moving minds NEMETSCHEK

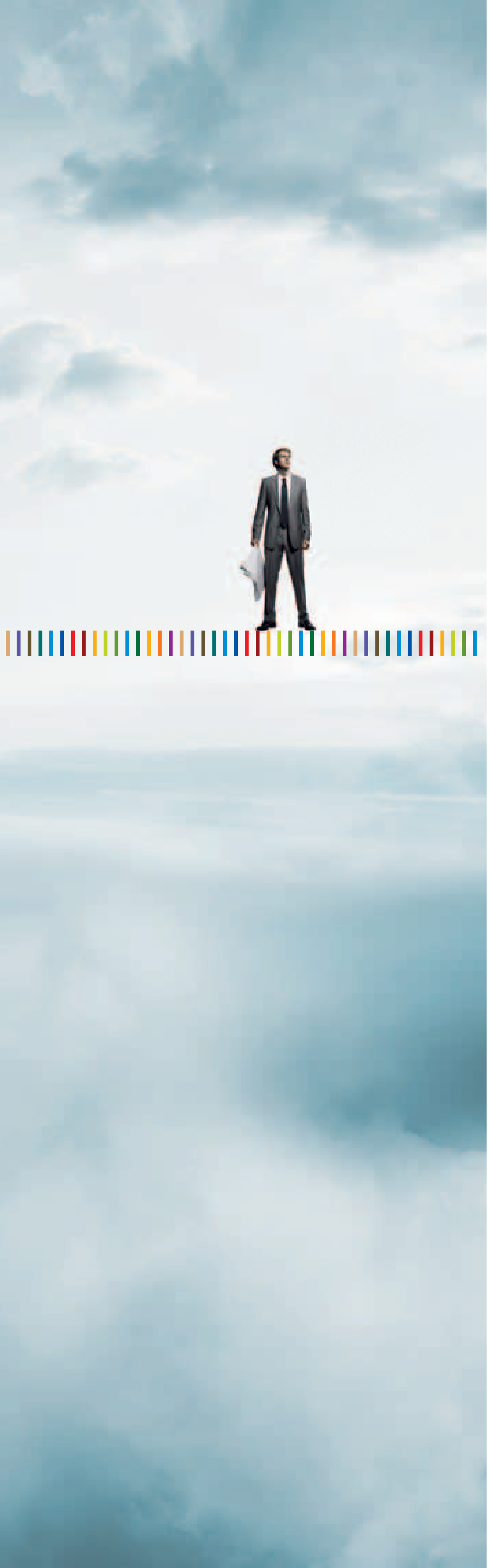
Annual Report 2007

Nemetschek in Brief

The Nemetschek Group is a leading international IT company in the AEC sector (Architecture, Engineering, Construction). The software company develops integrated solutions for the complete life cycle of buildings and real estate – from building design and construction through to facility management. The company's products are currently used by more than 270,000 customers in 142 countries and in 16 languages to optimize the complete building creation and management process in terms of quality, cost and time. Nemetschek was founded in 1963 by Professor Georg Nemetschek and is listed in the Prime Standard on the Frankfurt Stock Exchange.

Key Figures

in million €	Dec. 31, 2007	Dec. 31, 2006	Changes
Revenues	**146.2**	**107.5**	**36.0 %**
Operating income	**149.1**	**109.5**	**36.1 %**
Gross profit	**139.0**	**101.8**	**36.5 %**
as % of revenue	95.1 %	94.8 %	
EBITDA	**33.6**	**20.7**	**62.9 %**
as % of revenue	23.0 %	19.2 %	
per share in €	3.49	2.15	
EBIT	**23.9**	**17.8**	**34.3 %**
as % of revenue	16.3 %	16.5 %	
per share in €	2.48	1.85	
Net income (Group shares)	**14.6**	**13.6**	**7.3 %**
per Share in €	1.52	1.41	
Net income	**15.3**	**14.4**	**6.9 %**
Cashflow for the period	**30.8**	**21.3**	**44.7 %**
Cash and cash equivalents	**29.1**	**32.0**	**–9.1 %**
Equity	**62.9**	**55.1**	**14.1 %**
Equity-Quote	33.7 %	27.0 %	
Average number of outstanding shares (undiluted)	9,625,000	9,625,000	0.0 %



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Foreword by the Managing Board

Software for creativity and efficiency

"Creative design, quality-aware construction and efficient management require software that opens up new possibilities. The products in our range of brands offer users the freedom to implement their visions – be it the design of a hotel with the Swiss Alps as a backdrop or the construction of an extraordinary house fifty years after its original conception. You will experience all this on the coming pages…*moving minds*."

**Dear Shareholders, Dear Customers,
Dear Readers,**

The 2007 fiscal year will go down as a milestone in the history of the Nemetschek Group. We can look back on a very successful and eventful year and have every reason to be pleased: The group achieved the best results in the company's history for both revenues and profit. Group revenues rose by 36.0 percent to 146.2 million euros, and at the same time the EBITDA grew strongly by 62.9 percent to 33.6 million euros. The EBITDA margin rose from 19.2 percent in the previous year to 23.0 percent. We have therefore more than met our targets.

With the complete acquisition of Graphisoft, we have been able to significantly improve the position of the group in the international software industry. And with the launch of a new market strategy – coupled with a modern group image – we are heralding a new dawn. *Moving minds* – this will be our claim in the future.

With Graphisoft's employees and products, we have considerably advanced the Nemetschek Group, in terms of both quality and internationality. At the same time, the acquisition resulted in huge growth. In 2007 our group achieved 63,3 percent of its revenues abroad. We are a global player – with around 270,000 customers in 142 countries and 16 languages. These perspectives are extremely important for the future of Nemetschek. The globalization of the company and its brands are the top priority for us.

The same goes for new products and technologies. In the past fiscal year, we were once again able to provide the market with sophisticated new features and attractive updates of our software and thus to provide new impetus in a constantly changing industry environment. Ten years ago, Nemetschek Allplan was already laying the foundation stone for Building Information Modeling (BIM) and was therefore a pioneer of 3D planning. In this model, it is possible to assign physical and structural characteristics or costs to three-dimensional objects created in an earlier design phase, and to map their dependencies. Nemetschek and its subsidiary Allplan have always lived up to this leadership role.

These are very positive signals, not just for the managing board and employees, but also for customers and partners. New and innovative products, intelligent services, creative research and development, an international network – all this sets the group apart. And we want to document this through our new market image. As a result, we have, over recent months, worked out a new brand image for both the group and the individual companies that reflects this development. We have created both a new look and a new claim – *moving minds*.

The visionary image is underpinned by a brand strategy based on the numerous competences of the Nemetschek Group – from CAD through civil engineering to multimedia. It draws together the strong product brands under an even stronger umbrella in order to further strengthen our position as technology leader in the area of architecture, engineering and construction. And it emphasizes diversity. The diversity of our software solutions, of course, but also the diversity of players within the Nemetschek Group. Our 10 product brands from Nemetschek Allplan and Nemetschek Scia through to Nemetschek Vectorworks are clearly distinguished from each other within the group, in order to meet the individual needs of the target groups, be these architects, engineers, facility managers or animation artists. The strength of the product brands is also reflected in the new Nemetschek logo.

2008 therefore marks a new dawn for us. We look forward to an interesting and constructive exchange of opinions and ideas with you.

Yours sincerely,

Ernst Homolka
CFO and Board Spokesman

Michael Westfahl
Member of the
Managing Board

"The last business year was the most successful one in Nemetschek's history: sales and earnings increased significantly."

Ernst Homolka, CFO and Board Spokesman

"Nemetschek's diversity is reflected in the new logo. Together, our brands offer users a wide spectrum of products for the greatest possible design freedom."

Michael Westfahl, Member of the Managing Board

3D Design Software for Intelligent Building Modeling

Five Boats, Duisburg basin , Bahl + Partner Architects BDA/Grimshaw Architects

Nemetschek's CAD product Allplan enables customers to implement creative ideas at low cost and high quality with photo-realistic images. The design software is used by more than 60,000 architects, engineers and construction companies around the world and helps optimize the complete building design and construction process. The construction process – be this for the design of a new office building, a solar power station or an alpine hotel – is becoming increasingly complex due to the number of people involved. It is therefore all the more important to process projects efficiently with an end-to-end flow of information.

Last year, Nemetschek set new standards in building data modeling with the launch of Allplan BIM 2008. After an 18-month development period, we launched an end-to-end 3D planning software for Building Information Modeling (BIM) in the fall and presented the solution to the international trade press. BIM is an integrated process for the efficient planning, construction and management of buildings. In practice, this means that architects, civil engineers, design professionals or buyers have access to the same building model and can extract from it the information they require. This can be for example design data such as floor plans, sections, views or smart components that contain quantities, costs incurred and physical properties. This ensures that processes run smoothly and increases planning reliability, so that ultimately costs are reduced for all processes.

New Solutions for Efficient Communication

Rapid and reliable quantity takeoff and cost determination was top of the agenda again last year for architects and designers. Nemetschek therefore enhanced its TÜV-certified cost planning method Design2Cost. It now also supports industrial construction, the building sector with the strongest growth at the moment, with specially predefined components, services and prices. In addition to early cost controlling, Allplan BIM 2008 allows work to be performed across various disciplines: round-trip engineering provides a perfect link between CAD and structural calculations and improves the flow of information between formwork and reinforcement designers and structural designers.

Data exchange using standard formats takes overall project communication to a new level. Nemetschek is particularly committed to the intelligent exchange of planning data using the two freely available, manufacturer-independent future formats PDF and IFC (Industry Foundation Classes). The strategic partnership between Nemetschek and Adobe is testament to this, as is our involvement in the IAI (International Alliance for Interoperability).

Success in Germany and Abroad

In addition to numerous product innovations, the improved economic situation has boosted business with planning software across Europe. Business developed particularly well in Eastern Europe, where

The architectural concept of the Five Boats office building in Duisburg by Bahl + Partner Architekten is convincing. The fan-shaped comb structure in the floor plan results in five ship-like structures. All the workplaces face the water and have an unobstructed view of the harbor and toward the city centre.

The alpine spa Adelboden is being built against the impressive backdrop of the Swiss Alps by UC'NA Architekten from Zurich. It promises an exciting and impressive water and wellness experience over more than 5,000 square meters. Four boulder-like bath buildings will be the central feature of this water world, their architectural language echoing that of the surrounding mountains.

Nemetschek was able to capture new markets. New sales territories were tapped in Poland, the Baltic States, Kazakhstan, Ukraine and Belarus, for example. In Western Europe, France, Italy and Austria in particular were able to further increase their market share. In Switzerland too, the optimism in the building industry led to many new customers. One prominent example is the UC'NA architecture office in Zurich, which is currently designing a very special large project with Allplan: the Adelboden alpine spa (top right).

New look for Nemetschek Allplan
The signs point to growth in the new fiscal year as well: in its recent study in November 2007, the market research institute Euroconstruct found that construction volume will continue to grow in 2008. To strengthen its position as the leading provider of component-oriented 3D planning software, the Allplan business unit strategy was realigned at the start of the year

In future, Nemetschek Allplan GmbH will focus more on the needs of the market and thus the closeness to its customers. This new business approach is also mirrored in a new look: Nemetschek Allplan will have a new logo, and the Five Boats office building at Duisburg Harbor – which was designed using Allplan by Bahl + Partner Architekten from Hagen in cooperation with Grimshaw Architects from London – will be the key visual.

World's largest solar power plant designed using Allplan BIM 2008
Since the end of the 1990s, parabolic gutter collectors have been used to produce power – a reaction to the global demand for energy. The Stuttgart-based engineering office Schlaich Bergermann und Partner has developed a new, forward-looking collector structure for a 50-megawatt power station in Spain. The entire steel welded construction was designed with Allplan: from design and drawings to workshop planning with all components of the steel structure in 2D or 3D. As a result, more than one hundred A0 plans were created and exchanged with other design professionals and the client. The first collector field with a mirror surface area of 510,000 square meters will be built by 2008.

Architecture Software for all Continents

Massaro-House, Lake Mahopac, New York

Graphisoft SE is one of the leading manufacturers of architecture software and sells its products in more than 80 countries and 22 languages on all five continents. In addition to its headquarters in Budapest, the Hungarian software company has branches in Germany, the United States, the United Kingdom, Spain and Japan. The company also has a tight network of sales partners that support and advise Graphisoft users locally. The company, founded in 1982, has been part of the Nemetschek Group since the end of 2006 and achieved excellent results in the last fiscal year.

The Virtual Building Model™

Graphisoft's company history began with the vision of the virtual building model. From the very outset, the software company thought far beyond the automation of the drawing board and developed a three-dimensional model. The intelligent and parametric system maps the complete building and enables all relevant information to be derived. With the Virtual Building Model™, Graphisoft has been able to achieve a paradigm shift in the development of CAD solutions, which has revolutionized working methods and communication in the planning process and increased its efficiency.

Competent Partner for Architects

Graphisoft's business policy focuses exclusively on the architecture and construction industry. The software manufacturer knows how designers think and work, and is a strong partner supporting its customers with tailored solutions. One reason for the company's success is its dedication to research and development. In one of the largest development departments in the AEC industry, highly-qualified software engineers work on optimizing and developing the products – ensuring customer success and competitiveness for more than 25 years.

When Visions become Reality

An unusual house, based on a design by the architect Frank Lloyd Wright, rises from an imposing rocky outcrop on Petra Island in Lake Mahopac, near New York. More than 45 years after Wright's death, a dedicated team of architects, engineers and contractors has been able to bring the famous American's dream to life.

The history of the Massaro house, as the building is known, began in 1950, when the owner of Petra Island, Ahmed K. Chahroudi, commissioned Wright to design a house with his inimitable signature. Wright completed the plans, but his client ultimately lacked the financial resources to complete the project, and the draft was not used.

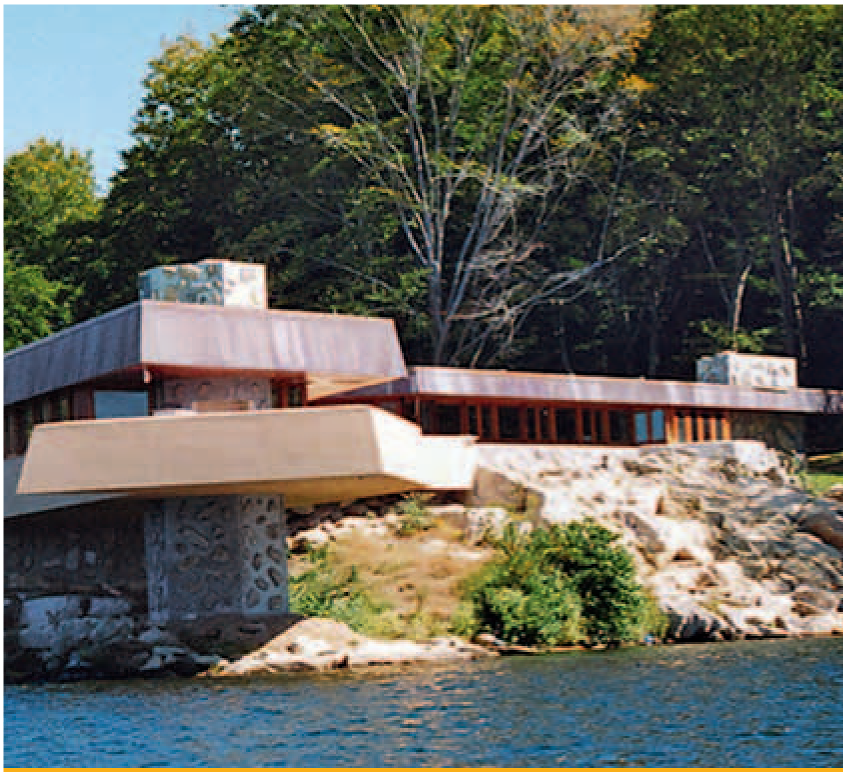
When husband-and-wife entrepreneurs Joseph and Barbara Massaro found out about Wright's plans after buying Petra Island, they decided to have the house built in the exact location he had intended for it: on a rocky outcrop 12 meters long, 3 meters wide, and almost 4 meters high.

In his plans, Wright planned the rocky outcrop, which he named "Whale Rock", as the central point for the living room and its entrance area.

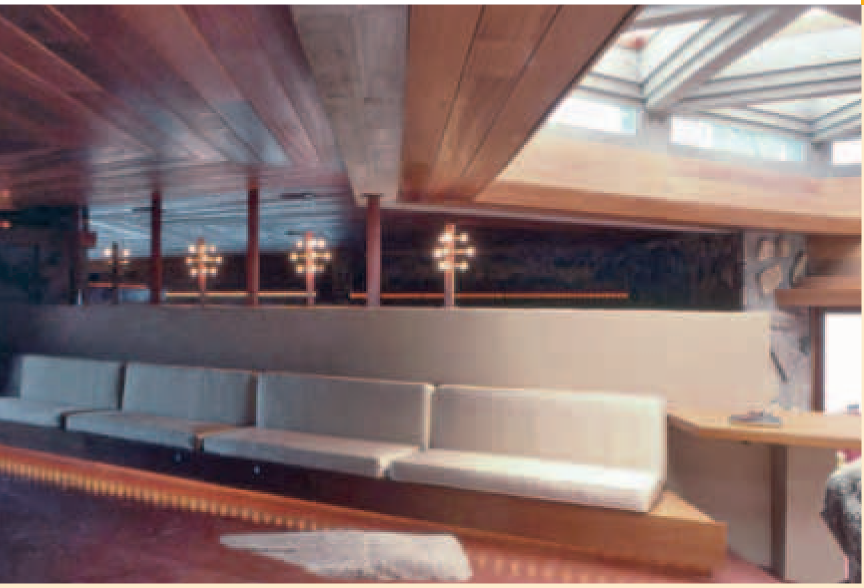
Frank Lloyd Wright is regarded as the master of "organic architecture". In all his designs, he paid particular attention to the interplay of the building and nature. And in the plans for what was to become the Massaro house, he again used nature as the source of his creative inspiration and designed a building that fits into its environment of rock and water like a natural form. With the use of a triangular grid, innovative building materials, the large glass front and the imposing cantilever out across the sea, the draft also makes use of other design principles that are typical of Wright's structures.

Joseph Massaro commissioned the architect and Wright scholar Thomas A. Heinz to create designs from Wright's sketches to enable this exceptional project to be executed. Heinz took up the challenge and with the help of Graphisoft software ArchiCAD, developed virtual, three-dimensional models that gave a perfect impression of the dimensions and expressiveness of the building, both inside and out.

The construction techniques that Wright proposed were just as daring as his designs. During the building process, the team was faced with numerous challenges in executing Wright's intractable draft on the rocky piece of land surrounded by water. In the winter it was therefore necessary to wait until the lake had formed a thick layer of ice before heavy building material could be transported to the island.



The most impressive feature of the Massaro house, constructed on granite rock, is the concrete, glass and mahogany cantilever, which projects 24 meters across Lake Mahopac. The exterior and interior of the 1524 meter square building were created using stone from the island. Petra Island, also known as "Petre" in historical sources, is an island measuring approximately 40,000 square meters on Lake Mahopac, close to New York City. The craggy, granite landscape of the area probably gave the island its name: "Petra" is the Greek word for rock.



Frank Lloyd Wright was born in 1867 in Wisconsin and lived and worked as an architect in the United States, Germany and Japan. Wright is the founder and main representative of the "Prairie School of Architecture". In the middle of the American prairie, Wright set up a group of studios with the name Taliesin, which were to serve as development sites for a new and independent American architecture. Wright spread the principle of organic architecture, which he compared to the growth of an oak tree – from the development from an acorn through to the growth of the trunk, bark and leaves. Just as the shape of the trunk and branches and the color of the leaves go to make up the complete picture of the tree, in Wright's view every small detail of a building contributes to the overall impression it makes. Consequently, in his designs, Wright drew not only the ground plans and elevations of a house, but also exactly depicted the walls, windows and furniture, including all surfaces and the colors to be used.

The Versatile CAD-Software for Designers

Jewish Museum Berlin , Studio Daniel Libeskind

Nemetschek North America Inc. represents professional planning software for architecture, interior design, the entertainment industry, landscape architecture and mechanical engineering. The company is a subsidiary of Nemetschek located in Maryland, U.S.A., where it has been developing the VectorWorks product line for more than 20 years. Approximately 400,000 users around the world are working with this versatile and user-friendly program. VectorWorks is the most popular CAD software among Apple Macintosh users and is being used in more than 80 countries in 15 languages. Nemetschek North America can look back on a successful business year. Sales increased significantly, especially in the company's primary markets, the U.S., Japan and Western Europe.

New product line sets standards

The product and sales campaign initiated by the U.S. software vendor last September is the reason for the company's positive business developments. Following almost two years of development work, Nemetschek North America presented VectorWorks 2008, a comprehensive upgrade of the company's product line that sets standards. The new version offers designers, architects and mechanical engineers a revised user interface, numerous color profiles for brilliant presentations and a new technology for optimized workflow, among other features. The latter feature facilitates usage of the software in large offices and for complex projects. Project data can be distributed among those in charge and changes can be forwarded without loss of data. VectorWorks 2008 thus makes it possible to implement the efficient “Building Information Modeling” (BIM) planning process. The release marks the start date of a new product line with an annual update cycle. In the future, Nemetschek North America plans to react more rapidly to new market requirements.

The U.S. software vendor sees a strong growth potential for the near future as well, especially in the area of architecture, landscape architecture and design. BIM is becoming increasingly important among broad segments of customers, especially in Northern Europe and the United States. New technologies such as, for example, LED technology, require innovative designs that can be created only with high-performance software. More and more users prefer 3D visualizations over 2D drawings and even niche industries have an increasing need for sophisticated CAD products.

Classic Asian architecture in a contemporary context

The efficiency of VectorWorks Architect is illustrated by work done at the tec Architecture firm. The architects designed an office building and a factory for microchip manufacturer Inotera in Taipeh, Taiwan. The building combines design elements of classic Asian architecture with technological innovation.

Tec Architecture thus took into account the location of Inotera's corporate headquarters. On the one hand, the Asia-Pacific region is a location for the development of trend-setting technologies and creative intelligence. On the other hand, the region benefits from a rich cultural and natural environment. Tec Architecture's design comprises an 11-story office wing and a microchip factory. A glass cladding consisting of rectangular panels was developed for the office building, which resulted in a variety of sizes, patterns and colors. The factory is 200 meters long, with an exterior that consists of blue tiles with different shadings that form a pattern that runs together, creating a perspective. This design takes into account one of Taipeh's tradition of decorating houses with clinkers. The giant curved pillars of the arcade

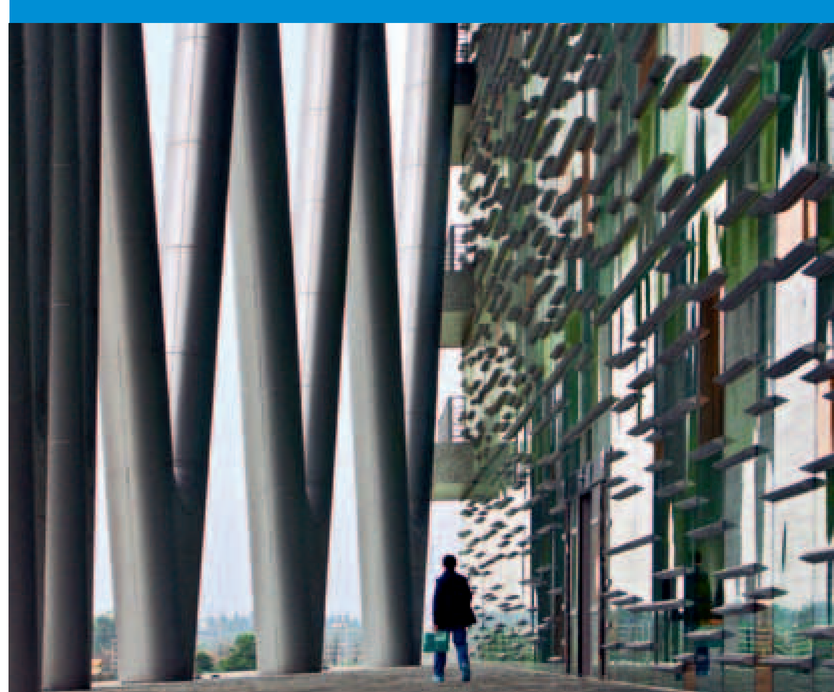
The Jewish Museum in Berlin – implemented with VectorWorks
The Jewish Museum in Berlin is one of the most unusual museum buildings in Germany. The zigzag-shaped new construction is based on the design of polish-american architect Daniel Libeskind. Its exhibits depict the history of German Jews (image, left).
Even if the architect himself refers to the building as a "normal museum", it really is an architectural masterpiece that melds exterior form and the statement of its content in an unprecedented fashion. With the use of VectorWorks, Daniel Libeskind Studio did not introduce a CAD program until the project's planning phase. The software proved its worth during the design phase, as well as during the implementation of the comprehensive project.

form the dynamic element of the exterior view that can be seen as being reminiscent of the rapid growth in this economic region.

A museum, designed from two lines
The new construction of the Jewish Museum in Berlin is a spectacular design created by Daniel Libeskind, a design that is second to none. Even before it opened, the building had become a landmark in the German capital city and a magnet for the public. This may well be partly due to the building's unusual architecture. The building's exterior form, as well as the interior subdivision of the building with empty spaces and subterranean axes, enable visitors to experience the history of German Jews through their own senses.

The floor plan of the museum consists of two lines, one that is straight and one that is bent and twisted several times; the combination of the two lines forms the building structure. Libeskind sees these two lines as representing two schools of thought, two kinds of organization and two types of relationships. Lines can also be found in the facade of the new building, a design that Libeskind himself describes as a "pretty irrational system of lines". The U.S. architect derived this design from a network of lines that connect the addresses of famous Jews in Berlin and the residences of non-Jewish Berlin residents. Libeskind chose an alloy of titanium and zinc for the building's cladding, a material that has a long tradition in Berlin. The metal will change as it is exposed to the climate and its appearance will change over the years.

Inotera corporate headquarters: planned with VectorWorks
The corporate headquarters of microchip manufacturer Inotera in Taipeh are a landmark in this Taiwanese city. The unusual building symbolizes modernity and a focus on the future, as well as an architectural style that includes the city's tradition and the natural environment of its location in the design (images top and bottom).
The combination of office building and factory is based on a design by tec Architecture, a firm that was awarded the honorary prize in the "Design" category by the American Institute of Architects AIA in Los Angeles in 2006.
Tec Architecture has offices in Los Angeles and in Tägerwillen, Switzerland, and specializes in large projects that are very demanding with respect to form and function.



Overcoming Boundaries with Innovative Software

Apollo Bridge, Architects Ing. Miroslav Maťaščík - Alfa 04 a.s., Bratislava Design Dopravoprojekt a.s., Bratislava

The largest provider of engineering software in Europe, the Nemetschek Engineering Group, reinforced its market leadership in 2007 and reported excellent sales figures. In addition to its civil engineering sector in the form of Nemetschek Allplan GmbH, the Nemetschek Engineering Group consists of the companies Nemetschek Engineering GmbH, Nemetschek Scia nv, Glaser – isb cad – Programmsysteme GmbH and Friedrich + Lochner GmbH.

The group's product range includes software for CAD, structural analysis, logistics and project management for all areas of civil engineering: solid construction, steel construction, prefabricated structures and structural analysis, from simple starter products right through to powerful high-end solutions. The companies in the Nemetschek Engineering Group offer standard software and solutions and specific solutions tailored to the needs of their customers. They also exploit the synergies within the group to develop innovative software with high added value for the user. Interoperability and open interfaces to other products, including those offered by third parties, the use of standard data exchange formats, the synchronization of data between CAD and structural analysis software – known as Round-Trip Engineering – and Building Information Modeling for engineering applications are central concerns for all companies.

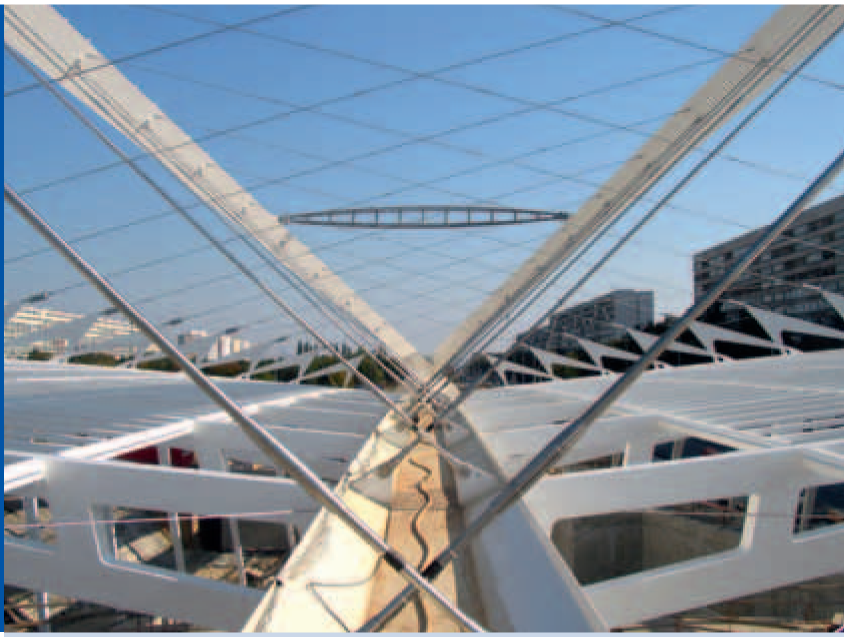
The group operates in Europe, the Middle East and – via partners – in some regions of Asia. The common goal is international expansion with high-quality products, perfectly adapted to the requirements of the particular market. The companies in the Nemetschek Engineering Group are trendsetters in areas that matter to the civil engineering industry. This innovation leadership, coupled with competence and creativity, will continue to form the basis for profitable growth in the future.

Creativity that knows no bounds with software from Scia
No mountain is too high, no river too wide for the software from Nemetschek subsidiary Scia. The name of the company, with headquarters in Belgium, says it all: Scia is short for Scientific Applications. The software company sells its products for the calculation and dimensioning of reinforced concrete slabs and project management in 10 languages and 50 countries. Nemetschek Scia constantly encourages its customers to push boundaries and execute challenging projects.

One major success was the construction of a bridge over the Danube in the Slovak capital Bratislava. The Apollo Bridge connects three parts of the city and is strategically important for the development of Bratislava. There were numerous structural challenges in the bridge design, which the designers were able to overcome with the help of the Scia Engineer software. The bridge is curved in plan and elevation, horizontally skewed and has a crossfall, furthermore the arches are not in a vertical plane. The client, METRO Bratislava, die Dopravoprojekt, responsible for the design, and the construction companies, Doprastav and MCE VOEST, successfully concluded the project in September 2005. The 854-meter long, 30-meter wide bridge is currently used by 40,000 vehicles every day. The form, colored materials and generous lighting on the Apollo Bridge have all helped to make it a landmark of Bratislava.

CAD for Building Professionals from Glaser – by Experts, for Experts
For more than 25 years, Glaser has been providing powerful CAD solutions for construction engineering. The North German software company is a strong partner for its customers. The use of programs for formwork and reinforcement design, steel construction, wood construction, and roof design in an affiliated engineering office ensure

Building Information Modeling trend in Civil Engineering
"BIM is the big upcoming topic in the construction industry," according to a statement by the Belgian Association of Engineers at a symposium in Brussels in October last year. The computer-aided, integrated process leads to clear process improvements in engineering. Before 1983, all planning data was created and managed on paper. Then came the breakthrough of computer-aided engineering (CAE) and computer-aided design (CAD). Life without these technologies is now inconceivable in the industry. For a while now, we have been witnessing the trend towards 3D modeling in an integrated process that offers high added value for users. Short coordination and release processes, far greater simplification of interdisciplinary cooperation between offices and a reduction in costs are just a few of the benefits.



practice-based product development. In line with the motto "fast, powerful, user-friendly", Glaser offers its customers high-quality solutions with an excellent price-to-performance ratio and unsurpassed services.

The reference list is impressive: products from Glaser have been used in the construction of EXPO projects from international clients, for the construction of the Allianz Arena in Munich, Leipzig trade fair site, the Office of the German Chancellor in Berlin and the design of various buildings in Dubai Sports City.

Structural analysis programs from Frilo – 30 years of experience and competence
Friedrich + Lochner (Frilo), founded in 1978, specializes in the development of programs for structural calculations. The user-friendly products cover all areas of civil engineering: certification for structures made of reinforced concrete, steel, wood or combinations of these, for foundations, supporting structures, frames and finite elements. All modules can be used independently of each other, but can also be combined to form an integrated solution using a building model. The same company is responsible for the development, support and sale of the software, guaranteeing users maximum competence and reliability. Extensive quality control ensures trust in the software. Customer requirements are implemented promptly and the technology is continually adapted to meet new requirements.

Frilo is convinced the introduction of European standards offers great potential for expanding the customer base and for continued profitable growth.

New metro station in Prague – built with software from Scia
The new Střížkov metro station in the Czech capital was designed and built to high aesthetic standards. It is the only one of the 50 stations in Prague's underground network with a facade and roof completely made of glass. The hall is 160 meters long, 42 meters wide and 20 meters high and has no additional interior supports. The architect's idea was to create a metro station with platforms lit by daylight during the day, and by the lights of the district at night. The Czech company EXCON a.s. used the Scia Engineer software to design the unusual steel structure.

Software and Services at the Highest Technical Level

Uno Shopping City, Leonding, Austria

Nemetschek Bausoftware GmbH und Auer – Die Bausoftware GmbH provide software for Europe's midsize building companies and for industrial construction companies in all fields. Despite an initially difficult market environment, both companies in the Nemetschek Group can look back on a successful 2007. Nemetschek Bausoftware GmbH achieved its ambitious targets thanks to an excellent result in the fourth quarter. The software company, with headquarters in North Germany, was able to expand its customer base once again in Germany, Austria, Switzerland, Luxembourg and the countries in Eastern Europe in 2007. Close contact with satisfied customers that operate on a global scale helped the company gain access to international markets.

In Switzerland, Nemetschek Bausoftware was able to increase its market share to more than 50 percent. The software manufacturer also enjoyed growth in Austria, where it profited from collaboration with other subsidiaries in the Nemetschek Group. In cooperation with Auer and Swietelsky Baugesellschaft, Nemetschek Bausoftware was able to create an integrated and comprehensive solution for the Austrian construction industry. The two companies can also take advantage of synergies in the development of a new construction technology solution for German-speaking countries. The plan is to condition the software for use across the whole of Europe and to address the ancillary construction trade as an additional target group.

Auer – Die Bausoftware GmbH also targeted a new customer group last year. A modular range of successful solutions from Auer was very well-received by the ancillary construction trade and operators of small construction sites. The Austrian software company also presented new versions of the products AUER Success, AUER Regie and AUER Safety. More than four hundred features were integrated in the AUER Success and AUER Regie environment and the product portfolio was enhanced with new modules.

Delta Holding GmbH uses software from Auer for the planning and construction of modern shopping centers. With its nine subsidiaries, the specialist for high-class shopping malls is one of the leading providers of architecture, building management, general planning and project development services in Austria (above).
The Spitzke group uses the BAU financials software solution from Nemetschek Bausoftware for the effective planning of its resources. Flexibility and an accurate portrayal of the earnings situation on construction sites including the use of equipment are the winning criteria for a powerful ERP system for the international railway construction company (left).

Competence for Efficient Facility Management

Nemetschek Crem Solutions GmbH & Co. KG stands for innovative software and services for the management of real estate. Across Europe, customers benefit from the expertise gained from 15 years of experience as a solution provider for corporate real estate management.

The product range includes systems for all requirements relating to modern real estate and building management: commercial real estate management, infrastructure facility management and technical building management. The iX-HAUS and Allfa product lines are continuously developed in line with market requirements and user needs. In addition to standard versions, Nemetschek Crem Solutions offers custom solutions tailored to customers' business processes and adapted in line with existing systems.

Nemetschek Crem Solutions once again invested heavily in the development of its products in the past fiscal year and won through against intensified competition on the market. Tools such as international reporting, multi-currency capability and foreign payment transactions were also provided for the growing proportion of international users. With iX-HAUS 2008, the software company has taken a new path and developed a complete solution for real estate, service and property management. The first step for the maintenance of buildings was also integrated.

Thanks to its innovations in the product sector, Nemetschek Crem Solutions was able to win numerous new customers from industry, trade, government, real estate management, and the banking, insurance and health industries. On behalf of a renowned capital investment company, the company began developing a comprehensive software application to meet the specific requirements of fund management and reporting demanded by the supervisory authorities. With powerful solutions, expert employees and the growth forecasts for the facility management market, Nemetschek Crem Solutions expects very positive development of business again in 2008.

For the development of new software solutions, Nemetschek Crem Solutions pursues a comprehensive and long-term approach – from its strategic direction and processes right through to solutions and the provision of the information required for decisions. Nemetschek's "computer aided facility management" concept is based on this.

Perfect Illusion

KPMG, Italy, Imagem srl

Since its foundation in 1986, Maxon has developed into one of the leading software manufacturers for 3D graphics software. Its two main products, the animation and rendering software CINEMA 4D and the 3D paint program BodyPaint 3D are now being used worldwide in advertising, film, architecture, science and design and have already won numerous international awards. After record results in 2006, the software vendor from Friedrichsdorf near Frankfurt/Main can once again look back on a successful business year. The company focused on the further development of its products and on securing new markets in Asia and the United States.

Maxon products receive rave reviews from the experts
Last fall, Maxon introduced the new version of CINEMA 4D to a professional audience. The new version features significant enhancements and more than a hundred innovations. Individual modules as well as core program functions were upgraded: MOCCA and MoGraph now have new functionalities and HAIR rendering has been hugely accelerated. The „Architecture" edition, a tool designed specifically for architects, makes it easy to create interactive walk-throughs in virtual buildings. The software vendor has been paying particular attention to simpler data exchange processes: CINEMA 4D models can now be transferred to the new Nemetschek Allplan planning system without any data loss. Moreover, in the new version, users have the option to import files in the popular DWG format. The national and international trade press has closely examined the new versions in numerous product tests and praises Maxon for the well thought-out concept and the improved workflow of its products. In 2007, for the fourth time, the coveted prize for best 3D software awarded by the English-language trade magazine MacUser went to the software vendor from Friedrichsdorf. The English-language magazine PC Pro is convinced: "This is CINEMA 4D at its best."

New markets and reference customers
Backed by experts and professionals, during the past year, Maxon was able to continue to strengthen its position in the international market for animation software. Numerous tradeshow presentations, user meetings and road shows ensured positive business developments around the world. Maxon has posted above-average gains and acquired numerous large customers, especially in the United States and in Asia. In the United Arab Emirates, Maxon's cooperation with one of the nation's leading educational institutions contributed to increased brand awareness in that region. At the same time, the software vendor remains poised to outperform its competition in European core markets as well.

A long list of new reference customers from the past business year is symbolic of the company's success. For example, Maxon software was used in the making of the film version of the U.S. comic "Spider Man 3", the 3D animated adventure "Lissi und der Wilde Kaiser" ("Lissi and the Wild Emperor"), as well as the fantasy saga "The Golden Compass". Maxon is well established in the TV and advertising market. In 2007, numerous commercials were produced with Maxon's 3D software, such as, for example, for the tobacco brand Davidoff and a commercial for the German radio station bigFM that won several international awards. Industrial design is another area that could no longer function today without modern software. Düsseldorf-based designer Marc Potocnik worked together with Agentur Simple and used CINEMA 4D to visualize the new engine and hydrogen tank of the new Hydrogen 7er model. He presented the results at the Los Angeles Auto Show in November 2007. Says the 3D artist: "With the right eye and efficient technology, we were able to quickly create renderings that were almost indistinguishable from partly superimposed photos."

A New Look for KPMG

Today, the world of architecture could no longer function without professional visualizations. This applies to exterior as well as interior design. The auditing firm KPMG was searching for interior design specialists for the new design of its branch in Rome. The Milan-based firm Prisma Architecture & General Contractors presented its design ideas with impressive 3D renderings. With the assistance of CINEMA 4D, the designers were able to not only create different moods and environments in photo-realistic renderings, but also represent the surfaces of furniture and fixtures true to the original.

Imagem srl

3D graphics for illustration

Today, innovative print design is scarcely possible without the help of modern animation tools. One example is the children's medical book "Die neuen Abenteuer des kleinen Medicus" [The New Adventures of the Little Doctor] by physician and best-selling author Professor Dietrich Grönemeyer. The book features "little doctor" Nanolino and his fantastic journey through the human body. Nanolino flies through giant ravines and catacombs, battles fearsome monsters and dangerous hit squads and comes across tiny robots. Through an exciting story, Grönemeyer imparts valuable medical knowledge – from orthodox medicine through to traditional home remedies. With a lot of commitment and enthusiasm, the renowned doctor explains to his young readers what matters with regard to health and how the human body works.

Lovingly produced illustrations make the book a masterpiece of children's literature. The pictures are by 3D artist Glenn Frey, who has been working with CINEMA 4D for some years. With the help of the visualization software, he has been able to create images livelier and more original than ever before. "The biggest challenge was giving the characters an individual look. CINEMA 4D was the perfect tool for bringing all creative ideas to life and realizing them quickly," adds Glenn. But coordination between artist and author was also extremely efficient: while with classic illustrations, every required change needs to be redrawn, here the changes could be made promptly and without much additional effort.

CINEMA 4D makes Polar Bears come to Life

The animated adventure "The Golden Compass" is based on the first part of Philip Pullman's trilogy "His Dark Materials". It is a story about a girl, who embarks on an adventurous journey from Oxford to the Northern polar region while being accompanied by a giant, armored polar bear. Over the span of only 15 months, the producers of the movie succeeded in creating a world of talking polar bears and bringing it to life on the movie screen. Almost all textures and numerous matte paintings were created with BodyPaint 3D – starting with the bears and their armaments to the icy landscapes of the polar circle.


Framestore CFC / New Line Cinema

Jewish Museum Berlin

Nemetschek on the Capital Market

Strong first half of 2007 brings positive result for DAX

The German stock market clearly outperformed the other European markets in 2007. The German benchmark index DAX 30, in particular, closed the year at 8,067 points and a clear increase of 22 %. However, the MDAX small cap index only gained around 5 % and the SDAX saw a drop of almost 7 %. After a moderate first quarter, the stock exchanges experienced a dynamic upward trend to July. In mid July, the DAX reached a new all-time high with 8,151. From the end of July, the markets suffered as a result of the subprime crisis, which from then on overshadowed the situation on the markets. In December, there was still a high need for write-down in financial institutes in both Europe and the United States as a result of the subprime crisis and in January, fears of a recession prompted panic-selling on the stock markets.

Nemetschek Share with high just under 30 euros

The Nemetschek share began January at 23 euros and its value developed rapidly at the start of the year. WestLB started covering the share in March. At the start of May, the share continued the upward trend seen at the end of April and led to a share price rally, which peaked at a high of 29.90 euros. At the start of May, the BHF included coverage of the Nemetschek share with a "strong buy" recommendation and price target of 32.00 euros. At the end of June, the share closed at 27.50 euros with a price increase of 19.5 % for the first half of 2007. From July, the development of the Nemetschek share price was then significantly affected by the negative developments on the stock markets, and despite still good fundamental data, was dragged down by the subprime crisis. Even though the publication of good quarterly results provided regular new impetus for the share price, it was not able to win through in the generally negative environment. By the end of December, however, it recovered from its low and closed the month at 21.55 euros. After the publication of excellent provisional figures for the 2007 annual report, the share price recovered again and appears to have stabilized at around 21 euros.

Proposed dividend higher than in previous year

At the Annual General Meeting on May 21, 2008, the Supervisory Board and Managing Board of Nemetschek AG will propose a dividend of 0.65 euros per share for the 2007 fiscal year. This results in a payout ratio of 63.5 %. The dividend has therefore increased by 16 % compared to the previous year. Based on the final share price for 2007, the dividend yield is 3 %. With the fourth dividend payment in a row, Nemetschek is once again bearing out its claim to be a dividend-paying stock. As in the previous year, the Nemetschek AG dividend will be paid out from the tax deposit account in accordance with § 27 of the Corporation Tax Act. This usually means tax-free collection for shareholders residing in Germany who have a stake of less than 1 % in Nemetschek AG.

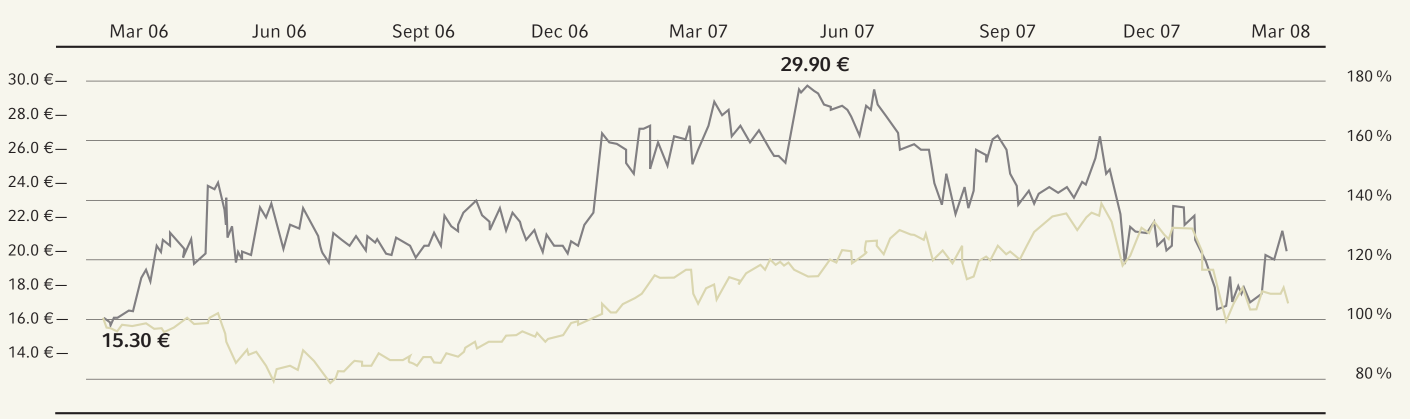
Shareholder Structure

At the end of 2007, 53.51 % of Nemetschek shares were owned by the Nemetschek family, which continues to be the main shareholder. The free-float is therefore 46.49 %.

Investor Relations Work: Focus on open dialog

In the past fiscal year, we once again communicated intensively with the participants on the capital market. Our focus was on growth and the future strategic direction of the Nemetschek Group. Overall, we were able to provide information and answer questions for investors and analysts in almost all the financial centers of Europe at over 10 roadshows and numerous conferences, as well as many one-to-one meetings in the company's head office. Experts rewarded the quality of our publications: The 2006 financial report was awarded a Gold Award in the category Technology.

Price development of the Nemetschek Share from March 1, 2006 onward



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

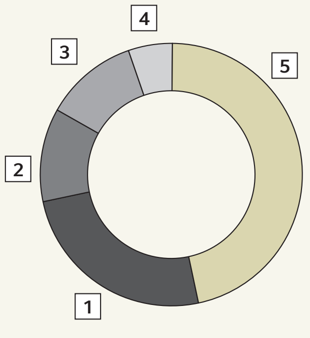
Key Figures

	2007	2006	2005
Earnings per share in €	1.52	1.41	1.21
Cash flow for the period per share in €	3.20	2.21	1.80
Equity per share in €	6.53	5.73	5.00
High in €	29.90	23.95	19.49
Low in €	19.25	13.46	9.00
Share price on December 31 in €	21.55	22.10	14.10
Market capitalization on December 31 in Mill. €	207.42	212.70	135.70
Price/revenues ratio	1.42	1.98	1.37
Price/earnings ratio	14.22	15.65	11.65
Price/equity ratio	3.30	3.86	2.82
Average number of outstanding shares in Mill. €	9.625	9.625	9.621

Shares owned by the board members on December 31, 2007

	Stock portfolio
Managing Board	
Ernst Homolka	225
Michael Westfahl	0
Supervisory Board	
Kurt Dobitsch	0
Prof. Georg Nemetschek	2,411,322
Rüdiger Herzog	0
Alexander Nemetschek	1,107,705

Shareholder Structure in %



1	25.05 %	Prof. Georg Nemetschek
2	11.51 %	Dr. Ralf Nemetschek
3	11.51 %	Alexander Nemetschek
4	5.44 %	Ingrid Nemetschek
5	46.49 %	free-float

Financial Calendar 2008

March 27	Press briefing on annual results
May 9	Quarterly statement 1/2008
May 21	AGM
August 8	First-half report 2008
November 7	Quarterly statement 3/2008
November 10 – 12	Analyst conference at the German Equity Forum

Corporate Governance

The German Corporate Governance Code in the current version dated June 14, 2007, 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 governance of German companies.

For Nemetschek, good and responsible corporate governance is the basis for a sustained increase in the company value. The Managing Board and Supervisory Board largely follow the recommendations in the current version of the Corporate Governance Code, and sees corporate governance as an ongoing process. The principles are regularly checked and adapted in the light of new experiences, legal requirements, and the further development of national and international standards.

Every year, as part of the statutory regulations, the Managing Board and Supervisory Board of Nemetschek AG issue a statement that the company adhered to and adheres to recommendations of the government commission's German Corporate Governance Code, and specifies which recommendations were or are not being implemented. The last Nemetschek AG declaration of conformity in accordance with § 161 of the Stock Corporation Act was made on March 25, 2008 and can be viewed on the company's website at www.nemetschek.de. The complete text of the Code can be found on the internet at www.corporate-governance-code.de.

Declaration of conformity in accordance with §161 of the Stock Corporation Act for 2008
In accordance with § 161 of the Stock Corporation Act, the managing board and supervisory board of Nemetschek AG declare that the recommendations of the "Government Commission of the German Corporate Governance Code", version dated June 14, 2007, published in the official part of the electronic Federal Gazette on July 20, 2007 (hereinafter "Code"), have been and are being met with the following exceptions:

☐ The D&O insurance does not include excess insurance for board members (Code Item 3.8 Clause 2). Nemetschek AG does not believe that excess insurance would improve the motivation and responsibility of the members of the managing board and supervisory board.

☐ The managing board participates in the stock option scheme and thus also receives a variable remuneration with risk character and a long-term incentive effect. This stock option scheme does not include a cap for exceptional, unplanned developments (Code Item 4.2.3 Clause 2).

☐ An age limit for members of the managing board and supervisory board has not been explicitly set and is not currently planned (Code Item 5.1.2 Clause 2 and 5.4.1). Such age limit would generally restrict the company in its selection of suitable members of the Managing Board and the Supervisory Board. Members are selected solely on the basis of technical competence and necessary experience. The company is therefore not following this recommendation.

☐ The code recommendation on the formation of qualified committees will not be followed (Code Item 5.3), as the supervisory board only has three members. The tasks for which the Code recommends the formation of such committees are all performed by the Supervisory Board of Nemetschek Aktiengesellschaft.

☐ Deviating from No. 5.4.3 of the Code, the managing board of Nemetschek Aktiengesellschaft applied for the official appointment of a member of the supervisory board in February 2008 and requests the official appointment without a limit up to the next AGM. The reason for this is that the supervisory board member concerned was already elected by the AGM 2007 for a full term and merely left the supervisory board temporarily due to illness.

Munich, 25.03.2008
Nemetschek Aktiengesellschaft

Managing Board and Supervisory Board
of Nemetschek AG

Additional Information

Cooperation between Managing Board and Supervisory Board

The Managing Board reports to the Supervisory Board regularly, quickly and comprehensively in written and verbal form about all relevant issues relating to business development and company planning, including the risk situation, risk management and compliance. More information on this can be found in the Supervisory Board's report on pages 22 to 23 of this annual report and on pages 26 to 27 of the management report.

Remuneration of Managing Board and Supervisory Board

In accordance with the recommendations of the German Corporate Governance Code, we have been reporting the individual remuneration of all members of the Managing Board and Supervisory Board since last year. A breakdown by components for the remuneration of the individual members can be found on page 110 to 111 of the notes on the consolidated financial statement.

In accordance with the recommendations of the German Corporate Governance Code, the members of the Supervisory Board receive performance-related and fixed remuneration. This was decided by the Annual General Meeting of Nemetschek AG on May 20, 2005. The variable compensation component is based on the consolidated performance per share. It is the view of the Managing Board and the Supervisory Board that this important ratio constitutes a reliable benchmark for increasing the intrinsic value of the shares and, thus, the company's performance.

The compensation for members of the Managing Board consists of a base salary (50 %) and variable compensation. The variable compensation component is largely dependent on the attainment of corporate objectives with respect to sales and results. A smaller portion of the variable compensation is paid out upon achieving individual targets. In addition, the Managing Board participates in the stock-option program and thus receives an additional variable component with long-term incentive effect and risk elements.

Stock Option Scheme

Members of the Managing Board of the company, members of the Managing Board of affiliated companies, employees in key functions and managers of the company and associated companies (beneficiaries) who can make a significant contribution to increasing the company value can participate in a stock option plan. The purpose of this is to attract qualified managers and ensure they stay with the company over the long term.

The price for the acquisition of shares on execution of the options ("execution price") corresponds to the arithmetic mean of the closing price on the Frankfurt Stock Exchange of the Nemetschek share on the last five trading days before the Managing Board's decision or – in the case of Managing Board members of the company, the Supervisory Board's decision - on granting of the options, but corresponds at least to the proportional amount of basic capital apportioned to the individual share certificate (§ 9 Paragraph 1 of the Stock Corporation Act).

The option rights can be exercised up to 50 percent two years after issue at the earliest, up to 75 percent three years after issue at the earliest, and up to 100 percent four years after issue at the earliest. The contract term for each granted option is five years. A cash settlement is not planned.

An ambitious target was set for the stock option scheme: The option rights can only be exercised if the price of the Nemetschek share – adjusted to take account of any dividend payments, stock rights or other rights – is at least 150 percent of the value of the Nemetschek share at the start of issue of the tranche in question no less than two years after the date of issue of the tranche in question at the time of exercising. Three years after issue, the value of the share must be at least 175 percent.

A further condition is that the option holder has met the personal and company targets for the year of issue in the year of issue, unless the Managing Board (for the Managing Board, the Supervisory Board) confirms that a failure to meet these targets has no or only limited effect on exercising of the options.

In the 2005 financial year, 100,000 options were first granted to board members. The weighted average execution price was 14.60 euros. The options granted were annulled in the 2007 fiscal year and have thus lapsed. In the 2007 fiscal year, 100,000 options were granted to board members. The weighted average execution price was 26.92 euros. Since then, no options have been forfeited, exercised and / or have lapsed.

More information, particularly on the valuation of share-based remuneration, can be found on annex page 28 of the notes on the consolidated financial statements.

Supervisory Board Report on Nemetschek AG's 2007 Fiscal Year

Ladies and Gentlemen,
Dear Shareholders,

Nemetschek stands for sustainable growth, as we have once again been able to demonstrate in the 2007 fiscal year. All business units developed well, particularly the Design segment, the bulk of which was contributed by Graphisoft. Our market position as the leading company for information technology for the design, construction and management of buildings and real estate has been strengthened, and the product solutions have been made more powerful, open and intuitive.

Supervisory Board advises and monitors activities of the Managing Board

During the past 2007 fiscal year, Nemetschek AG's Supervisory Board fulfilled the tasks and duties it is legally mandated to perform. The board met six times during the year to confer on the company's strategic and business developments and to debate current results and fundamental questions.

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

The Managing Board also informed the Supervisory Board about all issues relating to the risk situation, risk management and the work of the compliance team. The respective reports were presented to all Supervisory Board members and were debated in joint sessions of the Managing Board and the Supervisory Board. With the assistance of Nemetschek AG's reports, the Supervisory Board monitored and supported the Managing Board's work and evaluated its effectiveness. Approval was given for projects requiring approval. The Supervisory Board did not form any committees. The full Supervisory Board and Managing Board attended all Supervisory Board meetings. The chairman of the Supervisory Board was also in regular contact with the Managing Board outside the Supervisory Board meetings. The Managing Board discussed important business matters with and advised the Supervisory Board chairman and informed him of the current development of the business situation and important business transactions.

Topics in the individual Supervisory Board meetings

Meeting in March 2007: During this meeting, the Supervisory Board discussed in detail the annual financial statement presented by the Managing Board, Nemetschek AG's annual report, consolidated financial statements and consolidated annual report, as well as the auditor's reports and audit results. During this Supervisory Board meeting, which was also attended by the appointed auditor, the Board established Nemetschek AG's annual financial statement for 2006 and approved the consolidated statement for 2006, which had also been audited, and a decision was made on the appropriation of profits. In addition, the proposed agenda for the Annual General Meeting, the Supervisory Board report and the Declaration of Conformity in accordance with the German Corporate Governance Code were advised on, approved and conclusively decided on. The status and marketing of Allplan 2008 and the development status and targets of Allplan 2009 were discussed. Other subjects included approval of the business plan for 2007, the position of civil engineering in the parent company, the report on the M&A status and the strategy and business plan. A decision was made to approve the sale of the Hungarian Nemetschek branch in the form of an MBO.

Meeting in May 2007: This Supervisory Board meeting dealt with the Managing Board's report on business developments during the first quarter and additional business outlook prospects. Central topics were the status of the Allplan 2008 launch plan and the position of Allplan Basis, Architecture and Civil Engineering in the parent company. A decision also gave the Managing Board the power to convert the remaining unsold 10,170 shares in Scia contained in a PUT agreement into up to 81,360 Nemetschek AG shares.

2. Meeting in May 2007: As a result of the election of a new Supervisory Board by the AGM 2007, this meeting involved the election of the Supervisory Board Chairman and Vice Chairman.

Meeting in July 2007: This Supervisory Board meeting dealt with the business results for the second quarter and the outlook to the end of the year. It also included the status of the Allplan 2008 launch plan, the strategy in the Build business unit and the restructuring of the Allplan organization, on which the Supervisory Board heard detailed information.

Meeting in October 2007: In this meeting, the Managing Board explained the business development in the third quarter with a projection for 2007, and the launch of Allplan 2008, Allplan development and Allplan organization were discussed. The future brand strategy of the Nemetschek Group and the Nemetschek Group organization were also dealt with in depth. Finally, the status and planning of the Build business unit and the BIM strategy were discussed in detail. Because of Mr. Dobitsch's long illness, Mr. Alexander Nemetschek was appointed as a replacement member of the Supervisory Board. Mr. Rüdiger Herzog was unanimously elected new Chairman of the Supervisory Board.

Meeting in December 2007: This Supervisory Board meeting dealt with the Managing Board report on the first 10 months of the fiscal year and the business plan for 2008. In addition, the Managing Board reported on the new positioning of Allplan and the situation regarding dealer agreements. The Supervisory Board was provided with detailed information on strategic product planning in the group. A further subject was the business distribution in the Managing Board.

Financial statement audited

The annual financial statement prepared by the Managing Board according to the German Commercial Code, taking into consideration the accounting principles and annual report of Nemetschek AG for the 2007 fiscal year, the consolidated financial statement prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315a Paragraph 1 of the German Civil Code, and the consolidated annual report for the 2007 fiscal year have been audited and approved by Ernst & Young Auditors, Munich, bearing an unqualified opinion. The Supervisory Board is convinced of the independence of the auditors.

The meeting of the Supervisory Board held on March 25, 2008 to discuss Nemetschek AG'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 and is convinced of the correctness and completeness of the actual information in the report. The Supervisory Board approves the result of the auditor's examinations based on its own examinations and raises no objections. The Supervisory Board explicitly endorses the report drawn up by the Managing Board, annual financial statements of Nemetschek AG and the consolidated financial statements for fiscal year 2007. The annual financial statements of the Nemetschek AG for fiscal year 2007 are thus final. The following decision was made about the profit in accordance with legal rulings and the company articles: Of the balance sheet profit amounting to 9,850 thousand euros, 6,256 thousand euros will be paid out to the shareholders. This represents a dividend per share of 0.65 euros (previous year: 0.56 euros). The remaining balance sheet profit of 3,594 thousand euros will be carried to a new account.

Changes in the Managing Board and Supervisory Board

The Vice President of Research & Development, Dr. Peter Mossack, left the Managing Board of Nemetschek AG in May 2007 and was not replaced.

The number of members of the Supervisory Board remains unchanged. In October 2007, Mr. Kurt Dobitsch left the Supervisory Board for health reasons and was replaced by replacement member Mr. Alexander Nemetschek, elected by the AGM 2007. In its meeting on October 18, 2007 the Supervisory Board elected Mr. Rüdiger Herzog as Supervisory Board Chairman. Following Mr. Dobitsch's recovery, he returned to the Supervisory Board. Mr. Alexander Nemetschek stepped down from the Supervisory Board. For reasons relating to company law, Mr. Kurt Dobitsch was as a precaution legally appointed as a member of the Supervisory Board as a result of the decision of the Munich local court of February 26, 2008. In its meeting held today, the Supervisory Board elected Mr. Dobitsch chairman of the Supervisory Board again.

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, Germany, March 25, 2008

Kurt Dobitsch

Chairman of the Supervisory Board

Financial Statements

Consolidated Financial Statements*) of Nemetschek AG (IFRS)

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Central Station Berlin

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

Group Management Report for the 2007 Financial Year

Business and Underlying Conditions

Nemetschek in brief

The Nemetschek Group is one of the world's leading suppliers of innovative software solutions for the complete real estate life cycle and multi-media applications. Group staff worldwide serve Nemetschek's clients with viable information technology throughout all phases of projects and the whole value chain.

All ten of Nemetschek's brands cover a wide range of services, offering maximum design freedom. Intelligent technologies create synergies and optimize processes in terms of quality, cost and time required. With Nemetschek software, people can realize their visions.

The Nemetschek Group's strengths are its competence within its field, its power to innovate and its powerful product portfolio. Nemetschek is forward-looking, and committed to research and development.

All ten of our brands aim to be technology leaders in all product areas, expand their international activities and grow profitably. Nemetschek also aims to use strategic acquisitions and alliances to increase our share of existing markets and open up new ones in the future.

Overview: A Successful Fiscal Year 2007

The Nemetschek Group can look back over a successful fiscal year 2007. Through both growing organically, and successfully integrating the Graphisoft Group, the Group succeeded in increasing revenues by 36.0 % to EUR 146.2 million (prior year: EUR 107.5 million). Nemetschek recorded revenues growth, both in Germany and abroad. International sales were up around 50 % at EUR 92.6 million (prior year: EUR 61.8 million). In Germany, the Group increased its revenues 17.3 % to EUR 53.6 million (prior year: EUR 45.7 million), with revenue generated abroad accounting for 63.3 % and revenue generated in Germany for 36.7 %.

Group EBITDA was up 62.9 % at EUR 33.6 million (prior year: EUR 20.7 million). Our EBITDA margin was 23.0 %, up on last year's figure of 19.2 %. EBIT was well up, by 34.3 %, at EUR 23.9 million (prior year: EUR 17.8 million).

Nemetschek recorded the highest period cash flow in the Company's history, at EUR 30.8 million (prior year: EUR 21.2 million). Cash flow from operating activities was up 38.5 % at EUR 25.3 million (prior year: EUR 18.3 million).

Developments in the Industry

Macro-Economic Background Conditions

The global economy continued growing in 2007, although according to the Ifo Institute's current estimates growth was slightly down on 2006, at 5.2 % as against 5.4 %. The US economy slowed down considerably as the crisis in the mortgage markets continued, but economic researchers believe Europe and Asia have been able to stay largely out of this development so far.

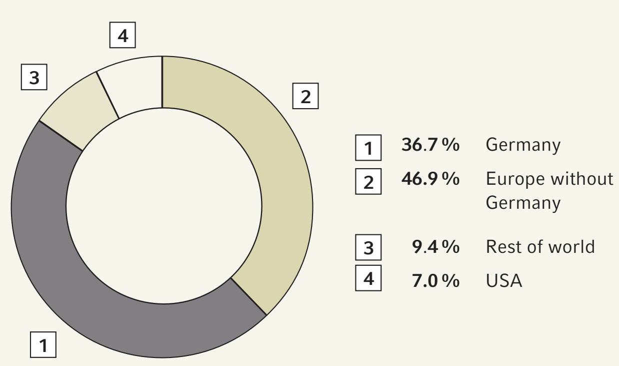
Expectations as to how the economy as a whole would perform were down in the second half of the year, however. The euro strengthened significantly against the dollar in the fourth quarter of 2007, putting a damper on European exports, although it meant the euro zone suffered less from rising energy and commodity prices.

For 2008, economists are forecasting that growth in the 27 EU countries will be down 0.5 % points on 2007, at 2.4 %. The potential risks to growth come from the global financial markets, continuing rises in energy prices and the economic slowdown in the USA.

The European construction industry had already gone into reverse in 2007: growth rates were little more than half what they were in 2006, at 2.0 %. Euroconstruct research association estimates construction services in real terms will be down to 1.4 % in 2008, as the crisis in the US financial markets means private clients are less willing to invest, although the trend in renovation and modernization is still positive. In Nemetschek's core sector, public sector commercial construction, growth forecasts remain positive, at 3.7 %.

A survey by the German Association for Information Technology, Telecommunications and New Media (BITKOM) indicates the German high-tech industry was looking forward confidently to 2008 at the end of 2007, with 78 % of companies surveyed expecting revenue to rise

Group revenues by regions in %



this year, 16 % expecting them to remain steady and only 6 % expecting them to fall. The survey shows computers, software and IT services are what are most in demand to help businesses be more efficient.

Business Segments

Design

Our Design business segment covers sophisticated integrated software solutions for architects, structural engineers, load engineers, specialist and landscape designers. The main things users want are functional depth, user-friendly applications and to exchange data with everyone involved in the construction process. As a competent supplier for the whole building life cycle, Nemetschek companies have a first-class range of solutions tuned to users' needs.

The Design business segment's revenues were well up in 2007, by 45.8 % to EUR 118.8 million, thanks to our existing companies growing well, and to acquiring Graphisoft Group.

In its current 2008 version, with its intelligent building model, Allplan is the CAD solution for demanding architects and construction engineers. It covers the whole planning process, from design through implementation to building estimates. Data can be easily exchanged with other users in house via the IFC format. As the Nemetschek Group's core product, Allplan revenues were well up on the prior year, both in the German market and the rest of Europe.

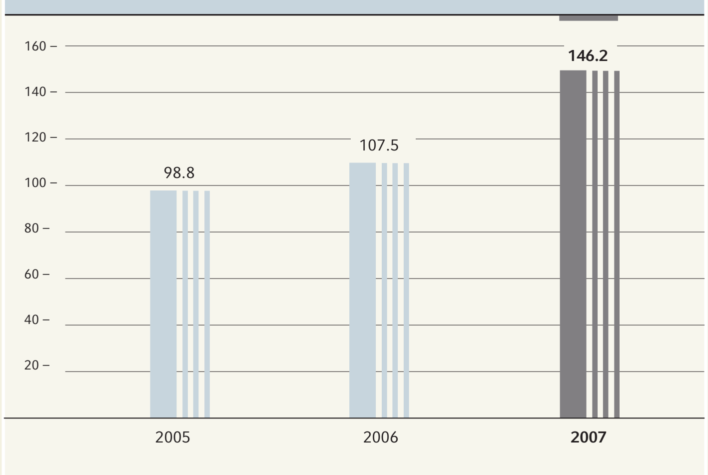
As a CAD solution, with its virtual building model, ArchiCAD is designed for architects, covering the whole design bureau value added chain efficiently, from the first drafts through to the last detail of planning work and estimating costs. Version 11, launched in May 2007, makes it easier for users to switch from 2D to 3D design. 2007 saw the launch of our budget STAR(T) edition, aimed at users in the beginner and low-price segments. The Graphisoft Group's revenue was well up worldwide in 2007, thanks to positive development in Germany and successful sales in eastern Europe and Asia in particular. Nemetschek acquired the Graphisoft Group in late 2006. Today, the group employs 216 staff, and has a worldwide network of committed, loyal, independent sales partners. The Graphisoft Group has offices of its own in Hungary, Germany, the USA, Japan, Great Britain and Spain.

VectorWorks, the CAD solution for draft and implementation design, is the package of industry solutions for architects, interior designers, landscape designers and designers for stage and lighting design. VectorWorks is the most widely used CAD product for the Macintosh platform worldwide, and is also available for Windows. The new 2008 version was launched successfully in September 2007.

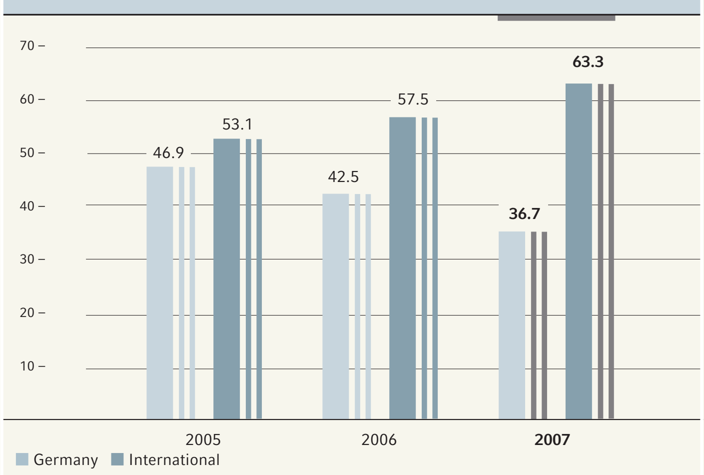
The SCIA Group's solutions for the high-end engineering segment are used by construction engineers for structural design for analyzing and dimensioning two- and three-dimensional steel and reinforced concrete works and other materials generally. The SCIA Group works with Allplan, using the intelligent building model, the data structure covering the whole process, from CAD through static calculation and dimensioning to complete load-bearing structures. The SCIA Group did extremely well in 2007, with revenue up on the prior year, well into double digits.

Friedrich + Lochner GmbH's products cover over ninety programs for a wide range of tasks in static load design. Last year saw work continue on developing a new program layout, aimed at guiding users transparently and effectively, helping them work intuitively. The company's main products also include a live update function for users to check the availability of new versions online. A wood and roof program for users in Italian-speaking areas was also launched in 2007.

Group revenues in million €



Group revenues in %



Glaser isb cad Programmsysteme GmbH expanded its strong position in the market again in 2007, the main success factors here being the "CAD Start-Up" license model, designed specially for startups, and successfully developing its extensive range of services further, with basic seminars, client workshops and one-to-one training showing clients just what the new 2007 version can do.

Build

Our Build business unit comprises Nemetschek Bausoftware GmbH, Achim, and AUER – Die Bausoftware GmbH, Mondsee, Austria, which offer commercial and technical/financial solutions for small and medium-sized construction companies and designers in German-speaking countries and, increasingly, at international level too. The market was tough, but this segment increased its revenue by 9.4 % to EUR 13.2 million, thanks mainly to joint sales operations. With an EBITDA of EUR 4.1 million, this segment contributed to the Nemetschek Group's success with an above-average margin of 31.1 %.

Manage

Our Manage business unit covers the Group's operations in commercial real estate management and technical- and infrastructure-oriented facility management, bundled in Nemetschek CREM Solutions GmbH & Co. KG, Ratingen.

Nemetschek Crem Solutions GmbH & Co. KG and one of its main clients joined forces to continue developing the core product iX-Haus in 2007, aiming to provide integrated solutions to cover what real estate fund managers specifically need and reporting obligations to the regulators. Many clients chose to migrate to the new Version 4 in 2007. The business unit increased its EBITDA to EUR 0.6 million (prior year: EUR 0.1 million), mainly through stringent cost management.

The Manage business unit's revenue this fiscal year was EUR 6.1 million. With its main products, Allfa and iX-Haus 2008, it covers what clients in the fields of public administration, the real estate business, industry, trade, banking and insurance and healthcare need effectively and efficiently.

Multimedia

The Multimedia business unit comprises MAXON Computer GmbH in Germany and its subsidiaries in the USA and Britain. The MAXON group specializes in visualization and animation software, and is one of the leading suppliers in the industry, especially with the current version of CINEMA 4D.

For the MAXON group, 2007 was very much dominated by the new release of visualization and animation software CINEMA 4D. Improved support for the data format DWG, simplified handling of animations and new light tools made it even more user-friendly. In 2007, MAXON and CINEMA 4D won the MAC user award for Best 3D software for the fourth time. This segment is still growing, with above-average growth rates in all major core markets.

Our Multimedia business unit's revenue was up 5.2 % at EUR 8.1 million. With an EBITDA of EUR 2.4 million and an EBIT margin of 29.0 %, this segment made a major contribution to the success of the Nemetschek Group, growing strongly, especially in the US market with the CINEMA 4D product.

Corporate Management at Group Level

Nemetschek Aktiengesellschaft is a holding company, based in Munich, managing and controlling the decentralized Nemetschek Group. Our four business units, Design, Build, Manage and Multimedia, comprise more than forty companies operating at national and

Management Board Remuneration

Thousands of €	Fixed salary*)	Profit-based remuneration	Share-Based payments	2007
Ernst Homolka	170	269	54	493
Michael Westfahl	168	151	54	373
Dr. Peter Mossack **)	763	0	0	763
Gerhard Weiß ***)	17	7	0	24
Total Management Board Remuneration in 2007	**1,118**	**427**	**108**	**1,653**

*) The fixed component consists of fixed salary and other taxable salary components like health and nursing care insurance and company car provisions.
**) Dr. Mossack's fixed salary comprises his fixed component and the total payment (EUR 690 thsd) as part of the cancellation agreement of May 2007
***) Mr. Weiß resigned as of January 31, 2007

international level. Our individual business units are managed in line with the Group's strategic orientation as a whole. We use an overall budget, which combines the annual budgets of the group companies. We budget by revenue type, product and profit center and associated costs, using the cost of sales and nature of expense methods. During the fiscal year, each segment reports monthly, on sales, revenues and costs, analyzing anomalies in depth against budget and the prior year and stating the prospects to the year-end, updated monthly. For management, we use specific business indicators, displayed in a management information system, the main indicators being sales by revenue type and EBITA. One key management variable is return on sales and group margin.

Management Board Remuneration

Management board remuneration comprises variable, fixed and share-based components. There are no separate retirement agreements for management board members should the majority control over the Company change. A detailled view on Management Boards remunerations is listed in belows tables. Management board members are appointed by the supervisory board for up to five years.

The members of the management board of Nemetschek Aktiengesellschaft are remunerated annually, with fixed and variable components, including components with long-term incentive effects.

Subscribed Capital

Nemetschek Aktiengesellschaft's share capital as at December 31, 2007 was EUR 9,625,000.00 (no change from last year), divided into 9,625,000 bearer shares of no nominal value (no change from last year). Direct and indirect holdings in subscribed capital (i.e. the shareholder structure) are unchanged from last year, as follows:

Prof. Georg Nemetschek:	25.05 %	(prior year 25.02 %)
Dr. Ralf Nemetschek:	11.51 %	(prior year 11.51 %)
Alexander Nemetschek:	11.51 %	(prior year 11.51 %)
Free-float (below 10 %):	51.93 %	(prior year 51.96 %)

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

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

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

Management Board Remuneration

Thousands of €	Fixed salary*)	Profit-based remuneration	Share-Based payments	2006
Gerhard Weiß	219	505	0	724
Michael Westfahl	168	163	97	428
Dr. Peter Mossack	168	163	97	428
Total Management Board Remuneration in 2006	**555**	**831**	**194**	**1,580**

- The shareholders' meeting of July 29, 2003 passed a resolution for a contingent increase of the share capital of the Company by up to EUR 850,000.00 which serves to grant subscription rights (options) to members of the management board and key management personnel. As of December 31, 2007, 100,000 options had been issued to members of the management board (prior year: 100,000 options).

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

- Purchase up to 962,000 treasury shares of the Company, equivalent to just under 10 % of the share capital, in full or in part amounts, once or in several installments. At no time may the shares acquired on the basis of this authorization together with other treasury shares constitute more than 10 % of its share capital. The authorization may not be used for trading with treasury shares.

- This authorization replaces the authorization adopted by the shareholders' meeting of Nemetschek Aktiengesellschaft on May 23, 2006 as agenda topic 6 concerning the acquisition of treasury shares, which is hereby cancelled.

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

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

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

The management board acquired 81,360 treasury shares on a temporary basis under this authorization in the FY 2007.

Results of Operations, Financial Position and Net Assets

Results of Operations

The Nemetschek Group's revenue was up 36.0 % at EUR 146.2 million (prior year: EUR 107.5 million), with growth in double digits, both in Germany and abroad. Revenue abroad was up nearly 50 %, at EUR 92.6 million (prior year: EUR 61.8 million). Revenue in Germany came to EUR 53.6 million (prior year: EUR 45.7 million), up 17.3 %. This growth in revenue was due partly to the successful integration of the Graphisoft group, which contributed EUR 32.5 million in revenue. We also grew organically by 5.8 % in the fiscal year 2007.

Group EBITDA at EUR 33.6 million (+62.9 %)

At the cutoff date, the Nemetschek Group's earnings before interest, tax, depreciation and amortization (EBITDA) was EUR 33.6 million (prior year: EUR 20.7 million), giving an EBITDA margin of 23.0 % (prior year: 19.2 %). All the Group's segments notched up double-digit EBITDA growth. Revenues were well up; but this positive trend is also due to successfully managing costs within the Group.

Operating expenses stood at EUR 125.2 million (prior year: EUR 91.8 million). The increases in individual items in the income statement were due mainly to incorporating the Graphisoft Group for the first time. The Group expects personnel expenses to remain stable.

Profit on the year was up 6.9 % at EUR 15.3 million, despite high levels of interest costs and depreciation on the purchase price allocation as part of acquiring a company. Depreciation on the purchase price allocation accounted for more than 75 % of all depreciation, at EUR 7.4 million. The financial result was marked by interest costs of EUR 5.0 million in connection with the syndicated credit facility for the Graphisoft acquisition.

Group tax rate for the fiscal year 2007 was 26.5 % (prior year: 22.6 %). The share of net income for the year attributable to minority interests was EUR 0.8 million, unchanged from last year. Earnings per share rose to EUR 1.52 (prior year: EUR 1.41).

Financial Position

Period cash flow up at EUR 30.8 million (+44.7 %)
Period cash flow in the fiscal year 2007 was up 44.7 % at EUR 30.8 million (prior year: EUR 21.3 million). Cash flow from operating activities was up 38.5 % at EUR 25.3 million (prior year: EUR 18.3 million).

Cash flow from investing activities was EUR –102.4 million. Cash flow from investing activities was marked by the effects of acquiring Graphisoft, plus acquiring additional shares in the SCIA Group. Graphisoft was acquired 100 %, with payments of EUR 97.2 million made to its shareholders. To acquire the remaining 21.16 % in the SCIA Group, we paid with our own shares, recording an outflow of funds of EUR 2.0 million. Investing in fixed assets gave rise to an outflow of funds of EUR 3.1 million (prior year: EUR 2.1 million).

Cash flow from financing activities was dominated by dividend payments of EUR 5.4 million (prior year: EUR 6.3 million). We raised EUR 100.0 million in all to acquire the Graphisoft Group via a syndicated credit facility, EUR 30.5 million of which had been repaid by the balance sheet date. The Group acquired other funds through the EUR 14.5 million loan granted by Graphisoft SE to Graphisoft Park Kft. (repayment on January 10, 2007).

Cash and cash equivalents as at the cutoff date were EUR 29.1 million (prior year: EUR 34.5 million).

Net Assets

Equity Quote 33.7 % (+24.9 %)
On the assets side, current assets were down from EUR 83.6 million to EUR 61.5 million. Apart from redeeming the loan to Graphisoft SE, this change was due mainly to the outflow of funds involved in paying dividends, redeeming the syndicated credit facility and the outflow of funds for buying back treasury shares in connection with acquiring the remaining shares in SCIA.

Non-current assets rose from EUR 120.6 million to EUR 125.0 million. This was due mainly to an increase in goodwill of EUR 8.5 million, as the Group now holds all the shares in Graphisoft and SCIA. The Group also wrote down assets from the purchase price allocation by EUR 7.4 million as budgeted.

The liabilities side was marked by liabilities to banks connected directly with the Graphisoft acquisition. Of the EUR 100.0 million taken up, we had already redeemed EUR 30.5 million by the balance sheet date. While current liabilities stood at EUR 16.3 million, the component of EUR 53.4 million due at over one year is shown under non-current liabilities. The fall in current liabilities was due mainly to the acquisition of the Graphisoft group, which accounted for EUR 97.2 million.

Equity at the cutoff date was EUR 62.9 million (prior year: EUR 55.1 million), giving an equity ratio of 33.7 % (prior year: 27.0 %). Total assets as at December 31, 2007 stood at EUR 186.5 million (prior year: EUR 204.1 million).

Financial Management: Objectives and Policies
The general objectives of Group finance management is to ensure the Group is stable and flexible: this is achieved through balancing equity and liabilities.

The Nemetschek Group's capital structure is as follows: equity 33.7 %, current liabilities 29.0 % and non-current liabilities 37.3 %. Current liabilities is mainly trade payables, current loan components and other liabilities due within one year and covered out of cash flow from operating activities. Our sources of funds are mainly current assets such as trade receivables arising directly from the Group's operational activity.

The surplus cash flow generated is used to redeem non-current components of loan liabilities to the consortium banks. Redeeming non-current loan components is covered by future cash flow from operating activities. The Group plans to redeem the liabilities raised to acquire the Graphisoft group completely within the next four years.

The Group was not involved in any other financing activities in the fiscal year 2007.

As the Group's overall parent company, Nemetschek Aktiengesellschaft needs liquid funds from group companies to meet its redemption obligations to creditors: this is covered via group-wide cash pooling from selected subsidiaries. The overall parent company also acquires liquid funds via dividends from subsidiaries each year.

Managing Liquidity Risks
Interest expenses on 90 % of the debt taken up are hedged by interest rate hedging, which covers both interest rates rising and falling.

Liquidity risks arise because customers may not be in a position to meet any obligations they may have towards the Nemetschek Group under normal terms of trade. The Group is creditworthy enough to allow it to raise the liquid funds it needs; we also have as yet unused lines of credit of EUR 21.5 million. To manage these risks, the Company assesses its customers' ability to pay at regular intervals.

The Group monitors the risk of a liquidity bottleneck arising constantly via monthly liquidity budgets, based on when financial assets, such as receivables, fixed-term deposits etc. mature, and cash flows from operating activities. The Group aims to maintain a balance between keeping our funding requirements covered and remaining flexible at all times.

Analysis of Capital Expenditure

The Group has a general policy of making replacement investments in fixed assets. We are currently in the process of introducing a new ERP system for mirroring the core processes at all Allplan companies effectively. The Group expects this will mean capital expenditure of around EUR 2.2 million, of which EUR 0.6 million was invested in the fiscal year 2007. We aim to complete the project by 2010.

Research and Development

Nemetschek is pioneering the development of the intelligent building model and involving designers in the construction process on an interdisciplinary basis (Building Information Modeling, or BIM). Nemetschek's research and development is focused on continuously developing methods, strategies and software solutions.

Nemetschek has made developing the open industry standard IFC (Industry Foundation Classes) the focus of its integrated product strategy to optimize working processes between all the designers involved in the production process. In doing so, Nemetschek aims to help make it easier to exchange component-oriented data between its core products, Allplan, ArchiCAD, SCIA and VectorWorks and other systems seamlessly. Nemetschek was certified by the Industrial Alliance for Interoperability (IAI) for its current IFC interface 2x3 in Allplan.

The trend towards IFC is being pushed by the commitment of the public sector, such as in Germany, Norway and Denmark. Major construction companies in Germany are already using IFC, and the Federal Office for Building and Regional Planning (BBR) supports the spread of this open standard. The General Service Administration (GSA), which manages US state property, is currently considering using it, and its compatibility with various programs.

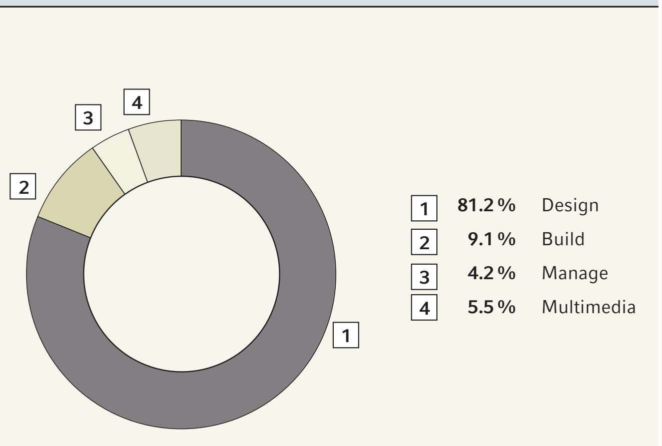
Nemetschek's BIM strategy also includes the ongoing research project IFC Collaboration Suite.

Nemetschek's existing IFC Collaboration Suite is a toolbox enabling different players to work on IFC models together. This solution supports content synchronization through managing the component-oriented building model throughout the planning process. One important point here is that it integrates specialist designs/sub-models easily in the overall building model, ensuring a high level of consistency.

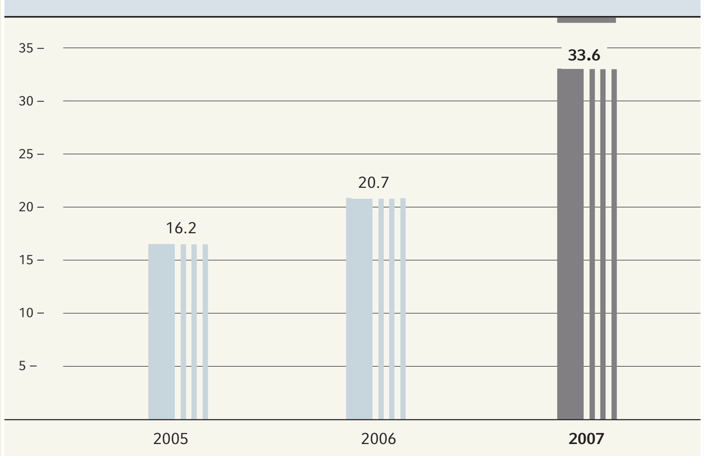
When it comes to estimating construction costs particularly, Nemetschek has succeeded in maintaining its role as a technology leader through developing the IFC Cost Analyzer. This analysis tool is based on transferring and integrating results from calculating quantities and costs in graphic form into the IFC building model.

Alongside traditional exchange formats, Allplan 2008 can read and pass on CAD data easily in standard PDF format. Working with Adobe, Nemetschek has extended the everyday PDF functionality and integrated the original Adobe PDF Libraries in Allplan, so both 2D plans and 3D models can not only be generated directly with

Group revenues Business Units in %



EBITDA Group in million €



layer structures, but also re-imported. This brings simple construction coordination processes within reach, so everyone involved can communicate freely, making release processes certain, and avoiding comparing office standards expensively.

With ArchiCAD Version 11, Graphisoft completed a major milestone in the product development process, which now offers users extensive functionality releases on an annual basis. With Virtual TraceTM, users can now work on 2D and 3D models simultaneously, and can also compare two different design models visually.

The new version of VectorWorks provides IFC2x3 functionality, enabling users to exchange building models between different design, analysis and construction platforms easily.

Altogether, the Nemetschek Group spent EUR 28.9 million on research and development this year (prior year: EUR 19.8 million).

Employees

The Nemetschek Group employed 1,107 staff worldwide as at December 31, 2007 (prior year: 1,151, including Graphisoft). On average, the Nemetschek Group employed 1,091 staff over the year (prior year: 880, excluding Graphisoft). The rise in staff numbers is due to acquiring the Belgian SCIA Group and the Graphisoft Group of Hungary. The Group expects staff numbers to develop steadily.

Risk Report

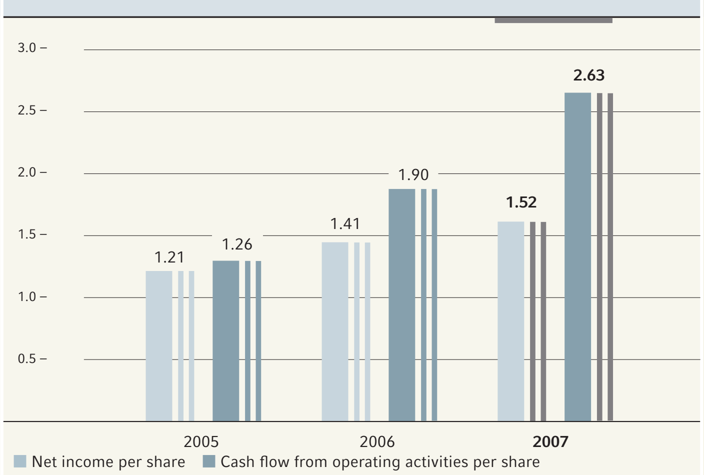
Risk Management

Nemetschek Aktiengesellschaft's business involves both opportunities and risks. We operate a risk management and control system to detect, assess and deal with business risks correctly at an early stage, aimed at analyzing potential influences, realizing risks have changed and taking countermeasures beforehand, while at the same time recognizing and using potential opportunities.

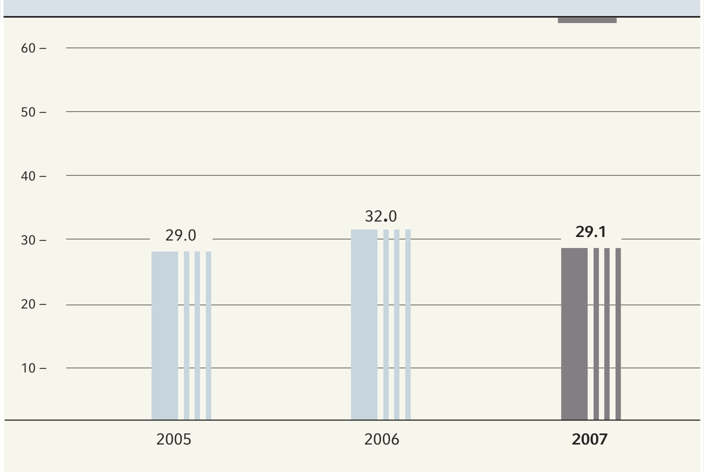
Responsibility for detecting risks and dealing with them early on rests with the management board. In performing its duties, it is assisted by the members of the management, defined risk owners and the risk manager. The risk manager is responsible for planning, providing information, monitoring and managing risks; 'risk owners' are responsible for identifying, assessing and managing risks constantly in their respective operational areas. Another major component of our risk management system is our internal audit department, which is constantly assessing our processes and documentation and testing in-process checks for their design and effectiveness. Our auditors assess our risk management every year as part of producing our accounts.

We analyze risks both quantitatively and qualitatively on a group-wide basis to make them more comparable, updating and recording the Group's current risk status as part of a risk inventory every six months. Regular reporting can be supplemented by ad hoc information if going concern risks are identified. Nemetschek plans to introduce a group-wide code of conduct in 2008.

Net income and Cash flow from operating activities in €



Cash and cash equivalents in million €



Risks Relating to Future Development

The Nemetschek Group faces strategic risks which are more medium- to long-term by nature, relating to changes in external factors and management processes such as development, marketing, organization and management. We also have to deal with operational risks: these are more short-term, and can cause direct and indirect losses through inadequate, deficient internal processes, systems and external factors, and through human error.

The main risks that might affect the Nemetschek Group's financial position significantly can be found in the market and industry environment.

The Nemetschek Group's success depends very much on how the construction and real estate business performs. Order book levels, and how financially strong the construction industry is and those involved affect how much the industry invests in software and hence how the Group's business performs.

Default risks, that is, risks of contracting partners not making payments when due, are covered by using credit agreements, setting caps and using monitoring procedures and regular reminder cycles.

If the economy as a whole is doing badly, this can affect the construction business and, with it, the Nemetschek Group's net assets, financial position and results of operations. Nemetschek diversifies its risks by being involved in different countries, where the economic and competition risks are generally different. Our broad customer base and product portfolio also help us spread the risk and reduce it through a high maintenance revenue component.

Competition affects risks considerably. There are not many major suppliers in the global AEC market apart from Nemetschek. Future risks may arise from rapidly changing technology, competitors innovating or major software companies moving into the market. At Nemetschek, we see ourselves as covering the whole building life cycle, so we are less exposed to risks than other players in the market.

One basic risk is, if the Nemetschek Group gets ahead on innovation, our competitors may imitate us and innovate themselves, and we may lose our lead if we fail to recognize what customers want is changing and / or how technology is innovating in time or at all. Nemetschek counters this risk mostly through using annual release cycles for our software products.

There are potential risks internally, in the process of developing software products to meet clients' needs and internal quality standards.

As an innovation leader, Nemetschek is well placed to grow profitably in future: the increasing internationalization in the eastern European markets, and in the Middle and Far East, offers growth potential particularly.

Recruiting highly qualified staff and making sure they stay with the company is one of the major success factors as far as the Nemetschek Group is concerned. If the Nemetschek Group loses managers or other qualified staff, and cannot find replacements, that can affect how our business performs – especially if this also means losing know-how and specific company data. To avoid such risks, the Nemetschek Group offers modern, attractive working conditions, and is improving knowledge management processes continuously.

Our level of financial liabilities involved in acquiring the Graphisoft group could present a liquidity risk if the Group's earnings go down. At present, the Nemetschek Group is generating a very positive cash flow, which we are using to reduce our debt levels and for further acquisitions. Nemetschek Aktiengesellschaft has ensured decentralized funds are available through central cash pooling since 2007.

Financial Risk Management

When it comes to financial risk management, the Group aims to use the methods as stated to reduce the risks below. The Group basically pursues a conservative, risk-averse strategy.

FX Risks and Management

In our operational business, the main risks the Nemetschek Group is exposed to are currency fluctuations. The Company's policy is to avoid or at least limit these risks through using hedging. The Group is involved in business worldwide, with development and sales offices in different countries, so we are exposed to currency (FX) risks. Our Group Treasury department coordinates and handles all our hedging operations.

Currency fluctuations have only a limited impact at topmost group level, as our operating subsidiaries outside the euro zone book both their sales, cost of goods sold, personnel expenses and other costs in their local currencies.

The Group uses FX contracts of different kinds to control our FX rate risks resulting from cash flow from (forecast) transactions and funding measures (in foreign currencies).

The Group concluded floating FX futures transactions in the past fiscal year which were pending as at the cutoff date.

Nemetschek Aktiengesellschaft has concluded a futures transaction to cover any currency fluctuations and hedge forecast dividends of USD 1.5 million. As the USD stood as at December 31, 2007, the attributable value of this transaction exceeded its purchase costs, so the Group made a loss of EUR 0.1 million.

Graphisoft R&D zrt, Budapest, Hungary has concluded two futures transactions to the value of EUR 15.0 million to cover possible currency fluctuations and hedge inter-company loans in HUF to Nemetschek Aktiengesellschaft (EUR). The attributable value of these transactions, based on the HUF exchange rate as at December 31, 2007, was less than its purchase costs, so the Group made a profit of EUR 0.3 million.

Default Risks and Management

Default risks, that is, the risk that business partners will be unable to meet their payment obligations, are managed by using credit approvals, setting caps and controls. The Company obtains additional security where appropriate by way of stock rights or through agreeing global setoff contracts.

The Company does not expect any of its business partners to default where they have been rated as highly creditworthy. The Nemetschek Group's credit risks are not bundled excessively on any one customer or group of customers. The maximum default risk is as shown on the balance sheet.

Credit Risks and Management

The Group only does business with third parties who are creditworthy. All customers who would like to do business with the Group on a credit basis are subjected to solvency checks; and receivables outstanding are monitored constantly to ensure the Group is not exposed to any major default risks. Where transactions are not conducted in the home country of the operating unit in question, no credit is allowed unless approved by the receivables controlling manager first. There are no significant concentrations of risk in the Group.

With the Group's other financial assets, such as cash and cash equivalents, the maximum credit risk should the counterparty fail is the carrying amount of those instruments.

Interest Rate Risks and Management

The risks of fluctuating market interest rates the Group is exposed to derive overwhelmingly from our non-current floating-rate financial liabilities.

First, the Group manages interest rate risks via the interest coverage indicator: this is the ratio of EBITDA to net interest costs.

Second, we manage group interest costs by hedging interest costs on liabilities, using interest rate hedging. As at the cutoff date December 31, 2007, we had more than 90 % of our interest costs on liabilities hedged.

Nemetschek Aktiengesellschaft concluded two interest rate hedges. The effects of measurement at fair value are booked directly to the income statement as profit or loss. The Group recorded a profit of EUR 0.2 million here in the fiscal year 2007.

Taken as a whole, we are convinced that the main risks as identified above are no going concern risks, either individually or as a whole, and that the Nemetschek Group will again master the challenges successfully in 2008. Nemetschek expects conditions for software in the AEC (architecture, engineering and construction) market to remain favorable in 2008, thanks to our competitive position and growth in demand.

We see our opportunities to continue to grow our business and expand our position in the market as a leading supplier of integrated software solutions for the whole real estate life cycle in continuing to internationalize, strategic partnerships and possible acquisitions. We also aim to exploit our potential in existing markets through our innovative software solutions.

Note on Forecasts

This group management report contains forward-looking statements and information: that is, statements about events in the future. Such forward-looking statements can be recognized in that they use terms like 'expect', 'intend', 'plan', 'estimate' and the like. Such forward-looking statements are based on our current expectations and certain assumptions, so they are subject to some risk and uncertainty. There are many factors, many of which are beyond the Nemetschek Group's control, which affect the Group's business activities, results, business strategy and success. These factors may mean the Nemetschek Group's actual results, success and performance vary significantly from the forward-looking statements as to results, success or performance.

Events after the Balance Sheet Date

Otherwise, there have not been any noteworthy changes to the business environment since the fiscal year ended. Nor have economic conditions changed to such an extent that they have had any major effect on our business activity, nor is the situation in the industry significantly different from what it was as at December 31, 2007.

Forecasts for 2008 and 2009

Global Growth Continues

In 2008, established market research organizations believe growth will continue steadily, although down on last year.

The experts expect growth in the global economy to slow down slightly, with the US economy tending to recover towards the end of the year. The IMF has cut its growth forecasts for the USA and Europe, but expects GDP in the emerging and developing nations to increase considerably.

DIW and other organizations are forecasting that the German economy will keep on growing in 2008, although down slightly on 2007. While the financial crisis will keep affecting the capital markets for a while yet, the experts believe the German economy will start 2008 with businesses confident.

Despite these dampened economic prospects, Nemetschek believes business will remain buoyant in the fiscal year 2008.

Gratifying Prospects in Major Sales Markets

In the construction sector, the main increases are expected, again, in Asia and central and eastern Europe. In the USA, the crisis in the subprime market is spreading, so construction here is expected to fall slightly in 2008.

In the medium term, i.e. 2009 onwards, we expect demand in the software industry in AEC (Architecture, Engineering, Construction) to continue in high single digits. Given the situation in the economy as a whole, the management board is cautious but optimistic in its expectations for 2008, faced with steady growth in the commercial and public sector construction business in our key markets, Germany and German-speaking Europe, where the Nemetschek Group benefits from its broad customer base.

With this customer base, the Group will be focusing on marketing existing and improved solutions to our existing markets.

Focusing on the Business Units

Our core brands (Allpan, Archicad, VectorWorks) in our Design business unit go into the new year on a sound footing with solutions we developed further in 2007. Under our 2008 budget, we will continue to innovate and improve our existing software landscape for our clients. Our smaller business units will not neglect the continued development of their solutions.

The Nemetschek Group is planning to expand our market position in all business segments from 2008 onwards. Unless conditions in the market change drastically, we expect our segments to grow individually in the upper single-digit range. Our expectations for our Multimedia segment are very good; Build and Manage are expected to perform in line with the market generally.

Internationalization as Business Driver

We continue to believe the prospects for the international software market are good: demand from the emerging nations in particular offers outstanding market opportunities in future. Thanks to our internationally-oriented strategic positioning, we believe the Nemetschek Group has good prospects of continuing growth. The Group will face the challenges of continuing to internationalize in 2008: all our business units will continue to internationalize their activities. As a high-tech group, we aim to share in the growth in the tiger nations, especially in Asia, and see them as the target for conquering new markets. We see major opportunities of establishing ourselves with our powerful software here.

2007 was a good year in eastern Europe: it is up to us to build on this now.

Bundling Strengths as Market Opportunity

To strengthen how the Nemetschek brand is perceived, we took our first steps in 2008, and will continue in 2009. The aim here is to establish our overall brand, Nemetschek, as the global experts in software solutions in designing, building and managing buildings and real estate: so we will be switching our brand portfolio within the Group consistently towards the Group's new image.

In establishing the Nemetschek brand, we will also be presenting ourselves as innovation leaders for the intelligent building information model (BIM), showing the market just what the Group can do in this field. This will also mean renewed efforts to continue developing the alternative data interchange format IFC, which offers decisive benefits to clients when it comes to sending 3D data.

Earnings Expected to Remain Positive

Given the pleasing development of new product versions, which have proven to be extremely popular in the market, the Nemetschek Aktiengesellschaft management board believes business will continue to be good.

Expectations for consolidated cash flow remain good, and interest costs will be down slightly, thanks to redemptions on the loans taken out to acquire Graphisoft in 2007.

Nemetschek Aktiengesellschaft will continue to pursue its value-oriented growth course, and expects revenue and earnings to continue growing. We aim to maintain our profitability as achieved on an EBITDA basis at this high level in 2008 and keep it that way in the medium term into 2009 and beyond.

With its sound financial position, net assets and results of operations, the Group is in a good position to continue to succeed, even if consumers hold back. We are constantly looking at new strategies and sales channels. Combined with efficient cost management, we aim to find additional earnings potential and go forward optimistically into 2008.

With our broad range of sophisticated software products, we aim to expand our lead in technology in our core markets, and move successfully into new ones, which are highly demanding when it comes to technology know-how, and exploit our opportunities here.

Declaration of Compliance by the Legal Representatives

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

Munich, March 4, 2008

Management board

Ernst Homolka | Michael Westfahl

Consolidated Balance Sheet

as of December 31, 2007 and as of December 31, 2006

Assets Thousands of €	Dec. 31, 2007	Dec. 31, 2006	[Notes]
Current assets			
Cash and cash equivalents	29,121	32,033	[23]
Securities	0	3,820	[23]
Trade receivables, net	24,645	24,680	[13]
Inventories	892	814	[14]
Tax refunded claims for income taxes	2,406	2,139	[14]
Current financial assets	166	14,618	[14]
Prepaid expenses and other current assets	4,264	4,891	[14]
	61,494	**82,995**	
Non-current assets classified as held for sale	0	560	[14]
Current assets, total	**61,494**	**83,555**	
Non-current assets			
Property, plant and equipment	4,800	4,508	[12]
Intangible assets	60,340	67,043	[12]
Goodwill	51,602	43,560	[12]
Associates/Investments	570	484	[12]
Deferred tax assets	5,500	3,354	[10]
Non-current financial assets	1,047	1,229	[14]
Other non-current assets	1,107	399	[14]
Non-current assets, total	**124,966**	**120,577**	
Total assets	**186,460**	**204,132**	

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

Equity and liabilities Thousands of €	Dec. 31, 2007	Dec. 31, 2006	[Notes]
Current liabilities			
Short-term loans and current portion of long-term loans	16,274	797	[19]
Trade payables	6,598	5,986	[19]
Payments on account	100	310	[19]
Provisions and accrued liabilities	13,371	12,087	[18]
Deferred income	10,186	10,322	[20]
Income tax liabilities	3,079	3,692	[19]
Other current liabilities	4,452	101,408	[19]
Current liabilities, total	**54,060**	**134,602**	
Non-current liabilities			
Long-term loans without current portion	53,419	242	[19]
Deferred tax liabilities	14,489	12,956	[10]
Pension provisions	639	590	[18]
Other non-current liabilities	967	636	[19]
Non-current liabilities, total	**69,514**	**14,424**	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserves	41,646	41,640	[17]
Revenue reserve	52	52	[17]
Currency translation	−4,169	−2,810	[17]
Retained earnings	14,395	5,242	
	61,549	**53,749**	
Minority interests	1,337	1,357	
Equity, total	**62,886**	**55,106**	
Total equity and liabilities	**186,460**	**204,132**	

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

Consolidated Income Statement

for the period from January 1 to December 31, 2007 and 2006

Thousands of €	2007	2006	[Notes]
Revenues	**146,191**	**107,481**	[1]
Own work capitalized	323	142	[2]
Other operating income	2,543	1,891	[3]
Operating income	**149,057**	**109,514**	
Cost of materials/cost of purchased services	−10,008	−7,672	[4]
Personnel expenses	−60,607	−46,923	[5]
Depreciation of property, plant and equipment and amortization of intangible assets	−9,776	−2,882	[6]
thereof amortization of intangible assets due to purchase price allocation	−7,383	−503	[6]
Other operating expenses	−44,808	−34,273	[7]
Operating expenses	**−125,199**	**−91,750**	
Operating results	**23,858**	**17,764**	
Interest income	1,802	689	[9]
Interest expenses	−4,991	−133	[9]
Income from associates	221	211	[8]
Earnings before taxes	**20,890**	**18,531**	
Income taxes	−5,543	−4,181	[10]
Net income for the year	**15,347**	**14,350**	
Of this amount: Equity holders of the parent	14,587	13,592	
Minority interests	760	758	[11]
	15,347	**14,350**	
Earnings per share (undiluted) in euros	1.52	1.41	[21]
Earnings per share (diluted) in euros	1.52	1.41	
Average number of shares outstanding (undiluted)	9,625,000	9,625,000	
Average number of shares outstanding (diluted)	9,625,000	9,650,000	

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

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2007 and 2006

Thousands of €	2007	2006	[Notes]
Profit before tax	20,890	18,531	
Depreciation and Amortization of fixed assets	9,776	2,882	
Change in pension provision	49	7	
Non-cash transactions	214	41	
Income from associates	−221	−211	
Expenses/income from disposal of fixed assets	44	−4	
Cash flow for the period	**30,752**	**21,246**	
Interest income	−1,802	−689	
Interest expenses	4,991	133	
Change in other provisions and accrued liabilities	1,284	1,052	
Change in trade receivables	35	216	
Change in inventories, other assets	2,665	−495	
Change in trade payables	612	108	
Change in other liabilities	−11,292	−534	
Cash received from distributions of associates	134	141	
Interest received	1,503	671	
Income taxes received	1,034	904	
Income taxes paid	−4,613	−4,489	
Cash flow from operating activities	**25,303**	**18,264**	
Capital expenditure	−3,147	−2,050	
Acquisition of entities less purchased cash	0	1,390	
Changes in liabilities from acquisitions	−99,227	−5,747	
Cash received from the disposal of fixed assets	34	69	
Disposals of cash from deconsolidation	−41	0	
Cash flow from investing activities	**−102,381**	**−6,338**	
Dividend payments	−5,390	−6,256	
Minority interests paid	−777	−397	
Proceeds from borrowings	100,000	0	
Repayments of borrowings	−30,500	−78	
Change in liabilities to banks due to acquisitions	−1,000	1,000	
Interest paid	−4,669	−76	
Proceeds from repayment of borrowings	14,514	0	
Cash flow from financing activities	**72,178**	**−5,807**	
Changes in cash and cash equivalents	**− 4,900**	**6,119**	
Effect of exchange rate differences on cash and cash equivalents	**− 490**	**− 574**	
Cash and cash equivalents at the beginning of the period	**34,511**	**28,966**	
Cash and cash equivalents at the end of the period	**29,121**	**34,511**	[23]

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

Statement of Changes in Group Equity

for the period from December 31, 2005 to December 31, 2007

	Equity allocable to the parent company's shareholders							
Thousands of €	Subscribed capital	Capital reserve	Revenue reserves	Currency translation	Retained earnings/accumulated loss	**Total**	Minority interests	**Total Equity**
As of December 31, 2005	**9,625**	**41,354**	**52**	**−1,851**	**−2,084**	**47,097**	**1,037**	**48,134**
Additional share purchase						0	−51	−51
Share-based payments		194				194		194
Issuance costs prior years		92				92		92
Income payment from minority interests					−10	−10	−387	−397
Difference from currency translation				−960		−960		−960
Dividend payments					−6,256	−6,256		−6,256
Net income for the year					**13,592**	**13,592**	**758**	**14,350**
As of December 31, 2006	**9,625**	**41,640**	**52**	**−2,811**	**5,242**	**53,748**	**1,357**	**55,106**
Share purchase from minorities						0	6	6
Additional share purchase						0	−20	−20
Share-based payments		6				6		6
Income payment from minority interests					−44	−44	−733	−777
Difference from currency translation				−1,358		−1,358	−33	−1,391
Dividend payments					−5,390	−5,390		−5,390
Net income for the year					**14,587**	**14,587**	**760**	**15,347**
As of December 31, 2007	**9,625**	**41,646**	**52**	**−4,169**	**14,395**	**61,549**	**1,337**	**62,886**

The accompanying notes to these statement of changes in equity form an integral part of theses consolidated financial statements.
Changes in group equity are explained in notes 15, 16, 17].

Notes to the Consolidated Financial Statements for Fiscal Year 2007

The Company

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

The full solution offering spans the entire design, building 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 is also active in the fields of multimedia visualization and animation software.

Nemetschek AG was founded on September 10, 1997 by conversion of Nemetschek GmbH and has been listed on the German Stock Exchange in Frankfurt since March 10, 1999, and in the Prime Standard segment since January 1, 2003. The registered office of Nemetschek AG is at 81829 Munich, Germany, Konrad-Zuse-Platz 1. The annual report 2007 can be obtained there, or it can be downloaded from the internet: www.nemetschek.de/ir.

German Corporate Governance Code

The declaration of compliance was submitted in March 2007 and can be accessed by the shareholders on Nemetschek Aktiengesellschaft's website (www.nemetschek.com/ir).

General Information

As in the prior year, the consolidated financial statements for the year ending December 31, 2007 are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. The Company is listed in the Prime Standard segment of the stock exchange and applies the provisions of Sec. 315a HGB, and is thus exempt from the provisions of Secs. 290 et seq. HGB to prepare consolidated financial statements. The group management report has been prepared in accordance with Sec. 315 HGB.

The accounting policies adopted are consistent with those of the previous fiscal year except as follows:

The Group has adopted the following new and revised IFRSs and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any significant effect on the Group's net assets, financial position and results of operations. However, it resulted in additional disclosures and, in some cases, to changes in accounting policies.

- IFRS 7 "Financial Instruments: Disclosures"
- IAS 1 "Presentation of Financial Statements" (revised)
- IFRIC 8 "Scope of IFRS 2 – Share Based Payment"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"

The Group decided not to early adopt the following standards and IFRIC interpretations which have already been issued but have not entered into force yet. Generally speaking, Nemetschek Aktiengesellschaft intends to adopt all standards when their adoption becomes mandatory for the first time.

- IFRS 8 "Operating Segments"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IAS 23 "Borrowing Costs"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRS 2 "Share-Based Payments" (as revised in 2008)
- IFRS 3 "Business Combinations" (as revised in 2008)
- IAS 1 "Presentation of Financial Statements" (as revised in 2007)
- IAS 27 "Consolidated and Separate Financial Statements" (as revised in 2008)
- IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of the Financial Statements" (as revised in 2008)

The principal effects of these amendments are discussed below:

IFRS 7 "Financial Instruments: Disclosures"
This standard requires disclosures that enable users of financial statements to evaluate the significance of financial instruments for the financial position and performance of the Group and the nature and extent of risks arising from those financial instruments. The resulting new disclosures affect the consolidated financial statements. The adoption of the standard did not have any effect on the Group's net assets, financial position or results of operations. The respective comparative figures have been adjusted.

IAS 1 "Presentation of Financial Statements"
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The new disclosures are presented in the notes to the consolidated financial statements under note 24.

IFRIC 8 "Scope of IFRS 2 – Share Based Payment"
This interpretation requires the application of IFRS 2 for all transactions in which an entity cannot identify specifically some or all of the goods or services received. This applies in particular when consideration for the issue of equity instruments of the entity appears to be less than the fair value. As equity instruments are only issued to certain employees in accordance with the employee stock option plan, the interpretation had no impact on the net assets, financial position and results of operations of the Group.

IFRIC 9 "Reassessment of Embedded Derivatives"
Pursuant to this interpretation an entity, when it first becomes a party to a contract for a hybrid instrument, must assess whether there are any embedded derivatives contained in the contract. Reassessment is prohibited unless there is a substantial change in the terms of the contract that significantly modifies the cash flows. Since the Group does not have any embedded derivatives that would have to be separated from the host contract, this interpretation had no effect on the Group's net assets, financial position and results of operations.

IFRIC 10 “Interim Financial Reporting and Impairment“

The Group adopted this interpretation for the first time this fiscal year. The interpretation prescribes that an entity may not reverse an impairment loss recognized in interim financial statements in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group has not recognized any such impairment losses in the past. Based on current analysis findings, no effects are expected on the Group’s net assets, financial position and results of operations.

IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies“

This interpretation provides guidance on how to apply the requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies” in a reporting period in which the Company identifies for the first time the existence of hyperinflation in the economy of its functional currency (or usually the economy of the Company’s foreign operation’s functional currency. IAS 29 is always applied as if the economy had always been hyperinflationary. This interpretation is applicable for the first time for fiscal years beginning on or after March 1, 2006. Adoption of these interpretations did not result in any effects on the consolidated financial statements.

IFRS 8 “Operating Segments“

IFRIC 8 was issued in November 2006 and is effective for the first time for fiscal years beginning on or after January 1, 2009. Pursuant to IFRS 8, entities must present segment information based on the information available to the chief operating decision maker. According to the Group’s findings, the operating segments pursuant to IFRS 8 correspond to the business segments that were identified in accordance with IAS 14. Since the standard governs disclosure requirements, its adoption in fiscal 2009 will not have any effect on the Group’s net assets, financial position and results of operations.

IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions“

In accordance with this interpretation, arrangements under which employees are granted rights to an entity’s equity instruments are required to be accounted for as equity-settled share-based payment transactions when the entity buys the equity instruments from a third party or the equity instruments needed are granted by the shareholders. IFRIC 11 is effective for reporting periods beginning on or after March 1, 2007. Based on current analysis findings, no effects are expected on the Group’s net assets, financial position and results of operations.

IAS 23 “Borrowing Costs“

The revised IAS 23 (“Borrowing Costs”) was issued in March 2007 and becomes effective for the first time in fiscal years beginning on or after January 1, 2009. The standard requires entities to capitalize borrowing costs attributable to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements prescribed by the standard, the Group will adopt the standard prospectively. Accordingly, borrowing costs are capitalized as part of the cost of a qualifying asset as of January 1, 2009. No changes result for any borrowing costs incurred and recognized immediately in profit or loss.

IFRIC 12 “Service Concession Agreements“

IFRIC 12 was issued in November 2006 and becomes effective for the first time in fiscal years beginning on or after January 1, 2008. The interpretation governs the accounting treatment of obligations and related rights in service concession arrangements in the financial statements of operators. The entities included in the consolidated financial statements are not operators within the meaning of IFRIC 12. This interpretation will not have any effect for the Group.

IFRIC 13 "Customer Loyalty Programmes"

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

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

IFRIC 14 was issued in July 2007 and becomes effective for the first time in fiscal years beginning on or after July 1, 2008. This interpretation provides guidance for determining the maximum amount of a surplus from a defined benefit plan that can be recognized as an asset pursuant to IAS 19 "Employee Benefits". The Group had not completed the final analysis of the effects of this amendment by the time the consolidated financial statements were prepared. Based on current analysis findings, no effects are expected on the Group's net assets, financial position and results of operations.

IFRS 2 "Share-Based Payment" (as revised in 2008)

The revised IFRS 2 was issued in January 2008 and becomes effective for the first time for fiscal years beginning on or after January 1, 2009. On the one hand, the amendment concerns clarification that the definition of vesting conditions only relates to the service and performance conditions. On the other hand, the regulations on the accounting treatment of a cancellation of share-based payment arrangements have also been extended to cancellation by employees. The transitional provisions provide for retrospective application of the new regulation. Based on current analysis findings, no effects are expected on the Group's net assets, financial position and results of operations.

IFRS 3 "Business Combinations" (as revised 2008)

The revised IFRS 3 was issued in January 2008 and becomes effective for the first time for fiscal years beginning on or after July 1, 2009. The standard was subject to comprehensive revision as part of the IASB and FASB convergence project. The significant revisions relate in particular to the introduction of an option for the measurement of minority interests between the purchased goodwill method and the full goodwill method, in which the entire goodwill of the acquired entity must be recognized, including that part attributable to minority interests. Other important aspects include the revaluation to profit or loss of existing capital interests when control is initially obtained (business combination achieved in stages), mandatory accounting for contingent consideration at the date of acquisition and the recognition of transaction costs in profit or loss. The transitional provisions provide for prospective application of the new regulation. There were no changes concerning the assets and liabilities arising from business combinations prior to first-time adoption of the new standard.

IAS 1 "Presentation of Financial Statements" (as revised in 2007)

The revised IAS 1 was issued in September 2007 and becomes effective for the first time for fiscal years beginning on or after January 1, 2009. The revised version of the standard involves significant changes in presentation and disclosure of financial information in the financial statements. The new provisions require above all the introduction of a statement of comprehensive income showing both the profit or loss for the period and unrealized gains and losses previously recognized within equity. This statement of comprehensive income is to replace the income statement in its present form. In addition, a balance sheet is required not only as of the balance sheet date and the previous balance sheet date, but also as of the beginning of the comparative period if the entity applies an accounting policy retroactively, corrects an error or reclassifies an item of the financial statements.

IAS 27 "Consolidated and Separate Financial Statements" (as revised in 2008)

The revised IAS 27 was issued in January 2008. The amendments are effective for the first time for fiscal years beginning on or after July 1, 2009. The amendments are a product of the joint project by IASB and FASB to revise accounting regulations relating to business combinations. These primarily relate to accounting for shares not involving control (minority interests) that will in future participate in full in the Group's losses and for transactions that lead to loss of control of a subsidiary and the effects of which are to be recognized in profit or loss. In contrast, the effects of disposal of shares that do not lead to loss of control should be recorded directly in equity. The transitional provisions that generally require retrospective application of revisions made, provide for prospective application in the cases listed above. Therefore, there were no changes concerning the assets and liabilities arising from such transactions prior to first-time adoption of the new standard.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of the Financial Statements" (as revised in 2008)

The amendments to IAS 32 and IAS 1 were issued in February 2008 and became effective for the first time for fiscal years beginning on or after January 1, 2009. The amendments mainly concern the classification of puttable shareholder contributions as equity or liabilities. The previous regulation forced entities in some cases to report the entity's capital as financial liabilities as a consequence of statutory termination rights on the part of the shareholder. In future, such shareholder contributions are to be classified as equity insofar as settlement at fair value is agreed and the contributions made constitute the most subordinated claim to the net assets of the entity.

Balance Sheet Classification

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

The consolidated financial statements have been prepared on the basis of historical cost, apart from financial assets held for trading or classified as available for sale, which 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 thousands of euro (EUR k) unless otherwise specified.

Consolidated Group and Basis of Consolidation

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

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

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

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

The financial statements of the subsidiaries are prepared as of the same balance sheet date as the parent, using consistent accounting policies.

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

The subsidiaries included in the consolidated financial statements and the entities accounted for using the equity method are listed below:

Affiliated entities included in the consolidated financial statements
(The information about the entities corresponds the local separate financial statements, translated to EUR k):

Name, registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2007	**Net income/loss for the year 2007**
Nemetschek Aktiengesellschaft, Munich		78,617	17,290
Direct equity investments			
Design segment			
Nemetschek Deutschland GmbH, Munich	100.00	2,723	223
NEMETSCHEK Allplan GmbH (formerly: Nemetschek Technology GmbH), Munich*)**)	100.00	2,000	5,177
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	100.00	12,727	3,080
NEMETSCHEK FRANCE SARL, Asnières, France	100.00	1,024	651
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	85.67	1,042	703
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00	603	61
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	−400	−252
NEMETSCHEK (UK) Ltd., London, UK	100.00	−458	−1
NEMETSCHEK s.r.o., Prague, Czech Republic	100.00	9	−9
NEMETSCHEK OOO, Moscow, Russia	100.00	−368	−148
Friedrich + Lochner GmbH, Stuttgart **)	100.00	51	1,780
Campus Technology Fund, Heverlee, Belgium	100.00	360	−11
Software Adventure Cv, Herk-de-Stad, Belgium	47.45	553	−11
SCIA International NV, Herk-de-Stad, Belgium	21.16	1,499	73
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	70.00	1,262	625
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	100.00	12,190	7,027
DACODA GmbH, Rottenburg	51.00	62	−3
Build segment			
Nemetschek Bausoftware GmbH, Achim	95.00	1,187	644
AUER – Die Bausoftware GmbH, Mondsee, Austria	49.90	2,753	2,475
Manage segment			
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	100.00	−689	692
Nemetschek CREM Verwaltungs GmbH, Munich	100.00	61	1
Multimedia segment			
MAXON Computer GmbH, Friedrichsdorf	70.00	1,916	1,409
Other			
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	911	1,249
Nemetschek Verwaltungs GmbH, Munich	100.00	27	0

Continuation:

Name, registered office of the entity — Thousands of €	Shareholding in %	Equity Dec. 31, 2007	Net income/loss for the year 2007
Indirect equity investments			
Design segment			
NEMETSCHEK Ges.m.b.H., Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00	336	184
Nemetschek Engineering GmbH, Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00	652	316
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia, via Nemetschek Technology GmbH	100.00	139	3
Via Campus Technology Fund, Heverlee, Belgium			
Software Adventure Cv, Herk-de-Stad, Belgium	52.55	553	–11
Via Campus Technology Fund, Heverlee, Belgium and Software Adventure Cv, Herk-de-Stad, Belgium:			
SCIA International NV, Herk-de-Stad, Belgium	78.84	1,499	73
Via Campus Technology Fund, Heverlee, Belgium; Software Adventure Cv, Herk-de-Stad, Belgium and SCIA International NV, Herk-de-Stad, Belgium			
SCIA Group NV, Herk-de-Stad, Belgium	100.00	1,730	574
SCIA W+B Software BV, Arnhem, Netherlands	100.00	231	71
SCIA Sarl, Roubaix, France	100.00	56	43
SCIA Cz s.r.o., Brno, Czech Republic	100.00	169	38
SCIA Sk s.r.o., Zilina, Slovakia	100.00	267	85
SCIA MAPS SA, Gurmels, Switzerland	100.00	–27	0
Online Projects nvba, Herk-de-Stad, Belgium	70.00	–3	–22
Via Graphisoft SE European Company Limited by Shares, Budapest, Hungary:			
Graphisoft R&D Számitástechnikai, Fejlesztö zrt., Budapest, Hungary	85.80	50,638	11,107
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00	212	30
Graphisoft Deutschland GmbH, Munich	100.00	270	1,152
Graphisoft USA Inc., Massachusetts, Newton, USA	100.00	–3,492	446
Graphisoft Japan KK, Tokyo, Japan	100.00	–1,046	–351
Graphisoft Spain SL, Madrid, Spain	100.00	–460	–265
Graphisoft UK Ltd., Surrey, UK	100.00	–2,455	66
Build segment			
AUER – Die Bausoftware GmbH, Mondsee, Austria, via Nemetschek Austria Beteiligungen GmbH	50.10	2,753	2,475
Multimedia segment			
MAXON COMPUTER Inc., Thousand Oaks, California, USA via Maxon Computer GmbH	63.00	480	234
MAXON Computer Ltd., Bedford, UK, via Maxon Computer GmbH	63.00	–37	38

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

**) The net income for the year recorded by NEMETSCHEK Allplan GmbH (formerly: Nemetschek Technology GmbH) and Friedrich + Lochner GmbH is shown prior to the profit and loss transfer agreement with Nemetschek Aktiengesellschaft in each case.
In fiscal 2007, both entities exercise the exemptions of Sec. 264 (3) HGB as follows:

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

Associates Accounted for Using the Equity Method:

Name, registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2007	Net income/ loss for the year 2007
DocuWare Aktiengesellschaft, Germering	30.00	4,276	902

Additional disclosures on DocuWare AG *)	Dec. 31, 2007	Dec. 31, 2006
Current assets	6,254	5,047
Non-current assets	2,613	2,652
Current liabilities	4,481	3,680
Non-current liabilities	110	113
Total assets	8,867	7,699
Revenue	7,878	6,812
Net income for the year	902	704

*) Full presentation 100 %

Financial Assets

Name, registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2007	Net income/ loss for the year 2007
Sidoun International GmbH, Freiburg i. Breisgau*)	16.27	–701	n/a
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	753	161
rivera GmbH, Karlsruhe via Nemetschek Bausoftware GmbH	20.00	2	22

*) Diverging fiscal year ended June 30, 2007; disclosures relate to the opening balance sheet after business combination as of July 1, 2007; Sidoun International GmbH was merged into Sidoun GmbH as of June 30, 2007 (merger agreement dated January 11, 2008).
Sidoun GmbH was subsequently renamed Sidoun International GmbH.

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

Changes in Consolidated Group, Business Combination and Acquisition of Minority Interests

Graphisoft Finland Oy, Helsinki, Finland

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

Online Projects bvba, Herk-de-Stad, Belgium

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

NEMETSCHEK kft., Budapest, Hungary

As of June 30, 2007, Nemetschek Aktiengesellschaft sold 100 % of the shares in NEMTSCHEK kft. Budapest, Hungary. This resulted in loss of EUR 31 k on deconsolidation. The corresponding decrease in cash and cash equivalents came to EUR 41 k.

Nemetschek Fides & Partner AG, Wallisellen, Switzerland

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

SCIA International NV, Herk-de-Stad, Belgium

On the date of filing with the share register of SCIA International NV, Herk-de-Stad, Belgium on October 5, 2007, Nemetschek Aktiengesellschaft acquired the remaining 21.16 % of the shares in the SCIA Group by share swap. The share in capital thus increased to 100 %. Up to September 28, 2007, 81,360 treasury shares were transferred as compensation. These had been bought back off the market for a total price of EUR 2,030 k including incidental acquisition costs. The liability recognized for the acquisition of additional shares came to EUR 1,158 k including interest. The difference between the acquisition cost and the carrying amount of the liability (EUR 872 k) was recognized as goodwill. In addition, the variable purchase price for the share of 78.84 % acquired on February 28, 2006 increased goodwill by EUR 25 k.

As a result, the shareholdings in the subgroup to be included in the consolidated group of Nemetschek Aktiengesellschaft are as follows:

	2007
SCIA International NV, Herk-de-Stad, Belgium	21.16 %
Campus Technology Fund, Heverlee, Belgium	100.00 %
Software Adventure Cv, Herk-de-Stad, Belgium	52.55 %
Software Adventure Cv, Herk-de-Stad, Belgium	47.45 %
SCIA International NV, Herk-de-Stad, Belgium	78.84 %
SCIA Group NV, Herk-de-Stad, Belgium	100.00 %
SCIA W+B Software BV, Arnhem, Netherlands	100.00 %
SCIA Sarl, Roubaix, France	100.00 %
SCIA Cz s.r.o., Brno, Czech Republic	100.00 %
SCIA Sk s.r.o., Zilina, Slovakia	100.00 %
SCIA MAPS SA, Gurmels, Switzerland	100.00 %
Online Projects bvba, Herk-de-Stad, Belgium	70.00 %

The fair values of the identifiable assets and liabilities of SCIA Group NV, Herk-de-Stad, Belgium, at the time of acquisition (February 28, 2006) and the corresponding carrying amounts directly before acqui sition are as follows (the fair value of net assets was not adjusted:

Thousands of €	Carrying amount as of February 28, 2006	**Fair value as of February 28, 2006 (adjusted)**
Cash and cash equivalents	645	645
Inventories and other assets	219	219
Trade receivables	2,641	2,641
Property, plant and equipment	885	1,140
Intangible assets	0	3,700
Goodwill	255	0
	4,645	**8,345**
Trade payables	573	573
Other liabilities and other equity items	2,669	2,669
Provisions	255	255
Deferred tax liabilities	0	1,305
	3,497	**4,802**
Net assets	**1,148**	**3,543**
Goodwill arising on acquisition		2,785
Total consideration *)		**6,328**
Cash flow on the acquisition: Net cash acquired from the subsidiary		645
Cash paid 2006		−3,986
Cash paid 2007		−2,030
Net cash outflow		−5,371

*) Cost including variable purchase price liability

The adjusted goodwill of EUR 2,785 k (prior year: EUR 1,888 k) from the business combination includes the fair value of the expected strengthened market position and the expected continuation of growth.

Since the date of acquisition, SCIA Group NV, Herk-de-Stad, Belgium, made a contribution of EUR 1,422 k to the Group's EBITDA in fiscal 2007 and of EUR 1,083 k in fiscal 2006. If the acquisition had already taken place at the beginning of 2006, revenue of the Group for the twelve months would have increased by EUR 8,157 k and the earnings of the Group for the twelve months would have risen by EUR 165 k.

The fair values (as of February 28, 2006) based on the purchase price allocation are as follows:

Thousands of €	Fair value	Useful life in years	Annual write-downs	**Net book value as of Dec. 31, 2007**	Net book value as of Dec. 31, 2006
Property, plant and equipment	**255**	**n/a**	**0**		
Software	1,000	3	333	390	723
Customer relationships	2,700	10	270	2,205	2,475
Intangible assets	**3,700**		**603**	**2,595**	**3,198**
Elimination of goodwill *)	−255				
Deferred tax liabilities	**−1,305**				
Total difference before goodwill	**2,395**				

*) The carrying amount of goodwill is allocated to the goodwill from the acquisition.

A capital market based approach (DCF method = discounted cash flow) was chosen to calculate the fair value of the software as an intangible asset. This involved adding a hypothetical license fee to the expected revenue.

The first step was to estimate the future duration of customer relationships to calculate the fair value of this item. Then the future expected revenue was calculated less expected maintenance and repair costs in connection with customer relationships, taking future expected margins into account.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary

On December 21, 2006, Nemetschek Aktiengesellschaft presented a call option of EUR 9 per share for a package of selected shares of Graphisoft SE European Company Limited by Shares, Budapest, Hungary. Nemetschek Aktiengesellschaft exercised the call option on December 31, 2006 and purchased a total of 54.3 % of the shares in Graphisoft SE. Taking the treasury shares of Graphisoft SE into account, the share in capital came to 56.21 %. In the course of a public takeover bid, Nemetschek Aktiengesesllschaft acquired an additional 39.4 % of the shares in Graphisoft SE on March 21, 2007. Due to the majority of voting rights of 93.7 %, the management board and the supervisory board decided to begin a squeeze-out procedure to delist Graphisoft SE from the Budapest stock exchange.

As of June 14, 2007, Nemetschek Aktiengesellschaft holds 100 % of the total 10,631,674 shares in Graphisoft SE. The transaction was concluded on June 15, 2007 and Graphisoft SE was officially delisted from the Budapest stock exchange. The cost totaled EUR 97.2 million, of which EUR 1.5 million concerned incidental acquisition costs. The Nemetschek Group thus acquired an additional 45.7 % of the shares in Graphisoft SE, raising its share in capital to 100 %.

The shareholdings in the subgroup to be included in the consolidated group of Nemetschek Aktiengesellschaft are as follows as of the balance sheet date:

	2007
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	100.00 %
Graphisoft R & D Számitástechnikai Fejlesztö zrt., Budapest, Hungary	85.80 %
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00 %
Graphisoft Deutschland GmbH, Munich	100.00 %
Graphisoft USA Inc., Massachusetts, Newton, USA	100.00 %
Graphisoft Japan KK, Tokyo, Japan	100.00 %
Graphisoft Spain SL, Madrid, Spain	100.00 %
Graphisoft UK Ltd., Surrey, UK	100.00 %

The fair values of the identifiable assets and liabilities of Graphisoft SE European Company Limited by Shares, Budapest, Hungary, at the date of acquisition (December 31, 2006) and the corresponding carrying amounts directly before acquisition are as follows adjusted for the 100 % acquisition:

Thousands of €	Carrying amount as of December 31, 2006	**Fair value as of December 31, 2006 (adjusted)**
Cash and cash equivalents	4,688	4,688
Securities	1,342	1,342
Inventories and other assets	17,800	17,800
Trade receivables	7,406	7,406
Property, plant and equipment	886	886
Intangible assets	220	62,720
Equity investments	50	50
Deferred tax assets	1,071	3,234
	33,463	**98,126**
Trade payables	1,252	1,252
Liabilities to minority interests	15	15
Other liabilities and other equity items	7,600	12,276
Provisions	400	400
Deferred tax liabilities	32	12,532
	9,299	**26,475**
Net assets	**24,164**	**71,651**
Goodwill arising on acquisition		25,500
Total consideration		**97,151**
Cash flow on the acquisition: Net cash acquired from the subsidiary		4,688
Cash paid 2006		0
Cash paid 2007		−97,151
Net cash outflow		−92,463

Goodwill of EUR 25,500 k (prior year: EUR 17,847 k) from the business combination includes the fair value of the expected strengthened market position and the expected continuation of growth.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary, did not make any contribution to the Group's earnings in 2006. If the acquisition had already taken place at the beginning of 2006, revenue of the Group for the twelve months would have increased by EUR 30,507 k and the earnings of the Group for 2006 for the twelve months would have fallen by EUR 652 k.

In fiscal year 2007, the Graphisoft group contributed revenue of EUR 32,460 k and EBITDA of EUR 11,695 k to the Nemetschek Group. In contrast to the continuing operations (Architecture division), the Graphisoft group recorded revenue of EUR 28,117 k and EBITDA of EUR 7,014 k in fiscal 2006.

The fair value adjustments were as follows:

Thousands of €	Fair value adjustments	Useful life in years	Annual writedowns	**Net book value as of Dec. 31, 2007**	Net book value as of Dec. 31, 2006
Brand name	5,300	15	353	4,947	5,300
Trademarks	2,800	10	280	2,520	2,800
Software	27,100	7	3,871	23,229	27,100
Customer relationships	27,300	12	2,275	25,025	27,300
Intangible assets	**62,500**		**6,779**	**55,721**	**62,500**
Deferred tax assets	**2,163**				
Other liabilities	**−4,676**				
Deferred tax liabilities	**−12,500**				
Total difference before goodwill	**47,487**				

The adjustment to fair values as of December 31, 2006 was merely temporary.

Deferred tax assets of EUR 2,163 k were recognized on unused tax losses of Graphisoft's subsidiaries in Germany, US, UK, Japan and Spain. This is based on the deferred tax liabilities recognized in the connection with the purchase price allocation. A tax expense of EUR 309 k was recognized in profit or loss in fiscal 2007. Consequently deferred tax assets of EUR 1,854 k remained as of December 31, 2007.

Other liabilities were remeasured at EUR 4,676 k (previously: EUR 6,965 k). These contain the obligations from the stock options obtained in the course of the business combination. The revalued liabilities reduce Graphisoft SE's equity due to the settling of stock options. As of December 31, 2007, the liabilities had been repaid, except for a residual amount of EUR 500 k.

Deferred tax liabilities were recognized using a future tax rate of 20 % (revised tax effective in Hungary for software entities) instead of the prior-year tax rate of 16 % (new carrying amount: EUR 12,500 k; previously; EUR 10,000 k).

The relief from royalty approach was chosen to calculate the fair value of the brand name and trademark. A hypothetical license fee was added to future extrapolated revenue accordingly. The relief from royalty approach was also used to calculate the fair value of software as an intangible asset. This involved adding a hypothetical license fee to the expected revenue.

The first step was to estimate the future duration of customer relationships to calculate the fair value of this item. Then the future expected revenue was calculated less expected maintenance and repair costs in connection with customer relationships, taking future expected margins into account.

Financing the Graphisoft Acquisition
The financing was provided by a syndicated loan facility arranged by WestLB AG, Düsseldorf, in three tranches, and breaks down as follows as of the balance sheet date:

The **borrowers** are Nemetschek Aktiengesellschaft, Munich, and NEMETSCHEK Allplan GmbH (formerly: Nemetschek Technology GmbH), Munich.

Purpose
Financing the acquisition of shares of Graphisoft SE European Company Limited by Shares, Budapest, Hungary.

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

Source of funds	Millions of EUR	Term	Repayment	Interest rate	Repayments as of Dec. 31, 2007 Millions of EUR	Net book value as of Dec. 31, 2007 Millions of EUR	thereof current due within 1 year Millions of EUR	thereof non-current over 1 year Millions of EUR
TRANCHE 1 „Bridge Loan"	20.0	Sep. 30, 2007	At the end of the term and max. EUR 5 million per interest period prematurely	3-M-EURIBOR plus 1.0 %	20.0	0.0	0.0	0.0
TRANCHE 2 „Term Loan"	35.0	Dec. 31, 2011	Half yearly installements of EUR 3.5 million and max. EUR 5 millions per interest period prematurely	3-M-EURIBOR plus 1.5 %	3.5	31.5	7.0	24.5
TRANCHE 3 „Revolving Credit Facility"	45.0	Dec. 31, 2012	Per withdrawal at the end of the respective interest period, no later than at the end of the term	3-M-EURIBOR plus 1.5 %	7.0	38.0	9.2	28.8
Total	**100.0**				**30.5**	**69.5 *)**	**16.2**	**53.3**

*) Prior year: 0 million EUR.

Obligatory Special Repayment

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

Change in Consolidated Group in fiscal year 2006

The following entities and equity investments were included for the first time in the consolidated financial statements of Nemetschek Aktiengesellschaft in the prior year:

SCIA International NV, Herk-de-Stad, Belgium

By purchase agreement dated February 14, 2006, Nemetschek Aktiengesellschaft acquired the Belgian SCIA group. The latter was included in the consolidated financial statements of Nemetschek Aktiengesellschaft as of February 28, 2006 with the following equity investments:

	2006
Campus Technology Fund, Heverlee, Belgium	100.00 %
Software Adventure Cv, Herk-de-Stad, Belgium	52.55 %
Software Adventure Cv, Herk-de-Stad, Belgium	47.45 %
SCIA International NV, Herk-de-Stad, Belgium	78.84 %
SCIA Group NV, Herk-de-Stad, Belgium	100.00 %
SCIA W+B Software BV, Arnhem, Netherlands	100.00 %
SCIA Sarl, Roubaix, France	100.00 %
SCIA Cz s.r.o., Brno, Czech Republic	100.00 %
SCIA Sk s.r.o., Zilina, Slovakia	100.00 %
SCIA MAPS SA, Gurmels, Switzerland	100.00 %

DACODA GmbH, Rottenburg

By purchase agreement dated August 17, 2006, Nemetschek Aktiengesellschaft acquired 51 % of the shares in DACODA GmbH, Rottenburg. The purchase price amounted to EUR 12,750.00.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary

The subgroup, which is included in the consolidated group of Nemetschek Aktiengesellschaft as of December 31, 2006, comprises the following equity investments:

	2006
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	54.30 %
Graphisoft R&D Számitástechnikai Fejlesztö zrt., Budapest, Hungary	85.80 %
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00 %
Graphisoft Deutschland GmbH, Munich	100.00 %
Graphisoft USA Inc., Massachusetts, Newton, USA	100.00 %
Graphisoft Japan KK, Tokyo, Japan	100.00 %
Graphisoft Spain SL, Madrid, Spain	100.00 %
Graphisoft UK Ltd., Surrey, UK	100.00 %
Graphisoft Finland Oy, Helsinki, Finnland	100.00 %

The following entity was deconsolidated from the consolidated financial statements of Nemetschek Aktiengesellschaft in the prior year:

Sale of 100 % of the shares in acadGraph CAD Studio GmbH, Munich, as of January 31, 2006.

Goodwill

Goodwill developed as follows:

Thousands of €	**2007**	2006
Amount carried forward as of January 1	43,560	23,734
Additions	8,596	20,328
Disposals	−97	0
Currency differences	−457	−502
Balance as of Decmber 31	**51,602**	**43,560**

Additions break down as follows:

Thousands of €	2007
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	7,653
SCIA Group NV, Herk-de-Stad, Belgium	897
Nemetschek Bausoftware GmbH, Achim	46
Total Additions Goodwill	**8,596**

The addition for Nemetschek Bausoftware GmbH pertains to the adjustment of the variable purchase price.

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

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

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

Thousands of €	2007	2006
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	25,500	17,847
AUER – Die Bausoftware GmbH, Mondsee, Austria	6,486	6,486
Nemetschek Bausoftware GmbH, Achim	5,531	5,485
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	3,921	4,377
MAXON Computer GmbH, Friedrichsdorf	3,008	3,008
SCIA Group NV, Herk-de-Stad, Belgium	2,785	1,888
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	2,028	2,028
Friedrich + Lochner GmbH, Stuttgart	1,293	1,293
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	697	697
DACODA GmbH, Rottenburg	141	141
Other	212	310
Total Goodwill	**51,602**	**43,560**

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

The recoverable amount of the cash-generating unit of the respective group entity is based on a calculation of its value in use derived from the cash flow projections for the next four years based on the financial planning approved by management. The discount rate underlying the cash flow forecasts ranges between 7.90 % and 9.90 % after tax (prior year: between 7.95 % and 9.65 %). Cash flows after the period of four years are stated as perpetual annuity. When calculating the values for perpetual annuity, growth deductions of 2 % to 5 % were assumed for the purpose of calculating the value in use to test the goodwill for impairment. This procedure was used for all carrying amounts.

Fundamental Assumptions for Significant Cash-Generating Units

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

Planned revenue/gross profit margin

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

Discount rates

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

Assumptions pertaining to market share

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

Increase in personnel expenses

It is assumed that the cost of employee remuneration will reflect industry developments.

Capital expenditures

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

Sensitivity of Assumptions Made

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

Significant Accounting Judgments, Estimates and Assumptions when Preparing the Consolidated Financial Statements

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

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

Impairment of Non-Financial Assets

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

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required of management to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of December 31, 2007, the carrying amount of the deferred tax assets was EUR 5,500 k (prior year: EUR 3,354 k).
(see also note 10)

Pensions

The cost of defined benefit plans is determined using actuarial calculations. The actuarial calculation is based on assumptions concerning discount rates, future wage and salary increases, mortality and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. As of December 31, 2007, the carrying amount of pension provisions came to EUR 639 k (prior year: EUR 590 k).
(see note 18)

Share-Based Payment

Within the Group, the cost from the issue of equity instruments to employees are measured at the fair value of the equity instruments on the grant date. An appropriate measurement method must be determined to estimate the fair value for the issue of equity instruments; this depends on the conditions of issue. It is also necessary to determine suitable data for the selected method, including in particular the expected term of the option, volatility and dividend yield, together with the relevant assumptions.
(see note 28)

Development Costs

Development costs are capitalized in accordance with the accounting policy presented in the notes. Initial recognition is based on the assumption by management that the technical and economic feasibility is demonstrated; this is generally the case when a product development project has reached a certain milestone with an existing project management model. In addition, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of future cash flows from the assets in order to assess the future economic benefits. As of December 31, 2007 own work capitalized amounted to EUR 465 k (prior year: EUR 142 k)

Currency Translation

Foreign currency transactions at foreign operations 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 period are recognized as other operating income or other operating expenses 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. Assets and liabilities of foreign operations are translated to the euro at the closing rate (incl. goodwill). Income and expenses are translated at the average rate for the fiscal year. Any resulting exchange differences are recognized separately in equity.

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

Currency	Average exchange rate in 2007	Exchange rate as of December 31, 2007	Average exchange rate in 2006	Exchange rate as of December 31, 2006
EUR/USD	1.38	1.47	1.26	1.32
EUR/CHF	1.65	1.66	1.58	1.61
EUR/SKK	33.78	33.58	37.10	34.53
EUR/CZK	27.73	26.56	28.28	27.47
EUR/RUB	35.10	35.99	34.16	34.68
EUR/JPY	162.08	165.05	n/a	156.67
EUR/HUF	251.33	252.25	264.24	251.50
EUR/GBP	0.69	0.73	0.68	0.67

Accounting Policies

Property, Plant and Equipment

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

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected any more from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net sales proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized. The historical cost and accumulated depreciation is eliminated from the balance sheet.

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

Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method.

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

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

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

Research and Development Costs

Research costs are expensed in the period in which they are incurred.

An intangible asset arising from development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for internal use or sale and its intention to complete the intangible asset and its ability to use or sell it. In addition, the Group must demonstrate how the asset will generate future economic benefits, the availability of resources to complete the asset and its ability to measure reliably the expenditure allocable to the intangible asset during its development.

Capitalized Development Cost

Following the initial recognition of the development expenditure, the cost model is applied. This requires that the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is charged upon completion of the development phase as soon as the asset can be used. The asset is amortized over the period of expected future benefits, generally over its estimated useful life using the straight-line method. During the development phase, the asset is tested for impairment annually.

Development Subsidies

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. Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Investments in Associates

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

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

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

Impairment of Non-Financial Assets

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

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

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

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

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

Goodwill

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

The impairment loss is determined by calculating the recoverable amount of the cash-generating unit to which goodwill has been allocated. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recorded. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill at least once a year, at the latest as of December 31.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment at least once a year, at the latest as of December 31, either individually or at the cash-generating unit level, as appropriate.

Associates

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

Investments and Other Financial Assets

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification of financial assets into measurement categories is determined upon initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the fiscal year.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial Assets at Fair Value through Profit or Loss
The category of financial assets at fair value through profit or loss includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in profit and loss.

When the Group becomes party to the contract, it assesses whether any embedded derivatives should be separated from the host contract. A reassessment is not made unless there is a substantial change in the terms of the contract that significantly modifies the cash flows that would otherwise have been generated from the contract.

Held-To-Maturity Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group intends and is able to hold these to maturity. Upon initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method minus any reduction for impairment. A gain or loss is recognized in the net profit or loss for the period when the loans and receivables are derecognized or written down as well as through the amortization process.

Available-for-Sale Financial Assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Following initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains and losses are recorded directly in equity. If such a financial asset is derecognized or impaired, any cumulative gain or loss previously recognized directly in equity is reclassified to profit or loss.

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

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

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice (such as the probability of insolvency or significant financial difficulties of the debtor). The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

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

Non-Current Assets Held for Sale
Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

Inventories

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

Prepaid Expenses

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

Treasury Shares

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

Cash and Cash Equivalents

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

Securities

Securities are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less. Insignificant fluctuations in value can occur.

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

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

Derecognition of Financial Assets and Liabilities

Derecognition of Financial Assets

A financial asset (or part of a financial asset or of a group of similar financial assets) is derecognized if one of the following three prerequisites is met:

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

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

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

Derecognition of Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

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

Financial Liabilities

Interest-Bearing Loans
Loans are initially recognized at fair value less directly attributable transaction costs. They are not designated as at fair value through profit or loss. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Liabilities

Trade payables and other liabilities are recognized at amortized cost.

Deferred Income

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

Provisions

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

Contingent Liabilities

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

Pensions and Other Post-Employment Benefits

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

Share-Based Payment

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 21).

Reserves

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

Minority Interests

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

Leases

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

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

The Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. Finance charges are taken to profit or loss immediately.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as a Lessor

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

Derivative Financial Instruments

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

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

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Taxes

Current Income Taxes

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

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

Deferred Taxes

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

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

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

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

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

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

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

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

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

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

VAT

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

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

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

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

Revenue Recognition

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

Basic Information on Revenue Recognition

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

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

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

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

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

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

This has the following implications for the Nemetschek Group:

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

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

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

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. Revenue is recognized using the percentage of completion method.

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 recognized as revenue pro rata temporis over the periods in which the services are rendered. The partial amount is initially recognized as a liability.

e. Training

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

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

Dividends

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

Segment Reporting

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The business segments are organized and managed independently of each other based on the type of products and services concerned. Each segment presents a strategic business unit, whose range of products and markets differs from those of other segments.

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

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

Events after the Balance Sheet Date

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

Notes to the Consolidated Income Statement

[1] Revenue

Thousands of €	2007	2006
Software and licenses	84,641	56,322
Maintenance (software service agreements)	51,643	40,928
Services (consulting and training)	9,115	8,898
Hardware	792	1,333
	146,191	**107,481**

Revenue includes EUR 1,068 k (prior year: EUR 217 k) due to the use of the percentage of completion method. This revenue is offset by expenses of EUR 479 k (prior year: EUR 186 k). Profit from projects of EUR 589 k (prior year: EUR 31 k) is reported in the fiscal year due to the use of the percentage of completion method. The contract costs include the costs directly and indirectly allocable to the contract and costs which can be billed to the customer in keeping with the contract. The stage of completion of projects is calculated on the basis of the costs already incurred in relation to the expected total costs. The stage of completion is determined based on the current project controlling. Revenue is recognized accordingly.

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

[2] Own Work Capitalized

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

The Company was involved in non-project-related product development in the fiscal year 2007. The development costs of projects that have not satisfied the criteria of IAS 38.57 have been recorded as an expense. If the development activities were related to usable products, the expenses incurred were capitalized. These included direct personnel costs plus directly allocable overheads. Development costs relating to internally generated software amounting to EUR 323 k (prior year: EUR 142 k) were capitalized in the fiscal year.

The useful life of capitalized development costs is assumed to be five years. Amortization starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method. In 2007, EUR 28,869 k was spent on research and development (prior year: EUR 19,747 k).

[3] Other Operating Income

Thousands of €	2007	2006
Foreign exchange rate gains	770	59
Offsetting other services	628	519
Income from subletting property	608	662
Income from the sale of assets	34	69
Development subsidies for EU projects	23	90
Other	480	492
	2,543	**1,891**

[4] Cost of Materials/ Cost of Purchased Services

Thousands of €	2007	2006
Cost of purchased materials	8,402	6,576
Cost of purchased services	1,606	1,096
	10,008	**7,672**

[5] Personnel Expenses

Thousands of €	2007	2006
Wages and salaries	52,384	39,698
Social security, other pension costs and welfare	8,223	7,225
	60,607	**46,923**

Social security and other pension costs contain pension expenses of EUR 49 k (prior year: EUR 7 k) and the customary local expenses of the state pension insurance for employees. In addition, numerous additional insurance policies have been taken out in favor of employees to top up the state pension scheme. These are funded by the employees themselves.

Wages and salaries contain expenses of EUR 6 k for share-based payments (prior year: EUR 194 k).

The headcount developed as follows:

	2007	2006
Sales/marketing/hotline	567	457
Development	405	327
Administration	119	96
Average headcount for the year *)	**1,091**	**880**
Headcount as of December 31 **)	**1,107**	**1,151**

*) Prior year: without employees of the Graphisoft group because annual average figures were used

**) Prior year: including employees of the Graphisoft group because closing date figures were used

[6] Depreciation and Amortization

Thousands of €	2007	2006
Amortization of intangible assets	753	1,132
Depreciation of property, plant and equipment	1,640	1,247
Depreciation/amortization of tangible and intangible assets	**2,393**	**2,379**
Amortization due to purchase price allocated intangible assets	**7,383**	**503**
Total depreciation and amortization	**9,776**	**2,882**

[7] Other Operating Expenses

Thousands of €	2007	2006
Commission	7,630	6,897
Rent	7,597	5,833
Marketing expenses	7,144	4,444
Expenses for third-party services	5,445	4,065
Travel expenses	3,409	2,235
Legal and consulting costs	3,187	3,126
Vehicle costs	1,700	1,599
Communication	1,317	1,039
Trade fair costs	1,191	922
Advertisements	1,065	1,021
Other	5,123	3,092
	44,808	**34,273**

The item "other" consists of various items, all of which are less than EUR 500 k. Exchange rate losses of EUR 758 k (prior year: EUR 118 k) are contained in the item "other". Rent expenses are offset by income from subleasing offices of EUR 608 k (prior year: EUR 662 k) (see note 3). Vehicle costs contain lease expenses of EUR 560 k (prior year: EUR 556 k).

[8] Expenses/Income from Associates

The **income from associates** of EUR 221 k (prior year: EUR 211 k) principally contains write-ups to associates.

[9] Interest Income/Expenses

Thousands of €	2007	2006
Other interest and similar income	1,802	689
Interest and similar expenses	–4,991	–133
	–3,189	**556**

[10] Income Taxes

Major components of **income tax expense** for the fiscal years 2007 and 2006 are as follows:

Thousands of €	2007	2006
Income from deferred tax	3,319	904
Expenses from deferred tax	−2,410	−922
Total deferred tax result	**909**	**−18**
Current income from income tax refunds	1,222	965
Current expenses from income tax paid	−7,674	−5,128
Result from current income tax refunds/paid	**−6,452**	**−4,163**
Total income tax	**−5,543**	**−4,181**

The **income tax rates** of the individual entities range from 20.0 % to 40.5 % (prior year: from 16.0 % to 40.5 %). The tax rate is calculated as follows:

in %	2008		2007		2006	
Earnings before taxes	100.0		100.0		100.0	
Trade tax (weighted)	16.8	16.8	19.2	19.2	19.2	19.2
	83.2		**80.8**		**80.8**	
Corporate income tax	15.0	15.0	20.2	20.2	20.2	20.2
Solidarity surcharge	0.8	0.8	1.1	1.1	1.1	1.1
	67.4	**32.6**	**59.5**	**40.5**	**59.5**	**40.5**

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

The tax rate for Nemetschek Aktiengesellschaft for the fiscal year 2008 is 32.6 % (prior year: 40.5 %).

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2007) for the fiscal years ended December 31, 2007 and 2006 is as follows:

Thousands of €	2007	2006
Earnings before taxes	**20,890**	**18,531**
Theoretical tax rate (40.5 %; prior year: 40.5 %)	8,460	7,505
Differences to German and foreign tax rates	−2,351	−1,447
Tax effects on:		
At equity consolidation of associates	−55	−28
Use of unrecognized deferred taxes on unused tax losses	−634	−2,336
Effect of taxes, prior years	−33	5
Non-deductible expenses	259	499
Tax rate changes	−183	0
Other	80	−17
Effective tax expense	**5,543**	**4,181**
Effective taxe rate	**26.5 %**	**22.6 %**

The German Business Tax Reform Act 2008 was passed by the German lower house of parliament (Bundestag) in May 2007 and subsequently by the upper house (Bundesrat) on July 6, 2007. When the German Business Tax Reform Act comes into force as of January 1, 2008, it will reduce the tax rates for corporate income tax and trade tax in Germany. The resulting tax rate changes from previously 40.5 % to 32.6 % has an effect on the measurement of deferred taxes in the accompanying financial statements. The measurement changes were reflected accordingly, i.e. the adjustment to the tax rate change gave rise to a non-recurring effect of EUR 183 k (income from deferred taxes).

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

	Consolidated balance sheet		Consolidated income statement	
Thousands of €	**2007**	2006	**2007**	2006
Deferred tax assets				
Unused tax losses	3,542	1,061	318	−152
Valuation differences goodwill	281	0	281	0
Elimination of intercompany profits spin-off	431	642	−211	642
Software development costs	668	515	147	0
Measurement of receivables	19	433	−412	−13
Deferred revenue	98	198	−92	−30
Potential losses from rent	76	141	−65	−123
Warranty provision	122	104	19	8
Vacation provision	102	96	5	13
IFRS pensions	61	77	−16	−2
Elimination of intercompany profits on non-current assets	48	47	−18	−20
Prepaid rent	31	41	−10	3
Construction contract	0	6	−6	−17
Measurement of liabilities	1	30	−1	0
Provision for archiving costs	16	20	−4	0
Other	4	32	−7	20
Revaluation of foreign currency contracts	0	0	0	−16
Offsetting	0	−89	0	0
Total deferred tax assets	**5,500**	**3,354**		
Deferred tax liabilities				
Measurement difference from purchase price allocation				
– Non-current assets of Graphisoft *)	11,144	10,000	1,356	0
– Non-current assets of SCIA	940	1,139	199	166
Measurement difference for goodwill	599	851	252	0
Warranty provision	173	442	269	−77
Measurement of liabilities	961	412	−563	−405
Non-current assets	69	89	19	10
Recognition of internally developed software	99	56	−44	−56
Construction contract	0	30	30	−29
Measurement of receivables	447	23	−447	0
Other	57	3	−90	−2
Share issue costs	0	0	0	62
Offsetting	0	−89	0	0
Total deferred tax liabilities	**14,489**	**12,956**		
Deferred tax expense/income			**909**	**−18**

*) Deferred taxes from the purchase price allocation were adjusted as of December 31, 2007 using a future tax rate of 20.0 % instead of 16.0 % (new figure: EUR 12,500 k, previously: EUR 10,000 k).

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

Thousands of €	2007	2006
Losses according to entities	37,842	31,057
Deferred tax assets, gross	10,264	10,812
Unrecognized deferred tax assets on unused tax losses	−6,722	−9,751
Deferred tax assets on unused tax losses, net	**3,542**	**1,061**

The items contain deferred taxes on unused tax losses which are likely to be realized in future. The deferred tax assets on unused tax losses were recognized on the basis of the income and expense planning of Nemetschek Aktiengesellschaft (parent) and its subsidiaries for the fiscal year 2008. The Company's detailed planning relates to a one-year period. Management has stated that the recognition of deferred tax assets on unused tax losses for a longer period generally cannot be substantiated. Diverging from this approach, the Graphisoft subgroup recognized deferred tax assets of EUR 1,854 k. This is based on the deferred tax liabilities recognized in the connection with the purchase price allocation (also see the notes on business combinations).

Other unrecognized deferred tax assets stem from the following items:

Thousands of €	2007 Measurement	2007 Deferred taxes	2006 Measurement	2006 Deferred taxes
Land and buildings (prior year: Assets held for sale)	385	125	385	156

Deferred taxes were not recognized on the above items as it is not certain whether they would be recognized by the tax authorities.

There are no income tax consequences attaching to the payment of dividends in either 2007 or 2006 by Nemetschek Aktiengesellschaft to its shareholders.

[11] Minority Interests

Thousands of €	2007	2006
Profit shares allocable to minority interests	760	758

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

Notes to the Consolidated Balance Sheet

[12] Fixed Assets

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

[13] Trade Receivables

Thousands of €	2007	2006
Trade receivables (before bad debt allowances)	27,188	27,502
Specific bad debt allowance	−2,543	−2,822
Trade receivables	**24,645**	**24,680**

Provision was made for the bad debt risk by setting up appropriate specific bad debt allowances and conducting portfolio-based analyses. Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

The specific bad debt allowances developed as follows:

Thousands of €	January 1	Usage	Release	Charge	December 31
Bad debt allowances 2007	−2,822	403	1,055	−1,179	−2,543
Bad debt allowances 2006	−2,651	301	789	−1,261	−2,822

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

Thousands of €	Not past due	past due by (<30 days)	past due by (30–60 days)	past due by (60–90 days)	past due by (90–180 days)	past due by (180–360 days)	past due by (>360 days)	December 31
Trade receivables 2007	11,017	7,677	2,327	934	1,940	1,015	0	24,910
Trade receivables 2006	10,722	7,102	3,004	791	2,111	1,278	0	25,008

Pursuant to the group guidelines, receivables that are past due by more than 360 days are written off in full. Impairment loss recognized on other receivables that are past due is determined individually. Additional allowances amounting to EUR 265 k (prior year: EUR 328 k) were recognized on a Portfolio-Basis.

[14] Inventories, Tax Refunded Claims, Other Assets, Non-current assets held for sale, Prepaid Expenses, Financial Assets

Thousands of €	2007	2006
Inventories	**892**	**814**
Tax refunded claims	**2,406**	**2,139**
Current financial assets	**166**	**14,618**
Prepaid expenses	3,116	2,334
Other current assets	1,148	2,557
Prepaid expenses and other current assets	**4,264**	**4,891**
Non-current assets classified as held for sale	**0**	**560**
Non-current financial assets	**1,047**	**1,229**
Other non-current assets	**1,107**	**399**
	9,882	**24,650**

Financial assets were reclassified on account of first-time application of IFRS 7 in conjunction with IAS 1. The current and non-current assets including current and non-current financial assets presented are not impaired.

Inventories mainly consist of hardware EUR 598 k (prior year: EUR 610 k) and work in process of EUR 167 k (prior year: EUR 87 k).

Current financial assets principally comprise loans that are due for repayment within the next three months. Interest income is earned at the prevailing market rate. In the fiscal year 2006, Graphisoft SE European Company Limited by Shares, Budapest, Hungary, granted a loan of EUR 14,514 k to Graphisoft Park Ingatlanfejlesztö Kft., Budapest, Hungary. The loan was redeemed on January 10, 2007.

The non-current assets classified as held for sale in prior years relate to vacant real estate of Nemetschek CREM Solutions GmbH & Co. KG, Ratingen, of EUR 560 k (Manage business unit) which is intended to be sold. Negotiations are being held with interested parties. In fiscal year 2007 this asset was reclassified to property, plant and equipment.

Non-current financial assets mainly consist of the purchase price receivable from acadGraph CAD Studio GmbH of EUR 700 k (prior year: EUR 765 k) and employer's pension liability insurance of EUR 281 k (prior year: EUR 255 k).

[15] Equity

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

[16] Subscribed Capital

Nemetschek Aktiengesellschaft's share capital as of December 31, 2007 stands at EUR 9,625,000.00 (unchanged on the prior year) and is divided into 9,625,000 no-par value bearer shares (unchanged on the prior year).

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

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

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

- The shareholders' meeting of July 29, 2003 passed a resolution for a contingent increase of the share capital of the Company by up to EUR 850,000.00 which serves to grant subscription rights (options) to members of the management board and key management personnel. As of December 31, 2007, 100,000 options had been issued to members of the management board (prior year: 100,000 options).

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

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

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

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

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

The management board temporarily purchased a total of 81,360 treasury shares of Nemetschek Aktiengesellschaft in the course of the fiscal year 2007 on the basis of this authorization.

[17] Capital Reserve/Revenue Reserves

We refer to the consolidated statement of changes in shareholders' equity.

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

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

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

The dividend of EUR 5,390 k in total was paid out on May 24, 2007 (basic dividend of EUR 0.56 per share). The payment of dividends by Nemetschek Aktiengesellschaft to the shareholders did not have any income tax implications.

The obligation to a subsidiary's managing directors resulting from pension plans is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the income statement. There were no curtailments in the year ending December 31, 2007. The plans were continued beyond this period. The pension plans provide a benefit after reaching the age of 65 amounting to 60 % of the last net salary, up to a maximum amount of EUR 3,834.69 (DEM 7,500.00) per month. All claims are vested.

[18] Provisions and Accrued Liabilities

The table below shows the development of the pension obligations:

Thousands of €	January 1	Utilization	Release	Charges	**December 31**
Pension provisions 2007	590	0	0	49	639
Pension provisions 2006	583	0	0	7	590

Thousands of €	2007	2006
Present value of the obligation	639	590

The expenses relate to:

Thousands of €	2007	2006
Current service cost	31	32
Interest cost	27	25
Less actuarial gains	−9	−50
Net pension expense	**49**	**7**

The net benefit expense from service cost and interest amounts to EUR 49 k (prior year: EUR 7 k) and is disclosed exclusively under personnel expenses. The "2005 G mortality tables" from Dr. Klaus Heubeck were applied as in the prior year. Principal actuarial assumptions used to determine pension obligations as of December 31 were as follows:

in %	2007	2006
Discount rate	5.76	4.50
Future salary increases	0.00	0.00
Future pension increases	1.00	1.00

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

Thousands of €	2007	2006	2005	2004	2003
Defined benefit obligation	639	590	583	443	355
Experience adjustments of defined benefit obligation − = loss/+ = gain	8	49	−92	−47	18

The Group expects pension costs amounting to EUR 47 k in the fiscal year 2008.

Accrued liabilities

Accrued liabilities contain the following items:

Thousands of €	2007	2006
Commission/bonuses for employees	6,213	4,483
Outstanding invoices	2,127	3,269
Vacation accrued by employees	2,002	1,755
Legal and consulting fees/cost preparing the financial statements	646	347
Other accruals (individual items below EUR 100 k)	1,274	874
Accrued liabilities, total	**12,262**	**10,728**

Other provisions

Other provisions include the following items:

Thousands of €	January 1	Utilization	Release	Charges	December 31
Guarantees and credit notes	824	511	313	691	691
Potential losses from rent	350	350	0	233	233
Archiving costs	185	0	0	0	185
Fiscal year 2007	**1,359**	**861**	**313**	**924**	**1,109**
Fiscal year 2006	**1,743**	**1,260**	**0**	**876**	**1,359**

- The provision for potential losses from rent was extrapolated on the basis of the current sublease agreements and determined for the remaining terms of the sublease agreements.
- The warranty provisions have been set up according to the assessment by management, based on past experience, at an amount of at least 0.5 % of revenue less purchased merchandise (i.e. sales subject to warranty). The amount included for credit notes issued on invoices is EUR 80 k (prior year: EUR 313 k).

Thousands of €	2007	2006
Accrued liabilities	12,262	10,728
Other provisions	1,109	1,359
Total other provisions and accrued liabilities	**13,371**	**12,087**

As a company with international operations working in various divisions, the Group is exposed to a range of legal risks. This is especially true of risks arising from warranties, tax law and other legal disputes. The outcome of currently pending and/or future litigation cannot be predicted with certainty, so that expenses may be incurred from decisions that are not fully covered by insurance and that may have a significant effect on the business and its results. The management board is of the opinion that the 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 remaining term to maturity, comprise the following:

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

2006 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Liabilities to banks	1,039	797	242	0
Payments received on account of orders	310	310	0	0
Trade payables	5,986	5,986	0	0
Tax liabilities	3,692	3,692	0	0
Other liabilities	102,044	101,408	636	0
thereof taxes	3,697	3,697	0	0
thereof relating to social security	1,001	1,001	0	0
December 31, 2006	**113,071**	**112,193**	**878**	**0**

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

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60 day terms.
- Other liabilities are non-interest bearing and have an average term of 60 days.

Other liabilities primarily comprise liabilities to the tax authorities on account of obligations to pay wage tax and VAT as well as to pay social security contributions to the social security carriers.

The liabilities to banks mainly refer to the loan tranches due to WestLB AG, Düsseldorf, and are explained in detail in the notes on business combinations.

The other loans to banks refer exclusively to SCIA Group NV, Herk-de-Stad, Belgium. The loan liabilities totaling EUR 156 k (prior year: EUR 222 k) break down as follows:

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

Thousands of €	Current portion	Non-current portion	Interest in %	Matures on
Loan 1	35	71	4.10	Nov. 20, 2009
Loan 2	14	54	4.71	June 21, 2010
Loan 3	6	6	4.08	March 2, 2009
Loan 4	12	24	4.69	Nov. 4, 2009
December 31, 2006	**67**	**155**		

Contingent Liabilities

As of balance sheet date, contingent liabilities amount to EUR 984 k (prior year: EUR 1,371 k) and mainly relate to rental agreements and bank guarantees. From a tax perspective, there are contingent liabilities of EUR 570 k (prior year: EUR 792 k) which could lead to payments over the next five years.

[20] Deferred Income

Deferred Income

Deferred income amounts to EUR 10,186 k (prior year: EUR 10,322 k). The total amount will lead to revenue in the first half of 2008.

[21] Earnings Per Share

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

	2007	2006
Net income attributable to the parent (in thousands of EUR)	14,587	13,592
Average number of ordinary shares outstanding as of December 31	9,625,000	9,625,000
Average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	9,625,000	9,650,000
Earnings per share in EUR, undiluted	**1.52**	**1.41**
Earnings per share in EUR, diluted	**1.52**	**1.41**

As of the balance sheet date, the number of potential ordinary shares included in the calculation of diluted earnings per share amounts to 0 (prior year: 25,000). No dilutive effect was taken into account for the options, as the outstanding options were cancelled during the reporting period and, in the case of newly issued options, the average market price of the ordinary shares did not match the strike price.

Proposed Dividend

In accordance with statutory provisions and the articles of incorporation and bylaws of Nemetschek Aktiengesellschaft, the management board proposes to the supervisory board that a dividend of EUR 0.65 per share (prior year: EUR 0.56) be distributed to the shareholders. Accordingly, a total of EUR 6,256 k (prior year: EUR 5,390 k) is to be distributed to the shareholders.

[22] Financial Obligations

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	20,850	5,955	14,285	610
Leases	2,379	925	1,436	18
Total financial obligations as of December 31, 2007	**23,229**	**6,880**	**15,721**	**628**
Rental agreements	23,463	5,530	17,394	538
Leases	1,608	644	893	71
Total financial obligations as of December 31, 2006	**25,071**	**6,174**	**18,287**	**609**

The rental agreements consist almost exclusively of rental agreements for office space with limited terms. The lease liabilities mainly consist of leases for vehicles and telecommunications equipment. The leases are subject to the customary escalation clauses and renewal options. Rent obligations are offset against expected income from non-cancelable subleases for the years 2008 through 2010 totaling EUR 690 k (prior year: EUR 1,223 k).

[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 25,303 k (prior year: EUR 18,264 k).

The cash flow from **investing activities** of EUR –102,381 k (prior year: EUR –6,338 k) is characterized by replacement investments for property, plant and equipment and software of group entities of EUR –3,147 k (prior year: EUR –2,050 k). Cash outflows of EUR –97,151 k were recorded for purchase price payments for the acquisition of 100 % of Graphisoft Group. Cash outflows of EUR –2,030 k were recorded for the redemption of treasury shares used for the acquisition of the remaining 21.16 % of the shares in the SCIA Group. Since the acquisition relates to company shares, the cash outflow was allocated to investing activities.

The cash flow from **financing activities** of EUR 72,178 k (prior year: EUR −5,807 k) is characterized by cash flows from the Graphisoft acquisition. The cash inflows from taking out a syndicated line of credit amounted to EUR 100,000 k. As of December 31, 2007 the Nemetschek Group had already repaid EUR 30,500 k to WestLB AG, Düsseldorf. Further cash outflows were recorded from the dividend distribution in May 2007 of EUR −5,390 k (prior year: EUR −6,256 k) and the payment of profit shares of EUR −777 k to minority interests (prior year: EUR −397 k). Cash of EUR 14,514 k was received from repayment of a loan issued to Graphisoft Park Kft., Budapest, Hungary, by Graphisoft SE, Budapest, Hungary.

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

Thousands of €	**2007**	2006
Bank balances	23,496	30,180
Securities qualifying as cash equivalents	0	2,478
Fixed term deposits	5,625	1,853
Cash and cash equivalents	**29,121**	**34,511**

Cash at banks earns interest at the floating rates based on daily bank deposit rates. Fixed-term deposits and short-term securities are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. These could be subject to slight fluctuations in value. Fixed-term deposits bear interest at the respective rates applying for the term. The fair value of cash and cash equivalents including these securities amounts to EUR 29,121 k (prior year: EUR 34,511 k). The Group has undrawn credit lines of EUR 21,500 k (prior year: EUR 1,500 k).

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

Financial Risk Management Objectives and Policies

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

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

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

It is the Group's policy, and has been throughout 2007 and 2006, that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarized below.

Foreign Exchange Risk and Risk Management

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

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

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

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

The Group entered into forward exchange contracts in the past fiscal year that were pending as of the balance sheet date.

(1) Nemetschek Aktiengesellschaft entered into forward contracts to cover any exchange rate fluctuation and hedge expected distributions in USD. The fair value of these transactions is above the historical rate due to the USD exchange rate as of December 31, 2007.

(2) Graphisoft R&D zrt. concluded two forward contracts to cover any exchange rate fluctuation and hedge the intercompany loans granted (by Graphisoft R & D zrt., Budapest, Hungary, to Nemetschek Aktiengesellschaft). The fair value of these transactions is below the historical rate due to the exchange rate of the HUF as of December 31, 2007. Accordingly, Graphisoft R&D zrt. recognized profits of EUR 273 k.

(1) Forward contract to hedge expected distributions	Maturity	EUR/USD exchange rate	**Resulting loss 2007**
Sale of USD			
USD 1,500 k	January 9, 2008	1.32	−114 kEUR

(2) Forward contract to hedge internal loan receivables	Maturity	exchange rate (forward rate) EUR/HUF	**Resulting gain 2007**
Sale of HUF			
Millions of HUF 1,322,250 (forward rate: 264.45/EUR 5,000 k)	August 21, 2008	257.82	EUR 131 k
Millions of HUF 2,644,500 (forward rate: 264.45/EUR 10,000 k)	February 17, 2009	260.85	EUR 142 k

The table below shows the sensitivity of group revenue and group EBIT to a reasonably possible change in (1) the USD and (2) the HUF exchange rates. All other variables remain constant.

(1) Sensitivity of USD/EUR Thousands of €	Change of exchange rate USD	Revenue effect	EBIT effect
Fiscal year 2007 (average USD/EUR exchange rate = 1.38)	+5 %	−966	−258
	−5 %	1,068	285

(1) Sensitivity of USD/EUR Thousands of €	Change of exchange rate USD	Revenue effect	EBIT effect
Fiscal year 2006 (average USD/EUR exchange rate = 1.26)	+5 %	−841	−254
	−5 %	929	281

(2) Sensitivity of HUF/EUR Thousands of €	Change of exchange rate HUF	Revenue effect	EBIT effect
Fiscal year 2007 (average HUF/EUR exchange rate = 251.33)	+5 %	−1,185	−570
	−5 %	1,310	630

(2) Sensitivity of HUF/EUR Thousands of €	Change of exchange rate HUF	Revenue effect	EBIT effect
Fiscal year 2006			
(average HUF/EUR exchange rate = 264.24)	+5 %	−19	0
	−5 %	21	0

Liquidity Risks and Risk Management

The Group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. The credit rating of the Group allows sufficient cash to be procured. In addition, the Group had undrawn credit lines totaling EUR 21,500 k as of December 31, 2007 (prior year: EUR 1,500 k).

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

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

Default Risk and Risk Management

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

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies and methods as of December 31, 2007 or December 31, 2006. The Group meets the minimum capital requirements imposed from the outside.

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

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

Equity ratio
The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio comes to 33.7 % (prior year: 27.0 %). In the mid-term the Group aims for an equity ratio in excess of 50 %.

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

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

Interest Rate Risk and Risk Management
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's non-current financial liabilities with floating interest rates.

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

On the other, the Group's interest expenses are managed by hedging interest expenses on borrowed capital. At of the balance sheet date December 31, 2007, approximately 93 % of the interest expenses on borrowings were hedged, using interest rate swaps and other instruments.

Nemetschek Aktiengesellschaft has entered into two interest rate hedges. The gains or losses from measurement at fair value are recognized in profit or loss in the income statement. In the fiscal year 2007, a gain of EUR 214 k was recorded with the following parameters based on the terms and conditions negotiated with WestLB AG, Düsseldorf:

Thousands of €	Reference amount	Date of agreement	Date of closing	Base interest rate 1/ Base interest rate 2	Factor/ interest limit (or difference)	Interest cap/ floor	**Effect 2007**
Participation interest rate swap	30,000	Jan. 25, 2007	July 15, 2014	3-month EURIBOR /n/a	0.95/ 5.25 %	5.53 %/ 3.17 %	37
Contingent premium cap	35,000	Jan. 9, 2007	Jan. 5, 2012	10 year CMS rate/ 6-month EURIBOR	n/a/ 0.49 %	3.80 %/ n/a	177

Terms and conditions concerning the participation interest rate swap: Nemetschek Aktiengesellschaft receives a variable amount equivalent to the base interest rate for each calculation period (January 15, April 15, July 15, October 15 of each fiscal year) from WestLB AG. Should the interest cap be reached in a calculation period, Nemetschek Aktiengesellschaft has undertaken to pay interest at the threshold interest rate to WestLB AG. Should neither the interest cap nor the interest floor be reached in a calculation period, Nemetschek Aktiengesellschaft has undertaken to pay interest at the participation rate (= factor x base interest rate) to WestLB AG. Should the interest floor be reached in a calculation period, Nemetschek Aktiengesellschaft has undertaken to pay interest at the threshold interest rate to WestLB AG.

Terms and conditions concerning the contingent premium cap: WestLB AG pays Nemetschek Aktiengesellschaft a compensation payment amounting to the 6-months EURIBOR less the interest cap at the cut-off date (June 30, December 30 of each fiscal year). If the interest threshold difference (= base interest rate 1 less base interest rate 2) is reached, WestLB AG pays Nemetschek Aktiengesellschaft a premium of 1 % as of the cut-off date.

Interest Rate Risk Table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net income for the year (through the impact on floating rate borrowings and fixed-term deposits).

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

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

Prior-year figures are not presented as the parameters do not allow for a meaningful comparison. Prior-year sensitivity approximates zero.

Fair Value of Financial Instruments

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

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

Financial Assets and Current Financial Liabilities

There are no significant differences in the Group between the fair value and the carrying amount of financial instruments. The carrying amount of cash and cash equivalents, other financial assets and 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 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 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 hedging instruments with positive (negative) fair values are either classified as other current assets (provisions) or as other non-current assets (provisions). Derivative financial instruments not used as hedging instruments are classified as financial assets held for trading and measured at fair value; changes in fair value are recognized in the net income for the period.

[25] Segment Reporting

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

The following tables present information on segment revenue and profit or loss as well as certain assets and liabilities regarding the Group's business segments:

Segment Reporting – Income Statement Disclosures:

2007 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	146,191	0	118,770	13,249	6,071	8,101
Intersegment revenue	0	−1,258	254	18	338	648
Total revenue	**146,191**	**−1,258**	**119,024**	**13,267**	**6,409**	**8,749**
EBITDA	**33,634**	**0**	**26,593**	**4,122**	**567**	**2,352**
Depreciation/amortization	−9,776	0	−9,389	−161	−52	−174
Interest income	1,802					
Interest expenses	−4,991					
Income from associates	221					
Income tax	−5,543					
Net income for the year	**15,347**					

2006 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	107,481	0	81,462	12,114	6,208	7,697
Intersegment revenue	0	−1,159	331	59	290	479
Total revenue	**107,481**	**−1,159**	**81,793**	**12,173**	**6,498**	**8,176**
EBITDA	**20,646**	**0**	**14,915**	**3,688**	**79**	**1,964**
Depreciation/amortization	−2,882	0	−2,469	−152	−61	−200
Interest income	689					
Interest expenses	−133					
Income from associates	211					
Income tax	−4,181					
Net income for the year	**14,350**					

The depreciation and amortization of the Design segment includes amortization and depreciation of EUR 7,383 k (prior year: EUR 503 k) relating to the purchase price allocation.

Segment Reporting – Balance Sheet Disclosures:

2007 Thousands of €	Total	Design	Build	Manage	Multi-media
Trade receivables	24,645	20,746	2,485	750	664
Inventories	892	688	66	0	138
Other assets/prepaid expenses	5,270	4,587	200	16	467
Assets held for sale	0	0	0	0	0
Fixed assets	116,742	97,976	12,726	2,674	3,366
thereof additions to fixed assets	3,147	2,478	384	75	210
Segment assets	**147,549**	**123,997**	**15,477**	**3,440**	**4,635**
Cash and cash equivalents	29,121				
Financial assets, associates	570				
Non-allocated income tax receivables and deferred tax assets	9,220				
Total assets	**186,460**				
Liabilities	12,117	10,195	1,488	77	357
Provisions and accrued liabilities	13,371	10,780	1,066	702	823
Pension provisions	639	0	0	0	0
Deferred revenue	10,186	10,013	94	79	0
Segment liabilities	**36,313**	**30,988**	**2,648**	**858**	**1,819**
Non-allocated liabilities *)	87,261				
Total liabilities	**123,574**				

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

2006 Thousands of €	Total	Design	Build	Manage	Multi-media
Trade receivables	24,680	20,704	2,276	1,024	676
Inventories	814	608	37	0	169
Other assets/prepaid expenses	21,137	19,548	292	694	603
Assets held for sale	560	0	0	560	0
Fixed assets	115,111	97,263	12,469	2,084	3,295
thereof additions to fixed assets	2,050	1,503	360	35	152
Segment assets	**162,302**	**138,123**	**15,074**	**4,362**	**4,743**
Cash and cash equivalents	35,853				
Financial assets, associates	484				
Non-allocated income tax receivables and deferred tax assets	5,493				
Total assets	**204,132**				
Liabilities	108,341	107,214	640	224	263
Provisions and accrued liabilities	12,087	10,159	526	733	669
Pension provisions	590	0	0	0	590
Deferred revenue	10,322	10,054	107	139	22
Segment liabilities	**131,340**	**127,427**	**1,273**	**1,096**	**1,544**
Non-allocated liabilities *)	17,686				
Total liabilities	**149,026**				

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

On account of the changes in the intersegment consolidation system, the prior-year figures for segment disclosures relating to the income statement were adjusted. Comparability is thus ensured. The secondary segment reporting format for financial reporting relating to the balance sheet that is used for the Group's internal organizational and management purposes does not show a breakdown by domestic or foreign. It is therefore not presented in greater detail.

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

Segment reporting by geographical region is as follows:

Thousands of €	Revenue 2007	Fixed assets 2007	Additions to fixed assets 2007	Revenue 2006	Fixed assets 2006	Additions to fixed assets 2006
Germany	53,587	16,436	1,470	45,693	16,436	1,066
Abroad	92,604	100,876	1,677	61,788	100,140	984
Total	**146,191**	**117,312**	**3,147**	**107,481**	**117,312**	**2,050**

The Group's segment assets of the secondary geographical segments are based on the location of the Group's assets. Accordingly the Segment Germany amounted to EUR 67,725 k (prior year: EUR 60,538 k) and the Segment abroad amounted to EUR 118,735 k (prior year: EUR 143,594 k).

Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

[26] Subsequent Events

There were no significant events after the balance sheet date.

[27] Related Parties

The Group enters into transactions with its associates and related parties. These transactions are part of ordinary activities and are treated at arm's length. They are classified in accordance with IAS 24.18(g) as transactions with other related parties. The most significant transactions include the purchase of goods for EUR 150 k (prior year: EUR 125 k), the lease of real estate for EUR 3,380 k (prior year: EUR 2,545 k) as well as research and development work of EUR 204 k (prior year: EUR 190 k). Since fiscal year 2000, a rental agreement for office space has been in place between Nemetschek Aktiengesellschaft and Concentra GmbH & Co. KG (limited partner: Mr. Alexander Nemetschek). Annual net rent amounts to EUR 2,356 k (prior year: EUR 2,463 k). The remaining term is three years. Research and development services were mainly performed from Nemetschek EOOD, Sofia, Bulgary, to Diehl Tech Inc., Columbia, Maryland, USA. The purchase of goods mainly relates to manuals and package materials provided by Maxon Media GmbH, Friedrichsdorf, to Maxon Computer GmbH, Friedrichsdorf.

The balance sheet includes the following outstanding amounts resulting from transactions with associates and related parties:

Thousands of €	2007	2006
Trade receivables and other current assets	2	9

Disclosures on Transactions Pursuant to Sec. 15a WpHG
[“Wertpapierhandelsgesetz”= German Securities Trading Act]

The management and supervisory boards informed us of the following purchases or sales of the company pursuant to sec. 15a WpHG (directors’ dealings) by themselves or by related parties:

2007	Date	Number of shares	Value in EUR k
Prof. Georg Nemetschek	September 17, 2007	3,100 [2]	73

2006	Date	Number of shares	Value in EUR k
Dr. Peter Mossack	June 1, 2006	1,000 [1]	20
Gerhard Weiß	September 28, 2006	7,395 [1]	160
Gerhard Weiß	September 29, 2006	3,669 [1]	79
Gerhard Weiß	October 2, 2006	1,425 [1]	31
Prof. Georg Nemetschek	November 16, 2006	93,725 [2]	1,341

[1] Sale
[2] Buy

Management Board

The members of the management board of Nemetschek Aktiengesellschaft receive annual remuneration with a fixed and variable component including components with long-term incentives.

Thousands of €	Fixed salary *)	Profit-based remuneration	Share-Based payments	2007
Ernst Homolka	170	269	54	493
Michael Westfahl	168	151	54	373
Dr. Peter Mossack **)	763	0	0	763
Gerhard Weiß ***)	17	7	0	24
Total Management Board Remuneration in 2007	**1,118**	**427**	**108**	**1,653**

Thousands of €	Fixed salary *)	Profit-based remuneration	Share-Based payments	2006
Gerhard Weiß	219	505	0	724
Michael Westfahl	168	163	97	428
Dr. Peter Mossack	168	163	97	428
Total Management Board Remuneration in 2006	**555**	**831**	**194**	**1,580**

*) The fixed component contains the basic salary and other taxable salary components such as health and nursing insurance as well as provisions on company cars.
**) The fixed component for Dr. Mossack contains the basic salary and the total payment (EUR 690 k) made under the termination agreement of May 2007.
***) Mr. Weiß left the Company on January 31, 2007.

Supervisory Board

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

Thousands of €	Fixed salary	Profit-based remuneration	2006
Kurt Dobitsch	30.0	15.0	45.0
Prof. Georg Nemetschek	22.5	15.0	37.5
Rüdiger Herzog	15.0	15.0	30.0
Total Supervisory Board Remuneration	**67.5**	**45.0**	**112.5**

[28] Share-Based Payment

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

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

Up to 50 % of the options can be exercised two years after issue at the earliest, up to 75 % three years after issue at the earliest, and up to 100 % four years after issue at the earliest. The contractual term of the options is five years. The options cannot be settled in cash. The average weighted remaining term of the contract is 2.25 years (prior year: 1.25 years).

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

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

100,000 options were granted to management board members in fiscal year 2005. This was the first time stock options were granted. The weighted average strike price was EUR 14.60. The options granted were cancelled in the fiscal year 2007 and have thus lapsed.

100,000 options were granted to management board members in fiscal year 2007. The weighted average strike price was EUR 26.92. To date, no options have been forfeited, exercised and / or have lapsed.

The following parameters were used in the calculation.

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

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

The expense for options granted in the fiscal year 2005 was recognized over the expected vesting period from 2005 to 2009. In relation to the options granted, personnel expenses of EUR 67 k were incurred in the fiscal year 2007 (prior year: EUR 194 k) and income of EUR 169 k was generated from the cancellation (prior year: EUR 0 k).

The expense for options granted in the fiscal year 2007 was recognized over the expected vesting period from 2007 to 2010. The options granted result in a total expense of EUR 492 k, of which EUR 108 k is included as personnel expenses for fiscal year 2007 (prior year: EUR 0 k). A net expense of EUR 6 k was recognized in the statement of changes in shareholders' equity.

[29] Auditors' Fees

Thousands of €	**2007**	2006
Statutory financial statements	45	50
Consolidated financial statements	175	207
Total	**220**	**257**

An amount of EUR 16 k (prior year: EUR 1 k) was paid for tax advice. The Group paid further fees for other services amounting to EUR 11 k (prior year: EUR 0 k). No other remuneration was paid to the auditors.

[30] Date of Publication

The consolidated financial statements will be authorized for issue on March 25, 2008.

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

Supervisory Board

Kurt Dobitsch *)
(self-employed businessman)
Member and Chairman until (October 18, 2007)
Member of the following supervisory boards:
- ☐ United Internet AG (chairman)
- ☐ Bechtle AG
- ☐ DocuWare AG
- ☐ 1 & 1 Internet AG
- ☐ Hybris AG
- ☐ PSP AG
- ☐ Graphisoft SE

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

Rüdiger Herzog
(lawyer, general manager)
Member (until October 18, 2007)
Chairman (since October 18, 2007)
Member of the following supervisory boards:
- ☐ Deutsche Finance AG (chairman)
- ☐ Kaufhaus Ahrens AG

Alexander Nemetschek *)
(general manager)
Member (since October 18, 2007)

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

Management Board

Ernst Homolka
(businessman)
since January 1, 2007:
Spokesperson of the management board
Finance and Administration
since February 1, 2007:
Member of the following supervisory boards:
- ☐ Nemetschek Bausoftware GmbH
- ☐ SCIA International NV
- ☐ Graphisoft SE

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

Dr. Peter Mossack
(degree in physics)
Research & Development
until May 18, 2007
Member of the following supervisory boards until May 18, 2007:
- ☐ NEMETSCHEK Slovensko s.r.o.

Gerhard Weiß
(degree in business management)
until January 31, 2007
Chairman
Member of the following supervisory boards until January 31, 2007:
- ☐ NEMETSCHEK NORTH AMERICA Inc.
- ☐ Nemetschek Bausoftware GmbH
- ☐ NEMETSCHEK Slovensko s.r.o.
- ☐ SCIA International NV

Munich, March 4, 2008

Nemetschek Aktiengesellschaft

Ernst Homolka | Michael Westfahl

Statement of Fixed Assets of the Group

as of December 31, 2007 and as of December 31, 2006

2007 Thousands of €	Development of historic cost						
	As of Jan. 1, 2007	Reclassifications due to IFRS 5	Translation differences	Changes due to acquisitions	Additions	Disposals	As of Dec. 31, 2007
I. Intangible assets							
Industrial and similar rights	75,869	0	−53	0	1,136	1,550	75,402
Internally generated software	142	0	0	0	323	0	465
Goodwill	43,560	0	−457	8,596	0	97	51,602
	119,571	**0**	**−510**	**8,596**	**1,459**	**1,647**	**127,469**
II. Property, plant and equipment							
Land and Buildings	0	1,122	0	0	0	0	1,122
Other equipment, furniture and fixtures	16,463	0	−248	0	1,688	3,767	14,136
	16,463	**1,122**	**−248**	**0**	**1,688**	**3,767**	**15,258**
III. Assosiates/Investments							
Associates/Investments	10,459	0	−1	0	0	5	10,453
	10.459	**0**	**−1**	**0**	**0**	**5**	**10.453**
Total fixed assets of the group	**146,493**	**1,122**	**−759**	**8,596**	**3,147**	**5,419**	**153,180**

2006 Thousands of €	Development of historic cost						
	As of Jan. 1, 2006	Reclassifications due to IFRS 5	Translation differences	Changes due to acquisitions	Additions	Disposals	As of Dec. 31, 2006
I. Intangible assets							
Industrials and similar rights	8,605	0	−29	66,863	580	150	75,869
Internally generated software	0	0	0	0	142	0	142
Goodwill	23,734	0	−502	20,328	0	0	43,560
	32,339	**0**	**− 531**	**87,191**	**722**	**150**	**119,571**
II. Property, plant and equipment							
Land and Buildings	0	0	0	0	0	0	0
Other equipment, furniture and fixtures	14,529	0	−148	1,775	1,326	1,019	16,463
	14,529	**0**	**−148**	**1,775**	**1,326**	**1,019**	**16,463**
III. Assosiates/Investments							
Associates/Investments	10,439	0	1	50	2	33	10,459
	10,439	**0**	**1**	**50**	**2**	**33**	**10,459**
Total fixed assets of the group	**57,307**	**0**	**−678**	**89,016**	**2,050**	**1,202**	**146,493**

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

Development of accumulated depreciation/amortization							Carrying amount	
As of Jan. 1, 2006	Reclassifications due to IFRS 5	Translation differences	Amortization and depreciation	Equity method	Disposals	As of Dec. 31, 2006	As of Dec. 31, 2006	As of Dec. 31, 2005
7,439	0	– 8	1,635	0	98	8,968	66,901	1,166
0	0	0	0	0	0	0	142	0
0	0	0	0	0	0	0	43,560	23,734
7,439	**0**	**– 8**	**1,635**	**0**	**98**	**8,968**	**110,603**	**24,900**
0	0	0	0	0	0	0	0	0
11,718	0	– 99	1,247	0	911	11,955	4,508	2,811
11,718	**0**	**– 99**	**1,247**	**0**	**911**	**11,955**	**4,508**	**2,811**
10,052	0	0	0	70	7	9,975	484	387
10,052	**0**	**0**	**0**	**70**	**7**	**9,975**	**484**	**387**
29,209	**0**	**– 107**	**2,882**	**70**	**1,016**	**30,898**	**115,595**	**28,098**

Audit Opinion

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

„We have audited the consolidated financial statements prepared by Nemetschek Aktiengesellschaft, Munich, comprising the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch“: German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 7, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Marxer	Haucke
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Statements of Nemetschek Aktiengesellschaft
(Statutory Accounts – German GAAP)

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Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2007 and as of December 31, 2006 (Statutory Accounts – German GAAP)

Assets in EUR	Dec. 31, 2007	Dec. 31, 2006
A. FIXED ASSETS		
I. Intangible Assets		
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	573,381.57	2,740.00
II. Property, plant and equipment		
1. Leasehold improvements	428,958.00	622,955.00
2. Fixtures, fittings and equipment	84,689.00	63,837.00
	513,647.00	**686,792.00**
III. Financial assets		
1. Shares in affiliated companies	157,595,300.49	103,118,823.72
2. Loans due from affiliated companies	3,721,230.00	5,369,730.00
3. Investments	1,712,275.84	1,712,275.84
	163,028,806.33	**110,200,829.56**
TOTAL FIXED ASSETS	**164,115,834.90**	**110,890,361.56**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	9,386.97	2,109.81
2. Accounts due from affiliated companies	3,851,887.73	5,830,793.92
3. Other assets	2,084,779.23	2,031,068.72
	5,946,053.93	**7,863,972.45**
II. Cash and cash equivalents	**4,521,173.30**	**7,010,588.41**
TOTAL CURRENT ASSETS	**10,467,227.23**	**14,874,560.86**
C. DEFERRED CHARGES AND PREPAID EXPENSES	**41,685.06**	**51,655.70**
	174,624,747.19	**125,816,578.12**

Liabilities and shareholders' equity in EUR	Dec. 31, 2007	Dec. 31, 2006
A. SHAREHOLDERS' EQUITY		
I. Capital subscribed (Conditional capital EUR 850,000.00 [prior year: EUR 850,000.00])	**9,625,000.00**	**9,625,000.00**
II. Capital reserve	**49,404,856.90**	**49,404,856.90**
III. Revenue reserve	**9,736,481.30**	**0.00**
IV. Retained earnings	**9,850,374.28**	**7,686,902.19**
TOTAL SHAREHOLDERS' EQUITY	**78,616,712.48**	**66,716,759.09**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	57,300.00	142,800.00
2. Other provisions and accrued liabilities	1,535,706.66	3,436,282.05
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**1,593,006.66**	**3,579,082.05**
C. LIABILITIES		
1. Bank liabilities	69,536,418.50	0.00
2. Trade accounts payable	611,513.16	519,108.24
3. Accounts due to affiliated companies	23,115,018.18	510,594.96
4. Other liabilities – thereof taxes: EUR 863,008.97 (prior year: EUR 982,204.03)	1,152,078.21	54,491,033.78
TOTAL LIABILITIES	**94,415,028.05**	**55,520,736.98**
	174,624,747.19	**125,816,578.12**

Profit and Loss Account of Nemetschek Aktiengesellschaft

for the period from January 1 to December 31, 2007 and 2006 (Statutory Accounts – German GAAP)

in EUR	Jan. 1 – Dec. 31, 2007	Jan. 1 – Dec. 31, 2006
1. Revenues	1,764,722.22	1,678,345.38
2. Other operating income	5,225,154.49	5,134,018.74
Operating income	**6,989,876.71**	**6,812,364.12**
3. Personnel expenses		
a) Wages and salaries	−3,263,139.22	−2,761,606.51
b) Social security, pension and other benefit costs – thereof for pensions: EUR 5,236.96 (prior year: EUR 5,236.96)	−227,626.85	−214,698.93
4. Depreciation and amortization		
of intangible assets and property, plant and equipment	−234,307.87	−239,299.62
5. Other operating expenses	−7,097,603.73	−6,922,044.98
Operating expenses	**−10,822,677.67**	**−10,137,650.04**
Operating results	**– 3,832,800.96**	**– 3,325,285.92**
6. Income from investments – thereof from affiliated companies: EUR 9,139,799.35 (prior year: EUR 6,675,907.62)	9,139,799.35	6,675,907.62
7. Income from profit and loss transfer agreements	6,956,306.92	3,362,111.78
8. Income from marketable securities and loans including from write-ups – thereof from affiliated companies: EUR 10,014,741.02 (prior year: EUR 276,388.38)	10,014,741.02	276,388.38
9. Other interest and similar income	673,548.67	202,933.60
10. Amortization of financial assets	−217,512.56	0.00
11. Interest and similar expenses – thereof from affiliated companies: EUR 765,169.58 (prior year: EUR 10,000.00)	−5,408,221.64	−10,672.13
12. Profit from ordinary operations	**17,325,860.80**	**7,181,383.33**
13. Taxes on income	−172,907.41	−290,431.62
14. Other taxes	137,000.00	143,584.67
15. Net income	**17,289,953.39**	**7,034,536.38**
16. Profit carried forward from previous periods	2,296,902.19	652,365.81
17. Transfer to other Revenue Reserves according to Section 58 (IIa) AktG	−9,736,481.30	0.00
18. Retained earnings	**9,850,374.28**	**7,686,902.19**

Imprint
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Nemetschek AG, Munich

Concept and Editorial Office
Investor Relations,
Nemetschek AG

Design and Realization
FIRST RABBIT GmbH, Cologne

Pre Press
FIRST RABBIT GmbH, Cologne

Producer
G. Peschke Druckerei GmbH, Munich

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