NEMETSCHEK
BUILDING THE FUTURE

Annual Report 2004

Key Figures

€ million	2004	2003	Change
Sales revenue	96.6	95.6	1.0 %
Operating income	98.4	97.6	0.9 %
Gross profit	89.5	88.9	0.7 %
as % of sales revenue	92.7 %	93.0 %	
EBITA	11.0	8.9	24.0 %
as % of sales revenue	11.4 %	9.3 %	
EBIT	7,8	5.6	39.2 %
as % of sales revenue	8.1 %	5.8 %	
Net income	5.4	4.0	37.0 %
per share in €	0.56	0.41	
Net income before goodwill amortization	8.7	7.3	19.4 %
per share in €	0.90	0.75	
Cashflow for the period	14.7	13.0	13.6 %
Cashflow and cash equivalents	39.0	29.8	30.8 %
Equity	59.1	54.3	8.9 %

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Foreword by the Managing Board

Ladies and Gentlemen,
Dear Shareholders and Business Associates,

The Nemetschek group can look back on a successful 2004. The joint efforts of management and employees in recent years have paid off, and with sales of about 97 million euros and an operating result that has increased by almost 40 percent to 7.8 million euros, we have not merely seen a return to growth in sales but also a marked improvement in the results and have built on earlier earning power. This shows that our strategy is right and we have strengthened our position as a leading international technology group.

Today, Nemetschek has a modern and flexible corporate structure with flat hierarchies and fast decision-making processes. Employees are highly motivated by current success and are working hard on innovative solutions for the products of the future. Our foreign subsidiaries are developing well and are preparing new markets in Western and Eastern Europe. Our customers spur us on with challenging orders and international projects. Feedback from the market is positive, which makes us optimistic for the near future: currently, a renowned study confirms that Nemetschek's Allplan software is the most widely used CAD system in Germany. All this rests on a solid and secure financial foundation. The group has excellent liquidity and a high cash flow - an ideal basis for new, ambitious targets.

Nemetschek offers expertise that is unparalleled on the software market for the design, construction and management of buildings and real estate. With our solutions, we improve planning quality, ensure adherence to budget and schedule, and increase efficiency and profitability. Nemetschek software can be used to design, build and manage the most modern, varied, and complex structures, the "buildings of the future." Nemetschek is the byword for intelligent products, future-oriented solutions and professional services.

With the proposed reintroduction of a dividend payout, we want to enable our shareholders to benefit from the company's good results, and we would like to take this opportunity to thank all of our employees. Their unswerving dedication was a key factor in our positive business development and we are sure that we will be able to continue this success in 2005.

Best regards

Gerhard Weiß (Chairman of the Board)

Dr. Peter Mossack

Michael Westfahl

Dr. Peter Mossack Gerhard Weiß Michael Westfahl

"We Want to Grow Again"

An interview with chairman of the managing board, Gerhard Weiß, on the present and future of the real estate and construction industry, strategies at home and abroad, old and new business units, and the share price.

Mr. Weiß, how did your markets develop in the last fiscal year?
Gerhard Weiß: Globally, the development of the building industry was very satisfactory. However, there were clear regional differences, the causes of which lie in the economic situation. Thus countries with a high gross domestic product such as the countries in North America or our neighbors in Austria and Switzerland showed a high willingness to invest, which was also reflected in the building projects. The same goes for China, a boom country. The situation is different in Germany. The construction sector is suffering as a result of the still difficult economic situation and once again saw a fall in investments. However, we have cause for optimism, with the clear increase in orders for our group at the end of the year, which sends a very positive signal for the future.

How did Nemetschek do in 2004?
Gerhard Weiß: We are satisfied with the group's development. While the proportion of foreign business grew considerably, domestic business did well under difficult circumstances. With our international orientation, we are increasingly distancing ourselves from the downward trend at home, and almost half of our sales are now generated abroad, with this figure set to rise further. This is also reflected in the development of our earnings. In 2004 our earnings increased significantly and we are now more profitable abroad than at home. However, our solutions were also able to meet the requirements of our target groups in Germany and we achieved a good result, particularly as sales rallied at the end of the year.

What are the managing board's plans for 2005?
Gerhard Weiß: Our primary goal for 2005 is growth. Following the successful restructuring and consolidation measures, the group now has a solid financial basis on which to grow. We want to further strengthen our market leadership in Germany and our good international position. We will heighten our profile in the three business units Design, Build, and Manage, and offer new products and solutions. We will be basing our efforts on the new requirements of architects, designers, and engineers, for whom topics such as cost controlling and security, process optimization, and an end-to-end view of the value chain are becoming increasingly important. Nemetschek provides ideal tools for this, which can be used both in specialist areas and for a complete view of all processes for the design, construction, and management of buildings and real estate. To meet these challenges, we have enlarged the managing board, which is joined by Dr. Peter Mossack, responsible for Research and Development, and Michael Westfahl, responsible for Sales and Marketing.

What do you think are the future trends in the building industry?

Gerhard Weiß: In view of the fall in the volume of orders for new buildings, we will be developing the field of "designing and building in the existing fabric" now and in the coming years. This involves a number of different tasks – from measures that retain and increase value through to maintenance, from the symbiosis of old and new buildings and modernization through to the change of use of existing buildings. In Western Europe, more than 50 percent of construction orders in the residential sector relate to the refurbishment of existing buildings. Of the 37 million or so apartments in Germany, one third is more than 30 years old, another third more than 50 years old. Many of these buildings and apartments are in need of urgent maintenance, renovation, or extension. Nemetschek offers sophisticated solutions that the market needs and that meet our customers' requirements here with added value.
Another example of this trend is the renovation and modernization measures for the stadiums that will be used for the 2006 World Cup in Germany. With the help of our solutions, some of the stadiums have been renovated and modernized to meet the higher requirements and turned into innovative, modern arenas – changes that will bring benefit even after the World Cup is over.

How is the Nemetschek share price set to develop in 2005?

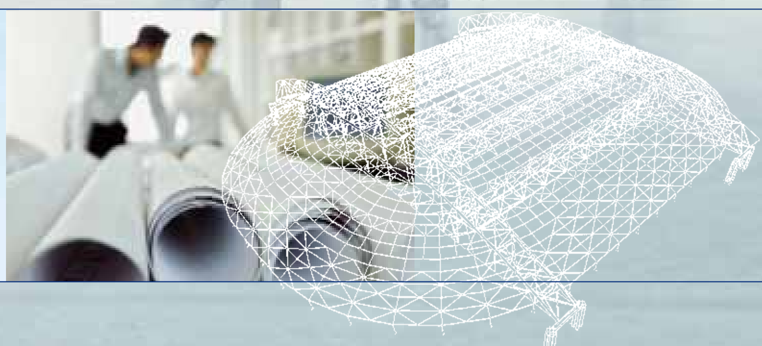
Gerhard Weiß: First, I believe that we can be very happy with the way the shares performed over the past 12 months. In this period, the share price almost doubled, a development due in part to our successful capital market communication strategy. Our presentation at the German Equity Forum at the end of November was extremely well received, and there is great interest in our shares on the part of investors in the United Kingdom and Switzerland. The publication of a study by the HypoVereinsbank at the start of 2005, which recommends buying the shares, shows us that we are on the right path. All this makes us optimistic that the shares will also perform well in 2005.

Building the Future

Efficient Design, Construction and Management for Modern Buildings

When the whistle goes for the start of the World Cup on June 9, 2006 in Munich, a large number of people and companies will have worked extremely hard to make it all possible. With a limited budget and tight schedule, and in coordination with a lot of different people, they have created high-tech structures for this event. New, architecturally ambitious arenas have been created from scratch and existing stadiums have been turned into progressive sports grounds thanks to efficient renovation measures.

The new and modern arenas – be it for the World Cup, the Olympics or for large-scale cultural events – are further symbols of what progressive building means today. Modern transport hubs such as train stations or airports are further examples of the complexities and new security and flexibility challenges that buildings now have to meet. All of these buildings have one thing in common, namely that architectural quality that meets the highest functional demands must be created efficiently in a complex process and within a tight budget and schedule. This starts with the huge volume of data that needs to be coordinated between



various companies in far-flung locations and ends with plans on how to run the building economically and sometimes even recycle it. Safety, flexibility, efficiency and mobility have led to changes not just in the working world; they have long been defining factors for our buildings and the future of the construction industry, too.

In view of these complex processes, it is now inconceivable for modern buildings to be created without the support of specific computer technology. In future, this technology will become even more important. This is where the IT solutions and services from the Nemetschek group come into play. With the help of our integrated and future-oriented solutions, buildings can be created that meet the highest demands in terms of architectural quality, adherence to budget and schedule, energy efficiency, and multifunctionality. Nemetschek solutions make it possible to model the complex process of modern building design, construction and management efficiently. This philosophy has made our company successful and will determine our future strategy as well. The complexity of modern buildings can only be managed really efficiently if the life cycle of the building is viewed as a whole and the complete value chain is fully integrated. This can be achieved through the simulation of a building which shows all concerned what the building looks like, how it functions, and how it should best be built, for example. Nemetschek also offers innovative solutions for the complete design, construction and management process for the development and representation of an innovative architectural idea, the control of work processes in construction companies, or economic building management. All elements of our comprehensive portfolio of products and consulting services are perfectly tuned to each other and provide the technical foundations for modern buildings: Nemetschek – Building the Future.

Design Business Unit

Using Software to Achieve First-Class Results

Before a modern and complex building can be constructed, it must be carefully planned. Today, new forms and spaces are designed down to the smallest detail, a wide variety of materials is tried out, the environment is incorporated, design variants are evaluated and calculated, and a costing is carried out, all in advance on the computer. As buildings become more multifunctional, this process becomes even more complex, and the demands on building design will rise, because even a single building can fulfill very different functions: cafés and stores on the first floor, small offices and doctor's surgeries with operating rooms on the second, open-plan offices and fitness centers on the third floor, and a luxury hotel with swimming pool and squash courts at the very top, for example. This requires complex dependencies to be taken into account in the planning process from the very start. Alongside multifunctional concerns, other factors such as the energy efficiency of the building and the exact construction costs play just as important a role as the aesthetics. Nemetschek software tools enable this complex process to be implemented efficiently, and can be used to solve and execute these many different tasks within the system environment in the best possible way.

With our new version of Allplan, launched at the end of 2004, architects and engineers have a uniquely rounded planning system. All activities in the design office, from sketches, layouts, and initial designs through to cost controlling and detailed planning can thus be carried out with maximum effectiveness. As there is also an increasing number of older buildings that need to be refurbished, designers also need forward-looking solutions for designing and building in the existing fabric. Nemetschek has therefore launched new products that promise success for architects in this growth market. Existing buildings can be quickly and accurately recorded and the data used to seamlessly generate a 3D building model.

Our technology group also offers leading solutions for cost management, an area that is becoming increasingly important. Nowadays, statements on costs must be very precise, even if numerous changes are made in a building project. The Ingenieurgesellschaft Hartmann mbh used Nemetschek in its tender proposal for construction work for the Lehrter Bahnhof in Berlin, for example. With four underground levels, this will be the largest crossing station in Europe. The optimum combination of architectural quality and cost security achieved through our IT solution is winning over more and more customers. In 2004, we acquired E. Heitkamp GmbH and Rhein Lippe Wohnen GmbH, among others.

In complex buildings, elements are often industrially prefabricated. In this area, too, Nemetschek's particularly broad product portfolio comes into its own. For example, the slab elements of the Allianz Arena were calculated and manufactured with the help of our software for pre-cast elements.

The expansion of foreign business was particularly successful in France and Italy in 2004. In France, numerous new customers were won over by our pow-

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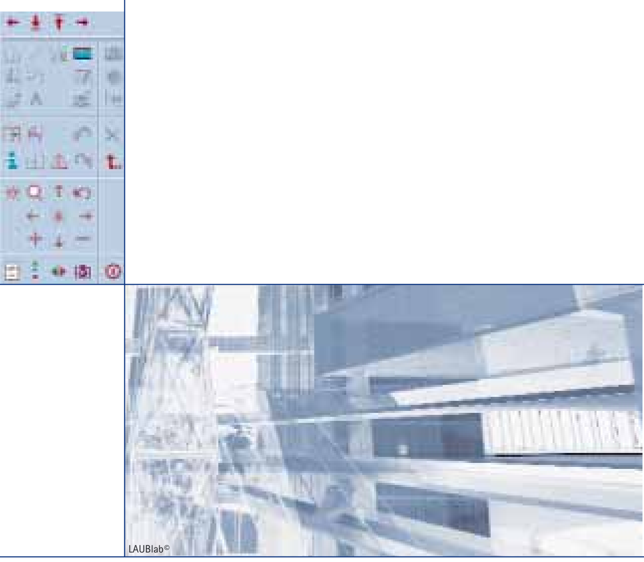
erful product range, including the renowned architecture firm Capy Joulia SA, which switched from a competitor's product to Allplan. In Italy, it was our IT solutions for office management and enterprise controlling that won over many architects and engineers.

Our subsidiary acadgraph CAD STUDIO GmbH also won many new customers in 2004, for example in the public sector the state company for road construction in North Rhine Westphalia and the state company for property and construction management in Rhineland Palatinate. The company also acquired other renowned customers in 2004, such as Deutsche Bank CRES Projects Germany and Buderus Immobilien GmbH. One very special project was the Allianz Arena, in which acadgraph was able to demonstrate impressively just how versatile high-quality 3D planning can be. The formatted data was used for computer films about the new stadium and to illustrate the arena in the current Baedecker Allianz travel guide. The executives in the Allianz Group also used acadgraph features to support their decision-making processes relating to construction materials and the placement of brands on advertising spaces inside and outside the stadium.

Glaser ISB CAD Programmsysteme GmbH can look back on a good year of sales growth, which has been supported by a stronger service division and the successful creation of a customer pool containing special offers. Large customers such as Simtech in Luxemburg were also acquired. In addition, the company has launched new foreign initiatives and now has sales partners in the Czech Republic, Poland, and Russia. We hope that this will enable us to capture new markets and stimulate growth. Software from Glaser is used in numerous large-scale projects such as the new World Cup stadiums in Munich, Wolfsburg, and Hanover.

Friedrich + Lochner GmbH also had a particularly successful 2004. Over 400 new customers and a considerable increase in sales are markers of the widespread acceptance of the structural analysis programs. This market success is due in part to the systematic and rapid modification of the software in line with all the changes made to the relevant standards. The F + L software proved particularly invaluable to many customers for the changeover to reinforced concrete standard DIN 1045-1, which was required as a result of the European harmonization of standards.

2004 was another record year for NEMETSCHEK NORTH AMERICA Inc.. 750 licenses were sold to the Wentworth Institute of Technology alone – the largest single order in the history of the company. In Europe, too, the company's introduction of the new Version 11 of VectorWorks was highly successful, thanks to numerous sales and marketing activities. Our new customers, including the illusionist David Copperfield and rock band Metallica, demonstrate the wide variety of applications that Nemetschek subsidiaries' products can support.



Modern building structures are complex and require careful planning that reflects costs and deadlines as precisely as possible. Without computer technology, this is not possible. The planning and design tools from Nemetschek, especially the Allplan CAD solution, guarantee a high level of efficiency.

Build Business Unit

Controlling Processes Successfully with Sophisticated Systems

When complex buildings have to be constructed within a limited time and budget, many different companies and people need to work together effectively. Most of the parties involved in the building are distributed over a number of locations and fulfill different tasks. They must constantly exchange data and coordinate with each other. Rapid and efficient communication that is not susceptible to errors is absolutely essential. With these requirements in mind, Nemetschek's Build business unit offers a broad portfolio of integrated solutions to support day-to-day challenges efficiently. Large European projects can thus be coordinated with maximum effectiveness. Nemetschek solutions provide support for all phases of building execution, as well as communication processes, internal administration, and controlling. With our industry solutions, the large number of individual people involved in the building project is turned into a winning team.

For example, the rivera workflow solution from Nemetschek Bausoftware GmbH enables companies to map their complex internal and external information and communication processes as effectively as possible. Rivera accompanies construction projects from the acquisition phase, quotation and order phase right through to the period for warranty, with functions that extend far beyond just document management. Rivera's focus in this area is on "groupwork" and "ad-hoc-workflows", which are already preconfigured in the program for the construction industry. In addition, with the new rivera workflow engine, users can define, structure, and automate workflow processes in any way they want - there couldn't be a more transparent, easy-to-use, and efficient solution.

Thanks to the Nemetschek software, inefficient business processes in the building and construction industry are therefore a thing of the past. WALO Bertschinger Central AG in Zürich - a BAU financials customer for many years - has also been using rivera since the second quarter for optimization of its sales process and as a customer information system. BATEG Ingenieurbau GmbH, a member of the Berlin-based BATEG Group, has also recognized the added value, and in 2004 decided to implement not only rivera but also the BAU financials integrated industry solution. Like these new German customers, many others such as Heinz Schnorpfeil Bau GmbH, Gebr. Neumann GmbH & Co. KG, GBB - Gesellschaftsbau Buttstädt GmbH and the Austrian Plantrans Transport & Logistik und Ing. Gerhard Eder Bauservice GmbH have chosen the software offered by Nemetschek Bausoftware GmbH. In Switzerland, too, many new customers have been acquired, such as BBG Basler Baugesellschaft AG, Ziegler AG, and Marazzi AG, a leading general contractor that is also the architect of the new Wankdorf stadium in Berne. The Hellmich Group, which built the Schalke Arena, also relies on Nemetschek Bausoftware.

Building construction requires optimum cooperation between many people and companies. They must exchange data and adapt constantly. They must do this quickly and there is no room for errors. Nemetschek solutions support this process perfectly and ensure that your construction project is a success.

Complex building projects require special forms of collaboration, and Nemetschek products also provide support for project implementation. The four Winterthur companies BWT, Zani, Wellauer, and Corti have joined together to form a purchasing association, for example, as they often work together in consortiums. With BAU financials, the four companies have now established a common IT base. Standardized business reports enable direct comparisons to be made and simplify general teamwork in the network. Our systems therefore also help to increase business efficiency.

2004 was a very successful year for the Austria-based ING. AUER - Die Bausoftware GmbH, which enjoyed a significant increase in sales. Particularly good news was that the company achieved growth not just in its Austrian core business, but in exports to Germany too. New customers acquired in 2004 include SWIETELSKY Baugesellschaft m.b.H., a large, renowned construction company. The company also continued to pursue its aim of addressing enterprises other than the classic construction companies, in order to extend the market potential. One important new customer it has been able to win outside the classical construction industry is the Vienna Transport Authority.

Last year was also very important for the Build business unit with regard to the increased connectivity between Germany, Austria, and Switzerland. On the one hand, this means that IT solutions from Nemetschek Ges.m.b.H. Austria, Nemetschek Bausoftware, and ING. AUER - Die Bausoftware GmbH are being increasingly connected with each other from a technical point of view. In addition, the joint sales and marketing efforts were extremely successful. For example, in mid November, the three companies had a joint booth at the Vienna Building Software trade fair, and were able to exploit further synergies in order to give an impressive demonstration of the complete Nemetschek range for building design, construction, and management.

Manage Business Unit

Efficient Management of Complex Buildings

The demands of investors, building managers, building clients, owners, and tenants have changed considerably in recent years, and will become even higher in the future. Flexibility and complexity will characterize the buildings of the future – a football stadium one day, tennis courts the day after, and a concert hall a week later. One of the key challenges here is the increasing interrelationship between building design and management. The central factor is no longer just the architectural quality. Buildings must be used efficiently and run and managed economically.

The greater focus on the building's overall life cycle and complete value chain means that integrated IT solutions such as the high quality products from Nemetschek are becoming increasingly important. These solutions make it possible to control processes with the maximum effectiveness and to run and manage buildings successfully. The breadth of our IT solution portfolio, from building design and construction right through to management, has an important position in the market. Our particular strength lies in combining user-friendly planning with technical and commercial real estate management. This is a decisive factor, particularly for complex and multifunctional buildings.

Thanks to the optimum alignment of our solutions from the Manage division with our planning tools, it is possible to achieve a nearly 100 % accurate representation of the use, energy costs, management and usable floor space structure when the buildings are designed. Once the building has been completed, the data created during planning can be processed further using our IT solutions for facility and real estate management. This starts with the management of usable floor space, security measures, and coordination of cleaning measures, and extends right through to operating control, maintenance, and portfolio management.

More and more customers have been won over by our approach. After winning the state social insurance offices (LVA) of Hamburg and Westfalen as customers, Nemetschek CREM Solutions GmbH & Co. KG was in 2004 awarded an order from Rechenzentrum Leipzig e.V., which is the IT service provider for the state social insurance offices of Saxony, Saxony Anhalt, Thuringia, and Mecklenburg Western Pomerania. With the help of software products from Nemetschek CREM Solutions, FM-relevant processes from data capture and area management through to occupancy and relocation planning can be initially mapped in a single reference model. This then forms the common basis for production work at the state social security offices. Subsequent use by other prospective pension insurance institutions is also possible, and the system is integrated with the existing SAP solution.

In 2004, Nemetschek CREM Solutions was able to strengthen its market position in Europe, winning the pension insurance institute PVA in Austria and the financial service provider Cofidis in France as some of its new customers. In addition, the Swiss Nemetschek Fides & Partner AG won over the Migros Zürich cooperative, the largest retailing company in Switzerland, with our portfolio. Nemetschek CREM Solutions has agreed a new partnership with ThyssenKrupp Facilities Services GmbH (TKFS) for the marketing of Allfa, the CAFM solution from Nemetschek CREM Solutions. We hope this will spur further growth for our Manage business unit.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BGP Design©

New Business Opportunities Business Unit

Realistic Representations Lead to Success

When investors and building clients decide on a building, they first rely on a promise from their architect. They have usually only seen a wood model or ground plans, or at most a structural representation of their building, which they pay a lot of money for. In complex and multifunctional buildings, in particular, it is often difficult to imagine what the final building will actually look like. CINEMA 4D from MAXON Computer GmbH brings buildings to life before they are constructed, and enables future owners to take a virtual tour through all the rooms before the first sod of earth is cut. Realistic visualization and impressive interior views of buildings, however complex, give clients and investors a convincing representation of the project. They are often a key factor in winning orders or public tenders. For example, the new European Central Bank building in Frankfurt was visualized with CINEMA 4D.

In addition, the new Version 9 of CINEMA 4D, which was launched in 2004, has, like its predecessors, been very successful. Our list of references demonstrates the quality of the computer-aided visualization and animation offered by MAXON Computer GmbH. It includes renowned companies such as BMW, Rolls-Royce, ESA, Siemens, Canon, Nike, and Allianz Dresdner. The Hollywood dream factory also counts on MAXON, and used the BodyPaint 3D to create breathtaking effects for blockbusters such as "King Arthur" and "Harry Potter". "The Polar Express" produced by Tom Hanks and Robert Zemeckis, was also created using our software. In addition to first-class products, MAXON is focusing on further expanding its range, among other things as a result of new sales partnerships in Asia concluded in 2004.


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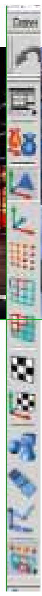



Warner Bros. Pictures©

Before completion of a project, our visualization solutions are already helping to market the real estate. Especially for complex buildings, the link between planning and use is increasingly important. But Nemetschek solutions can do even more; for example, they can be applied to Hollywood films like "Polar Express".

Share Price Development

Following the good share price development on the world's stock markets in 2003, the signs for 2004 also indicated rising share prices on the most important indexes. The DAX increased over the course of the year by 7.3 percent to 4,256, and the second-line stocks on the MDAX even rose by 20 percent. However, stocks listed on the TecDAX experienced losses of on average 4 percent. The Nemetschek share continued in the successful vein of 2003, which it closed at 6.10 euros in Xetra trading. While the share price fluctuated between 6 and 8 euros for most of 2004, it managed to rise above this level in December thanks to clearly increased trade turnover, and the share price closed at 10.00 euros on December 30, 2004. Overall, the share price rose by 64 percent over the year and easily outperformed the closely followed indexes.

After considerable delay, the capital market thus rewarded the Nemetschek Group's earning power and solid financial base. Our intensive investor relations work also contributed to the positive development of the share price. We promoted our group and the Nemetschek share in numerous talks with private and institutional investors and analysts at home and abroad. We described our business model and strategy at two analyst conferences, and the response to our presentation at the German Equity Forum in November 2004 was excellent. At the end of the year, our more intensive press relations work paid off with numerous recommendations to buy in financial newspapers and journals. The resumption of research coverage by the HypoVereinsbank in January 2005 also offers greater clarity for investors, and in future, we will continue our efforts to make our group more transparent to the public by providing additional information.

We are confident for the future development of the share price. A significant rise in group earnings in 2004, sustained high cash flow, an attractive dividend and a good outlook for the future make us optimistic. In addition, our net earnings per share will rise by another 0.33 euros as a result of the removal of regular goodwill amortization in accordance with IFRS. This outlook has already convinced numerous investors, and as a result, the Nemetschek share price has been able to continue on its successful path and in January rose again by almost 20 percent.

Stock Chart for 2004

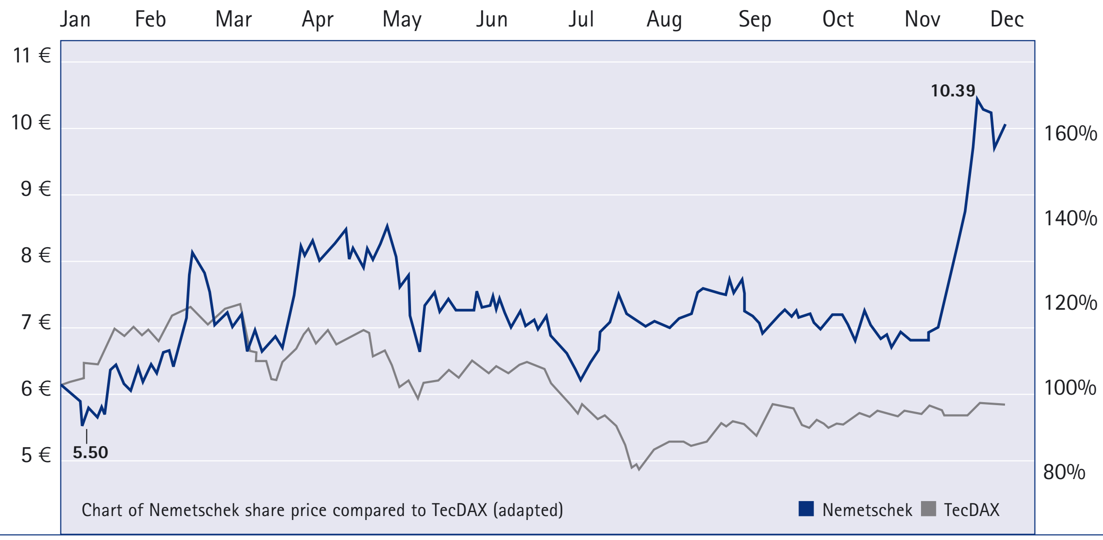
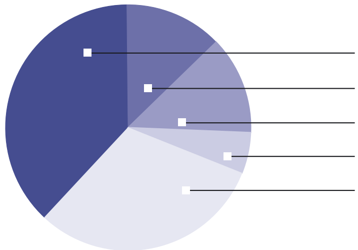


Chart of Nemetschek share price compared to TecDAX (adapted)

Shareholder Structure

The shareholder structure on December 31, 2004 continues to reflect the high involvement of the Nemetschek family. The family is still the majority shareholder, and owns 69.1 % of the stock.
The free-float amounts to 30.9 % of shares, including 0.15 % owned by Nemetschek Aktiengesellschaft.



Key Figures for the Nemetschek Share

		2004	2003
Net income per share*	in €	0.56	0.41
Net income per share before goodwill amortization*	in €	0.90	0.75
Period cash flow per share*	in €	1.53	1.35
Shareholders' equity per share*	in €	6.13	5.64
High	in €	10.39	7.40
Low	in €	5.50	1.20
Share price as of Dec. 31	in €	10.00	6.10
Market cap. as of Dec. 31	in million €	96.25	58.71
Price/sales ratio as of Dec. 31		1.00	0.61
Price/earnings ratio (P/E) as of Dec. 31		17.70	14.79
Price/earnings ratio (P/E) before goodwill amortization as of Dec. 31		11.11	8.09
Price equity ratio as of Dec. 31		1.63	1.08

*Calculation base: 9.625 million shares

Number of Shares and Subscription Rights Held by Directors of Nemetschek Aktiengesellschaft as of December 31, 2004

	Number of shares	Subscription rights
Managing board		
Gerhard Weiß	26,092	0
Uwe Wassermann	24,667	0
Supervisory board		
Kurt Dobitsch	0	0
Prof. Georg Nemetschek	3,646,657	0
Rüdiger Herzog	0	0
Company shares owned by Nemetschek Aktiengesellschaft	14,245	0

Corporate Governance

The German Corporate Governance Code in the current version dated May 21, 2003, contains important legislative regulations and recommendations on the management and oversight of Germany's publicly traded corporations. The Code is based on nationally and internationally recognized standards for good and responsible corporate management. These rules, which are applicable in Germany, are to be made transparent for national and international investors, in order to increase trust in the corporate management of German companies.

Nemetschek Aktiengesellschaft welcomes the introduction of the German Corporate Governance Code as well as the objectives it pursues as a contribution to transparent and responsible corporate management.

Every year, as part of the statutory regulations, the managing board and supervisory board of Nemetschek Aktiengesellschaft issue a statement that the company adhered to and adheres to recommendations of the government commission's "German Corporate Governance Code", and specifies which recommendations were or are not being implemented. The most recent declaration was published on May 18, 2004, and shareholders can view it by visiting Nemetschek Aktiengesellschaft's Internet Website at http://www.nemetschek.de, under "Investor Relations / Corporate Governance".

Declaration of Compliance pursuant to s. 161 AktG (Stock Corporation Act) for 2004

"According to s. 161 Stock Corporation Act, the managing board and the supervisory board of Nemetschek Aktiengesellschaft declare that the recommendations of the German Corporate Governance Code published in the electronic Federal Gazette on July 4, 2003, have been and are complied with since the last Declaration of Compliance on June 27, 2003, with exception of the following points:

- Under the D&O insurance, there is no deductible for officers (3.8, para. 2, of the Code). Nemetschek Aktiengesellschaft does not believe that a deductible would improve the motivation or sense of responsibility of the officers of the Board of Management and the supervisory board.

- The managing board members participate in the company's stock option scheme and thus also receive a variable component with long-term incentives and an element of risk. This stock option scheme does not include a limitation for extraordinary and unexpected developments (cap) (4.2.3 para. 2 of the Code).

- The publication of the managing board pay structure and of the definition of the stock option scheme on the website of the Nemetschek Aktiengesellschaft was not accomplished when this new recommendation of the Code (4.2.3 para. 3 of the Code) came into effect on July 4, 2003. In the meantime the recommendation was adopted.

- The remuneration for members of the managing board is shown in a single amount in the annual report. An itemised account of the remuneration for members of the managing board, according to basic salary, profit-related components and components related to long-term incentive awards, is not currently planned (4.2.4 of the Code).

- An age limit for members of the managing board and supervisory board has not been set out in explicit terms, and there is no plan to do so at this point (Code 5.1.2 para. 2 and 5.4.1). Such age limit would generally limit the Company in its choices of suitable members of the managing board and supervisory board. Members are appointed solely on the basis of professional expertise and required experience. The Company, therefore, does not comply with said recommendation.

- The recommendation of the Code to set up qualified committees is not adopted (5.3 of the Code) because the supervisory board only consists of three members. The tasks for which the Code recommends the establishment of committees are fulfilled by the supervisory board of Nemetschek Aktiengesellschaft as a whole.

- The remuneration for members of the supervisory board is set out in the Articles of Association. The chairman and the deputy chairman each receive a higher remuneration for their activities. No profit-oriented remuneration has been planned (5.4.5, para. 2, of the Code). The remuneration for members of the supervisory board is shown, as an aggregate amount, in the consolidated accounts. Remuneration for personally rendered services is not stated, and there are no plans to do so (5.4.5, para. 3, of the Code).

☐ The consolidated accounts will be published within 90 days of the end of the fiscal year; interim reports will be published within 60 days. The publication of interim reports within 45 days is generally not possible - due to the extensive group structure, the requirement of translation and the employment of external service providers for the purpose of preparing such documents (7.1.2 of the Code)."

Munich, May 18, 2004

Managing board and supervisory board of
Nemetschek Aktiengesellschaft

Additional Information

Managing board pay structure
Remuneration of Nemetschek Aktiengesellschaft's board members is performance-based and divided into a fixed and a variable element. The level of both elements of the remuneration is checked regularly.

The fixed remuneration is paid out each month as salary. The level of the variable remuneration is basically dependent on the achievement of certain financial targets, which are defined at the start of the business year and are based on the sales and operating result before goodwill amortization in the group. As a rule, there is a scale of between 80 % and 130 % for achieving the targets. If less than 80 % of the target is achieved, no payout of the variable element of the remuneration is made at all. If more than 130 % of the target is achieved, the payout of the variable part of the remuneration ends at 160 %. A subsequent change to the performance targets is not possible. The payout is made following the approval of the financial statement by the supervisory board. For the 2004 fiscal year, the total remuneration of the two managing board members was 741 thousand euros. Of this, 50.4 % (373 thousand euros) was fixed remuneration and 49.6 % (386 thousand euros) was the variable element.

As a third component, the managing board participates in the stock option scheme, and thus receives an additional variable component with long-term incentives and an element of risk. 30 % of the total volume of option rights can be issued to the members of the Nemetschek Aktiengesellschaft managing board.

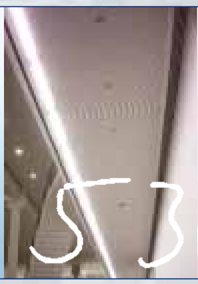
No option rights were issued to managing board members as of December 31, 2004.

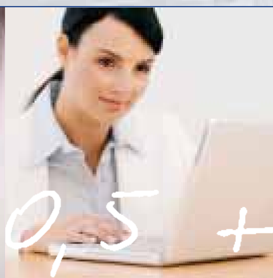
Stock option scheme (employee stock options)
Nemetschek Aktiengesellschaft offers employees in Nemetschek Aktiengesellschaft and subsidiaries that can make a substantial contribution to the company value a stock option scheme. The purpose of this is to attract qualified managers and ensure they stay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

The stock option scheme agreed at the 2003 AGM involves conditional capital of 850,000 euros. The waiting period is scaled over 4 years: 50 % of the issued option rights can be assigned at the end of two years, a further 25 % at the end of three years, and the remaining 25 % at the end of four years. The duration of the issued option rights can be up to 10 years. The exercise price corresponds to the average closing price of the Nemetschek stock before the resolution relating to issue.

An ambitious target was set: at the end of a two-year period starting from the day of issue of the option rights, the value of the Nemetschek stock must be at least 150 % of the exercise price. At the end of a three-year period starting from the day of issue of the option rights, the value of the Nemetschek stock must be at least 175 % of the exercise price.

No option rights were issued to employees as of December 31, 2004.





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Consolidated Financial Statements

Group Management Report for Fiscal Year 2004

Summary

Following the first signs of a recovery of the global economy in 2003, the economy gained further momentum worldwide in the first half of 2004. On account of a sharp rise in the oil price and increasing prices for raw materials, however, growth was slightly less dynamic in the second half of the year. Germany was able to participate in the positive development and, after two years of economic stagnation, recorded growth which was however mainly driven by the development of exports.

Having returned to the profit zone in 2003, the Nemetschek Group aimed above all to improve its sales revenues and earnings in the fiscal year 2004. As a result of fact that the economic development in the German construction industry was less favorable than expected, sales recorded in Germany were below the prior-year level while those generated abroad were raised by about 5.3 % despite negative exchange rate effects. Overall, sales revenues rose marginally and the operating result improved by 39.2 %.

Developments in the Industry

The activities of the Nemetschek Group are divided more or less equally between Germany and other countries, mainly European countries. The economic situation of the industry is quite varied in these regions.

Construction

Building activity in Germany was in decline again in 2004. Following a decrease of a nominal 3.3 % in 2003, sales in the building and civil engineering trade dropped again in 2004 by 5.5 % according to an estimate issued by HDI ["Hauptverband der Deutschen Bauindustrie": Construction Employers Association] in January 2005. This estimate means that HDI projections that the market would bottom out in 2004 with a drop in sales of 1 to 2 % have not materialized. Commercial building and public construction were particularly weak in 2004, with a 6.5 % decrease on the prior year. Sales in residential construction were 3.5 % below the prior-year figure. The lower sales are attributable to the continuingly high level of vacant space in office properties, the low level of public spending and projects not being brought forward like in past years in anticipation of the cuts in the first-time home-buyers grant from the government. As regards the future development of construction spending, HDI does not expect a turnaround in 2005, but a further drop in sales in the building and civil engineering trade by a nominal amount of 3.5 %.

In western Europe, by contrast, the building industry recorded a positive development. According to Euroconstruct, growth of 1.9 % was expected for building activities in 2004 after a growth rate of 0.3 % in the prior year. Substantial growth rates were realized in particular in residential construction (4.4 %), although growth is expected to slow down again in the next few years. In eastern Europe, the development was even better, with 5.2 % growth following on from 2.1 % in the prior year. Euroconstruct expects a further positive development of the construction volume in Europe in the coming years, with slightly lower growth rates than in 2004 of 1.7 % and 1.2 % in western Europe in 2005 and 2006 respectively. In eastern Europe, however, the construction activity is forecast to increase by a further 8.1 % in 2005 and 9.1 % in 2006. Civil engineering is expected to be one significant factor for growth, with new constructions in the building construction field being another growth driver. On aggregate, expenses for repairs and maintenance are projected to gain in significance in western and eastern Europe.

Strong Growth in IT Investments

Whereas IT investments in western Europe declined in 2002 and 2003 by 3.4 % and 1.2 % respectively, the European Information Technology Observatory (EITO) forecast an increase of 2.3 % for 2004. It expects a further positive development in 2005, with growth rates climbing as high as 4.2 %. In Germany, IT investments increased again in 2004 at a rate of 1.9 %. The development in 2005 should match that of western Europe with anticipated growth of 4.1 %.

Market Trends

The continuingly high competitive pressure on architects, structural engineers and developers in Germany demands greater efficiency of the market players. At the same time, they need to set themselves apart from the competition in terms of quality and tap new sources of income. "Building in existing fabric" is gaining in significance – according to Euroconstruct, 47.5 % of the construction volume today is spent on renovating and modernizing existing buildings in Europe.

The CAD market is largely saturated. This means that the cut-throat competition among software manufacturers will only increase. Providers must offer the customer solutions that will expand its range of services and increase its efficiency and profitability.

Integrated software solutions are therefore highly significant. With aligned interfaces, they save the user a lot of time while at the same time enhancing the data quality. Moreover, integrated systems offer help throughout the process from order canvassing right through to billing. Cost estimates are becoming increasingly important in this context. On the one hand, precise cost estimates for the construction project provide the builder-owner with certainty about the costs and on the other hand they protect the architects from liability claims made by the builder-owner.

In the field of renovation and modernization, building plans are often outdated, if they exist at all. This means that the buildings and rooms need to be remeasured. We see increasing potential for systems solutions that optimally support processes and transfer data directly to the CAD software. A further market of the future is the area of mobile data processing on building sites, e.g. to record defects.

Further market opportunities are in our opinion also inherent in systems to increase the efficiency of secondary processes through the use of office management software. With the help of such office management systems, processes can be controlled, events documented, expenses recorded and costs and revenues allocated.

We also see potential for software solutions in the field of real estate and facility management that combine technical and commercial requirements. Applications for calculating costs and benchmarking the infrastructure of the building are meeting with growing interest.

Results Increased Significantly in some Segments

Design

Despite the continuingly weak German market, the Nemetschek Group succeeded in clearly increasing the operating result in the Design segment where sales were slightly up.

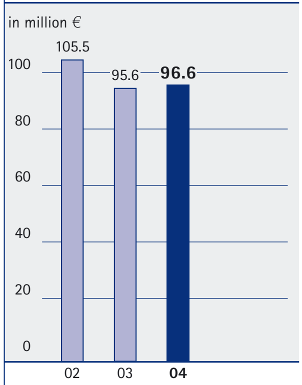
Meanwhile, the market for CAD software for architects and construction engineers is largely saturated. The main sales potential is to be found in follow-up sales to existing customers, the withdrawal or crowding out of competitors or entrants to the profession. Compared to the low in 2002, the business climate as determined by ifo-Institut among architects in Germany has improved marginally, however, it is still on an extremely low level as a result of the weak construction activity. Business expectations are also still at a low level.

The difficult conditions on the German market led to a drop in sales in the Design segment in Germany. By contrast, sales from foreign business were raised, but they were lower on a comparable basis than in the prior year on account of the devaluation of the US dollar in 2004.

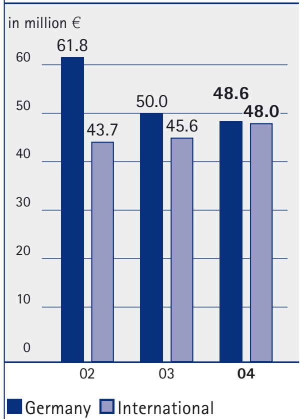
The development activities of Nemetschek Technology GmbH primarily focused on the new version of the CAD software Allplan 2005, which was launched at the end of 2004. As the market is largely saturated, the development focus was placed on topics that allow customers to change more easily to Nemetschek products, e.g. in the field of user interface and data transfer. Allplan Photo and Allplan Metric were developed to reflect the increasing significance of building in existing fabric. These solutions enable fast and straight-forward documentation of building and room measurements via distograph or photo grammetry. While sales of Nemetschek Deutschland GmbH were below prior-year level owing to the difficult environment, the European marketing subsidiaries recorded sales growth of 6.1 % in the European core markets France, Italy, Switzerland, Austria and Spain.

For the American subsidiary NEMETSCHEK NORTH AMERICA Inc. 2004 was a record year thanks to the new version 11 of the software VectorWorks, with sales and the operating result on US dollar basis clearly in double digits.

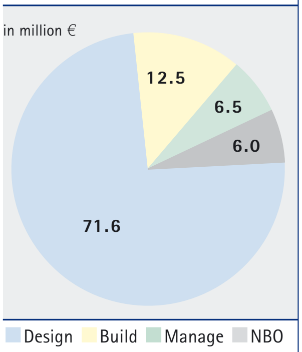
Group Revenues



Group Revenues Germany/International



Group Revenues
Business Units



In the field of engineering, the company operating in the field of structural engineering software Friedrich + Lochner GmbH reached a new record with a jump in sales of more than 20% and an above-average improvement in the operating result. The growth drivers were in particular the newly introduced contract maintenance system and the continuingly strong demand stemming from new standards. Following a decrease in sales in 2003, the subsidiary operating in the field of constructional engineering Glaser ISB CAD Programmsysteme GmbH returned to double-digit growth rates. acadgraph CAD STUDIO GmbH also recorded sales growth, although it incurred an operating loss as a result of an unfavorable sales structure.

Build

In the Build segment, which comprises Nemetschek Bausoftware GmbH and ING. AUER – Die Bausoftware GmbH, sales were down slightly on the prior-year level. The sales recorded by Nemetschek Bausoftware GmbH were below prior-year level as a result of the weak market in Germany. At the same time, however, the operating result was improved further. The company operating mainly in Austria ING. AUER – Die Bausoftware GmbH recorded its best year in the history of the company with sales growth of roughly 10 % and clearly higher operating result. This development is first and foremost attributable to growth on the core market Austria and the positive development of business in Germany.

Manage

The Manage segment combines the group activities in commercial real estate in the technically oriented sector of facility management, bundled in Nemetschek CREM Solutions GmbH & Co. KG. With a marginally lower level of sales and a clear operating loss, sales and earnings targets were again not met in the fiscal year 2004. Restructuring measures were then introduced in November 2004 to increase efficiency and reduce costs, including layoffs and structural measures in the selling and development departments. With these measures in place, operating income should be generated again in fiscal 2005.

New Business Opportunities

The New Business Opportunities division (NBO) comprises MAXON Computer GmbH and its subsidiaries in the USA and the UK, which operate in the field of multimedia and visualization. The MAXON subgroup generated sales growth of 8.6 % despite the unfavorable US dollar exchange rate. One success factor was the new and widely acclaimed version 9 of Cinema 4D which was launched in the fall of 2004 and which includes significant enhancements for animating characters and presenting scenes.

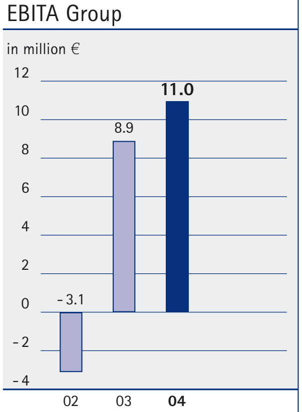
Group Sales at Prior-Year Level

At EUR 96.6 million, sales in fiscal year 2004 were slightly higher than in the prior year (EUR 95.6 million). Without the negative exchange rate effects stemming from the weak US dollar against the euro, sales would have been EUR 1.3 million higher.

In the Design segment, sales came to EUR 71.6 million (prior year: EUR 70.5 million). In the Build and Manage segments, sales reached EUR 12.5 million (prior year: EUR 12.9 million) and EUR 6.5 million (prior year: EUR 6.7 million) respectively. In the NBO segment, sales rose to EUR 6.0 million (prior year: EUR 5.5 million).

Domestic sales dropped by 2.8 % to EUR 48.6 million (prior year: EUR 50.0 million). Foreign sales rose by 5.3 % to EUR 48.0 million (prior year: EUR 45.6 million); without exchange rate effects the rise in sales would have been 7.9 %. The share of sales generated abroad rose to 49.7 % (prior year: 47.7 %).

EBITA Group



Operating Result and Net Income Clearly Positive

Thanks to increasing sales and lower operating expenses, the Nemetschek Group increased its operating income by 39.2 % to EUR 7.8 million (prior year: EUR 5.6 million), thus continuing the positive development realized in 2003. The slight increase in cost of materials and personnel expenses of EUR 0.2 million and EUR 0.4 million respectively was more than compensated for by the low costs of depreciation and amortization and other operating expenses of EUR 0.6 million and EUR 1.4 million respectively. Scheduled amortization of goodwill was applied for the last time in the fiscal year 2004. It came to EUR 3.2 million (prior year: EUR 3.3 million). Pursuant to the changed accounting provision IFRS 3 issued by the International Accounting Standards Board (IASB), such scheduled amortization of goodwill will no longer be recorded from the fiscal year 2005. The operating result before amortization of goodwill was up 23.9 % to EUR 11.0 million (prior year: EUR 8.9 million).

With the exception of the Manage segment, all the segments made a positive contribution to earnings. In the Design segment, the operating result rose sharply to EUR 6.6 million (prior year: EUR 4.9 million). In the Build segment, the operating result was up again at EUR 3.0 million (prior year: EUR 2.1 million). In the Manage and NBO segments, the operating results stood at EUR -2.1 million (prior year: EUR -1.5 million) and EUR 0.3 million (prior year: EUR 0.1 million) respectively.

The financial result came to EUR 0.8 million (prior year: EUR 0.7 million). The tax burden rose in line with the positive business development to EUR 2.2 million (prior year: EUR 1.8 million). Minority interests amount to EUR 1.0 million after EUR 0.5 million in 2003. The increase is attributable to the extremely positive development of earnings at all group entities with minority interests. Net income for the year rose by 37.0 % to EUR 5.4 million (prior year: EUR 4.0 million).

Cash and Cash Equivalents Up EUR 9.2 Million

In the course of the fiscal year 2004, cash and cash equivalents in the Nemetschek Group rose by EUR 9.2 million from EUR 29.8 million in the prior year to EUR 39.0 million as of December 31, 2004. This pleasing development is due above all to the high cash flow of the period of EUR 14.7 million (prior year: EUR 13.0 million). Capital expenditures came to EUR 2.3 million (prior year: EUR 3.6 million). They consist of EUR 1.1 million (prior year: EUR 2.6 million) invested in intangible assets and EUR 1.3 million (prior year: EUR 1.0 million) in property, plant and equipment. Payments of liabilities from earlier business acquisitions amounted to EUR 0.4 million.

Sound Balance Sheet Structure

Total net assets rose to EUR 87.5 million (prior year: EUR 83.7 million) as a result of the clearly positive net income for the year. Current assets, which are characterized by a high volume of cash and cash equivalents, rose to EUR 55.9 million (prior year: EUR 46.6 million), while non-current assets decreased by EUR 5.4 million to EUR 31.7 million (prior year: EUR 37.1 million) mainly as a result of high scheduled depreciation.

The sound balance sheet structure is also reflected in the fact that the liabilities and deferred income of EUR 27.6 million are covered 1.4-fold by cash and cash equivalents (EUR 39.0 million). Compared to the current assets of EUR 55.8 million, the liabilities are in fact covered roughly two-fold.

Due to the unfavorable exchange rate development of the US dollar and the minority interests of EUR 1.0 million, the net income for the year of EUR 5.4 million is not reflected in full in equity. Equity rose by EUR 4.8 million to EUR 59.1 million (prior year: EUR 54.3 million). The currency translation item changed from EUR -2.4 million to EUR -3.0 million.

Dividend Payout

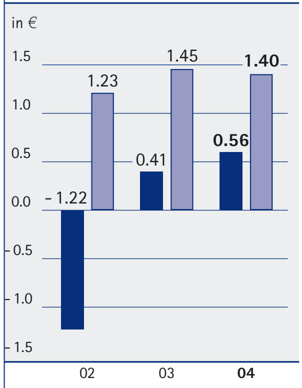
Owing to the positive business development and the excellent level of cash and cash equivalents, the management board will propose to the supervisory board that a dividend should be paid in fiscal year 2004 for the first time since 1998 to let the shareholders participate in the success of the Company.

Research and Development

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

Research and development therefore play an important role. This is reflected in the fact that 34 % of staff are employed in research and development-related areas. As of December 31, 2004, there were 225 employees working in the areas of software development and product management at the subsidiaries of Nemetschek Aktiengesellschaft. Another 29 employees work in quality control and documentation.

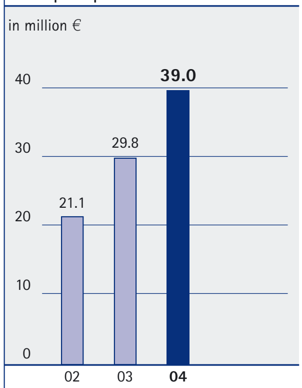
Net income and cash flow from operating activities



Net income per share

Cash flow from operating activities per share

Group Liquid Assets



Besides the development departments at the various subsidiaries, research and development activities are also carried out at the international development location in Bratislava. As of December 31, 2004, there were just under 76 employees working there who provide development services for several entities of the Nemetschek Group.

The group entities of Nemetschek Aktiengesellschaft focus on the new and continued development of standard software and on project business involving customizations based on existing Nemetschek products. In addition, the Nemetschek Group also plays an active role in various research projects of the EU and the German government.

In the MOBIKO project ("mobile cooperation in the construction industry using wireless communication techniques") subsidized by the German Federal Ministry for Economy and Labor as one of the key projects as part of the mobilMedia initiative, Nemetschek does basic research for new mobile solutions in construction engineering, such as for project progress management and defect management. Cross-company business processes involving intensive cooperation and coordination are supported in the ArKoS project (architecture for the management of collaborative scenarios) subsidized by the German Federal Ministry for Education and Research. By way of an example, it is to be implemented in the construction industry, because here in particular dynamic cooperation is a critical success factor for large projects. Nemetschek is a member of the core consortium of ArKoS. The WINDS project subsidized by the EU was completed in 2004, in which the basic elements for internet-based training of architecture students were developed. Nemetschek has developed a range of basic technologies in this context which are now incorporated in the regular product developments.

Headcount Slightly Up

As of December 31, 2004, the Nemetschek Group had 756 employees (full-time equivalents), of whom 405 work in Germany. As of December 31, 2003, the Group still had a headcount of 716, of which 382 were employed in Germany. Most of the employees are highly-qualified architects, construction engineers, information scientists and economists. The growth is above all due to the expansion of business in the United States and Spain.

Risks to Future Development

As a software manufacturer and service provider specializing in the design, construction and management of buildings and real estate, Nemetschek Aktiengesellschaft and its subsidiaries are affected by economic developments in the construction industry, particularly as regards the first two segments, Design and Build. For several years now, these two sectors have been in a phase of intense consolidation which has led to cutthroat competition and economic losses for our customers. Owing to the high level of saturation with CAD products of the German market in particular, winning new customers is an increasingly difficult task. The Nemetschek Group responded to these unfavorable market conditions by implementing an extensive restructuring and cost cutting program in 2001 and 2002, thus returning to clearly positive results in 2003 and 2004. If this trend continues or if there is further deterioration in the construction industry, it cannot however be ruled out that this may have a serious negative impact on the sales and earnings of the individual entities and therefore also on their liquidity.

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

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

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

Financial Instruments (Risk Management Objectives and Methods)

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

Subsequent Events

Effective January 1, 2005, Dr. Peter Mossack and Michael Westfahl were appointed to the management board. At the same time, Uwe Wassermann stepped down from the management board as of December 31, 2004.

Nemetschek Engineering GmbH, Salzburg, was formed on February 21, 2004 to develop and market specialist software in the field of plants for prefabricated units.

Outlook

Following several years of decreasing sales revenues, the Nemetschek Group recorded slight sales growth for the first time again in 2004. At the same time, the operating result, net income for the year and cash and cash equivalents were improved further. The Nemetschek Group has thus a solid financial basis that gives a great deal of scope to seize market opportunities as soon as they arise and flexibly invest in new technologies, products and employees or even make appropriate business acquisitions.

The development of the economy as a whole is expected to continue in a positive way in 2005. Nevertheless the situation in the German construction industry is not forecast to improve. In its planning for 2005, the Nemetschek Group therefore expects sales generated with its foreign business to increase further and sales on the German market to remain at the 2004 level. Overall, the Nemetschek Group has budgeted a marginal increase in sales. Due to the low share of variable costs customary in the software business, a further increase in profit is therefore anticipated.

Munich, March 4, 2005
Nemetschek Aktiengesellschaft

Gerhard Weiß
CEO

Dr. Peter Mossack
management board

Michael Westfahl
management board

Report of the Supervisory Board for the Fiscal Year 2004 of Nemetschek Aktiengesellschaft

During the past 2004 fiscal year, Nemetschek Aktiengesellschaft's supervisory board fulfilled the tasks and duties it is legally mandated to perform. It deliberated on the strategic and business development of the company and on the current events and underlying issues in seven meetings over the course of the year.

Nemetschek Aktiengesellschaft's managing board has presented the supervisory board with comprehensive quarterly reports about the business situation, including sales, earnings and liquidity developments, as well as the company's overall situation. In addition, the supervisory board kept itself informed about important business processes, intended business plans, as well as about the company's strategic orientation. The respective reports were presented to all supervisory board members and were debated in joint sessions of the managing board and the supervisory board. With the assistance of Nemetschek Aktiengesellschaft's reports, the supervisory board monitored and supported the managing board's work. Approval was given for projects requiring approval. The supervisory board did not form any committees.

Topics Debated at Individual Supervisory Board Meetings Included the Following:

- Meeting in January 2004: Deliberations at this meeting focused on preliminary results for the 2003 business year, as well as on planning processes for the 2004 business year. In addition, the strategic orientation of Nemetschek CREM Solutions GmbH & Co. KG was discussed.

- Meeting in March 2004: During this meeting, the supervisory board discussed the annual financial statements presented by the managing board, Nemetschek Aktiengesellschaft's management report, the consolidated financial statements and the group's management report, as well as the auditor's reports and audit results. During this supervisory board meeting, which was also attended by the appointed auditor, the board established Nemetschek Aktiengesellschaft's annual financial statements for 2003 and approved the consolidated statements for 2003, which had also been audited. Other topics included development planning for Nemetschek Technology GmbH and strategic marketing measures for Germany and for international business.

- Meeting in May 2004: This supervisory board meeting dealt with the managing board's report on business developments during the first quarter and additional business outlook prospects. The business situation and situation regarding the implementation of strategic planning at Nemetschek CREM Solutions GmbH & Co. KG were also discussed. The meeting also covered strategic concepts in the Design business unit and the supervisory board's survey on efficiency as part of the Corporate Governance Code and preparations for the general meeting.

- Meeting in August 2004: In this supervisory board meeting, the managing board's report on business developments in the second quarter and additional business outlook prospects were discussed. Other items were the group's product and development strategy and measures to increase profitability. In addition, the results of the supervisory board's efficiency survey were discussed.

- Meeting in September 2004: In this meeting, concepts for realigning the development organization at Nemetschek Technology GmbH, future focal-points for development and marketing strategies were discussed.

- Meeting in November 2004: This supervisory board meeting dealt with the managing board's report on business developments in the third quarter and the additional business outlook prospects in 2004 as well as key planning data for 2005. The business situation at Nemetschek CREM Solutions GmbH & Co. KG was also debated and the business development and prospects in the fields of training and casting plant software and at acadgraph CAD STUDIO GmbH were discussed. Further topics were the managing board's report on the progress of realignment of the development organization and the interim results of strategic projects in the Design business unit. The results of a new efficiency survey by the supervisory board were also debated.

- Meeting in December 2004: In this meeting, the appointment of Dr. Peter Mossack and Mr. Michael Westfahl to the managing board of Nemetschek Aktiengesellschaft, effective January 1 2005, was agreed and the new schedule of responsibilities was debated.

The annual financial statements of Nemetschek Aktiengesellschaft prepared by the managing board according to the German Commercial Code for the fiscal year 2004 and the consolidated statements prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as of December 31, 2004 and thus making use of the exemption according to sec. 292a HGB in conjunction with Art. 58 paragraph 3 sentence 4 EGHGB, as well as the group's management report, taking into account the accounting principles and the management report of the company, have been audited and approved without qualification by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Munich. The supervisory board has persuaded itself as to the independence of the auditors.

The meeting of the supervisory board on March 17, 2005 held to discuss Nemetschek Aktiengesellschaft's annual financial statements and management report as well as the consolidated financial statements and the group's management report was attended by the auditors, who answered all questions thoroughly.

The supervisory board has examined the annual financial statements, the management report, the consolidated financial statements and the group's management report, too. The supervisory board approves the result of the auditor's examinations based on its own examinations and raises no objections. The supervisory board explicitly endorses the annual financial statements of Nemetschek Aktiengesellschaft and the consolidated financial statements for fiscal year 2004. The annual financial statements of the Nemetschek Aktiengesellschaft for fiscal year 2004 are thus final.

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

Munich, March 17, 2005

Kurt Dobitsch
Chairman of the supervisory board

Consolidated Balance Sheet

as of December 31, 2004 and as of December 31, 2003

Assets Thousands of €	2004	2003	[Notes]
Current assets			
Cash and cash equivalents	39,033	29,833	[23]
Trade receivables, net	13,406	12,626	[13]
Receivables from associated enterprises	133	117	
Inventories	587	619	
Tax refund claims for income taxes	316	552	[14]
Prepaid expense and other current assets	2,359	2,898	[14]
Current assets, total	**55,834**	**46,645**	
Fixed assets			
Property, plant and equipment	3,589	4,149	[12]
Intangible assets	2,742	4,497	[12]
Goodwill	23,273	26,408	[12]
Shares in associated enterprises	409	325	
Deferred taxes	1,153	1,354	[10]
Other fixed assets	495	318	[14]
Fixed assets, total	**31,661**	**37,051**	
Total assets	**87,495**	**83,696**	

The accompanying notes to these balance sheets are an integral part of these consolidated financial statements.

Equity and liabilities (Thousands of €)	2004	2003	[Notes]
Current liabilities			
Current loans and current portion of long-term loans	1,403	1,403	[19]
Trade payables	4,288	4,139	[19]
Payments received on account of orders	48	102	[19]
Provisions and accrued liabilities	9,026	9,557	[18]
Deferred income	6,840	5,988	[20]
Income taxes	669	691	
Other current liabilities	3,933	4,436	[19]
Current liabilities, total	**26,207**	**26,316**	
Non-current liabilities			
Non-current debt without current portion	0	561	[19]
Deferred taxes	948	1,552	[10]
Pension provisions	413	372	[18]
Non-current liabilities, total	**1,361**	**2,485**	
Minority interests	**840**	**619**	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserve	46,345	47,110	[17]
Revenue reserves	0	3,579	[17]
Currency translation	– 3,037	– 2,410	
Retained earnings/accumulated loss	6,154	– 3,628	
Equity, total	**59,087**	**54,276**	
Equity and liabilities, total	**87,495**	**83,696**	

The accompanying notes to these balance sheets are an integral part of these consolidated financial statements.

Consolidated Income Statement

for the period from January 1 to December 31, 2004 and 2003

Thousands of €	2004	2003	[Notes]
Sales	**96,636**	**95,639**	[1]
Other operating income	1,787	1,946	[3]
Operating income	**98,423**	**97,585**	
Cost of materials/cost of purchased services	– 8,884	– 8,645	[4]
Personnel expenses	– 43,839	– 43,460	[5]
Depreciation of property, plant and equipment and amortization of intangible assets	– 4,086	– 4,616	[6]
Goodwill amortization	– 3,223	– 3,286	[6]
Other operating expenses	– 30,607	– 31,985	[7]
Operating expenses	**– 90,639**	**– 91,992**	
Operating result	**7,784**	**5,593**	
Interest income	664	621	[9]
Interest expenses	– 101	– 259	[9]
Income from associated enterprises	268	381	[8]
Earnings before taxes and minority interests	**8,615**	**6,336**	
Income taxes	– 2,210	– 1,824	[10]
Earnings before minority interests	**6,405**	**4,512**	
Minority interests	– 967	– 543	[11]
Net income for the year	**5,438**	**3,969**	
Earnings per share in EUR (basic)	0.56	0.41	[21]
Earnings per share in EUR (diluted)	0.56	0.41	
Average number of shares outstanding (basic)	9,625,000	9,625,000	
Average number of shares outstanding (diluted)	9,625,000	9,625,000	

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

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2004 and 2003

Thousands of €	2004	2003
Net result (before taxes)	7,648	5,793
Change in pension provision	41	– 334
Amortization and depreciation of fixed assets	7,309	7,902
Income/expense from associated enterprises	– 268	– 381
Income/expense from disposal of property, plant and equipment	0	– 13
Cash flow for the period	**14,730**	**12,967**
Interest income	– 664	– 621
Interest expenses	101	259
Change in other provisions and accruals	– 531	– 558
Change in inventories, trade receivables, other assets	– 348	4,763
Change in trade payables, other liabilities	1,956	– 1,842
Cash received from distributions of associated enterprises	184	99
Interest received	664	621
Income taxes received	17	276
Income taxes paid	– 2,634	– 1,997
Cash flow from operating activities	**13,475**	**13,967**
Capital expenditures	– 2,327	– 3,603
Changes in liabilities from acquisitions	– 403	– 657
Cash received from the disposal of fixed assets	99	100
Cash flow from investing activities	**– 2,631**	**– 4,160**
Repayment liabilities to banks	– 561	– 83
Interest paid	– 100	– 179
Minority interests paid	– 735	– 185
Cash flow from financing activities	**– 1,396**	**– 447**
Changes in cash and cash equivalents	**9,448**	**9,360**
Effect on exchange rate differences on cash and cash equivalents	**– 248**	**– 618**
Cash and cash equivalents at the beginning of the period	**29,833**	**21,091**
Cash and cash equivalents at the end of the period	**39,033**	**29,833**
Additional disclosures		
Capital expenditures on property, plant and equipment through finance leases	0	0
Other non-cash capital expenditures	0	0

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

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

Statement of Changes in Group Equity

for the period from January 1, 2003 to December 31, 2004

Thousands of €	Capital stock	Capital reserve	Revenue reserves	Currency translation	Retained earnings/accumulated loss	Group shares
As of January 1, 2003	**9,625**	**95,880**	**3,580**	**– 543**	**– 56,368**	**52,174**
Reclassification of reserves		– 48,770	– 1		48,771	0
Changes currency translation				– 1,867		– 1,867
Net income					3,969	3,969
As of December 31, 2003	**9,625**	**47,110**	**3,579**	**– 2,410**	**– 3,628**	**54,276**
Reclassification of reserves		– 765	– 3,579		4,344	0
Changes currency translation				– 627		– 627
Net income					5,438	5,438
As of December 31, 2004	**9,625**	**46,345**	**0**	**– 3,037**	**6,154**	**59,087**

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

The Statement of Changes in Group Equity is explained in notes [15, 16, 17].

Notes to the Consolidated Financial Statements for the Fiscal Year 2004

The Company

The Nemetschek Group is one of the leading solution providers in the world of information technology and consulting services for the design, construction and management of buildings and real estate. Its standard software solutions, available in 14 languages, are used by more than 160,000 companies in 142 countries. These IT solutions create synergies and optimize the overall building creation and management process in terms of quality, cost and time.

The full solution offering spans the entire planning, construction and management process. As such, it is a mediator and a link between the world of information technology and the specialist world of building clients, architects, engineers, construction companies as well as facility and real estate managers. The Group also works in the fields of visualization and animation of media production (MAXON Computer GmbH).

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

Information on German Corporate Governance Code

The declaration of compliance was submitted in May 2004 and can be accessed by the shareholders on the homepage of Nemetschek Aktiengesellschaft (www.nemetschek.de) in the investor relations section.

General Disclosures

As of December 31, 2004 the consolidated financial statements have been prepared, as in the prior year, according to International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). All standards valid as of balance sheet date were applied. Changes to individual standards as a result of the Improvement Projects of the IASB (including changes to IAS 1, IAS 2, IAS 8, IAS 10, IAS 16, IAS 17, IAS 21, IAS 24, IAS 27, IAS 28, IAS 31, IAS 32, IAS 33, IAS 39 and IAS 40) were not taken into account. In addition, the standards IAS 36 and IAS 38 changed by the IASB in the course of Phase 1 of the Business Combinations Projects were not taken into account. The IFRSs promulgated in the fiscal year 2004, IFRS 2: Share-based Payments, IFRS 3: Business Combinations, IFRS 4: Insurance Contracts, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as well as IFRS 6: Exploration for and Evaluation of Mineral Resources have not been applied prematurely either. The figures for the prior year were calculated according to the same principles. The Company is listed in the Prime Standard segment of the stock exchange and applies the provisions of Sec. 292a HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Art. 58 (3) Sentence 4 EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code], and is thus exempt from the provisions of Secs. 290 et seq. HGB to prepare consolidated financial statements. The group management report has been prepared in accordance with Sec. 315 HGB.

Compliance of group accounting with the 7th EU Directive, which is required for exemption from the obligation to prepare consolidated financial statements in accordance with German Commercial Code, has been based on the interpretation of the directive by German Accounting Standard No. 1 (GAS 1) 'Exempting consolidated financial statements in accordance with Sec. 292a HGB'.

The recognition, measurement and consolidation methods used under IFRS differ in the following main respects from the HGB provisions:

Intangible Assets:

Under IFRS, development costs are recognized as internally generated intangible assets if the criteria for recognition pursuant to IAS 38 are satisfied. Under HGB, they may not be capitalized.

Financial Instruments:

Marketable securities with a maturity upon acquisition of up to three months are reported as current financial investments under cash and cash equivalents. They are measured at market value, with fluctuations in market value being posted to the financial result in the income statement.

Currency Translation:
Under HGB, receivables and liabilities in foreign currency that have not been hedged are measured at cost or at the less favorable exchange rate on the balance sheet date. Under IFRS, however, all receivables and liabilities in foreign currency are translated at the rate on the balance sheet date. As a result, unrealized exchange gains are recognized in the income statement.

Deferred Taxes:
Under HGB, deferred taxes are determined on all temporary differences with effect on income between the commercial and tax balance sheets in accordance with the timing concept. Under IFRS, deferred taxes must be recognized for all temporary differences between the tax carrying amounts and the carrying amounts in the consolidated financial statements (temporary concept). For temporary differences that do not affect income, IFRS requires that the related deferred taxes also to be recorded without affecting on income. This concept does not exist in the German accounting provisions.

Minority Interests:

Under IFRS, profit shares allocable to minority shareholders in the income statement or their shares in the balance sheet are disclosed in a separate item below equity, whereas they are a sub-item of equity in accordance with HGB.

Provisions for Pensions and Similar Obligations:
In contrast to HGB accounting principles, the calculation of pension provisions under IFRS includes expected wage and salary increases. The calculation under IFRS is not based on the discount rate of 6% applicable in German tax law , but on a maturity-based interest rate derived from high-quality, fixed interest corporate bonds on the market.

Other Provisions:

The option to set up provisions is much more restrictive under IFRS than under HGB. Under IFRS, provisions must be set up when an entity has a legal or constructive obligation to a third party, it is probable that claims will be made and a reliable estimate can be made of the amount of the obligation. If the interest effect is material, non-current provisions must be discounted under IFRS.

HGB permits setting up provisions for future expenses without obligations to third parties.

Balance Sheet Classification:
The balance sheet items were classified into current and non-current assets and liabilities in accordance with IFRS. Items not due within a year are disclosed as non-current assets and non-current liabilities. In addition, deferred taxes are disclosed as non-current assets and liabilities. Under German commercial law, balance sheet classification is governed by Sec. 266 HGB.

The consolidated financial statements have been prepared on the basis of historical cost apart from financial assets that are held for trading or are classified as available for sale. These are reported at fair value.

The income statement has been prepared using the nature of expense method.

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

Consolidation Group

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

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

Name, registered office of the entity in €	Equity investment in %	Equity Dec. 31, 2004	Net income/loss for the year 2004
Nemetschek Aktiengesellschaft, Munich		68,192,528	15.266.488
Direct equity investments			
Nemetschek Deutschland GmbH, Munich	100.00	2,855,654	340,037
Nemetschek Technology GmbH, Munich	100.00	2,000,000	1,345,825
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	100.00	14,529,247	915,742
NEMETSCHEK FRANCE SARL, Asnières, France	100.00	412,698	300,051
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	81.00	572,389	229,894
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00	1,015,208	20,469
NEMETSCHEK Ges.m.b.H., Salzburg, Austria	100.00	449,343	224,843
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	– 99,734	46,892
NEMETSCHEK (UK) Ltd., Bedford, UK	100.00	– 422,927	– 225,376
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia	100.00	139,893	– 8,749
NEMETSCHEK s.r.o., Prag, Czech Republic	100.00	– 47,499	19,985
NEMETSCHEK kft., Budapest, Hungary	100.00	45,280	1,825
NEMETSCHEK OOO, Moskau, Russia	100.00	– 158,976	2,572
acadgraph CAD STUDIO GmbH, Munich	100.00	– 682,904	– 405,266
Friedrich + Lochner GmbH, Stuttgart	100.00	51,129	1,092,533
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	70.00	885,621	532,901
Nemetschek Bausoftware GmbH, Achim	95.00	1,790,554	1,378,779
ING. AUER – Die Bausoftware GmbH, Mondsee, Austria	75.00	2,556,047	2,278,499
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	99.75	0	– 1,688,373
Nemetschek CREM Verwaltungs GmbH, Munich	100.00	57,774	515
MAXON Computer GmbH, Friedrichsdorf	70.00	1,437,375	289,297
Nemetschek Verwaltungs GmbH, Munich	100.00	25,881	224
Indirect equity investments			
MAXON COMPUTER Inc., Thousand Oaks, California, USA	63.00	145,688	91,736
MAXON Computer Ltd., Bedford, UK	63.00	– 170,664	17,625
Associated enterprises valued according to the equity method			
Direct equity investments			
DocuWare Aktiengesellschaft, Germering	30.00	3,454,320	677,857
Sidoun GmbH, Freiburg im Breisgau (June 30, 2004)	16.26	– 2,392,644	115,479
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	158,541	57,382
TraiCen IT Training & Consulting GmbH, Munich	33.00	– 225,400	– 171,956

The net income/loss for the year recorded by Nemetschek Technology GmbH, acadgraph CAD STUDIO GmbH, and Friedrich + Lochner GmbH is shown before profit and loss transfer agreement with Nemetschek Aktiengesellschaft in each case. The information about the entities corresponds to the local individual financial statements, translated into EUR

Changes in the Consolidation Group

The composition of the entities included in the consolidated financial statements changed during the course of the fiscal year 2004.

The following newly purchased share in Nemetschek Bausoftware GmbH, Achim is included in the consolidated financial statements for the first time:

- Purchase of another 3% share in Nemetschek Bausoftware GmbH, Achim.

A total of EUR 0.1 million was spent on the acquisition of shares in fiscal 2004; these are the acquisition costs.

EUR 0.3 million was paid on the variable components of company acquisitions purchased before 2004 (MAXON Computer GmbH). The variable purchase price payments for the acquisition of MAXON Computer GmbH have thus been completed.

No shares were sold or entities removed from the consolidation group in 2004.

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

Goodwill is amortized on a straight-line basis over the expected useful life of ten to fifteen years for the last time in 2004.

Goodwill developed as follows:

€ million	2004	2003
Brought forward January 1	26.4	29.4
Additions	0.4	1.4
Impairment losses	0.0	0.0
Amortization	– 3.2	– 3.3
Currency differences	– 0.3	– 1.1
As of December 31	**23.3**	**26.4**

Consolidation Principles

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

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

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

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

Use of Estimates When Preparing the Consolidated Financial Statements
The preparation of the consolidated financial statements requires management to make estimates and assumptions in conformity with IFRS that affect the reported amounts of assets and liabilities, the disclosures in the notes to the consolidated financial statements and the amounts reported in the income statement. Actual results may diverge from these estimates.

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

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

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

Currency	Average exchange rate in 2004	Exchange rate as of December 31, 2004	Average exchange rate in 2003	Exchange rate as of December 31, 2003
EUR/USD	1.2465	1.3621	1.1420	1.2620
EUR/CHF	1.5441	1.5429	1.5230	1.5579
EUR/SKK	40.0129	38.7450	41.4258	41.1700
EUR/CZK	31.9237	30.4640	31.8779	32.4100
EUR/RUR	35.7967	37.7880	34.8805	36.5580
EUR/HUF	250.6308	245.9700	254.6458	262.5000
EUR/GBP	0.6750	0.7051	0.6931	0.7048

Recognition and Measurement Principles

Intangible assets are capitalized at cost and are amortized by means of scheduled amortization using the straight-line method over the customary useful life of between three and fifteen years.

Software	3 to 5 years
Goodwill	10 to 15 years

Expenditures for research and development are charged against income in the period in which they are incurred except for project development costs which comply strictly with the following criteria:
- The product or process is clearly defined and costs are separately identified and measured reliably.
- The technical feasibility of the product is demonstrated.
- The product or process will be sold or used in-house.
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and adequate technical, financial and other resources required for completion of the project are available.

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

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

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

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

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

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

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

Borrowing costs are immediately recorded as an expense

Payments received on account from customers are recorded as liabilities.

Receivables and **other assets** are shown at the fair value of the consideration and measured at their amortized cost after setting up the required valuation allowances.

Financial assets and **financial liabilities** carried in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, non-current receivables, loans, direct loans and financial investments. The recognition and measurement criteria used for these items are shown in the recognition and measurement methods contained in the notes to these consolidated financial statements. All financial assets within the meaning of IAS 39 are classified in the category "loans and receivables originated by the entity".

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

The initial recognition of a financial asset is at cost which corresponds to the fair value of the consideration given or received; transaction costs are included (IAS 39.66). Gains and losses from the measurement of available for sale financial assets are posted directly to a reserve in equity until the financial asset is sold, withdrawn or otherwise disposed of or, if it were determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period (IAS 39.103) (note 24).

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

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

Accounting effects need not be taken into account when option plans are allocated, but when the options are exercised.

The Company provides defined **benefit pension plans** for selected members of management. The provisions are valued every year by reputable independent valuers. Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is recorded as a provision in the balance sheet. Actuarial gains and losses are recognized immediately in the income statement. All other provisions take into account all obligations discernable on the balance sheet date that are related to transactions or events that have already taken place but for which the amount or due date is uncertain. Non-current provisions must be discounted at the balance sheet date, unless the effects are immaterial.

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

Deferred taxes are calculated based on the balance-sheet-oriented liability method (IAS 12). This involves creating deferred taxation items for all substantial temporary recognition and measurement differences between IFRS and tax values. Furthermore, deferred tax assets for future pecuniary advantages from unused tax losses must be taken into account. Deferred tax assets for recognition and measurement differences and for unused tax losses are only taken into account if they are expected to be realized. Deferred taxes are measured taking into account the respective national income tax rates which apply in the individual countries at the time of realization or which are expected (basis: applicable tax law). Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Allowances on deferred tax assets are set up if it is more likely than not that the tax advantage will be lost.

Liabilities are reported at amortized cost.

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

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

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Sales revenue is recognized net of sales tax 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

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

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

- The significant risks and rewards linked to ownership of the goods and merchandise sold have been transferred (transfer of title).
- The entity does not retain control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the 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 if (IAS 18.20)

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

This has the following implications for the Nemetschek Group:

a.) Software and licenses

aa.) Standard software

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

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

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

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

ab.) Sales transactions via sales representatives/agents

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

b.) Hardware

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

c.) Consulting

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

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

d.) Maintenance

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

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

e.) Training

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

The Company divides its activities into the segments Design, Build, Manage and NBO (New Business Opportunities).

The **segment reporting** divides the Group worldwide into the segments Design, Build, Manage and NBO. The business segments Design, Build, Manage and NBO form the basis for the primary segment reporting.

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

Notes to the Consolidated Income Statement

[1] Sales

€ million	2004	2003
Software and licenses	49.8	48.4
Hardware	1.9	2.2
Services (consulting, training)	8.2	8.1
Maintenance (software service agreements)	36.7	36.9
	96.6	**95.6**

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

[2] Own Work Capitalized

Pursuant to IAS 38, development costs must be capitalized unless they are incurred for basic research or are not related to projects, provided that the prerequisites of IAS 38.45 are fulfilled.

The Company was involved in non-project-related product development in 2004. The development costs of projects that have not satisfied the criteria of IAS 38.45 have been recorded as an expense. If the development activities in the past were related to usable products the expenses incurred were capitalized. These included direct personnel costs plus allocable overheads. Development expenses were last recognized in 2000.

The economic useful life of capitalized development costs is assumed to be five years. Amortization starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method. Disposal is recorded in analysis of fixed assets after the economic useful life has expired. In 2004, EUR 18.7 million was spent on research and development (prior year: EUR 18.6 million).

[3] Other Operating Income

€ million	2004	2003
Development subsidies for EU projects	0.3	0.5
Income from the sale of assets	0.1	0.1
Other income relating to other periods	0.1	0.3
Income from subleases and offsetting other services	0.6	0.7
Advertising expense advances	0.2	0.0
Sundry	0.5	0.3
	1.8	**1.9**

The income from exchange rate differences of under EUR 0.1 million (prior year: EUR 0.1 million) is contained in the item "Sundry".

[4] Cost of Materials

€ million	2004	2003
Cost of purchased merchandise	7.2	6.9
Cost of purchased services	1.7	1.7
	8.9	**8.6**

[5] Personnel Expenses

€ million	2004	2003
Wages and salaries	36.8	36.3
Social security, pension and other benefit costs	7.0	7.2
	43.8	**43.5**

Social security, pension and other benefit costs contain pension obligations of less than EUR 0.1 million (prior year: EUR 0.1 million) and the customary local expenses of the state pension insurance for employees. In addition, there are various additional private pension insurance policies for group employees at their own cost.

The average number of employees for the year was:

	2004	2003
Number of employees	740	743

The number of employees as of the balance sheet date December 31, 2004 came to 756 (prior year: 716).

[6] Amortization/Depreciation

€ million	2004	2003
Amortization of intangible assets	2.4	2.7
Amortization of goodwill	3.2	3.3
Depreciation of property, plant and equipment	1.7	1.9
	7.3	**7.9**

The amortization of goodwill in 2004 contained no impairment losses (prior year: EUR 0 million).

[7] Other Operating Expenses

€ million	2004	2003
Expenses for third-party services	4.4	3.4
Advertising expenses	4.3	3.7
Rent/leases	5.5	6.4
Commission	5.6	5.6
Legal and consulting fees	2.0	2.8
Travel expenses	2.0	1.8
Vehicle costs	1.4	1.9
Communication	1.4	1.3
Sundry	4.0	5.1
	30.6	**32.0**

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

[8] Income from Associated Enterprises

The item income from associated enterprises contains write-ups of associates of EUR 0.3 million (prior year: EUR 0.4 million).

[9] Interest Income/Expenses

€ million	2004	2003
Other interest and similar income	0,7	0,6
Interest and similar expenses	– 0,1	– 0,2
	0,6	**0,4**

[10] Income Taxes

€ million	2004	2003
Current income taxes	2.6	1.9
Income tax received, prior years	0.0	– 0.3
Deferred taxes	– 0.4	0.2
	2.2	**1.8**

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

figures in %	2004	2004	2003	2003
Earnings before tax	100.0		100.0	
19.2 % trade tax	19.2	19.2	19.2	19.2
	80.8		**80.8**	
25 % / 26.5 % corporate income tax	20.2	20.2	21.4	21.4
5.5 % solidarity surcharge	1.1	1.1	1.2	1.2
	59.5	**40.5**	**58.2**	**41.8**

The decrease in the theoretical tax rate in relation to the prior year is due to the fact that the prior-year rate includes the temporary increase for the calendar year 2003 in the corporate income tax rate from 25% to 26.5% on account of the German flood victim assistance act. Consideration of the change in the theoretical tax rate did not result in any material differences.

€ million	2004	2003
Earnings before tax	8.7	6.3
Theoretical tax 40.5 % (prior year: 41.8 %)	3.5	2.6
Differences to foreign tax rates	– 0.7	– 0.9
Tax effects on:		
Amortization of goodwill from capital consolidation	1.2	1.2
At-equity consolidation of associated enterprises	– 0.1	– 0.2
Use of unrecognized deferred taxes on unused tax losses	– 1.8	– 0.8
Income tax received, prior years	0.0	– 0.3
Non-deductible expenses	0.1	0.2
Effective tax expense	**2.2**	**1.8**
Effective tax rate (in %)	25 %	28 %

Deferred tax assets and liabilities are summarized as follows:

€ million	2004	2003
Deferred tax assets		
Unused tax losses	1.2	1.4
	1.2	**1.4**
Deferred tax liabilities		
Valuation differences from software capitalization	0.1	0.4
Valuation differences from goodwill amortization	0.9	1.2
	1.0	1.6

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

€ million	2004	2003
Losses according to entities	58.8	58.5
thereof confirmed unused losses	58.8	58.5
Deferred tax assets, gross	22.3	22.7
Unrecognized deferred tax assets on unused tax losses	– 21.1	– 21.3
Deferred tax assets, net	**1.2**	**1.4**

These items mainly contain deferred tax assets on unused tax losses which are likely to be realized in future. The deferred tax assets on the unused tax losses were recognized on the basis of the expense and income planning of Nemetschek Aktiengesellschaft (parent company) and subsidiaries for the fiscal year 2005.

[11] Minority Interests

€ million	2004	2003
Profit shares allocable to minority interests	1.0	0.5
	1.0	**0.5**

The profit shares allocable to minority interests are disclosed separately in the income statement.

Notes to the Consolidated Balance Sheet

[12] Fixed Assets

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

[13] Trade Receivables

€ million	2004	2003
Trade receivables (before bad debt allowances)	16.1	15.5
Specific bad debt allowance	– 2.7	– 2.9
Trade receivables, net	**13.4**	**12.6**

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

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

€ million	2004	2003
Tax refund claims for income taxes	0.3	0.6
Reinsurance policy	0.2	0.2
Current loan receivables	0.2	0.2
Prepaid expenses	1.9	1.6
Loans	0.0	0.1
Deposits	0.3	0.2
Other	0.3	0.9
	3.2	**3.8**

[15] Equity

The development of the capital reserve, the revenue reserves and the retained earnings/accumulated loss of the Group is presented in the statement of changes in equity.

[16] Capital Stock

The capital stock of Nemetschek Aktiengesellschaft is unchanged since the prior year and amounts to EUR 9,625,000.00 as of December 31, 2004. There has been no change since January 1, 2003 in the number of no-par value shares, which is 9,625,000.

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

- increase the capital stock, once or several times, by a maximum of EUR 1,200,000.00, with the consent of the supervisory board, by issuing new no-par value shares made out to the bearer in exchange for cash contributions (Authorized Capital I).
- increase the capital stock, once or several times, by a maximum of EUR 3,600,000, with the consent of the supervisory board, by issuing new no-par value shares made out to the bearer in exchange for cash contributions (Authorized Capital II).

The shareholders' meeting of July 29, 2003 passed a resolution for a contingent increase of the capital stock of the Company by up to EUR 850,000.00 which serves to guarantee subscription rights (options) to management board members and executives. As of December 31, 2004, no options had been issued (prior year: 0 options).

[17] Capital Reserve/ Revenue Reserves

We refer to the consolidated statement of changes in equity. The revenue reserves of EUR 3.6 million were allocated to retained earnings. The Group holds 14,245 treasury shares. The value of these shares (EUR 61 k) has been netted with the reserves. EUR 0.8 million of the capital reserve from other contributions prior to the IPO were allocated to retained earnings (prior year: EUR 48.8 million used to offset the unused loss of Nemetschek Aktiengesellschaft). The remaining capital reserve is subject to the restrictions of Sec. 150 (4) AktG ["Aktiengesetz": German Stock Corporation Act]. Pursuant to Sec. 150 AktG, the legal reserve and the capital reserve together must exceed one tenth of the capital stock for them to be used to offset losses or to increase capital from company funds. If the legal reserve and the capital reserve together do not exceed one tenth of the capital stock, they may only be used to offset losses if the loss is not covered by the profit carryforward or net income for the year and cannot be offset by releasing other revenue reserves.

[18] Provisions and Accrued Liabilities

The obligation to a subsidiary's managers resulting from pension plans 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, 2004 there were no curtailments. The plans were continued beyond this period. The pension plans contain pension claim after reaching the age of 65 amounting to 60% of the last net salary or EUR 3,834 (DEM 7,500), whichever is lower. All claims are vested.

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

€ million	Jan. 1, 2004	Utilization	Reversals	Additions	Dec. 31, 2004
Pension provisions	0.4	0.0	0.0	0.0	0.4
Pension provisions (prior year)	0.7	0.3	0.0	0.0	0.4

€ million	2004	2003
Present value of obligations	0.4	0.4
Net liability recognized in balance sheet	**0.4**	**0.4**

The expense for pension obligations from services cost and interest is less than EUR 0.1 million; the expense is disclosed exclusively under personnel expenses. As of December 31, 2004, the principal actuarial assumptions used to determine pension obligations were as follows:

	2004	2003
Discount rate	5.0 %	5.5 %
Future salary increases	2.0 %	2.0 %
Future pension increases	1.0 %	1.0 %

Accrued liabilities contain the following items:

€ million	2004	2003
Commission/bonuses, employees	3.6	2.9
Vacation accrued by employees	1.5	1.6
Legal and consulting fees/financial statement costs	0.3	0.6
Outstanding supplier invoices	0.8	0.6
Severance payments	0.1	0.3
Maintenance	0.0	0.2
Other accrued liabilities (individual items below EUR 0.1 million)	1.2	1.3
	7.5	**7.5**

Other provisions include the following items:

€ million	Jan. 1, 2004	Utilization	Reversals	Additions	Dec. 31, 2004
Potential losses, unused rented space	1.0	0.4	0.0	0.0	0.6
Warranties	0.6	0.0	0.2	0.0	0.4
Credit notes on invoices	0.3	0.3	0.0	0.3	0.3
Archiving costs	0.2	0.0	0.0	0.0	0.2
December 31, 2004	**2.1**	**0.7**	**0.2**	**0.3**	**1.5**
December 31, 2003	**2.7**	**1.4**	**0.0**	**0.8**	**2.1**

- The potential loss provision for rent was extrapolated on the basis of the current sublease agreements and determined for the fixed terms of the sublease agreements
- The provision for credit notes contains an allowance for any credit notes from the sales of the prior year.
- The warranty provisions have been set up in an amount equivalent to 0.5% of sales less purchased products (sales subject to warranty).

Provisions for warranties and credit notes are of a current nature, whereas the provisions for potential losses and archiving costs contain non-current components. The current provisions are expected to be used within the next 12 months.

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

[19] Liabilities

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

€ million	Total amount	up to 1 year	1 to 5 years	more than 5 years
Liabilities to banks	1.4	1.4	0.0	0.0
December 31, 2003	2.0	1.4	0.2	0.4
Payments received on account of orders	0.1	0.1	0.0	0.0
December 31, 2003	0.1	0.1	0.0	0.0
Trade payables	4.3	4.3	0.0	0.0
December 31, 2003	4.1	4.1	0.0	0.0
Other liabilities	3.9	3.9	0.0	0.0
December 31, 2003	4.4	4.4	0.0	0.0
thereof from taxes	2.2	2.2	0.0	0.0
thereof relating to social security	0.8	0.8	0.0	0.0
December 31, 2004	**9.7**	**9.7**	**0.0**	**0.0**
December 31, 2003	**10.6**	**10.0**	**0.2**	**0.4**

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

All non-current loans from 2003 were repaid in 2004. As of December 31, 2004, the Group has a registered land charge for EUR 1 million in favor of Credit- und Volksbank e.G. Wuppertal to secure a liability of Nemetschek CREM Solutions GmbH & Co. KG. Further liabilities secured by encumbrances or collateral assignment did not exist as of December 31, 2004.

Liabilities to banks contain two current account overdrafts with interest rates of between 5% and 6%. The loans were renewed in the course of the year and are still due within one year.

[20] Deferred Income

Deferred income amounts to EUR 6.8 million (prior year: EUR 6.0 million). The total amount will result in sales in the first half of 2005.

[21] Earnings per Share

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

For the purpose of calculating diluted earnings per share, the net income attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all potentially diluting ordinary shares from conversion of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the potentially diluting ordinary shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date on which the options were granted. When calculating diluted earnings per share, the weighted average number of ordinary shares which would be issued due to the conversion of all potentially diluting ordinary shares was not considered in any periods in which a net loss for the year was disclosed. As of December 31, 2004, a total of zero potential ordinary shares (prior year: zero) were excluded from the calculation of diluted loss per share. There are therefore no potential ordinary shares which could have led to dilution.

	2004	2003
Net earnings in EUR million	5.4	4.0
Average number of outstanding ordinary shares as of December 31	9,625,000	9,625,000
Average number of shares to be included in the calculation of diluted EPS as of December 31	9,625,000	9,625,000
Earnings per share in EUR, basic	**0.56**	**0.41**
Earnings per share in EUR, diluted	**0.56**	**0.41**

[22] Financial Obligations

€ million	Total	Due 2005	Due 2006 to 2009	Due after 2010
Rent agreements	19.4	4.3	12.4	2.7
December 31, 2003	24.9	5.0	14.4	5.5
Lease agreements	1.2	0.7	0.5	0.0
December 31, 2003	1.2	0.7	0.5	0.0
Purchase price adjustments from acquisitions/put options	5.3	0.0	5.1	0.2
December 31, 2003	5.1	0.8	4.1	0.2
Total financial obligations	**25.9**	**5.0**	**18.0**	**2.9**

€ million	Total	2004	2005 to 2008	after 2009
December 31, 2003	**31.2**	**6.5**	**19.0**	**5.7**

The rent agreements consist almost exclusively of rent agreements for office space with limited terms. The lease obligations mainly consist of leases for vehicles and telecommunication equipment. Rent obligations are offset against expected income from non-cancelable sub-leases for the years 2005 through 2010 totaling EUR 1.3 million (prior year: EUR 0.7 million).

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

[23] Notes to the Cash Flow Statement

The cash flow statement is split into cash flows from operating, investing and financing activities. The cash flow from operating activities amounts to EUR 13.5 million (prior year: EUR 14.0 million). The cash flow from investing activities of EUR –2.6 million (prior year: EUR –4.2 million) is characterized by replacement investments for property, plant and equipment and software of group entities. In addition, liabilities from acquisitions of EUR 0.4 million were settled. The cash flow from financing activities essentially comprises the repayment of non-current loans of EUR –0.6 million (prior year: EUR –0.1 million) and the payment of profit shares to minority interests of EUR –0.7 million (prior year: EUR –0.2 million).

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

€ million	2004	2003
Bank balances	**39.0**	**29.8**

[24] Financial Instruments

In the course of ordinary operations, the Nemetschek Group is exposed to exchange rate fluctuations in particular. It is company policy to exclude or limit these risks by entering into hedge transactions. All hedging activities are coordinated or performed centrally by the group treasury.

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

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

Foreign Exchange Risk Management

As required, the Group enters into various types of foreign exchange contracts to manage its foreign exchange risk resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign currencies. Transaction risks are calculated in each foreign currency and include assets and liabilities denominated in foreign currency and certain off-balance sheet items such as fixed and probable purchase and sales commitments. The currency risks of the Group occur due to the fact that the Group operates and has production and sales centers in different countries worldwide.

Liquidity Risks

The Group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Company under normal trading conditions. The credit rating of the Group allows sufficient cash to be procured. Moreover, the Group has lines of credit that have not yet been used.

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

Credit Risks

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

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

Fair Value of Financial Instruments

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

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

Financial Assets and Current Financial Liabilities

The carrying amount of cash, other financial assets and current financial liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Where no market prices are available, the fair value of publicly traded instruments is estimated based on market prices for those or similar investments. For all other instruments for which there are no market prices, a reasonable estimate of fair value has been calculated based on the expected cash flow or the underlying net asset base for each investment. All carrying amounts approximate the fair value of the corresponding items.

Derivative Financial Instruments

Depending on their maturity, the **derivatives** used as hedges with positive (negative) fair values are either classified as other current assets (current provisions) or as other fixed assets (non-current provisions). Derivative financial instruments not used as hedging instruments are classified as financial assets held for trading purposes and measured at fair value; changes in fair value are included in the result for the period. No derivatives were outstanding on the balance sheet date.

[25] Segment Reporting

The Company divides its activities into the segments Design, Build, Manage and NBO (New Business Opportunities). The Design segment contains the architecture and engineering division and is mainly characterized by the development and marketing of 3-dimensional CAD software. The Build segment involves the creation and marketing of commercial software for construction companies. The Manage segment covers facility management, which involves extensive administration and management of construction projects. The Group also has an NBO segment (New Business Opportunities) involved in visualization and animation in media production.

Income statement disclosures:

2004 € million	Total	Elimination	Design	Build	Manage	NBO
Sales, external	96.6	0.0	71.6	12.5	6.5	6.0
Intersegment sales	0.0	– 1.2	0.3	0.1	0.5	0.3
Total sales	**96.6**	**– 1.2**	**71.9**	**12.6**	**7.0**	**6.3**
Amortization and depreciation	7.3	0.0	4.6	1.5	0.3	0.9
EBIT	**7.8**	**0.0**	**6.6**	**3.0**	**– 2.1**	**0.3**
Interest income	0.6					
Interest expenses	– 0.1					
Income from associated enterprises	0.3					
Income taxes	– 2.2					
Minority interests	– 1.0					
Net income for the year	**5.4**					

2003 € million	Total	Elimination	Design	Build	Manage	NBO
Sales, external	95.6	0.0	70.5	12.9	6.7	5.5
Intersegment sales	0.0	– 1.4	0.5	0.1	0.5	0.3
Total sales	**95.6**	**– 1.4**	**71.0**	**13.0**	**7.2**	**5.8**
Amortization and depreciation	7.9	0.0	5.2	1.5	0.4	0.8
EBIT	**5.6**	**0.0**	**4.9**	**2.1**	**– 1.5**	**0.1**
Interest income	0.6					
Interest expenses	– 0.2					
Income from associated enterprises	0.4					
Income taxes	– 1.8					
Minority interests	– 0.5					
Net income for the year	**4.0**					

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

Balance sheet disclosures:

2004 € million	Total	Design	Build	Manage	NBO
Cash and cash equivalents	23.8	17.5	4.4	0.6	1.3
Trade receivables	13.4	10.9	1.2	0.7	0.6
Inventories	0.6	0.4	0.1	0.0	0.1
Other assets, prepaid expenses	3.0	2.2	0.2	0.4	0.2
Fixed assets	29.6	11.7	11.7	2.7	3.5
thereof additions to fixed assets	2.3	1.5	0.3	0.1	0.4
Segment assets	**70.4**	**42.7**	**17.6**	**4.4**	**5.7**
Non-allocated cash and cash equivalents Nemetschek Aktiengesellschaft	15.2				
Financial assets, associated enterprises	0.4				
Non-allocated income tax receivable and deferred tax assets	1.5				
Total assets	**87.5**				
Liabilities	8.3	6.7	0.7	0.7	0.2
Provisions and accrued liabilities (incl. pension provision)	9.3	7.1	0.8	0.7	0.7
Deferred income	6.8	6.6	0.1	0.1	0.0
Segment liabilities	**24.4**	**20.4**	**1.6**	**1.5**	**0.9**
Non-allocated liabilities*	3.1				
Total liabilities	**27.5**				

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

2003 € million	Total	Design	Build	Manage	NBO
Cash and cash equivalents	19.2	14.8	3.5	0.4	0.5
Trade receivables	12.6	9.8	1.6	0.5	0.7
Inventories	0.6	0.4	0.1	0.0	0.1
Other assets, prepaid expenses	3.3	2.6	0.1	0.4	0.2
Fixed assets	35.1	14.9	13.0	3.0	4.2
thereof additions to fixed assets	3.6	1.3	1.6	0.1	0.6
Segment assets	**70.8**	**42.5**	**18.3**	**4.3**	**5.7**
Non-allocated cash and cash equivalents Nemetschek Aktiengesellschaft	10.7				
Financial assets, associated enterprises	0.3				
Non-allocated income tax receivable and deferred tax assets	1.9				
Total assets	**83.7**				
Liabilities	8.7	7.6	0.5	0.3	0.3
Provisions and accrued liabilities (incl. pension provision)	9.9	8.0	0.7	0.5	0.7
Deferred income	6.0	5.8	0.1	0.1	0.0
Segment liabilities	**24.6**	**21.4**	**1.3**	**0.9**	**1.0**
Non-allocated liabilities*	4.2				
Total liabilities	**28.8**				

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

Segment reporting by geographic region is as follows:

€ million	Sales 2004	Fixed assets	Additions to fixed assets	Sales 2003	Fixed assets	Additions to fixed assets
Germany	48.6	17.7	1.6	50.0	21.3	1.6
International	48.0	12.3	0.7	45.6	14.1	2.0
Total	**96.6**	**30.0**	**2.3**	**95.6**	**35.4**	**3.6**

[26] Subsequent Events

Effective January 1, 2005, Nemetschek Aktiengesellschaft appointed Dr. Peter Mossack and Michael Westfahl members of the management board. Uwe Wassermann stepped down from the management board as of December 31, 2004.

Nemetschek Engineering GmbH, Salzburg, was formed on February 21, 2004 to develop and market specialist software in the field of prefabricated units.

There were no further significant events subsequent to the balance sheet date December 31, 2004.

[27] Related Parties

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

The Group carries out transactions with associated enterprises. These transactions are part of ordinary activities and are treated on an arm's-length basis. The main transactions include the purchase of a license for less than EUR 0.1 million (prior year: less than EUR 0.1 million) and subleasing of space for EUR 0.1 million (prior year: EUR 0.0 million).

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

€ million	2004	2003
Trade receivables and other assets	0.1	0.1

Total remuneration paid to management board members for the fiscal year 2004 amounted to EUR 0.7 million (prior year: EUR 0.6 million). 50% thereof (prior year: 50%) or EUR 0.3 million (prior year: EUR 0.3 million) is fixed remuneration and EUR 0.4 million (prior year: EUR 0.3 million) performance-based components. No additional long-term incentive components were paid to the members of the management board in the fiscal year 2004.

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

[28] Date of Publication

The consolidated financial statements will be released for publication on March 11, 2005 (date of management authorization for issue to the supervisory board).

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

Supervisory board

Herr Kurt Dobitsch (Degree in engineering, self-employed businessman)
Chairman
Member of following supervisory boards:

- United Internet AG (Chairman)
- Bechtle AG
- DocuWare AG
- 1 & 1 Internet AG
- Twenty4help AG
- AdLINK Internet Media AG
- Hybris AG
- PSB AG

Herr Prof. Georg Nemetschek (Degree in engineering, self-employed businessman)
Deputy chairman

Herr Rüdiger Herzog (Lawyer, self-employed businessman)
Member

Management board

Herr Gerhard Weiß (Degree in business management)
Chairman
Member of following supervisory boards:

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

Herr Uwe Wassermann (Degree in engineering)
Member until December 31, 2004
Member of following supervisory boards:

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

Herr Michael Westfahl (Degree in engineering,)
Member from January 1, 2005

Herr Dr. Peter Mossack (Degree in physics)
Member from January 1, 2005

Munich, March 4, 2005

Nemetschek Aktiengesellschaft

Gerhard Weiß

Michael Westfahl

Dr. Peter Mossack

Analysis of fixed assets of the Group

as of December 31, 2004 and as of December 31, 2003

Development of purchase cost / production cost

Thousands of €	As of Jan. 1, 2004	Translation differences	Additions	Disposals	As of Dec. 31, 2004
I. Intangible assets					
Industrial and similar rights	10,261	– 2	646	706	10,199
Self-generated software	3,788	0	0	0	3,788
Goodwill	72,852	– 1,192	406	155	71,911
	86,901	**– 1,194**	**1,052**	**861**	**85,898**
II. Property, plant and equipment					
Land and buildings	1,122	0	0	0	1,122
Other equipment, furniture and fixtures	15,268	– 71	1,275	2,353	14,119
	16,390	**– 71**	**1,275**	**2,353**	**15,241**
III. Financial assets					
Associated Enterprises	10,434	0	0	0	10,434
	10,434	**0**	**0**	**0**	**10,434**
Total fixed assets of the Group	**113,725**	**– 1,265**	**2,327**	**3,214**	**111,573**

Development of accumulated depreciation | Carrying value

As of Jan. 1, 2004	Translation differences	Amortization and depreciation	Reversal of impairment loss equity method	Disposals	As of Dec. 31, 2004	As of Dec. 31, 2004	As of Dec. 31, 2003
6,739	– 12	1,678	0	706	7,699	2,500	3,522
2,813	0	733	0	0	3,546	242	975
46,444	– 874	3,223	0	155	48,638	23,273	26,408
55,996	**– 886**	**5,634**	**0**	**861**	**59,883**	**26,015**	**30,905**
516	0	23	0	0	539	583	606
11,725	– 47	1,652	0	2,217	11,113	3,006	3,543
12,241	**– 47**	**1,675**	**0**	**2,217**	**11,652**	**3,589**	**4,149**
10,109	0	0	84	0	10,025	409	325
10,109	**0**	**0**	**84**	**0**	**10,025**	**409**	**325**
78,346	**– 933**	**7,309**	**84**	**3,078**	**81,560**	**30,013**	**35,379**

Report of Independent Auditors

We have audited the consolidated financial statements of Nemetschek Aktiengesellschaft as of December 31, 2004, including the consolidated balance sheet and the related consolidated statements of income, cash flows, changes in shareholders' equity and notes for the year then ended. The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

Our audit, which also includes the group's management report for the fiscal period from January 1, 2004 to December 31, 2004 which is the responsibility of the Board of Directors, has not given rise to any reservations. In our opinion, the group's management report conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1, 2004 to December 31, 2004 meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code.

Munich, March 4, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Marxer	Fuchs-Wirkner
Public Accountant	Public Accountant

Financial Statements of Nemetschek Aktiengesellschaft

Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2004 and as of December 31, 2003

Assets in €	Dec. 31, 2004	Dec. 31, 2003
A. FIXED ASSETS		
I. Intangible Assets		
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	1,000.00	37,507.00
II. Property, plant and equipment		
1. Leasehold improvements	1,045,965.00	1,204,719.00
2. Other equipment, fixtures, fittings and equipment	91,245.00	151,670.00
	1,137,210.00	1,356,389.00
III. Financial assets		
1. Shares in affiliated companies	49,573,724.35	40,654,924.88
2. Loans due from affiliated companies	8,789,355.95	10,143,878.25
3. Investments	1,735,725.84	35,725.84
4. Loans due from other group companies	13,206.00	27,256.00
	60,112,012.14	50,861,784.97
TOTAL FIXED ASSETS	**61,250,222.14**	**52,255,680.97**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	4,290.44	23,290.60
2. Accounts due from affiliated companies	4,457,996.96	3,520,154.62
3. Accounts due from other group companies	119,977.55	408.84
4. Other assets	609,249.94	635,243.02
	5,191,514.89	4,179,097.08
II. Marketable securities		
Treasury stock	60,540.59	60,540.59
III. Cash on hand and cash in banks	15,194,477.14	10,654,417.71
TOTAL CURRENT ASSETS	**20,446,532.62**	**14,894,055.38**
C. DEFERRED CHARGES AND PREPAID EXPENSES	**32,756.49**	**13,820.64**
TOTAL ASSETS	**81,729,511.25**	**67,163,556.99**

Liabilities and shareholders' equity in €	Dec. 31, 2004	Dec. 31, 2003
A. SHAREHOLDERS' EQUITY		
I. Capital subscribed		
(Conditional capital EUR 850,000.00 [prior year: kEUR 850])	9,625,000.00	9,625,000.00
II. Capital surplus	49,395,963.16	50,161,451.47
III. Earnings reserves		
1. Reserve for treasury stock	60,540.59	60,540.59
2. Other earnings reserves	0.00	3,579,043.17
	60,540.59	3,639,583.76
IV. Balance sheet profit	19,611,019.52	0.00
TOTAL SHAREHOLDERS' EQUITY	**78,692,523.27**	**63,426,035.23**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accruals for pensions and similar obligation	20,000.00	0.00
2. Other provisions and accrued liabilities	1,566,684.40	2,035,615.00
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**1,586,684.40**	**2,035,615.00**
C. LIABILITIES		
1. Trade accounts payable	311,274.76	176,703.50
2. Accounts due to affiliated companies	122,279.56	25,000.00
3. Other liabilities - thereof for taxes EUR 860,574.53 (prior year: kEUR 920) - thereof for social security EUR 12,831.46 (prior year: kEUR 14)	1,016,749.26	1,500,203.26
TOTAL LIABILITIES	**1,450,303.58**	**1,701,906.76**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**81,729,511.25**	**67,163,556.99**

Income Statement of Nemetschek Aktiengesellschaft

for the period from January 1 to December 31, 2004 and 2003

in €	2004	2003
1. Sales	1,699,583.19	2,645,916.83
2. Other operating income	4,033,586.79	3,336,799.42
Operating income	**5,733,169.98**	**5,982,716.25**
3. Personnel expenses		
a) Wages and salaries	– 1,635,468.61	– 1,281,144.03
b) Social security, pension and other benefit costs; thereof for pensions: EUR 5,227.44 (prior year: kEUR 5)	– 109,007.47	– 269,379.42
4.Depreciation and amortization costs and other write-offs	– 335,480.41	– 349,052.52
5. Other operating expenses	– 5,338,781.26	– 5,485,870.59
Operating expenses	**– 7,418,737.75**	**– 7,385,446.56**
Operating results	**– 1,685,567.77**	**– 1,402,730.31**
6. Income from investments thereof from affiliated companies: EUR 3,977,122.86 (prior year kEUR 1,940)	3,977,122.86	1,939,528.21
7. Income from profit and loss absorption agreements	2,438,358.67	885,061.40
8. Income from loans including income from write-ups thereof from affiliated companies: EUR 10,788,576.70 (prior year: kEUR 472)	10,788,576.70	482,696.07
9. Other interest and similar income thereof from affiliated companies: EUR 0.00 (prior year: kEUR 9)	260,162.49	314,797.42
10. Expenses from profit and loss absorption agreements	– 405,266.34	– 303,781.06
11. Expenses from investments thereof from affiliated companies: EUR 0.00 (prior year: kEUR – 373)	0.00	– 372,870.35
12. Interest and similar expenses thereof to affiliated companies: EUR - 475.36 (prior year: kEUR 0)	– 1,481.41	– 92,941.94
13. Profit from ordinary operations	**15,371,905.20**	**1,449,759.44**
14. Extraordinary income	0.00	10,800,000.00
15. Taxes on income	– 100,879.59	45,800.18
16. Other taxes	– 4,537.57	186.12
17. Net income	**15,266,488.04**	**12,295,745.74**
18. Loss carried forward from the previous fiscal year	0.00	– 61,023,179.51
19. Transfer from capital surplus	765,488.31	48,770,143.10
20. Transfer from earnings reserve from legal reserve	0.00	1,449.51
21. Transfer from earnings reserve from reserve for treasury stock	0.00	– 44,158.84
22. Transfer from earnings reserve from other earnings reserves	3,579,043.17	0.00
23. Accumulated profit	**19,611,019.52**	**0.00**

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