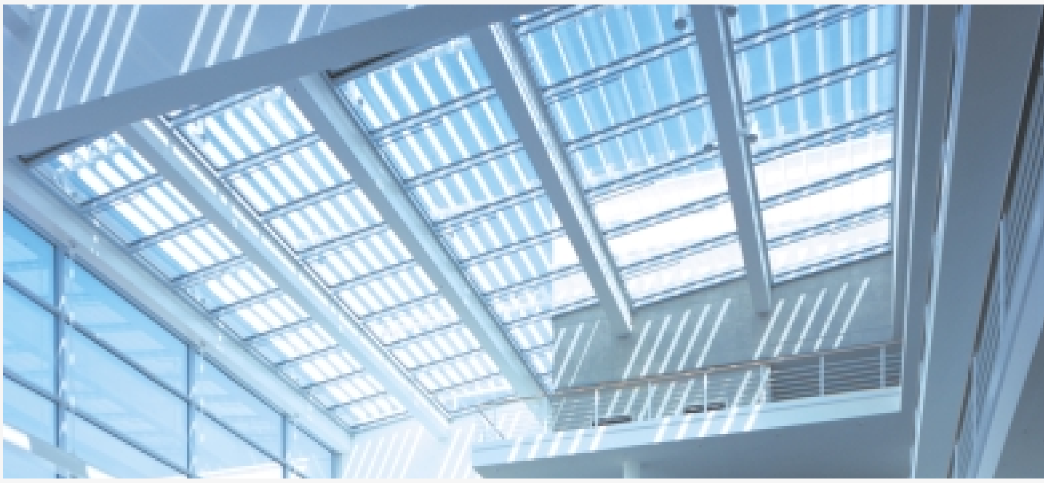
NEMETSCHEK

Building the Future

Annual Report 2002

	2002 million €	2001 million €	Change %
Sales revenue	**105.5**	**124.4**	**- 15.2 %**
Operating income	**108.5**	**126.8**	**- 14.4 %**
Gross profit	**97.9**	**111.2**	**- 11.9 %**
as % of sales revenue	92.8 %	89.4 %	
EBITDA	**2.3**	**6.2**	**- 62.9 %**
as % of sales revenue	2.2 %	5.0 %	
excluding special charges	8.6	7.8	
EBIT	**- 7.9**	**- 35.5**	**- 77.7 %**
as % of sales revenue	- 7.5 %	- 28.5 %	
excluding special charges	0.2	- 2.8	
Net loss	**- 11.7**	**- 46.5**	**- 74.8 %**
per share in €	- 1.22	- 4.83	
Net loss before goodwill amortisation and equity-results	**- 5.4**	**- 1.1**	**390.9 %**
per share in €	- 0.56	- 0.11	



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Uwe Wassermann, Vorstand

Gerhard Weiß, Vorstandsvorsitzender

Foreword

Ladies and Gentlemen, dear shareholders and business associates,

2002 was not an easy year for the Nemetschek Group, given the economic downturn in the construction industry and the disappointing overall weakness of Germany's economy. The economic pressure experienced by our primary clientele is worsening, which caused reluctance to invest in IT solutions and services. We reacted to these developments by stepping up our restructuring program. This involved implementing cost reduction measures, bundling our industry know-how and forging ahead with the internationalization of the group. All these steps have already yielded positive results: Operating expenses dropped significantly, we focused our core competencies more efficiently by merging business activities, and the proportion of sales from international business increased. This is a strategy that we will continue to implement consistently.

As we cannot be satisfied with the past business year, we must expand these core competencies and thus hone the resulting competitive advantages even further. Nemetschek's integrated, comprehensive and complete IT solution offering is our leading strong point and the exclusive hallmark of our company – from design and construction to management of buildings and real estate. At the same time, the current business year is a special one for Nemetschek, since we will celebrate the company's 40th anniversary. Our company and its products have a firm place in the world of architecture, engineering, construction companies as well as facility and real estate managers. Software displaying the Nemetschek logo stands for guaranteed professionalism and reliability, which is the reputation we work for and strive to achieve every day.

Forty years of Nemetschek means 40 years of industry experience and practical innovations. In everything we do, our focus is on the customer. Our offering of seamless solutions and services provides our customers with the crucial edge that helps them succeed. With our consulting competence and offerings of state-of-the-art information technology we help our customers to optimize their processes, deploy resources efficiently and increase profits.

We would like to extend our thanks to all our shareholders and customers as well as our employees for their commitment. We are convinced that our strategy is a sustainable one and we are confident that we will achieve the turnaround in the current business year, which will form the basis for the long-term success of the company.

Best regards,

Gerhard Weiß
Chairman of the Board

Uwe Wassermann
Member of the Board

Building the Future

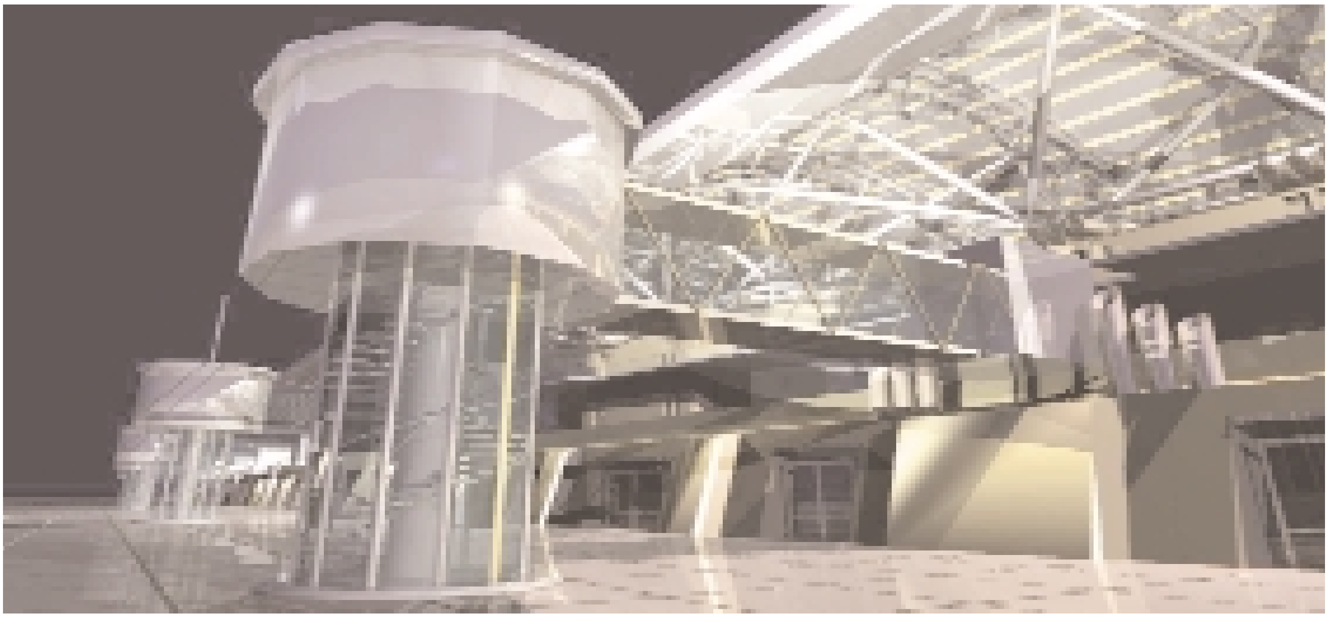
Focus on the customer
The Nemetschek Group has set itself the task of building a bridge between the construction industry and the world of information technology. Founded 40 years ago, Nemetschek today offers innovative and integrated solutions for all phases of a building's life cycle – from design and construction to management. Starting with initial architectural designs, presentations, CAD planning, structural analysis, expense budgeting, tendering, awarding of contracts, the business and technical aspects of construction implementation, project handling and controlling to providing IT solutions for facility and real estate management.

In everything we do, our focus is on the customer. Our offering of seamless solutions and services provides our customers with the crucial edge that helps them succeed. The Nemetschek Group's goal is to utilize its consulting competence and its offerings of state-of-the-art information technology to help our customers optimize their processes, use resources efficiently and stay competitive. After all, customer and strategic market orientation are central criteria for an innovative company like Nemetschek. Especially in times of economic weakness like the construction industry is currently experiencing, we remain a supportive, innovative and trustworthy partner for our customers.

IT competence for design, construction and management
In our construction-related target markets, sales increases are currently limited by a weak economy, which means that all participants must strive to increase their efficiency and profitability. Our software solutions are designed to support precisely this goal. They stand out not only because of their performance, but also because they are optimally integrated. Our product line of complete solutions constitutes a significant competitive advantage for Nemetschek, an advantage we continuously expand upon and one that our strategy is focused on. Renowned customers, such as the Halfen Group, Switzerland-based Marti AG, Züricher-Versicherung and the Allianz Arena München Stadium GmbH are evidence that our strategy is on target. We continue to add to our product line of solutions by expanding into new software environments and by developing new products for mobile data processing. International business is another pillar upon which our strategy is based. While we have already acquired a large share of the German market, we were able to expand further in the international arena and slightly increase sales, so that international sales now make up 41% of total sales. Now we must be consistent in continuing along this path and take advantage of opportunities that present themselves.

Four decades of industry know-how
2003 is a very special year for us, since Nemetschek will be celebrating its 40-year anniversary. That is a long time to be in business for an IT solution provider, a time during which we acquired a great deal of industry know-how. Nemetschek has been setting trends for forty years. Plus, we have been setting new standards for CAD planning with our planning software since the 1980's. In past years, Nemetschek has introduced many industry-specific innovations that have had a significant impact on the market,

Allianz Arena - HERZOG & DE MEURON



such as, for example, our digital drawing board D-Board®, which has been copied often and has yet to meet its match.
This is a Nemetschek tradition that we will continue in preparation for the creation of innovative and practical IT solutions.

We owe the successes upon which we build our future to our employees. Without properly motivated and knowledgeable employees, such results would not be possible. Nemetschek can rely on many long-time industry experts, who are in touch with the market and continue to set new milestones in collaboration with customers and interested parties. For these reasons and due to our proximity to the market and to our customers, we are certain that we will remain pioneering innovators.

Networking strategy

A substantial step for us during the past business year was optimization of our Group's structure. With the merger of IBD GmbH and Henke & Partner GmbH & Co. KG into Nemetschek Bausoftware GmbH, we have created a new pioneering company that provides integrated, complete solutions for building contractors and construction management. We have also bundled our competencies in the management domain by merging Nemetschek AG's Facility Management business unit with SpeedWare-Software GmbH & Co. KG. The merger has created Nemetschek CREM Solutions, a leading vendor of innovative software solutions and services for all areas of building usage: From business and technical aspects to infrastructure-based facility and real estate management.
This networking strategy made it possible for us to improve our product line of complete solutions for our customers and provide them with integrated IT solutions for the design, construction and management of buildings and real estate. With these goals in mind, the Nemetschek Group will continue to offer the construction industry integrated and innovative, complete solutions and build upon the "Nemetschek" brand name's reputation:
"Nemetschek - Building the Future".

Boundless creativity and cost security

Architects and engineers today are faced with changed market conditions. Economic pressures have increased dramatically, a situation that will likely continue in coming years. Requirements are rising: Buildings must be constructed within a very narrow expense and scheduling framework and without loss of creativity or planning quality. That is why planning design firms must optimize their processes and offer additional services, especially at times when investment levels in construction projects are low. Towards this end, Nemetschek offers remarkably powerful and innovative IT solutions that not only make it possible for our customers to quickly accomplish individual tasks at a high level of quality, but also optimally integrate different planning processes with each other, thus significantly reducing costs and the time needed to complete the tasks.

During the past year, we have devoted much creative energy to the further development of Allplan, our leading planning software. With the release of two new versions, we were once again able to set new standards in CAD development. Our open development platform made it possible for us to expand Allplan with numerous practical modules. Due to this openness and the resulting strategic alliances with our partners, we offer our customers expanded and additional value and a broader range of services and products. Powerful and pioneering developments are our guaranteed path to success and we are happy to see our software used in the creation of spectacular buildings. For example, last year's opening of Pinakothek der Moderne featured a building designed by our long-time customer Stephan Braunfels.

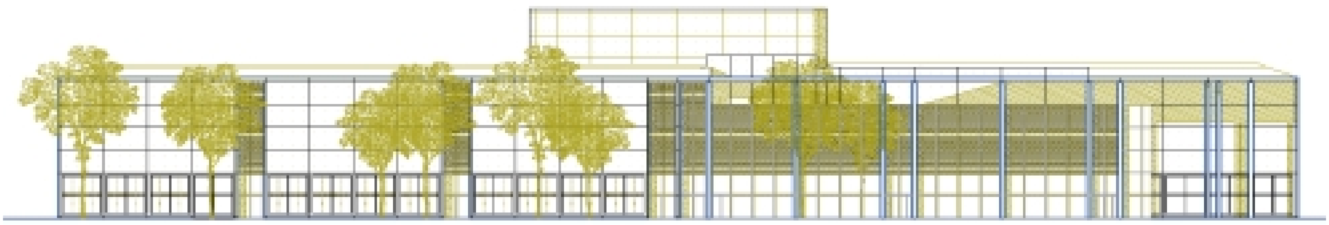
"Allplan, Nemetschek's CAD software solution, has provided us with optimal support during all design phases for Pinakothek der Moderne and, in the process, energised our creativity at the same time. For me, Allplan is the ideal software solution for the design of demanding architecture projects that allows me to implement even extraordinary ideas without compromises."

Stephan Braunfels, Architect

New software solutions for central phases of the planning process, as well as for tendering and contract awards for services enable our customers to significantly improve methods for exchanging information as quickly as possibly and thus attain a higher level of quality in construction tendering. No other software offers the same level of quality, planning security, and most especially cost security.

Moreover, since construction processes involve many project participants, the quick and seamless exchange of information and data is an important criterion for success. The Nemetschek Group offers its customers an extraordinary range of products and services in this area. After all, in the area of planning and design, Nemetschek AG and its subsidiaries acadgraph CAD STUDIO GmbH, Friedrich + Lochner GmbH, Glaser ISB CAD Programmsysteme GmbH and Nemetschek North America Inc./ VectorWorks, offer a product line capable of interacting with all varieties of software.

The Allianz Arena stadium is an especially prominent reference example that uses several Nemetschek solutions at the same time. In addition to providing substantial consulting services to the design architects, acadgraph is responsible for the multi-media concept and the visualization of Munich's new soccer stadium. Nemetschek's planning software Allplan is being used for the structural design planning of the Allianz Arena's exterior and roof. Software offered by our subsidiary Glaser ISB CAD Programmsysteme



GmbH is being used to design the stands and Nemetschek's prefabricated units software program Already is used to design and manufacture more than 60,000 m^2 of slab units.

In addition to the design work performed by architects and engineers, business aspects and office management concerns are becoming increasingly important today. That is why Nemetschek developed its new product MyOffice, an IT solution specifically for design firms that helps them to create more transparent project information and more efficient work processes, which makes it much easier to access information and knowledge. MyOffice provides a better way to meet organizational and control requirements that have become more demanding in times of rising economic pressure.

To enable our customers to derive even more benefits from the Nemetschek Group's strengths, we also streamlined our engineering sector. The respective interfaces between solutions offered by Friedrich + Lochner GmbH, Glaser ISB CAD Programmsysteme GmbH and Nemetschek AG's engineering software have been improved even further. With customized project developments for renowned customers, such as Halfen-Deha Group, YTONG or FTU Fertigteil Union Gesellschaft, we have further expanded the engineering sector.

Five of five stars as a seal of quality for our Allplan software: Nemetschek's planning solutions are becoming more popular and successful at the international level as well, a development that was acknowledged by leading U.S. industry magazine CADALYST. In 2002, CADALYST ranked our Allplan planning software as "highly recommended" and awarded it the maximum of five stars. It is up to Nemetschek to build upon these positive reactions in order to further the Group's internationalization plans.

Allplan was used to design the Pinakothek der Moderne Foto: Ulrich Schwarz

Process optimization during all construction phases

The past year began with an important reorganization in the Build business unit. Henke & Partner GmbH & Co KG and IBD GmbH merged in early 2002 and are now working under the same roof as Nemetschek Bausoftware GmbH. The new company is headquartered in Achim. With branches located in the German-speaking area, the company has access to a close-knit sales and service network, which is very popular with customers and interested parties.

Due to the two companies' many years of industry experience, resource optimization for software development, a promising product line, a powerful sales organization and an experienced service team, Nemetschek Bausoftware GmbH has had a great start. We successfully created a new company that has bundled IT competencies in all of the business and technical aspects related to construction. Already, more than 1,800 small, medium-sized and industrial companies in the construction industry and construction-related trades are working successfully with Nemetschek software in German-speaking regions.

Due to intense levels of acquisition and consulting activity, Nemetschek Bausoftware GmbH 2002 was able to win a number of significant contracts, such as, for example, Wiemer & Trachte and Ritter Starkstrombau. Nemetschek achieved these successes despite reluctance to invest in information technology in a weak economy. These successes are proof of our customers' trust and the interest in our products and our company. Moreover, in doing business with existing customers, our consistently high level of technical consulting and customer services was rewarded with increased sales. Nemetschek Bausoftware GmbH will continue on this path towards success.

"We awarded BAU financials a grade of 'very good' in all our tests. I wanted to work with this product."

Ernst Flühmann, Associate Director of Anliker AG

Positive responses to our complete solution BAU financials were above average in Switzerland, where more and more companies are deciding to work with this software from Nemetschek. All existing customers consider themselves references and are working independently as multipliers. Roland Erb, Business Manager at Specogna Bau AG: " BAU financials from Nemetschek will soon become the leader in Switzerland's construction software market. We are very satisfied with the software and we are recommending it to other companies."

Auer Bausoftware GmbH, our Austrian subsidiary, can also look back upon a successful year. More and more customers with large projects in the Austrian market are choosing Auer's leading solution. Consortio TAT - the consortium in charge of the Gotthard Tunnel expansion project, is relying on the program AUER Success to keep track of construction work accounting for both phases of the construction project.

Clearly, the Nemetschek subsidiary Auer completed the tendering process way ahead of the competition. The Gotthard

Tunnel expansion is a large-scale project budgeted at 1.4 billion Swiss Francs and will take nine years to complete. Millcut tunneling will be used to construct two tunnels that are each 30 km long. The Gotthard Tunnel project, as well as the BMW plant in Steyr, which uses our IT solution AUER Success, demonstrate the quality and future viability of our product line. We will continue to devote ourselves to meeting this demand as well as to the continuous development of innovative products.

Construction site of our customer Anliker AG in Altishofen, Switzerland

Organization and profitability increase real estate value

During the past year the focus of the Nemetschek Group's Manage business unit was on the merger of Ratingen-based Nemetschek subsidiary SpeedWare-Software GmbH & Co. KG with Nemetschek AG's Facility Management business unit. The resulting new company is doing business as Nemetschek CREM Solutions GmbH & Co. KG. CREM stands for Corporate Real Estate Management. In pursuing this merger, Nemetschek had two goals: On the one hand, the company aimed to bundle its activities in the Manage segment for the benefit of its customers. At the same time, with the creation of a new company and brand name, the goal is to implement an integrated product line. For the first time, customers in the field of facility and real estate management will have a single point of contact providing them with access to a complete and seamlessly integrated solution offering in both the technical, business and infrastructure domains – Nemetschek offers one-stop solutions.

The market responded very favorably to the merger, as demonstrated by numerous new orders. For example, Zürich-Versicherungsgesellschaft, one of the world's leading insurance and financial service providers, has entrusted Nemetschek CREM Solutions with the implementation of its facility management project. Our software solutions include support for numerical and graphic space allocation planning, management of furnishings, relocation planning and maintenance and provide key data for management. With Nemetschek's help, Züricher-Versicherung masters facility management tasks for 200,000 square meters of office space and the administration of 9,500 employees throughout Switzerland. Our well-developed European network plays an important role here, as the Swiss company Nemetschek Fides & Partner AG is serving this customer.

"Nemetschek Fides & Partner AG's comprehensive expertise and its range of products and services convinced us that it was the right choice for our FM 2001 project. The company was there to assist us during the implementation phase with new ideas and suggestions and was always available to provide support and advice."

Enrico Keller, Manager of Space and Agency Planning at Zürich-Versicherungen

Nemetschek also continues to succeed in the public sector. For example, the combined data processing center Rhein-Erft-Rur has switched to our FM solution Allfa. Nemetschek CREM Solutions' new customers also include CBB Holding AG, one of Germany's largest publicly traded real estate corporations. In the future, CBB Holding AG will use our IT solution to manage its real estate inventory of residences, office and commercial buildings, hotels, shopping centers, retail space and properties totaling about 625,000 square meters.

Along with the recruitment of new customers, plans for the future also include the development of new solutions for facility managers, the housing industry and real estate management companies. It is our goal to provide even better support services for our customers to assist them with optimizing their business processes. To achieve this goal, our Manage business unit has taken our proven products and adapted them to new market developments. Real estate solutions were equipped with a state-of-the-art user interface. Now large volumes of data can be processed much faster – which truly means added value for our customers.

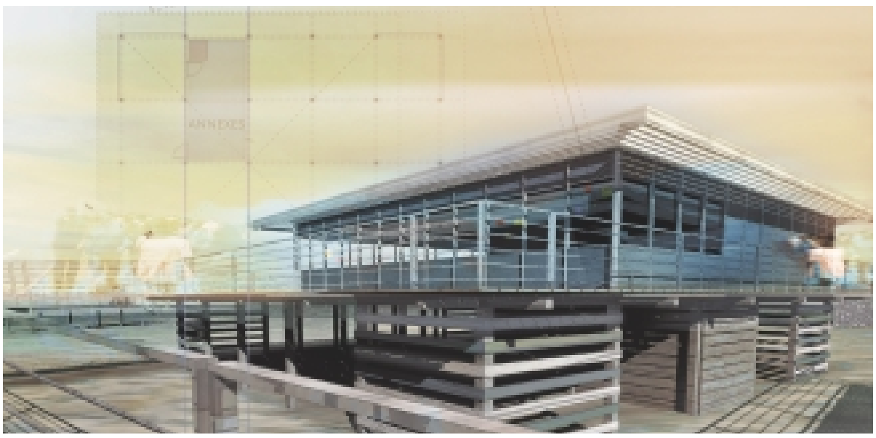
To expand our market position as a leading vendor, we continue to promote the integration of real estate and facility management solutions. In a first step, we have expanded our technology base and now use Oracle as an overall database. This means that users from the facility management and real estate segments can now access the same data pool. The advantages that come with a seamless solution are the exclusive hallmark of Nemetschek products and one that we will continue to develop further.

Last year, MAXON, Nemetschek's multimedia subsidiary released a new version of its successful 3D animation software CINEMA 4D. An important step in this process is the conversion to a modular system in order to attract new groups of customers. The application can now be assembled entirely according to the customer's needs, which means that the customer can make the most of his budget even at times of restricted IT budgets.

Due to numerous possible usages for all types of visualization, CINEMA 4D is already an attractive product for a wide range of customers. The primary focus is on the media sector, especially the film industry. MAXON software was used in part in the creation of blockbuster hits, such as Star Wars Episode 2 and Spiderman.

Customers especially praised CINEMA 4D's speed and stability. This customer segment also uses the software for the production of music videos and commercials. MAXON also offers an ideal set of tools for architects, due to the integration of Nemetschek AG's planning software Allplan and VectorWorks. Graphic designers and illustrators today are expanding their activities to include the third dimension. This trend is emphasized by the extensive use of CINEMA 4D in journals and magazines.

While competitors mainly attracted attention for closures of development and sales branches and drastic price reductions, MAXON's new products earned highest praise in the trade press and overwhelmingly positive responses from customers. The reason: Excellent product quality, integration of customer wishes, and a high degree of market proximity.



Architect: Patrick Taurand - Bordeaux © 2002 Hervé Genries

Share performance

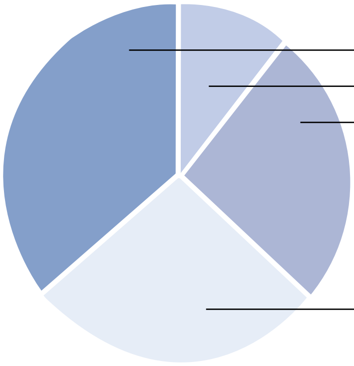
Share price development
During 2002, stock market trends reflected the lackluster development of the global economy. At the beginning of the year, observers still expected economic growth during the second half of 2002, but those expectations remained unfulfilled. Investor reluctance was more noticeable than ever before. Substantial drops in construction investments in Germany also affected Nemetschek AG's consolidated balance sheet. Consequently, we were forced to revise our planning numbers downward and did not reach our sales and profit targets defined at the beginning of the year. The overall result reflects special expenses for restructuring measures that were necessary to steer the company back onto the path towards profitability.

During 2002, the DAX index lost 44% of its value and the NEMAX All-Share index dropped by 63%. Nemetschek's stock did not escape the consequences of this negative environment. Nemetschek shares were valued at EUR 4.35 at the beginning of 2002. After a year of turbulent developments, the stock closed 70% lower at EUR 1.31 on December 30, 2002. This means that the company is valued at just under EUR 13 million. Despite the difficult economic situation and unsatisfactory results for the year 2002, we believe that the current stock price substantially undervalues the company's worth. The Group reported more than EUR 100 million in sales during 2002, as well as a positive cash flow. The company's liquid assets as of December 31, 2002 total EUR 21 million. At the same time, we expect to return to profitability in 2003, thanks to the positive effects of the restructuring program.

Number of shares and subscription rights held by directors of Nemetschek AG as of December 31, 2002

	Number of shares	Subscription rights
Board of Management		
Gerhard Weiß	26,092	7,700
Uwe Wassermann	24,667	7,700
Wolfgang Hilpert	0	0
Supervisory Board		
Kurt Dobitsch	0	0
Prof. Dr. Hans-Jörg Bullinger	0	0
Prof. Dr. Clemens Jochum	600	0
Prof. Georg Nemetschek	3,646,732	0
Dr. Ralf Nemetschek	1,241,625	0
Dr. Jürgen Peters	15,400	0
Company shares owned by Nemetschek AG	14,245	0

New stock market segmentation
In November 2002, the Exchange Council of the Frankfurt Stock Exchange decided upon a resegmentation of the stock market to bolster acceptance and trust in Germany as a financial center. As of January 1, 2003, this reorganization comprises two segments: Prime Standard and General Standard. One of the decisions handed down by the Exchange Council was to discontinue the Neuer Markt segment by the end of 2003. With respect to the General Standard, the Exchange Council merely adopted legislative requirements on reporting and transparency, while the Prime Standard contains additional, internationally accepted specifications. Nemetschek has been meeting these requirements since its stock was listed on the Neuer Markt stock exchange. The company wants to continue to provide its stockholders with current and comprehensive information. That is why the Board applied for admission to the Prime Standard in December 2002. Nemetschek AG's stock has been listed in the Prime Standard since January 1, 2003.



Shareholder structure

Shareholder structure as of December 31, 2002 remained the same compared to the previous year. The Nemetschek family is still the majority shareholder and owns 73.3% of the stock. The free-float amounts to 26.7% of shares, including 0.15% owned by Nemetschek AG.

Corporate Governance

The German Corporate Government Code Commission appointed by the German Government presented the "German Corporate Governance Code" on February 26, 2002. The German Corporate Governance Code contains important legislative regulations 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.

Corporate governance refers to the entire system of a company's internal and external management and oversight mechanisms. The goal is to create as much transparence as possible to foster trust among national and international investors, customers, employees and the public in the management and oversight of publicly traded corporations.

Nemetschek AG welcomes the adoption of the Code, which constitutes an important contribution to value-based and transparent corporate management. Every year, the Managing Board and Supervisory Board will issue a statement that the company adhered to recommendations of the government commission's "German Corporate Governance Code", and will specify which recommendations were and are not being implemented.

Compliance declaration in accordance with Sec. 161 of the Stock Corporation Act

"The Board of Management and the Supervisory Board hereby declare that the company complies with the recommendations of the Government Commission's German Corporate Governance Code, with the following exceptions:

- The information relevant to the General Meeting has not been published to the website in full (2.3.1 of the Code). Commencing with the General Meeting 2003, the company will comply with such recommendation under the Code.
- The option of broadcasting the General Meeting via the Internet ("webcast") or other state-of-the-art communications media is currently not being considered (2.3.4 of the Code).
- Under the D&O insurance, there is no deductible for officers (3.8, paragraph 2, of the Code). Nemetschek AG does not believe that a deductible would improve the motivation or sense of responsibility of the officers of the Board of Management and the Supervisory Board.
- Commencing with the annual report for the fiscal year 2002, the Board of Management and the Supervisory Board will, for the first time, report on the company's corporate governance (3.10 of the Code).
- The remuneration for members of the Board of Management is shown in a single amount in the annual report. An itemised account of the remuneration for members of the Board of Management, according to basic salary, profit-related components and components related to long-term incentive awards, is not currently planned (4.2.4 of the Code).
- There is no explicit age-limit rule for members of the Board of Management, and no such limit is planned (5.1.2, paragraph 2, of the Code).
- No committees have been formed so far (5.3.1 of the Code). Should this be required in future, relevant committees will be set up.
- No audit committee has been set up so far (5.3.2 of the Code). So far, the practice has been for the Supervisory Board to appoint an auditor for carrying out the auditing mandate. Given the number of members of the Supervisory Board, which is to be lowered to three members as of the General Meeting 2003, the Supervisory Board will, as a whole, carry out the tasks of the audit committee.
- No explicit age-limit has been set for members of the Supervisory Board, and there are no plans for such a limit at this time (5.4.1 of the Code).

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

- The dates of the essential periodical publications were announced, in some cases, at short notice during the fiscal year 2002 (6.7 of the Code). Commencing with the fiscal year 2003, it is generally planned to publish such dates in advance to allow for sufficient time.

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

- The balance-sheet auditor has not been given any consulting mandates so far; a declaration as to the independence of the auditor and its officers and its main auditors on the one hand, and the company and its officers on the other, has not been obtained (7.2.1 of the Code).
  Such a declaration will be obtained in future."

Munich, December 2002
Nemetschek AG Managing Board and
Supervisory Board

Shareholders have permanent access to this declaration by visiting Nemetschek AG's Internet Website at (http://www.nemetschek.de, under "Investor Relations / Corporate Governance".

Consolidated Financial Statements of Nemetschek AG

As of December 31, 2002

Group Management Report

During the 2002 fiscal year, the Nemetschek Group's sales and earnings trend was significantly affected by the generally weak economic situation in Germany as well as by a continuing, steep drop in building investments. Nemetschek's most important customer segment is the construction industry, whose economic situation continued to decline significantly. This, in turn, deepened reluctance to invest in information technology. Due to these unfavorable conditions, Nemetschek did not meet its sales and profit forecasts. In particular, domestic sales in the Design and Build business units remained below target as well as below the results of the prior year. While it was possible to increase international sales slightly, they remained below expectations. By contrast, NEMETSCHEK NORTH AMERICA Inc. and the MAXON Group reported a positive trend in sales. In reaction to falling results in many parts of the Group, the Board has implemented a restructuring program that includes extensive measures to reduce costs and improve organizational procedures as well as processes. This restructuring program has already resulted in a significant decrease in operating expenses for 2002. During the 2003 fiscal year, the Nemetschek Group will continue its consolidation efforts and maintain its focus on its core business.

Situation in the Industry

Construction industry

In 2002, Germany experienced a continued overall economic slump. While leading economic research institutes were still counting on a notable economic upturn at the beginning of the year, these forecasts had to be revised downward during 2002. According to the German Federal Statistics Office, Germany's real gross domestic product exceeded the prior year's results by no more than 0.2 %. The construction industry's economic situation remained critical, and the ongoing negative sales trend continued. According to Germany's main construction industry association, construction industry sales decreased by 5.9 % during 2002. With a decline of 6 and 7 %, housing and commercial construction were affected most severely by the negative economic situation. An additional decline in sales totaling 4 % is expected for 2003. The downward trend in new construction has severe consequences for design professionals, architects and civil engineers. While the Ifo Institute architect's poll still reported a slight improvement in the overall business climate for the first half of 2002, poll results for the fourth quarter of 2002 revealed lows not seen since the beginning of the poll. Expected growth rates in construction activity for all of Europe also had to be revised downward and euroconstruct expects to see a construction volume growth rate of no more than 0.3% for Western Europe in 2002. Moreover, an expected growth rate of 0.4% for 2003 does not yet signal a lasting recovery. It is expected that growth rates of more than 1 % will be achieved again as of 2004. Central Eastern Europe even experienced a decline of 2.9 % in construction volume and euroconstruct expects a growth rate of 4.4 % in the region as early as 2003.

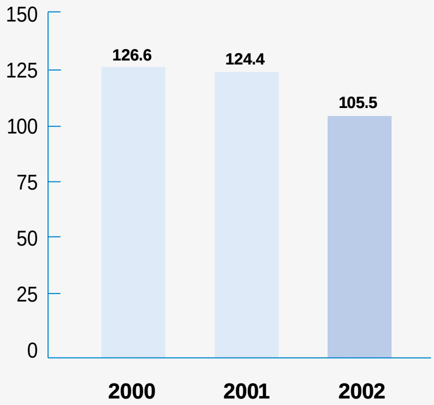
IT sector continues to experience investment reluctance

Since 2000, the IT sector has been subject to increasing investment reluctance, a trend that has affected investments in replacement hardware as well as new software purchases. According to estimates of the European Information Technology Observatory (EITO), investments in information technology dropped by 3.4 % in 2002 in Germany, while investments increased by 0.1 % over the prior year in Western Europe as a whole. Germany is expected to experience another drop of 1.7% in 2003, while IT investments in Western Europe as a whole are expected to increase by 1.9 %.

Market trends

The persistent economic crisis affecting the construction industry increases pressure on competitors within the market. To weather current market conditions, it is essential to design routine processes as efficiently and inexpensively as possible, which explains the persistent trend towards integrated software solutions that provide users with optimum support for the management of different tasks. Such solutions include office and cost management programs that improve processes as well as documentation and increase cost transparency. We also expect the development of a new market in mobile applications for the construction industry, made possible by high-performance Tablet PCs with touch-sensitive displays.

Nemetschek Group Revenues
in million €



Business Units Report Declining Sales

Design
Business with architects and construction engineers was dominated by the persistent crisis in Germany's construction industry. During the 2002 fiscal year the income situation for these professions continued to worsen. Consequently, the business climate for architects is at its lowest level in more than 20 years. The downbeat mood and unfavorable forecasts for the future have markedly dampened investment readiness and significantly decreased domestic sales.

Nemetschek was able to increase its international sales results slightly. NEMETSCHEK NORTH AMERICA Inc. reported a positive development with respect to sales and earnings, boosted by the release of the new Version 10 of VectorWorks. NEMETSCHEK UK Ltd. in Great Britain generated its first contribution. All the same, sales remained significantly below expectations. In Poland, NEMETSCHEK Polska Sp. zo.o.'s business operations were transferred to a sales partner in April 2002, thus reducing costs while protecting licensing revenue through the sales partnership agreement.

Sales revenues in the international group companies (France, Italy, Switzerland, Austria, England and Eastern Europe) were 2% lower than in the prior year and also lower than planned.

In late 2002, Nemetschek launched additional product innovations with the introduction of new versions of its CAD software Allplan 2003 and its tendering software Allright 2003. The new versions feature easier user guidance, new functions as well as improved integration. Nemetschek also introduced a new version of the office and project management software MyOffice 2003.

The group companies Glaser ISB CAD Programmsysteme GmbH and acadgraph CAD STUDIO GmbH fared well in a difficult economic environment and reported comparatively moderate declines in sales of 7% and 10%, respectively. Moreover, acadgraph CAD STUDIO GmbH secured project management responsibilities for the visualization of the Allianz Arena stadium in Munich, which is a prestigious success for the company.

Build
After an initially positive development during the first quarter, the building contractor sector reported a drop in sales of 12% for the year as a whole. Weak economic conditions, especially in Germany's construction industry, accounted for slow sales reported by Nemetschek Bausoftware GmbH, founded on January 1, 2002, through the merger of IBD GmbH and Henke & Partner GmbH & Co. KG. By contrast, results improved at the international level, especially in Switzerland, where the company attracted renowned customers such as Marti AG, one of Switzerland's largest construction companies. Nemetschek Bausoftware GmbH was also able to meet its planning goals in implementing its merger schedule. By consistently taking advantage of synergies, it was possible to compensate in part for declining sales and thus achieve a slightly positive operating profit.

ING. AUER – Die Bausoftware GmbH primarily does business in Austria and reported another positive year. The company almost matched its prior year's results in terms of sales and profit. The company's flagship product AUER Success is now available in Version 2.5 and has won numerous projects. For example, the product is now being used in setting up the new BMW plant in Steyr. As part of this project, AUER Success handles the tenders for all construction work and building services, contract awarding, accounting and accounting checks while ensuring effective cost management.

Manage
In the Real Estate Management business unit, sales revenues were increased compared with the prior year's level. Nemetschek AG's Facility Management business unit was transferred to the subsidiary SpeedWare-Software GmbH & Co. KG, which now does business under the name Nemetschek CREM Solutions GmbH & Co. KG. This transfer means that the Group's activities in the technically oriented sector of facility and commercial real estate management were bundled into a single source for the first time.

In June 2002, Nemetschek launched the new Version 17 of Allfa, which once again proves its leadership in innovation in the areas of cost management and the visual display of building facilities and equipment.

The sales company X-WORLD GmbH reported a deficit, along with continued low sales and the company was sold as part of the restructuring program.

New Business Opportunities

This business unit consists of MAXON Computer GmbH and its subsidiaries. After a turbulent period of growth in 2001, the MAXON Group was once again able to achieve a moderate increase in sales revenue in 2002. The Group more than compensated for declining sales in Germany with gains in international business. However, results were negative due to overall lower advertising investments, continued stiff competition and price dumping among competitors. MAXON's subsidiary in Great Britain reported positive results and contributed more than EUR 1 million in sales. The branch is the result of the takeover of former distributor HiSOFT Systems. CINEMA 4D's new Version 8 significantly contributed to sales. This software for the visualization and animation of media products was released in the fall of 2002 and has won multiple awards. Among other improvements, this version includes numerous new functions for workflow and character animation tasks.

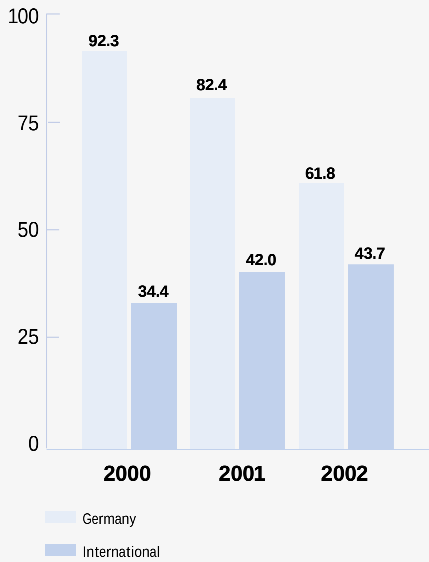
While Apsis Software AG still reported striking sales growth with project and cost management solutions during the 2001 fiscal year, sales revenue collapsed dramatically during 2002. The extensive consolidation measures, which were introduced at the insistence of Apsis Software AG's supervisory board, were, however, insufficient to balance costs against a steep decline in sales. Apsis Software AG filed for insolvency in September 2002, since Nemetschek Group could not justify a large financial contribution for refinancing purposes and no additional investors could be found.

Sustained economic weakness in the construction industry decreases Nemetschek's Group sales

During the 2002 fiscal year, the Nemetschek Group's sales and earnings developments were significantly affected by the generally weak economic situation as well as by a continuing, steep drop in building investments in Germany. There is a lasting reluctance to invest in information technology, especially in the construction industry. The Nemetschek Group did not remain unaffected by this trend at the national level, so that the company had to absorb a 15% decline in sales revenues from EUR 124.4 million to EUR 105.5 million.

Nemetschek Group Revenues Germany/International

in million €



Due to better economic conditions abroad, international sales revenues increased by more than 4 % to EUR 43.7 million (prior year: EUR 42.0 million). This means that the proportion of international sales increased to 41% in 2002, compared to 34% for the prior year.

All business units reported declining sales, with the exception of the Manage business unit, which booked sales revenues of EUR 10.3 million (prior year: EUR 9.6 million). The Design business unit experienced the steepest declines and posted sales revenues of EUR 76.3 million, compared to EUR 93.2 million for the prior year. This decline was caused by the weakness in Germany's domestic market as described earlier.

Consistent implementation of restructuring measures in 2002

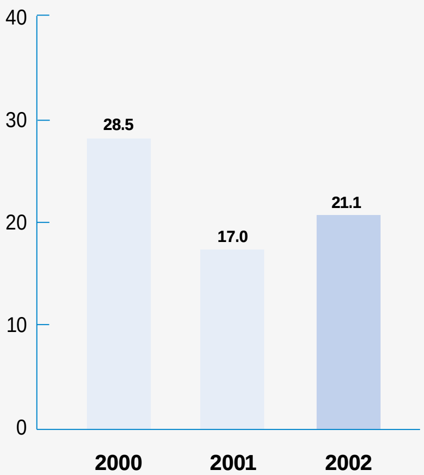
The Nemetschek Group's operating profit amounts to EUR -7.9 million (prior year: EUR -35.5 million). This figure includes special expenditures for restructuring of EUR 8.1 million in the area of personnel reduction (EUR 3.9 million) and related additional provisions (EUR 2.2 million), as well expenditures due to Apsis Software AG's bankruptcy (EUR 2.0 million). The operating profit before special expenditures is marginally positive and amounts to EUR 0.2 million (prior year: EUR -2.8 million).

Cost cutting measures, especially those implemented during the last two quarters, significantly reduced operating expenses. Operating expenses before special expenditures for restructuring in 2002 (EUR 8.1 million) or special goodwill amortization and special expenditures in

2001 (EUR 32.7 million) decreased by EUR 21.3 million or 16.5 % compared to the prior year.
In addition to taxes and minority interests, expenditures from associated companies cost the Group EUR 1.6 million against its earnings (prior year: EUR 8.6 million).

This means that the Group's net earnings amount to EUR -11.7 million (prior year: EUR -46.5 million); the loss for the year before special expenditures and expenses from associated companies amounts to EUR -2.0 million (prior year: EUR -8.4 million).

Nemetschek Group Liquid Assets
in million €



Liquid assets increased by EUR 4 million
As of December 31, 2002, the Nemetschek Group was able to increase its liquid assets by EUR 4.1 million, from EUR 17.0 million to EUR 21.1 million. The Group's cash flow from operating activity increased to EUR 11.7 million (prior year: EUR 4.3 million). This figure reflects a substantial decrease in trade receivables of EUR 5.2 million. The period cash flow by DVFA/SG method amounts to EUR 2.7 million (prior year: EUR 5.0 million).

The negative cash flow from investment activity of EUR 5.7 million breaks down into intangible assets (EUR 4.3 million), including the purchase of an additional 8 % stake in ING. AUER – Die Bausoftware GmbH, investments in property, plant and equipment (EUR 0.9 million), as well as payments of variable purchase prices from company acquisitions (EUR 0.5 million) in 1999.

Trade receivables amount to EUR 17.1 million (prior year: EUR 22.3 million).

The equity capital totals EUR 52.2 million as of December 31, 2002 (prior year: EUR 65.5 million); the equity capital ratio is 61% (prior year: 68 %). The change in equity is shown in a separate transitional statement.

Research and development
The Nemetschek Group's mission is to serve its customers with leading and innovative software solutions in terms of performance and function. This means that Research and Development plays an important role. The Nemetschek Group has almost 220 employees working in software development and product management, as well as an additional 30 employees working in quality control and documentation. This means that about 36 % of Nemetschek employees work in development-related areas. These employees are highly qualified and most of them hold an academic degree.

Within the framework of its restructuring measures, the Nemetschek Group also made adjustments to its Research and Development division. In the process, 80% of shares of NEMETSCHEK EOOD, Sofia, were sold to the management (MBO) and to the associated company DocuWare AG. Nemetschek AG owns a 30% stake in DocuWare AG.
Nemetschek's international development facility located in Bratislava continues to play a central role in the Group's development activities. As of December 31, 2002, the Bratislava facility had 80 employees who perform development tasks for several of the Group's companies.

The Nemetschek Group's focus is on new and continued development of standard software and on project business involving customer-specific customizations based on Nemetschek products. The Nemetschek Group also plays an active role in different EU research projects as well as in projects sponsored by the German Federal Ministry for Economic Affairs. For example, a consortium consisting of Nemetschek AG and other companies emerged as the winner of the German Federal Ministry for Economy and Technology's (BMWi) "MobilMedia" contest. "MOBIKO" is a project dedicated to the development and testing of mobile applications for the construction industry in model applications, as well as the necessary basic services for wireless networks.

Employees
As of December 31, 2002, the Nemetschek Group had 760 employees (full-time), with 429 of them located in Germany. On December 31, 2001, the Nemetschek Group still employed 1,017 people. Most employees are highly qualified architects, civil engineers, computer scientists and business economists. The Group cut 201 full-time jobs as part of its restructuring program. In addition, the total employee figure no longer includes 56 employees of Apsis Software AG due to the company's insolvency and deconsolidation.

Risks to future development
As a software vendor and provider of services for real estate and building design, construction and management, the Group is affected by the level of building activity, in particular as far as the first two, building design and construction, are concerned. For several years now, the building design and construction industry has undergone a phase of accelerated consolidation, which led to a bear market and economic losses for our customers. Owing to the high level of penetration with CAD products of the German market in particular, winning new customers is an increasingly difficult task. The Nemetschek Group has reacted to these unfavorable market conditions by implementing an extensive restructuring and cost cutting program, with the goal of remaining profitable even at times when sales are low. However, if the current level of building activity should persist or deteriorate, significant disadvantageous effects on sales revenues and profitability, and thus the Group's liquidity, cannot be excluded.

Nemetschek offers software that it develops itself as well as software developed by third parties. The market segments in which the group is active are marked by rapid technological change. Changing customer needs and the continuous launch of new products go together. New software standards often result in products with short life cycles. The success of the Group will depend on its ability to introduce new and improved products into the market on a constant basis. It is essential to keep pace with technological developments on the market, to comply with the latest software standards while meeting increasing customer requirements. To accomplish this, highly qualified employees in the area of information technology have to be employed on a long-term basis. Nemetschek aims to attract and retain suitably qualified employees with attractive and modern jobs in Germany and its international development facility in Bratislava.

Nemetschek AG acquired numerous companies between 1998 and 2000. The success of these acquisitions depends on their integration in the Nemetschek Group, as well as the clear definition of the position of these companies within the markets they serve. To avoid exposure to possible risks with respect to the company's revenue and liquidity position, Nemetschek has bundled competencies at the respective subsidiaries. In addition, Nemetschek AG has improved its management support program and has implemented strict cost management and consistent controlling measures.

Events after the end of the 2002 business year
No significant events have occurred after the end of the fiscal year.

Outlook
2002 was a year characterized by continued weakness in Germany's construction industry as well as by additional restructuring measures within the organization, in conjunction with significant cost cutting measures. The Nemetschek Group cut more than 200 jobs, not including Apsis Software AG, which has filed for insolvency. With the mergers of Henke & Partner GmbH & Co. KG with IBD GmbH on the one hand, and SpeedWare-Software GmbH & Co. KG with Nemetschek AG's Facility Management business unit on the other hand, the Nemetschek Group has streamlined its facilities and has taken advantage of development and marketing synergies. The Group thus adapted to economic developments, with the goal of re-attaining lasting profitability in the medium term.

Due to the continued downturn in the construction industry, general reluctance among investors and the increasingly difficult situation for architects, construction engineers and building contractors, no increases in domestic sales are expected during 2003. By contrast, given a more favorable international situation, stable sales trends are expected in foreign markets. Overall, the Nemetschek Group expects lower sales revenues for the 2003 fiscal year. Since the Nemetschek Group has implemented massive cost reduction measures, the company expects to return to profitability despite declining sales.

Munich, March 17, 2003
Nemetschek Aktiengesellschaft

Gerhard Weiß	Uwe Wassermann
Chairman of the	Member of the
Managing Board	Managing Board

Report of the Supervisory Board

For the fiscal year 2002 of Nemetschek AG

Throughout fiscal 2002, Nemetschek AG's Supervisory Board monitored and actively supported the Managing Board's activities and also kept track of the company's business developments and its essential business processes. In 2002, the Supervisory Board performed its duties above and beyond legislative and statutory minimum requirements, as it convened for eight meetings during the year. For professional reasons, Prof. Dr. Clemens Jochum was able to attend fewer than half of the meetings only. The remaining Supervisory Board members were in attendance at all of the meetings. During the course of its meetings, the Supervisory Board monitored and supported current business developments and the Managing Board's performance. Deliberations and discussions focused on the company's strategic realignment and restructuring measures, as well as on future planning. In addition, the Managing Board reported to the Supervisory Board on human resources developments, stakes in other companies, as well as on larger investment projects. The reports from the management were discussed by the Supervisory Board in joint meetings with the management. Approval was given for projects requiring approval.

The annual financial statement prepared by the Managing Board according to the German Commercial Code for the fiscal year 2002 and the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as of 12/31/2002 and thus making use of the exemption according to sec. 292a HGB as well as the consolidated annual report, taking into account the accounting principles and the annual report of the company, have been audited and approved without qualification by Ernst & Young Revisions- und Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (formerly: Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH), Munich.

The meeting of the Supervisory Board held to discuss Nemetschek AG's annual financial statements and annual report as well as the consolidated financial statements and the consolidated annual report was attended by the auditors, who answered all questions thoroughly.

The Supervisory Board has also examined the annual financial statements, the management's annual report, the consolidated financial statements and the consolidated annual report as well as the proposal for the appropriation of the accumulated deficit. The Supervisory Board approves the result of the auditor's examinations based on its own examinations and raises no objections. The Supervisory Board explicitly endorses the annual financial statements of Nemetschek AG and the consolidated financial statements for fiscal year 2002. The annual financial statements of the Nemetschek AG for fiscal year 2002 are thus final.

The following changes within the Supervisory Board and Managing Board became effective during fiscal 2002. Prof. Dr. Clemens Jochum and Prof. Dr. Hans-Jörg Bullinger resigned from the Supervisory Board for professional reasons, effective December 31, 2002. Dr. Jürgen Peters resigned from his office as Chairman of the Supervisory Board. Supervisory Board member Mr. Kurt Dobitsch assumed the office of Chairman of the Supervisory Board, effective November 13, 2002. Mr. Gerhardt Merkel and Mr. Wolfgang Hilpert resigned from the Managing Board. Managing Board member Mr. Gerhard Weiß was nominated Chairman of the Managing Board.

The Supervisory Board would like to thank the Managing Board and all Nemetschek Group employees for their dedication and work performance during the past fiscal year.

Munich, March 19, 2003

Kurt Dobitsch
Chairman of the Supervisory Board

Consolidated Balance Sheet

As of December 31, 2002 and as of December 31, 2001

Assets	12/31/2002 K€	12/31/2001 K€	Note
Current Assets			
Cash and Cash Equivalents	21,091	16,989	(25)
Trade accounts receivable – net	17,064	22,310	(13)
Accounts receivable due from associates	52	64	
Inventories	1,093	1,113	
Tax refund claims for income taxes	345	2,902	(15)
Prepaid expenses and other current assets	2,691	2,201	(15)
Total current assets	**42,336**	**45,579**	
Non current assets			(12)
Property, plant and equipment at cost – net	5,257	7,507	(12)
Intangibile assets	6,302	7,592	(12)
Goodwill	29,433	33,190	(12)
Investments in associates	10	0	
Notes receivable / loans	191	191	(15)
Deferred tax assets	1,714	2,375	(10), (14)
Other non current assets	457	389	(15)
Total non current assets	**43,364**	**51,244**	
Total Assets	**85,700**	**96,823**	

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

Liabilities, Minority interest and Shareholders' equity	12/31/2002 K€	12/31/2001 K€	Note
Current liabilities			
Short-term debt	1,486	1,299	(20)
Trade accounts payable	4,916	5,900	(20)
Advance payments received	109	93	(20)
Accrued expenses and provisions	10,115	8,258	(19)
Deferred revenues	6,863	3,934	(22)
Tax accruals	704	117	
Other current liabilities	6,063	6,698	(20)
Total current liabilities	**30,256**	**26,299**	
Non-current liabilities			
Long-term debt net of current portion	560	1,650	(20)
Deferred tax liabilities	1,743	1,820	(10), (21)
Pension accrual	706	626	(19)
Total non-current liabilities	**3,009**	**4,096**	
Minority interest	**261**	**940**	
Shareholders' equity			
Share capital	9,625	9,625	(17)
Additional paid-in capital	95,880	95,880	(18)
Earning surplus	3,580	3,580	(18)
Change in currency translation	- 543	1,048	
Accumulated deficit	- 56,368	- 44,645	
Total Shareholders' equity	**52,174**	**65,488**	
Total Liabilities, Minority interest and Shareholders' equity	**85,700**	**96,823**	

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

Consolidated Profit and Loss Account

For the years ended December 31, 2002 and December 31, 2001

	2002 K€	2001 K€	Note
Revenues	**105,544**	**124,429**	(1)
Other operating income	2,925	2,335	(3)
Operating income	**108,469**	**126,764**	
Cost of purchased materials and services	– 10,528	– 15,517	(4)
Personnel expenses	– 58,853	– 64,749	(5)
Depreciation and amortization on intangible and tangible assets (except goodwill)	– 5,441	– 5,032	(6)
Amortization (and impairment) of goodwill	– 4,787	– 36,750	(6)
Other operating expenses	– 36,769	– 40,261	(7)
Operating expenses	**– 116,378**	**– 162,309**	
Operating loss	**– 7,909**	**– 35,545**	
Financial results	555	– 209	(9)
Investment result	– 1,584	– 8,627	(8)
Loss before taxes and minority interests	**– 8,938**	**– 44,381**	
Income tax	– 2,590	– 1,509	(10)
Loss before minority interests	**– 11,528**	**– 45,890**	
Minority interests	– 210	– 586	(11)
Net loss	**– 11,738**	**– 46,476**	
Earnings per share (in €)			(23)
Basic	– 1.22	– 4.83	
Diluted	– 1.22	– 4.83	
Weighted average shares outstanding (basic)	9,625,000	9,625,000	
Weighted average shares outstanding (Diluted)	9,625,000	9,625,000	

The accompanying notes to these profit and loss accounts form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the years ended December 31, 2002 and December 31, 2001

	2002 K€	2001 K€	Note (25)
Net loss for the year (before taxes)	- 9,148	- 44,967	
Change in pension accruals	80	- 399	
Depreciation of fixed assets	10,228	41,782	
Expense from investments accounted for by the equity method	1,584	8,627	
Period cash flow by DVFA/SG method	**2,744**	**5,043**	
Interest income	- 793	- 1,546	
Interest expenses	238	1,514	
Change in deferred taxation	584	- 314	
Change in tax accruals	587	- 1,473	
Change in other accruals	1,857	- 391	
Changes in inventory, trade receivables, other assets	7,659	11,625	
Changes in trade payables, other liabilities	34	- 11,680	
Interests received	420	1,539	
Income taxes received	0	2,051	
Income taxes paid	- 1,583	- 2,094	
Cash flow from operating activity	**11,747**	**4,274**	
Investments in intangible and tangible assets	- 5,212	- 15,435	
Change in liabilities resulting from acquisitions	- 514	1,551	
Cash flow from investment activity	**- 5,726**	**- 13,884**	
Change in bank borrowings	- 680	– 1,100	
Interests paid	- 269	- 905	
Change in capital surplus	0	- 157	
Change in group organisation	0	1,524	
Minority interests paid	– 970	– 700	
Cash flow from financing activity	**- 1,919**	**- 1,338**	
Changes in cash with payment effect	**4,102**	**- 10,948**	
Retirement of financial funds from exchange of shares in MYBAU.COM AG / N-Direct	**0**	**- 561**	
Funds at beginning of period	**16,989**	**28,498**	
Funds at end of period	**21,091**	**16,989**	
Supplemental data:			
Acquisition of property and equipment through capital leases	0	0	
Other non cash investing activities	0	0	

Consolidated Statement of Changes in Equity

For the years ended December 31, 2002 and December 31, 2001

	Share capital	Capital surplus	Earnings surplus	Currency translation	Accu-mulated deficit	Total
	K€	K€	K€	K€	K€	K€
As of 01/01/2001	**9,625**	**95,985**	**3,632**	**- 50**	**1,468**	**110,660**
Additional IPO costs		- 96				-96
Transfer to treasury stock		- 9	9			0
Treasury stock			- 61			-61
Change in group organisations					363	363
Change in currency translation				1,098		1,098
Net loss					- 46,476	- 46,476
As of 12/31/2001	**9,625**	**95,880**	**3,580**	**1,048**	**- 44,645**	**65,488**
Treasury stock					44	44
Change in net loss					- 29	- 29
Change in currency translation				- 1,591		- 1,591
Net loss					- 11,738	- 11,738
As of 12/31/2002	**9,625**	**95,880**	**3,580**	**- 543**	**- 56,368**	**52,174**

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

Notes to the Consolidated Financial Statements as of December 31, 2002

The Company

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

The full solution offering spans the entire Design, Build and real estate construction and management process. As such, it is a mediator and a link between the world of information technology and the specialist world of building clients, architects, engineers, construction companies and facility and real estate managers. The Group also operates in the field of visionalization and animation of media production (Maxon GmbH).

Nemetschek AG was founded September 10, 1997. On March 10, 1999 the Company completed an initial public offering (IPO) of its share capital in Germany. Since March 10, 1999 it has been listed on the German Stock Exchange and since January 1, 2003 in the Prime Standard segment. The registered office of Nemetschek AG is 81829 Munich, Germany, Konrad-Zuse-Platz 1.

Information on German Corporate Governance Code

The declaration of compliance was submitted in December 2002 and can be accessed by the shareholders on the homepage of Nemetschek (www.nemetschek.de) in the investor relations section.

General disclosures

As of December 31, 2002 the consolidated financial statements have been prepared, as in the prior year, according to International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). The figures for the prior year were calculated according to the same principles. The consolidated statements prepared in accordance with IFRS make use of the exemptive provisions according to the law to facilitate the raising of capital included in Sec. 292a of the German Commercial Code (HGB).

Diverging recognition, measurement and consolidation methods from HGB resulted from: pension provisions, capitalization of internally generated software, effects of IAS 39 and in the area of deferred taxes. Contrary to the accounting according to HGB (Sec. 6a EStG) increases in salaries and pensions are considered in the provisions for pensions in accordance with IAS 19. The discounting rate is 5.5 % compared to 6 % under HGB (Sec. 6a EStG). Contrary to the ban on capitalization pursuant to Sec. 248 (2) HGB, internally generated software is recognized, subject to IAS 38.

In accordance with IAS 39, the company closed the swap purchased in fiscal 2000 by correcting deferred taxes, interest expenses and provisions in accordance with IAS; under HGB only the accruals for potential losses were reversed. Contrary to HGB (Sections 274, 308) deferred tax assets were recognized on the unused tax losses.

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

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

as presented below in the recognition and measurement methods.

The income statement has been prepared using the method of total costs.

Consolidation group

The consolidated financial statements include Nemetschek AG and all of the foreign and domestic subsidiaries. Associated companies are valued using the equity method. The subsidiaries included in the consolidated financial statements and the companies valued at equity are listed below on the basis of the Commercial Balance Sheets I prepared by the individual companies:

Affiliated companies included in the consolidated financial statements

Name, seat of the company	Shareholdings %	Equity 12/31/2002 €	Annual result 2002 €
Nemetschek AG, Munich		51,130,289	- 10,975,275
Direct participations			
NEMETSCHEK FRANCE SARL, Asniéres, France	100.00	496,019	144,019
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00	812,324	34,344
NEMETSCHEK Ges.m.b.H., Salzburg, Austria	100.00	41,020	- 213,718
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	- 536,339	- 321,230
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia	100.00	156,922	- 4,606
NEMETSCHEK s.r.o., Prague, Czech Republic	100.00	- 92,356	32,603
NEMETSCHEK Polska Sp. Zo.o., Warsaw, Poland	100,00	- 736.139	- 35.532
acadgraph CAD STUDIO GmbH, Munich	100.00	- 761,356	0
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	81.00	291,412	52,837
Friedrich + Lochner GmbH, Stuttgart	100.00	51,129	0
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	70.00	1,787,714	- 620,757
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen (formerly: SpeedWare-Software GmbH & Co. KG)	99.75	600,000	5,633
NEMETSCHEK CREM Verwaltungs GmbH (formerly: SpeedWare-Software Verwaltungs GmbH), Munich	100.00	52,917	1,312
NEMETSCHEK d.o.o., Rijeka, Croatia	100.00	121,995	19,669
NEMETSCHEK OOO, Moscow, Russia	100.00	- 113,383	- 27,478
Nemetschek Bausoftware GmbH, Karlsruhe (formerly: IBD GmbH)	92.00	487,213	3,689
NEMETSCHEK Verwaltungs GmbH (formerly: Werner Henke Beteiligungs-GmbH), Munich	100.00	25,773	- 669
ING. AUER – Die Bausoftware GmbH, Mondsee, Austria	67.00	2,221,600	1,943,092
MAXON Computer GmbH, Friedrichsdorf	70.00	964,363	88,032
NEMETSCHEK kft., Budapest, Hungary	100.00	57,584	23,869
NEMETSCHEK (UK) Ltd., Bedford, Great Britain	100.00	- 109,007	- 209,498
NEMETSCHEK NORTH AMERICA Inc., Columbia, USA	100.00	19,514,969	1,946,618
Indirect participations			
MAXON COMPUTER Inc., Thousand Oaks, USA	63.00	- 33,299	27,127
MAXON Computer Ltd., Bedford, Great Britain	63.00	- 148,860	- 107,504

Associated companies valued according to the equity method

Name, seat of the company	Shareholdings %	Equity €	Annual result €
Direct participations			
DocuWare AG, Germering	30.00	3,016,745	502,623
Sidoun GmbH, Freiburg (June 30, 2002)	16.26	- 2,168,210	- 1,947,917
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	68,988	2,912

The information about the companies corresponds to the local individual financial statements, translated into EUR. Subsidiaries with different balance sheet dates prepare interim financial statements.

Changes in the consolidation group

The composition of the companies included in the consolidated financial statements changed during the course of the fiscal year 2002.

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

- Purchase of a further 20 % in NEMETSCHEK kft., Budapest, Hungary, at nominal value
- Purchase of another 8 % shares in ING. AUER – Die Bausoftware GmbH, Mondsee, Austria.

A total of EUR 1.8 million cash has been spent on acquiring shares in fiscal 2002.

EUR 0.3 million was paid out on the variable component of company acquisitions purchased before 2002 (MAXON Computer GmbH).

The following shares were sold or the companies were removed from the consolidation group in 2002:

- The 100 % holding in X-World GmbH, Munich, was sold on December 13, 2002, and the company was removed from the consolidation group at that time.
- 80 % of the shares in NEMETSCHEK EOOD, Sofia, Bulgaria, was sold and removed from the consolidation. The remaining shares were consolidated using the equity method.
- Apsis Software AG, Munich, was removed from the consolidation as of September 30, 2002 due to insolvency.

NEMETSCHEK Polska Sp.zo.o. Warsaw, is being liquidated, but has not yet been removed from the consolidation.

Due to the change in the companies included in consolidation (insolvency Apsis) revenues dropped by EUR 2.3 million compared to the prior year. Total net assets decreased by EUR 2.5 million.

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

The impairment loss mainly resulted from the deconsolidation of Apsis AG (EUR 1.2 million).

Goodwill developed as follows:

	2002 million €	2001 million €
Brought forward Jan 1	33.2	66.6
Additions	2.3	3.3
Impairment loss	- 1.5	- 31.1
Amortization	- 3.3	- 5.6
Currency differences	- 1.3	0.0
As of Dec. 31	29.4	33.2

Consolidation principles

The consolidated financial statements of the Group include Nemetschek AG, Munich, and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholder's interests are shown separately in the balance sheets and income statements, respectively. The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of the acquisition or to the date of disposal.

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

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

Use of estimates when preparing the consolidated financial statements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may diverge from these estimates.

Currency translation

Foreign currency transactions are recorded in the reporting currency by translating the foreign currency amount at 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 the closing rate. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized as other operating expense or income in the period in which they arise.

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

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

Currency	Average exchange rate in 2002	Exchange rate as at December 31, 2002
EUR/USD	0.9505	1.0415
EUR/CHF	1.4658	1.4520
EUR/SKK	42.5125	41.6300
EUR/CZK	30.7496	31.4300
EUR/PLN	3.8730	3.9920
EUR/RUR	29.9189	33.2660
EUR/BGN	1.9501	1.9538
EUR/HUF	242.5917	235.8000
EUR/HRK	7.4158	7.4733
EUR/GBP	0.6293	0.6501

Recognition and measurement principles

Depending on their maturity, the **derivatives** used as hedges with positive (negative) fair values are either classified as other current assets (provisions) or as other non-current assets (provisions).

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

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

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

Expense for development was last capitalized in 2000.

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

Government development grants from the EU for basic research are recorded on the basis of the hours worked and recognized in the consolidated financial statements as other operating income.

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

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

A reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Extraordinary depreciation is carried out (IAS 36) if the collectible sum of the asset falls below the book value.

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

The inventories solely comprise merchandise which is carried at cost. Risks on surplus stocks arising from decreased saleability are covered by appropriate allowances. If net realizable value is lower on balance sheet date, then the lower value is stated. If the net realizable value increases for inventories that have already been devalued, the resulting reinstatement of original value is recorded as a reduction of the cost of materials.

Borrowing costs are immediately recorded as an expense.

Payments received on account from customers are recorded as liabilities.

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

Financial assets and **financial liabilities** contained in the balance sheet comprise cash and cash equivalents, trade receivables, trade payables and other receivables and liabilities, long-term receivables, loans, direct loans and financial investments. The disclosure and valuation criteria used for these items are shown in the recognition and measurement methods contained in the notes to these financial statements. All **financial assets** and **financial liabilities**, within the meaning of IAS 39, are classified in the category "loans and receivables granted by the company".

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

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

Gains and losses from the measurement of available for sale financial assets are posted directly to a reserve in the equity section until the financial asset is sold, withdrawn or otherwise disposed of or if it is determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period (IAS 39.103) (note 26).

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Reserves are created in accordance with requirements of statutory requirements and the articles of associations (note 18).

Currency translation shows translation differences arising on consolidation of financial statements of foreign entities and associated companies accounted for at equity.

The employees and management of the Company were granted **options** to purchase common shares of the company. Employee compensation expense is measured on the date of the grant and represents the excess of the quoted market price of the shares over the share option price.

The Company provide defined **benefit pension plans** for selected management members based on local practices and regulations. The obligations are valued every year reputable independent actuaries. Pension provisions and similar obligations are calculated according to the projected 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. The additions to the provisions are shown as expenses in the income statement for the year then ended. In the fiscal year, the use of IAS 19 (2002) did not result in any effects that need to be taken into account.

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

Deferred taxes arising from temporary differences in the commercial and tax balance sheet of the individual companies and from consolidation procedures are disclosed separately. Deferred tax assets also include tax credits that result from the expected utilization of existing loss carryforwards in subsequent years, and the realization of which can be assumed with sufficient certainty. Deferred taxes are calculated on the basis of the tax rates that apply or that are expected in the individual countries at the time of realization.

Liabilities are reported at amortized cost.

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

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

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

Basic information on revenue recognition

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

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

- The significant risks and rewards linked to ownership of the goods and merchandise sold have been transferred (transfer of title)
- The enterprise does not retain control over the goods sold
- The amount of revenue can be measured reliably

- It is probable that the economic benefits associated with the transaction will flow to the enterprise (receipt of receivable)
- The costs incurred in respect of the transaction can be measured reliably.

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

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

This has the following implications for the Nemetschek Group:

a. Software and licenses

aa. Standard software

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

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

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

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

ab. Sales transactions via sales representatives/agents

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

b. Hardware

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

c. Consulting

ca. Manufacturing contract

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

If the costs cannot be measured reliably, revenue is recognized using the completed contract method. Revenue is then either recognized when consulting stages have been provided to the customer (milestones) or – if there are no milestones – when the entire project is finished (completed contract).

cb. Service contract

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

d. Maintenance

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

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

e. Training

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

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

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits it remote. They are stated in the notes to the consolidated financial statements unless utilization is remote.

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

Notes to the consolidated income statement

(1) Sales

	2002 million €	**2001 million €**
Software and licenses	52.9	62.4
Hardware	3.0	8.3
Services (consulting, training)	11.5	13.6
Maintenance (software service agreements)	38.1	40.1
	105.5	**124.4**

The breakdown of sales by segment can be seen under segment reporting (note 27).

(2) Own work capitalized

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

The Company was involved in non-project related product development in 2002. The development costs of projects that have not satisfied the criteria of IAS 38.45 are recorded as an expense. If the development activities were related to usable products, the expenses incurred were capitalized. These included direct personnel costs plus allocable overheads. Development expenses were last recognized in 2000.

The useful life of capitalized development costs is taken as being five years. Depreciation starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method. Disposal is recorded in the fixed assets movement schedule after the economic useful life has elapsed. In 2002, EUR 25.3 million was spent on research and development (2001: EUR 27.5 million).

(3) Other operating income

	2002 million €	2001 million €
Development subsidies for EU projects	0.4	0.0
Income from the disposal of assets	0.2	0.2
Other income relating to other periods	0.9	0.9
Income from subleases and offsetting other services	0.6	0.3
Other	0.8	0.9
	2.9	**2.3**

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

(4) Cost of materials

	2002 million €	2001 million €
Cost of merchandise	6.4	8.9
Cost of purchased services	4.1	6.6
	10.5	**15.5**

(5) Personnel expenses

	2002 million €	2001 million €
Wages and salaries	50.3	55.2
Social security and other pension costs	8.6	9.5
	58.9	**64.7**

Pension costs contain benefit claims of EUR 0.2 million.

The average number of employees for the year was:

	2002	2001
No. of employees	**881**	**1,102**

The actual number of employees as of balance sheet date December 31, 2002 came to 760 (2001: 1,017).

(6) Amortization/depreciation

	2002 million €	2001 million €
Amortization of intangible assets	2.7	2.0
Amortization of goodwill	4.8	36.8
Depreciation of property, plant and equipment	2.7	3.0
	10.2	**41.8**

The amortization of goodwill contains impairment losses of EUR 1.5 million (prior year EUR 31.1 million). The impairment loss mainly relates to the deconsolidation of subsidiaries.

(7) Other operating expenses

	2002 million €	2001 million €
Expenses for third-party services	3.7	5.1
Advertising expenses	5.3	6.2
Rent / leases	7.0	7.0
Commission	5.4	4.1
Legal and consulting fees	2.9	3.5
Travel expenses	2.3	2.6
Vehicle costs	2.2	2.4
Communication	1.9	2.2
Other	6.1	7.2
	36.8	**40.3**

Expenses from exchange rate differences in the amount of EUR 0.1 million are contained in the position "Other".

(8) Investment result

The investment result contains amortization of associated companies of EUR 1.2 million (prior year EUR 5.3 million) and further expenses of EUR 0.4 million. These are residual payments for associated companies already written down to a residual carrying amount of EUR 0 in the prior year.

(9) Financial result

	2002 million €	2001 million €
Other interest and similar income	0.4	1.5
Interest and similar expenses	- 0.2	- 1.0
Income / expense from swap transaction	0.4	- 0.5
Impairment losses on financial assets	0.0	- 0.2
	0.6	**- 0.2**

(10) Income taxes

	2002 million €	2001 million €
Current income taxes	2.0	1.7
Taxes from prior years (tax field audit)	0.0	0.5
Deferred taxes	0.6	- 0.7
	2.6	**1.5**

The expense from deferred taxes is due to the use of tax loss carryforwards (EUR 0.8 million) as well as the IFRS revaluation (EUR 0.3 million) and income from reversal effects from temporary valuation differences (EUR 0.5 million).

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

	%	%
Profit (loss) before tax	100.0	
19.2 % trade tax	19.2	19.2
	80.8	
25.0 % corporate income tax	20.2	20.2
5.5 % solidarity surcharge	1.1	1.1
	59.5	**40.5**

The effects of the flood victim relief act of September 19, 2002 did not have any material effect on the calculation of deferred taxes.

	2002 million €	2001 million €
Profit (loss) before tax	- 8.7	- 44.4
Theoretical tax income 40.5% (prior year: 40.5 %)	- 3.5	- 18.0
Differences to foreign tax rates	0.6	0.3
Tax effects on:		
Amortization of goodwill from capital consolidation	1.5	14.8
At equity consolidation of associated companies	0.0	2.2
Unrecognized deferred taxes on loss carryforwards	3.9	1.7
Effect of tax field audit / taxes prior years	0.0	0.3
Non-deductible expenses	0.1	0.1
IFRS revaluation	0.0	0.1
Effective tax expense	**2.6**	**1.5**
Effective tax rate (in %)	- -	- -

Deferred tax assets and liabilities are summarized as follows:

	2002 million €	2001 million €
Deferred tax assets		
Tax loss carryforwards	1.1	1.9
Valuation difference due to prepaid expenses	0.6	0.2
IFRS revaluation	0.0	0.3
	1.7	**2.4**
Deferred tax liabilities		
Valuation differences of software capitalization	0.6	0.9
Valuation differences of goodwill depreciation	1.1	0.9
	1.7	**1.8**
Net deferred tax assets/liability	**0.0**	**0.6**

No deferred tax claims have been recognized on additional tax loss carryforwards that have been confirmed from prior years of EUR 12.0 million (prior year: EUR 2.3 million).

(11) Minority interests

	2002 million €	2001 million €
Profit shares allocable to minority interests	0.5	1.0
Loss allocable to minority interests	- 0.3	- 0.4
	0.2	**0.6**

The profit and loss portions of minority shareholders are shown net in the income statement.

Explanations to the consolidated balance sheet

(12) Fixed assets

A fixed assets movement schedule is presented on the last page of these notes to the financial statements.

(13) Trade receivables

	2002 million €	2001 million €
Trade receivables	**17.1**	**22.3**

(14) Deferred tax assets

These items mainly contain deferred tax assets on tax loss carryforwards which are likely to be realized in future (see explanation under note 10). The deferred tax assets on the tax loss carryforwards were recognized on the basis of the expense and income planning of Nemetschek AG (parent company) for the fiscal year 2003.

(15) Tax refund claims, other assets and prepaid expenses

	2002 million €	2001 million €
Tax refund claims for income taxes	0.3	2.9
Reinsurance policy	0.5	0.4
Short-term loan receivables	0.3	0.0
Prepaid expenses	1.8	1.0
Notes receivable/loans	0.2	0.2
Other	0.6	1.2
	3.7	**5.7**

(16) Equity

The development of the capital reserve, the revenue reserves and the group net retained is presented in the change in equity.

(17) Subscribed capital

As of December 31, 2002 the capital stock of Nemetschek Aktiengesellschaft amounts to EUR 9,626,000. There are 9,625,000 no-par shares (no change as of January 1, 2001).

According to a resolution passed on February 19, 1999, the management board was authorized, with the approval of the supervisory board, to increase the capital stock in the period up to January 31, 2004 by issuing new shares, once or several times, in return for a contribution in cash or kind up to a total of EUR 4,812,500.00.

The annual general meeting of February 19, 1999 passed a resolution for a contingent increase of the capital stock of the Company by up to EUR 766,000.00 which serves to guarantee subscription rights (option rights) to board members and executives.

The total number of option rights was 144,100 as of the balance sheet date, December 31, 2002. This has not changed since January 1, 2000. The option rights expire in 2004. Due to the share price as of the balance sheet date, no personnel expenses have to be recorded for the fiscal year 2002.

The holders of option rights have to wait at least two years after issue before they can exercise their option right, either 14 days after the Annual General Meeting or after the submission of the quarterly report for the second or third quarter. Option rights can only be exercised if the stock exchange price of the share is at least 125 % of the share price at the time of issue.

Option rights can only be exercised against payment of the exercise price. If option rights are created before the first listing of Nemetschek shares, the issue price is equal to the selling price set in the context of the IPO in 1999. If created later, the maximum issue price is equal at most to the average of the closing prices fixed at the Frankfurt securities exchange on the last five days of trading prior to the resolution by the management board to create such option rights (maximum limit) and at least to an amount 20 % below that (minimum limit).

(18) Revenue reserves / capital reserves

We refer to the statement of changes in equity. The revenue reserves contain a legal reserve of EUR 1.5k (2001: EUR 1.5k) and other revenue reserves. In the balance sheet the other reserves remain unchanged at EUR 3.6 million (2001: EUR 3.6 million). The Company holds 14,245 own shares. The value of these shares (EUR 16k) has been netted against the reserves. The capital reserves and the legal reserve (revenue reserves) are subject to restricted use pursuant to Sec. 150 (4) AktG (‘Aktiengesetz’: German Stock Corporation Law).

(19) Provisions and accrued liabilities

The obligation resulting from pension plans is determined using the projected unit credit method. Unrecognized gains and losses resulting from changes in actuarial assumptions are recognized as income (expense) over the expected remaining service life of the active employees. There were no plan terminations, curtailments or settlements for the year ended December 31, 2002. All the claims are vested.

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

	2002 K€	2001 K€
Present value of obligations	733	661
Unrecognized actuarial gains/losses	– 27	– 35
Net liability recognized in balance sheet	**706**	**626**

Pension expenses comprise the following:

	2002 K€	2001 K€
Current service cost	37	26
Interest on obligation	36	35
Net actuarial loss recognized	8	42
Total pension expense	**81**	**103**

The expense is disclosed exclusively under personnel expenses.

As of December 31, 2002, the principal actuarial assumptions used to determine pension obligations were as follows:

	2002	2001
Discount rate	5.5 %	5.5 %
Future salary increases	2.0 %	2.0 %
Future pension increases	1.0 %	1.0 %

Other provisions include the following items:

	2002 million €	2001 million €
Provisions for vacation	1.6	2.1
Outstanding invoices	0.7	1.2
Contingent losses on office vacancies	1.7	0.0
Severance pay	1.6	0.3
Commission / bonuses	1.8	1.6
Credit notes	0.5	0.6
Warranties	0.5	0.6
Legal and consulting fees	0.6	0.5
IAS 39 (swap valuation)	0.0	0.4
Other	1.1	1.0
	10.1	**8.3**

Provisions for warranty payments are set up at an amount equivalent to 0.5 % of sales. Utilization matches the prior year's amount. Most of the other provisions (apart from the pension provisions) from the prior year were utilized in 2002. All the other provisions and accrued liabilities are current items.

(20) Liabilities

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

	Total amount million €	up to 1 year million €	1 year – 5 years million €	more than 5 years million €
Liabilities to banks	2.0	1.5	0.1	0.4
December 31, 2001	3.0	1.3	0.2	1.5
Payments received on account of orders	0.1	0.1	0	0
December 31, 2001	0.1	0.1	0	0
Trade payables	4.9	4.9	0	0
December 31, 2001	5.9	5.9	0	0
Other liabilities	6.1	6.1	0	0
December 31, 2001	6.7	6.7	0	0
Of which taxes	1.9			
Of which relating to social security	1.2			
December 31, 2002	**13.1**	**12.6**	**0.1**	**0.4**
December 31, 2001	**15.7**	**14.0**	**0.2**	**1.5**

The usual retention of ownership provisions relating to the supply of movable assets and inventories have been placed on trade payables.

As of December 31, 2002, the Group has a registered land charge for EUR 1 million in favor of Credit- und Volksbank e.G. Wuppertal to secure a liability of Nemetschek CREM Solutions GmbH & Co. KG. Further liabilities secured by encumbrances or collateral assignment did not exist as of December 31, 2002. Liabilities to banks contain three loans with interest rates of between 6 % and 7.5 %. The loans will expire in 2003, 2004, and 2022.

(21) Deferred tax liabilities

Within the Group, deferred tax liabilities of EUR 1.7 million (2001: EUR 1.8 million) have been accounted for at the future anticipated tax rate of 35 % - 40 % (see explanation under note 10).

(22) Deferred income

Deferred income amounts to EUR 6.9 million (2001: EUR 3.9 million). The complete amount will result in sales in the first half of 2003.

(23) Earnings per share

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

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all diluting potential ordinary shares from conversion of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the potentially diluting ordinary shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date when the options were granted. When calculating diluted earnings per share, the weighted average number of ordinary shares which would be issued due to the conversion of all potentially diluting ordinary shares were not considered in any periods in which a net loss for the year was disclosed. As of December 31, 2002, a total of 144,100 potential ordinary shares (stock options only) were left out of the calculation of diluted loss per share.

	2002	2001
Net earnings in EUR million	- 11.7	- 46.5
Average number of outstanding ordinary stock as of December 31	9,625,000	9,625,000
Average number of shares to be included in the calculation of diluted EPS as of December 31	9,625,000	9,625,000
Earnings per share in EUR, undiluted	**- 1.22**	**- 4.83**
Earnings per share in EUR, diluted	**- 1.22**	**- 4.83**

(24) Financial commitments

	Total million €	due 2003 million €	due 2004 – 2007 million €	due from 2008 million €
Rental agreements	28.2	5.1	15.1	8.0
December 31, 2001	30.3	5.5	15.1	9.7
Lease agreements	1.8	1.0	0.8	0.0
December 31, 2001	2.8	1.4	1.4	0.0
Purchase price adjustments from acquisitions/ put options	10.7	3.1	4.8	2.8
December 31, 2001	15.3	6.9	8.2	0.2
Total financial commitments	**40.7**	**9.2**	**20.7**	**10.8**
	Total	**2002**	**2003 – 2006**	**from 2007**
December 31, 2001	**48.4**	**13.8**	**24.7**	**9.9**

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

Rent commitments are offset against expected income from non-cancelable subleases for the year 2003 totaling EUR 0.7 million.

(25) Explanations to the cash flow statement

The cash flow statement is split up into cash flows from operating, investing and financing activities. Cash flow from operating activities amounts to EUR 11.7 million (2001: EUR 4.3 million). Cash flow from investing activities of EUR -5.7 million is mainly attributable to purchase price payments made for acquired companies (EUR 2.2 million) and investments in externally generated intangible assets (EUR 2.0 million). (2001: EUR -13.9 million).

The Group's total cash split up as follows:

	2002 million €	2001 million €
Bank balances	21.1	17.0

(26) Financial instruments

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

Foreign exchange risk management

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

Liquidity risks

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company under normal trading conditions. To manage this risk the Company periodically assesses the credit rating of its customers. Liquidity risk can also arise from the possibility that a market for derivatives may not exist in some circumstances.

Credit risks

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

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

Fair value of financial instruments

Financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount as appropriate. The recorded amount is referred to below as the carrying amount.

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

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

Financial assets and short-term financial liabilities

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

Long-term loans

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

Management believes that the exposure to an interest rate risk for financial assets and liabilities as of December 31, 2002 was minimum since their deviation from their respective fair values was not significant.

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

Derivative financial instruments

Derivative financial instruments not used as hedging instruments are classified as financial assets held for trading purposes and measured at fair value; changes in fair value are included in the result for the period.

(27) Segment reporting

The Company divides its activities into the segments Design, Build, Manage and NBO (new business opportunities). The Design segment contains the architecture and engineering division and is mainly characterized by the development and marketing of 3-dimensional CAD software. The Build segment involves the creation and marketing of commercial software for construction companies. Last but not least, the Manage segments covers facility management, which involves extensive administration and management of construction projects. The Group also has an NBO segment (new business opportunities) involved in visualization and animation in media production.

Income statement disclosures:

	2002 Sales revenue million €	EBIT million €	Depreciation and amortization million €	2001 Sales revenue million €	EBIT million €	Depreciation and amortization million €
Design	76.3	- 2.6	7.8	93.2	- 14.7	22.9
Build	13.2	0.9	1.4	15.0	- 8.7	11.1
Manage	10.3	- 4.1	0.3	9.6	- 9.6	6.0
NBO	5.7	- 2.1	0.7	6.6	- 2.5	1.8
Total	**105.5**	**- 7.9**	**10.2**	**124.4**	**- 35.5**	**41.8**
Interest income/expenses		0.6			- 0.2	
Expenses from associated companies		- 1.6			- 8.7	
Income taxes		- 2.6			- 1.5	
Minority interests		- 0.2			- 0.6	
Net loss for the year		**- 11.7**			**- 46.5**	

Balance sheet disclosures

	2002 Total million €	Design million €	Build million €	Manage million €	NBO million €	2001 Total million €	Design million €	Build million €	Manage million €	NBO million €
Fixed assets	41.0	20.5	12.9	3.3	4.3	48.3	27.9	12.4	3.8	4.2
thereof additions of fixed assets	6.8	1.2	1.8	1.4	2.4	16.8	6.4	2.4	0.1	7.9
Cash and cash equivalents	21.1	17.5	2.9	0.4	0.3	17.0	13.9	2.2	0.4	0.5
Trade accounts receivable	17.1	13.4	1.8	1.2	0.7	22.3	16.1	2.8	1.6	1.8
Assets of segments	**79.2**	**51.4**	**17.6**	**4.9**	**5.3**	**87.6**	**57.9**	**17.4**	**5.8**	**6.5**
Assets not assigned	6.5					9.2				
Total assets	**85.7**					**96.8**				
Trade accounts payable	13.1	10.2	0.6	1.5	0.8	15.6	11.0	1.0	1.9	1.7
Provisions and accrued liabilities (incl. pension provisions)	10.5	9.0	0.6	0.4	0.5	8.9	6.5	0.8	0.9	0.7
Deferred Income	6.9	6.6	0.2	0.1	0.0	3.9	3.6	0.2	0.1	0.0
Liabilities of segment	**30.5**	**25.8**	**1.4**	**2.0**	**1.3**	**28.4**	**21.1**	**2.0**	**2.9**	**2.4**
Liabilities not assigned*	2.8					1.9				
Total liabilities	**33.3**					**30.3**				

* Liabilities on income taxes and deferred taxes have not been assigned.

Classified by geographic area, the situation is as follows:

	2002 Sales revenue million €	Fixed assets million €	Additions to fixed assets million €	2001 Sales revenue million €	Fixed assets million €	Additions to fixed assets million €
Germany	61.8	25.5	4.4	82.4	32.0	15.5
International	43.7	15.5	2.4	42.0	16.3	1.3
Total	**105.5**	**41.0**	**6.8**	**124.4**	**48.3**	**16.8**

(28) Subsequent events

There were no events of significance subsequent to the balance sheet date on December 31, 2002.

(29) Related parties

The Group has a pension provision of EUR 0.3 million (2001: EUR 0.3 million) for a former supervisory board member. Nemetschek AG concluded a rent agreement for office space with Concentra GmbH & Co KG (limited partner: supervisory board member Dr. Ralf Nemetschek as well as former supervisory board member Alexander Nemetschek) in 2000. The remaining term of the agreement is 8 years. The agreement results in net rent of EUR 2.3 million per year.

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

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

	2002 million €	**2001 million €**
Trade receivables and other assets	0.0	0.1
Trade payables and other liabilities	0.0	0.1

Total remuneration paid to management board members for the fiscal year 2002 amounted to EUR 1.2 million (prior year: EUR 1.3 million).

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

(30) Additional local disclosure requirements

Exemption from the duty to prepare consolidated financial statements pursuant to HGB Sec. 292a

The attached consolidated financial statements have been prepared in accordance with IFRS. The Company is listed in the Prime Standard segment on the stock exchange and applies the provisions of Sec. 292a HGB, and is thus exempt from the provisions of Secs. 290 et seq. HGB to prepare consolidated financial statements. The group management report has been prepared in accordance with Sec. 315 HGB. Compliance of group accounting with the 7th EU Directive, which is required for exemption from the obligation to prepare consolidated financial statements in accordance with German commercial code, has been based on the interpretation of the directive by German Accounting Standard No. 1 (DRS 1) 'Exempting consolidated financial statements in accordance with Sec. 292a HGB'.

(31) Date of publication

The consolidated financial statements were authorized for publication on March 17, 2003 (date of management authorization for issue to the supervisory board).

(32) Details concerning members of the supervisory board and the management board of the Company

Supervisory board

Mr. Kurt Dobitsch	Degree in engineering	
Chairman as of November 13, 2002	Member of following supervisory boards:	Bechtle AG, FINEX AG, 1 & 1 Internet AG,
Deputy chairman until November 13, 2002	United Internet AG (Chairman),	Twenty4help AG, Adlink AG, R & S AG
Prof. Georg Nemetschek		
Deputy chairman as of	Degree in engineering	
November 13, 2002		
Prof. Hans-Jörg Bullinger	Prof. Dr. Ing., Prof. Dr. h.c.	
Member until December 31, 2002	Member of following supervisory boards:	Heiler Software AG, Arri AG, FAG AG,
	Infoman AG, Thyssen Krupp Serv AG,	Bauernfeind AG
Prof. Clemens Jochum	Degrees in chemistry and mathematics	
Member until December 31, 2002	Member of following supervisory boards:	Dt. Software Ltd., Deutsche Bank S.A.,
	emagine GmbH	
Dr. Ralf Nemetschek	Degree in physics	
Dr. Jürgen Peters	Attorney and tax advisor	
Chairman until November 13, 2002	Member of following supervisory boards:	AWITAG AG

Management board

Mr. Gerhard Weiß	Degree in commercial economics	
Chairman as of November 13, 2002	Member of following supervisory boards:	NEMETSCHEK Slovensko s.r.o.,
	DocuWare AG,	Nemetschek Bausoftware GmbH
Mr. Uwe Wassermann	Degree in engineering	
	Member of following supervisory boards:	NEMETSCHEK Fides & Partner AG,
	NEMETSCHEK NORTH AMERICA Inc.,	Nemetschek Bausoftware GmbH
Mr. Wolfgang Hilpert	Degree in industrial engineering	
Member until December 31, 2002		
Mr. Gerhardt Merkel	Degree in commercial economics	
Chairman and member until June 13, 2002		

Munich, March 17, 2003
Nemetschek Aktiengesellschaft

Gerhard Weiß
Chairman of the management board

Uwe Wassermann
Member of the management board

Consolidated Assets Statement

For the years ended December 31, 2002 and December 31, 2001

	Development of acquisition/manufacturing costs						
	As of 01/01/02	Exchange differences	Additions taken over	Disposals taken over	Additions	Reclassfi-cations	Disposals
	K€	K€	K€	K€	K€	K€	K€
I. Intangible assets							
Patents, licences, trade marks and similar rights and assets	8,210	- 91	0	0	1,965	92	764
Own work capitalized	3,972	0	0	0	0	0	0
Pre payments	92	0	0	0	0	- 92	0
Goodwill	79,917	- 2,458	27	0	2,244	0	4,396
	92,191	**- 2,549**	**27**	**0**	**4,209**	**0**	**5,160**
II. Tangible assets							
Land and buildings	1,068	0	0	0	159	0	105
Fixtures, fittings, tools and equipment	16,801	- 233	0	- 214	844	0	1,397
	17,869	**- 233**	**0**	**- 214**	**1,003**	**0**	**1,502**
III. Financial assets							
Investments in associates	9,224	0	0	0	1,594	0	0
	9,224	**0**	**0**	**0**	**1,594**	**0**	**0**
Total	**119,284**	**- 2,782**	**27**	**- 214**	**6,806**	**0**	**6,662**

The accompanying notes to this table of fixed assets form an integral part of these consolidated financial statements.

	Development of accrued depreciation						Net book value	
As of 12/31/02	As of 01/01/02	Exchange differences	Disposals taken over	De-preciation	Disposals	As of 12/31/02	As of 12/31/02	As of 12/31/01
K€	K€	K€	K€	K€	K€	K€	K€	K€
9,412	3,292	- 60	0	1,878	268	4,842	4,570	4,918
3,972	1,390	0	0	850	0	2,240	1,732	2,582
0	0	0	0	0	0	0	0	92
75,334	46,727	- 1,217	0	4,787	4,396	45,901	29,433	33,190
88,718	**51,409**	**- 1,277**	**0**	**7,515**	**4,664**	**52,983**	**35,735**	**40,782**
1,122	187	0	0	306	0	493	629	881
15,801	10,175	- 119	- 214	2,407	1,076	11,173	4,628	6,626
16,923	**10,362**	**- 119**	**- 214**	**2,713**	**1,076**	**11,666**	**5,257**	**7,507**
10,818	9,224	0	0	1,584	0	10,808	10	0
10,818	**9,224**	**0**	**0**	**1,584**	**0**	**10,808**	**10**	**0**
116.459	**70,995**	**- 1,396**	**- 214**	**11,812**	**5,740**	**75,457**	**41,002**	**48,289**

Report of Independent Auditors

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

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

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

Our audit which also includes the group's management report for the fiscal period from January 1, 2002 to December 31, 2002 which is the responsibility of the Board of Directors has not given rise to any reservations. In our opinion the group's management report conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1, 2002 to December 31, 2002 meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code.

Ernst & Young
Revisions- und Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Marxer	Fuchs
Wirtschaftsprüfer	Wirtschaftsprüferin

Munich, March 17, 2003

Financial Statements of Nemetschek AG

Balance Sheet

For the year ended December 31, 2002

ASSETS	12/31/2002 €	12/31/2002 €
A. FIXED ASSETS		
I. Intangible assets		
1. Patents, licences, trade marks and similar rights and assets	2,470,377.00	2,968,608.00
2. Goodwill	550,962.00	638,177.00
3. Payment on account	0.00	92,032.51
	3,021,339.00	3,698,817.51
II. Tangible assets		
1. Fixtures, fittings and tools	1,493,731.00	1,700,925.00
2. Equipment	1,274,753.00	2,175,865.52
	2,768,484.00	3,876,790.52
III. Investments		
1. Shares in Group undertakings	35,671,090.88	35,567,808.18
2. Participating interests	10,225.84	0.00
	35,681,316.72	35,567,808.18
TOTAL FIXED ASSETS	**41,471,139.72**	**43,143,416.21**
B. CURRENT ASSETS		
I. Stocks		
1. Goods for resale	130,149.36	277,340.72
II. Debtors and other assets		
1. Trade accounts receivable	5,007,430.00	9,689,585.58
2. Amounts owed by Group undertakings	5,472,028.64	10,609,484.58
3. Amounts owed by undertakings in which the Company has a participating interest	52,181.76	98,968.85
4. Other assets	757,157.70	2,858,107.48
	11,288,798.10	23,256,146.49
III. Investments		
1. Own shares	16,381.75	60,540.59
IV. Cash at bank and in hand, bank balances	11,820,858.83	8,005,348.72
TOTAL CURRENT ASSETS	**23,256,188.04**	**31,599,376.52**
C. PREPAYMENTS AND ACCRUED INCOME	**888,625.94**	**85,773.92**
	65,615,953.70	**74,828,566.65**

LIABILITIES	12/31/2002 €	12/31/2001 €
A. EQUITY		
I. Share capital	9,625,000.00	9,625,000.00
II. Share premium account	98,931,594.57	98,931,594.57
III. Appropriated surplus		
1. Statutory reserves	1,449.51	1,449.51
2. Reserve for own shares	16,381.75	60,540.59
3. Other reserves	3,579,043.17	3,579,043.17
	3,596,874.43	3,641,033.27
IV. Retained Earnings	- 61,023,179.51	- 50,092,063.15
TOTAL EQUITY	**51,130,289.49**	**62,105,564.69**
B. PROVISIONS		
1. Provisions for pensions	359,857.00	329,540.91
2. Other provisions	6.577.761,76	4,626,588.50
TOTAL PROVISIONS	**6,937,618.76**	**4,956,129.41**
C. CREDITORS		
1. Trade accounts payable	1,222,652.11	2,471,602.84
2. Amounts owed to Group undertakings	30,700.90	87,891.47
3. Amounts owed to undertakings in which the Company has a participating interest	11,371.59	35,397.79
4. Other creditors	3,718,164.25	3,990,719.08
TOTAL CREDITORS	**4,982,888.85**	**6,585,611.18**
D. DEFERRED INCOME	**2,565,156.60**	**1,181,261.37**
	65,615,953.70	**74,828,566.65**

Profit and Loss Account

For the year ended December 31, 2002

	01/01-12/31/2002 €	01/01-12/31/2001 €
1. Invoiced sales	41,391,845.90	56,272,488.20
2. Other operating income	3,007,070.63	2,071,908.05
Operating income	**44,398,916.53**	**58,344,396.25**
3. Cost of materials		
a) Cost of purchased merchandise	– 1,551,600.26	– 4,790,999.36
b) Cost of puchased services	– 2,222,954.95	– 2,832,514.13
4. Staff costs		
a) Wages and salaries	– 22,137,702.46	– 26,027,300.28
b) Social security, pensions and other benefit costs – of which is for pension costs: EUR 94,469.44 (previous year: EUR 137,404.97)	– 2,984,820.86	– 3,679,139.07
5. Depreciation on intangible and tangible fixed assets	– 2,195,802.90	– 3,741,698.91
6. Other operating charges	– 22,432,162.66	– 23,953,758.51
Operating charges	**– 53,525,044.09**	**– 65,025,410.25**
Operating result	**– 9,126,127.56**	**– 6,681,014.01**
7. Income from participations – from which relates to shares in Group undertakings EUR 2,249,228.72 (previous year EUR 4,644,869.45)	2,249,228.72	4,644,869.45
8. Income from profit transfers	193,316.85	78,451.94
9. Other interest receivable and similar income – of which relates to shares in Group undertakings EUR 225,919.77 (previous year EUR 323,342.28)	827,834.09	1,503,878.89
10. Amounts written off investments	– 4,942,341.51	– 47,198,969.27
11. Expense from loss transfers	– 113,281.27	0.00
12. Interest payable and similar charges – of which relates to shares in Group undertakings EUR 375.61 (previous year EUR 49,378.70)	– 10,406.93	– 1,049,457.34
13. Profit on ordinary activities	**– 10,921,777.61**	**– 48,702,240.34**
14. Income taxes	– 52,704.72	– 476,521.37
15. Other taxes	– 792.87	– 160,303.18
16. Net income	**– 10,975,275.20**	**– 49,339,064.89**
17. Profit brought forward from previous year	– 50,092,063.15	– 752,998.26
18. Transfer to statutory reserve – minus –	0.00	8,893.74
19. Transfer to reserve for own shares	44,158.84	0.00
20. Transfer to statutory reserve – plus –	0.00	– 8,893.74
21. Accumulated deficit	**– 61,023,179.51**	**– 50,092,063.15**

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