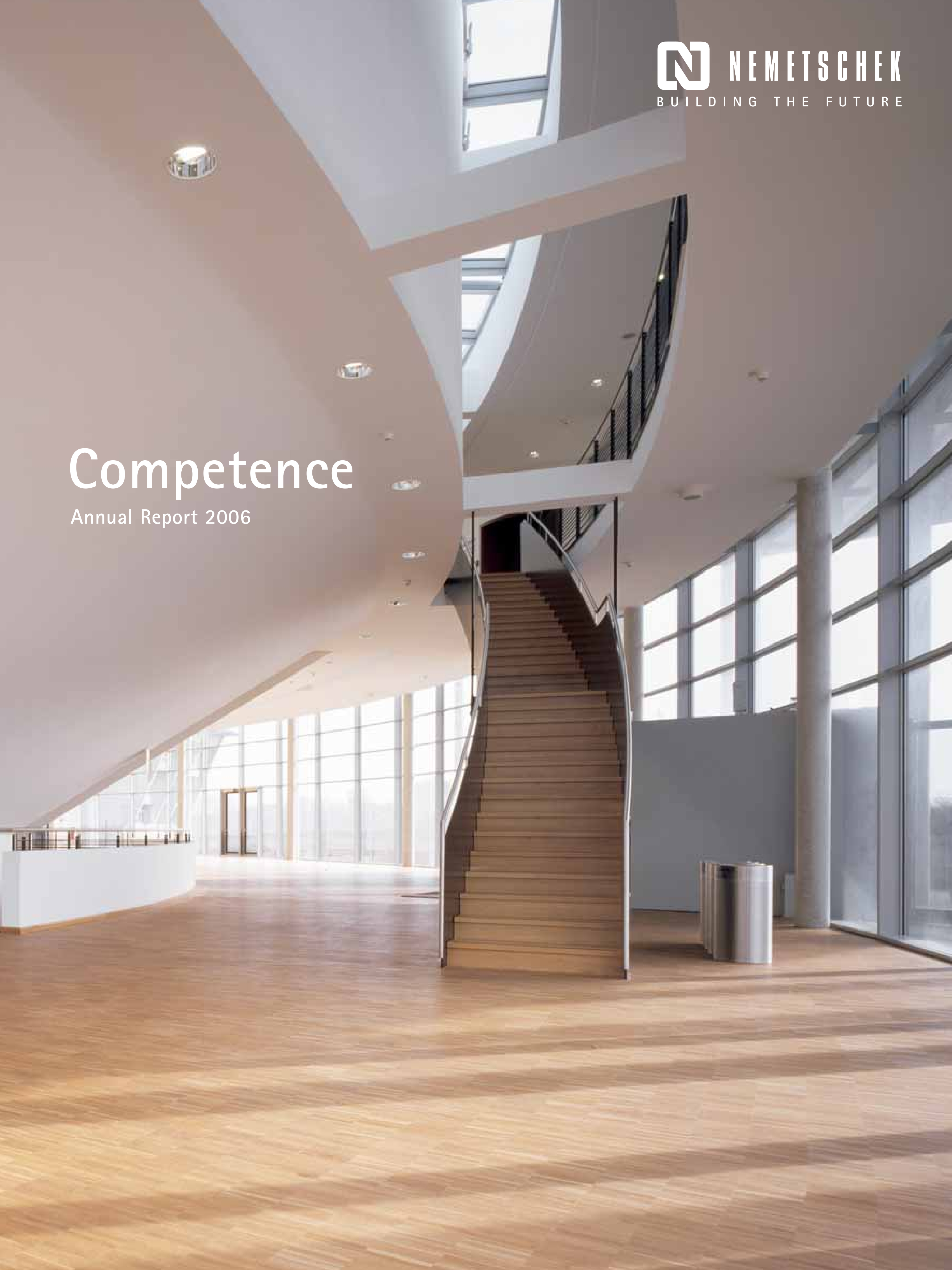
NEMETSCHEK
BUILDING THE FUTURE

Competence

Annual Report 2006



Nemetschek in brief

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

Key figures

in million €	2006	2005	Change
Sales revenue	**107.5**	**98.8**	**8.8 %**
Operating income	**109.5**	**100.3**	**9.2 %**
Gross profit	**101.8**	**91.7**	**11.1 %**
as % of sales	94.8 %	92.8 %	
EBITDA	**20.7**	**16.2**	**27.2 %**
as % of sales	19.2 %	16.4 %	
EBIT	**17.8**	**13.1**	**36.1 %**
as % of sales	16.5 %	13.2 %	
Net income (Group shares)	**13.6**	**11.7**	**16.5 %**
Per share in €	1.41	1.21	
Net income	**14.4**	**12.2**	**18.1 %**
Cash flow for the period	**21.3**	**17.3**	**22.6 %**
Liquid assets	**32.0**	**29.0**	**10.6 %**
Equity capital	**55.1**	**48.1**	**14.5 %**

University of Flensburg,
PFP Architekten BDA, Hamburg

Contents

Foreword by the Management Board

Ladies and Gentlemen,
Dear Shareholders,

2006 was an extremely successful year for Nemetschek. Three things are particularly worth mentioning:

1. The group has enjoyed a significant rise in sales and earnings. We were able to increase sales to 107.5 million euros and the operating profit (EBIT) to 17.8 million euros.

2. We continued to implement our acquisition strategy and achieved two strategic takeovers with the acquisition of SCIA International NV in Belgium and Graphisoft SE in Hungary.

3. The Nemetschek share has been on the up for five years now, and last year developed far better than all benchmarks, with an increase of more than 50 percent. This is all good news – for shareholders, employees, and our customers around the world. For the board and management, it is also motivation to shape the future. Our aim is to maintain and build on today's successes over the medium and long term, with creativity, energy and professional expertise.

Where We Are
Nemetschek is the only software company worldwide that provides for IT solutions that encompass the entire building design, construction and management process. Our product spectrum ranges from building design and construction through to property and real estate management. The favorable business figures in recent years show that we are pursuing the right strategy. International growth and the enhancement of our technology and market leadership are the most important drivers here.

What Makes Us Strong
Professionally tailored IT solutions are our unique selling point. Nemetschek is thus the strategic IT partner for all companies confronted with the complex processes in the construction and real estate industry. According to experts, the demands in the AEC sector in the software industry will continue to grow worldwide, and institutes are expecting annual growth rates of 6.8 percent, on average. We will exploit these favorable underlying conditions to advance Nemetschek further. The acquisition of the Belgian SCIA International NV in February 2006 was an important step towards greater internationalization. Since then, we have been the number one in Europe for integrated civil engineering software. Thanks to our success on the market, we have an excellent basis for growth and investment, putting us in the position to realize a transaction like Graphisoft.

What the Acquisition of Graphisoft Means
This is the largest acquisition in Nemetschek's history and of strategic importance to our group. We are proud that we have been able to realize this transaction and are convinced that it will strengthen our position at the forefront of international software companies in the AEC section. Three core statements demonstrate our potential:

1. Nemetschek will strengthen its position in the market even further with the acquisition of Graphisoft. In figures, this means: annual sales far in excess of 140 million euros, more than 270,000 customers worldwide, software in 16 languages, more than 1,000 qualified employees.

"We are looking optimistically to the future. Nemetschek has established brands and a global customer base. We believe there are good opportunities for the future in further regional expansion."
Ernst Homolka (CFO and Board Spokesman)

2. With the acquisition, Nemetschek will significantly improve its business KPIs: through a significant growth in sales, a considerable increase in the EBITDA operating profit and an increase in operating cash flow.

3. Nemetschek will acquire new and additional expertise – our research and development capability will increase enormously as a result of the Graphisoft team.

Our Vision
In future, anyone looking into software in the area of real estate and construction will contact Nemetschek. Innovative and growth-oriented companies work independently alongside each other, develop new products and services, acquire customers, win markets. Our vision: with different powerful and creative companies, we are on the map everywhere in the world, always looking for the best solutions. Extensive customer benefits, the latest technology and reliable quality all speak for the solutions offered by our group.

Dear shareholders, this information clearly shows the future opportunities of the Nemetschek Group. In 2007, the board, management and employees will once again do everything to meet the high expectations of the capital market as well as the needs of our customers, and thereby keep steering the company on its successful course.

And on the subject of our successful course: for years, the best and most successful architects have been using our products on outstanding projects in the sphere of art and culture. Prominent examples include the Zentrum Paul Klee in Bern, the Theater Erfurt, the Jewish Center Jakobsplatz in Munich and exhibition planning in the Guggenheim Museum, New York. We have therefore selected illustrations from this field, inspired by Joseph Beuys, who said, “Art is the only revolutionary force.”

Ernst Homolka
(CFO and Board Spokesman)

Dr. Peter Mossack
(Management board member)

Michael Westfahl
(Management board member)

Michael Westfahl (Management board member)

Ernst Homolka (CFO and Board Spokesman)

Dr. Peter Mossack (Management board member)

Interview: "Our targets will remain ambitious!"

Mr. Homolka, last year Nemetschek stated one of its medium-term aims was sales of around 150 million euros. Back then, this appeared almost utopian, but thanks to the acquisitions and the company's own growth, you are suddenly very close to this target. Can things continue at this speed?

Homolka: We are delighted that our company has developed so well. On the one hand, it was the result of our own organic growth – in Germany, we were able to grow by 8 percent after years of stagnation. That's quite respectable. On the other hand, our progress abroad has been dynamic, and the proportion of sales is now 57.5 percent. However, the real breakthrough is the result of the takeover of Graphisoft. Our targets are ambitious. We want to make great leaps forward across the whole group in the coming years.

Does this also apply for the earnings?

Homolka: Definitely. In the software industry, profit-turnover ratios of 20 percent based on the EBITDA are achieved internationally.
This is our aim.

What is the situation regarding further acquisitions?

Homolka: We are sensible business people. First we will integrate Graphisoft. The takeover is not just a challenge financially but also in terms of management, controlling and direction. However, we may make smaller acquisitions that supplement the activities of the core business units, for example in the area of management.

Mr. Bojár, as the founder of the company, no one knows Graphisoft like you do. Tell us about the company.

Bojár: I founded the company in 1982 with a handful of employees, and now we are one of the top vendors of architecture software in the world. Graphisoft achieved sales of 30.5 million euros for the 2006 financial year. Today, we have 265 employees and a global network of very dedicated, loyal and independent sales partners. Graphisoft has subsidiaries in Hungary, Germany, USA, Japan, Great Britain, Spain and Finland. Our products are currently used by more than 100,000 customers in 82 countries.

Your flagship is the Archicad software solution.

Bojár: Yes. The particular strengths of our main product Archicad lie in the area of design. The Archicad brand is established and is valued in the industry as a high-quality product. Around 80 percent of Graphisoft's sales volume is generated by the architecture division, which is very profitable.

You always explain the merger with Nemetschek in terms of "Joining European forces". What do you mean by that?

Bojár: After several years of decline, the global AEC (Architecture, Engineering, Construction) software market is growing again. This growth momentum is fueled by a massive transition of the mainstream market from 2D to model-based 3D design. This is a great opportunity. However, we need a critical size to explore it. When two leading companies such as Nemetschek and Graphisoft join forces, they are strenghtening their position on the global market over the long term.

Mr. Westfahl, after years of slow economic development, we are seeing an upturn in Germany. The optimism could be clearly felt at the BAU trade fair in January 2007 in Munich. Do you share this view?

Westfahl: Yes, absolutely. We are very happy with the way the trade fair went and in particular the feedback from customers on our new products and services. The trade fair also showed what an excellent market position Nemetschek enjoys. Customers trust our quality, our expertise, and the company's role as innovator. And our partners have high expectations of the cooperation with Graphisoft. Together with our new Graphisoft colleagues, we will be even stronger in future.

What role does your new Design2Cost method play?

Westfahl: A very important role. Accurate costing and quantity takeoff are becoming increasingly important for design, construction and management, particularly from the point of view of building clients and investors. We are the first vendor with a TÜV-certified method for quantity takeoff. We were only able to achieve this because we are aware of what our customers need. We know the time and cost pressure they are under and offer suitable IT solutions.

Ernst Homolka
(CFO and Board Spokesman)

Gabór Bojár
(Chairman of the Board
of Directors, Graphisoft SE)

What is happening with regard to cooperations?
Westfahl: Our strategic partnership with Adobe is particularly important. The aim of this alliance is to optimize processes of architects and engineers. To do this, we will integrate the PDF generation function on the basis of the original Adobe PDF Libraries in our products across the whole group. Simplified data exchange saves time and costs, improves data security, increases flexibility and therefore improves work processes. This close cooperation with Adobe is a milestone for our company.

Dr. Mossack, Nemetschek is regarded as a technology and innovation leader. What do you attribute this to?
Mossack: For years, Nemetschek has been constantly investing in research and development (R&D). Around one third of our employees are employed in this area, in Germany, Slovakia, the United States and Austria. They guarantee the innovative force of the company. Our activities focus on the development of new standard software and the enhancement of existing standard software. We have made the products in all areas more open, more functional and more user-friendly. Thanks to the team from Graphisoft, our R&D expertise will significantly increase.

Nemetschek has three CAD systems. What direction are your plans moving in?
Mossack: As far as we are concerned, there are currently five CAD platforms on the AEC market. Three of these come from Nemetschek – Allplan, Archicad and VectorWorks. All the systems have their own place and depending on customer requirements, complement each other to provide a unique offering. AEC projects are becoming increasingly complex with regard to the type of data integration and the different requirements for sub-tasks. In future, customers will be able to choose the planning system that perfectly meets their needs. One key factor here is that in practice these systems work together so that all the planners involved can carry out their individual tasks in the most effective way. The standard for data exchange in the CAD sector is being expanded based on open IFC standards. IFC stands for Industry Foundation Classes. To date, the driving forces behind this have been Nemetschek and Graphisoft. We will ensure that data from all the products in our group can be perfectly exchanged.

What is your work currently focusing on?
Mossack: Our main topic is Round-Trip Engineering. Here, data is synchronized between CAD and structural analysis software, meaning that time-consuming and error-prone multiple data entry is a thing of the past. In practice, this means that geometric information is transferred from Allplan Engineering to SCIA.ESA PT in a single step. There, the static system is defined automatically, followed by material properties, load and support conditions. When a planning change is made, the user can simply press a button to update the changed components. All the entries made previously are retained. Because, in practice, a static calculation is often not a single process but rather a series of continuously changing plans, Round-Trip Engineering represents a considerable improvement to the participating engineers' work processes.

Was the solution developed by Nemetschek?
Mossack: It is a co-production between Nemetschek and SCIA International NV and impressively demonstrates the synergies that can arise through an acquisition. The new version bridges the gap between the CAD world of Allplan Engineering and the structural analysis world of SCIA.ESA PT.


Dr. Peter Mossack (Management board member)


Michael Westfahl (Management board member)

Building the Future

Designing the Future of Building with Competence

The German dictionary Duden defines the term “competence” as expertise, skills, responsibility. Nemetschek has been applying its expertise, skills and responsibility in the construction and real estate industry for more than 40 years. The Nemetschek name is synonymous with intelligent products and services. Creative, intelligent, modern. Year on year, decade on decade, the company has been setting standards with new products, innovative solutions, brave decisions. The group has long been regarded as a good contact for research and development, as a partner for universities and other higher-education institutions, and as an advisor to ministries and institutes. Customers around the world take advantage of Nemetschek’s product solution portfolio – on five continents, in numerous languages, for a range of projects.

We are particularly proud of the fact that Nemetschek products have been used to design and construct concert halls, theaters, museums and universities in many cities. They have been used to create centers for art and culture, music, acting or painting across the world. For us reason enough to choose the excellent examples of modern cultural architecture as the leitmotif for the current annual report. Follow us to the Pinakothek der Moderne in Munich, the Zentrum Paul Klee in Bern or the Guggenheim Museum in New York. Franz Kafka wrote, “Anyone who keeps the ability to see beauty never grows old.” There is much beauty to be discovered in the museums of this world – in both art and architecture. We should use these treasures as the inspiration and motivation for our day-to-day work, as well as for the challenges of the future.

Theatre Erfurt, PFP Architekten BDA, Hamburg

There are certainly plenty of challenges. The building industry is undergoing a drastic transformation that will bring a long-term change to the value-adding process in the construction industry in the next few years. Nemetschek identified this trend at an early stage. It is the only company in the world to support the complete life cycle of buildings with integrated software solutions from design and construction through to management. One important milestone along this route was the development of the "Building Information Model" (BIM). This makes it possible to design buildings in three dimensions at the early draft stage and to assign object properties such as physical and structural characteristics, as well as costs. To benefit from the "intelligence" of this information, we developed the Nemetschek Object Interface (NOI), an interface that solutions from our portfolio can use to communicate with each other.

But innovation also means thinking one step ahead. It must be possible to exchange data across functions and applications, for example between designers, building service providers or facility managers. Today, we are therefore heavily involved in the development of the industry format IFC Industry Foundation Class, which has become established as a standard for the exchange of intelligent building data. This is also expressed in our involvement in the software manufacturer association IAI (Industry Alliance for Interoperability). In the summer of 2006, this Alliance certified our IFC interface in Allplan for the first time. We will continue to pursue our way of looking at the construction process as a whole and tailoring our solutions to this. In 2006, we came another big step closer to this goal.

Design Business Unit – Intelligent Solutions with High Customer Benefit

Architects, engineers, construction companies and multidisciplinary consultancies all dream of implementing great ideas and being financially successful. Our integrated IT solutions ensure this success when designing buildings and real estate projects. Creative drafts can be implemented quickly, cost-efficiently, and to high quality standards. Nemetschek CAD and calculation programs are used worldwide to create design documents, realistic visualizations and animated films for the areas of architecture, construction engineering and building services. Because the same building model (Building Information Model) is used for the entire design process, our customers benefit from significant time savings during interdisciplinary cooperation, free of intermediate interfaces.

The Berlin architects Volkhausen + Lubkoll have designed more than 540 display cabinets and exhibition walls in the German Historical Museum in Berlin with the help of our CAD programs. Since June 2, 2006, visitors have been able to find out about 2,000 years of German history in the historical Zeughaus, the oldest building on "Unter den Linden" (pictured above).

Nemetschek on Growth Course

The excellent news in the Design business unit came in December and caused a sensation in the industry. Just before the end of the year, Nemetschek acquired a majority interest in the Hungarian company Graphisoft. As a result, our company is now a real global player. With the Allplan, VectorWorks and Archicad global brands, we will in future occupy the leading position in the field of AEC software solutions (Architecture, Engineering, Construction). In future, our customers around the world will be able to select from the Nemetschek portfolio the application that best suits their needs.

Data Exchange Made Easy

AEC projects, which are becoming more and more complex, pose challenges above all for the type of data integration. The data exchange format IFC, which Nemetschek and Graphisoft have played a leading role in developing, offers the basic technology here. For our customers and partners, this means a whole host of new opportunities. The sales network is strengthened and expanded and a coordinated procedure for the two companies will significantly improve the market position in Europe, Asia and America. Nemetschek's position in the Microsoft / Windows world has always been good and in future we will also be the leading provider of planning tools on the Apple Macintosh platform, thanks to the products from VectorWorks and Graphisoft. Perspectives that offer new opportunities and possibilities for all customers.

Innovative Solution for Cost Security

But day-to-day business also brought many new developments in 2006. One important topic was our new Design2Cost method. The background: architects and designers are increasingly forced to think and act as entrepreneurs. Their success has long been rooted not just in creativity but also on whether they have been able to stay within budget by the end of the project. Nemetschek designed the costing method Design2Cost for this purpose. A marketing campaign was launched in the spring and generated

The Jewish Center on Jakobsplatz in Munich was opened on November 9, 2006. The architecture was the work of Wandel Hoefer Lorch from Saarbrücken, and the structural design was by engineering office Sailer Stephan and Partners (pictured in the middle).

Construction processes involve a high degree of complexity and division of labor and include a large number of people. Generally speaking, the construction process can be divided into a design phase, building phase and management phase. In the past, it was common for software solutions to only cover some parts of the construction process and to work independently of each other. The solutions from Nemetschek are based on an intelligent building model (Building Information Model). They enable quantities, costs and building processes to be simulated reliably and with a high quality, and provide planning results for subsequent construction requirements (structural analysis planning, facility management, etc.) at an early design stage. This is where Nemetschek's industry expertise stands out.

a great deal of interest among customers. This new method for cost planning enables planners, general contractors and prefabricated house manufacturers to determine their costs quickly and reliably during the early planning phase. Users receive a solution for building and cost planning, AVA, calculation and construction data from a single source and benefit from increased productivity and revenues. Expressed in figures, this means that the workload for quantity takeoff is reduced by an average of 70 percent. This has been rewarded not only by customers and their high demand, but also by TÜV Süd: Nemetschek is the first software vendor to receive TÜV certification for graphical quantity takeoff.

Mobile Solutions for the Construction Site

Planning and construction in existing assets will be another future activity. Old apartments, administration and school buildings, and industrial sites – more and more buildings are being converted to meet building clients' new requirements. This is particularly true with regard to new legal requirements or technical equipment. We have therefore developed innovative solutions for our customers to enable them to meet higher requirements relating to the mobile capture of building data or digital dimensioning. Our mobile applications are one example of this, enabling numerous tasks to be processed in real time on the construction site.

Nemetschek Actively Involved in Research Projects

To secure and extend our technology leadership, we are also involved in numerous research projects. For example, Nemetschek has been selected as the design partner for Hochtief and the Fraunhofer Institute. Development of "collaborative real estate" is on the research agenda in the inhaus2 project. The aim is to develop buildings that serve as the prototype for future functional buildings. Hochtief uses our CAD programs for inhaus2 planning.

In the ArKos project, we investigated how processes between project teams can be improved. ArKos stands for "Architektur Kollaborativer Szenarien" [architecture of collaborative scenarios] and was initiated by the Institute for Information Systems at the German Research Center for Artificial Intelligence in Saarbrücken and funded by the Ministry of Education and Research.

Cooperation with Adobe Simplifies Interdisciplinary Communication

The strategic alliance with Adobe Systems Inc. shows that Nemetschek is the first choice as a partner for intelligent and innovative projects. The aim of the collaboration is to optimize processes for architects and engineers. To do this, Nemetschek will integrate the PDF generation function on the basis of the original Adobe PDF Libraries in its products across the group – a milestone in the industry. This strategic partnership enables our customers to make their document-based communication processes even more efficient, helping them save time and money.

The market for construction software has been on a growth course for three years now. Worldwide, market research institutes expect average growth of around 7 percent in the AEC market (Architecture, Engineering, Construction) up to 2010. At around 40 percent, architecture is still the largest area within the AEC market.

International Success

Alongside the positive news at home, the 2006 financial year was again characterized by great success on the international markets. In western Europe, it was primarily France and Italy that reported above-average growth rates. New products, innovative solutions, as well as a rejuvenated economy led to a very successful overall result in Europe. NEMETSCHEK NORTH AMERICA also developed particularly well. We were able to strengthen and build on our position as the leading provider of CAD programs on the Apple-Macintosh platform. Business in Europe and Japan developed particularly well. The new version 12.5 in particular played an important part in this growth. For the first time, the CAD programs from NEMETSCHEK NORTH AMERICA are available in Spanish. The company wants to expand its expertise in the localization of software products in order to capture new markets such as China. NEMETSCHEK NORTH AMERICA also made great advances in new customer business. The greatest success was achieved with the British film company Eon Productions, which designed the sets of the new James Bond film "Casino Royale" using VectorWorks.

Strengths in Civil Engineering Reinforced

In civil engineering, we were able to further reinforce our position as the market leader for civil engineering software. In this market, we are represented by Nemetschek Ingenieurbau GmbH, SCIA International NV, Glaser – isb cad – Programmsysteme GmbH and Friedrich + Lochner GmbH. With our new acquisition SCIA International NV, we closed the last remaining gap in the area of complex calculation software. In the last financial year, SCIA did particularly well thanks to the new Round-Trip Engineering method. Round-Trip Engineering enables data to be synchronized between CAD and structural analysis software, resulting in efficient and low-cost structures. The Eurocode 2 standards for structural design also had a positive effect on demand. In October, SCIA reached the 6,000 mark for licenses. Most users of the civil engineering software come from Germany, Austria, Switzerland, France, the Czech Republic and Slovakia. But the United States, India and Australia are also upcoming markets. The most important new customers that SCIA was able to win in 2006 include the French aviation company Air France. Glaser – isb cad – Programmsysteme GmbH was also able to increase the number of new customers through additions to its product range. One of the factors for success was the CAD Start-up program for founders of new companies. But Glaser also paved the way for newcomers: with a marketing offensive at universities, we introduced students to Glaser's CAD programs at an early stage. At Friedrich + Lochner GmbH, extensive enhancements to existing programs contributed to business success. One focus of development was on planar and spatial steel structures, which were completely overhauled. There was also high demand among our customers for the software service concept.

The Pinakothek der Moderne in Munich is a leading international center for the art, architecture and design of the 20th and 21st centuries. In terms of size, the building is one of the largest new museums in the world. At the heart of the museum is the staircase installation, a massive interior sculpture 100 m long and 30 m high. The rotunda is an impressive architectural space by architect Stephan Braunfels (pictured left).

Build Business Unit – Competence in Construction for Medium-Sized Construction Companies

Nemetschek Bausoftware GmbH achieved its targets in 2006 despite a difficult market environment. The company was able to further reinforce its positive image as a reliable IT partner for industry software in Germany, Austria, Switzerland and Luxembourg. In Switzerland, Nemetschek Bausoftware GmbH's market share is already 50 percent. Growth is also being promoted in Austria. Here, the company is taking advantage of synergies with other subsidiaries of the Nemetschek Group. For example, the commercial modules of the Nemetschek industry solution BAU financials with the name AUER financials is already supplementing the market leader for construction software in Austria, AUER Success, to form an integrated solution for Austria. This integrated product will help us capture new market segments.

RONDO is the name of the garden pavilion by Vienna architects ATOS, a circular building that can be used as a holiday home, atelier, sauna or café. The architects used solutions from AUER so that tender, planning and coordination of the individual bidders could be offered from a single source.

New Products Winning over Customers

In 2006, customers were very interested not only in the Design2Cost cost planning method, but also in the new intranet portal solution based on Microsoft SharePoint Portal Server. As an information platform, the solution supports construction companies in all phases of project handling. It is accessed directly on the integrated BAU financials industry solution. With the portal application, employees no longer need to search through records, folders, and file systems to find the information they need. Instead, every member of the project team can display all data on screen in seconds and in personalized form. The wheel-rail specialists Schreck-Mieves are already using the solution successfully to handle projects.

In 2006, the Austrian market was characterized by a reluctance to invest. Nevertheless AUER – Die Bausoftware GmbH was able to hold its own. One reason for this is the new mobile dimensioning system, a combination of the commercial software AUER Success, a mobile pocket PC and a laser distance measuring device. The new costing package for the electronic industry, which AUER developed together with EDS (Elektro Daten Servicegesellschaft) was well received by the market. AUER also achieved success with Austrian Federal Railroads, which had already installed the AUER Success modules on more than 300 workstations in 2005 and have now purchased further licenses. The company also won American conglomerate Honeywell, Austrian plant engineering company CTeam and oil company RAG as new customers.

First Large Order in Kazakhstan

Kablan is one of the most important construction companies in Kazakhstan and provides high-quality turnkey construction. Kablan uses the BAU financials software solution from Nemetschek Bausoftware GmbH to optimize construction site processes through good preparation and to introduce controlling to accompany construction. With its help, Kablan wants to introduce operational accounting based on western European standards. The company also wants to use software to support material management processes in the future. The construction software specialist is supplying and implementing a total solution for Kablan made up of its international commercial modules as well as the construction technology programs usually only seen in Germany. The software experts from Achim are also developing an interface to the parallel financial accounting system common in the country, to enable financial reporting to Kazakhstan standards.

Manage Business Unit –
IT Support for Facility and Real Estate Managers

Nemetschek CREM Solutions GmbH & Co. KG can look back on a successful year in which it was able to further improve on its market position. Investors, operators, facility managers and real estate managers can use the solutions from the software specialist in the Manage business area to plan buildings and manage them cost-effectively. The range of products includes applications for commercial (iX-HAUS), technical (MAXIMO) and infrastructural (Allfa) building management. They form the basis for setting up comprehensive corporate real estate management. Nemetschek CREM Solutions' customers come from the public sector, real estate, industry, retail, the banking and insurance sector and the health sector. The company was again able to win renowned new customers in these industries in 2006.

Facility management and the services provided with it are becoming more and more demanding. In addition to maintenance, a facility manager's tasks include the planning, controlling and management of buildings and facilities. It goes without saying that these tasks are impossible without IT support.

Optimum Building Management

Nemetschek CREM Solutions has demonstrated the high technology standard of our software with the new version 18 of the Allfa software solution. With this, users can capture the history of their real estate and thus optimize building management. Allfa can also be used to display building changes, designs or ground plans. The software provides a basis for decision-making for space occupancy and occupancy planning even if companies move or departments are restructured. The new Allfa add-on modules support users in building controlling, ranging from the reservation of rooms and technical equipment through to the management of cleaning contracts and costs.

The iX-HAUS software solution for commercial real estate management was also further adapted to the needs of users. The release of the new version 4.7 was an important milestone here. New features have been added; in particular better support is now provided for real estate maintenance, an area that is becoming increasingly important. Version 4.7 also offers significant improvements in functionality and user-friendliness. These features convinced numerous existing customers to switch to the new solution and also won over new customers.

A future strategy geared towards increasing solution and project business in real estate and facility management will enable CREM Solutions to continue to grow in 2007. The aim is to offer customers and prospects a comprehensive range of products and services from a single source. To safeguard this growth in terms of quality, we have already hired new employees for sales, consulting and software development.

The Olympic village in Turin was designed by architects Steidle, Munich. The architecture of the buildings reflects the style of Italian townhouses.

Analysts believe the market for facility management offers great potential: for example, the market research company Lünendonk forecasts annual growth in services companies of 8 percent up to 2009. Overall, the German market for facility management will total around 50 to 55 billion euros. This development will continue to have a positive effect on software business.

Multimedia Business Unit – Realistic Visualization and Animation

2006 was an exceptional year for MAXON Computer GmbH, specialist in 3D animation software. After a very successful start by the MoGraph program module for TV designers, the 10th generation of flagship product CINEMA 4D broke all the records. Launched in October, the new MAXON version posted the strongest sales month in the whole of the company's 20-year history in November. The trade press also honored the achievements: at the UK MacWorld Awards, CINEMA 4D was named best 3D software for the second time. The French Sonovision magazine spoke of "pure pleasure" in working with the new release and the computer magazine c't from Germany wrote that the new version was "ahead of the competition in several areas".

Customers Thrilled with New Version

Release 10 of CINEMA 4D offers the most new features in any version since the program was created. More than one hundred new features have been incorporated, including an overhauled interface, a new help system and enhanced animation tools. Thanks to the new joint-based skeleton system, the preparation time for a character animation can be almost halved; the simulation of muscles is now possible, too. The new version therefore lives up to its reputation as the most easy-to-use professional 3D software. In parallel with the 10th generation of CINEMA 4D, MAXON presented the third version of the texturing program BodyPaint 3D in the fall. Users can now use and edit images with HDRI color depth. The new tools also help to process 3D objects more easily and regularly on a plane.

In the 2006 financial year, MAXON was able to extend its list of reference customers. The most prominent examples include the two space agencies NASA and ESA, broadcasting group ProSiebenSAT.1, supermarket chain EDEKA and various subsidiaries of technology group Siemens. Hollywood movie productions like the animated "Monster House" or "Open Season", action films "Spiderman 3" and "Pirates of the Caribbean: Dead Man's Chest", as well as "The Chronicles of Narnia" all used MAXON programs. CINEMA 4D also plays an essential role in the visualization of buildings and landscapes. One particular highlight in 2006 was the animation of the 25-hectare Alaska landscape "Yukon Bay" at Hanover Zoo, which brought to life a rough tundra landscape, deserted caves and a bay of polar bears and seals.

The European market for visualization and animation software was marked by consolidation in 2006. There were no significant takeovers or revolutionary product developments from competitors. In this environment, MAXON was able to reinforce and extend its market position with solid developments and customer-oriented products. In the new business year, the software vendor will intensify its activities on the American and Asian markets.

Fantasy Worlds Created with CINEMA 4D

"The Chronicles of Narnia" is the story of four children and their adventures in the magical land of Narnia, a world full of mythical creatures. One of the largest providers of cinema special effects was involved in the production of the film: Sony Pictures Imageworks, a MAXON customer for many years. The designers used CINEMA 4D to design the sets, a process known as matte painting. Matte painter Ivo Horvath explains: "There are real limits to traditional set painting, as only a static image can be painted. Today though, we can easily project even a 2D image onto 3D geometry and thus create the illusion of a completely three-dimensional landscape." For the scene at the station, the artist painted the whole interior: "The only real thing on the set was the staircase on which the actors walked," says Horvath. The fantasy film uses these matte paintings in over 150 scenes and was nominated for the Oscar for visual effects in 2006.

The Share

Strong Gains for German Shares

The participants on the German stock market can look back on a successful 2006. The DAX closed with a final value of 6,597 points. This corresponds to an increase in value over the year of 22 percent. On the last day of trading in the year, the MDAX Small Cap Index reported a new all-time high of 9,405 points. At 29 percent, growth across the year exceeded the DAX for the second year running. The SDAX was also successful with growth of 31 percent. The technology stocks in the TecDax also did very well, with growth of 25 percent.

Above-Average Performance of Nemetschek Shares

With an increase of around 57 percent, the Nemetschek share was able to surpass the good development of standard indices over the year. Positive news on good business development, the growth course and dividend payout helped the strong share price increase. This development was accompanied by reports on an upturn in the construction industry in Europe as a whole but especially in Germany. This also turned investors' attention to the stock. The peak was reached in May with 23.95 euros. At 275,000 euros, trading activity for the Nemetschek share was at the previous year's value. The shares were in particularly high demand in the first half of the year. The average daily turnover was around 14,500 shares.

Shareholder Structure Remains Constant

The shareholder structure of Nemetschek AG has not significantly changed over the year. The share held by the Nemetschek family increased in November 2006 by 0.97 percent as a result of a purchase by Professor Nemetschek. The Nemetschek family remains the main shareholder with currently 53.5 percent. The free-float amounts to 46.5 percent.

Dividend Increases to 0.65 Euros

For the second year in a row, Nemetschek AG paid out a dividend to shareholders. A dividend per share of 0.65 euros was decided at the AGM on May 23, 2006. This corresponds to a payout of 6.3 million euros with 9.6 million shares and at that point in time corresponded to a dividend yield of around 3.0 %. The basic dividend therefore increased by 30 % compared to the previous year. In the 2005 financial year, the company paid out a basic dividend of 0.50 euros and a one-time bonus dividend of 1.50 euros.

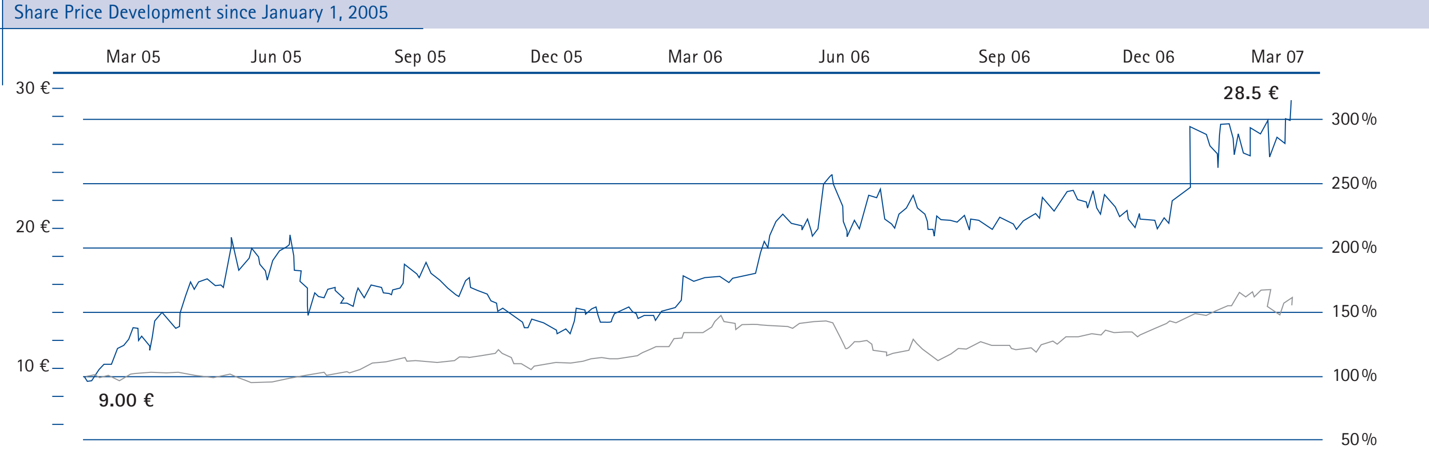
Tax-Free Payout for Small Shareholders

As in the previous year, the Nemetschek AG dividend was paid out from the tax deposit account in accordance with § 27 of the Corporation Tax Act. This meant usually tax-free collection for shareholders residing in Germany who had a stake of less than 1 % in Nemetschek AG.

2005 Annual Report Wins Gold Award

In 2006, we again actively sought out intensive dialog with the capital market. We visited investors in Europe at numerous road shows, and presented Nemetschek AG to an interested public at investor conferences. On the Internet, we published a broad range of information about the group, which we are continuing to expand. One particular highlight was the fact that the 2005 annual report won a Gold Award in the Technology category (companies with sales of less than 100 million euros). Furthermore, Nemetschek's annual report is among the TOP 100 annual reports of 2005 across all categories. The award was announced by the League of American Communications Professionals (LACP). Over 1,900 companies from 16 countries took part in the competition.

Share Price Development since January 1, 2005



Development of the Nemetschek share compared to the TecDAX (indexed)

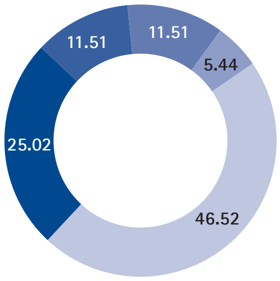
Key Figures

		2006	2005	2004
Earnings per share	in €	1.41	1.21	0.56
Cash flow for the period per share	in €	2.21	1.80	1.53
Equity per share	in €	5.73	5.00	6.13
Highest price	in €	23.95	19.49	10.39
Lowest price	in €	13.46	9.00	5.50
Share price on December 31	in €	22.10	14.10	10.00
Market capitalization on December 31	in million €	212.7	135.7	96.3
Price / sales ratio		1.98	1.37	1.00
Price / earnings ratio		15.67	11.65	17.70
Price / equity ratio		3.86	2.82	1.63
Average number of shares outstanding	in million €	9.625	9.621	9.611

Shares Owned by Board Members on December 31, 2006

	Stock portfolio	Stock rights
Management board		
Gerhard Weiß	13,603	0
Dr. Peter Mossack	0	50,000
Michael Westfahl	0	50,000
Supervisory board		
Kurt Dobitsch	0	0
Prof. Georg Nemetschek	2,408,222	0
Rüdiger Herzog	0	0

Shareholder Structure in %



25.02 %	Prof. Georg Nemetschek
11.51 %	Dr. Ralf Nemetschek
11.51 %	Alexander Nemetschek
5.44 %	Ingrid Nemetschek
46.52 %	Free float

Financial Calendar 2007

March 23	Press briefing on the results
May 11	Quarterly statement 1 / 2007
May 23	Annual General Meeting
August 10	First-half report 2007
November 9	Quarterly statement 3 / 2007
November 12 – 14	Analyst conference at German Equity Forum

Corporate Governance

The German Corporate Governance Code in the current version dated June 12, 2006 contains important legislative regulations and recommendations on the management and oversight of Germany's publicly traded corporations. The Code is based on nationally and internationally recognized standards for good and responsible corporate management. These rules, which are applicable in Germany, are to be made transparent for national and international investors in order to increase trust in the corporate governance of German companies.

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

Every year, as part of the statutory regulations, the management board and supervisory board of Nemetschek AG issue a statement that the company adhered to and adheres to recommendations of the government commission's German Corporate Governance Code, and specifies which recommendations were or are not being implemented. The last Nemetschek AG declaration of conformity in accordance with § 161 of the Stock Corporation Act was made on March 20, 2007 and can be viewed on the company's website at www.nemetschek.de. The complete text of the Code can be found on the Internet at www.corporate-governance-code.de.

Declaration of Conformity in Accordance with § 161 of the Stock Corporation Act for 2007

In accordance with § 161 of the Stock Corporation Act, the management board and supervisory board of Nemetschek AG declare that since the last declaration of conformity on March 22, 2006 the recommendations of the June 12, 2006 version of the German Corporate Governance Code have been and are being met with the following exceptions:

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

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

- An age limit for members of the management board and supervisory board has not been explicitly set and is not currently planned (Code Item 5.1.2 Clause 2 and 5.4.1). An age limit of this kind would generally restrict the company in its selection of suitable management board and supervisory board members. Selection is based on business competence and experience alone. The company is therefore not following this recommendation.

- The code recommendation on the formation of qualified committees will not be followed (Code Item 5.3), as the supervisory board only has three members. The tasks for which the Code recommends the formation of committees are all carried out by the Nemetschek AG supervisory board.

Munich, March 20, 2007

Management Board and Supervisory Board
of Nemetschek AG

Cooperation Between Management Board and Supervisory Board
The management board reports to the supervisory board regularly, quickly and comprehensively in written and verbal form about all relevant issues relating to business development and company planning, including the risk situation and risk management. More information on this can be found in the supervisory board's report on pages 18 to 19 of this annual report and on pages 27 to 28 of the management report.

Remuneration of Management Board and Supervisory Board
In accordance with the recommendations of the German Corporate Governance Code, we have been reporting the individual remuneration of all members of the Management board and supervisory board since last year. A breakdown by components for the remuneration of the individual members can be found on page 86 to 88 of the notes on the consolidated financial statement.

In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board receive performance-related and fixed remuneration. This was decided at the Nemetschek Annual General Meeting on May 20, 2005. The variable remuneration is based on the group earnings per share. In the opinion of the management board and supervisory board, this standard value provides a reliable measure for the increase in the inner value of the shares and thus company success.

Management board remuneration is made up of two parts: a basic wage and a variable remuneration. The variable remuneration is largely dependent on the company's sales and profit targets being achieved. A smaller portion of the variable remuneration is paid out if individual targets are achieved. The management board also participates in the company's share option scheme, and receives from this an additional variable component with long-term incentives and an element of risk.

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

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

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

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

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

In the 2005 financial year, 100,000 options were first granted to board members. The weighted average execution price was 14.60 euros. Since then, no options have been forfeited, exercised and / or have lapsed. More information, particularly on the valuation of share-based remuneration, can be found on page 87 to 88 of the notes on the consolidated financial statement.

Report of the Supervisory Board for the Fiscal Year of Nemetschek AG

Ladies and Gentlemen,
Dear Shareholders,

We can look back on a successful 2006. The development of the Nemetschek Group has meant significant progress in all areas. The company is now on a growth course and has been able to increase sales, both organically and through acquisitions. The group's profitability has increased considerably. Our market position as the leading company for information technology for the design, construction and management of buildings and real estate has been extended, and the product solutions have been further improved.

Supervisory Board Advises and Monitors Management Board
During the past 2006 financial year, Nemetschek AG's supervisory board fulfilled the tasks it is legally mandated to perform. It advised on the strategic and business development of the company and on the current events and underlying issues in seven meetings over the course of the year. Nemetschek AG's management board presented the supervisory board with comprehensive quarterly reports about the business situation, including sales, revenue and liquidity developments, as well as the company's overall situation. These reports were supplemented by monthly reporting on sales development and contribution margins for the group as a whole and for the individual subsidiaries. In addition, the supervisory board kept itself informed about important business processes, intended business plans, as well as about the company's strategic orientation. The respective reports were presented to all supervisory board members and were debated in joint sessions of the management board and the supervisory board. With the assistance of Nemetschek AG's reports, the supervisory board monitored and supported the management board's work.

Approval was given for projects requiring approval. The supervisory board did not form any committees. The full supervisory board and management board attended all supervisory board meetings. The chairman of the supervisory board was also in regular contact with the management board outside the supervisory board meetings, and participated in important strategy meetings in operational areas and in acquisition meetings. The management board discussed important business matters with and advised the supervisory board chairman and informed him of the current development of the business situation and important business transactions. The supervisory board was therefore able to get an independent picture of the company and its development.

Topics in the Individual Supervisory Board Meetings
Meeting in February 2006: this supervisory board meeting dealt with the management board report on the results for 2005 as a whole and the presentation of the new business plan for 2006. The meeting focused on the status report on current M&A projects and the development of Nemetschek CREM Solutions GmbH & Co. KG. Further topics included the strategy plan on the profit-turnover ratio with a catalog of measures for 2006 and the growth strategy report, as well as the business distribution plan and management board's target agreements for 2006. Finally, the audit report was presented and discussed.

Meeting in March 2006: during this meeting, the supervisory board discussed the annual financial statements presented by the management board, Nemetschek AG's annual report, consolidated financial statements and consolidated annual report, as well as the auditor's reports and audit results. During this supervisory board meeting, which was also attended by the appointed auditor, the board established Nemetschek AG's annual financial statements for 2005 and approved the consolidated statements for 2005, which had also been audited, and a decision was made on the appropriation of profits. Other topics included business progress in the first quarter of 2006 with a forecast for 2006 as a whole, the 2006 business plan and the report on the M&A status. The strategy for the civil engineering area and the growth strategy were discussed in more detail. Preparations for the 2006 AGM were also discussed.

Meeting in May 2006: this supervisory board meeting dealt with the management board report on business development in the first quarter. A central topic was the company strategy 2006 to 2008, on which the supervisory board was presented with detailed information.

Meeting in June 2006: the topics in this supervisory board meeting were the sales development in business with the parent company, the profit-turnover ratio and the organizational structure of business management. The supervisory board also discussed the European rollout of the Allplan technology and M&A projects. The supervisory board's efficiency survey was also on the agenda.

Meeting in July 2006: in this supervisory board meeting, the management board's report on business developments in the second quarter was discussed with the projects for the whole year. The meeting also discussed current M&A projects and further acquisition targets, as well as the strategic cooperation with Adobe. The supervisory board also discussed current topics from the areas of technology development and sales.

Meeting in October 2006: this supervisory board meeting dealt with the management board's report on business developments during the third quarter and the outlook to the end of the year. This was followed by a report and resolution on current M&A projects. Concept presentations were made with a business plan for resolution on the following topics: civil engineering, architecture, Allplan, Nemetschek Open Interface (NOI), Ease of Use Initiative and Design2Cost. The meeting also heard presentations on an update to the marketing improvement in Germany and Europe, the business plan for the OnSite product series, and an update on the strategic cooperation with Adobe. Finally, customer satisfaction, development in the international markets, and the annual plan for 2007 were discussed.

Meeting in December 2006: in this supervisory board meeting, the management board report on business development in the fourth quarter was discussed. There was a report and resolution on the Graphisoft acquisition and further M&A projects. The meeting also dealt with marketing improvement in Europe, customer satisfaction, and update on the strategic cooperation with Adobe and development in the international markets. The 2007 business plan and rules of procedure of the management board were discussed in detail.

Annual Financial Statements and Dependent Company Report Audited
The annual financial statements prepared by the management board according to the German Commercial Code, taking into consideration the accounting principles and annual report of Nemetschek AG for the 2006 fiscal year, the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to § 315 a Paragraph 1 of the German Commercial Code, and the consolidated annual report for the 2006 fiscal year have been audited and approved without qualification by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich. The supervisory board has persuaded itself as to the independence of the auditors.

The meeting of the supervisory board held on March 20, 2007 to discuss Nemetschek AG's annual financial statements and annual report as well as the consolidated financial statements and consolidated annual report was attended by the auditors, who answered all questions thoroughly.

The supervisory board has examined the annual financial statements, the management report, the consolidated financial statements and the group's management report, too. The supervisory board approves the result of the auditor's examinations based on its own examinations and raises no objections. The supervisory board explicitly endorses the annual financial statements of Nemetschek AG and the consolidated financial statements for fiscal year 2006. The annual financial statements of Nemetschek AG for fiscal year 2006 are thus final.

Changes in the Management Board
At the start of 2007, there were changes in the management board of Nemetschek AG: Ernst Homolka, Director of Finances and Administration of Nemetschek AG, was appointed Chief Financial Officer and Board Spokesman by the supervisory board as of January 1, 2007. Ernst Homolka has been at Nemetschek AG since 1999. Longstanding CEO Gerhard Weiß stepped down on January 31, 2007. The supervisory board, the Nemetschek family and all the staff would like to thank Gerhard Weiß for his exceptional commitment and many years of service to the company and wish him well in his retirement. The members of the supervisory board remain unchanged.

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

Munich, March 20, 2007

Kurt Dobitsch
Chairman of the Supervisory Board

Financial Statements

*Translation of German Report

Zentrum Paul Klee, Bern

Group Management Report for the 2006 Financial Year

Business and Underlying Conditions

Nemetschek in Brief

The Nemetschek Group is a leading vendor of information technology focusing on the design, construction and management of real estate. Around the world, the Nemetschek Group develops and sells innovative software products and services for the challenges of the future. The product range includes high-quality, integrated solutions for the complete life cycle of buildings and real estate.

Overview: Profitable Growth

2006 was an extraordinarily successful year for the Nemetschek Group. Sales rose by 8.8 % to 107.5 million euros. The positive development reflects the improved market position, good underlying conditions in the individual regions and the successful acquisition of SCIA International NV. The economic situation in the German domestic market, in particular, showed a positive growth trend for the first time in years. Earnings increased significantly for the fourth year in a row. The operating profit (EBIT) rose by 36.1 % to 17.8 million euros.

Nemetschek wants to further extend its market position as leading provider of integrated software solutions. The further internationalization of the Nemetschek Group will be very important. Additional profitable growth is the result of acquisitions and strategic partnerships. With the acquisition of the majority interest in the Hungarian company Graphisoft SE, Nemetschek realized the largest acquisition in the company's history at the end of the financial year. The merger with Graphisoft makes a decisive contribution to improving the global market presence and strategic positioning of the Nemetschek Group.

The Sector Market

Good indicators of our individual customers' willingness to invest in information technology (IT) include primarily the good general conditions, the outlook in the construction and real estate industry and overall spending on IT. In the 2006 financial year, this basic economic data certainly improved.

In 2006, the global economy remained on a growth course, and according to economists grew by 3.7 %. The highest impetus for growth came from the United States and China. The development in Europe was somewhat more reserved, with an estimated 2.7 %.

Development in the construction industry in Europe is probably higher than growth overall. In an estimate from the start of December 2006, the research association Euroconstruct expected a 3.2 % increase in building activities in Europe for the past year. In their medium-term outlook for 2006 to 2009, experts are expecting an average growth rate in the construction industry as a whole of 2 %. The development in Germany, Europe's largest market, exceeded the cautious optimism shown at the start of 2006. According to estimates from Germany's main construction industry association HDB from January of this year, construction sales in Germany rose by 6.5 % in 2006, after a fall of 6.5 % in the previous year. The HDB experts remain optimistic for 2007 and expect an increase in sales of 3.5 %.

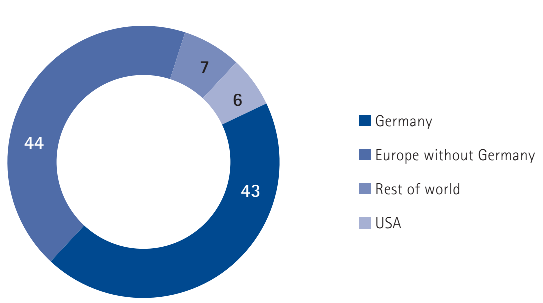
For the third year in a row, IT investments have seen an increase over the previous year. The European Information Technology Observatory (EITO) expects growth of 3.8 % in the European Union for 2006 in the field of information technology, compared with 3.4 % in the previous year. For 2007, the experts from EITO are expecting growth of 4.2 %.

Business Units

Design

The Design business unit developed positively in 2006. With an increase in sales of 9.0 %, the operating profit rose by 33.0 %. With a sales volume of 80.8 million euros, Design is the largest business unit in the Nemetschek Group and is represented globally with its own sales companies and partners. Customers include architects and civil engineers. The Nemetschek Group's range of products provide IT solutions to cover all phases in the creation of real estate – from the draft, design, structural analysis and costing.

Group revenues by regions in %



Development was particularly successful at the US group subsidiary NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA, which reported double-digit growth in sales and earnings for the second year running. The main contributing factor here was the new version of the main product VectorWorks, which was launched at the start of the year. In western Europe, development was particularly good in France and Italy, which also saw double-digit growth in sales. In Germany, Nemetschek once again demonstrated its innovation leadership with the Design2Cost campaign. The new method decisively improves the overall workflow in CAD and cost planning and generated a lot of interest in the industry.

In January, Nemetschek sold its interest in acadGraph CAD Studio GmbH, which operates on the German market and achieved negative results in recent years. Adjusted to take account of acadGraph's previous year's sales, sales in Germany developed positively. This development was accompanied by better underlying economic conditions. Nemetschek Engineering GmbH, with headquarters in Wals near Salzburg, Austria, which was founded at the start of 2005 to enable the company to process the market for planning software for finished parts more effectively, also reported good sales growth in 2006 as well as a considerable increase in operating profit.

Leading Europe with Integrated Civil Engineering Solutions

At the very start of the year, Nemetschek realized a promising acquisition and obtained a 78.84 % stake in SCIA International NV, Herk-de-Stad, Belgium. In Europe, the Nemetschek Group is therefore the leading provider of integrated CAD / CAE software (Computer Aided Design / Computer Aided Engineering) in the area of civil engineering. One decisive advantage over our competitors is that Nemetschek offers its customers integrated architecture, civil engineering and structural design solutions. Our market position is considerably reinforced thanks to this integrated product family.

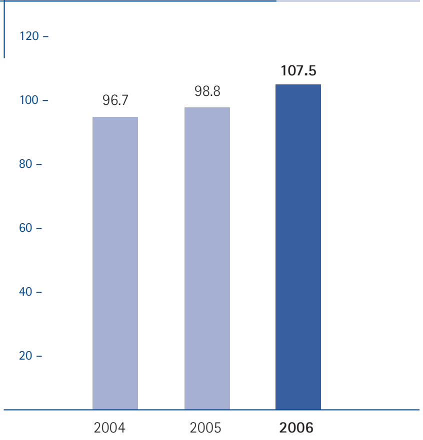
Together with SCIA, Nemetschek will be better represented in the area of high-end engineering design for complex structures such as bridges, tunnels, and industrial constructions. Nemetschek is thus the only company to offer its customers innovative solutions that improve work processes within a single data structure, from CAD, structural and design calculations through to the optimization of complete structures. SCIA has around 5,000 customers worldwide and is represented in 16 countries. The group, founded in 1974, is market leader in the Benelux countries and is also one of the leading companies in the industry in the Czech Republic and Slovakia. An office complex in "La Défense" in Paris, the Olympic soccer stadium in Crete and the King Abdulaziz International Airport in Saudi Arabia are just some of the buildings created using software from SCIA. SCIA International NV had a successful year in 2006 and as of March 2006 is included in the consolidated financial statements with sales of 7.0 million euros.

Nemetschek Acquires Majority in Graphisoft SE

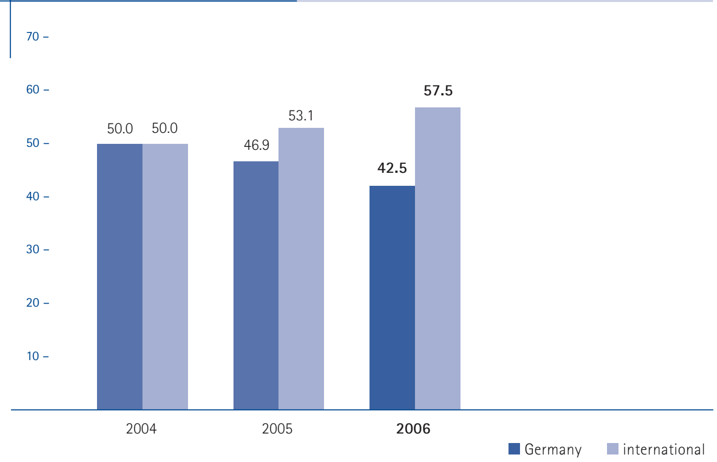
At the end of the year, Nemetschek achieved another strategically important acquisition. In December, a majority interest was acquired in the Hungarian Graphisoft SE European Company Limited by Shares, Budapest, Hungary, a main competitor in the area of design. On December 31, 2006, Nemetschek purchased 54.3 percent of the 10.6 million shares in Graphisoft SE at a price of 9 euros per share. With this acquisition, the software vendor extended its global leadership and became the number one on the European market for AEC software solutions (Architecture, Engineering, Construction) with the CAD programs Allplan, VectorWorks and Archicad. Graphisoft SE is a specialist in software solutions for building design. The company was founded in 1982 and today has 265 employees as well as a worldwide network of dedicated, loyal and independent sales partners. Graphisoft has offices in Hungary, Germany, the USA, Japan, Great Britain, Spain and Finland. The company's products are used by more than 100,000 customers in 82 countries. The particular strengths of the main product Archicad lie in the area of design. In 2006, the Graphisoft Group achieved sales of 30.5 million euros.

The Graphisoft subsidiary is included in the consolidated financial statements on December 31, 2006. This has relevant effects on the balance sheet positions. As of 2007, the positions for the profit and loss statement, such as sales and earnings, for example, will include the Graphisoft subsidiary. Within the Nemetschek Group, Graphisoft is managed as a strategic financial interest. Organization and management structure and the company and brand names will be retained.

Group revenues in million €



Group revenues in %



Build
The Build business unit covers the companies Nemetschek Bausoftware GmbH, Achim, and ING. AUER – Die Bausoftware GmbH, Mondsee, Austria, which primarily offer commercial and technical business solutions for midsize construction companies and designers in German-speaking countries. The market environment was characterized by the construction companies' reluctance to invest in IT. Sales revenue and operating profit in the Build business unit were lower than in the previous year. Joint sales activities on the part of the two Nemetschek subsidiaries and the increased presence in eastern Europe are already showing first signs of success.

Manage
The Manage business unit covers the group activities for commercial real estate management and technical and infrastructure-oriented facility management bundled in Nemetschek CREM Solutions GmbH & Co. KG, Ratingen. The realignment of sales and the new customer support strategy have been the main contributors to the rise in sales revenue of 13.2 % compared to the previous year and to a positive operating result. With many new functions, the main product Allfa is even more effective and efficient for customers, most of which operate in the public sector, real estate, industry, retail, banking and insurance and the health sector.

Multimedia
The Multimedia business unit (formerly New Business Opportunities) is made up of MAXON Computer GmbH in Germany and its subsidiaries in the USA and England. The MAXON Group can look back on a successful financial year. Sales revenue increased by 28.0 % and the EBIT rose by 1.0 million euros to 1.8 million euros.

The high-end, 3D modeling, animation and rendering software CINEMA 4D and the 3D painting program BodyPaint 3D from MAXON are among the leading software solutions in this industry. The new version, which includes numerous improvements and was launched in the fall, has been very well received by experts and played a leading role in sales success.

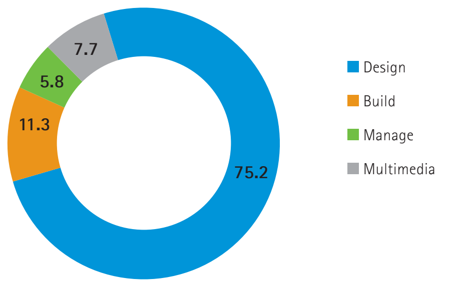
Enterprise Controlling of the Group
Nemetschek AG is a holding company based in Munich that manages and controls the decentrally organized Nemetschek Group in a targeted way. The four business units Design, Build, Manage and Multimedia extend across 45 nationally and internationally active companies. The individual business units are controlled on the basis of the group's overall strategic direction. There is an overall plan, which takes account of the group companies' annual budgets. Planning is conducted at revenue type level, product and profit center level, and with the related costs based on sales and overall cost methods. During the year, monthly reports are drawn up at sales, revenue and cost level for each area, with a detailed analysis of the deviations from the plan and the previous year, and an updated outlook to the end of the fiscal year is also produced each month. Specific, company-related key figures, which are mapped in a management information system, are used for controlling. The main key figures are sales-by-revenue type and EBITA. Central controlling values are the profit-turnover ratio and the consolidated contribution margin.

Management board remuneration consists of variable, fixed and share-based parts. If the controlling majority of the company changes, there are no special resignation agreements for management board members. The management board has the power to increase the capital stock with the agreement of the supervisory board through new share certificates, issued to the owner, for cash or consideration on a one-time basis or repeatedly. The members of the management board are appointed by the supervisory board for a maximum of five years.

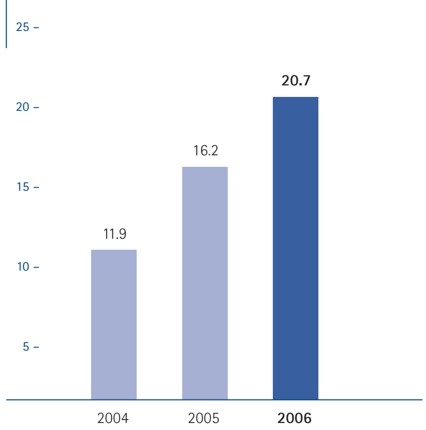
Earnings, Finance, and Asset Situation

A Successful 2006
In the 2006 financial year, sales were 107.5 million euros (previous year: 98.8 million euros) and therefore rose by 8.8 %. Business was successful in Germany, where sales growth – of 8.4 % – was achieved for the first time

Group revenues Business Units in %



EBITDA Group in million €



in years if the previous year's sales are adjusted to take account of acadGraph CAD Studio, which was sold at the start of 2006. Domestic sales were 45.7 million euros (previous year: 46.4 million euros). Sales abroad also increased significantly in the reporting period. With the acquisition of Belgian SCIA International NV and the additional growth abroad, the proportion contributed by international sales to the overall total rose to 57.5 % (previous year: 53.1 %).

In the Design business unit, sales were 80.8 million euros (previous year: 74.1 million euros). Sales of 12.1 million euros were achieved in the Build business unit (previous year: 12.6 million euros), and of 6.3 million euros in the Manage business unit (previous year: 5.5 million euros). In the Multimedia business unit, sales increased to 8.3 million euros (previous year: 6.5 million euros).

Higher Increase in Profit

The operating profit (EBIT) rose by 36.1 % to 17.8 million euros (previous year: 13.1 million euros). This corresponds to an EBIT margin of 16.5 % (previous year: 13.2 %). The increase in earnings was mainly due to the Design business unit. The EBIT here rose from 9.4 million euros to 12.5 million euros. The Multimedia business unit was also very successful, with an EBIT margin of around 21.3 %. The Manage business unit achieved profitability and therefore reached the target set for 2006. At 3.5 million euros, the net result of the Build business unit was lower than last year's figure.

The increase in sales was accompanied by a proportionately lower increase in operating costs. This reflects the good cost management within the Nemetschek Group and the high proportion of self-developed software. The operating costs are 91.8 million euros (previous year: 87.3 million euros). The amortization of intangible assets and property, plant, and equipment fell by 0.3 million euros. The EBITDA margin improved to 19.2 % (previous year: 16.4 %). The financial result was 0.8 million euros (previous year: 1.0 million euros). The tax rate was 22.4 % (previous year: 13.4 % due to one-time effects).

Net income rose by 18.1 % to 14.4 million euros (previous year: 12.2 million euros). The minority interests in the net income are 0.8 million euros (previous year: 0.5 million euros), which is due solely to the improved earnings of the companies in question. The earnings per share rose to 1.41 euros (previous year: 1.21 euros).

Cash Flow from Operating Business Activities up 50.5 %

Nemetschek is a financially strong company. The cash flow for the period increased in fiscal 2006 by 22.6 % to 21.3 million euros (previous year: 17.3 million euros). The cash flow from operating business activities improved by 50.5 % to 18.3 million euros. The cash flow from investing activities is – 6.3 million euros. The cash flow from investment activities is marked by effects from the acquisition of Graphisoft and SCIA International NV. Subsidiary acquisitions caused a total of 1.4 million euros in liquid assets to flow into the group in 2006. An outflow of funds totaling 5.3 million euros was recorded for the payment of the purchase price for the remaining 25 % of ING. AUER – Die Bausoftware GmbH in the financial year. 2.1 million euros (previous year: 2.1 million euros) were spent on asset investments. The cash flow from financing activities mainly includes the dividend payment of 6.3 million euros and the change in liabilities to banks as a result of the company acquisition amounting to 1.0 million euros.

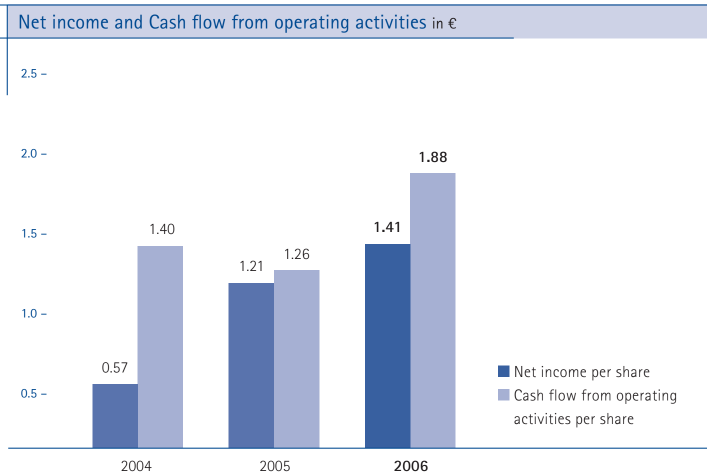
Balance Sheet Changes as a Result of the Acquisitions

Compared to the previous year, there were significant changes to balance sheet positions, particularly as a result of the acquisition of SCIA International NV and Graphisoft SE.

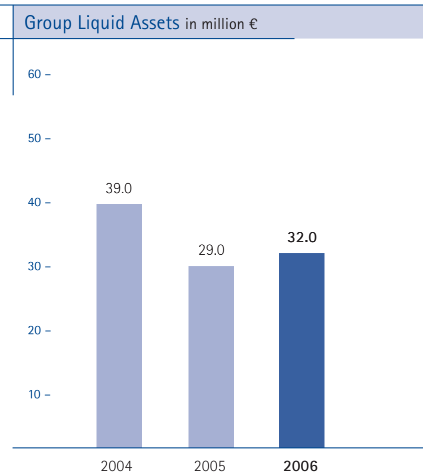
On the assets side, the current assets increased from 50.8 million euros to 83.6 million euros. The main factor contributing to this increase is the rise in liquid assets, trade receivables and current assets.

On December 31, 2006, the capital fund was 34.5 million euros (previous year: 29.0 million euros). As a result of the company acquisitions, the trade receivables increased by 10.2 million euros compared to the previous year. The "Prepaid expenses and other current assets" position was

Net income and Cash flow from operating activities in €



Group Liquid Assets in million €



19.5 million euros, compared to 2.8 million euros in the previous year. This includes a loan from Graphisoft SE to Graphisoft Park Kft. of 14.5 million euros, which was repaid at the start of 2007. The assets to be held for sale are 0.6 million euros (previous year: 2.1 million euros). In the previous year, this position still contained acadGraph CAD Studio GmbH, which Nemetschek intended to sell.

The non-current assets rose from 30.2 million euros to 120.6 million euros. As a result of the two new acquisitions, Graphisoft SE and SCIA International NV, the intangible assets increased by 65.9 million euros to 67.0 million euros and the goodwill by 19.8 million euros to 43.6 million euros. The deferred taxes rose from 1.8 million euros to 3.4 million euros.

The equities and liabilities side is characterized by the increase in short-term debts from 31.0 million euros to 134.6 million euros. This position contains the purchase price liabilities for the purchase of 54.3 % of Graphisoft SE amounting to 54.0 million euros (incl. incidental costs) and debts to remaining shareholders amounting to 33.6 million euros. The debts that are directly related to the assets classified as held for sale are deducted with the sale of acadGraph CAD Studio GmbH.

The increase in non-current liabilities is due mainly to the increase in deferred taxes from 1.2 million euros to 13.0 million euros. Of this, 10.0 million euros are due to the Graphisoft sales price distribution.

The equity capital totals 55.1 million euros (previous year: 48.1 million euros), and there is a corresponding equity ratio of 27.0 % (previous year: 59.5 %). On December 31, 2006, the balance sheet total was 204.1 million euros (previous year: 81.0 million euros).

Research and Development

Great Importance for Innovative Strength

Research and development (R&D) plays an important part in our company's business success. In 2006, we invested 19.7 million (previous year: 18.0 million euros) in R&D. This corresponds to a research quota of around 18.4 %. More than one third of Nemetschek Group employees belong to the R&D area. The employees work in Germany and in international development locations in Slovakia, the United States, and Austria. R&D activities are centrally coordinated by the R&D area of the management board. Nemetschek Technology GmbH, based in Munich, is responsible for the development of the Allplan product family. The Nemetschek Slovensko s.r.o. group company, based in Bratislava, acts as the internal R&D service provider for the group.

Significant Improvements in Data Exchange

Our R&D activities focus on the development of new standard software and the enhancement of existing standard software. In all divisions of the company, the functionality, user-friendliness, and openness of the current products have been enhanced. One area that research work focused on in 2006 was the integration of SCIA ESA PT and Allplan. An interface is used to merge data from CAD and structural calculations, making Round-Trip Engineering possible. In Round-Trip Engineering, data is synchronized between CAD and structural analysis software, meaning that time-consuming and error-prone multiple data entry is a thing of the past. When a planning change is made, the user can simply press a button to update the changed components. All the entries made previously are retained.

To ensure "intelligent" data management between CAD systems and other applications, Nemetschek supports improvements and enhancements in the global open industry data standard IFC (Industry Foundation Class from the IAI), which, like the BIM (Building Information Model), supports the object-oriented display of building model data independently of vendor and platform. The IFC standard was implemented in version 2006 and is an important component for the integration of planning solutions for Nemetschek. With the acquisition of Graphisoft SE, which also plays a highly committed role in the IAI (International Alliance for Interoperability), the position of IFC compared to the proprietary DWG format from Autodesk is being globally strengthened. This is an important step on the road to a fully integrated, intelligent building model (BIM).

Another important aspect was the implementation of strategic partnerships. For example, Nemetschek and the Munich-based baulogis GmbH are cooperating on the Internet-based, cross-enterprise and cross-organization management of building projects: planners, building clients, general contractors and investors have access – anywhere, any time – to the latest documents created during the life cycle of a building. The common data basis improves communication among all project participants, renders building information transparent and facilitates real estate management. Furthermore, a strategically important cooperation was agreed between Nemetschek and Adobe Systems Inc. In future, the two companies will be working together more closely and will be more intensively promoting the use of PDF as the future format for data exchange in the building industry. In future, all products in the Nemetschek Group will be able to communicate with each other on the basis of 2D PDF and 3D PDF. In future it will be easier for architects and engineers to exchange and coordinate drawings and project documents with building clients and partners.

Employees

As of December 31, 2006 the Nemetschek Group employed 1,151 people worldwide (previous year: 735). There were an extra 265 employees on December 31, 2006, as a result of the acquisition of a majority interest in Graphisoft. On average for the year, Nemetschek employed 880 people (excluding Graphisoft, previous year: 736), 421 in Germany, 459 abroad. The increase in the number of employees is due on the one hand to the takeover of a majority in the Belgian SCIA International NV and on the other to hirings resulting from the growth phase that is under way.

Risk Report

Risk Management

Nemetschek AG's business activities involve opportunities and risks. We use a controlling system to identify and evaluate risks and implement appropriate measures. The aim of group-wide risk management is to identify new risk situations quickly, counteract negative trends, and exploit market opportunities. The general group-wide responsibility for identifying risks at an early stage and counteracting them lies with the management board. In carrying out its tasks, it is supported by members of management, the defined risk owners, and the risk manager. Planning, information supply, and risk control are the responsibility of the risk manager. The risk owners are responsible for the ongoing identification, evaluation and controlling of risks in their operational areas. Every six months, in a risk assessment, the group's current risk situation is updated and documented. Ad hoc information can be added to these regular reports at other times during the year.

Risks in Future Development

With our business activities, we are confronted on the one hand with strategic risks of a medium- or long-term nature that relate to changes in environmental factors and management processes, such as the development, marketing, organization, or management process, for example. In these areas, there are also operational risks of a more short-term nature which can lead to direct and indirect losses caused by inadequate or incorrect internal processes, systems, or external events as well as human errors.

The most important risks which could lead to a significant worsening of the Nemetschek Group's economic situation are in the market- and industry-related sphere. In the Design and Build units, the Nemetschek Group's success depends primarily on the economic development in the construction and real estate industry.

A weak economic situation in the markets relevant for the Nemetschek Group, namely western and eastern Europe, the United States, and Asia, can have an adverse effect on the Nemetschek Group's asset, financial, and earnings situation. Risk diversification is achieved through market presence in different countries which generally have different economic and competitive risks.

In addition, the risk is disseminated through a broad customer base and wide-ranging product portfolio.

Rapid technological change presents a strategic risk in the market segments we operate in. There is a fundamental risk that the innovative leadership achieved by the Nemetschek Group and / or the particular characteristics of the Nemetschek Group products will be lost as a result of competitor copies or innovations, and by a failure to adapt to new customer requirements and technical innovations. It is still not possible to rule out that new customer requirements will not be identified early enough to enable development targets to be defined, meaning that improved products will not be launched early enough.

One important factor for the Nemetschek Group's success is therefore to win highly qualified employees and encourage them to remain with the company over the long term. If managers or other qualified employees leave the Nemetschek Group and suitable replacements are not found, this may adversely affect business development. This is particularly true if it results in a loss of knowledge and company-specific data caused by insufficient documentation and archiving. To ward off this risk, the Nemetschek Group offers attractive and modern workplaces and continues to improve knowledge management processes.

In the 2006 financial year, Nemetschek AG achieved important strategic company acquisitions which in view of the global market are decisive for the future market success of the Nemetschek Group. The purchase of new companies and the integration of them into the group always involves risks. Nemetschek AG attempts to take these into account through extensive audits in advance and through measures that support the acquisition process. The supervisory board also actively monitors the acquisitions. Thanks to its many years of experience with company acquisitions, Nemetschek AG is aware of the risks involved in purchasing Graphisoft SE and SCIA International NV in the 2006 financial year. Nemetschek Holding has been actively involved in controlling the purchased companies from the beginning. This is achieved on the one hand by appointing members to the supervisory board of the company in question, and on the other through networking and information exchange between the operational units within the Nemetschek Group.

The structure of financing for the acquisition of Graphisoft SE is explained in detail in the notes. In the first step, the loan of 54.0 million euros was taken out for the purchase of 54.3 % of the Graphisoft SE shares. Further availment will depend on the outcome of the takeover bid. The time period for acceptance ends on March 21, 2007.

Financial risks may also arise as some Nemetschek Group business activities are conducted in foreign currencies. In the area of the US dollar, in particular, and possibly also for the Hungarian forint, currency fluctuations can have a significant effect on sales revenue and the operating result. The expected profit payments are in part secured by currency rate transactions. Detailed information on foreign currency and interest risks and the risk from financing is provided in the notes on the consolidated financial statement.

To summarize, we are convinced that none of the main risks identified above, either individually or as a whole, threaten the existence of the company, and that the Nemetschek Group will again successfully master the challenges of the forthcoming year. Nemetschek expects positive underlying conditions for the 2007 financial year. We believe our opportunities for positive business development and expansion of our market position as the leading provider for integrated software solutions for the complete life cycle of buildings lie in greater internationalization, strategic partnerships and targeted acquisitions. We also want to fully exploit our market potential in existing markets with our innovative software solutions.

Note on Forecasts

This management report contains statements and information about transactions and processes that are in the future.

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

Supplementary Report

Nemetschek AG submitted a public takeover bid to the shareholders of Graphisoft SE at the start of 2007. The bid involves a cash settlement per share of 2,273 forints (equivalent to 9 euros). The bid was transferred to the HFSA (Hungarian Financial Supervisory Authority) on January 17, 2007 for approval. On February 1, the HFSA gave its approval to the Graphisoft shareholders for Nemetschek AG's public takeover bid. The period during which the Graphisoft shareholders can accept the Nemetschek bid runs from February 4 to March 21, 2007. On February 1, 2007, the Graphisoft Board of Directors recommended that Graphisoft shareholders accept the offer.

After the close of the fiscal year, there were no noteworthy changes to the underlying conditions. The economic situation has not changed to such an extent that would significantly affect our business activities, and the industry situation is not significantly different to that of December 31, 2006.

Forecast report

In 2007, experts expect positive overall economic development around the world and growing demand in the AEC (Architecture, Engineering, Construction) area of the software industry. The most important markets are Europe and North America. Average growth of 6.8 % p.a. is expected up until 2010. On the basis of these underlying economic conditions, the management board expects the Nemetschek Group to continue to develop well. One central focus here will be on constant growth. Attention will also be paid to using the Nemetschek Group's broad customer base to market existing and improved solutions in markets that have already been captured.

With the takeover of Graphisoft, Nemetschek will again significantly strengthen its market position. The customer base will grow considerably. Additional opportunities for growth come from using the Graphisoft marketing base for the solution portfolio of the whole Nemetschek Group. Furthermore, the main product from Graphisoft – Archicad – will not only strengthen the market presence of Nemetschek in the Windows environment, it will also lead to complete market coverage in the Macintosh environment. The research and development capacity of the Nemetschek Group will be boosted enormously with the Graphisoft team.

The additional expertise will ensure technology leadership in the future with the enhancement of the intelligent building model (BIM). Together with Graphisoft, the Nemetschek Group will further reinforce the position of the alternative data exchange format IFC, which offers customers significant advantages when forwarding 3D data. With the acquisition of Graphisoft SE on December 31, 2006, sales in the Nemetschek Group will see above-average growth in 2007. The Nemetschek Group expects to grow in line with the general market development this year and next. The Nemetschek Group's cash flow for the period will rise considerably. The interest costs will rise as a result of the Graphisoft acquisition. The profitability achieved on the basis of the EBITDA should improve further in 2007 and 2008.

Munich, March 6, 2007

The Management Board

Ernst Homolka Dr. Peter Mossack Michael Westfahl

Consolidated Balance Sheet

as of December 31, 2006 and as of December 31, 2005

Assets Thousands of €	Dec. 31, 2006	Dec. 31, 2005	[Notes]
Current assets			
Cash and cash equivalents	32,033	28,966	[23]
Securities	3,820	0	[23]
Trade receivables, net	24,680	14,435	[13]
Receivables from associates	0	148	
Inventories	814	481	
Tax refunded claims for income taxes	2,139	1,917	[14]
Prepaid expenses and other current assets	19,509	2,777	[14]
Non-current assets classified as held for sale	560	2,075	[14]
Current assets, total	**83,555**	**50,799**	
Non-current assets			
Property, plant and equipment	4,508	2,811	[12]
Intangible assets	67,043	1,166	[12]
Goodwill	43,560	23,734	[12]
Shares in associates / financial assets	484	387	[12]
Deferred taxes	3,354	1,835	[10]
Other non-current assets	1,628	230	[14]
Non-current assets, total	**120,577**	**30,163**	
Total assets	**204,132**	**80,962**	

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

Equity and liabilities Thousands of €	Dec. 31, 2006	Dec. 31, 2005	[Notes]
Current liabilities			
Short-term loans and current portion of long-term loans	797	702	[19]
Trade payables	5,986	3,615	[19]
Payments on account	310	64	[19]
Provisions and accrued liabilities	12,087	8,780	[18]
Deferred income	10,322	6.807	[20]
Income taxes	3,692	1,118	[19]
Other current liabilities	101,408	9,181	[19]
Liabilities directly associated with non-current assets classified as held for sale	0	763	[19]
Current liabilities, total	**134,002**	**31,030**	
Non-current liabilities			
Long-term loans without current portion	242	0	[19]
Deferred taxes	12,956	1,215	[10]
Pension provisions	590	583	[18]
Other non-current liabilities	636	0	[19]
Non-current liabilities, total	**14,424**	**1,798**	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserves	41,640	41,354	[17]
Revenue reserve	52	52	[17]
Currency translation	– 2,810	– 1,851	
Retained earnings / accumulated loss	5,242	– 2,083	
Minority interests (restated)	1,357	1,037	
Equity, total	**55,106**	**48,134**	
Total equity and liabilities	**204,132**	**80,962**	

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

Consolidated Income Statement

for the period from January 1 to December 31, 2006 and 2005

Thousands of €	2006	2005	[Notes]
Sales	**107,481**	**98,776**	[1]
Own work capitalized	142	0	[2]
Other operating income	1,891	1,555	[3]
Operating income	**109,514**	**100,331**	
Cost of materials / cost of purchased services	– 7,672	– 8,663	[4]
Personnel expenses	– 46,923	– 44,071	[5]
Depreciation of property, plant and equipment and amortization of intangible assets	– 2,379	– 3,179	[6]
Depreciation of property, plant and equipment and amortization of intangible assets due to purchase price allocation	– 503	0	[6]
Other operating expenses	– 34,273	– 31,365	[7]
Operating expenses	**– 91,750**	**– 87,278**	
Operating result	**17,764**	**13,053**	
Interest income	689	865	[9]
Interest expenses	– 133	– 117	[9]
Income from associates	211	223	[8]
Earnings before taxes	**18,531**	**14,024**	
Income taxes	– 4,181	– 1,876	[10]
Net income for the year	**14,350**	**12,148**	
Of this amount: Equity of the parent company	13,592	11,668	
Minority interests	758	480	[11]
	14,350	**12,148**	
Earnings per share (basic) in euros	1.41	1.21	[21]
Earnings per share (diluted) in euros	1.41	1.21	
Average number of shares outstanding (basic)	9,625,000	9,621,439	
Average number of shares outstanding (diluted)	9,650,000	9,621,439	

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

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2006 and 2005

Thousands of €	2006	2005	[Notes]
Earnings (before taxes)	18,531	14,024	
Amortization and depreciation of non-current assets	2,882	3,179	
Change in pension provision	7	170	
Non-cash transactions	41	81	
Income from associates	– 211	– 223	
Expenses / income from disposal of property, plant and equipment	– 4	95	
Cash flow for the period	**21,246**	**17,326**	
Interest income	– 689	– 865	
Interest expenses	133	117	
Change in other provisions and accruals	1,052	– 246	
Change in trade receivables	216	– 1,029	
Change in inventories, other assets	– 495	– 767	
Change in trade payables	108	– 673	
Change in other liabilities	– 534	671	
Cash received from distributions of associates	141	251	
Interest received	671	736	
Income taxes received	904	0	
Income taxes paid	– 4,489	– 3,387	
Cash flow from operating activities	**18,264**	**12,134**	
Capital expenditure	– 2,050	– 2,141	
Acquisition of entities less purchased cash*	1,390	0	
Changes in liabilities from acquisitions	– 5,747	0	
Cash received from the disposal of non-current assets	69	98	
Cash flow from investing activities	**– 6,338**	**– 2,043**	
Dividend payments	– 6,256	– 19,250	
Minority interests paid	– 397	– 874	
Change in liabilities to banks due to acquisitions	1,000	0	
Repayment liabilities to banks	– 78	– 701	
Interest paid	– 76	– 117	
Cash received from the sale of shares	0	234	
Cash flow from financing activities	**– 5,807**	**– 20,708**	
Changes in cash and cash equivalents	**6,119**	**– 10,617**	
Effect of exchange rate differences on cash and cash equivalents	**– 574**	**550**	
Cash and cash equivalents at the beginning of the period	**28,966**	**39,033**	
Cash and cash equivalents at the end of the period	**34,511**	**28,966**	[23]

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

* Further information see notes on page 43: "The shares purchased were included in the consolidated financial statements for the first time."

Statement of Changes in Group Equity

for the period from January 1, 2005 to December 31, 2006

Thousands of €	Equity allocable to the parent company's shareholders							
	Subscribed capital	Capital reserve	Revenue reserves	Currency translation	Retained earnings/accumulated loss	Total	Minority interests	Total Equity
As of January 1, 2005	**9,625**	**46,345**	**0**	**– 3,037**	**5,496**	**58,429**	**1,497**	**59,926**
Sale of shares		182	52			234		234
Additional share purchases		– 5,254				– 5,254	– 66	– 5,320
Share-based compensation		81				81		81
Income payment from minority interests						0	– 874	– 874
Difference from currency translation				1,186	3	1,189		1,189
Dividend payments					– 19,250	– 19,250		– 19,250
Net income for the year					**11,668**	**11,668**	**480**	**12,148**
As of December 31, 2005	**9,625**	**41,354**	**52**	**– 1,851**	**– 2,083**	**47,097**	**1,037**	**48,134**
Additional share purchases						0	– 51	– 51
Share-based compensation		194				194		194
Issuance costs prior years		92				92		92
Income payment from minority interests					– 10	– 10	– 387	– 397
Difference from currency translation				– 960		– 960		– 960
Dividend payments					– 6,256	– 6,256		– 6,256
Net income for the year					**13,592**	**13,592**	**758**	**14,350**
As of December 31, 2006	**9,625**	**41,640**	**52**	**– 2,811**	**5,243**	**53,749**	**1,357**	**55,106**

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

Changes in Group equity are explained in notes [15, 16, 17].

Notes to the Consolidated Financial Statements for the Fiscal Year 2006

The Company

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

The full solution offering spans the entire planning, construction and management process. As such, it is a mediator and a link between the world of information technology and the specialist world of building clients, architects, engineers, construction companies as well as facility and real estate managers. The Group is also active in the fields of visualization and animation for multimedia software.

Nemetschek AG was founded on September 10, 1997 by conversion of Nemetschek GmbH and has been listed on the German Stock Exchange in Frankfurt since March 10, 1999, and in the Prime Standard segment since January 1, 2003. The registered office of Nemetschek AG is at 81829 Munich, Germany, Konrad-Zuse-Platz 1. The annual report for 2006 can be obtained there.

Information on the German Corporate Governance Code

The declaration of compliance was submitted in March 2006 and can be accessed by the shareholders on the homepage of Nemetschek Aktiengesellschaft (www.nemetschek.de / ir).

General

As in the prior year, the consolidated financial statements for the year ending December 31, 2006, are prepared in accordance with International Financial Reporting Standards (IFRSs), as required to be applied in the EU, and the provisions of German commercial law to be applied additionally pursuant to Sec. 315a (1) HGB ['Handelsgesetzbuch': German Commercial Code]. The Company is listed in the Prime Standard segment of the stock exchange and applies the provisions of Sec. 315a HGB, and is thus exempt from the provisions of Secs. 290 et seq. HGB to prepare consolidated financial statements. The group management report has been prepared in accordance with Sec. 315 HGB.

The accounting policies used generally correspond to the methods applied in the prior year. In addition the Group has applied the new / revised standards that are binding for fiscal years beginning on or after January 1, 2006.

The following IFRS standards and interpretations are binding for the first time for the fiscal year beginning on January 1, 2006. These result in changes in the accounting policies for Nemetschek Aktiengesellschaft as well as changed disclosures in the notes:

- IAS 39 Revision of "Financial Instruments: Recognition and Measurement"
- IFRIC 4 "Determining whether an Arrangement contains a Lease"
- IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"

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

IFRSs and IFRIC interpretations adopted by the EU in the comitology procedures, which have not yet entered into force, are:

- IFRS 7 "Financial Instruments: Disclosures"
- IAS 1 Revision of "Presentation of Financial Statements"
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Reassessment of Embedded Derivatives"

The principal effects of these amendments are discussed below.

Amendments to IAS 39 – Fair Value Option and Cash Flow Hedge Accounting

The amendments are applicable for fiscal years beginning on or after January 1, 2006. The amendments restrict the possibility to measure each financial asset or each financial liability at fair value through the income statement. There were no effects on the consolidated financial statements of Nemetschek Aktiengesellschaft.

Amendments to IAS 39 – Accounting of Hedges of Forecast Intragroup Transactions

This amendment to IAS 39 permits the foreign currency risk of a highly probable forecast intragroup transaction to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. The amendments did not affect recognition and measurement.

Amendments to IAS 39 and IFRS 4 – Financial Guarantee Contracts

Following the revision of IAS 39 and IFRS 4, financial guarantees fall under the scope of IAS 39 only. In the past, financial guarantees had been subject – depending on their structure – either to IAS 39 or to IFRS 4. The amendment is applicable for fiscal years beginning on or after January 1, 2006. As the Group does not have any such guarantees at present, no effects were noted.

IFRIC 4 "Determining whether an Arrangement contains a Lease"

This interpretation is applicable for the first time for fiscal years beginning on or after January 1, 2006. It provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. Application of IFRIC 4 did not result in any effects on the consolidated financial statements of Nemetschek Aktiengesellschaft.

IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"

This interpretation is applicable for the first time for fiscal years beginning on or after January 1, 2006. It sets out the accounting treatment for funds set up to finance the decommissioning of assets. Application of IFRIC 5 did not result in any effects on the consolidated financial statements of Nemetschek Aktiengesellschaft.

IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"

This interpretation is applicable for the first time for fiscal years beginning on or after January 1, 2006. It prescribes the date on which recognition of a liability is required for the disposal of electrical and electronic equipment in accordance with the provisions of the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. Application of IFRIC 6 did not result in any effects on the consolidated financial statements of Nemetschek Aktiengesellschaft.

IFRS 7 "Financial Instruments: Disclosures"

IFRS 7 governs the disclosure requirements for financial instruments for industrial entities as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" as well as the disclosure requirements contained in IAS 32 "Financial Instruments: Disclosure and Presentation". IFRS 7 is applicable for fiscal years beginning on or after January 1, 2007. Management had not completed the analysis of the effects of this standard by the time the consolidated financial statements were prepared.

Amendments to IAS 1 "Presentation of Financial Statements"

The additional disclosure requirements resulting from the amendment of IAS 1 "Presentation of Financial Statements" were not observed voluntarily in the consolidated financial statements. The amendments will mainly relate to additional disclosures concerning the Group's objectives, policies and processes for managing capital. The amendments are applicable for fiscal years beginning on or after January 1, 2007.

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

This interpretation is applicable for the first time in fiscal years beginning on or after March 1, 2006 and contains explanations on IAS 29 on the question of adjusting the financial statements in the event that the functional currency of an entity is qualified as highly inflationary for the first time. It is not expected to have any effects on the consolidated financial statements.

IFRIC 8 "Scope of IFRS 2"

This interpretation is applicable for the first time for fiscal years beginning on or after May 1, 2006. It requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The Group will apply the amendments for the first time in the fiscal year 2007. The interpretation is not expected to have any effects on the consolidated financial statements.

IFRIC 9 "Reassessment of Embedded Derivatives"

This interpretation is applicable for fiscal years beginning on or after June 1, 2006. IFRIC 9 deals with special issues surrounding accounting for embedded derivatives pursuant to IAS 39. IFRIC 9 requires that the assessment of whether any embedded derivatives contained in a contract are required to be separated from the host contract and accounted for as derivatives must take place upon concluding the contract. A reassessment during the term of the contract is only permitted if the underlying contractual conditions and the associated cash flows change significantly. The extent to which the payments from the embedded derivative and / or the host contract have changed compared to the original cash flows is taken as the basis here. IFRIC 9 is not expected to have any material effects on the consolidated financial statements.

IFRSs and IFRIC interpretations which have not yet entered into force and have not been adopted by the EU in the comitology procedures:

- IFRS 8 "Operating Segments"
- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements"

IFRS 8 "Operating Segments"

IFRS 8 replaces IAS 14 "Segment Reporting" and brings the standards of the IASB into line with the provisions of the Statement of Financial Accounting Standards (SFAS) 131. IFRS 8 requires the disclosure of financial and narrative information on the reportable segments. Reportable segments are either operating segments or groups of operating segments which satisfy certain criteria. Operating segments are components of an entity for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess performance. In general, the financial information has to be reported on the basis of the internal control concept used to assess the operating segments (management approach). The standard is applicable for the first time for fiscal years beginning on or after January 1, 2009. Early adoption is permitted. The Group had not completed the analysis of the effects of this amendment by the time the consolidated financial statements were prepared.

IFRIC 10 "Interim Financial Reporting and Impairment"

This interpretation deals with the alleged contradiction between the provisions of IAS 34 "Interim Reporting" and those in other standards pertaining to the recording and repetition of impairment expenses in the financial statements for goodwill and certain financial assets. IFRIC 10 states that an entity must not reverse impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost and that an entity may not extend this resolution by analogy to other areas where there may be contradictions between IAS 34 and other standards. IFRIC 10 is applicable for fiscal years beginning on or after November 1, 2006. Earlier adoption is encouraged. IFRIC 10 is not expected to have any effects on the consolidated financial statements.

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

This interpretation addresses the question of how IFRS 2 "Share-based Payment" applies to share-based payment arrangements involving the entity's own equity instruments or equity instruments of another group entity. IFRIC 11 is effective for reporting periods beginning on or after March 1, 2007. Early adoption is permitted. IFRIC 11 is not expected to have any effects on the consolidated financial statements.

IFRIC 12 "Service Concession Arrangements"

The scope of IFRIC 12 is limited to accounting for public concessions (e.g. for the operation of motorways or hospitals) from the perspective of the licensee and relates solely to arrangements with public licensors. IFRIC 12 is mandatory for fiscal years beginning on or after January 1, 2008. This interpretation is not relevant for the business operations of the Group.

Balance Sheet Classification:

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

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

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

The currency used in the consolidated financial statements is EUR; in the notes the figures are stated in thousands of euros (kEUR) unless otherwise specified.

Consolidated Group

The consolidated financial statements include Nemetschek Aktiengesellschaft and all of the foreign and domestic subsidiaries. Associates are valued using the equity method. The subsidiaries included in the consolidated financial statements and the entities valued at equity are listed below:

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

Name, registered office of the entity (Thousands of €)	Shareholding in %	Equity Dec. 31, 2006	Net income/loss for the year 2006
Nemetschek Aktiengesellschaft, Munich		66,717	7,035
Direct equity investments			
Design division			
Nemetschek Deutschland GmbH, Munich	100.00	3,004	317
Nemetschek Technology GmbH, Munich	100.00	2,000	1,899
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	100.00	14,580	3,477
NEMETSCHEK FRANCE SARL, Asnières, France	100.00	773	564
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	81.00	709	304
NEMETSCHEK ITALIA SRL, Trento, Italy	100.00	542	– 31
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	– 148	– 100
NEMETSCHEK (UK) Ltd., London, UK	100.00	– 500	– 3
NEMETSCHEK s.r.o., Prague, Czech Republic	100.00	17	17
NEMETSCHEK kft., Budapest, Hungary	100.00	57	6
NEMETSCHEK OOO, Moskow, Russia	100.00	– 233	10
Friedrich + Lochner GmbH, Stuttgart	100.00	51	1,463
Campus Technology Fund, Heverlee, Belgium	100.00	418	46
Software Adventure Cv, Herk-de-Stad, Belgium	54.54	564	– 1
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	70.00	1,337	651
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	56.21	9,161	– 4,241
DACODA GmbH, Rottenburg	51.00	65	30
Build division			
Nemetschek Bausoftware GmbH, Achim	95.00	1,417	604
ING. AUER – Die Bausoftware GmbH, Mondsee, Austria	49.90	2,519	2,243
Manage division			
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	100.00	– 1,381	195
Nemetschek CREM Verwaltungs GmbH, Munich	100.00	60	1
Multimedia division			
MAXON Computer GmbH, Friedrichsdorf	70.00	2,008	1,157
Other			
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00	461	– 213
Nemetschek Verwaltungs GmbH, Munich	100.00	26	0

Continuation:

Name, registered office of the entity (Thousands of €)	Shareholding in %	Equity Dec. 31, 2006	Net income/loss for the year 2006
Indirect equity investments			
Design division			
NEMETSCHEK Ges.m.b.H., Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00	321	174
Nemetschek Engineering GmbH, Wals, Austria, via Nemetschek Austria Beteiligungen GmbH	100.00	636	451
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia, via Nemetschek Technology GmbH	100.00	132	–15
Via Campus Technology Fund, Heverlee, Belgium and Software Adventure Cv, Herk-de-Stad, Belgium:			
SCIA International NV, Herk-de-Stad, Belgium	78.84	1,482	2
SCIA Group NV, Herk-de-Stad, Belgium	100.00	1,447	495
SCIA W + B Software BV, Arnhem, Netherlands	100.00	59	159
SCIA Sarl, Roubaix, France	100.00	– 44	– 36
SCIA Cz s.r.o., Brno, Czech Republic	100.00	46	–113
SCIA Sk s.r.o., Zilina, Slovakia	100.00	191	68
SCIA MAPS SA, Gurmels, Switzerland	100.00	– 24	–13
Via Graphisoft SE European Company Limited by Shares, Budapest, Hungary:			
Graphisoft R & D Számítástechnikai, Fejlesztö zrt., Budapest, Hungary	85.80	45,558	7,000
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00	251	– 73
Graphisoft Deutschland GmbH, Munich	100.00	– 759	–182
Graphisoft USA Inc., Massachusetts, Newton, USA	100.00	– 4,290	379
Graphisoft Japan KK, Tokyo, Japan	100.00	– 614	– 106
Graphisoft Spain SL, Madrid, Spain	100.00	– 105	20
Graphisoft UK Ltd., Surrey, UK	100.00	– 2,665	– 382
Graphisoft Finland Oy, Helsinki, Finland	100.00	– 227	– 284
Build division			
ING. AUER – Die Bausoftware GmbH, Mondsee, Austria, via Nemetschek Austria Beteiligungen GmbH	50.10	2,519	2,243
Multimedia division			
MAXON COMPUTER Inc., Thousand Oaks, California, USA via Maxon Computer GmbH	63.00	518	311
MAXON Computer Ltd., Bedford, UK, via Maxon Computer GmbH	63.00	– 79	70

The net income for the year recorded by Nemetschek Technology GmbH and Friedrich + Lochner GmbH is shown prior to the profit and loss transfer agreement with Nemetschek Aktiengesellschaft in each case.

Associates recognized according to the equity method:

Name, registered office of the entity (Thousands of €)	Shareholding in %	Equity Dec. 31, 2006	Net income/loss for the year 2006
DocuWare Aktiengesellschaft, Germering	30.00	3,906	704
Other disclosures on DocuWare AG		**Dec. 31, 2006**	**Dec. 31, 2005**
Assets		7,699	7,577
Liabilities		3,793	3,980
Revenue		6,812	7,360
Net income for the year		704	744

Financial assets

Name, registered office of the entity (Thousands of €)	Shareholding in %	Equity Dec. 31, 2006	Net income/loss for the year 2006
Sidoun GmbH, Freiburg i. Breisgau*	16.26	– 1,640	903
Sidoun international GmbH, Freiburg i. Breisgau* **	16.40	25	0
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	609	271
rivera GmbH, Karlsruhe via Nemetschek Bausoftware GmbH	20.00	25	– 28

* Non-calendar fiscal year as of June 30, 2006
** Newly founded; as of June 28, 2006

The information about the entities corresponds to the local seperate financial statements, translated into kEUR.

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

In the fiscal year 2006, a 33 % share in TraiCen IT Training & Consulting GmbH, Munich, was sold at a profit of kEUR 10.

Changes in the Consolidated Group
The composition of the entities included in the consolidated financial statements changed during the course of the fiscal year 2006.

acadGraph CAD Studio GmbH, Munich
100 % of the shares in acadGraph CAD Studio GmbH, Munich, were sold as of January 31, 2006. The deconsolidation result amounted to kEUR 152. This did not impact the cash and cash equivalents.

The shares purchased in the following entities were included in the consolidated financial statements for the first time:

SCIA Group NV, Herk-de-Stad, Belgium

By purchase agreement dated February 14, 2006, Nemetschek AG purchased a total of 78.84 % in SCIA International NV, Herk-de-Stad, Belgium, which acts as a holding for subsidiaries of the SCIA group. This purchase was made via Campus Technology Fund, Heverlee, Belgium, and Software Adventure Cv, Herk-de-Stad, Belgium. The date of acquisition is February 28, 2006. The shareholdings in the subgroup to be included in the consolidated group of Nemetschek AG are as follows:

Campus Technology Fund, Heverlee, Belgium	100.00 %
Software Adventure Cv, Herk-de-Stad, Belgium	54.54 %
SCIA International NV, Herk-de-Stad, Belgium	78.84 %
SCIA Group NV, Herk-de-Stad, Belgium	100.00 %
SCIA W+B Software BV, Arnhem, Netherlands	100.00 %
SCIA Sarl, Roubaix, France	100.00 %
SCIA Cz s.r.o., Brno, Czech Republic	100.00 %
SCIA Sk s.r.o., Zilina, Slovakia	100.00 %
SCIA MAPS SA, Gurmels, Switzerland	100.00 %

The cost of the combination amounted to kEUR 4,330, of which kEUR 202 related to incidental acquisition costs.

Nemetschek Aktiengesellschaft granted a put option to the minority shareholders to purchase the remaining shares of 21.16 %. The average EBITA over three years is used to measure the put option. A discounted liability of kEUR 1,101 was posted accordingly as of December 31, 2006. The option cannot be exercised until the fiscal year 2009 at the earliest. Minority interests are recognized in other liabilities and not in equity and the income statement.

The fair values of the identifiable assets and liabilities of SCIA Group NV, Herk-de-Stad, Belgium, at the time of acquisition (February 28, 2006) and the corresponding carrying amounts directly before acquisition are as follows:

Thousands of €	Carrying amount as of February 28, 2006	Fair value as of February 28, 2006
Cash and cash equivalents	645	645
Inventories and other assets	219	219
Trade receivables	2,641	2,641
Property, plant and equipment	885	1,140
Intangible assets	0	3,700
Goodwill	255	0
	4,645	**8,345**
Trade payables	573	573
Other liabilities and other equity items	2,669	2,669
Provisions	255	255
Deferred tax liabilities	0	1,305
	3,497	**4,802**
Net assets	**1,148**	**3,543**
Goodwill arising on acquisition		1,888
Total consideration*		**5,431**
Cash flow on the acquisition: Net-cash acquired from the subsidiary		645
Cash paid		– 3,986
Net cash outflow		– 3,341

* including liability from the put option of kEUR 1,101.

The goodwill from the acquisition of kEUR 1,888 includes the fair value of the expected strengthened market position and the expected continuation of growth.

SCIA Group NV, Herk-de-Stad, Belgium, has contributed a figure of kEUR 338 to the Group's operating result since the date of acquisition. If the acquisition had already taken place at the beginning of the year, revenue of the Group for the twelve months would have increased by kEUR 8,157 and the earnings of the Group for the twelve months would have risen by kEUR 165.

The fair value adjustments due to the preliminary calculation of the purchase price allocation are as follows:

Thousands of €	Fair value adjustments	Useful life in years	Annual write-downs
Land, property, plant and equipment	**255**	**n/a**	**0**
Software	1,000	3	333
Customer relationships	2,700	10	270
Intangible assets	**3,700**		603
Elimination of goodwill*	**–255**		
Deferred tax liabilities	**1,305**		
Total difference before goodwill	**2,395**		

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

A capital market based approach (DCF method = discounted cash flow) was chosen to calculate the fair value of the intangible asset software. This involved adding a hypothetical license fee to the expected revenue. The first step was to estimate the future duration of customer relationships to calculate the fair value of this item. Then the future expected revenue was calculated less expected maintenance and repair costs in connection with customer relationships, taking future expected margins into account.

The preliminary purchase price allocation is based on the calculation of the outstanding minority interests.

DACODA GmbH, Rottenburg

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

Nemetschek Aktiengesellschaft granted a put option to the minority shareholders to purchase the remaining 49 %. The average EBIT over three years is used to measure the put option. A discounted liability of kEUR 160 was posted accordingly as of December 31, 2006. The option cannot be exercised until the fiscal year 2009 at the earliest. Then the future expected revenue was calculated less expected maintenance and repair costs in connection with customer relationships, taking future expected margins into account. The carrying amounts and fair values on the acquisition date (August 17, 2006) for 100 % are as follows:

Thousands of €	Carrying amount as of August 17, 2006	Fair value as of August 17, 2006
Cash and cash equivalents	56	56
Inventories and other assets	67	67
Trade receivables	227	227
Property, plant and equipment	188	188
	538	**538**
Trade payables	438	438
Other liabilities and other equity items	64	64
	502	**502**
Net assets	**36**	**36**
Goodwill arising on acquisition		141
Total cost*		**177**
Cash flow on the acquisition: Net-cash acquired from the subsidiary		56
Cash paid		– 13
Net-cash inflow		43

* including liability from the put option of kEUR 160.

The goodwill from the acquisition of kEUR 141 includes the fair value of the expected strengthened market position.

DACODA GmbH, Rottenburg, has contributed a figure of kEUR 56 to the Group's operating result since the date of acquisition. If the acquisition had already taken place at the beginning of the year, sales of the Group for the twelve months would have increased by kEUR 572 and the earnings of the Group for the twelve months would have risen by kEUR 39.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary
On December 21, 2006, Nemetschek Aktiengesellschaft presented a call option for a share package of selected shares of Graphisoft SE European Company Limited by Shares, Budapest, Hungary. Nemetschek AG exercised the call option on December 31, 2006 and purchased a total of 54.3 % of the shares in Graphisoft SE. This corresponds to 5,774,924 shares. Each purchase price per share was EUR 9. The cost thus totaled EUR 54 million, of which EUR 2 million concerned incidental acquisition costs. After taking into account the treasury shares (358,369) of Graphisoft SE European Company Limited by Shares, Budapest, Hungary, the shareholding of Nemetschek Aktiengesellschaft amounts to 56.21 %.

.

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

Graphisoft SE European Company Limited by Shares, Budapest, Hungary	56.21 %
Graphisoft R&D Számitástechnikai Fejlesztö zrt., Budapest, Hungary	85.80 %
Graphisoft CAD Studio Kft., Budapest, Hungary	92.00 %
Graphisoft Deutschland GmbH, Munich	100.00 %
Graphisoft USA Inc., Massachusetts, Newton, USA	100.00 %
Graphisoft Japan KK, Tokyo, Japan	100.00 %
Graphisoft Spain SL, Madrid, Spain	100.00 %
Graphisoft UK Ltd., Surrey, UK	100.00 %
Graphisoft Finland Oy, Helsinki, Finland	100.00 %

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

Thousands of €	Carrying amount as of December 31, 2006	Fair value as of December 31, 2006
Cash and cash equivalents	4,688	4,688
Securities	1,342	1,342
Inventories and other assets	17,800	17,800
Trade receivables	7,406	7,406
Property, plant and equipment	886	886
Intangible assets	220	62,720
Equity investments	50	50
Deferred tax assets	1,071	1,071
	33,463	**95,963**
Trade payables	1,252	1,252
Liabilities to minority interests	0	33,587
Other liabilities and other equity items	7,600	14,565
Provisions	400	400
Deferred tax liabilities	32	10,032
	9,284	**59,836**
Net assets	**24,179**	**36,127**
Goodwill arising on acquisition		17,847
Total consideration		**53,974**
Cash flow on the acquisition: Net-cash acquired from the subsidiary		4,688
Cash paid		0
Net cash inflow		4,688

The cash and cash equivalents acquired comprise bank balances (kEUR 4,688).
The other liabilities and other equity items contain a bank loan of kEUR 153.

The goodwill from the acquisition of kEUR 17,847 includes the fair value of the expected strengthened market position and the expected continuation of growth.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary, has not made any contribution to the Group's earnings since the date of acquisition. If the acquisition had already taken place at the beginning of the year, sales of the Group for the twelve months would have increased by kEUR 30,507 and the earnings of the Group for the twelve months would have fallen by kEUR 1,259. In the fiscal year 2006, the operating result of Graphisoft SE amounted to kEUR - 628, comprising the Architecture (kEUR 7,014) and Constructor (kEUR – 7,642) areas.

The fair value adjustments were as follows:

Thousands of €	Fair value adjustments	Useful life in years	Annual write-downs
Brand name	5,300	15	353
Trademarks	2,800	10	280
Software	27,100	7	3,871
Customer Relationships	27,300	12	2,275
Intangible assets	**62,500**		**6,779**
Liabilities to minority interests	**33,587**		
Other liabilities and other equity items	**6,965**		
Deferred tax liabilities	**10,000**		
Total difference before goodwill	**11,948**		

It is possible to acquire up to 100 % of the shares in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, by means of the public purchase offer for the remaining 43.79 %. In the event that Nemetschek Aktiengesellschaft acquires 100 % of the shares in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, the financial volume will amount to EUR 95 million plus incidental costs. The financing would be provided by a credit facility arranged in three tranches from WestLB AG, Düsseldorf. Assuming that Nemetschek Aktiengesellschaft actually acquires 100 % of the shares, 20 % will be financed using the Company's own funds (see repayment conditions for 'Bridge financing').

The relief from royalty approach was chosen to calculate the fair value of the brand name and trademark. A hypothetical license fee was added to future extrapolated revenue accordingly. The relief from royalty approach was also used to calculate the fair value of the intangible asset software. This involved adding a hypothetical license fee to the expected revenue. The first step was to estimate the future duration of customer relationships to calculate the fair value of this item. Then the future expected revenue was calculated less expected maintenance and repair costs in connection with customer relationships, taking future expected margins into account.

The other liabilities relate to stock options granted by Graphisoft SE to Graphisoft employees before the acquisition by Nemetschek Aktiengesellschaft.

The preliminary purchase price allocation is based on the calculation of the outstanding minority interests.

The structure of the financing is as follows:

The **borrowers** are Nemetschek Aktiengesellschaft, Munich, and Nemetschek Technology GmbH, Munich.

Purpose
Financing of the acquisition of at least 50.01 % of the shares in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, from existing major shareholders as well as a public tender to purchase the shares outstanding.

Security has been provided in the form of the shares purchased by Nemetschek Aktiengesellschaft in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, that are deposited and pledged at WestLB AG, Düsseldorf.

Source of funds	Millions of €	Term	Repayment	Interest rate	Availability	Other
TRANCHE 1 Bridge financing	20	Sept. 30, 2007	At the end of the term and max. EUR 5 million per interest period prematurely	EURIBOR plus 1.0 %	March 31, 2007	Security: bank balance of EUR 20 million with monthly substantiation
TRANCHE 2 Term loan	35	Dec. 31, 2011	Half-yearly installments of EUR 3.5 million and max. EUR 5 million per interest period prematurely	EURIBOR plus 1.5 %	March 31, 2007	
TRANCHE 3 Revolving credit facility	45	Dec. 31, 2011	Per withdrawal at the end of the respective interest period, no later than at the end of the term	EURIBOR plus 1.5 %	During the entire term	If the entire tranche is not utilized: EUR 10 million possible as a working capital loan
Total	100					

Obligatory special repayment
If a total of more than EUR 80 million is drawn in the course of the acquisition, EUR 7 million of the borrowers' income obtained by Graphisoft SE European Company Limited by Shares, Budapest, Hungary, through repayment of a loan, EUR 12.5 million of which was granted to Graphisoft Park Ingatlanfejlesztö Kft., Budapest, Hungary, will be used to repay outstanding drawings on tranche 3. This reduces tranche 3 decreases accordingly.

Goodwill

Goodwill in connection with the afore-mentioned acquisitions developed as follows:

Thousands of €	2006	2005
Amount carried forward as of January 1	23,734	23,273
Additions	20,328	0
Disposals	0	- 180
Currency differences	– 502	641
Balance as of December 31	**43,560**	**23,734**

Additions break down as follows:

Thousands of €	2006
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	17,847
SCIA Group NV, Herk-de-Stad, Belgium	1,888
Nemetschek Bausoftware GmbH, Achim	452
DACODA GmbH, Rottenburg	141
Total additions goodwill	**20,328**

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

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

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

Thousands of €	2006	2005
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	17,847	0
ING. AUER – Die Bausoftware GmbH, Mondsee, Austria	6,486	6,486
Nemetschek Bausoftware GmbH, Achim	5,485	5,033
NEMETSCHEK NORTH AMERICA Inc., Columbia, Maryland, USA	4,377	4,879
MAXON Computer GmbH, Friedrichsdorf	3,008	3,008
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	2,028	2,028
SCIA Group NV, Herk-de-Stad, Belgium	1,888	0
Friedrich + Lochner GmbH, Stuttgart	1,293	1,293
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	697	697
DACODA GmbH, Rottenburg	141	0
Other	310	310
Total goodwill	**43,560**	**23,734**

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

The recoverable amount of the cash-generating unit of the respective group entity is based on a calculation of its value in use derived from the cash flow projections for the next four years based on the financial planning approved by management. The discount rate used for the cash flow projections ranges between 7.95 % and 9.65 % (prior year: between 6.26 % and 9.23 %). Cash flows after the period of four years are stated as perpetual annuity. When calculating the values for perpetual annuity, growth deductions of 2 to 5 % were assumed for the purpose of calculating the value in use to test the goodwill for impairment. This procedure was used for all carrying amounts.

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

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

Increase in personnel expenses
It is assumed that the cost of employee remuneration will reflect industry developments.

Capital expenditures
Replacement investments are planned for the amount of annual depreciation and amortization.

The following newly founded entities and shares purchased in the following entities were included in the consolidated financial statements in the prior year of Nemetschek Aktiengesellschaft:

- Nemetschek Engineering GmbH, Wals, Austria, was founded on February 21, 2005
- Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria, was founded on June 14, 2005
- Nemetschek Bausoftware GmbH, Achim, acquired an equity investment in the newly founded rivera GmbH, Karlsruhe, as of December 21, 2005
- The newly founded Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria, purchased the remaining shares in ING. AUER – Die Bausoftware GmbH, Mondsee, Austria, for a purchase price of kEUR 5,295 on August 18, 2005
- The remaining 0.25% in Nemetschek CREM Solutions GmbH & Co. KG, Ratingen, was purchased on November 30, 2005 for a purchase price of kEUR 8.

The following newly founded entities and shares purchased in the following entities were included in the consolidated financial statements in the prior year of Graphisoft SE:

- Graphisoft SE European Company Limited by Shares, Budapest, Hungary, acquired 100% of Dynamic Solution Systems Oy Helsinki, Finland (now: Graphisoft Finland Oy) for a purchase price of EUR 2.6 million on September 1, 2005. There is a contingent liability of EUR 3.2 million as of December 31, 2006.

Consolidation Principles

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

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

Investments in associates (generally equity investments of between 20% and 50% in an entity's equity) where a significant influence is exercised by Nemetschek Aktiengesellschaft are accounted for using the equity method. Investments in associates are remeasured when there is an indication that the investment has been impaired or the reason for impairment losses recognized in prior years no longer exists.

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

Use of Estimates when Preparing the Consolidated Financial Statements

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

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Development costs are capitalized in accordance with the accounting policy presented in the notes. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Currency Translation

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

The foreign equity investments in the consolidated group are independent from a financial, economic and organizational perspective. These are thus regarded as foreign entities. Their reporting currencies are the respective local currencies. The balance sheets of foreign consolidated equity investments are translated at year-end exchange rates (including goodwill). The income statements are translated at the exchange rates in place on the dates of the transactions. All resulting translation differences are included in a reserve for currency translation in equity.

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

Currency	Average exchange rate in 2006	Exchange rate as of December 31, 2006	Average exchange rate in 2005	Exchange rate as of December 31, 2005
EUR / USD	1.26	1.32	1.24	1.18
EUR / CHF	1.58	1.61	1.55	1.55
EUR / SKK	37.10	34.53	38.55	37.87
EUR / CZK	28.28	27.47	29.79	29.02
EUR / RUR	34.16	34.68	35.07	34.00
EUR / HUF	264.24	251.50	248.60	252.90
EUR / GBP	0.68	0.67	0.68	0.69

Accounting Policies

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

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

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

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

In addition, each individual asset is assessed to ascertain whether it has a finite or indefinite useful life pursuant to IAS 36 "Impairment of Assets" (revised) and IAS 38 "Intangible Assets" (revised). Intangible assets with indefinite useful lives are tested for impairment at least once a year as of December 31, either individually or at the cash-generating unit level, as appropriate. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be justifiable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Expenditures for research and development are charged against income in the period in which they are incurred, except for product development costs which satisfy the following criteria:

- The product is clearly defined and costs directly attributable to development can be measured reliably.
- The technical feasibility of the product is demonstrated.
- The product is intended for sale or in-house use.
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and adequate technical, financial and other resources required for completion of the project are available.

Capitalized Development Costs

During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future sales, generally over five years using the straight-line method. During the period in which the asset is not yet in use it is tested for impairment annually.

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

Property, plant and equipment are measured at cost less systematic depreciation. They are depreciated over their normal useful lives using the straight-line method as follows:

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

Straight-line depreciation is based on the estimated useful lives of the assets.

If property, plant and equipment items are sold or disposed of, their costs and related accumulated depreciation are eliminated from the balance sheet and the resulting gain or loss on sale is recorded in the income statement.

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

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

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

Goodwill arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least once a year or whenever facts or changes in circumstances indicate that the carrying amount could be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. This applies regardless of whether other group assets or liabilities have already been allocated to these units or groups of units. Each unit or group of units to which the goodwill has been allocated represents the lowest level in the Group at which goodwill can be monitored for internal management purposes.

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

An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

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

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

Borrowing costs are immediately recorded as an expense.

Payments received on account from customers are recorded as liabilities.

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

Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, trade receivables, trade payables and other assets and liabilities, non-current assets, loans, direct loans and financial investments. The recognition and measurement criteria used for these items are shown in the recognition and measurement methods contained in the notes to these consolidated financial statements.

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Initial recognition of financial assets is at fair value. In the case of financial investments which are not at fair value through profit or loss, any directly attributable transaction costs are also included. Nemetschek Aktiengesellschaft decides on classification of its financial assets upon initial recognition and reviews allocation at the end of each fiscal year if permissible and appropriate.

Regular-way purchases and sales of financial assets are recognized as of the trading date, i.e. the date on which the entity entered into the obligation to purchase the asset. A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss
Financial assets that qualify as held for trading are included in the "financial assets at fair value through profit or loss" category. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivative financial instruments are also classified as held for trading unless they are designated as a hedging instrument and are effective as such. Gains or losses on investments held for trading are recognized in income.

Held-To-Maturity Investments
Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Available-For-Sale Financial Assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as one of the categories above. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains and losses being recognized directly in equity in the net unrealized gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the income statement. Interest received or paid on financial assets is disclosed as interest income or interest expenses using the effective interest rate. Dividends earned on investments are recognized in the income statement as 'Dividend received' when the right of payment has been established.

It is not currently possible to calculate the fair value reliably when measuring the financial assets, as the planning data available is not sufficient. These are thus measured at amortized cost.

Fair Value

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

Available-For-Sale Financial Investments

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method. A gain or loss is recognized in the net profit or loss for the period when the loans and receivables are derecognized or impaired as well as through the amortization process.

Interest-Bearing Loans

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

The Group uses **derivative financial instruments** such as forward exchange contracts in order to hedge against currency risks. These derivative financial instruments are initially recognized at fair value at the time at which the corresponding contract is signed and subsequently revalued at fair value. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

For derivative financial instruments that do not satisfy the criteria for hedge accounting, any gains or losses from changes in fair value are immediately recognized in profit or loss.

The fair value of forward exchange contracts is determined by referring to the current foreign exchange rates for forward contracts with similar terms.

Cash and Cash Equivalents – Cash and Securities
Cash and **cash equivalents** and **securities** are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less. Immaterial fluctuations in value can result. Securities with a term of longer than three months are not allocated to cash and cash equivalents.

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

Share-Based Payments
Pursuant to IFRS 2, share-based payments are recognized as an expense for stock options of executives in personnel expenses and in equity (capital reserve). The Company provides a **company pension plan** for selected members of management. The provisions are measured every year by reputable independent appraisers. Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is recorded as a provision in the balance sheet. Actuarial gains and losses are recognized immediately in the income statement.

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

Contingent liabilities are not recognized in the consolidated financial statements until their utilization is more likely than not. They are disclosed in the notes to the consolidated financial statements unless probability of utilization is remote.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Calculation is based on the tax rates and tax laws applicable as of the balance sheet date (IAS 12.46, IAS 12.47).

Deferred taxes are recognized using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts used for income tax purposes as of the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences. However the following exceptions apply (IAS 12.15):

No deferred tax liabilities may be recognized from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

No deferred tax liabilities may be recognized for taxable temporary differences related to investments in subsidiaries, associates and interests in joint ventures if the entity controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future (IAS 12.39).

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

The following exceptions apply:

No deferred tax assets may be recognized from deductible temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit or loss (IAS 12.24).

Deferred tax assets may only be recognized for taxable temporary differences related to investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilized (IAS 12.44).

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized (IAS 12.56).

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date (IAS 12.47).

Income taxes relating to items posted directly to equity are recognized in equity and not in the income statement (IAS 12.61).

Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable right to offset the current tax assets against the current tax liabilities and these assets and liabilities relate to income taxes levied by the same taxation authority for the same taxable entity (IAS 12.74).

Sales, expenses and assets are recognized net of **VAT** (IAS 18.8).

The following exceptions apply:

Where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable; and receivables and liabilities are recognized together with the VAT amount included.

VAT which will be reimbursed by the tax office or must be transferred to it is recorded under assets or liabilities in the balance sheet accordingly.

Liabilities are reported at amortized cost.

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

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

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

Basic Information on Revenue Recognition

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

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

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

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

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

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

This has the following implications for the Nemetschek Group:

a. Software and licenses

aa. Standard software
The afore-mentioned criteria for the sale of goods and merchandise are generally applied, i.e. revenue is recognized when the software is sold.
License fees and royalties resulting from the use of company assets (software) are recorded in accordance with the economic substance of the agreement. Revenue is recorded on a straight-line basis over the term of the license agreement unless agreed otherwise.

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

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

ab. Sales transactions via sales representatives / agents
From an economic perspective, income is generally recorded when ownership and the related risks and rewards of 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 afore-mentioned criteria for the sale of goods and merchandise generally apply, i.e. revenue is recognized when the hardware is sold (when the goods are delivered).

c. Consulting

ca. Contract for work and services
The afore-mentioned criteria for the sale of services generally apply. If necessary, revenue is recognized using the percentage of completion method (IAS 11) in accordance with the agreed upon consulting stages. The consulting stage does not have to be completed in full. Costs are recorded accordingly.

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

d. Maintenance

In general, the afore-mentioned 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 partial amount is initially recognized as a liability.

e. Training

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

Interest income is recognized when the interest has accrued (using the effective interest method, i.e. the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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

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

Assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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

Notes to the Consolidated Income Statement

[1] Sales

Thousands of €	2006	2005
Software and licenses	56,322	50,310
Maintenance (software service agreements)	40,928	38,483
Services (consulting and training)	8,898	8,519
Hardware	1,333	1,464
	107,481	**98,776**

Revenue includes kEUR 217 (prior year: kEUR 1,076) due to the use of the percentage of completion method. This revenue is offset by expenses of kEUR 186 (prior year: kEUR 464). Profit from projects of kEUR 31 (prior year: kEUR 612) is reported in the fiscal year due to the use of the percentage of completion method. The contract costs include the costs directly and indirectly allocable to the contract which can be billed to the customer in keeping with the contract. The degree of completion is calculated on the basis of the costs already incurred in relation to the expected total costs. Revenue is recognized accordingly.

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

[2] Own work capitalized

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

The Company was involved in non-project-related product development in 2006. The development costs of projects that have not satisfied the criteria of IAS 38.45 have been recorded as an expense. If the development activities were related to usable products the expenses incurred were capitalized. These included direct personnel costs plus directly allocable overheads. Development costs relating to internally generated software amounting to kEUR 142 (prior year: kEUR 0) were capitalized in the fiscal year.

The economic life of capitalized development costs is assumed to be five years. Amortization starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method. In 2006, kEUR 19,747 was spent on research and development (prior year: kEUR 18,040).

[3] Other operating income

Thousands of €	2006	2005
Income from subletting property	662	719
Offsetting other services	519	180
Development subsidies for EU projects	90	159
Income from the sale of assets	69	98
Foreign exchange rate gains	59	31
Advertising expense advances	15	112
Other	477	256
	1,891	**1,555**

Other operating income includes kEUR 152 from the deconsolidation of acadGraph CAD Studio GmbH, Munich.

[4] Cost of materials / cost of purchased services

Thousands of €	2006	2005
Cost of purchased merchandise	6,576	7,356
Cost of purchased services	1,096	1,307
	7,672	**8,663**

[5] Personnel expenses

Thousands of €	2006	2005
Wages and salaries	39,698	37,206
Social security, pension costs and welfare	7,225	6,865
	46,923	**44,071**

Social security and other pension costs contain pension obligations of kEUR 7 (prior year: kEUR 170) and the customary local expenses of the state pension insurance for employees. In addition, numerous additional insurance policies have been taken out in favor of employees to top up the state pension scheme. These are funded by the employees themselves.

The annual average* number of employees (headcount) breaks down as follows:

	2006	2005
Sales / marketing / hotline	457	383
Development	327	265
Administration	96	88
	880	**736**
Headcount as of December 31 **	**1,151**	**735**

* excl. Graphisoft SE employees
** incl. Graphisoft SE employees

[6] Depreciation and amortization

Thousands of €	2006	2005
Amortization of intangible assets	1,132	1,760
Depreciation of property, plant and equipment	1,247	1,419
Depreciation / amortization	**2,379**	**3,179**
Amortization of purchase price allocated to intangible assets	**503**	**0**
Total depreciation and amortization	**2,882**	**3,179**

[7] Other operating expenses

Thousands of €	2006	2005
Commission	6,897	5,948
Rent / leases	5,833	5,391
Advertising expenses	4,444	4,583
Expenses for third-party services	4,065	4,881
Legal and consulting costs	3,126	1,928
Travel expenses	2,235	2,138
Vehicle costs	1,599	1,338
Communication	1,039	1,385
Other	5,035	3,773
	34,273	**31,365**

The item 'other' consists of various items all of which are less than kEUR 500. The income from exchange rate differences of under kEUR 118 (prior year: less than kEUR 100) is contained in the item 'other'. This item is shown net of specific valuation allowances of kEUR 247 (prior year: kEUR 150) that are no longer needed.

[8] Income from associates

The result from associates contains write-ups of associates of kEUR 211 (prior year: kEUR 223).

[9] Interest Income / Expenses

Thousands of €	2006	2005
Other interest and similar income	689	865
Interest and similar expenses	– 133	– 117
	556	**748**

[10] Income Taxes

Thousands of €	2006	2005
Current income tax	4,158	3,408
Effect of taxes, prior years	5	– 1,173
Deferred taxes	18	– 359
	4,181	**1,876**

The income tax rates of the individual entities range from 16.0 % to 40.5 % (prior year: from 19.0 % to 40.5 %). Deferred taxes were measured on the basis of the nominal tax rates of Nemetschek Aktiengesellschaft or the tax rate applying to the respective subsidiary. The tax rate for Nemetschek Aktiengesellschaft is 40.5 % (prior year: 40.5 %) which is calculated as follows:

in %	2006		2005	
Earnings before taxes	100.0		100.0	
19.2 % trade tax (weighted)	19.2	19.2	19.2	19.2
	80.8		**80.8**	
25 % corporate income tax	20.2	20.2	20.2	20.2
5.5 % solidarity surcharge	1.1	1.1	1.1	1.1
	59.5	**40.5**	**59.5**	**40.5**

Thousands of €	2006	2005
Earnings before taxes	18,531	14,024
Theoretical tax rate 40.5 %	7,505	5,680
Differences to German and foreign tax rates	– 1,447	– 1,068
Tax effects on:		
At equity consolidation of associates	– 28	– 114
Use of unrecognized deferred taxes on unused tax losses	– 2,336	– 1,676
Effect of taxes, prior years	5	– 1,173
Non-deductible expenses	499	68
Other	– 17	159
Effective tax expense	**4,181**	**1,876**
Effective tax rate (as a %)	22.6 %	13.4 %

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

Thousands of €	Consolidated balance sheet		Consolidated income statement	
	2006	2005	2006	2005
Deferred tax assets				
Unused tax losses	1,061	1,127	– 152	0
Elimination of intercompany profits spin-off	642	0	642	0
Software development costs	515	0	0	0
Measurement of receivables	433	0	– 13	0
Deferred revenue	198	123	– 30	51
Potential losses from rent	141	264	– 123	264
Warranty provision	104	95	8	95
Vacation provision	96	93	13	39
IFRS pensions	77	80	– 2	54
Elimination of intercompany profits on non-current assets	47	67	– 20	67
Prepaid rent	41	49	3	20
Construction contract	6	0	– 17	0
Measurement of liabilities	30	0	0	0
Provision for archiving costs	20	20	0	20
Other	32	0	20	0
Revaluation of foreign currency contracts	0	16	– 16	16
Offsetting	– 89	– 99	0	0
Total deferred tax assets	**3,354**	**1,835**		
Deferred tax liabilities				
Measurement difference from purchase price allocation				
Non-current assets of Graphisoft	10,000	0	0	0
Non-current assets of SCIA	1,139	0	166	0
Measurement difference for goodwill	851	851	0	0
Warranty provision	442	364	– 77	– 364
Measurement of liabilities	412	0	– 405	0
Non-current assets	89	99	10	0
Recognition of internally developed software	56	0	– 56	0
Construction contract	30	0	– 29	0
Measurement of receivables	23	0	0	0
Other	3	0	– 2	0
Measurement difference for internally developed software	0	0	0	97
Share issue costs	0	0	62	0
Offsetting	– 89	– 99	0	0
Total deferred tax liabilities	**12,956**	**1,215**		
Deferred tax expense / income			**– 18**	**359**

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

Thousands of €	2006	2005
Losses according to entities	31,057	31,090
Deferred tax assets, gross	10,812	11,379
Unrecognized deferred tax assets on unused tax losses	– 9,751	– 10,252
Deferred tax assets on unused tax losses, net	**1,061**	**1,127**

The items contain deferred taxes on unused tax losses which are likely to be realized in future. The deferred tax assets on unused tax losses were recognized on the basis of the income and expense planning of Nemetschek Aktiengesellschaft (parent) and subsidiaries for the fiscal year 2007. The Company's detailed planning relates to a one-year period. The Management has stated that the capitalization of deferred taxes on unused tax losses for a longer period cannot be substantiated.

Other non-capitalized deferred tax assets stem from the following items:

Thousands of €	2006 Measurement	2006 Deferred taxes	2005 Measurement	2005 Deferred taxes
Supplementary balance sheet	0	0	665	269
Elimination of intercompany profits from spin off	0	0	3,954	1,598
Available-for-sale financial assets	385	156	385	156
Non-capitalized deferred taxes, other items	385	156	5,004	2,023

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

[11] Minority Interests

Thousands of €	2006	2005
Profit shares allocable to minority interests	758	480

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

Notes to the Consolidated Balance Sheet

[12] Non-Current Assets

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

[13] Trade Receivables

Thousands of €	2006	2005
Trade receivables (before bad debt allowances)	27,502	17,086
Specific bad debt allowance	– 2,822	–2,651
Trade receivables	**24,680**	**14,435**

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

The total bad debt allowances amounted to kEUR 542 in the fiscal year (prior year: kEUR 793). Reversals of bad debt allowances amounted to kEUR 789 (prior year: kEUR 163).

[14] Tax Reimbursement Rights, Other Assets, Assets Held for Sale and Prepaid Expenses

Thousands of €	2006	2005
Current loan receivables	14,618	109
Prepaid expenses	2,334	2,192
Income tax refund claims	2,139	1,917
Assets held for sale	560	2,075
Other current assets	2,557	476
Current assets, total	**22,208**	**6,769**
Non-current portion of the purchase receivable acadGraph CAD Studio GmbH	765	0
Employer's pension liability insurance policy	255	230
Other non-current loans receivable	209	0
Non-current tax claims on income taxes	167	0
Other non-current assets	232	0
Total non-current assets	**1,628**	**230**
	23,836	**6,999**

Other current assets contain a loan of kEUR 14,514 extended by Graphisoft SE European Company Limited by Shares, Budapest, Hungary, to Graphisoft Park Ingatlanfejlesztö Kft., Budapest, Hungary. The loan was repaid in full on January 10, 2007.

Other current loans are due for repayment within the next three months. Interest income is earned at the current market rate.

Current assets contain receivables of kEUR 1,552 carried by Graphisoft SE European Company Limited by Shares, Budapest, Hungary, from a Hungarian brokerage house that originate from the exercise of a stock option.

The assets held for sale relate to real estate of Nemetschek CREM Solutions GmbH & Co KG of kEUR 560 (Manage division) which is to be sold in the near future. The fall is a result of selling assets of acadGraph CAD Studio GmbH, Munich.

[15] Equity

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

[16] Subscribed Capital

The capital stock of Nemetschek Aktiengesellschaft is unchanged since the prior year and amounts to EUR 9,625,000.00 as of December 31, 2006. Since January 1, 2004, the number of no-par shares with a face value of EUR 1 has remained unchanged at 9,625,000.

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

- Increase the capital stock, once or several times, by a maximum of EUR 1,200,000.00 subject to the consent of the supervisory board, by issuing new no-par value bearer shares in exchange for cash contributions (Authorized Capital I).
- Increase the capital stock, once or several times, by a maximum of EUR 3,600,000.00 subject to the consent of the supervisory board, by issuing new no-par value bearer shares in exchange for cash contributions or contributions in kind (Authorized Capital II).
- The shareholders' meeting of July 29, 2003, passed a resolution for a contingent increase of the capital stock of the Company by up to EUR 850,000.00 which serves to guarantee subscription rights (options) to management board members and executives.

[17] Capital Reserve/Revenue Reserves

We refer to the consolidated statement of changes in shareholders' equity. A figure of kEUR 194 was added to the capital reserves to cover the expense of share-based payments, see note [28]. The dividend of kEUR 6,256 in total was paid out on May 23, 2006 (basic dividend of EUR 0.65). The change of kEUR 92 in issuance costs on the prior year relate to an input tax claim from the tax office for the costs of the IPO.

[18] Provisions and Accruals

The obligation to a subsidiary's managing directors resulting from pension plans is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the income statement. There were no curtailments in the year ending December 31, 2006. The plans were continued beyond this period. The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, up to a maximum amount of EUR 3,834 (DEM 7,500). All claims are vested.

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

Thousands of €	January 1	Utilization	Reversal	Allocations	December 31
Pension provisions 2006	583	0	0	7	590
Pension provisions 2005	413	0	0	170	583

Thousands of €	2006	2005
Present value of the obligation	590	583

The expenses relate to:

Thousands of €	2006	2005
Current service cost	32	56
Interest cost	25	22
Actuarial gains (prior year: losses)	– 50	92
Net benefit expense	**7**	**170**

The net benefit expense from current service cost and interest amounts to kEUR 7 (prior year: kEUR 170) and is disclosed exclusively under personnel expenses. The 'mortality tables 2005 G' from Dr. Klaus Heubeck were applied analogously to the prior year. Principal actuarial assumptions used to determine pension obligations as of December 31 were as follows:

in %	2006	2005
Discount rate	4.50	4.25
Future salary increases	0.00	0.00
Future pension increases	1.00	1.00

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

Thousands of €	2006	2005	2004	2003	2002
Defined benefit obligation	590	583	443	355	322
Employer's pension liability insurance	255	230	205	0	0
Deficit	335	353	238	355	322
Experience adjustments of plan liabilities – = loss / + = gain	49	– 92	– 47	18	11
Experience adjustments of plan assets – = loss / + = gain	– 9	– 9	0	– 6	– 6

Accruals contain the following items:

Thousands of €	2006	2005
Commission / bonuses for employees	4,483	3,502
Outstanding invoices	3,269	1,297
Vacation accrued by employees	1,755	1,462
Legal and consulting fees / financial statements costs	347	313
Other accruals (individual items below kEUR 100)	874	463
Accruals, total	**10,728**	**7,037**

Other provisions include the following items:

Thousands of €	January 1	Utilization	Reversal	Allocations	December 31
Potential losses from rent	652	354	0	52	350
Guarantees	591	591	0	511	511
Credit notes on invoices	315	315	0	313	313
Archiving costs	185	0	0	0	185
December 31, 2006	**1,743**	**1,260**	**0**	**876**	**1,359**
December 31, 2005	**1,547**	**902**	**0**	**1,098**	**1,743**

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

Thousands of €	2006	2005
Accruals	10,728	7,037
Provisions	1,359	1,743
Total provisions and accruals	**12,087**	**8,780**

While the provisions for warranties and credit notes are current in nature, the provisions for potential losses cover a period of four years and the archiving costs cover a period of ten years. The current provisions are expected to be used within the next 12 months.

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

[19] Liabilities

Liabilities, categorized by due date, comprise the following:

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

2005 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Liabilities to banks	702	702	0	0
Payments received on account of orders	64	64	0	0
Trade payables	3,615	3,615	0	0
Tax payables	1,118	1,118	0	0
Liabilities from assets held for sale	763	763	0	0
Other liabilities	9,181	9,181	0	0
thereof taxes	*2,005*	*2,005*	*0*	*0*
thereof relating to social security	*926*	*926*	*0*	*0*
December 31, 2005	**15,443**	**15,443**	**0**	**0**

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

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other liabilities are non-interest bearing and have an average term of 60 days

Other liabilities primarily contain the liabilities to the shareholders of Graphisoft SE European Company Limited by Shares, Budapest, Hungary, for the acquisition of 5,774,924 shares (EUR 9 per share) totaling kEUR 51,974 and the liabilities to the minority shareholders of kEUR 33,587.

As of December 31, 2006, the Group has a registered land charge for kEUR 1,022 in favor of Credit- und Volksbank e.G. Wuppertal to secure a liability of Nemetschek CREM Solutions GmbH & Co. KG. There were no further liabilities secured by encumbrances or collateral assignment as of December 31, 2006.

Liabilities to banks break down as follows:

Nemetschek CREM Solutions GmbH & Co. KG, Ratingen
There is a short-term loan of kEUR 654 with a variable interest rate of 2.5 % above the three-month Euribor. The loan was renewed in the course of the year and still has a term of one year.

SCIA Group NV, Herk-de-Stad, Belgium
Loans total kEUR 222 and break down as follows:

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

Graphisoft SE European Company Limited by Shares, Budapest, Hungary
The special purpose loan for development services totals kEUR 153 as of December 31, 2006, and breaks down as follows:

Thousands of €	Current portion	Non-current portion	Interest in %	Matures on
Loan	76	77	EURIBOR less 3 % (at least 1 %)	kEUR 38 annually over four years

Contingent liabilities

As of balance sheet date, contingent liabilities amount to kEUR 1,371 and mainly relate to rental agreements and bank guarantees. From a tax perspective, there are contingent liabilities of kEUR 792 which could lead to payments over the next five years.

[20] Deferred Income

Deferred income amounts to kEUR 10,322 (prior year: kEUR 6,807). The total amount will lead to revenues in the first half of 2007.

[21] Earnings per share

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

For the purpose of calculating diluted earnings per share, the net income attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all potentially diluting ordinary shares from conversion of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the potentially diluting ordinary shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date on which the options were granted. When calculating diluted earnings per share, the weighted average number of ordinary shares which would be issued due to the conversion of all potentially diluting ordinary shares was not considered in any periods in which a net loss for the year was disclosed. As of December 31, 2006, the number of dilutive ordinary shares included in the calculation of diluted loss per share amounts to 25,000 (prior year: 0). A dilutive effect was taken into account for the options, as the average share price for the ordinary shares matched the strike price of the options during the last quarter.

	2006	2005
Net result in kEUR	13,592	11,668
Average number of ordinary shares outstanding as of December 31	9,625,000	9,621,439
Average number of ordinary shares to be included in the calculation of diluted EPS as of December 31	9,650,000	9,621,439
Earnings per share in EUR, basic	**1.41**	**1.21**
Earnings per share in EUR, diluted	**1.41**	**1.21**

25,000 stock options were considered when calculating the diluted earnings per share.

[22] Financial Obligations

Thousands of €	Total	Less than 1 year	1 to 5 years	Over 5 years
Rental agreements	29,907	7,060	22,309	538
Leases	1,608	644	893	71
Total financial obligations as of December 31, 2006	**31,515**	**7,704**	**23,202**	**609**
Rental agreements	15,690	4,094	11,279	317
Leases	1,073	504	541	28
Total financial obligations as of December 31, 2005	**16,763**	**4,598**	**11,820**	**345**

The rent agreements consist almost exclusively of rent agreements for office space with limited terms. The lease liabilities mainly consist of leases for vehicles and telecommunications equipment. Rent obligations are offset against expected income from non-cancelable subleases for the years 2007 through 2010 totaling kEUR 1,223 (prior year: kEUR 1,641).

[23] Notes to the Cash Flow Statement

The cash flow statement is split into cash flows from operating, investing and financing activities. The cash flow from operating activities amounts to kEUR 18,051 (prior year: kEUR 12,134).

The cash flow from investing activities of kEUR – 6,338 (prior year: kEUR – 2,043) is characterized by replacement investments for property, plant and equipment and software of group entities of kEUR 2,050 (prior year: kEUR 2,141). A cash outflow of kEUR 5,295 was recorded in the fiscal year for the purchase price installment for the acquisition of the remaining 25 % of ING. AUER – Die Bausoftware GmbH, Mondsee, Austria. Cash inflows of kEUR 1,390 were received in the fiscal year related to the acquisition of subsidiaries (SCIA International NV: kEUR – 3,341, DACODA GmbH: kEUR 43, Graphisoft SE: kEUR 4,688).

The cash flow from financing activities primarily includes the distribution of the dividend in May 2006 of kEUR – 6,256 (prior year: kEUR – 19,250), the payment of profit shares to minority interests amounting to kEUR – 397 (prior year: kEUR – 874) and changes in liabilities to banks in the course of the acquisitions of kEUR 1,000.

The Group's cash and cash equivalents comprise cash and highly liquid securities and break down as follows:

Thousands of €	2006	2005
Bank balances	30,180	28,966
Securities qualifying as cash equivalents	2,478	0
Fixed term deposits	1,853	0
Cash and cash equivalents	**34,511**	**28,966**

Bank balances bear interest at the floating rates applying to on-call deposits. Fixed-term deposits and short-term securities are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. These could be subject to slight fluctuations in value. Fixed-term deposits bear interest at the respective rates applying for the term. In addition to short-term investments qualifying as cash equivalents (kEUR 2,478), securities of kEUR 3,820 include investments (kEUR 1,342) maturing within three and six months. The fair value of cash and cash equivalents including these securities amounts to kEUR 34,511 (prior year: kEUR 28,966).

[24] Financial Instruments

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

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

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

Foreign exchange risk management

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

In 2006 the Group concluded two forward exchange contracts in US dollars that were still pending as of the balance sheet date. The fair value of these transactions is over the historical rate due to the exchange rate of the US dollar as of December 31, 2006.

Forward contract to hedge expected distributions Thousands of €	Maturity	EUR/USD exchange rate	Profit 2006
Sale of USD			
USD 500,000	May 10, 2007	1.303	10
USD 300,000	May 10, 2007	1.324	10

Liquidity risks

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

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

Contingency risks

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

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

Credit risks

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Fair value of financial instruments

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

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

Financial assets and current financial liabilities

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

Derivative financial instruments

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

[25] Segment Reporting

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

Balance sheet disclosures:

2006 Thousands of €	Total	Design	Build	Manage	Multimedia
Trade receivables	24,679	20,703	2,276	1,024	676
Inventories	814	608	37	0	169
Other assets / prepaid expenses	21,138	19,549	292	694	603
Assets held for sale	560	0	0	560	0
Non-current assets	115,111	97,263	12,469	2,084	3,295
thereof additions to non-current assets	*2,050*	*1,503*	*360*	*35*	*152*
Segment assets	**162,302**	**138,123**	**15,074**	**4,362**	**4,743**
Cash and cash equivalents	35,853				
Financial assets, associates	484				
Non-allocated income tax receivables and deferred tax assets	5,493				
Total assets	**204,132**				
Liabilities	108,341	107,214	640	224	263
Provisions and accruals (incl. pension provisions)	12,677	10,159	526	733	1,259
Deferred revenue	10,322	10,054	107	139	22
Segment liabilities	**131,340**	**127,427**	**1,273**	**1,096**	**1,544**
Non-allocated liabilities*	17,686				
Total liabilities	**149,026**				

* The liabilities that were not allocated relate to loans, income taxes and deferred taxes.

2005 Thousands of €	Total	Design	Build	Manage	Multimedia
Trade receivables	14,435	10,842	1,912	732	949
Inventories	481	291	47	0	143
Other assets / prepaid expenses	5,230	4,082	234	640	274
Non-current assets	27,711	10,432	11,818	2,110	3,351
thereof additions to non-current assets	*2,141*	*1,656*	*266*	*26*	*193*
Segment assets	**47,857**	**25,647**	**14,011**	**3,482**	**4,717**
Cash and cash equivalents	28,966				
Financial assets, associates	387				
Non-allocated income tax receivables and deferred tax assets	3,752				
Total assets	**80,962**				
Liabilities	8,328	6,863	584	629	252
Provisions and accruals (incl. pension provisions)	9,363	7,061	817	614	871
Deferred revenue	6,807	6,643	115	49	0
Segment liabilities	**24,498**	**20,567**	**1,516**	**1,292**	**1,123**
Non-allocated liabilities*	8,330				
Total liabilities	**32,828**				

* The liabilities that were not allocated relate to loans, income taxes and deferred taxes.

Income statement disclosures:

2006 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	107,481	0	80,828	12,126	6,263	8,264
Intersegment revenues	0	– 1,162	332	61	290	479
Total revenue	**107,481**	**– 1,162**	**81,160**	**12,187**	**6,553**	**8,743**
Depreciation / amortization	2,882	0	2,469	152	61	200
EBIT	**17,764**	**0**	**12,446**	**3,536**	**18**	**1,764**
Interest income	689					
Interest expenses	– 133					
Income from associates	211					
Income taxes	– 4,181					
Net profit for the year	**14,350**					

2005 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	98,776	0	74,142	12,644	5,535	6,455
Intersegment revenues	0	– 971	157	79	336	399
Total revenue	**98,776**	**– 971**	**74,299**	**12,723**	**5,871**	**6,854**
Depreciation / amortization	3,179	0	2,608	165	108	298
EBIT	**13,053**	**0**	**9,357**	**4,068**	**– 1,384**	**1,012**
Interest income	865					
Interest expenses	– 117					
Income from associates	223					
Income taxes	– 1,876					
Net profit for the year	**12,148**					

The depreciation and amortization of the Design segment includes amortization of kEUR 503 relating to the allocation of the purchase price. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and the segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Segment reporting by geographic region is as follows:

Thousands of €	Revenues 2006	Non-current assets	Additions to non-current assets	Sales revenue 2005	Non-current assets	Additions to non-current assets
Germany	45,693	15,455	1,066	46,370	13,115	1,099
Abroad	61,788	100,140	984	52,406	14,983	1,043
Total	**107,481**	**115,595**	**2,050**	**98,776**	**28,098**	**2,142**

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

[26] Subsequent events

As of December 31, 2006, Nemetschek Aktiengesellschaft acquired 54.3 % of the shares in Graphisoft SE European Company Limited by Shares, Budapest, Hungary, a competitor listed on the Hungarian stock exchange from a total of 18 shareholders, including the founder. Including treasury shares, Nemetschek Aktiengesellschaft holds 56.21 % of Graphisoft SE. According to the regulations of the Hungarian stock exchange, a formal takeover bid must be made to the holders of shares in free float. This bid is financed by a loan which simultaneously serves to provide the funds for the takeover from the former shareholders. A formal takeover bid of 2,273 Forint (correspond to EUR 9) per share was made to the minority shareholders of Graphisoft SE. The associated formal documentation for the takeover bid was submitted to the Hungarian financial supervisory authorities as of January 17, 2007, who approved the bid on February 1, 2007. The minority shareholders may accept the bid in the period from February 4, 2007, to March 21, 2007.

Nemetschek Aktiengesellschaft will hold Graphisoft SE as a strategic investment. Graphisoft SE will be continued as an independent entity and retain its own identity.

Graphisoft SE European Company Limited by Shares, Budapest, Hungary, extended a loan of kEUR 14,514 to Graphisoft Park Ingatlanfejlesztö Kft., Budapest, Hungary, in fiscal year 2006. The loan was repaid in full on January 10, 2007.

On February 12, 2007 a general agreement was worked out to spin off the constructor unit of Graphisoft SE European Company Limited by Shares, Budapest, Hungary. Correspondingly, Graphisoft SE will acquire a minority interest in the new company formed by the spin-off.

[27] Related Parties

The Group enters into transactions with its associates and related parties. These transactions are part of ordinary activities and are treated at arm's length. The most significant transactions include the purchase of licenses for kEUR 125 (prior year: kEUR 54), the sublease of space for kEUR 82 (prior year: kEUR 50) as well as research and development work of kEUR 190 (prior year: kEUR 0).

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

Thousands of €	2006	2005
Trade receivables and other assets	9	148

Disclosures on Transactions Pursuant to Sec. 15a WpHG ['Wertpapierhandelsgesetz': German Securities Trading Act]
The management and supervisory boards informed us of the following purchases or sales of shares in the Company pursuant to Sec. 15a WpHG ('directors' dealings') by themselves or by related parties:

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

[1] Sale
[2] Over-the-counter Buy

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

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

Thousands of €	Fixed salary*	Profit-based remuneration	Share-based compensation	Total 2005
Gerhard Weiß	145	105	0	250
Michael Westfahl	168	107	40.5	316
Dr. Peter Mossack	165	107	40.5	312
Total management board remuneration in 2005	**478**	**319**	**81**	**878**

* The fixed component contains the basic salary and other taxable salary components such as health and nursing insurance as well as provisions on company cars.

Supervisory Board

Thousands of €	Fixed salary*	Profit-based remuneration	Total 2006
Kurt Dobisch	30.0	15.0	45.0
Prof. Georg Nemetschek	22.5	15.0	37.5
Rüdiger Herzog	15.0	15.0	30.0
Total supervisory board remuneration	**67.5**	**45.0**	**112.5**

Thousands of €	Fixed salary*	Profit-based remuneration	Total 2005
Kurt Dobisch	30.0	15.5	45.5
Prof. Georg Nemetschek	22.5	15.5	38.0
Rüdiger Herzog	15.0	15.5	30.5
Total supervisory board remuneration	**67.5**	**46.5**	**114.0**

[28] Share-Based Payments

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

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

Up to 50 % of the options can be exercised two years after issue at the earliest, up to 75 % three years after issue at the earliest, and up to 100 % four years after issue at the earliest. The overall life of the options is five years. There is no framework in place for the cash settlement of options.

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

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

100,000 options were granted to management board members in fiscal year 2005. This was the first time stock options were granted. The weighted average strike price was EUR 14.60. To date, no options have been forfeited, exercised and / or have lapsed.

The following parameters were used in the calculation:

Volatility	50.0 %
Risk-free interest rate	3.1 %
Term for 50 %	2 years
Term for 25 %	3 years
Term for 25 %	4 years
Discount for meeting targets	25 %

The volatility stems from the average figure for the past three years and is forecast for the future on this basis.

The options are valued using the Black-Scholes formula. The expense is recognized over the expected vesting period from 2005 to 2009. The options granted result in a total expense of kEUR 675, of which kEUR 194 is included as personnel expenses for fiscal year 2006 (prior year: kEUR 81).

[29] Auditors' Fees

Thousands of €	2006
Statutory financial statements	50
Consolidated financial statements	207
Total	**257**

An amount of kEUR 1 was paid for tax advice.
No other remuneration was paid to the auditors.

[30] Date of Publication

The consolidated financial statements will be released for publication on March 13, 2007 (date of management authorization for issue to the supervisory board).

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

Supervisory Board

Kurt Dobitsch
(self-employed businessman)
Chairman
Member of the following supervisory boards:
- United Internet AG (Chairman)
- Bechtle AG
- DocuWare AG
- 1 & 1 Internet AG
- Hybris AG
- PSP AG

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

Rüdiger Herzog
(lawyer, employed as general manager)
Member

Management Board

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

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

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

Dr. Peter Mossack
(Degree in physics)
Research and Development
Member of the following supervisory boards:
- NEMETSCHEK Slovensko s.r.o.

Munich, March 6, 2007

Nemetschek Aktiengesellschaft

Ernst Homolka | Dr. Peter Mossack | Michael Westfahl

Analysis of the Fixed Assets of the Group

as of December 31, 2006 and as of December 31, 2005

2006 Thousands of €	Development of purchase cost / production cost							
	As of Jan. 1, 2006	Reclassifications*	Reclassifications**	Translation differences	Changes due to acquisitions	Additions	Disposals	As of Dec. 31, 2006
I. Intangible assets								
Industrial and similar rights	8,605	0	0	– 29	66,863	580	150	75,869
Self-generated software	0	0	0	0	0	142	0	142
Goodwill	23,734	0	0	– 502	20,328	0	0	43,560
	32,339	**0**	**0**	**– 531**	**87,191**	**722**	**150**	**119,571**
II. Property, plant and equipment								
Land and buildings	0	0	0	0	0	0	0	0
Other equipment, furniture and fixtures	14,529	0	0	–148	1,775	1,326	1.019	16,463
	14,529	**0**	**0**	**–148**	**1,775**	**1,326**	**1.019**	**16,463**
III. Financial assets								
Associates / financial assets	10,439	0	0	1	50	2	33	10,459
	10,439	**0**	**0**	**1**	**50**	**2**	**33**	**10,459**
Total non-current assets of the group	**57,307**	**0**	**0**	**– 678**	**89,016**	**2,050**	**1,202**	**146,493**

* Reclassification due to first-time application of IFRS 3.79

** Reclassification pursuant to IFRS 5

2005 Thousands of €	Development of purchase cost / production cost							
	As of Jan. 1, 2005	Reclassifications*	Reclassifications**	Translation differences	Changes due to acquisitions	Additions	Disposals	As of Dec. 31, 2005
I. Intangible assets								
Industrial and similar rights	10,199	0	1,781	– 2	0	810	621	8,605
Self-generated software	3,788	0	0	0	0	0	3,788	0
Goodwill	71,911	– 48,638	180	641	0	0	0	23,734
	85,898	**– 48,638**	**1,961**	**639**	**0**	**810**	**4,409**	**32,339**
II. Property, plant and equipment								
Land and buildings	1,122	0	1,122	0	0	0	0	0
Other equipment, furniture and fixtures	14,119	0	310	195	0	1,326	801	14,529
	15,241	**0**	**1,432**	**195**	**0**	**1,326**	**801**	**14,529**
III. Financial assets								
Associates / financial assets	10,434	0	0	0	0	5	0	10,439
	10,434	**0**	**0**	**0**	**0**	**5**	**0**	**10,439**
Total non-current assets of the group	**111,573**	**– 48,638**	**3,393**	**834**	**0**	**2,141**	**5,210**	**57,307**

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

Development of accumulated depreciation / amortization								Carrying amount	
As of Jan. 1, 2005	Reclassifications*	Reclassifications**	Translation differences	Amortization and depreciation	Equity method	Disposals	As of Dec. 31, 2005	As of Dec. 31, 2005	As of Dec. 31, 2004
7,699	0	1,162	– 10	1,518	0	606	7,439	1,166	2,500
3,546	0	0	0	242	0	3,788	0	0	242
48,638	– 48,638	0	0	0	0	0	0	23,734	23,273
59,883	**– 48,638**	**1,162**	**– 10**	**1,760**	**0**	**4,394**	**7,439**	**24,900**	**26,015**
539	0	562	0	23	0	0	0	0	583
11,113	0	294	126	1,396	0	623	11,718	2,811	3,006
11,652	**0**	**856**	**126**	**1,419**	**0**	**623**	**11,718**	**2,811**	**3,589**
10,025	0	0	0	0	– 27	0	10,052	387	409
10,025	**0**	**0**	**0**	**0**	**– 27**	**0**	**10,052**	**387**	**409**
81,560	**– 48,638**	**2,018**	**116**	**3,179**	**– 27**	**5,017**	**29,209**	**28,098**	**30,013**

Audit Opinion

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

"We have audited the consolidated financial statements and the group management report prepared by Nemetschek Aktiengesellschaft, Munich, comprising the balance sheet, income statement, cash flow statement, statement of changes in group equity and notes to the consolidated financial statements, for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 9, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

Financial Statements of Nemetschek Aktiengesellschaft

Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2006 and as of December 31, 2005

Assets in €	Dec. 31, 2006	Dec. 31, 2005
A. FIXED ASSETS		
I. Intangible Assets		
Franchises, industrial rights and similar rights and assets and licenses in such rights and assets	2,740.00	4,756.00
II. Property, plant and equipment		
1. Leasehold improvements	622,955.00	814,145.00
2. Fixtures, fittings and equipment	63,837.00	68,953.00
	686,792.00	**883,098.00**
III. Financial assets		
1. Shares in affiliated companies	103,118,823.72	45,495,589.37
2. Loans due from affiliated companies	5,369,730.00	5,145,436.58
3. Investments	1,712,275.84	1,735,725.84
	110,200,829.56	**52,376,751.79**
TOTAL FIXED ASSETS	**110,890,361.56**	**53,264,605.79**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	2,109.81	4,573.10
2. Accounts due from affiliated companies	5,830,793.92	6,151,312.89
3. Accounts due from other group companies	0.00	132,776.23
4. Other assets	2,031,068.72	2,815,924.21
	7,863,972.45	**9,104,586.43**
II. Cash on hand and cash in banks	**7,010,588.41**	**6,406,175.74**
TOTAL CURRENT ASSETS	**14,874,560.86**	**15,510,762.17**
C. DEFERRED CHARGES AND PREPAID EXPENSES	**51,655.70**	**29,718.60**
	125,816,578.12	**68,805,086.56**

Liabilities and shareholders' equity (in €)	Dec. 31, 2006	Dec. 31, 2005
A. SHAREHOLDERS' EQUITY		
I. Capital subscribed (Conditional capital EUR 850,000.00 [prior year: kEUR 850,000.00])	9,625,000.00	9,625,000.00
II. Capital surplus	49,404,856.90	49,404,856.90
III. Balance sheet profit	**7,686,902.19**	**6,908,615.81**
TOTAL SHAREHOLDERS' EQUITY	**66,716,759.09**	**65,938,472.71**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accruals for pensions and similar obligations	142,800.00	202,700.00
2. Other provisions and accrued liabilities	3,436,282.05	1,310,418.87
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**3,579,082.05**	**1,513,118.87**
C. LIABILITIES		
1. Trade accounts payable	519,108.24	272,757.83
2. Accounts due to affiliated companies	510,594.96	0.00
3. Other liabilities – thereof for taxes: EUR 982,204.03 (prior year: EUR 735,504.04) – thereof for social security: EUR 0.00 (prior year: EUR 22,197.01)	54,491,033.78	1,080,737.15
TOTAL LIABILITIES	**55,520,736.98**	**1,353,494.98**
	125,816,578.12	**68,805,086.56**

Income Statement of Nemetschek Aktiengesellschaft

for the period from January 1 to December 31, 2006 and 2005

in €	Jan. 1 – Dec. 31, 2006	Jan. 1 – Dec. 31, 2005
1. Sales	1,678,345.38	2,161,211.50
2. Other operating income	5,134,018.74	5,154,686.48
Operating income	**6,812,364.12**	**7,315,897.98**
3. Personnel expenses		
a) Wages and salaries	– 2,761,606.51	– 1,873,949.18
b) Social security, pension and other benefit costs – thereof for pensions: EUR 5,236.96 (prior year: EUR 5,236.96)	– 214,698.93	– 153,943.75
4. Depreciation and amortization		
a) of intangible assets and property, plant and equipment	– 239,299.62	– 292,911.65
b) Write-down of current assets in excess of write-downs which are customary for the Company	0.00	– 299,427.66
5. Other operating expenses	– 6,922,044.98	– 7,009,110.74
Operating expenses	**– 10,137,650.04**	**– 9,629,342.98**
Operating results	**– 3,325,285.92**	**– 2,313,445.00**
6. Income from investments – thereof from affiliated companies: EUR 6,675,907.62 (Vorjahr: EUR 6,558,214.03)	6,675,907.62	6,809,059.17
7. Income from profit and loss absorption agreements	3,362,111.78	3,331,686.64
8. Income from marketable securities and loans including from write-ups – thereof from affiliated companies: EUR 276,388.38 (prior year: EUR 186,817.23)	276,388.38	360,206.62
9. Other interest and similar income – thereof from affiliated companies: EUR 0.00 (prior year: EUR 13,680.31)	202,933.60	416,795.32
10. Depreciation of financial assets	0.00	– 805,345.56
11. Expenses from profit and loss absorption agreements	0.00	– 1,053,089.64
12. Interest and similar expenses – thereof from affiliated companies: EUR 10,000.00 (prior year: EUR 0.00)	– 10,672.13	– 416.19
13. Profit from ordinary operations	**7,181,383.33**	**6,745,451.36**
14. Taxes on income	– 290,431.62	– 249,501.92
15. Other taxes	143,584.67	0.00
16. Net income	**7,034,536.38**	**6,495,949.44**
17. Profit carried forward from the previous fiscal year	652,365.81	361,019.52
18. Transfer to capital surplus	0.00	– 8,893.74
19. Transfer from reserve for treasury stocks	0.00	60,540.59
20. Accumulated profit	**7,686,902.19**	**6,908,615.81**

Imprint
Copyright 2007
Nemetschek AG, Munich

Concept and Editorial Office
Maren Moisl
Janet Franke
(Nemetschek AG)

Design and Realization
FIRST RABBIT GmbH, Cologne

Pre Press
FIRST RABBIT GmbH, Cologne

Producer
Mediahaus Biering GmbH, Munich

Pictures
cover: PFP Architekten BDA, Hamburg, copyright: Ralf Buscher
contents: PFP Architekten BDA, Hamburg, copyright: Frahm / artur
page 3 – 5: copyright: Nemetschek AG
page 6 – 7: PFP Architekten BDA, Hamburg, copyright: Ralf Buscher
page 8: picture top right: Volkhausen + Lubkoll Gesellschaft von Architekten mbH, Berlin, copyright: Michael Lubkoll
picture bottom left: copyright: Jerry Kopare, for Lasercad: Sverige AB
picture bottom right: Wandel Hoefer Lorch, Saarbrücken, copyright: Roland Halbe
page 9: picture above: Getty Images
picture below: copyright: Ingenieur-Büro Höhne, Bergen on Rügen
page 10: picture above: copyright: Digital Vision Ltd
picture bottom left: Stephan Braunfels Architekten BDA, Munich/Berlin,
copyright: Haydar Koyupinar, Pinakothek der Moderne
picture bottom right: copyright: VARITEC Engineering AG, Raumfachwerke + Stahlbau, Niederscherli, Switzerland
page 11: picture above: copyright: ATOS Architekten ZT, Vienna
picture below: copyright: BATEG Ingenieurbau GmbH, Berlin
page 12: picture above: copyright: Imagesource Ltd
picture below: Steidle Architekten, Munich, copyright: Reinhard Görner
page 13: picture above: JSK Architekten, Frankfurt, BGP Design, Stuttgart
picture below: copyright: Disney, SONY PICTURES imageworks
page 20 – 21: copyright: Zentrum Paul Klee, Bern

Nemetschek Aktiengesellschaft
Konrad-Zuse-Platz 1
81829 Munich
Germany
Phone: +49 (0) 89-9 27 93-1219
Fax: +49 (0) 89-9 27 93-5404
E-mail: investorrelations@nemetschek.de
www.nemetschek.com