	2,785	2,785
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	2,028	2,028
Friedrich + Lochner GmbH, Stuttgart	1,293	1,293
DACODA GmbH, Rottenburg	720	404
Glaser isb cad Programmsysteme GmbH, Wennigsen	697	697
Other	212	212
Total goodwill	**52,728**	**52,271**

The carrying amounts of the goodwill allocable to Graphisoft SE European Company Limited by Shares, Budapest, Hungary, AUER – Die Bausoftware, GmbH, Mondsee, Austria, Nemetschek Bausoftware GmbH, Achim, and NEMETSCHEK Vectorworks Inc., Columbia, Maryland, USA, are material compared to the total carrying amount of goodwill. The recoverable amount of the cash-generating unit of the respective group entity is based on a calculation of its value in use derived from the cash flow projections for a period of four years based on the financial planning approved by management. The discount rate underlying the cash flow forecasts ranges between 9.74 % to 14.61 % before tax (previous year: between 11.42 % and 13.81 %). After the detailed planning phase of 3 years, sustainable cash flows are stated as a perpetuity.

FUNDAMENTAL ASSUMPTIONS FOR SIGNIFICANT CASH-GENERATING UNITS

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

PLANNED REVENUE DEVELOPMENT / GROSS PROFIT MARGIN

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

DISCOUNT RATES

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

ASSUMPTIONS PERTAINING TO MARKET SHARE

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

INCREASE IN PERSONNEL EXPENSES

The cost of employee remuneration reflects industry developments.

CAPITAL EXPENDITURES

Capital expenditure is planned in the form of replacement investments at the amount of annual depreciation and amortization.

SENSITIVITY OF ASSUMPTIONS MADE

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

Significant discretionary decisions, estimates and assumptions when preparing the consolidated financial statements

In the process of preparing the consolidated financial statements, management has made discretionary decisions, estimates and assumptions that have an effect on the income, expenses, assets and liabilities recognized as at the balance sheet date as well as on the disclosure of contingent liabilities. The uncertainty relating to these assumptions and estimates could lead to results that may require material adjustment to the carrying amounts of the relevant assets and liabilities in the future. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

IMPAIRMENT OF NON-FINANCIAL ASSETS

The group assesses at each reporting date whether there are any indications that a non-financial asset may be impaired. Goodwill and other intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment at least once a year or whenever there is evidence that they might be impaired. Other non-financial assets are tested for impairment when there is evidence that their carrying amount might exceed the recoverable amount. Estimating a value in use requires management to make an estimate of the expected future cash flows from the assets or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

DEFERRED TAX ASSETS

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available in the future so that the loss carry forwards can actually be utilized. In determining the amount of deferred tax assets significant judgment is required of management to determine the timing and amount of future taxable income as well as of future tax planning strategies.

PENSIONS

The cost of defined benefit plans is determined using actuarial calculations. The actuarial calculation is based on assumptions concerning discount rates, mortality and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions are reviewed each balance sheet date.

DEVELOPMENT COSTS

Development costs are capitalized in accordance with the accounting policy presented in the notes. Initial recognition is based on the assumption by management that the technical and economic feasibility is demonstrated, which is generally the case when a product development project has reached a certain milestone with an existing project management model. In addition, management makes assumptions regarding the expected future cash flows from assets, discount rates to be applied and the expected period of future cash flows from the assets in order to assess the future economic benefits.

Currency translation

The group's consolidated financial statements are presented in Euros, which is the group's presentation currency. Each entity in the group determines its own functional currency. That is the currency of the primarily economic environment in which the company operates. Items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. Foreign exchange differences are recorded to profit or loss.

Currency translation differences on foreign currency borrowings represent the exception to this where these are accounted for as hedges to a net investment in a foreign operation. These are taken directly to equity until sale of the net investment and are not recognized in the income statement until their disposal. Deferred taxes attributable to exchange differences on those borrowings are also taken directly to equity.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

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

The following exchange rates are used for translation of currencies in countries outside the European Currency Union:

EXCHANGE RATES

Currency	Average exchange rate in 2011	Exchange rate as of December 31, 2011	Average exchange rate in 2010	Exchange rate as of December 31, 2010
EUR / USD	1.39	1.29	1.33	1.34
EUR / CHF	1.23	1.22	1.38	1.25
EUR / CZK	24.59	25.79	25.28	25.06
EUR / RUB	40.88	41.76	40.26	40.82
EUR / JPY	110.96	100.20	116.24	108.65
EUR / HUF	279.37	314.58	275.48	277.95
EUR / GBP	0.87	0.84	0.86	0.86
EUR / BRL	2.33	2.42	2.33	2.22

Accounting Policies

PROPERTY, PLANT AND EQUIPMENT

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

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

USEFUL LIFE OF TANGIBLE ASSETS

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

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

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

BORROWING COSTS

Borrowing costs are recognized as an expense when incurred. There is no capitalization of borrowing costs since the production of qualified assets is not financed externally.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the group’s interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

Where put options are agreed on purchase of minorities, the group applies the so-called “anticipated acquisition method”. Any resulting measurement changes in the purchase price liability are included in goodwill and do not impact income.

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

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

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

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

Impairment losses relating to goodwill cannot be reversed in future periods.

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

INTANGIBLE ASSETS

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

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

Intangible assets with an indefinite useful life and intangible assets not yet ready for use are tested for impairment at least once a year either individually or at the cash-generating unit level. Such intangible assets are not amortized systematically. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

Intangible assets not acquired in a business combination are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. At each balance sheet date a review is conducted to check whether the reasons for impairment still exist. The maximum amount for reversals of impairment losses is represented by acquisition costs less accumulated scheduled amortization.

Intangible assets are amortized using the straight-line method over their normal useful lives of between three and five years.

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

USEFUL LIFE OF INTANGIBLE ASSETS DUE TO PURCHASE PRICE ALLOCATION

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

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

RESEARCH AND DEVELOPMENT EXPENSES

Research costs are expensed in the period in which they are incurred. Development expenditure on an individual project is recognized as an intangible asset when the group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to manufacture, use or sell the intangible asset
- the ability to manufacture, use or sell the intangible asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to reliably measure the expenditure attributable to the intangible asset during its development

Following the initial recognition of the development expenditure, the cost model is applied. This requires that the asset be carried at cost less any accumulated amortization. Amortization is charged upon completion of the development phase as soon as the asset can be used. It is amortized over the period in which future benefits are expected (estimated 3-8 years). During the development phase the assets are tested for impairment once a year.

DEVELOPMENT SUBSIDIES

Development subsidies for basic research are recorded on the basis of hours worked. These are recognized as other operating income in the consolidated financial statements. Government grants are recognized at their fair value where there is adequate assurance that the grant will be received and all attaching conditions will be complied with. Special-purpose development subsidies are treated as deductions from acquisition costs.

INVENTORIES

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

PREPAID EXPENSES

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

TREASURY SHARES

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

CASH AND CASH EQUIVALENTS

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

COMPOSITION OF CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED CASH FLOW STATEMENT

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

GOODWILL

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

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

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives and intangible assets not yet ready for use are tested for impairment at least once a year, by December 31 at the latest, either individually or at the cash generating unit level either individually or at the cash generating unit level, as appropriate and when circumstances indicate that carrying value may be impaired. Testing is also carried out if circumstances indicate that a value may be impaired.

ASSOCIATES

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

FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

INITIAL RECOGNITION

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

Financial assets are recognized initially at fair value. In the case of financial investments, which are not classified at fair value through profit or loss, the directly attributable transaction costs that are attributable to the purchase of the asset are also accounted for.

Purchases or sales of financial assets that intend the delivery of assets within a time frame, established by regulation or convention in the marketplace (regular way purchases), are recognized at the trade date, i.e. the date that the group commits to purchase or sell the asset.

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

LOANS AND RECEIVABLES

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

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the group intends and is able to hold these to maturity. Upon initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that precisely discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process. The group did not have any held-to-maturity investments in the years ending December 31, 2011 and 2010.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

FAIR VALUE

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

AMORTIZED COST

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

IMPAIRMENT OF FINANCIAL ASSETS

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

AMOUNTS DUE FROM CUSTOMERS

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

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

ASSETS CARRIED AT AMORTIZED COST

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (with the exception of future credit defaults) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate determined upon initial recognition). The carrying amount of the asset is reduced through an allowance account. The impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The new carrying amount of the asset may not exceed the amortized cost at the time the impairment loss is reversed. The impairment loss is reversed through profit or loss.

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

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

DERECOGNITION OF FINANCIAL ASSETS

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

- The contractual rights to receive cash flows from the asset have expired.
- The group retains the right to receive cash flows from the financial asset, but assumes a contractual obligation to pay them in full without material delay to a third party under a pass-through arrangement that meets the criteria of IAS 39.19 (pass-through arrangement).
- The group has transferred its contractual rights to receive cash flows from the financial asset and either

  (a) has transferred substantially all the risks and rewards of the asset, or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

FINANCIAL LIABILITIES

INITIAL RECOGNITION

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

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

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

SUBSEQUENT MEASUREMENT

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered into by the group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on financial liabilities held for trading are recognized in profit or loss. The group has not designated any financial liabilities as at fair value through profit or loss.

Loans

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

Derecognition of financial liabilities

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

Where the group holds a derivative as an economic hedge for a period beyond twelve months after the balance sheet date, the derivative is classified as non-current, or separated into current and non-current portions, consistent with the classification of the underlying item.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit and loss.

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

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The group uses foreign currency denominated borrowings and forward currency contracts to manage some of its transaction exposures. These currency forward contracts are not designated as cash flow. Fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally 1 to 24 months. Such derivatives do not qualify for hedge accounting. At the balance sheet date there were no open currency forward contracts.

OFFSETTING OF FINANCIAL INSTRUMENTS

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

LIABILITIES

Trade payables and other liabilities are recognized at amortized cost.

DEFERRED REVENUE

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

PROVISIONS AND ACCRUED EXPENSES

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions and accrued expenses that do not already lead to an outflow of resources in the subsequent year are measured at their discounted settlement amount at the balance sheet date where the interest effect is material. Where the group expects some or all of a provision to be reimbursed (for example under an insurance contract) the reimbursement is recognized as a separate asset provided the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

CONTINGENT LIABILITIES

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

PENSIONS AND SIMILAR OBLIGATIONS

The company provides a company pension plan for selected members of management. The provisions are measured every year by reputable independent appraisers. Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The pension obligation less plan assets is recorded as the provision in the balance sheet. Actuarial gains and losses are recognized immediately in personnel expenses in the income statement. Effects relevant to interest are disclosed accordingly in interest result. Additionally, the group introduced a part-time pre-retirement contract during 2010 under the block model, as well as long-term incentive plans which are also accounted for under IAS 19.

RESERVES

Reserves are set up in accordance with statutory requirements and the articles of association.

MINORITY INTERESTS

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

LEASING

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

THE GROUP AS A LESSEE

Finance leases, which transfer to the group substantially all the risks and rewards incidental to ownership of the leased asset, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. A liability item of the same value is recorded as a lease liabi-lity. The lease liability is reduced and carried forward in subsequent years according to the effective interest method.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. The group rents office buildings, motor cars and other technical equipment under operating leases.

THE GROUP AS A LESSOR

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

TAXES

CURRENT INCOME TAX

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

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

DEFERRED TAXES

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

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

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

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

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

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

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

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

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

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

VALUE ADDED TAX

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

except for the following instances:

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

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

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

REVENUE RECOGNITION

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

BASIC INFORMATION ON REVENUE RECOGNITION

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

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

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

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

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

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

This has the following implications for the Nemetschek Group:

1. Software and licenses

1.1 Standard-Software

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

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

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.

1.2 Sales transactions via sales representatives/agents

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

2. Hardware

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

3. Consulting

3.1 Contract for Services

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

3.2 Service Contract

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

4. Maintenance / software service agreements

In general, the aforementioned criteria for the sale of services are applied, i.e. revenue from maintenance contracts or services is recognized on a straight-line basis over the period in which the service is rendered.

5. Training

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

INTEREST INCOME

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

DIVIDENDS

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

SEGMENT REPORTING

The primary segment reporting format is determined to be business segments, as the group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating business segments are organized and managed separately according to the nature of the products and services provided. Each segment represents a strategic business unit whose product range and markets differ from those of the other segments.

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

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

POST BALANCE SHEET EVENTS

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

Notes to the Consolidated Statement of Comprehensive Income

[1]
Revenues

REVENUES

Thousands of €	2011	2010
Software and licenses	81,264	74,892
Maintenance (software service agreements)	74,270	66,755
Services (consulting and training)	7,930	7,638
Hardware	547	460
	164,011	**149,745**

Revenues include EUR 597 k (previous year: EUR 1,964 k) relating to the application of the percentage of completion method. These revenues are matched by expenses amounting to EUR 262 k (previous year: EUR 1,058 k). In the fiscal year 2011, profit from projects based on application of the percentage of completion method amounts to EUR 335 k (previous year: EUR 906 k). At the balance sheet date, deferred revenue included customer prepayments amounting to EUR 676 k (previous year: EUR 1,132 k). Contract costs include the costs that are directly and indirectly attributable to the contract, as well as costs specifically chargeable to the customer under the terms of the contract. The progress of the project is determined by the costs incurred to date compared to planned costs. The stage of completion of the project is determined by the current project controlling. Revenue recognition is based on this. A security deposit appropriate for the market is accounted for. At the balance sheet date, customer contracts with a debit balance amounted to EUR 84 k and customer contracts with a credit balance amounted to EUR 17 k.

The breakdown of revenue by segment is shown under Segment Reporting.

[2]
Own work capitalized

The group capitalized its own to the sum of EUR 1,109 k (previous year: EUR 1,242 k), of which, in the fiscal year 2011, EUR 1,058 k (previous year: EUR 895 k) related to internally developed software and EUR 51 k (previous year: EUR 347 k) related to other own work capitalized (previous year: mainly ancillary acquisition costs in connection with the implementation of an ERP system). Amortization starts upon commercial exploitation of the development results in the year the costs were incurred, using the straight-line method.

[3]
Other operating income

OTHER OPERATING INCOME

Thousands of €	2011	2010
Foreign exchange rate gains	1,584	1,183
Development subsidies	454	220
Offsetting other services	433	485
Income from subletting property	25	441
Other	680	569
	3,176	**2,898**

[4]
Cost of materials/
Cost of purchased services

COST OF MATERIALS AND PURCHASED SERVICES

Thousands of €	2011	2010
Cost of purchased materials	7,041	6,958
Cost of purchased services	940	1,155
	7,981	**8,113**

Cost of merchandise mainly includes purchased software licenses.

[5]
Personnel expenses

PERSONNEL EXPENSES

Thousands of €	2011	2010
Wages and salaries	57,987	53,289
Social security, other pension costs and welfare	12,660	11,033
	70,647	**64,322**

The headcount developed as follows:

HEADCOUNT

Number of headcount	2011	2010
Sales/marketing/hotline	484	456
Development	545	484
Administration	121	123
Average headcount for the year	**1,150**	**1,063**
Headcount as of December 31	**1,173**	**1,076**

[6]
Depreciation and amortization

DEPRECIATION AND AMORTIZATION

Thousands of €	2011	2010
Amortization of intangible assets	1,442	928
Depreciation of property, plant and equipment	1,711	1,613
Depreciation/amortization of tangible and intangible assets	**3,153**	**2,541**
Amortization due to purchase price allocated intangible assets	**7,050**	**7,050**
Total depreciation and amortization	**10,203**	**9,591**

[7]
Other operating expenses

OTHER OPERATING EXPENSES

Thousands of €	2011	2010
Commissions	10,061	9,266
Expenses for third-party services	7,955	6,933
Rents	6,909	7,789
Marketing expenses	6,112	5,594
Legal and consulting costs	4,010	3,289
Travel expenses	3,406	2,725
Vehicle costs	2,288	2,099
EDP equipment	1,552	1,136
Communication	1,216	1,130
Expenses currency translation	1,122	321
Other	5,766	4,079
	50,397	**44,361**

The item “other” consists of various individual items, all of which are less than EUR 1,000 k.

Contractually fixed rental expenses are offset by income from subletting office space of EUR 25 k (previous year: EUR 441 k) (see note 3 – Other operating income).

[8]
Income from associates

The income from associates of EUR 179 k (previous year: EUR 1,731 k) includes income of associates consolidated at equity. In the previous year, apart from income from the at equity valuation, this includes income from the sale of 8 % of DocuWare AG amounting to EUR 1,646 k.

[9]
Interest income/expenses

INTEREST INCOME / EXPENSES

Thousands of €	2011	2010
Other interest and similar income	617	279
Interest and similar expenses	– 1,808	– 2,979
	–1,191	**–2,700**

Interest income includes the market valuation of the interest derivative of EUR 352 k (previous year interest expense: EUR 234 k). Interest expense includes interest from the loan for financing the Graphisoft acquisition amounting to EUR 437 k (previous year: EUR 725 k) as well as interest expenses paid from the interest hedge of EUR 1,220 k (previous year: EUR 1,376 k).

The major components of the income tax expense are as follows:

[10]
Income taxes

INCOME TAXES

Thousands of €	2011	2010
Income from deferred tax	4,747	4,276
Expenses from deferred tax	– 2,222	– 2,819
Total deferred tax result (income)	**2,525**	**1,457**
Current income from income tax	1,090	1,010
Current expenses from income tax	– 9,224	– 8,928
Total current income tax (expenses)	**–8,134**	**–7,918**
Total income tax	**–5,609**	**–6,461**

The income tax rates of the individual entities range from 10.0 % to 42.8 % (previous year: from 19.0 % to 42.9 %). The tax rate of Nemetschek Aktiengesellschaft is calculated as follows:

INCOME TAX RATES

in %		2012		2011		2010
Earnings before taxes	100.0		100.0		100.0	
Trade tax (weighted)	16.8	16.8	16.8	16.8	16.8	16.8
	83.2		**83.2**		**83.2**	
Corporate income tax	15.0	15.0	15.0	15.0	15.0	15.0
Solidarity surcharge	0.8	0.8	0.8	0.8	0.8	0.8
	67.4	**32.6**	**67.4**	**32.6**	**67.4**	**32.6**

Deferred taxes are measured on the basis of the nominal tax rates of Nemetschek Aktiengesellschaft or the tax rate being applied to the respective subsidiary.

The tax rate for the fiscal year 2012 applied by Nemetschek Aktiengesellschaft is 32.6 % (fiscal year 2011: 32.6 %).

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

Deferred taxes at the balance sheet date are as follows:

DEFERRED TAXES

	Consolidated balance sheet		Consolidated income statement	
Thousands of €	**2011**	2010	**2011**	2010
DEFERRED TAX ASSETS				
Unused tax losses	2,691	3,977	– 1,286	107
Measurement differences goodwill	77	98	– 21	– 7
Elimination of intercompany profits spin-off	86	172	– 86	– 86
Software development costs	373	435	– 62	– 69
Measurement of receivables	91	15	76	– 98
Deferred revenue	73	102	– 29	64
Potential losses from rent	0	0	0	– 12
Vacation provision	151	128	23	28
IFRS pensions	112	81	31	58
Elimination of intercompany profits on non-current assets	116	105	11	– 47
Prepaid rent	30	29	1	20
Measurement of liabilities	149	217	– 68	42
Provision for archiving costs	16	16	0	0
Compensations	17	0	17	0
Other	0	9	– 9	– 1
Offsetting	– 2,768	– 4,147	1,379	– 106
Total deferred tax assets	**1,214**	**1,237**		
DEFERRED TAX LIABILITIES				
Measurement difference from purchase price allocation				
– Non-current assets of Graphisoft	2,860	6,726	3,866	1,706
– Non-current assets of SCIA	456	545	89	89
Measurement differences goodwill	599	599	0	0
Warranty provision	81	80	– 1	– 63
Measurement of liabilities	297	578	281	187
Non-current assets	276	226	– 50	– 128
Recognition of internally developed software	571	289	– 282	– 241
Measurement of receivables	87	57	– 30	– 45
Other	0	0	54	– 47
Offsetting	– 2,768	– 4,147	– 1,379	106
Total deferred tax liabilities	**2,459**	**4,953**		
Deferred tax income			**2,525**	**1,457**

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2011) for the fiscal years ending December 31, 2011 and 2010 is as follows:

INCOME TAX RECONCILIATION

Thousands of €	2011	2010
Earnings before taxes	**28,056**	**26,529**
Theoretical tax rate 32.6 %	9,155	8,656
Differences to German and foreign tax rates	– 937	– 1,081
Tax effects on:		
At equity consolidation of associates	– 8	20
Use of unrecognized deferred taxes on unused losses carried forward	– 1,094	– 1,535
Reduction of deferred taxes on losses carried forward	252	1,155
Effect of taxes, previous years	– 50	505
Non-deductible expenses	749	502
Tax free income	– 1,269	– 1,718
Tax rate changes and adaptation	– 1,208	7
Other	19	– 50
Effective tax expense	**5,609**	**6,461**
Effective tax rate	**20.0 %**	**24.4 %**

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

DEFERRED TAX ON TAX LOSSES

Thousands of €	2011	2010
Losses according to entities	55,966	56,766
Deferred tax assets, gross	10,410	13,797
Allowances on tax losses carried forward	– 7,719	– 9,820
Deferred tax assets on unused tax losses, net	**2,691**	**3,977**

The items contain deferred taxes on unused tax losses that are likely to be realized in the future. The deferred tax assets on unused tax losses were recognized on the basis of the income and expense budgeting of the Nemetschek Aktiengesellschaft (parent company) and its subsidiaries for the fiscal year 2012. The detailed budgeting of the companies relates to a one-year period. Management has stated that the recognition of deferred tax assets on unused tax losses for a longer period generally cannot be substantiated. In addition, deferred tax assets of EUR 1,320 k (previous year: EUR 2,550 k) were recognized by the Graphisoft sub-group.

Based on tax planning for Graphisoft SE, it arises that in the long-term the company is enjoying a reduced tax rate of 10 %. At the same time deferred tax is adjusted accordingly from 19 % to 10 %. Net, there was an additional deferred tax credit of EUR 1,386 k. A decision was made to not recognize deferred tax liabilities of EUR 302 k (previous year: EUR 310 k) on profits carried forward amounting to EUR 36,092 k of a subsidiary, which will only be subject to taxation of 5% if the profits are distributed, and which can be offset against tax losses carried forward.

On the non-tax deductible pending loss from the valuation of an interest hedge, no deferred tax asset has been accounted at 32.6 % of the market value since an estimation of the future market price development is not realistically possible due to its high uncertainty. The deferred tax assets not accounted for in the market valuation amounted to EUR 1,100 k (previous year: EUR 1,215 k) and these are disclosed as follows:

INTEREST HEDGE

Thousands of €	**2011 Measurement**	**2011 Deferred taxes**	2010 Measurement	2010 Deferred taxes
Interest hedge	3,372	1,100	3,724	1,215

There were no income tax consequences attached to the payment of dividends in 2011 by Nemetschek Aktiengesellschaft to its shareholders.

[11]
Earnings per share

EARNINGS PER SHARE

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

At the balance sheet date, as in the previous year, there were no matters requiring a dilution of the earnings per share result.

EARNINGS PER SHARE

	2011	2010
Net income attributable to the parent (in thousands of EUR)	20,805	18,945
Weighted average number of ordinary shares outstanding as of December 31	9,625,000	9,625,000
Weighted average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	9,625,000	9,625,000
Earnings per share in EUR, undiluted	**2.16**	**1.97**
Earnings per share in EUR, diluted	**2.16**	**1.97**

Notes to the Consolidated Statement of Financial Position

[12]
Fixed Assets

A statement of fixed assets is presented on the last page of these notes to the consolidated financial statements. As in the previous year, amortization and depreciation do not include any material impairment losses against fixed assets. The carrying values of internally generated software amounts to EUR 2,421 k (previous year: EUR 1,484 k).

Pursuant to IAS 38, development costs must be capitalized unless they are incurred for basic research or are not related to projects, provided that the prerequisites of IAS 38.57 are fulfilled (see also accounting policies). The group was involved in non-project related product development in the fiscal year 2011. These included direct personnel costs plus directly allocable overheads. The development costs of projects that have not satisfied the criteria of IAS 38.57 are recorded as an expense amounting to EUR 40,124 k (previous year: EUR 34,791 k).

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

INTANGIBLE ASSETS DUE TO PPA SCIA GROUP

Thousands of €	Fair value at time of acquisition Feb. 28, 2006	Useful life in years	Annual amortization	**Net book value as of Dec. 31, 2011**	Net book value as of Dec. 31, 2010
Software	1,000	3	0	0	0
Customer relationships	2,700	10	270	1,125	1,395
Intangible assets	**3,700**		**270**	**1,125**	**1,395**

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

INTANGIBLE ASSETS DUE TO PPA GRAPHISOFT GROUP

Thousands of €	Fair value at time of acquisition Dec. 31, 2006	Useful life in years	Annual amortization	**Net book value as of Dec. 31, 2011**	Net book value as of Dec. 31, 2010
Brand name	5,300	15	353	3,535	3,888
Trademarks	2,800	10	280	1,400	1,680
Software	27,100	7	3,871	7,745	11,616
Customer relationships	27,300	12	2,275	15,925	18,200
Intangible assets	**62,500**		**6,779**	**28,605**	**35,384**

[13]
Trade receivables

TRADE RECEIVABLES

Thousands of €	**2011**	2010
Trade receivables (before bad debt allowances)	26,752	26,215
Specific bad debt allowance	– 3,072	– 3,248
Trade receivables	**23,680**	**22,967**

Provision was made for the bad debt risk by setting up appropriate specific bad debt allowances. Trade receivables are non-interest bearing and are generally due within 30 to 90 day terms customary for the industry. Pursuant to the group guidelines, receivables that are past due by more than 360 days are provided for in full. The carrying amount of trade receivables corresponds to their fair values.

Bad debt allowances developed as follows:

DEVELOPMENT OF BAD DEBT ALLOWANCES

Thousands of €	January 1	Utilization	Release	Charges	December 31
Bad debt allowances 2011	– 3,248	727	165	– 716	– 3,072
Bad debt allowances 2010	– 3,877	634	337	– 342	– 3,248

The ageing structure of trade accounts receivable is as follows:

AGEING STRUCTURE OF TRADE RECEIVABLES

Thousands of €	Not past due	past due (by <30 days)	past due (by 30–60 days)	past due (by 60–90 days)	past due (by 90–180 days)	past due (by 180–360 days)	past due (by >360 days)	December 31
Trade receivables 2011	13,484	6,099	1,095	753	1,436	813	0	23,680
Trade receivables 2010	12,720	6,702	1,154	746	1,305	340	0	22,967

[14] Inventories/ Tax refunded claims/ Other assets/ Financial assets

ASSETS

Thousands of €	2011	2010
Inventories	**667**	**607**
Tax refunded claims	**1,363**	**2,381**
Current financial assets	**96**	**279**
Other current assets	**6,410**	**6,235**
Non-current financial assets	**78**	**521**
Other non-current assets	**784**	**709**
	9,398	**10,732**

Inventories mainly consist of hardware EUR 603 k (previous year: EUR 497 k), and finished goods and work in process of EUR 45 k (previous year: EUR 95 k). As in the previous year no allowances were recorded as an expense.

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

Current financial assets mainly consist of prepaid expenses of EUR 4,992 k (previous year: EUR 5,074 k), which will be reclassified to expenses in the next twelve months.

Within non-current financial assets the purchase price receivable from the sale of acadGraph CAD Studio GmbH was paid in this fiscal year. The carrying amount of financial assets corresponds to their fair value.

Other non-current assets mainly include rental security deposits.

[15] Equity

The development of subscribed capital, the capital reserve, the revenue reserve, foreign currency translation reserve, the retained earnings/accumulated losses of the group, and minority interests is presented in the statement of changes in group equity.

[16]
Subscribed capital

The share capital of Nemetschek Aktiengesellschaft as of the balance sheet date amounts to EUR 9,625,000.00 (unchanged compared to the previous year) and is divided into 9,625,000 bearer shares. Each share is attributed with EUR 1.00 of share capital. The capital is fully paid up.

[17]
Capital reserve/ Revenue reserve/ Foreign currency translation/Dividend

The **capital reserve** mainly comprises the share premium from the IPO.

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

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

DIVIDENDS

In the fiscal year 2011, a dividend of EUR 9,625,000.00 was paid out to the shareholders. This represents EUR 1.00 per share. The management board proposes to the supervisory board that a dividend be paid in the fiscal year 2012 amounting to EUR 11,068,750.00. This represents EUR 1.15 per share.

[18]
Provisions, Accrued liabilities, Pensions and related obligations

As an entity with international operations working in various business fields, 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, perhaps, of future litigation cannot be predicted with certainty and thus expenses may be incurred from decisions that are not 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 asset position and earnings situation of the group.

PROVISIONS AND ACCRUED LIABILITIES

Provisions and accrued liabilities contain the following items and are mainly due within one year:

PROVISIONS AND ACCRUED LIABILITIES

Thousands of €	2011	2010
Compensation/Commission/bonuses for employees	7,829	6,090
Outstanding invoices	2,918	2,567
Vacation accrued by employees	1,997	1,952
Legal and consulting fees/cost preparing the financial statements	412	333
Guarantees and liability risks	136	341
Other accrued liabilities	865	957
	14,157	**12,240**

Based on targets being reached, commissions and bonuses for employees increased in 2011. Outstanding invoices mainly relate to subsequent commission calculations due to achievement of targets. The warranty and liability provisions have been set up by company in the current fiscal year based on individual assessment. In the fiscal year 2011 EUR 22 k (previous year: EUR 246 k) was utilized, EUR 319 k (previous year: EUR 134 k) released and EUR 136 k (previous year: EUR 341 k) added. Other provisions and accrued liabilities contain other individual items under EUR 100 k.

OTHER OBLIGATIONS IN ACCORDANCE WITH IAS 19

In the fiscal year 2010, the group implemented, for the first time, a long-term-incentive program. This program comprises long-term (until 2013), profit-related components based on corporate objectives. Payment is made at the end of the term. During the year, the portions earned are recorded in personnel expenses charged to income. Furthermore, this item includes a contract for early part-time retirement.

PENSION PROVISIONS

The obligation resulting from pension plans to a subsidiary's general managers is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the income statement. In the year ending December 31, 2011 there were no curtailments to the plan. The plans were continued beyond this period. The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, however up to a maximum amount of EUR 3,834.69 (DEM 7,500.00) per month. All claims are vested.

The tables below show the development of the pension obligations and of plan assets. Plan assets include any reinsurance plans entered into which are assigned to the pension beneficiary entitled to these.

The table below shows the development of the pension obligations:

PENSION PROVISIONS

Thousands of €	January 1	Changes	**December 31**
Defined Benefit Obligation 2011	793	82	875
Plan asset 2011	361	26	387
Status of coverage (= Pension provisions) 2011	**432**	**56**	**488**
Defined Benefit Obligation 2010	533	260	793
Plan asset 2010	333	28	361
Status of coverage (= Pension provisions) 2010	**200**	**232**	**432**

PRESENT VALUE

Thousands of €	**2011**	2010
Present value of the obligation	875	793

The pension expenses and income as well as changes in pension obligations are attributable to:

BENEFIT EXPENSES

Thousands of €	**2011**	2010
Current service cost	34	24
Interest cost	36	32
Plus actuarial losses	12	204
Expenses for employee benefits	**82**	**260**

The expenses and income, as well as changes in plan assets, are attributable to:

PLAN ASSETS

Thousands of €	**2011**	2010
Company contribution	25	25
Expected interest plan assets	16	16
Less actuarial losses	– 15	– 13
Income plan assets	**26**	**28**

The net benefit expense resulting from current service cost, interest and actuarial losses amounts to EUR 82 k (previous year: EUR 260 k). The change is mainly due to the declining discount rate. Plan assets income from employer contributions, the expected income from plan assets and the actuarial losses recorded amount to EUR 26 k (previous year: EUR 28 k). These are included respectively in personal expenses.

The “mortality tables 2005 G” from Dr. Klaus Heubeck were applied as in the previous year. The principal actuarial assumptions used to determine pension obligations were as follows as of December 31:

ASSUMPTIONS

in %	2011	2010
Discount rate	4.45	4.56
Future pension increases	1.00	1.00
Expected interest plan assets	4.00	4.50

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

DEVELOPMENT

Thousands of €	2011	2010	2009	2008	2007
Defined benefit obligation	875	793	533	513	639
Experience adjustments of defined benefit obligation – = loss/+ = gain	10	8	8	8	8
Value of plan asset	387	361	333	307	281
Experience adjustments of plan asset – = loss/+ = gain	– 15	– 13	– 12	– 12	– 8

The group expects pension expenses for the fiscal year 2012 of EUR 75 k as well as capital income of EUR 16 k, the contributions to plan assets amount to EUR 25 k.

[19] Liabilities

The **liabilities** categorized by due date comprise the following:

LIABILITIES

2011 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	4,700	4,700	0	0
Trade payables	5,672	5,672	0	0
Tax liabilities	2,477	2,477	0	0
Other liabilities	5,840	4,953	887	0
thereof taxes	3,066	3,066	0	0
thereof relating to social security	733	733	0	0
December 31, 2011	**18,689**	**17,802**	**887**	**0**

2010 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	19,500	16,000	3,500	0
Trade payables	4,550	4,550	0	0
Tax liabilities	2,760	2,760	0	0
Other liabilities	5,833	5,300	533	0
thereof taxes	3,093	3,093	0	0
thereof relating to social security	769	769	0	0
December 31, 2010	**32,643**	**28,610**	**4,033**	**0**

LOANS TO FINANCE THE GRAPHISOFT ACQUISITION

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

FINANCING GRAPHISOFT ACQUISITION

Source of funds	Fiscal Year 2007 Million EUR	Term	Repayment	Interest rate	Repayments as of Dec. 31, 2010 Million EUR	Repayments in Fiscal Year 2011 Million EUR	**Net book value as of Dec. 31, 2011 Million EUR**	thereof current due within 1 year Million EUR	thereof non-current over 1 year Million EUR
TRANCHE 1 “Bridge Loan”	20.0	SEP. 30, 2007	At the end of the term and max. EUR 5 million per interest period prematurely	3-M-EURIBOR plus 1.0 %	20.0	0	0	0	0
TRANCHE 2 ”Term Loan“	35.0	DEC. 31, 2011	Half yearly installments of EUR 3.5 million and min. EUR 5 million per interest period prematurely	3-M-EURIBOR plus 1.5 %	24.5	10.5	0	0	0
TRANCHE 3 ”Revolving Credit Facility“	45.0	JUN. 30, 2012	Per withdrawal at the end of the respective interest period, no later than at the end of the term	3-M-EURIBOR plus 1.5 %	36.0	4.3	4.7	4.7	0
Total	100.0				80.5	14.8	**4.7**	4.7	0

Borrowers are Nemetschek Aktiengesellschaft, Munich, and NEMETSCHEK Allplan GmbH, Munich.

Collateral was provided in the form of the shares purchased by Nemetschek Aktiengesellschaft in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, which are deposited and pledged at WestLB AG, Düsseldorf. In connection with the agreed syndicated loan for the third tranche, Nemetschek Aktiengesellschaft has undertaken to repay 50% of the group excess cash flows of the fiscal year by June 30 of the following year. The calculation of excess cash flows is based on cash budgeting and is defined as follows: Net income of the group for the year, plus amortization and depreciation, less obligatory repayment for the second tranche, less planned capital expenditures. Carrying amounts correspond with fair value.

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

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

[20] Deferred revenue

DEFERRED REVENUE

Deferred revenue amounts to EUR 19,220 k (previous year: EUR 17,555 k). The total amount will lead to revenue in the first half of 2012.

[21] Non-current financial obligations

NON-CURRENT FINANCIAL OBLIGATIONS

Within the contractually agreed syndicated credit facility with WestLB AG, Düsseldorf, as part of the Graphisoft acquisition, Nemetschek Aktiengesellschaft has entered into an interest hedge, which is measured at fair value impacting income. The fair value of the interest derivative is calculated using recognised financial mathematical models based on market data available at the date of valuation. The gains and losses of fair-value measurement are recognized in net interest in the income statement. The negative market value of this interest hedge is shown as of December 31, 2011 at EUR 3,372 k (previous year: EUR 3,724 k) under non-current financial liabilities. In total, an expense of EUR 352 k was recorded in the fiscal year 2011 (previous year expense: EUR 234 k). The following table shows the conditions agreed and the current carrying value, which is equal to fair value:

SWAP-CONDITIONS

Thousands of €	Reference amount	Date of agreement	Date of closing	Base interest rate/factor	Interest limit (for differences)	Interest cap/floor	**As of Dec. 31, 2011**
Participation interest rate swap	30,000	January 25, 2007	July 15, 2014	3-Months-EURIBOR /0.95	5.25 %	5.53 % / 3.17 %	**3,372**

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

[22] Financial commitments/Contingent liabilities

FINANCIAL COMMITMENTS

Thousands of €	**Total**	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	18,926	5,092	13,235	599
Leases	2,761	1,181	1,570	10
Total financial commitments as of December 31, 2011	**21,687**	**6,273**	**14,805**	**609**
Rental agreements	22,195	4,779	16,487	929
Leases	3,238	1,183	2,050	5
Total financial commitments as of December 31, 2010	**25,433**	**5,962**	**18,537**	**934**

The rent agreements consist almost exclusively of rent agreements for office space with limited terms. The leases are subject to the customary escalation clauses and renewal options.

The lease obligations mainly consist of leases for vehicles, office and telecommunications equipment.

CONTINGENT LIABILITIES

At the balance sheet date there are no contingent liabilities.

[23]
Notes to the cash flow statement

The **cash flow statement** is split into cash flows from operating, investing and financing activities. Whereas the cash flow from operating activities is derived using the indirect method, the cash flows from investing and financing activities are based on direct cash inflows and outflows.

Cash flow from **operating activities** amounts to EUR 37,096 k (previous year: EUR 32,269 k). The item other non-cash transactions mainly includes the elimination from the revaluation of interest hedges.

The cash flow from **investing activities** amounts to EUR – 5,566 k (previous year: EUR – 3,776 k). In the current fiscal year, payments relate primarily to the replacement of fixed asset acquisitions, to software for the implementation of an international ERP system, as well as to payments for product development in the Build business segment. Furthermore, the Nemetschek Group has received EUR 1.6 million from the sale of DocuWare shares.

The cash flow from **financing activities** of EUR – 27,962 k (previous year: EUR – 21,351 k) is dominated by the repayment of bank loans of EUR – 14,800 k (previous year: EUR – 12,787 k). Further cash outflows were recorded from interest on bank loans amounting to EUR – 1,797 k (previous year: EUR – 2,210 k) and the payment of profit shares of to minority interests of EUR – 1,667 k (previous year: EUR – 1,171 k). The **group's cash and cash equivalents comprise cash** and short-term deposits and break down as follows:

CASH AND CASH EQUIVALENTS

Thousands of €	2011	2010
Bank balances	31,615	29,138
Fixed term deposits (contract period up to 3 months)	1,886	1,496
Cash and cash equivalents	**33,501**	**30,634**

Bank balances earn interest at the floating rates for on-call deposits. Fixed-term deposits are made for terms of between one day and three months depending on the immediate cash requirements of the group. These could be subject to slight fluctuations in value. Fixed term deposits bear interest at the respective rates applying for the term. Carrying amounts generally correspond with fair value.

[24]
Financial instruments/Financial risk management objectives and policies

DERIVATIVE FINANCIAL INSTRUMENTS

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The objective of the group with regard to financial risk management is to mitigate the risks presented below by the methods described. The group generally pursues a conservative, risk-averse strategy.

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

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS AND CASH DEPOSITS AT BANKS

The credit risk from balances with banks and financial institutions is managed by group treasury in accordance with the group's policy. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counter party failure. The group's maximum exposure to credit risk for the components of the balance sheet as of December 31, 2011 and 2010 are the carrying amounts as illustrated in note 23, except for derivative financial instruments.

The group also has derivative financial instruments. These include risk-averse interest swaps and forward exchange contracts where appropriate. The purpose of these derivative financial instruments is to manage the interest rate and currency risks arising from the group's operations and its sources of finance.

It is, and has been throughout the fiscal years 2011 and 2010, the group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The company's management reviews and agrees policies for managing each of these risks which are summarized below. The group generally pursues a conservative, risk-averse strategy.

FOREIGN EXCHANGE RISK AND RISK MANAGEMENT

In the course of ordinary operations, the Nemetschek Group is particularly exposed to exchange rate fluctuations. The group's policy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group occur due to the fact that the group operates and has production sites and sales establishments in different countries worldwide. All hedging activities are coordinated and agreed with group treasury.

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

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

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

SENSITIVITY ANALYSIS OF SELECTED FOREIGN CURRENCIES

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

SENSITIVITY OF USD / EUR

Thousands of €	Change of exchange rate USD	Sensitivity effect to Revenues	Sensitivity effect to EBIT
Fiscal year 2011			
(average USD / EUR exchange rate = 1.39)	+ 5 %	– 1,314	– 541
	– 5 %	1,452	598
Fiscal year 2010			
(average USD / EUR exchange rate = 1.33)	+ 5 %	– 1,051	– 329
	– 5 %	1,162	364

SENSITIVITY OF HUF / EUR

Thousands of €	Change of exchange rate HUF	Sensitivity effect to Revenues	Sensitivity effect to EBIT
Fiscal year 2011			
(average HUF / EUR exchange rate = 279.37)	+ 5 %	– 803	– 130
	– 5 %	888	144
Fiscal year 2010			
(average HUF / EUR exchange rate = 275.48)	+ 5 %	– 789	– 205
	– 5 %	872	227

LIQUIDITY RISKS AND MANAGEMENT

The group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. The credit rating of the group allows sufficient cash to be procured. Furthermore, as in the previous year, the group had unused credit lines totaling EUR 21,500 k as of December 31, 2011.

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

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

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

DEFAULT RISK AND RISK MANAGEMENT

Default risks, i.e. the risk of contractual parties not meeting their payment obligations, 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 global netting agreements.

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

CAPITAL MANAGEMENT

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

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or return capital payments to shareholders. No changes were made to the objectives, policies or processes as of December 31, 2011 and as of December 31, 2010. The group meets externally imposed minimum capital requirements.

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

Gearing ratio

The gearing ratio is defined as net debt divided by EBITDA. Net debt is essentially defined as current and non-current loans less any cash and cash equivalents. The group's gearing ratio ranges between 0 and 3.5, thus meeting external and internal key indicators. In the group there is no net debt at the balance sheet date.

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio amounts to 64 % (previous year: 57 %), meeting external and internal key indicators.

CREDIT RISK AND RISK MANAGEMENT

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

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

INTEREST RISK AND RISK MANAGEMENT

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

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

On the other hand, the Group's interest expenses are managed by hedging interest expenses on borrowed capital. Similar to last year as of December 31, 2011, 100 % of the interest expenses on borrowed capital were hedged using interest swaps. The group is following a risk-averse strategy.

SUMMARY OF INTEREST RATE RISKS

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

INTEREST RATE RISKS

2011 Thousands of €	Base interest rate (average)	Change in base/base interest rate after changes	Reference amount	Sensitivity effect to Net income
Sensitivity interest income	1-month EURIBOR (1.18 %)	+ 0.10 % / 1.28 %	265	22
		− 0.10 % / 1.08 %		− 22
Sensitivity interest expenses	3-month EURIBOR (1.39 % + 1.5 %* = 2.89 %)	+ 0,10 % / 2,99 %	1,797	− 62
		− 0.10 % / 2.79 %		62

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

2010 Thousands of €	Base interest rate (average)	Change in base/base interest rate after changes	Reference amount	Sensitivity effect to Net income
Sensitivity interest income	1-month EURIBOR (0.57 %)	+ 0.10 % / 0.67 %	279	49
		− 0.10 % / 0.47 %		− 49
Sensitivity interest expenses	3-month EURIBOR (0.81 % + 1.5 %* = 2.31 %)	+ 0.10 % / 2.41 %	2,210	− 95
		− 0.10 % / 2.21 %		95

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

[25] Segment reporting

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

The following tables present revenue and profit and certain assets and liability information according to the group’s business segments.

Income statement disclosures

SEGMENT REPORTING

2011 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	164,011	0	132,617	13,767	3,710	13,917
Intersegment revenue	0	– 625	4	26	16	579
Total revenue	**164,011**	**–625**	**132,621**	**13,793**	**3,726**	**14,496**
EBITDA	**39,271**		**28,069**	**4,756**	**262**	**6,184**
Depreciation/Amortization	– 10,203		– 9,779	– 160	– 40	– 224
Segment Operating result (EBIT)	**29,068**		**18,290**	**4,596**	**222**	**5,960**
Interest income	617					
Interest expenses	– 1,808					
Income from associates	179					
Income tax	– 5,609					
Net income for the year	**22,447**					

2010 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	149,745	0	121,578	13,536	3,568	11,063
Intersegment revenue	0	– 523	0	25	7	491
Total revenue	**149,745**	**–523**	**121,578**	**13,561**	**3,575**	**11,554**
EBITDA	**37,089**		**27,294**	**5,280**	**307**	**4,208**
Depreciation/Amortization	– 9,591		– 9,204	– 137	– 55	– 195
Segment Operating result (EBIT)	**27,498**		**18,090**	**5,143**	**252**	**4,013**
Interest income	279					
Interest expenses	– 2,979					
Income from associates	1,731					
Income tax	– 6,461					
Net income for the year	**20,068**					

Depreciation / amortization of the Design segment includes amortization of the purchase price allocation amounting to EUR 7,050 k (previous year: EUR 7,050 k).

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

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

Balance sheet disclosures

SEGMENT REPORTING

2011 Thousands of €	Total	Design	Build	Manage	Multimedia
Trade receivables	23,680	21,094	1,336	426	824
Inventories	667	537	8	0	122
Other assets	5,951	5,608	158	12	173
Fixed assets	93,495	73,369	14,585	2,105	3,436
thereof additions to fixed assets	5,057	3,396	1,386	30	245
Segment assets	**123,793**	**100,608**	**16,087**	**2,543**	**4,555**
Cash and cash equivalents	33,501				
Financial assets, associates	1,136				
Non-allocated assets *)	3,994				
Total assets	**162,424**				
Liabilities	14,869	13,469	619	158	623
Provisions and accrued liabilities	14,157	12,058	707	480	912
Pensions and related obligations	814	326	0	0	488
Deferred revenue	19,220	17,773	147	42	1,258
Segment liabilities	**49,060**	**43,626**	**1,473**	**680**	**3,281**
Non-allocated liabilities **)	9,651				
Total liabilities	**58,711**				

*) Not allocated: Other assets (EUR 1,417 k), Income tax assets (EUR 1,363 k) and Deferred tax assets (EUR 1,214 k)

**) Not allocated: Loans (EUR 4,700 k), Deferred tax liabilities (EUR 2,459 k) and Other liabilities (EUR 2,492 k)

2010 Thousands of €	Total	Design	Build	Manage	Multimedia
Trade receivables	22,967	19,992	1,440	423	1,112
Inventories	607	483	24	0	100
Other assets	6,583	6,095	257	3	228
Fixed assets	99,149	80,133	13,479	2,115	3,422
thereof additions to fixed assets	5,526	4,099	1,070	70	287
Segment assets	**129,306**	**106,703**	**15,200**	**2,541**	**4,862**
Cash and cash equivalents	30,634				
Financial assets, associates	599				
Non-allocated assets *)	4,779				
Total assets	**165,318**				
Liabilities	14,090	12,721	591	168	610
Provisions and accrued liabilities	12,240	10,323	701	336	880
Pensions and related obligations	736	304	0	0	432
Deferred revenue	17,555	16,299	118	44	1,094
Segment liabilities	**44,621**	**39,647**	**1,410**	**548**	**3,016**
Non-allocated liabilities **)	27,230				
Total liabilities	**71,851**				

*) Not allocated: Income tax assets (EUR 2,381 k), Deferred tax assets (EUR 1,237 k) and Other assets (EUR 1,161 k)

**) Not allocated: Loans (EUR 19,500 k), Deferred tax liabilities (EUR 4,953 k) and Other liabilities (EUR 2,777 k)

Segment reporting by geographical region is as follows:

SEGMENT REPORTING – GEOGRAPHICAL REGION

Thousands of €	Revenues 2011	Fixed assets 2011	Additions to fixed assets 2011	Revenues 2010	Fixed assets 2010	Additions to fixed assets 2010
Germany	67,666	18,312	2,418	60,987	17,657	1,934
Abroad	96,345	76,319	3,153	88,758	82,091	3,592
Total	**164,011**	**94,631**	**5,571**	**149,745**	**99,748**	**5,526**

The group's geographical secondary segment assets are based on the location of the group's assets. Correspondingly, total assets of EUR 45,858 k (previous year: EUR 48,181 k) can be allocated to the German segment and total assets of EUR 116,566 k (previous year: EUR 117,137 k) to the foreign segment.

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

[26] Subsequent events

There were no significant events subsequent to the balance sheet date.

[27] Related party disclosures

The group enters into transactions with its associates and related parties. These transactions are part of ordinary activities and are treated at arm's length. Related parties are defined as parties who can at least be significantly influenced by the company or over whom the company can at least exercise significant influence. In addition to the management and supervisory boards, these include also family members and partners of the relevant people.

The following are among the most significant transactions of group companies:

(1) Rental of space as well as repairs from Concentra GmbH & Co. KG, Munich, amounting to a total of EUR 1,573 k (previous year: EUR 2,510 k).

(2) Use of services from Singhammer IT Consulting AG, Munich, amounting to a total of EUR 270 k (previous year: EUR 503 k).

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

DISCLOSURES ON TRANSACTIONS PURSUANT TO § 15A WPHG (WERTPAPIERHANDELSGESETZ: GERMAN SECURITIES TRADING ACT)

As of January 4th, 2011 Prof. Nemetschek acquired 5,000 shares of Nemetschek Aktiengesellschaft. The management and supervisory boards informed us that there were no further purchases or sales of shares in the company pursuant to § 15a WpHG (so-called directors' dealings) by themselves or by related parties in the fiscal year. The actual obligatory information regarding Directors' Dealings can be assessed on the website of Nemetschek Aktiengesellschaft.

DISCLOSURE REQUIREMENTS UNDER § 21 (1) WPHG

The direct and indirect voting rights of the following persons/institutions in Nemetschek Aktiengesellschaft as of December 31, 2011 were as follows:

Professor Georg Nemetschek, Munich: 25.11 % (previous year: 25.02 %)
Alexander Nemetschek, Munich: 11.51 % (previous year: 11.51 %)
Dr. Ralf Nemetschek, Munich: 11.51 % (previous year: 11.51 %)
Ingrid Nemetschek, Munich: 5.44 % (previous year: 5.44 %)
Financiere de l'Echiquier, Paris, France: 4.91 % (previous year: 4.91%)
Axxion S.A., Luxembourg-Munsbach, Luxembourg: 3.05 % (previous year: 2.95 %).

The disclosures are based on the information reported to Nemetschek Aktiengesellschaft under §§ 21 et seq. WpHG. The actual number of shareholder voting rights can deviate from the number disclosed due to interim, non-reportable or unreported trading.

SUPERVISORY BOARD

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

REMUNERATION OF THE SUPERVISORY BOARD

2011 Thousands of €	Fixed components	Variable components	2011
Kurt Dobitsch	30.0	63.0	93.0
Prof. Georg Nemetschek	22.5	63.0	85.5
Rüdiger Herzog	15.0	63.0	78.0
Total	**67.5**	**189.0**	**256.5**

2010 Thousands of €	Fixed components	Variable components	2010
Kurt Dobitsch	30.0	53.5	83.5
Prof. Georg Nemetschek	22.5	53.5	76.0
Rüdiger Herzog	15.0	53.5	68.5
Total	**67.5**	**160.5**	**228.0**

MANAGING BOARD

Remuneration of the managing board breaks down as follows:

REMUNERATION OF THE MANAGING BOARD

2011 Thousands of €	Fixed components	Variable components (short-term)	Variable components (long-term)	2011
Tim Alexander Lüdke	64	45	0	109
Ernst Homolka	264	213	0	477
Total	**328**	**258**	**0**	**586**

2010 Thousands of €	Fixed components	Variable components (short-term)	Variable components (long-term)	2010
Ernst Homolka	266	216	64	546
Total	**266**	**216**	**64**	**546**

Members of the managing board of Nemetschek Aktiengesellschaft were granted remuneration for the fiscal year 2011 of EUR 586 k (previous year: EUR 546 k) with a fixed component of EUR 328 k (previous year: EUR 266 k) and a variable component of EUR 258 k (previous year: EUR 280 k). Details of managing board remuneration can be seen in the management report under remuneration report. In fiscal year 2011 Mr. Homolka held analogous to previous year 225 shares of Nemetschek Aktiengesellschaft.

[28] Auditors' fees

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

AUDITORS' FEES

Thousands of €	2011	2010
Financial statements audit services	175	170
Other assurance services	6	6
Other services	27	105
Total	**208**	**281**

[29] Date of approval

The managing board approved the financial statements on March 2, 2012 for submission to the supervisory board.

Supervisory board

[30]
Disclosures of the members of the Supervisory board and the Managing board of the company

Mr. Kurt Dobitsch (independent businessman)
Chairman

Member of the following supervisory boards:

- United Internet AG (Chairman)
- Bechtle AG
- DocuWare AG
- 1&1 Internet AG
- Hybris AG (until Oct. 31, 2011)
- Graphisoft SE
- Singhammer IT Consulting AG
- mapolis AG

Prof. Georg Nemetschek (engineering degree, independent businessman)
Deputy chairman

Mr. Rüdiger Herzog (lawyer)

Member of the following supervisory boards:

- Deutsche Finance AG (Chairman)
- Kaufhaus Ahrens AG (Chairman)

Managing Board

Mr. Tim Alexander Lüdke
(business degree)
CEO (from Nov. 1, 2011)

Member of the following supervisory boards:

- SCIA International NV (from Nov. 1, 2011)
- Graphisoft SE (from Nov. 17, 2011)
- NEMETSCHEK Vectorworks Inc. (from Nov. 10, 2011)

Mr. Ernst Homolka
(businessman)
CEO (until Oct. 31, 2011)

CFO (from Nov. 1, 2011 until Dec. 31, 2011)

Member of the following supervisory boards:

- SCIA International NV (until Nov. 30, 2011)
- Graphisoft SE (until Nov. 17, 2011)
- NEMETSCHEK Vectorworks Inc. (until Nov. 10, 2011)

Munich, March 2, 2012

Nemetschek Aktiengesellschaft

Tim Alexander Lüdke

Statements of Fixed Assets of the Group

as of December 31, 2011 and as of December 31, 2010

FIXED ASSETS OF THE GROUP

2011 Thousands of €	As of Jan. 1, 2011	Development of historic costs Translation differences	Additions	Disposal	As of Dec. 31, 2011
I. Intangible assets					
Software, Industrial and similar rights	76,911	– 278	1,324	422	77,535
Internally generated software	1,837	0	1,058	0	2,895
Goodwill	52,271	141	316	0	52,728
	131,019	**–137**	**2,698**	**422**	**133,158**
II. Property, plant and equipment					
Other equipment, furniture and fixtures	13,657	– 514	2,359	507	14,995
	13,657	**–514**	**2,359**	**507**	**14,995**
III. Associates/Investments					
Associates/Investments	10,301	0	514	0	10,815
	10,301	**0**	**514**	**0**	**10,815**
Total fixed assets of the group	**154,977**	**–651**	**5,571**	**929**	**158,968**

2010 Thousands of €	As of Jan. 1, 2010	Development of historic costs Translation differences	Additions	Disposal	As of Dec. 31, 2010
I. Intangible assets					
Software, Industrial and similar rights	75,131	35	2,240	495	76,911
Internally generated software	948	– 6	895	0	1,837
Goodwill	51,958	313	0	0	52,271
	128,037	**342**	**3,135**	**495**	**131,019**
II. Property, plant and equipment					
Other equipment, furniture and fixtures	15,299	99	2,391	4,132	13,657
	15,299	**99**	**2,391**	**4,132**	**13,657**
III. Associates/Investments					
Associates/Investments	10,453	0	0	152	10,301
	10,453	**0**	**0**	**152**	**10,301**
Total fixed assets of the group	**153,789**	**441**	**5,526**	**4,779**	**154,977**

As of Jan. 1, 2011	Translation differences	Additions	Equity method	Disposal	**As of Dec. 31, 2011**	**As of Dec. 31, 2011**	As of Dec. 31, 2010
	Development of accumulated depreciation/amortization					Carrying amount	
35,708	– 154	8,371	0	195	43,730	33,805	41,203
353	0	121	0	0	474	2,421	1,484
0	0	0	0	0	0	52,728	52,271
36,061	**–154**	**8,492**	**0**	**195**	**44,204**	**88,954**	**94,958**
9,466	– 430	1,711	0	293	10,454	4,541	4,191
9,466	**–430**	**1,711**	**0**	**293**	**10,454**	**4,541**	**4,191**
9,702	0	0	23	0	9,679	1,136	599
9,702	**0**	**0**	**23**	**0**	**9,679**	**1,136**	**599**
55,229	**–584**	**10,203**	**23**	**488**	**64,337**	**94,631**	**99,748**

As of Jan. 1, 2010	Translation differences	Additions	Equity method	Disposal	**As of Dec. 31, 2010**	**As of Dec. 31, 2010**	As of Dec. 31, 2009
	Development of accumulated depreciation/amortization					Carrying amount	
28,217	27	7,958	0	494	35,708	41,203	46,914
333	0	20	0	0	353	1,484	615
0	0	0	0	0	0	52,271	51,958
28,550	**27**	**7,978**	**0**	**494**	**36,061**	**94,958**	**99,487**
11,667	61	1,613	0	3,875	9,466	4,191	3,632
11,667	**61**	**1,613**	**0**	**3,875**	**9,466**	**4,191**	**3,632**
9,793	0	0	91	0	9,702	599	660
9,793	**0**	**0**	**91**	**0**	**9,702**	**599**	**660**
50,010	**88**	**9,591**	**91**	**4,369**	**55,229**	**99,748**	**103,779**

Declaration of the legal representatives

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

Munich, March 2, 2012

Tim Alexander Lüdke
Chief Executive Officer

Auditor’s Report

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

“We have audited the consolidated financial statements prepared by the Nemetschek Aktiengesellschaft, Munich, comprising statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in group equity, and explanatory notes, together with the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch “German Commercial Code”] are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 2, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rupprecht	Annast
Wirtschaftsprüfer	Wirtschaftsprüferin

Client: Arhitektonika, Slowenia
Project: University building, Ljubljana/Slowenia

"Thanks to Allplan, we are always connected to all planning partners. That permanently increases the productivity and quality of projects."

Juri Sket, Project manager Arhitektonika

SMALL IS BEAUTIFUL

Architecture and engineering office Arhitektonika is well known to many of Slovenia's car dealers: the designers from Ljubljana have designed sales rooms and workshops for Peugeot, Renault, Toyota, Hyundai, Iveco and Lexus and monitored the construction sites through to completion. The office, founded in 1998, concentrates on architecture and the creation of reinforcement and formwork designs. Among other things, it developed the formwork designs for Slovenia's state opera. The four-person team uses partner offices to complete large orders.

OPTIMUM USE OF RESOURCES

Tight budget, small space, firm schedule: the building designers needed a lot of expertise for the construction of a new university building in Ljubljana, a project that also involved a degree of renovation work. The result was a resounding success: the company created space with a multi-level superstructure and a basement area. Crumbling walls gave way to a reinforced concrete structure, glass walls created a modern atmosphere. Despite the extras, the 11.5 million euro budget sufficed.

Arhitektonika, Slowenia

FINANCIAL STATEMENTS OF NEMETSCHEK AG (HGB)

Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2011 and as of December 31, 2010 (Statutory Accounts – German GAAP)

ASSETS in €	Dec. 31, 2011	Dec. 31, 2010
A. FIXED ASSETS		
I. Intangible Assets		
Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	**226,167.40**	**136,534.24**
II. Property, plant and equipment		
1. Leasehold improvements	0.00	0.00
2. Fixtures, fittings and equipment	119,346.76	67,810.38
	119,346.76	**67,810.38**
III. Financial assets		
1. Shares in affiliated companies	132,887,264.16	132,715,015.06
2. Loans due from affiliated companies	102,500.00	2,328,000.00
3. Other loans	514,071.75	0.00
4. Investments	2,025,303.93	2,025,303.93
	135,529,139.84	**137,068,318.99**
TOTAL FIXED ASSETS	**135,874,654.00**	**137,272,663.61**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	0.00	1,080.62
2. Accounts due from affiliated companies	3,683,187.01	4,134,239.73
3. Other assets	1,491,683.11	2,352,456.44
	5,174,870.12	**6,487,776.79**
II. Cash and cash equivalents	**7,558,634.39**	**12,521,646.87**
TOTAL CURRENT ASSETS	**12,733,504.51**	**19,009,423.66**
C. DEFERRED AND PREPAID EXPENSES	**216,093.56**	**94,242.25**
	148,824,252.07	**156,376,329.52**

EQUITY & LIABILITIES in €	Dec. 31, 2011	Dec. 31, 2010
A. EQUITY		
I. Subscribed capital	**9,625,000.00**	**9,625,000.00**
II. Capital reserve	**49,404,856.90**	**49,404,856.90**
III. Revenue reserve	**28,585,721.39**	**19,085,721.39**
IV. Retained earnings	**32,430,968.66**	**28,683,572.58**
TOTAL EQUITY	**120,046,546.95**	**106,799,150.87**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	20,337.11	619,063.00
2. Other provisions and accrued liabilities	5,706,532.76	4,837,331.44
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**5,726,869.87**	**5,456,394.44**
C. LIABILITIES		
1. Bank liabilities	4,700,000.00	19,500,000.00
2. Trade accounts payable	144,664.52	179,331.51
3. Accounts due to affiliated companies	16,990,850.63	23,201,200.43
4. Other liabilities – thereof taxes: EUR 976,186.06 (prior year: EUR 909,063.98)	1,215,320.10	1,240,252.27
TOTAL LIABILITIES	**23,050,835.25**	**44,120,784.21**
	148,824,252.07	**156,376,329.52**

Profit and Loss Account of Nemetschek Aktiengesellschaft

for the period from January 1 to December 31, 2011 and 2010 (Statutory Accounts – German GAAP)

€	Jan. 1 - Dec. 31, 2011	Jan. 1 - Dec. 31, 2010
1. Revenues	1,918,944.42	1,881,615.10
2. Other operating income	1,070,221.48	5,647,657.47
Operating income	**2,989,165.90**	**7,529,272.57**
3. Personnel expenses		
a) Wages and salaries	– 3,088,796.24	– 1,715,320.13
b) Social security, pension and other benefit costs – thereof for pension: EUR 9.520,16 (prior year: EUR 5.728,87)	– 302,291.35	– 228,961.89
4. Depreciation and amortization of intangible assets, property, plants and equipment	– 194,876.32	– 184,232.69
5. Other operating expenses	– 5,722,620.56	– 5,341,512.57
Operating expenses	**–9,308,584.47**	**–7,470,027.28**
Operating results	**–6,319,418.57**	**59,245.29**
6. Income from investments – thereof from affiliated companies: EUR 21,002,783.67 (prior year: EUR 22,304,554.33)	21,002,783.67	22,304,554.33
7. Income from profit and loss transfer agreements	10,234,591.83	5,867,302.56
8. Income from marketable securities and loans – thereof from affiliated companies: EUR 37,174.51 (prior year: EUR 104,636.51)	51,246.26	104,636.51
9. Other interest and similar expenses	481,030.64	144,981.24
10. Interest and similar expenses – thereof from affiliated companies: EUR 299,121.38 (prior year: EUR 199,635.50)	– 2,057,960.68	– 3,018,791.62
11. Profit from ordinary operations	**23,392,273.15**	**25,461,928.31**
12. Taxes on income	– 519,877.07	– 557,824.77
13. Net income	**22,872,396.08**	**24,904,103.54**
14. Profit carried forward from previous year	9,558,572.58	6,128,709.13
15. Einstellung in die anderen Gewinnrücklagen nach § 58 Abs. 2a AktG	0.00	– 2,349,240.09
16. Retained earnings	**32,430,968.66**	**28,683,572.58**

Financial Calendar 2012

March 30, 2012
Publication
Annual Report 2011

April 30, 2012
Publication
Quarterly Statement 1/2012

May 24, 2012
Annual General Meeting

March **April** **May**

PICTURES

cover outside and page 38 – 39:	Big Palette Fukushima, Koriyama Architects and Photo: Atushi Kitagawara Architects
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July 31, 2012
Publication
First-Half Report 2012

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Publication
Quarterly Statement 3/2012

November 12 – 14, 2012
German Equity Forum
Frankfurt/Main

July **October** **November**

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NEMETSCHEK Aktiengesellschaft
Konrad-Zuse-Platz 1
81829 Munich
Tel. +49 89 92793-0
Fax +49 89 92793-5200
investorrelations@nemetschek.com
www.nemetschek.com