moving minds NEMETSCHEK

2010 ANNUAL REPORT

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Highlights 2010

February

The group publishes the preliminary figures for 2009 – and exceeds earnings expectations

April

Nemetschek reports a good quarterly result – and is free of net debt again

June

Graphisoft launches Archi-CAD 14 – data exchange with engineers and design profes-sionals is made far easier

Vectorworks with a new release – visualizations are far more effective thanks to cooperation with Maxon

Europe-wide launch of the new software version Allplan 2011 – the new graphic core makes the program much faster

Nemetschek raises the forecast for 2010 – and achieves an EBITDA margin of 25 percent in the first six months

Maxon launches Cinema 4D Release 12 – and offers a clearer program structure and better image quality

New version of Scia Engineer available – the focus is on implementation of the national annexes to the Eurocodes

Nemetschek share achieves its highest price in 10 years – at the start of December, it peaks at over 32 euros

July **September** **October** **December**

Key Figures

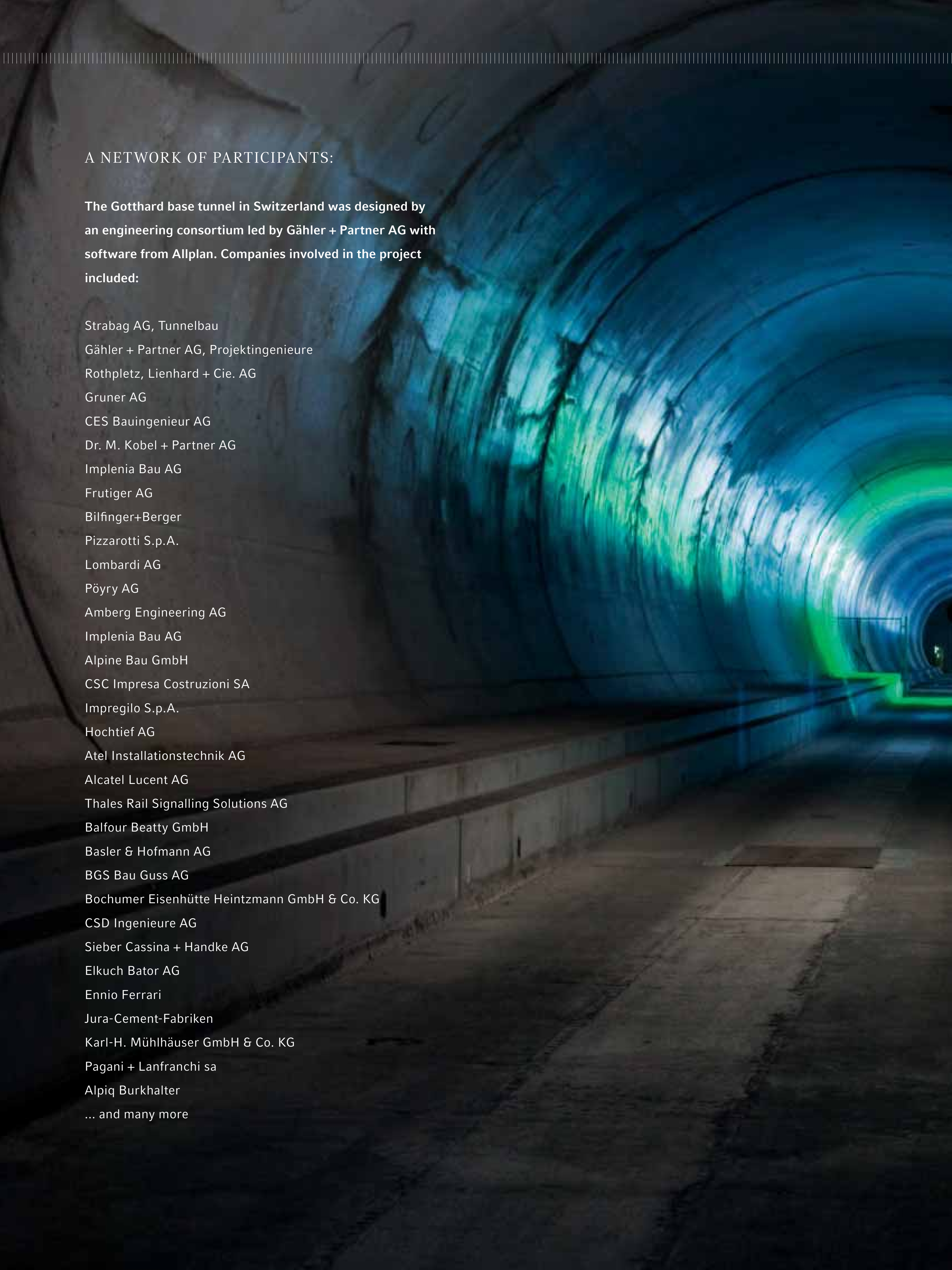
NEMETSCHEK GROUP 2010

in million €	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Revenues	**149.7**	**135.6**	**150.4**	**146.2**	**107.5**
Gross profit	**145.8**	**130.8**	**143.6**	**139.0**	**101.8**
as % of revenue	97 %	96 %	95 %	95 %	95 %
EBITDA	**37.1**	**30.4**	**31.4**	**33.6**	**20.7**
as % of revenue	25 %	22 %	21 %	23 %	19 %
per share in €	3.85	3.16	3.26	3.49	2.15
EBIT	**27.5**	**20.9**	**21.0**	**23.9**	**17.8**
as % of revenue	18 %	15 %	14 %	16 %	16 %
per share in €	2.86	2.17	2.18	2.48	1.85
Net income (group shares) adjusted by PPA effects	**24.5**	**17.9**	**16.2**	**20.4**	**13.9**
per share in €	2.55	1.86	1.68	2.12	1.45
Net income (group shares)	**18.9**	**12.2**	**10.4**	**14.6**	**13.6**
per share in €	1.97	1.27	1.08	1.52	1.41
Net income	**20.1**	**12.9**	**11.3**	**15.3**	**14.4**
Cash flow for the period	**34.7**	**28.6**	**29.9**	**30.8**	**21.3**
Cash flow from operating activities	**32.3**	**23.4**	**30.4**	**25.3**	**18.3**
Cash flow from investing activities	**–3.8**	**–3.6**	**–4.7**	**–102.4**	**–6.3**
Cash and cash equivalents	**30.6**	**22.9**	**23.2**	**29.1**	**32.0**
Net debt	**11.1**	**–9.3**	**–26.1**	**–40.4**	**–68.0**
Equity	**93.5**	**79.6**	**67.9**	**62.9**	**55.1**
Equity-quote	**57 %**	**50 %**	**41 %**	**34 %**	**27 %**
Average number of outstanding shares (undiluted)	**9,625,000**	**9,625,000**	**9,625,000**	**9,625,000**	**9,625,000**
Headcount as of balance sheet date	**1,076**	**1,064**	**1,114**	**1,067**	**1,151**

"The future of building lies in the concerted interaction of all those involved in the network."

Prof. Georg Nemetschek, 1996

The entire building process can be optimized with the help of information technology. Since the mid 1990s, company founder Professor Georg Nemetschek has been focusing on the best way to achieve this. The vision: Nemetschek wants to provide all those involved in the design, construction and management of buildings with all the relevant data at any time and place in a consistent form, and thereby optimize the entire life cycle of buildings with regard to quality, costs and deadlines. Thanks to the internet, this vision can now be realized.

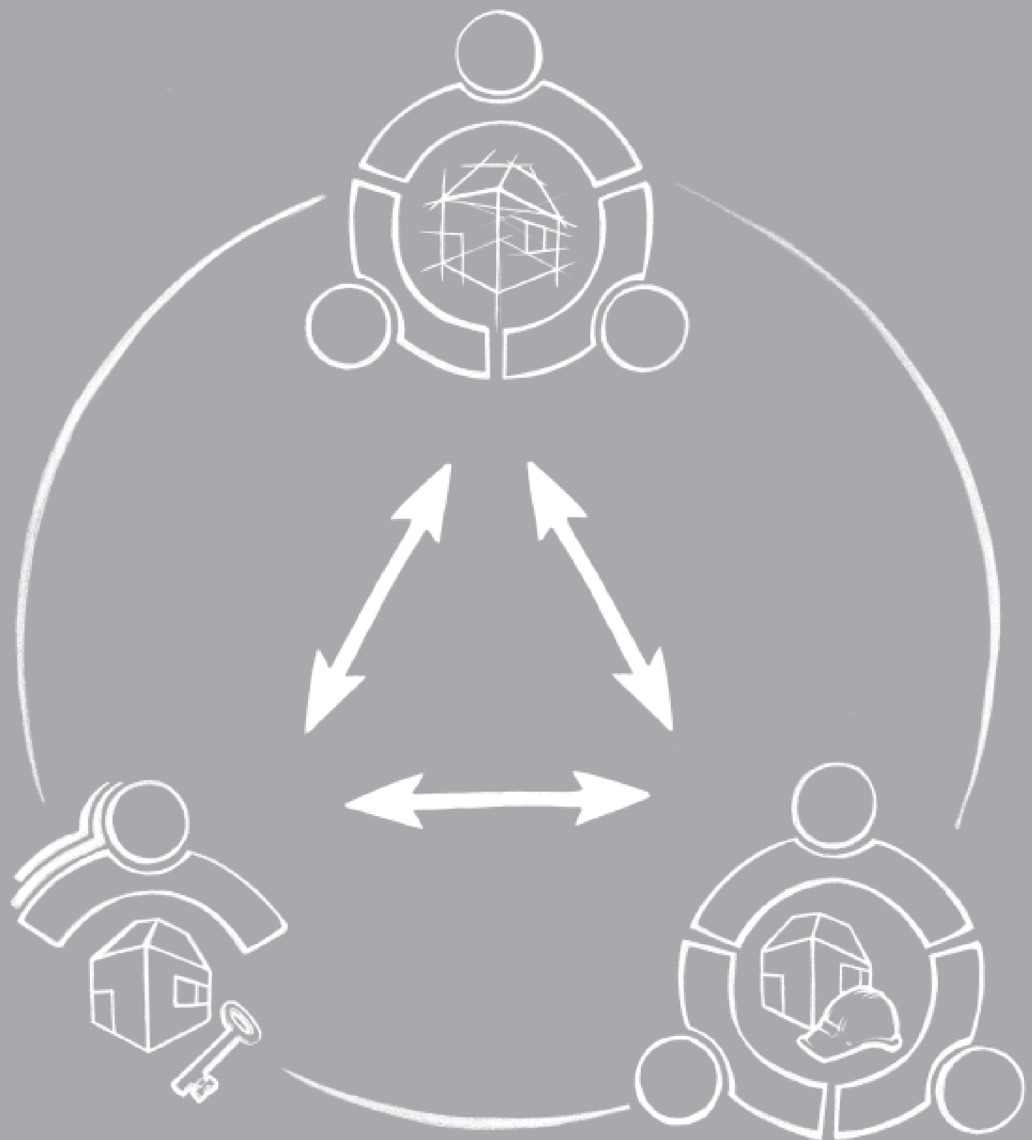


A NETWORK OF PARTICIPANTS:

The Gotthard base tunnel in Switzerland was designed by an engineering consortium led by Gähler + Partner AG with software from Allplan. Companies involved in the project included:

Strabag AG, Tunnelbau
Gähler + Partner AG, Projektingenieure
Rothpletz, Lienhard + Cie. AG
Gruner AG
CES Bauingenieur AG
Dr. M. Kobel + Partner AG
Implenia Bau AG
Frutiger AG
Bilfinger+Berger
Pizzarotti S.p.A.
Lombardi AG
Pöyry AG
Amberg Engineering AG
Implenia Bau AG
Alpine Bau GmbH
CSC Impresa Costruzioni SA
Impregilo S.p.A.
Hochtief AG
Atel Installationstechnik AG
Alcatel Lucent AG
Thales Rail Signalling Solutions AG
Balfour Beatty GmbH
Basler & Hofmann AG
BGS Bau Guss AG
Bochumer Eisenhütte Heintzmann GmbH & Co. KG
CSD Ingenieure AG
Sieber Cassina + Handke AG
Elkuch Bator AG
Ennio Ferrari
Jura-Cement-Fabriken
Karl-H. Mühlhäuser GmbH & Co. KG
Pagani + Lanfranchi sa
Alpiq Burkhalter
... and many more

NEMETSCHEK SPECIAL



Networked planning, construction, management. The future.

Even in times of global mass production, every building remains unique. It is the product of collaboration between numerous participants that join forces for the project and constantly have to communicate with each other. The processes relating to building are complex, because they are planned, controlled and executed by numerous disciplines at different locations. As a result, progress with regard to productivity is lower in the building sector than in other industries.

Nemetschek's goal is to optimize interdisciplinary collaboration in the construction process and increase efficiency with the help of sophisticated information technologies. The group's organization along the construction value chain – design, construction, management – emanates from this "Total Quality" approach:

Efficient processes require efficient communication and smooth data exchange. The key challenge here is for one discipline to be able to directly process relevant data from another discipline, regardless of whether this data comes from CAD programs, solutions for structural calculations, construction process planning, documents or ERP programs for costing – and without the need for time-consuming re-input of data, as has often been necessary up to now. In some areas, this already works well; the seamless integration between CAD software and structural analysis programs from the Nemetschek Group is one example of this. But the real goal is far more ambitious: ultimately, a central data model for every construction project will integrate the work done by all the disciplines involved, regardless of the software used.

> The decisive challenge is figuring out how one discipline can process relevant data from another – regardless of the software used.

In this way – and that is what Nemetschek understands by the much-discussed Building Information Modeling (BIM) – not only will the planning and construction process itself become far more productive, there will also be a significant increase in efficiency in the decades-long management phase of a building. The building manager has access to the central data model, and thus the related detailed information, at all times and can therefore carry out necessary renovation or refurbishment measures far more easily and cost-effectively. The owner has access to the entire building project's DNA, so to speak.

Networked construction. How to get there.

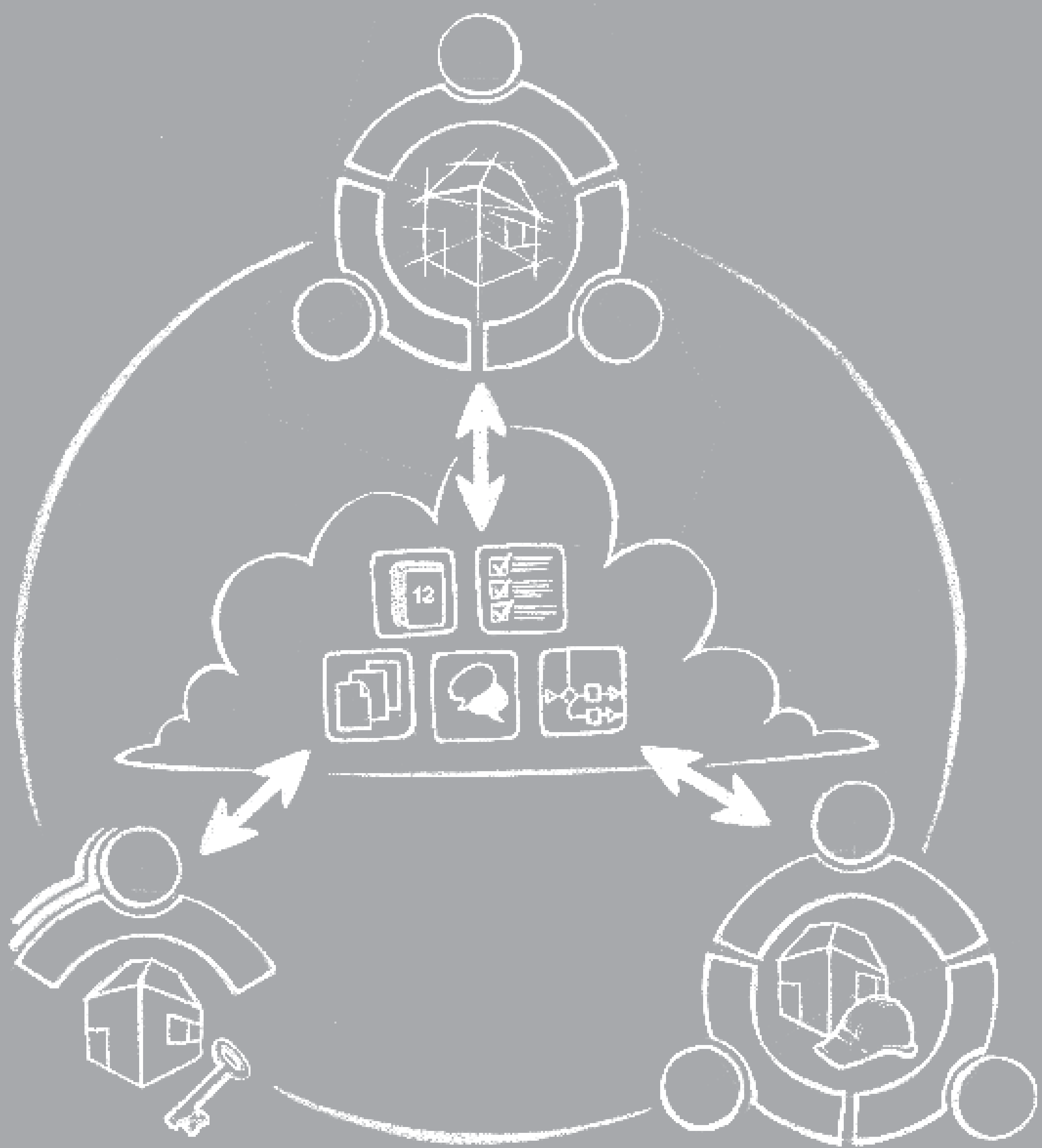
The company founder's vision is within reach today – thanks to the extended capabilities of the internet and the increased linking up of large sections of business. Only recently has the internet started to offer the bandwidths required to manage large volumes of data at the required speed, and today, flat rates are common. Information exchange, as well as the handling of entire business processes over the internet is so normal that location- and device-independent use of services via cloud computing is becoming the most important trend in the IT industry.

Nemetschek is taking advantage of this development: a team of experts at group level is developing a new Web platform that provides information on demand and in structured form to all those involved in a construction project. In the first version of the platform, users are able to evaluate, comment on and link to relevant files and documents, whatever their format, and regardless of time and place.

The second development step for the platform is to provide the currently relevant data – and only this data – from one discipline's software solution to another discipline's program in such a way that this data can be processed there directly, commented on and imported back, and, if applicable, with instructions for action. Previous data exchange formats such as the manufacturer-

HOW CUSTOMERS BENEFIT FROM THE INTERNET

- Program services can be procured flexibly
- Customers pay for what they need – fixed costs become variable costs
- Content that makes work easier is available in the latest version at any time
- Teams can work together regardless of where the individual members are located
- Interdisciplinary collaboration becomes easier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HOW NEMETSCHEK BENEFITS FROM THE INTERNET

- Customer loyalty becomes stronger and more direct
- Marketing can operate in a more targeted way
- Repeat sales increase
- Internationalization becomes easier
- The offer of additional services also opens up further sales opportunities and access to new customer groups

independent format IFC (Industry Foundation Classes), which has been supported by Nemetschek for years, have so far lacked precisely these communicative and collaborative functions – for example, to track who changed or released which version of a detail, and when. However, these collaborative additional functions are of fundamental importance for clarifying the construction process – and Nemetschek's new cooperation platform aims to provide these functions, closely linked with the data exchanged via IFC.

> A central data model is created for each building project on the platform that gradually integrates the work of all disciplines.

Step by step, a central data model will therefore be created for each building project on the platform, and will gradually integrate the work of all disciplines. This does not just cover the virtual 3D building model; the individual contents are linked with the relevant additional data from the cost plan through to official approval. Nemetschek is working intensively on the implementation of this project, and in doing so, it is also creating a suitable framework for the expertise relating to the construction process which the group has gathered over decades, and which is the company's real USP.

Not only that, the platform is open: the service offerings from external partners can also be integrated easily. Whether it's a service for performing a collision check on the plans from different partners, or the offer of a detailed energy evaluation for the data model, those involved in the construction project can take advantage of a wide range of different building information services from third parties, depending on what they need.

From license to service business

In this way, the group is developing from a software provider to a provider of solutions and services for the design, construction and management of buildings. The advancement of cloud computing favors the development of the business model towards software as a service.

Nemetschek not only offers software licenses and maintenance agreements, it also makes its solutions available as required and flexibly in real time over the internet. While many still have security concerns about moving business-critical applications to the public cloud; hybrid models, or a completely private cloud, are possible alternatives: with these, companies create their own cloud, for example, by storing and operating software in central computer centers.

Customers can access their programs from anywhere, and if necessary lease computer capacities and software for new employees at short notice.

Nemetschek sees this trend as an opportunity. Over the course of this year, the individual portfolio companies under the group umbrella will offer Web-based versions of their solutions. The facility management software from Nemetschek subsidiary Allplan, for example, is already available as a Web version. Customers can work with their software after logging in on the internet, instead of receiving the program as a DVD and installing it locally, as in the past. As a result, they can access their programs from anywhere – in the office, from home, or while on business trips. If necessary, customers can lease computer capacities and software for new employees at short notice. This is billed easily and transparently with a monthly fee, which the customer pays for each user.

New opportunities for international sales and distribution

The new offering will only gradually gain acceptance on the market. The leasing of additional software to handle peaks in demand will certainly be of particular interest – and it is also an attractive alternative for those new to their profession. And for Nemetschek itself, it offers new opportunities for international sales and distribution; for example, software can no longer be pirated if it is, from the outset, only available as a service in certain markets.

The merging of software and the internet also enables us to offer additional benefits for the user. The Nemetschek portfolio companies will be able to increase customer loyalty and further increase repeat sales. Nemetschek's largest subsidiaries, Allplan und Graphisoft, are already taking advantage of these opportunities offered by the internet.

Networked planning. Now.

The internet offers access to the most up-to-date content, any place, and time – and precisely this is the advantage of the new generation of Nemetschek Allplan: The "Allplan Connect" service portal, which will be available from April 2011, not only enables automatic updates via the internet, but it also gives customers a central internet service for the software across the whole of Europe. Using their personal login data, planners can access current content in the form of thousands of CAD objects for their planning documents and presentations, any time and any place – from windows and doors to furniture and floor coverings. And the content is constantly being expanded, because renowned manufacturers are also interested in having their detailed information available.

As the objects are often country-specific, and are often defined in different ways, Allplan Connect offers a way of searching for locally relevant content in the national language. From the service portal, the objects can be easily integrated into the planning documents created with Allplan. There are also valuable planning tools such as design details for the construction of individual parts of the building.

The central internet service for the software permits access to the latest design tools and community expertise, any time, any place.

With their personalized access portal, Allplan customers not only have access to various e-learning offerings, but can also directly contact the technical support team, and find out about the status of their inquiries. At the same time, the service portal integrates social media functionalities; via a user forum, customers can network and exchange information, for example. Step by step, the boundaries between the internet and the installed software are becoming blurred. What's more, Allplan is also able to learn more about what its customers want, and can address these needs more directly.

Networking in a team. Now.

Teamwork between several architects in a project across different locations – in the age of the internet, that should really be a matter of course. But in reality, up until recently, long waiting times for data synchronization hindered joint work on a building model.

Nemetschek subsidiary Graphisoft has solved this problem with the Teamwork 2.0 function integrated into its Archicad program. The BIM server, a model-based server solution, constantly manages the central building model and access to it via the internet. This server means that users now only need to send individual project elements, rather than entire projects, over the data line. This reduces the data volume and makes updates much faster. Every employee can reserve and edit the element he or she is responsible for, and then make it available to the team again. Access rights and changes made are clearly documented. Short messages via the integrated message function show the processing status or a new task.

> Regardless of location, every employee can reserve and edit the individual elements he or she is responsible for, and then make them available to the team again.

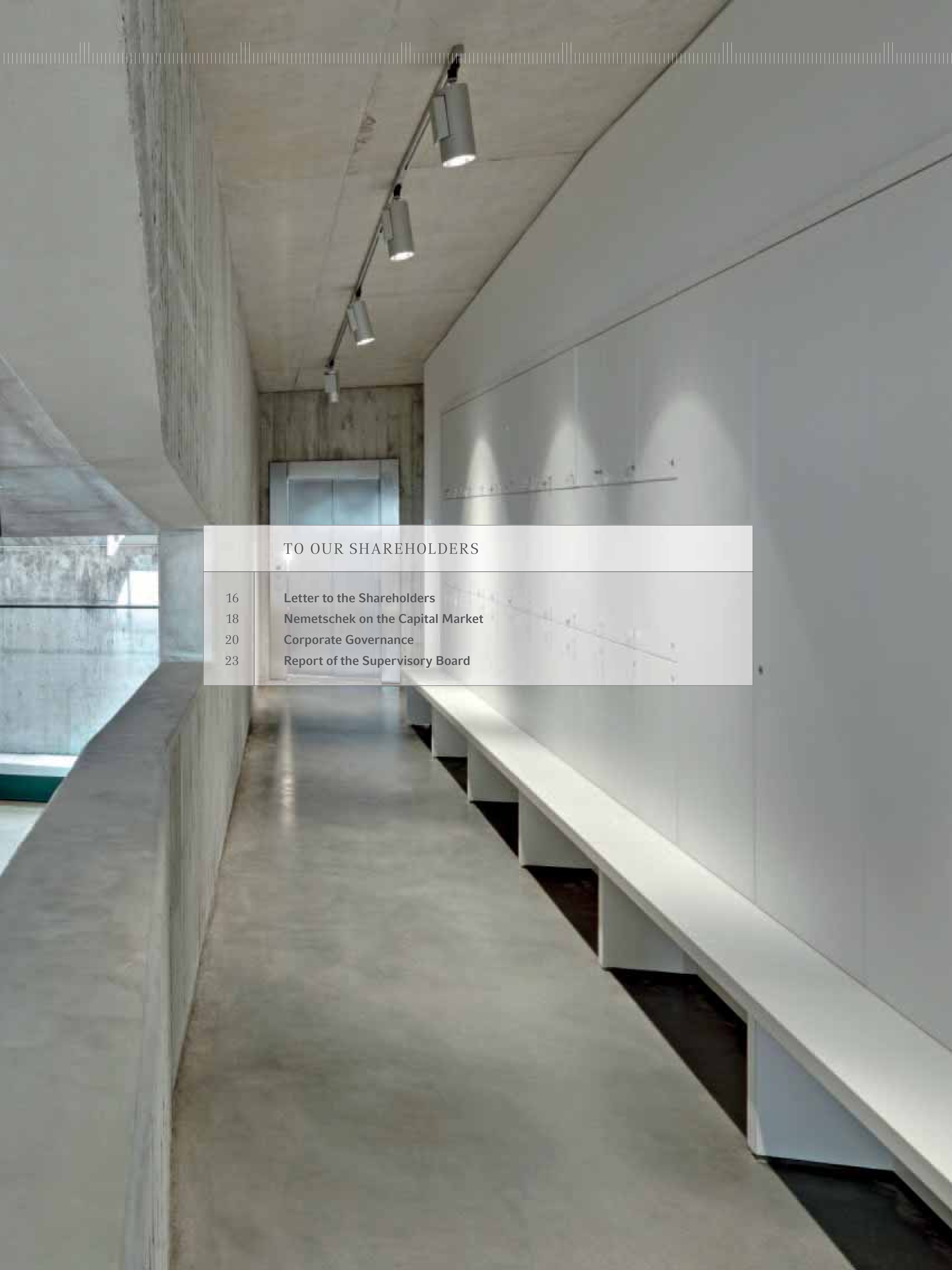
In 2010, the practicability of the solution was verified multiple times. For example, different planning teams in Berlin, Dortmund, Munich and Vienna simultaneously worked on an office building project. “The most impressive thing was that everything was so unspectacular. That reveals its high suitability for day-to-day use,” said the Deutsche Bauzeitung, journal for the construction industry.

The customer’s increase in efficiency is obvious. Many architectural firms create joint ventures for larger projects, and many large offices work with small partner offices locally. The Graphisoft solution also supports mobile working when out of the office or at home – and increases acceptance among users as a result.

A NETWORK OF PARTICIPANTS:

The Grube Messel visitor center in Messel was designed by architecture firm landau + kindelbacher architekten innenarchitekten GmbH with software from Vectorworks. Companies involved in the project included:

Constanze Linke
H2S architekten
Keller Damm Landschaftsarchitekten
Sailer, Stepan und Partner GmbH
Holzer Kobler Architekturen
Zickler + Jakob
Rupp & Partner Ingenieure
iart interactive ag
Kersken + Kirchner GmbH
PMI Ingenieure für Bauphysik
Schiessl – Gehlen – Sodeikat GmbH
Vermessungsbüro Müller
Frank Heß Ingenieurbüro für Haustechnik
Dechant GmbH & Co. KG
PEWA GmbH
AK Bau GmbH
Alustar GmbH
Stahlbau Worms GmbH
Hartig GmbH + Co. KG
Hähnlein GmbH
Schumacher GmbH
Eich Innenausbau
Jungblut SiTec
Lieser Fugentechnik
HWD Beschichtungen
Liebig GmbH + Co. KG
Schmitt + Sohn Aufzüge
Helmut Mattes GmbH + Co. KG
R+S Solution AK
Ruf Gebäudetechnik
Retech GmbH
... and many more



TO OUR SHAREHOLDERS

Letter to the Shareholders

Dear shareholders, ladies and gentlemen,

In 2010, the Nemetschek Group overcame the consequences of the global economic crisis. In the first year after the crisis, sales revenues had already returned to the 2008 level. Thanks to the ongoing, keenly pursued cost management and clear focus on our core business, the operating margin reached a record level.

To achieve this level over the long term, we must continue to grow – and invest in growth. With a planned increase in sales of around 10 percent, the Nemetschek Group has set an ambitious target for the current fiscal year. This requires substantial investments in the product and service offering as well as in our market presence, and implies a moderate increase in personnel.

In 2011, we will continue to drive forward internationalization and above all concentrate on countries outside Europe. Even though the relevant industry associations predict continued market growth in Germany, France and Scandinavia, where Nemetschek is traditionally strong, a moderate upward trend for Europe as a whole is not expected until 2012. The emerging economies, on the other hand, are characterized by far more dynamic growth. These countries include Brazil, where our Belgian subsidiary Scia saw initial successes in 2010. In view of this, in the second quarter we will open a branch in Brazil, which will in future also distribute further products from the group.

SUBSTANTIAL INVESTMENTS IN WEB TECHNOLOGIES

Nemetschek is known as a technology company that invests heavily in research and development – in 2010, the figure was almost 24 percent of sales revenues. In 2011, we aim to increase this percentage. The Nemetschek Group management is determined to systematically take advantage of the new opportunities for growth re sulting from the general trend toward cloud computing. On the one hand, this requires additional investment on the part of the subsidiaries to make their software solutions Web-ready and to be able to offer additional services over the internet in the future. In doing so, they will systematically increase customer benefit and therefore customer loyalty.

On the other hand, the holding is pushing cross-company Web topics forward, because the managing board and supervisory board are convinced that the new technologies offer great opportunities for the group as a whole. These technologies open up new options for internationalization, if software can be offered as a service. In addition, Nemetschek has the unique opportunity to provide a new framework for its extensive knowledge relating of the design, construction and management of buildings and present itself as a complete solution provider for the construction process, just as the company‘s founder envisaged. With the functionalities and bandwidths available today, the internet enables new forms of collaboration and communication between all those involved in the construction process, and therefore also completely new services relating to the construction process. It is precisely this that the group is working on – and we are therefore dedicating considerable space to this topic in this year‘s annual report.

Ernst Homolka, CEO

LONG-TERM STRENGTHENING OF THE COMPANY VALUE

We are undertaking these efforts with a clear goal: Nemetschek should grow and become more profitable over the long term – thereby generating substantial added value for customers, shareholders and employees. This goes hand in hand with the long-term increase of the company value.

Dear shareholders, 2010 was a very successful year for the Nemetschek group. We achieved a record operating result and the cash flow from operating activities is higher than ever. The equity ratio is 57 percent. With this in mind, the managing board and supervisory board have decided to propose doubling the dividend at this year's annual general meeting. We believe that now is the right time for our shareholders to participate substantially in the success of the company.

Rest assured that we are doing everything to keep the Nemetschek Group on its successful course – and to achieve further successes.

Thank you for your trust.

Yours,

Ernst Homolka

Nemetschek on the Capital Market

HIGHEST SHARE PRICE IN TEN YEARS

For a large part of 2010, the global stock markets were affected by the worrying economic situation in a few southern European countries, particularly Greece. Until the fall, the stock markets were extremely nervous, and the mood did not change until the last quarter: The DAX (German stock index) exceeded the 7,000 point mark several times, among other things as a result of the positive data on Germany's economic development, and at the end of 2010 was around 16 percent higher than at the start of the year.

The Nemetschek stock, which is listed in the Prime Standard (ISIN DE0006452907), was largely unaffected by the nervous mood on the stock markets. From mid-April, it developed significantly better than the relevant indexes such as the TecDAX. Overall, the share rose by around 94 percent in 2010 and reached its highest price since the start of 2000, 32.28 euros, on December 3, 2010.

STRONG UPWARD TREND IN 2010

The Nemetschek share was largely able to withstand the nervousness on the European stock exchanges

The share started the year at a price of 16.44 euros, and gained new impetus in mid-February following publication of the provisional figures for 2009. After the announcement of the final annual financial results for 2009, Goldman Sachs and WestLB increased their price targets for the Nemetschek share on March 25. Consequently, the price remained at 24.50 euros until mid-May. That month, the trading volume on Xetra reached the relatively high level of around 215,000 shares. The Nemetschek share was largely able to withstand the increasing nervousness on the European stock exchanges as of May: the price hovered around the 22 euro mark, but did not fall further below it.

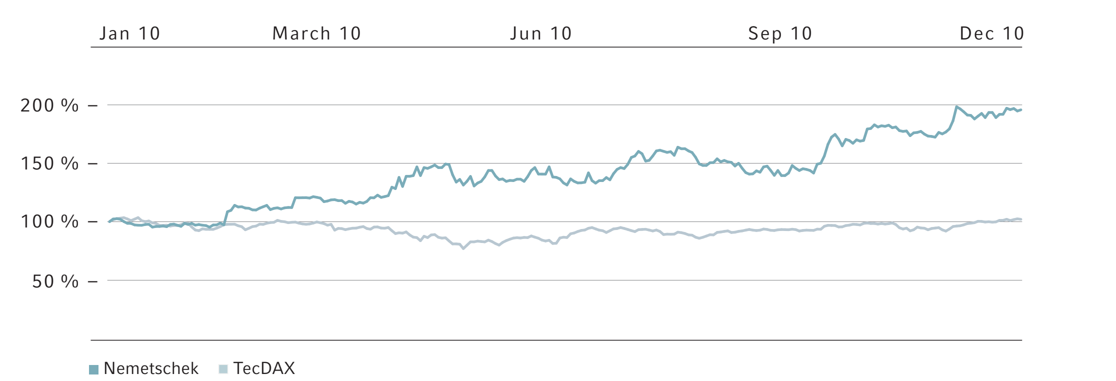
The price rose clearly after DZ Bank included coverage of the share on October 14, and set a price target of 44 euros. The upward trend in a now friendly environment was further bolstered by the good results for the third quarter and the reinforced forecast for the 2010 fiscal year. Following an investor roadshow over several days by the managing board and IR management at the start of December, it then rose above the 30 euro mark: On December 3, the share closed at 32.28 euros, the highest price for 10 years. At the end of December, the price was 31.87 euros.

MAJORITY OF SHARES OWNED BY FAMILY

The Nemetschek family holds over 53 percent of the total 9,625,000 Nemetschek shares. The remaining 46.5 percent are free floating. Around 50 percent of the freely tradable stocks are held by institutional investors. Of these, only two hold slightly more than three percent of the capital stock of Nemetschek AG. The remaining stocks are held by private investors. Two designated sponsors provided sufficient liquidity for the stock: WestLB and Equinet, which was replaced by DZ Bank in October. WestLB and Goldman Sachs published regular analyses on the Nemetschek stock in 2010, as did DZ Bank as of October. After the announcement of the final finan-

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

PRICE DEVELOPMENT OF THE NEMETSCHEK SHARE FROM JANUARY 1, 2010 TO DECEMBER 31, 2010



cial results for 2009, Goldman Sachs and WestLB kept their purchase recommendations and initially increased the target price to 27 and 28 euros, respectively. After publication of the results for the third quarter, the price was again increased to 42 euros. In October, DZ Bank included coverage with a price target of 44 euros – with expected sales of 149 million euros and an EBITDA of 37.6 million euros.

DIVIDEND PAYMENT AGAIN

70.2 percent of the voting stock was represented in the vote at the AGM on May 26, 2010. All items on the agenda requiring consent were voted through by stock holders with over 90 percent support. The resolution on the appropriation of profits and payment of a dividend of 0.50 euros was approved by 98.6 percent.

INTENSIVE COMMUNICATION WITH ALL FINANCIAL MARKET PARTICIPANTS

In 2010, Nemetschek AG maintained its ongoing dialog with the financial market. The managing board and IR manager met investors and analysts at seven roadshows and conferences and discussed the company, its development and strategy. There were also telephone conferences following publication of the quarterly figures, and numerous one-to-one meetings. In addition, for the first time, the Group published a newsletter in 2010, which provides information about the relevant developments in the group and subsidiaries, as well as industry trends and investor relations news and is published around the middle of the quarter after the quarterly results.

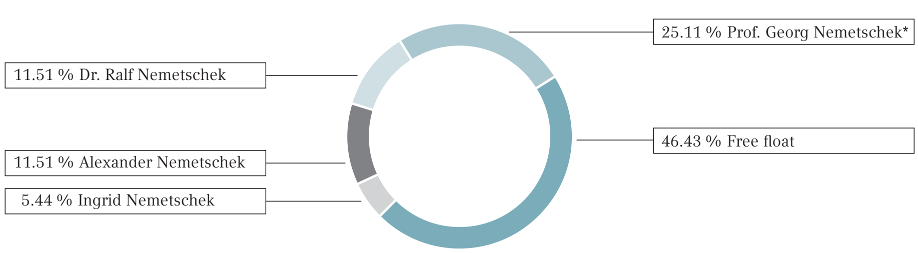
A new newsletter provides information about the relevant developments in the group and subsidiaries

To ensure that timely and consistent information is provided to all actors on the financial market, the company makes all the relevant information available online at www.nemetschek.com, including the latest analyst presentations and excerpts from telephone conferences. The 2009 annual report received several awards, including the LAPC (League of American Communications Professionals) Gold Award.

KEY FIGURES

	2010	2009
Earnings per share in €	1,97	1,27
Cash flow for the period per share in €	3,61	2,98
Equity per share in € (group shares)	9,57	8,12
Dividend per share in €	1,00	0,50
High in €	32,28	18,14
Low in €	15,68	5,10
Closing price on December 31 in €	31,87	16,14
Price/ earnings ratio	16,17	12,71
Market capitalization on December 31 in Mio. €	306,75	155,35
Average number of shares traded per day (via Xetra)	6.236	6.676
Average number of outstanding shares in millions	9,625	9,625

SHAREHOLDER STRUCTURE



* Shows the members of the Nemetschek family with their direct share ownership > 3 % owing to voluntary declaration. The reason for Prof. Georg Nemetschek's increase in shares is the notice of redemption of securities lending between him and the Nemetschek Foundation on February 28, 2011 for reasons relating to inheritance tax. At the same time, a beneficial right in the shares in question was granted for the foundation.

Corporate Governance

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

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

Every year, as part of the statutory regulations, the managing board and supervisory board of Nemetschek AG issue a statement that the company has adhered to, and adheres to, recommendations of the government commission's German Corporate Governance Code. If certain recommendations have not been followed, then this is stated too. The current Nemetschek AG declaration of conformity in accordance with § 161 of the Stock Corporation Act, which can be viewed on the company's website at www.nemetschek.com, was made on March 24, 2011.

Additional information

COOPERATION BETWEEN MANAGING BOARD AND SUPERVISORY BOARD

The managing board and supervisory board again worked closely and trustfully together in 2010. The managing board has sole responsibility for the management of Nemetschek AG and is committed to the interests of the company and to increasing the shareholder value over the long term. It reports to the supervisory board regularly, quickly and comprehensively, in written and verbal form, about all relevant issues relating to business development and company planning, including the risk situation, risk management and compliance.

More information on this can be found in the supervisory board's report on pages 23-25 of this annual report, as well as in the management report.

COMPLIANCE AND RISK MANAGEMENT

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

To ensure compliance over the long term throughout the company, Compliance Managers were installed in key parts of the group in 2009. Long-serving and particularly experienced employees were entrusted with this task. In this context, a compliance training program for all of the Nemetschek Group's employees was launched.

Detailed information on Nemetschek AG's risk management system can be found on pages 46 et seq of the management report.

REMUNERATION OF MANAGING BOARD AND SUPERVISORY BOARD

In accordance with the recommendations of the German Corporate Governance Code, we have been reporting the individual remuneration of all members of the managing board and supervisory board for a long time. A breakdown of the remuneration of the individual members by component can be found in the management report.

The remuneration of members of the managing board consists of a basic salary and variable compensation. The variable compensation is largely dependent on the attainment of corporate objectives with respect to revenues and earnings. A smaller portion of the variable remuneration is paid out upon achieving individual targets. In accordance with the recommendations of the German Corporate Governance Code, the members of the supervisory board also receive performance-related and fixed remuneration. This is based on the consolidated earnings per share.

With a view to corporate management over the long term and in accordance with the requirements of the German Act on the Appropriateness of Managing Board Remuneration (VorstAG), the incentive plan for the managing board and executive offices was extended to include a long-term component at the end of 2009. The long-term incentive plan, which covers a time frame of four years, includes performance-related components based on corporate objectives and the development of the share price. Thus, it is ensured that the interests of the managing board and the interests of the shareholders are sustainably linked to long-term increases in shareholder value.

DIRECTORS' DEALINGS AND SHARE OPTION SCHEMES

No transactions subject to report were announced in the calendar year 2010.

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

TRANSPARENCY

Nemetschek places great importance on transparency and effectively ensures that the principle of equal treatment for shareholders is strictly adhered to. All corporate communication is geared towards informing all investors comprehensively and in a timely manner. As part of its investor relations activities, Nemetschek regularly organizes meetings with analysts and institutional investors. Furthermore, the publication of the quarterly statements is followed by telephone conferences. The presentations made in this connection are freely available simultaneously on the Internet at www.nemetschek.com and are supplemented by audio recordings. Since 2010 Nemetschek has additionally published a newsletter which reports between the quarterly reports on important developments within the group.

As soon as Nemetschek becomes aware that a shareholder is subject to report because they have exceeded or fallen below the proportion of voting rights stated in the Wertpapierhandelsgesetz (German Securities Trading Act), then this fact is announced by the company without delay. Information on the shares held by the managing board and supervisory board can be found in the remuneration report of the management report and in the notes to the financial statements.

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

Declaration of conformity in accordance with § 161 of the Stock Corporation Act, dated March 24, 2011

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

- In Code Item 2.3.3, sentence 2 the GCGC recommends that the company should also assist shareholders in postal votes and with proxies. The Articles of Association of Nemetschek AG have not yet provided for the option of postal voting. In our view, postal votes have not yet been sufficiently tested, and there have been difficulties particularly in respect to ascertaining the authenticity of votes thus submitted. Moreover, Nemetschek AG already offers its shareholders the option of entrusting the exercising of their voting rights to a proxy appointed by the company. Shareholders therefore already have the possibility of submitting their votes also before the day of the Annual General Meeting. Securing the rights of shareholders by having the additional option of postal votes would not ultimately serve to facilitate the process further.

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

- The managing board of Nemetschek AG consists of only one person (Code Item 4.2.1). The managing board and supervisory board believe that neither the organizational structure of the Nemetschek Group nor the focus of Nemetschek AG on holding tasks and group control necessarily requires a managing board with several people. Moreover, an Executive Council has been established within the Nemetschek Group to provide support for the managing board. The Council is made up of the managing board and the managing directors of the most important product organizations. Its task is to define and implement the strategic orientation of the group.

- The employment contract of the managing board does not include a severance payment cap (Code Item 4.2.3 Clause 4). The new managing board contract, which came into effect at the beginning of 2010, is valid for three years. The supervisory board is of the view that the short contract period of three years in itself offers adequate protection against unreasonable severance payments, which is why a separate severance payment cap was not agreed on.

- Code Item 5.1.2 Clause 2 and Code Item 5.4.1 Clause 2 and Clause 3 are not complied with. An age limit for members of the managing board and the supervisory board has not been defined explicitly and is not currently planned. Such age limit would generally restrict the company in its selection of suitable members of the managing board and the supervisory board. For the company, the composition of the supervisory board is determined primarily by the experience, capabilities and expertise of its individual members. On the other hand, the supervisory board considers diversity criteria to be lower-ranking, even though it expressly welcomes them and the associated quest for an appropriate female quota.

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

- Deviating from Code Item 5.4.3, the managing board of Nemetschek Aktiengesellschaft applied for the official appointment of a member of the supervisory board in February 2008 and requests that an unlimited official appointment be filled by the next AGM. The reason for this was that the supervisory board member concerned had already been elected by the AGM 2007 for a full term and merely left the supervisory board temporarily due to illness.

Munich, March 24, 2011
Nemetschek Aktiengesellschaft

Supervisory Board Report on Nemetschek AG's 2010 Fiscal Year

Ladies and Gentlemen,
dear shareholders,

In the past fiscal year, the sales revenues of the Nemetschek Group returned to the 2008 level, and with an operating margin of almost 25 percent, the company is more profitable than ever. Thanks to a cash flow from operating activities that is as usual strong, the company was able to reduce its liabilities further and has been free of net debt since the first quarter of 2010. This is a good basis for investing more in growth and consistently taking advantage of new market opportunities.

ONGOING DIALOG BETWEEN SUPERVISORY BOARD AND MANAGING BOARD

During the past fiscal year, Nemetschek AG's supervisory board once again extensively fulfilled the tasks and duties it is legally mandated to perform. It advised the managing board on strategically directing the company and monitored the managing board's activities. The supervisory board was directly involved in all decisions of fundamental importance for the company. In a total of four meetings during the course of the year the supervisory board provided advice both on the company's strategy and the development underway at the time. The members of the supervisory board also held regular discussions with the managing board outside of these meeting and acted in an advisory capacity.

Nemetschek AG's managing board presented the supervisory board with comprehensive quarterly reports about the business situation, including sales, revenue and liquidity developments, as well as the company's overall situation. These reports were supplemented by monthly reporting on sales development and contribution margins for the group as a whole and for the individual subsidiaries.

The managing board regularly informed the supervisory board about all issues relating to risks and risk management and the work of the compliance team. The detailed reports were available to every member of the supervisory board. They were regarded as very positive and were discussed in detail.

On the basis of the managing board's reports, the supervisory board supported the managing board's work and endorsed actions requiring approval. It did not form any committees. The full supervisory board and managing board attended all supervisory board meetings.

BROAD RANGE OF TOPICS IN THE SUPERVISORY BOARD MEETINGS

MEETING IN MARCH 2010

During this meeting, the supervisory board discussed in detail the annual financial statement presented by the managing board, Nemetschek AG's annual report, consolidated financial statements and group management report, as well as the auditor's reports and audit results. The appointed auditor also took part in this meeting. The supervisory board established the audited financial statements for 2009 of Nemetschek AG, approved the consolidated statement for 2009, which had also been audited, and a decision was made on the appropriation of profits.

In addition, the proposed agenda for the Annual General Meeting, the supervisory board report and the Declaration of Conformity in accordance with the German Corporate Governance Code were advised on, approved and decided on. The supervisory board also concerned itself with the business progress in the first quarter and the forecast for 2010 as a whole.

MEETING IN JULY 2010

This supervisory board meeting discussed the managing board's report on business development in the second quarter, the situation in the individual business units and business prospects. There were intensive discussions about the further internationalization of the group and initial thoughts about a future company strategy in the context of cloud computing. The managing board reported on the status of the implementation of a new ERP system and on the activities in the area of investor relations.

MEETING IN OCTOBER 2010

This supervisory board meeting primarily dealt with the business results for the third quarter and the outlook for the end of the year. The managing board reported comprehensively on the introduction of new software versions of Allplan, Graphisoft, Vectorworks and Maxon. In connection with this, there was an initial status report on the Web-readiness of individual products. Potential acquisitions were also the subject of discussions. In addition, the managing board and supervisory board discussed the risk management report.

MEETING IN DECEMBER 2010

This supervisory board meeting focused on the managing board's report on the results of the first 11 months of 2010 and the planning for the 2011 fiscal year. The managing board's report also contained details about the planned development of the individual business units. During this supervisory board meeting, the medium to long-term goals of the company were discussed in detail, and a decision was made in favor of a clear growth strategy for the company. The managing board was asked to take systematic advantage of the opportunities for further internationalization and the general trend towards cloud computing and then to invest in these accordingly.

The risk report on key people in the group and the subject of compliance were also discussed and evaluated in detail.

Another important topic in this supervisory board meeting was a proposal put forward by the managing board about the future dividend policy of the Nemetschek Group. According to this, future dividends would be based on the cash flow from operating activities, in order to make them more predictable for investors. After extensive discussion, the supervisory board agreed to the proposal.

FINANCIAL STATEMENT AUDIT EXPLAINED IN DETAIL

The annual financial statement prepared by the managing board according to the German Commercial Code, taking into consideration the accounting principles and annual report of Nemetschek AG for the 2010 fiscal year, the consolidated financial statement prepared according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and also according to §315a Paragraph 1 of the German Civil Code, and the consolidated annual report for the 2010 fiscal year have been audited and approved without qualification by auditing firm KPMG AG Berlin, Munich branch. The supervisory board has persuaded itself as to the independence of the auditors.

The final documents and managing board's proposal on the appropriation of profits as well as the auditor's audit reports were made available to the supervisory board in good time. The meeting of the supervisory board held on March 24, 2010 to discuss, on the basis of the auditor's reports, Nemetschek AG's annual financial statements and management report as well as the consolidated financial statements and consolidated financial statements was attended by the auditors, who answered all questions thoroughly.

Taking the auditor's reports into consideration, the supervisory board has examined the annual financial statements, the management report, the consolidated financial statements and the group's management report and is convinced of the correctness and completeness of the actual information. The supervisory board approved the result of the auditor's examinations based on its own examinations. The supervisory board raised no objections. The supervisory board explicitly endorsed the financial statement and consolidated statement 2010 of Nemetschek AG in the balance sheet meeting on March 24, 2010. The annual financial statements of Nemetschek AG for fiscal year 2010 are thus final.

During the meeting on March 24, 2011 the supervisory board also approved the new Declaration of Conformity in accordance with the German Corporate Governance Code (Code as dated May 26, 2010. see page 22).

DIVIDEND BASED ON CASH FLOW FROM OPERATING ACTIVITIES

The supervisory board discussed the dividend policy with the managing board once again and agreed to the managing board's concrete proposal for the appropriation of profits. In accordance with legal rulings and the company articles, it was decided to propose the following appropriation of profits to the Annual General Meeting in May 2011:

Of the balance sheet profit amounting to 28,683,572.58 euros, 9,625,000.00 will be paid out to the shareholders. This represents a dividend per share of 1.00 euro (previous year: 0.50 euro).

Of the remaining balance sheet profit of 19,058,572.58 euros, 9,500,000.00 euros will be transferred to revenue reserves and 9,558,572.58 euros will be carried to a new account.

MANAGING BOARD AND SUPERVISORY BOARD UNCHANGED

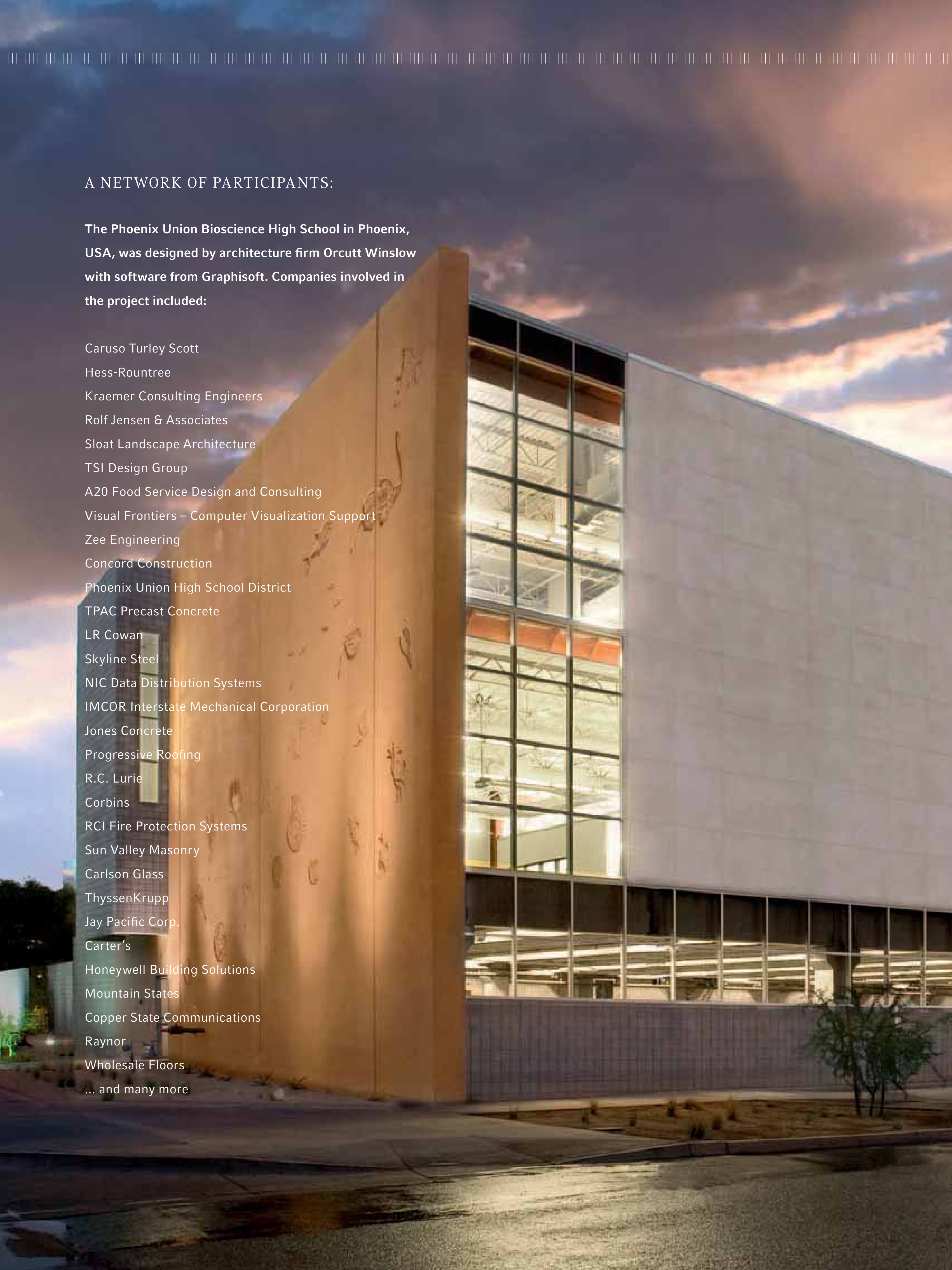
There were no changes to the managing board of Nemetschek AG. The number of members and composition of the supervisory board also remained unchanged in 2010.

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

Munich, March 24, 2011

The Supervisory Board

Kurt Dobitsch
Chairman



A NETWORK OF PARTICIPANTS:

The Phoenix Union Bioscience High School in Phoenix, USA, was designed by architecture firm Orcutt Winslow with software from Graphisoft. Companies involved in the project included:

Caruso Turley Scott
Hess-Rountree
Kraemer Consulting Engineers
Rolf Jensen & Associates
Sloat Landscape Architecture
TSI Design Group
A20 Food Service Design and Consulting
Visual Frontiers – Computer Visualization Support
Zee Engineering
Concord Construction
Phoenix Union High School District
TPAC Precast Concrete
LR Cowan
Skyline Steel
NIC Data Distribution Systems
IMCOR Interstate Mechanical Corporation
Jones Concrete
Progressive Roofing
R.C. Lurie
Corbins
RCI Fire Protection Systems
Sun Valley Masonry
Carlson Glass
ThyssenKrupp
Jay Pacific Corp.
Carter's
Honeywell Building Solutions
Mountain States
Copper State Communications
Raynor
Wholesale Floors
... and many more

GROUP MANAGEMENT REPORT

Group Management Report for the Financial Year 2010

The Company

Nemetschek in brief

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

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

Nemetschek was founded in 1963 as engineering office and today the group employs 1,076 people worldwide. In 2010, Nemetschek achieved revenues of EUR 149.7 million and an operating result (EBITDA) of EUR 37.1 million.

Business segments

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

THE DESIGN BUSINESS SEGMENT

The companies in this, the largest, segment of the group have a global presence and offer software solutions for architects, civil engineers, structural designers, design professionals and landscape designers. They therefore primarily offer programs for CAD and CAE (Computer-Aided Engineering) – for planning in 2D or for 3D (3-dimensional) component-oriented design. The focus for users is on practical relevance, ease of use and modification in line with regional building requirements. Simple data exchange with other disciplines is also becoming increasingly important. Users require interlinked solutions, of which there are good examples in the area of design, for example, the seamless interaction between CAD programs and structural calculations.

DESIGN – FOCUS ON ARCHITECTURE

The companies in the Design business segment include Nemetschek Allplan, the Hungarian company Graphisoft with its core product Archicad, and Nemetschek Vectorworks. Nemetschek Allplan, which until now has had a strong presence primarily in Europe, represents the group's platform product: Allplan offers comprehensive solutions for architects, civil engineers and facility managers and thus provides an instrument for largely integrated planning, from design through execution to subsequent building management. The integration of specialist design solutions and the seamless connection to the software of the Engineering components makes the product attractive, not least for general contractors and for projects in the area of public-private partnerships.

In mid-October 2010 Allplan introduced its newest software version, Allplan 2011, to the market. The most important new feature is the redesign of the graphic core which uses the high processing power of modern graphic cards. This enables the display time, especially for larger data quantities, of up to 50 times faster – no other CAD program for architecture and civil engineering is so fast. Additionally, an improved user interface and optimized workflows make the system particularly user friendly. From Spring 2011 services offered will be extended to include the new service portal, Allplan Connect, which connects customers worldwide via the Internet and offers access to current content and services (see section "Special" for more).

The Hungarian company Graphisoft, with its globally marketed CAD solution Archicad, primarily targets architects and covers the entire value chain of a design office, from the initial draft through to the final details of the working drawings. In 2010 Graphisoft was, among other things, able to expand its presence in Japan and attract important key customers in this area.

In mid-2010 the newest version of Graphisoft's architect software came out on the market. With ArchiCAD 14 the Hungarians optimized cooperation between architects and engineers during model-based planning. Based on the IFC technology, the company developed a solution which further improves the data exchange and thus cooperation between Archicad users, structural engineers and service engineers.

In 2010 Nemetschek North America was renamed Nemetschek Vectorworks – this was done to reflect the international presence of the company, which now extends into China. The core product of Vectorworks is a CAD solution for design and execution planning which offers a broad spectrum of specific industry solutions for architects, interior designers, landscape planners and stage and lighting designers. Vectorworks is the most-used CAD program on Apple Macintosh around the globe.

The Vectorworks 2011 version marketed since September 2010 contains numerous improvements, including an optimized 2D/3D function with a simple switch between the two options. Additionally, in Vectorworks 2011 the integrated visualization program Renderworks offers much better performance photographically – thanks to close cooperation with Maxon, the multimedia subsidiary of Nemetschek. The program is now based on a Cinema 4D render engine by Maxon, which enables, on the one hand, the fast and closely realistic display of pictures and animation, and on the other, the accurate photographic visualization of projects during the entire planning process.

Thanks to the cooperation with Maxon, the performance of the visualization program Vectorworks is much higher

DESIGN – FOCUS ON CONSTRUCTION ENGINEERING

The companies that focus on construction engineering include Nemetschek Allplan (with its product line for construction engineering), Nemetschek Scia, Nemetschek Engineering, Friedrich & Lochner and Glaser. These companies offer solutions for all areas of engineering – including CAD, structural analysis, logistics, and project management – from easily learnable starter products to high-end solutions. Together, the companies focusing on engineering have around 20,000 customers and are therefore the leaders for engineering software in Europe.

For three years, the five providers in the Nemetschek Engineering Group have been working together to jointly address relevant topics and coordinate their marketing activities. For example, the group holds an international user competition every two years. For the current "user contest 2011" 120 engineering building projects have been registered worldwide.

The Belgian company Nemetschek Scia, after Allplan the largest company in the Engineering Group, offers solutions for high-end engineering. These are used by engineers in structural stress planning to analyze and measure general two-dimensional and three-dimensional steel and reinforced concrete structures with other materials. Scia works with the CAD products from Nemetschek on the basis of a digital building model and incorporates its specific engineering knowledge here. The core product, Scia Engineer, enables the modeling of large and complex structures such as bridges, towers, energy plants and tower blocks. Additionally, there is Scia Steel, software for integrated production management in steel construction manufacturing. With this product the Nemetschek subsidiary was able to acquire important contracts in Brazil. What is more, Scia's customers include several of the large Brazilian steel building companies.

The Stuttgart company, Nemetschek Frilo, offers a comprehensive range of structural engineering programs that primarily support engineers’ day-to-day work. The Frilo software is particularly characterized by ease of use and fast results. Thanks to the comprehensive implementation of the uniform Eurocode, “Frilo Statics“ is also now useable in countries outside of Germany: in Belgium, the Czech Republic and in the Netherlands.

THE BUILD BUSINESS SEGMENT

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

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

In 2012 a new construction software is due on the market which integrates the technical project processing with the commercial view

In 2010 the Nemetschek Construction Group intensified its collaboration and reinforced its group presence in the market. Together, the group developed a new integrated generation of building software which is due on the market in 2012. The new software will combine the functionality of the new technical project management and commercial management in one program. It will also enable the cloud application to be available for use via the Internet.

THE MANAGE BUSINESS SEGMENT

The Manage business segment consists of Nemetschek Crem Solutions. Its product portfolio aims at commercial real estate and the housing industry for the management and settlement of real estate and property. The main product, iX-Haus 2010, is an integrated solution for the management of large assets with complex business requirements. The business segment also offers software for the management of real estate companies and large property managers, as well as the management of commercial real estate.

For the implementation of its solutions, the company follows an integrated approach from process analysis, through adaptation to customer requirements, as well as user training. Since the 2010 version iX-Haus has been supplied with a new module with which the demanding reporting requirements of foreign investors can also be presented without any problems.

THE MULTIMEDIA BUSINESS SEGMENT

The Multimedia business segment comprises the Maxon headquarters in Germany and its subsidiaries in the USA and United Kingdom as well as representatives in France and Japan. As a vendor of professional 3D software for visualization and animation, Maxon focuses on closeness to the customer and ease of product use.

The software, which is available in 10 languages, is marketed in over 80 countries. Thanks to the numerous areas of application for the CINEMA 4D software and the heterogeneous customer structure – from architecture offices to film studios – Maxon is comparatively independent from individual industries. In September 2010 Maxon introduced its newest update of Cinema 4D to the market. Thanks to many improvements in rendering, the current version has, above all, optimal picture quality. The product structure has been significantly streamlined. There are now only four different product packages which are tailored to the relevant demands of the different customer groups, such as architects, designers, motion graphics artists and professional 3D animators.

Strategy and market position

LEADING IN EUROPE

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

CLOSENESS TO CUSTOMER'S REQUIREMENTS

Unlike its competitors, Nemetschek concentrates on the AEC market (Architecture, Engineering, Construction). This is where the company has its roots, and is where it sees its future as an industry specialist. The group's solutions cover a large part of the construction value chain, from planning and visualization and the actual construction process to management – and this is another area in which Nemetschek stands out. To meet the wide range of customer demands, the group offers a broad range of "best-in-class" solutions that are tailored to particular working methods and local requirements. No other supplier is closer to the needs of its clientele – this is part of the company's mission and philosophy.

The Group solutions cover a major part of the value added chain

In order to satisfy the numerous customer demands, Nemetschek relies on its cooperation with partners from the sector who, themselves, offer "best-in-class" solutions in specialist areas – for example, in the area of service engineering. Here, the group focuses on data exchange formats independent of manufacturers such as IFC (Industry Foundation Classes) and is active in its implementation.

AN OVERVIEW OF THE COMPLETE LIFE CYLE OF A BUILDING

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

One decisive basic prerequisite for BIM is the smooth exchange of data. This challenge has pre-occupied the building industry for a long time. However, the data exchange formats available, e.g., the IFC format, which is independent of manufactures and is supported by Nemetschek – do not include important communicative and collaborative functions, for example, those that allow the user to determine which project participants have received, read or potentially changed or approved which information, and when they have done so.

It is exactly on these collaborative additional functions that Nemetschek is focusing within research and development on group level. These are going to be made available via a new cooperation platform in the internet which is closely linked to the data exchanged via IFC. In this area, new opportunities present themselves within the trend for cloud computing, which the group is determined to use (see also the comments in the section on Research and Development and under Nemetschek Special). The data model which exists on the planned cooperation platform should enable the step-by-step integration of the services of all technical areas involved and cover the entire value added chain, from building to facility management.

Thus, the focus is not only on the building process itself but also on the whole life cycle of a building – exactly true to the vision formulated in the 90's by the company's founder, Prof. Georg Nemetschek. This is also fundamentally important with regard to environmentally friendly building. After all, 80 % of all decisions relating to a building's future energy requirements are made early on in the design phase. Around the world, requirements relating to the sustainability of buildings are increasing, which poses significant challenges for designers and construction companies.

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

Corporate responsibility

For Nemetschek, corporate responsibility means providing its customers with the best possible support, finding future-oriented solutions, developing its employees within the company and in general meeting high ethical standards. In doing so, the company adds value for customers, employees, shareholders and society. Management is convinced that Nemetschek's business is based on sustainability. Three aspects are at the forefront of this: the environment, employees and society.

FOCUS ON ENVIRONMENTAL PROTECTION

With its software solutions, Nemetschek plays an important role in helping to make the building process more efficient and sustainable. The solutions help architects and engineers to design energy-efficient buildings and minimize material consumption. All CAD suppliers under Nemetschek's roof have integrated appropriate solutions in their programs.

With its solutions, Nemetschek plays an important role in making the building process more efficient and sustainable

With Ecodesigner from Graphisoft, architects are, for example, already able to determine the likely energy requirements of their buildings in the early design phase and compare different designs with each other. This program has won several awards, for example, the British Construction Computing Magazine's "Environmental Product of the Year" 2009. On the other hand, Allplan follows a somewhat different approach. With this solution, architects and engineers can offer their clients a diverse spectrum of advice. The program consists of applications for the initial analysis of the future energy requirement of buildings, as well as modules for the creation of energy certificates to comply with the standards of selected countries. There are also simulation programs for equipping a building with solar and photovoltaic systems and online access to funding databases.

Even beyond its own products, the group is committed to the topic of sustainable building. Nemetschek is an active member of the German Sustainable Building Council (DGNB), which developed the German Sustainable Building Certificate and awards it together with the German Federal Ministry of Traffic, Building and Urban Affairs (BMVBS).

Environmental protection is also taken seriously within the company. For example, almost all portfolio companies use video conferences in order to reduce the number of business trips to a minimum. They are also increasingly using innovative teaching methods such as e-learning and learning videos instead of printed manuals and operating instructions, which clearly minimizes the consumption of paper. Also the sending of DVD's is gradually being replaced by the availability of download possibilities from the Internet. Additionally, there are various individual initiatives in portfolio companies, e.g., an internal "eco drive" competition at Nemetschek Scia for reducing petrol consumption.

RESPONSIBILITY FOR EMPLOYEES AND SOCIETY

The focus is on offering more flexible working times and a comprehensive continuing education program

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

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

For years, Nemetschek has also been involved in the area of education and innovation. The company also has its roots in the university environment and for many years has had a presence here with its software and corresponding support. All the large product companies provide free software licenses and online training materials to students and professors as part of their campus programs. Furthermore, the group and its subsidiaries support various young talent initiatives. For example, in 2010 Nemetschek AG supported a European college competition on the topic of building with solar energy. In 2011 the group is supporting the international student competition "Documenta Center for Information and Communication". This award is issued by Kassel University in cooperation with documenta, one of the most important exhibitions of contemporary art in the world.

Report on enterprise controlling and declaration on corporate management

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

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

During the year, the group targets are monitored on the basis of a group-wide management information system with detailed reporting of the key performance indicators for the sales, cost and income situation. Central controlling values for Nemetschek Aktiengesellschaft are revenues and operating results (EBITDA) per segment.

Strategic and operative corporate management is carried out in close consultation with the executive council of the Nemetschek Group. This comprises the top managers in the largest organizations. The function of the Nemetschek Group executive council is to develop, control and monitor the strategic orientation of the Nemetschek Group.

THE DECLARATION IN ACCORDANCE WITH § 161 STOCK CORPORATION ACT

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

WORKING PRACTICES OF THE SUPERVISORY BOARD

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

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

(1) COMPOSITION OF THE SUBSCRIBED CAPITAL

Nemetschek Aktiengesellschaft's share capital as of 31 December 2010 stands at EUR 9,625,000.00 (unchanged compared to the previous year) and is divided into 9,625,000 no-par value bearer shares.

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

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

(3) INVESTMENTS IN CAPITAL EXCEEDING 10 PERCENT OF VOTING RIGHTS

Investments in the subscribed capital (list of shareholdings) exceeding 10 % of voting rights are listed in the notes within the related party information.

(4) SHARES WITH SPECIAL RIGHTS GRANTING CONTROL

There are no shares with special rights granting control.

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

There are no voting right controls on employees with shareholdings.

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

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

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

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

The annual general meeting granted approval for the issue or repurchase of shares for a period of 5 years

According to § 71 (1) No. 8 AktG the company requires a special authorization by the annual general meeting to acquire and trade its own shares, to the extent not legally expressly permitted. The authorization resolved by the annual general meeting on May 25, 2009 valid for the maximum period of 18 months according to the then legal situation, expired without the managing board using it. Thus, a new authorization resolution was presented to the annual general meeting on May 26, 2010 and resolved accordingly by the shareholders. This recommended resolution was based on the changed § 71 (1) no. 8 AktG (Stock Corporation Act) in the guidelines for implementation of the rights of shareholders dated July 30, 2009 (ARUG). According to this, the authorization can be given for a period of up to five years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration report

SUPERVISORY BOARD

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

Remuneration of the supervisory board breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD

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

2009 Thousands of €	Fixed components	Variable components	2009
Kurt Dobitsch	30.0	18.5	48.5
Prof. Georg Nemetschek	22.5	18.5	41.0
Rüdiger Herzog	15.0	18.5	33.5
Total	**67.5**	**55.5**	**123.0**

MANAGING BOARD

The remuneration for members of the managing board consists of a basic salary and variable compensation. The variable remuneration component is largely dependent on the attainment of corporate objectives with respect to revenues and earnings.

A smaller portion of the variable remuneration is paid out upon achieving individual targets. With the coming into effect of the German Act on the Appropriateness of Managing Board Remuneration (VorstAG) on August 5, 2009, the legislators demanded a remuneration component with a long-term incentive effect. To meet these requirements, the managing board remuneration system was appropriately revised.

Remuneration of the management board breaks down as follows:

REMUNERATION OF THE MANAGEMENT BOARD

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

2009 Thousands of €	Fixed components	Variable components (short-term)	Variable components (long-term)	2009
Ernst Homolka	219	195	0	414
Total	**219**	**195**	**0**	**414**

The fixed component includes the basic salary and other taxable salary components such as health and nursing insurance as well as a company car benefit. The variable remuneration includes long term (until 2013) components dependent on performance based on corporate objectives and the development of the share.

Employees

As of December 31, 2010, the Nemetschek Group employed 1,076 people worldwide (previous year: 1,064). The statistical determination and allocation of employee numbers does not include any employees on parent leave, freelancers or those ill long-term. The Nemetschek Group employed an annual average of 1,063 people (previous year: 1,085).

The Nemetschek Group employed 61% (previous year: 60 %) of its workforce outside Germany. On average, 484 employees (previous year: 480) are employed in the area of research and development in the Nemetschek Group. An average of 456 employees (previous year: 463) work in sales, marketing and on the hotline, 123 employees (previous year: 142) work in administration – including 24 trainees (previous year: 19), who primarily work in the commercial departments as well as in IT and development. As a rule, they have a good chance of being employed by the company once their training has been completed.

484 employees were employed on average in research and development within the Nemetschek Group

FLEXIBLE WORKING HOURS AND ONGOING TRAINING

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

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

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

It goes without saying for Nemetschek that employees are appropriately remunerated. In addition to this, voluntary additional benefits, such as subsidies for canteen meals, are often paid. Performance-related pay also contributes to the high level of employee motivation. This is the norm in most of the companies. In total, over EUR 8 million was paid across the Group in 2010 for variable salaries.

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

Research and development

The development and enhancement of products and solutions is the basis of Nemetschek's success. The company will only be able to generate profitable growth in the future with continuous product and process innovations. In 2010, the group invested EUR 36.0 million (previous year: EUR 33.6 million) in research and development, equivalent to 23.9 % (previous year: 24.8 %) of revenues. On average, the group employed 484 people (previous year: 480) in this area, which is 45.5 % (previous year: 44.2 %) of the total headcount of the Nemetschek Group.

FOR AN OPEN DATA EXCHANGE

Nemetschek is one of the pioneers of Building Information Modeling (BIM)

Nemetschek is one of the pioneers of Building Information Modeling (BIM). The "integrated process of designing, building and managing" (definition of buildingSmart) requires the seamless functioning of data exchange – a challenge which has already preoccupied the construction industry for a long time.

The basic conditions for this exchange of data are industrial standards on which all parties can rely. Therefore, the industry organization buildingSmart, which is pushing this agenda, has developed so-called Industry Foundation Classes (IFC). IFC is a manufacturer-independent and freely-available data exchange format that has proved particularly powerful for the exchange of 3D object-oriented planning and design data in the construction industry – regardless of which software the cooperation partners use.

Nemetschek has supported the IFC format right from the start and is active in various buildingSmart committees. All architecture programs of the group, as well as the structural engineering software Scia Engineer, are certified by the IFC, which means the development departments of Nemetschek can implement IFC at a high quality level.

NEMETSCHEK FOCUSES ON THE CLOUD

However, the IFC format lacks important communicative and collaborative functions – for example, those that allow the user to determine which project participants have received, read or potentially changed or approved which information, and when they have done so. The focus of the research and development at group level will in future be on the development of this additional function, since new opportunities will be presenting themselves as part of the trend for cloud computing.

The communicative additional functions are going to be made available via a new cooperation platform in the internet, which is closely linked to the data exchanged via IFC. For each building project a central data model will emerge which not only includes the 3D building model but also links in detail all relevant additional data – from the cost budget to approval by the authorities. This data model will enable the step-by-step integration of all services of all technical areas involved and will thus cover the whole value added chain for building, including the facility manager who can administer his property efficiently with the assistance of the data model developed.

The development of this cooperation platform is a major task of the Nemetschek Research Laboratory founded at the end of 2010. This consists of a team of internet specialists directly attached to the holding company. They are not only supposed to work on central research on the topic of cloud computing, but also develop corporate umbrella web solutions from which individual subsidiaries or the group overall should benefit.

Users should be able to work with their software program as required via Web login

A further task of the new team is to accompany all group software solutions on their route into the Web to make them, as it were, Web compatible. This would mean that users, where necessary, can operate with their software solutions via login on the Web rather than traditionally installing and operating the program locally.

ALL SUBSIDIARIES ON THEIR WAY INTO THE NET

Many subsidiaries are already enjoying important benefits of the internet today. This also applies to the big design software providers. In 2009 Graphisoft already developed a unique solution for cross-location teamwork for architects via the Internet. Allplan will offer its customers a central internet service for software starting spring 2011, which will not only enable auto-updates but also enable access to constantly up-dated planning tools.

The new version of the facility management program from Allplan has been available since February 2011 as a web-based solution “Allfa Web“ and therefore no longer needs to be installed locally. Thus, web technology helps to comfortably provide all building users with relevant data. Additionally on offer is a special platform (Allfa Smart) to enable individual corporate applications to be converted for all common mobile end devices.

Other subsidiaries are also working on web-based solutions. For Vectorworks this topic is on the agenda this year, additionally the American Vectorworks subsidiary is also planning in future to integrate the functionalities of the geo-information system into its program. Also the new building software, which the Construction Group will introduce to the market in 2012, is to be available in future as a Cloud application.

THE FOCUS REMAINS ON SUSTAINABLE BUILDING

The Ecodesigner was optimized further

All CAD providers under the Nemetschek roof have developed solutions for planning sustainable buildings, which were continued in 2010. In Allplan the focus was on optimizing the co-operation between architect and building technician (specialist planner for heating, ventilation and plumbing) – an important aspect, especially for complex buildings. The cooperation between Allplan and Plancal, a Swiss provider of building services software, was therefore concerned with the mutual optimization of data exchange on both sides, so that an integrated solution for architecture, engineering and building services can be offered in the future on the basis of an integrated 3D building model. In 2010 significant progress was made here.

In 2010, Graphisoft continued to optimize Ecodesigner and also to integrate new modules. Thus, the effects, for example, of mounting of sun protection devices on the utilization of the air conditioning can be measured. Additionally, architects can calculate the monthly energy requirement and the appropriate annual costs of the connection to district heating. The Ecodesigner was also developed further in 2011. In future it should offer even more detailed information, for example, on the energy sources used in a building. Furthermore, the Graphisoft developers are working on the export of their building model into the “Passive House Planning Package“ from the Passivhaus Institut in Darmstadt. In this uncomplicated manner architects can have the passive houses they design examined and later certified in accordance with the requirements of the institute.

The Underlying Conditions

Underlying economic conditions

The year 2010 was characterized by economic recovery after the global recession. However, the upturn was experienced at different speeds, and towards the end of the year there were also declining growth rates. In the economies in Europe and USA, the growth rates remained in the lower single digit area at the same time as high unemployment and increasing insecurity on the periphery of the European financial markets. On the other hand, most emerging countries in Asia and America showed dynamic growth along with climbing prices for raw materials and rising inflation risks. Some of these economies were already showing signs of economic overheating.

The Ifo world climate index deteriorated in the fourth quarter 2010 for the second time in a row. This was significantly influenced by a weaker outlook for the first six months in 2011. Overall, economic recovery continued in 2011 but at a reduced rate.

Most recently, the economic environment was clearly weaker in North America than in the European region. Here, the business environment indicator fell in the 4th quarter 2010 below the long-term average. The recovery in central and eastern Europe has also recently been lacking in dynamics, and the economic climate also slumped significantly here. In western Europe, on the other hand, the upward trend remained almost stable for the whole year.

Industry situation

The worldwide construction industry was still feeling the effects of the financial crisis in 2010

The worldwide construction industry was still feeling the effects of the financial crisis in 2010. This not only applied to the North American economic area but also to several European countries such as Spain, Ireland, France and Italy, where building work in 2010 was substantially down from that of 2009. Germany, Great Britain, Switzerland and Scandinavia, on the other hand, showed slight, single-digit growth in overall economic performance last year in the building industry.

The indicators for the mood in the construction industry published by the EU at the end of 2010 showed an upward trend in the second half of the year not only in Germany, Switzerland and Austria but also in Italy and France. On the other hand, in Spain this indicator was lower than the long-term average and, after a slight increase, it declined again.

Germany also showed a positive trend in 2010 in investments in residential buildings. The number of building permits in the first ten months of the past year for new residential property was 7.2 % higher than the sum of building permits from January to October 2009. The official early indicators foresee a continuation of this trend in residential building also in 2011.

Report on the Earnings, Financial, and Net Asset Situation

Earnings situation

GROUP REVENUE AT EUR 150 MILLION

In fiscal 2010, the Nemetschek Group achieved revenues of EUR 149.7 million (previous year: EUR 135.6 million), which represents a plus of 10.4 %. Nemetschek has managed to make up for ground lost in the crisis year 2009; the revenues are almost at the level of the year 2008. Revenues in license fees rose by 16.4 % to EUR 74.9 million. Revenues from software service agreements increased by 7.7 % from EUR 62.0 million to EUR 66.8 million. In the foreign markets, which particularly suffered under the crisis in the prior year, Nemetschek Group revenues rose by 14.9 % to EUR 88.8 million. In Germany revenues rose by 5 % to EUR 61.0 million.

STRONG GROWTH IN THE SEGMENTS OF DESIGN AND MULTIMEDIA

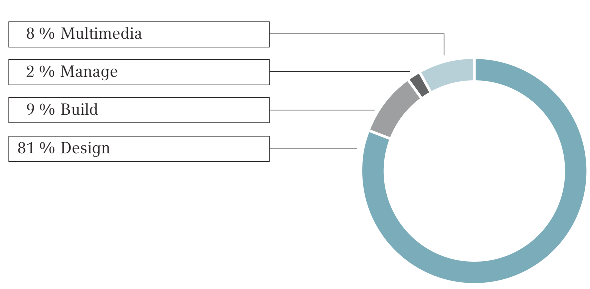
In the Design business segment, which particularly suffered in 2009 under the economic crisis, revenues rose by 11.0 % to EUR 121.6 million (previous year: EUR 109.6 million). Accordingly EBITDA climbed by 24.1 % to EUR 27.3 million (previous year: EUR 22.0 million), the EBITDA margin was 22.4 % (previous year: 20,1 %).

Above-average good results were generated by the Multimedia business segment and thus by the Nemetschek subsidiary Maxon. Compared to the previous year, revenues grew by 37.3 % to EUR 11.1 million. EBITDA rose by 78.5 % to EUR 4.2 million. This represents a margin of 38.0 % (previous year: 29.3 %). The background to the extraordinarily good development in 2010 was primarily the successful sale of software service agreements; these were introduced for the first time by Maxon in 2009.

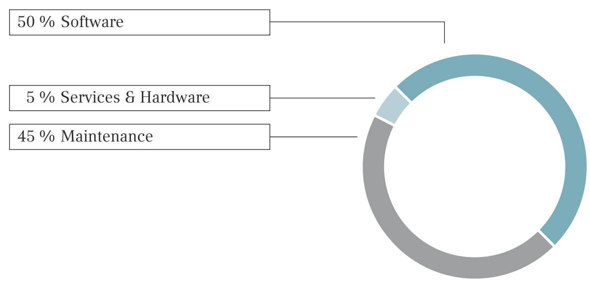
The Build segment was able to substantially hold the revenue level of the previous year and reached revenues of EUR 13.5 million (previous year: EUR 14.0 million). With an EBITDA of EUR 5.3 million (previous year: EUR 5.4 million) this business segment was not only able to hold its own high EBITDA margin but was even able to increase it slightly – from 38.2 % to 39.0 %.

In the Manage segment, revenues amounted to EUR 3.6 million (previous year EUR 4.0 million). This business segment was also profitable and generated an EBITDA of EUR 0.3 million, after EUR 0.7 million in the previous year.

REVENUE BY SEGMENT



REVENUES BY ELEMENTS



GROUP EBITDA AT RECORD LEVEL

At EUR 37 million the Group generated the highest EBITDA in company history in 2010

Due to the increased revenues in 2010, the Nemetschek Group generated the highest group operating result before tax, interest and depreciation (EBITDA) in the company's history of EUR 37.1 million (previous year: EUR 30.4 million). Thus, the EBITDA margin of 22.4 % rose to 24.8 %.

The operating expenses amounted to EUR 126.4 million (previous year: EUR 118.3 million). This increase is mainly due to rising revenue-related costs as well as higher expenses for the market introduction of the new product versions of Allplan, Vectorworks and Maxon.

The higher personnel expenses of EUR 64.3 million (previous year: EUR 60.4 million) result principally from the rises in the variable salary components, which increased in line with the positive sales development; whereas, the number of personnel has remained almost unchanged. As the group reduced the number of third-party products it sold to nearly nothing and concentrated more on selling its own solutions, the cost of materials of EUR 8.1 million fell to slightly below the prior year figure. The other operating expenses were slightly above the prior year level at EUR 44.4 million (previous year: EUR 40.1 million). As part of the market introduction of new software versions, the expenses for marketing and external personnel, in particular, climbed. In addition, there were revenue-related expenses for distributor commissions.

Amortization on the purchase price allocation was unchanged compared to the prior year at EUR 7.1 million.

GROUP NET INCOME OF EUR 20 MILLION

The Nemetschek Group was able in 2010 to increase its group earnings before taxes and interest (EBIT) by 31.8 % to EUR 27.5 million (previous year: EUR 20.9 million). As part of the successful repayment of debts, interest expenses decreased from EUR 3.7 million to EUR 3.0 million. The net financial result includes interest expenses of EUR 0.2 million (previous year: EUR 1.2 million) which relate to a negative market valuation of the interest hedge concluded as part of the financing of the Graphisoft acquisition. In fiscal 2010, the group's effective tax rate was 24.4 % (previous year: 27.1 %). The lower tax rate results from non-taxable income from the sale of 8 % of the shares in DocuWare AG. The gains realized from this sale amounted to EUR 1.6 million in total and are included in income from associates.

EARNINGS PER SHARE OF EUR 1.97

The annual result (group share) increased at an above-average rate from EUR 12.2 million to EUR 18.9 million. The minority share of the annual income amounted to EUR 1.1 million (previous year: EUR 0.7 million). The earnings per share amounted to EUR 1.97, an increase of 54.9 % (previous year: EUR 1.27).

Financial situation

HIGHER OPERATING CASHFLOW OF EUR 32 MILLION

The strong operative result for the fiscal year 2010 was also reflected in the operating cash flow. Compared to the previous year it rose by 37.7 % to EUR 32.3 million (previous year: EUR 23.4 million). The cash flow for the period rose by EUR 6.1 million to EUR 34.7 million (previous year: EUR 28.6 million).

Despite higher investments in fixed assets, cash flow from investment activities only rose slightly to EUR −3.8 million (previous year: EUR −3.6 million). The background to this is the onetime cash inflow from the above-mentioned sales of shares in DocuWare AG amounting to EUR 1.6 million. These were matched by payments for investments in tangible fixed assets amounting to EUR −2.4 million (previous year: EUR −1.0 million). Nemetschek invested additionally EUR −2.2 million (previous year: EUR −1.2 million) in externally purchased software and in the Build business segment in its own capitalized software amounting to EUR −0.9 million (previous year: EUR −0.2 million).

CASH AND CASH EQUIVALENTS OVER EUR 30 MILLION

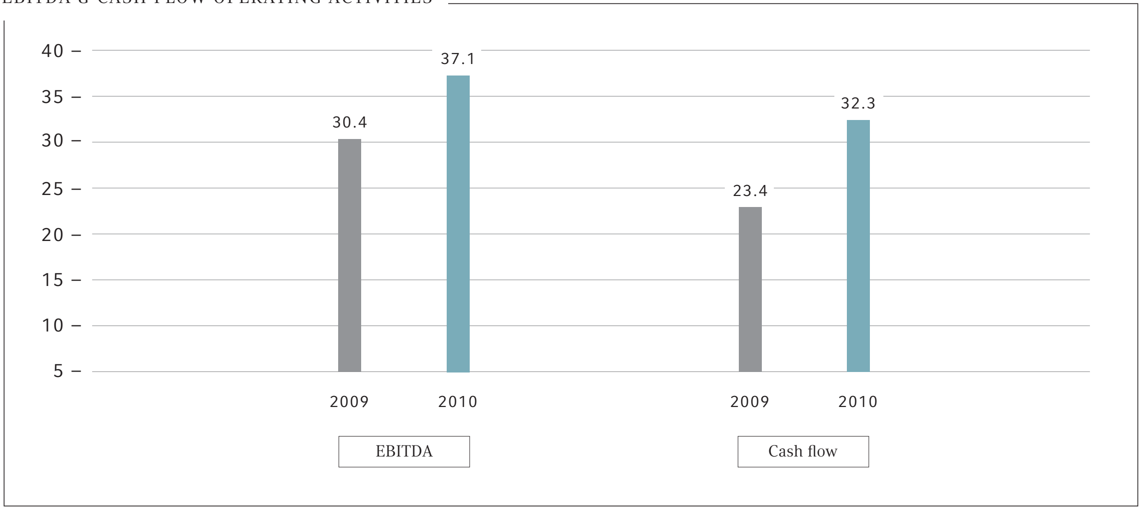
The cash flow from financing activities amounted to EUR −21.4 million (previous year: EUR −20.1 million) and primarily consists of the dividend distribution amounting to EUR 4.8 million and repayment of loans from the financing of the Graphisoft acquisition amounting to EUR −12.7 million (previous year: EUR −17.1 million).

Within four years, Nemetschek has repaid a total of EUR 80.5 million of the bank loan of EUR 100 million taken out to finance the Graphisoft acquisition.

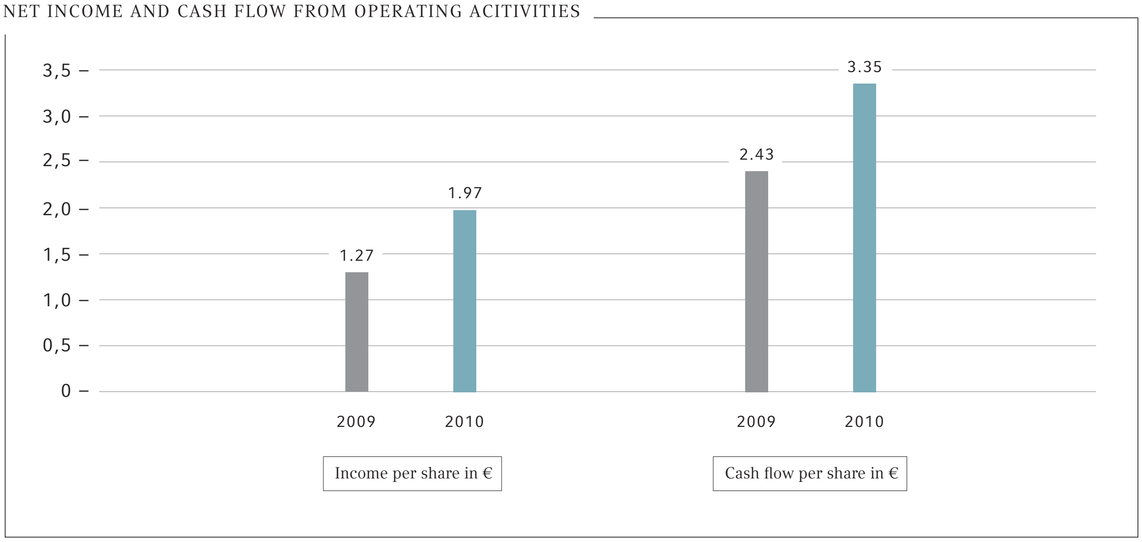
Overall Nemetschek repaid EUR 80.5 million against loans within four years

Cash and cash equivalents amounted to EUR 30.6 million at the balance sheet date (previous year: EUR 22.9 million) with a remaining loan liability of EUR 19.5 million (previous year: EUR 32.2 million). Thus, the cash funds exceed the remaining loans by EUR 11.1 million.

EBITDA & CASH FLOW OPERATING ACTIVITIES



NET INCOME AND CASH FLOW FROM OPERATING ACITIVITIES



Net asset situation

THE EQUITY RATIO AT 57 PERCENT

On the assets side of the balance sheet, current assets increased from EUR 52.8 million to EUR 63.1 million as the result of the liquid funds, which rose by EUR 7.8 million, and higher receivables due to the expansion in business activities in 2010.

Non-current assets decreased by EUR 4.3 million to EUR 102.2 million, primarily due to the systematic depreciation and amortization of assets from the purchase price allocation adjusted for the increased investments. The sum of intangible assets including goodwill thus decreased from EUR 99.5 million to EUR 95.0 million.

Current financial liabilities increased by EUR 13.1 million up to EUR 58.4 million. This is mainly due to the change in the current portion of the loan liabilities. In accordance with the bank loan repayment plan from the takeover of Graphisoft, EUR 16.0 million (previous year: EUR 8.7 million) is still to be repaid within one year. The deferred revenues increased from EUR 14.9 million up to EUR 17.6 million as a result of maintenance fees already invoiced. The accrued liabilities rose mainly due to late invoices as well as variable salary components.

Non-current liabilities only include loan liabilities from the acquisition of Graphisoft amounting to EUR 3.5 million (previous year: EUR 23.5 million). Other non-current financial obligations relate to the interest rate hedge accounted for at market value amounting to EUR 3.7 million (previous year: EUR 3.5 million).

The equity capital totals EUR 93.5 million (previous year: EUR 79.6 million) at the balance sheet date. On December 31, 2010 total assets amounted to EUR 165.3 million (previous year: EUR 159.4 million). The equity ratio rose accordingly from 49.9 % to 56.5 %.

INVESTMENT ANALYSIS

The group regularly makes investments to replace fixed assets. In the fiscal year 2010 it invested in the implementation of an ERP system for the efficient recording of commercial core processes. Additionally, investments were made for new product development in the Build business segment. In total the group invested EUR 5.5 million (previous year: EUR 2.4 million). Investments of EUR 3.9 million are expected for the fiscal year 2011.

Principles and aims of financial management

The equity ratio rose from 49.9 % to 56.5 %

The main objective of the group's financial management is to secure the group's financial stability and flexibility by ensuring an equilibrium between equity and debt capital. The Nemetschek Group's capital structure breaks down as follows: Equity 56.5 % (previous year: 49.9 %), current liabilities 35.4 % (previous year: 28.5 %), non-current liabilities 8.1 % (previous year: 21,6 %). The current liabilities mainly comprise trade payables and the current portion of loans as well as other liabilities that fall due in less than one year and are covered by current operating cash flow. The main sources of finance are current assets, including trade receivables, which stem directly from the group's operating business.

The remaining cash flows are used for the repayment of non-current portions of loan liabilities to the syndicate of banks. Future cash flows from operating activities cover the repayment of the non-current portion of loans. The group plans to repay the debt capital borrowed for the acquisition of the Graphisoft Group over the next two years. The group has not implemented any other financing measures in the fiscal year.

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

MANAGEMENT OF LIQUIDITY RISKS

Interest rate swaps have been concluded to hedge interest expenses at 100 % of remaining loan liabilities as at the balance sheet date.

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

The credit rating of the group allows sufficient cash to be procured. Undrawn lines of credit totaling EUR 21.5 million are also available. The group monitors its risk of a shortage of funds using monthly liquidity planning. This considers the maturity of both its financial assets (accounts receivable, fixed-term deposits etc.) and projected cash flows from operating activities. The group's objective is to maintain a balance between continuity of funding and flexibility.

Opportunity and Risk Report

Risk management

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

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

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

Responsibility for detecting risks at an early stage and dealing with them generally rests with the managing board. In performing its duties in this area, it is assisted by the executive members of management, the executive council, the defined risk owners, and the risk manager. The risk manager is responsible for planning, providing information and monitoring and controlling risks. The risk owners are responsible for continuously identifying, assessing and managing risks in their respective operational areas. The internal audit department is also a key element of the risk management system. In the course of its activities, it continually monitors the functional diligence and effectiveness of the processes.

To improve comparability, risks are valued across the whole group based on quantitative and qualitative criteria. A risk inventory is performed every six months by surveying and recording the group's current risk position. Regular reporting can be supplemented during the year using ad hoc information, for example, when identifying risks to the continued existence of the company as a going concern. In fiscal 2008, Nemetschek introduced a code of conduct that is applicable throughout the group.

Accounting-related risk management and internal controlling system

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

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

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

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

An evaluation of the effectiveness of internal controls with regard to accounting is an integral part of the checks carried out in 2010 by the internal audit department. In addition to the internal audit department, the year-end auditor carries out an evaluation with regard to accounting-relevant processes as part of his auditing activities.

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

Risks and opportunities

The Nemetschek Group is faced with strategic risks of a medium- to long-term nature and which relate to changes in the environmental factors and management processes, such as development, marketing, organizational and management processes. There are also operating risks that tend to be of a more short-term nature, and that can arise from changes in the market environment, inadequate and erroneous internal processes, systems or external factors as well as human error. These could result in indirect and direct losses in performance and the recoverable value of assets.

The Nemetschek Group's factors for success are based on its decades of experience in the development and marketing of software in the AEC environment, its well-qualified, innovative and highly motivated employees at all levels as well stringent and efficient business processes. Opportunities to further develop the business base and expand the portfolio are systematically identified and exploited where possible. Currently, for example, this applies to the trend toward cloud computing, which the group understands as an opportunity for future business and is investing in accordingly.

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

Market

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

The Nemetschek Group mainly generates revenues from the sale of software licenses and income from maintenance contracts. In the software industry, it is possible to react comparatively quickly to an increase in demand and the results of additional revenue have an immediate, positive effect. Conversely, a fall in demand can impact the revenue situation at short notice due to a delay in adjusting costs. Revenue from products of the Nemetschek Group is distributed geographically across several countries. Moreover, no individual customers account for a major share of revenues. Consequently, the risks described above have not yet had any significant impact on the group's earnings situation. As a leading company in the AEC industry and thanks to its size and expertise, Nemetschek has a good chance of continuing to expand its market share.

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

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

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

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

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

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

Corporate strategy

The distribution model of individual group companies is based on the efforts of sales partners. The loss of a sales partner can negatively affect the earnings situation of the group. This risk is addressed by the affected group companies through a careful selection and monitoring of the sales partner. The product portfolio strategy followed for cloud applications and web services is aimed at helping the group to secure new markets and market position. Should the expected market demand for cloud applications and web services be weaker, or should other web technologies prevail, the situation could arise in which income does not cover the investments made.

The group addresses this risk by constantly evaluating technology and by regularly updating market estimates, as well as focusing the product portfolio strategy on current market conditions. Overall, Nemetschek is convinced that as part of the trend toward cloud computing, new business opportunities will arise which will be used by the holding company and by the subsidiaries.

The existing software patent activities of competitors deserve careful attention. These could restrict or prevent the further development of own software products. The infringement of software patents is sufficient to negatively influence the earnings situation of the group. The group addresses this risk by constantly monitoring the patent activities of its competitors.

Products

There is a basic risk that the Nemetschek Group's innovative edge might be eroded if the competition copies software or introduces their own innovations, or if the company fails to adapt in time to changing client requirements and technological innovation. Nemetschek counters this risk by generally maintaining annual release cycles for its software products. Here is an opportunity to win additional shares of the market, thanks to the extensive project offering tailored to local customer requirements.

There are potential internal risks attached to the process of developing software products in that they might fail to sufficiently address customers' needs and comply with internal quality standards. However, because of its closeness to its customers, Nemetschek has good chances for future profitable growth. Even the continued expansion into emerging countries such as Brazil offers growth potential.

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

The implementation of software products takes place partly within projects. Project business contains risks with regard to customer expectations of a software solution, individual customer factors and the availability of a company's employees. The group companies account for risk with adequate project management.

Processes

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

Employees

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

Retaining highly qualified employees is also a material success factor

Finances

Due to the amount of financial liabilities attributable to the acquisition of the Graphisoft Group, the group is exposed to a basic liquidity risk should the group's results of operations deteriorate. At present, however, the Nemetschek Group generates a significantly positive cash flow, which is used to reduce liabilities and which opens up opportunities for additional acquisitions. The availability of decentralized funds is ensured by Nemetschek Aktiengesellschaft using a centralized cash pooling system. The objective of the group with regard to financial risk management is to mitigate the risks presented below by the methods described. The group generally pursues a conservative, risk-averse strategy.

Currency risk and risk management

In the course of ordinary operations, the Nemetschek Group is exposed to exchange rate fluctuations in particular. The group's policy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group exist because the group operates and has production sites and sales establishments in different countries worldwide. All hedging measures are coordinated and performed centrally by the group treasury. Exchange rate fluctuation only has a limited effect at top group level because the operating subsidiaries outside the euro zone record revenue as well as cost of materials, personnel expenses and other expenses in their local currency. 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. On the balance sheet date, there are no pending forward exchange contracts in the group.

Default risk and risk management

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

The Group does not have a substantial concentration of credit risks on individual customers

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. From today's perspective, the maximum credit risk can be calculated from the amounts shown in the balance sheet.

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

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

Credit risk and risk management

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

Interest risk and risk management

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates. On the one hand, the group manages the interest rate risk using the interest coverage ratio. The interest coverage ratio is EBITDA divided by net interest expense. On the other, the group's interest expenses are managed by hedging interest expenses on borrowed capital. Based on an existing interest hedge as at the balance sheet December 31, 2010, 100 % of the interest expenses on borrowed capital is covered.

Summary assessment of the group's opportunity and risk situation

Opportunities exist in internationalization and in the application of Internet technologies

To summarize, the management of Nemetschek is convinced that none of the main risks identified above, either individually or as a whole, threaten the existence of the company, and that the group will continue to successfully master challenges now and in the future. Its chances of expanding market position as the leading supplier of integrated software solutions for the whole life cycle of buildings result from stronger internationalization, as well as in the systematic exploitation of the potential within existing markets, supported by the consistent implementation of internet technology.

Supplementary Report

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

Note on forecasts

This management report contains statements and information about transactions and processes that are in the future. These forward-looking statements are identified by formulations such as "expect", "intend", "plan", "evaluate" 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 activity, success, business strategy, and results. These factors may mean that the actual results, success, and performance of the Nemetschek Group may significantly deviate from the information on results, success, or performance explicitly or implicitly mentioned in these forward-looking statements.

Outlook Report 2011/2012

IMPROVED GLOBAL ECONOMIC CLIMATE

The world economy continued to recover in 2010 even though the dynamics of the upturn slowed in the last quarter of 2010. Thus, the Ifo Institute reported in November 2010, as part of the world economy climate index, on a slight downturn as the result of weaker prospects for the second half year 2011. Despite this, 2011 is expected to continue to show stable growth of the world economy. In January the international monetary fund slightly raised its forecast for this year's growth of the world economy by a quarter percentage point to 4.5 %. Germany's economy in particular appears in good health. A growth in the gross domestic product of 2.2 % is expected for 2011.

However, the risks of decline in the Euro and US Dollar regions continue to persevere as a result of increasing budget deficits and existing default risks of individual states. At the beginning of the year the emerging countries also showed signs of economic overheating. China, Brazil and India have raised their basic interest rates in order to minimize the risks of inflation. As a result of the crisis in Egypt, the quotes for crude oil have risen significantly recently.

DIVIDED PROSEPCTS FOR THE EUROPEAN CONSTRUCTION INDUSTRY

Prospects for the European construction industry in 2011 are mixed. According to the research association EuroConstruct, the countries which recovered quickly from the financial crisis and whose economic performance has been climbing again since 2010 show a clear increase in construction activity. These include Germany, France and Scandinavia. Contrary to these, in the UK and Italy construction performance has remained almost unchanged. In Spain, Ireland and Portugal it has declined again compared to 2010. Overall, in 2011 the construction industry will persist at the prior year level in the Euro region, whereas for 2012 a slight growth of 2 % is expected.

In the German construction industry the business climate index (Ifo) began to rise again at the beginning of the year 2011. Companies are satisfied with the current business situation and expect a substantial increase in transactions in the first half year of 2011. Only 24% of the companies participating in the Ifo Institute survey still report orders on hand as too low. Since November 2010 the business climate index for structural engineering has been higher than the amount of the last best level at the end of 2006 / beginning of 2007. Even architects and engineers expect a further improvement in the business climate according to Ifo surveys in January 2011. For the next few months rising revenues and an increase in employee numbers are expected to be prevalent.

Germany's economy in particular appears in good health

GROWTH IN ALMOST ALL BUSINESS AREAS

As a result of the positive general conditions in their main sales markets, subsidiaries in the Design business segment are expecting growth in 2011 and 2012 powered by the further internationalization and the expansion of the business base in core markets. Here, the dynamism in the emerging countries – even though it is at a lower level – is expected to be higher than that in the already developed core countries. In the Build segment, Nemetschek will benefit from the positive mood of the construction industry in Germany and grow slightly in 2011. For the Manage segment, management expects only a stable business development in view of the continued weak condition of the property market in Germany. The Multimedia segment is expected to continue to benefit from the positive state of the media and advertising sector and, thus also, act as a growth driver for Nemetschek in the current financial year.

INVESTMENTS IN INNOVATION AND INTERNTIONALISATION

In 2011 and 2012, investments in research and development will remain at the high level of previous years. The company will only be able to generate profitable growth in the future with continuous product and process innovations. The topics of Internet and Cloud present additional challenges. In order to meet these, investments are necessary both at subsidiary and at holding company level.

With the economic relaxation, the international markets have increasingly become the focus of the group companies again. These companies will move gradually and base their decisions on concrete objectives. A promising new market is that of Latin America – foremost among them is Brazil. Here, the Belgian company Scia was able to achieve initial success in 2010 and Nemetschek also sees marketing opportunities here for other group products. Against this background Nemetschek do Brasil is due to be formed as an independent branch during the spring. As a first step, in addition to the products of Scia, it is to distribute the solutions from Allplan Engineering as well as from Allplan Precast (software for precast component factories). The latter is used
today by large precast producers in Mexico as well as in China and Vietnam.

The group also sees growth opportunities in Asia which are currently being systematically exploited. Nemetschek will continue to expand its network of partnerships. This applies both to international expansions with local partner support as well as the integration of special software solutions to satisfy the wide-ranging customer requirements. Acquisitions are also possible in this area.

SIGNIFICANT SALES INCREASES PLANNED ACROSS THE GROUP

Whereas in 2010 the focus was on making up ground lost during the crisis, the clear signal for 2011 is real growth. Overall, the Nemetschek Group is planning a revenue increase of around 10 % for the fiscal year 2011. In 2012 the company also wishes to remain on its growth course.

For 2011 Nemetschek is planning a 10 percent increase in revenues

Nemetschek is more profitable than ever – and will remain highly profitable. However, the group is planning substantial investments in the future. This applies to both the topic "Web" as well as to the expansion of international markets. Cost discipline in all subsidiaries is and remains high, but additional growth also implies increasing costs. For this purpose, a moderate staff expansion is required in certain areas.

PROFITABILITY REMAINS AT THE HIGHEST LEVEL

Given this background the operating result (EBITDA) 2011 is expected to be around EUR 40 million, which represents an EBITDA margin of about 24 %. In terms of EBIT, management expects it to be in the area of EUR 29–30 million.

Nemetschek is known for reflecting its strong operating result in the operative cash flow. Therefore, in the current fiscal year the company will be able to almost completely repay its liabilities from financing the acquisition of Graphisoft. Given this background, the interest charge for 2011 and 2012 will continue to fall. For 2011 management expects an annual net income of more than EUR 20 million.

Munich, March 10, 2011

CEO
Ernst Homolka

A NETWORK OF PARTICIPANTS:

The Finnish Pavilion at EXPO 2010 in Shanghai was designed by architecture firm JKMM with software from Graphisoft. Companies involved in the project included:

Finpro
Lemcon China
SCSAD
Aaro Kohonen Oy
Climaconsult Oy
Projectus Team Oy
Akukon
Muotohiomo
Fantasiarakenne
Partanen & Lamusuo Partnership
Aimo Katajamäki
Avanto arkkitehdit Oy
Exiformat Oy
Anima Vitae Oy
Cadvance
Resonator Helsinki
Shanghai Baoye Construction Corp.
Schneider Electric
Blue Scope Lysaght
Kone
Radius Shanghai
COSCO Construction Group
Shanghai Huahui Fire Protection Engineering Co., Ltd.
Shanghai East Union Decoration Co.
Suomen Videoviestintä Svv Oy
Durat
Tikkurila
... and many more

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated Financial Statements for the Fiscal Year 2010

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31, 2010 and 2009

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	2010	2009	[Notes]
Revenues	**149,745**	**135,618**	[1]
Own work capitalized	1,242	481	[2]
Other operating income	2,898	3,104	[3]
Operating Income	**153,885**	**139,203**	
Cost of materials / cost of purchased services	– 8,113	– 8,366	[4]
Personnel expenses	– 64,322	– 60,364	[5]
Depreciation of property, plant and equipment and mortization of intangible assets	– 9,591	– 9,535	[6]
thereof amortization of intangible assets due to purchase price allocation	– 7,050	– 7,105	[6]
Other operating expenses	– 44,361	– 40,080	[7]
Operating expenses	**–126,387**	**–118,345**	
Operating results (EBIT)	**27,498**	**20,858**	
Interest income	279	331	[9]
Interest expenses	– 2,979	– 3,661	[9]
Income from associates	1,731	235	[8]
Earnings before taxes	**26,529**	**17,763**	
Income taxes	– 6,461	– 4,818	[10]
Net income for the year	**20,068**	**12,945**	
Other comprehensive income:			
Difference from currency translation	58	– 762	
Total comprehensive income for the year	**20,126**	**12,183**	
Net income for the year attributable to:			
Equity holders of the parent	18,945	12,230	
Minority interests	1,123	715	
Net income for the year	**20,068**	**12,945**	
Total comprehensive income for the year attributable to:			
Equity holders of the parent	19,003	11,468	
Minority interests	1,123	715	
Total comprehensive income for the year	**20,126**	**12,183**	
Earnings per share (undiluted) in euros	1.97	1.27	[11]
Earnings per share (diluted) in euros	1.97	1.27	
Average number of shares outstanding (undiluted)	9,625,000	9,625,000	
Average number of shares outstanding (diluted)	9,625,000	9,625,000	

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

Consolidated Statement of Financial Position

as of December 31, 2010 and 2009

STATEMENT OF FINANCIAL POSITION

ASSETS Thousands of €	December 31, 2010	December 31, 2009	[Notes]
Current assets			
Cash and cash equivalents	30,634	22,861	[23]
Trade receivables, net	22,967	21,141	[13]
Inventories	607	827	[14]
Tax refunded claims for income taxes	2,381	2,286	[14]
Current financial assets	279	537	[14]
Other current assets	6,235	5,181	[14]
Current assets, total	**63,103**	**52,833**	
Non-current assets			
Property, plant and equipment	4,191	3,632	[12]
Intangible assets	42,687	47,529	[12]
Goodwill	52,271	51,958	[12]
Associates/investments	599	660	[12]
Deferred tax assets	1,237	1,344	[10]
Non-current financial assets	521	763	[14]
Other non-current assets	709	640	[14]
Non-current assets, total	**102,215**	**106,526**	
Total assets	**165,318**	**159,359**	

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

EQUITY AND LIABILITIES Thousands of €	December 31, 2010	December 31, 2009	[Notes]
Current liabilities			
Short-term loans and current portion of long-term loans	16,000	8,731	[19]
Trade payables	4,550	5,007	[19]
Provisions and accrued liabilities	12,240	9,371	[18]
Deferred revenue	17,555	14,938	[20]
Income tax liabilities	2,760	2,431	[19]
Other current liabilities	5,300	4,868	[19]
Current liabilities, total	**58,405**	**45,346**	
Non-current liabilities			
Long-term loans without current portion	3,500	23,556	[19]
Deferred tax liabilities	4,953	6,564	[10]
Pensions and related obligations	736	200	[18]
Non-current financial obligations	3,724	3,490	[21]
Other non-current liabilities	533	618	[19]
Non-current liabilities, total	**13,446**	**34,428**	
Equity			
Subscribed capital	9,625	9,625	[16]
Capital reserve	41,420	41,611	[17]
Revenue reserve	52	52	[17]
Currency translation	– 3,746	– 3,804	[17]
Retained earnings	44,747	30,643	
Equity (Group shares)	**92,098**	**78,127**	
Minority interests	1,369	1,458	
Equity, total	**93,467**	**79,585**	
Total equity and liabilities	**165,318**	**159,359**	

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

Consolidated Cash Flow Statement

for the period from January 1 to December 31, 2010 and 2009

CASH FLOW STATEMENT

Thousands of €	2010	2009	[Notes]
Profit (before tax)	26,529	17,763	
Depreciation and amortization of fixed assets	9,591	9,535	
Change in pension provision	536	– 313	
Other non-cash transactions	– 379	1,409	
Income from associates	– 1,731	– 235	
Losses from disposals of fixed assets	154	480	
Cash flow for the period	**34,700**	**28,639**	[23]
Interest income	– 279	– 331	
Interest expenses	2,979	3,661	
Change in other provisions and accrued liabilities	2,869	– 2,176	
Change in trade receivables	– 1,213	– 1,072	
Change in other assets	4,128	3,088	
Change in trade payables	– 457	– 1,633	
Change in other liabilities	– 6,433	– 3,565	
Cash received from distributions of associates	146	235	
Interest received	166	326	
Income taxes received	881	1,008	
Income taxes paid	– 5,218	– 4,752	
Cash flow from operating activities	**32,269**	**23,428**	[23]
Capital expenditure	– 5,526	– 2,364	
Cash received from disposal of shares in associates	1,646	0	
Changes in liabilities from acquisitions	0	– 1,299	
Cash received from the disposal of fixed assets	104	88	
Cash flow from investing activities	**–3,776**	**–3,575**	[23]
Dividend payments	– 4,813	0	
Minority interests paid	– 1,171	– 502	
Cash paid for additional shares purchased from intercompanies	– 370	0	
Repayments of borrowings	– 12,787	– 17,114	
Interest paid	– 2,210	– 2,457	
Cash flow from financing activities	**–21,351**	**–20,073**	[23]
Changes in cash and cash equivalents	**7,142**	**–220**	
Effect of exchange rate differences on cash and cash equivalents	**631**	**–146**	
Cash and cash equivalents at the beginning of the period	**22,861**	**23,227**	
Cash and cash equivalents at the end of the period	**30,634**	**22,861**	[23]

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

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31, 2010 and 2009

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the parent company's shareholders							
Thousands of €	Subscribed capital	Capital reserve	Revenue reserve	Currency translation	Retained earnings	**Total**	Minority interests	**Total equity**
As of January 1, 2009	**9,625**	**41,611**	**52**	**−3,042**	**18,413**	**66,659**	**1,245**	**67,904**
Difference from currency translation				−762		−762		−762
Net income from the year					12,230	12,230	715	12,945
Total comprehensive income for the year	**0**	**0**	**0**	**−762**	**12,230**	**11,468**	**715**	**12,183**
Dividend payments minorities						0	−502	−502
Dividend payment						0		0
As of December 31, 2009	**9,625**	**41,611**	**52**	**−3,804**	**30,643**	**78,127**	**1,458**	**79,585**
As of January 1, 2010	**9,625**	**41,611**	**52**	**−3,804**	**30,643**	**78,127**	**1,458**	**79,585**
Difference from currency translation				58		58		58
Net income from the year					18,945	18,945	1,123	20,068
Total comprehensive income for the year	**0**	**0**	**0**	**58**	**18,945**	**19,003**	**1,123**	**20,126**
Share purchase from minorities		−191				−191	−69	**−260**
Dividend payments minorities					−28	**−28**	−1,143	**−1,171**
Dividend payment					−4,813	−4,813		−4,813
As of December 31, 2010	**9,625**	**41,420**	**52**	**−3,746**	**44,747**	**92,098**	**1,369**	**93,467**

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

Notes to the Consolidated Financial Statements for the Fiscal Year 2010

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 300,000 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 offered by the Nemetschek Group spans the entire planning, construction and management process, combining the user advantages of the world of information technology with the specialist world of building clients, architects, engineers, construction companies, as well as of facility and real estate managers. The group is also active in the fields of multimedia visualization and animation software.

Nemetschek Akitengesellschaft 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 Aktiengesellschaft is at 81829 Munich, Germany, Konrad-Zuse-Platz 1. The annual report 2010 can be obtained there, or can be downloaded from the internet at www.nemetschek.com.

Information on the German “Corporate Governance Code“

The declaration of conformity was submitted on December 15, 2010. The actual versions can be accessed by the shareholders on the website of Nemetschek Aktiengesellschaft (www.nemetschek.com).

General Information

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

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

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

Accounting Policies Adopted

Accounting policies adopted in the fiscal year 2010 are consistent with those policies adopted in the previous year. Compared to the consolidated financial statements for the year ending December 31, 2009 the following standards and interpretations have changed or were applied for the first time as a result of being adopted into EU law or because they became mandatory for the first time:

REVISED IFRS 3 "BUSINESS COMBINATIONS" AND AMENDMENT TO IAS 27 "CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS"

The revision of IFRS 3, together with an amendment of IAS 27, were made as part of the second phase of the Business Combinations project. The revision to IFRS 3 and the amendments to IAS 27 were issued in January 2008, adopted into EU law on June 3, 2009 and are applicable for the first time to fiscal years beginning on or after July 1, 2009. According to these changes the scope of application has been extended to include business combinations of mutual entities and those without consideration. Mergers of entities under common control have been excluded. In future, acquisition-related costs for the issue of debt or equity securities shall be recognized in accordance with IAS 39 or IAS 32. All other acquisition-related costs are accounted for as expenses. Furthermore, the option of the "Full-Goodwill-Method" shall be introduced, whereby a company may account for 100 % of the goodwill of the entity acquired and not only the share of the acquirer, with a correspondingly higher presentation of non-controlling interests in the purchased, re-measured net assets. In a step acquisition the determination of goodwill and revaluation of net assets is not carried out until the date at which control is obtained. All subsequent transactions between the parent company and non-controlling interests are treated as pure equity transactions. The rules of IFRS 3 and IAS 27 are relevant for the Nemetschek Group. In the future the Nemetschek Group does not expect the application of standards issued at the balance sheet date but not yet effective, to have a material effect on the net assets, financial position or results of the group.

AMENDMENTS TO IAS27 "CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS"

The amendments to IFRS 27 "Consolidated and Separate Financial Statements" were issued in January 2008, adopted into EU law on June 3, 2009 and are applicable for the first time to fiscal years beginning on or after July 1, 2009. Through the amendments to IAS 27 it has been clarified under which circumstances an entity must prepare consolidated financial statements, how parent companies account for changes in their shares in subsidiaries and how losses of subsidiaries are allocated to controlling and non-controlling interests. The amendments to IAS 27 and IAS 1 are not relevant to the Nemetschek Group. The Nemetschek Group does not expect the application of standards issued at the balance sheet date but not yet effective, to have a material effect in future periods on the net assets, financial position or results of the group.

AMENDMENTS TO IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT"

The amendments to IFRS 39 were issued in July 2008, adopted into EU law on September 15, 2009 and are applicable for the first time to fiscal years beginning on or after July 1, 2009. The basic philosophy behind the amendments is to provide additional application guidance for the designation of hedging instruments, since, in practice, inconsistencies exist in particular in the treatment of a one-sided risk, as well as of inflation within a hedging instrument. The first-time application of this standard had no material effects on the net assets, financial position or results of the group.

IFRIC 16 "HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION"

IFRIC 16 was issued in July 2008, adopted into EU law on June 4, 2009 and is applicable for the first time to fiscal years beginning on or after July 1, 2009. The Interpretation refers to IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" and deals with the topic of hedging net investments in a foreign operation. The focus here is on three issues. Firstly, it outlines that a foreign currency difference may only be designated as a hedged risk if the functional currency of the foreign operation differs from the functional currency of the parent company. No risk position arises, on the other hand, through the presentation currency in the consolidated financial statements of the parent entity. Furthermore, a hedging instrument for hedging a net investment in a foreign operation may be held by any entity within the group. On disposal of the investment for the hedging instrument, the amounts should be reclassified from equity to profit or loss in accordance with IAS 39, but for the underlying transaction IAS 21 is applicable. The rules of IFRS 16 are not relevant to the Nemetschek Group.

IFRIC 17 "DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS"

IFRIC 17 was issued in November 2008, adopted into EU law on November 26, 2009 and is applicable to fiscal years beginning on or after November 1, 2009. IFRIC 17 deals with topics such as how an entity measures the non-cash assets that it distributes to owners. According to this interpretation a dividend payable must be recognized if the dividend has been authorized by the bodies responsible and is no longer at the discretion of the entity. This dividend payable shall be measured at the fair value of the net distributable assets, the difference between the dividend payable and the carrying amount of the assets distributed shall be recognized in profit or loss. Additionally, supplementary information is necessary if the distributable assets comply with the definition of a discontinued operation (IFRS 5). The rules of IFRS 17 are not relevant to the Nemetschek Group.

IFRIC 18 "TRANSFERS OF ASSETS FROM CUSTOMERS"

IFRIC 18 was issued in January 2009, adopted into EU law on November 27, 2009 and is applicable to fiscal years beginning on or after November 1, 2009. The Interpretation deals with IFRS requirements for agreements in which an entity receives an item of property, plant and equipment from a customer that it must then use, either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must only be used to acquire or construct the item of property, plant or equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The rules of IFRS 18 are not relevant to the Nemetschek Group.

IMPROVEMENTS TO IFRS 2009

On March 23, 2009 the International Accounting Standards Board (IASB) published the second collective standard "Improvements to IFRS", in order to perform minor amendments to 12 existing standards and interpretations with the objective of aligning formulation in individual IFRS to clarify existing rules and amendments which have an impact on accounting, recognition or measurement. Where not otherwise set out in the relevant changes, these are applicable for fiscal years beginning on or after January1, 2010. The application of these amendments has no effect on the consolidated financial statements of Nemetschek Aktiengesellschaft.

Future Changes in Accounting Policies

PROSPECTIVE IFRS CHANGES 2010 / 2011

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

IAS 12 “INCOME TAXES”

In December 2010 the IASB published a revision to IAS 12 “Deferred Tax: Recovery of Underlying Assets” . According to IAS 12, the measurement of deferred taxes depends on whether or not the temporary difference is reversed due to utilization or sale. In those cases where measurement is at the fair value in accordance with IAS 40 Investment Property, a rebuttable assumption is made that the reversal is recovered through sale.

IAS 24 (REVISED), “RELATED PARTY DISCLOSURES”

The revised version of IAS 24 replaces IAS 24 (2003) and was published in November 2009 by the IASB and adopted into EU Law on July 19, 2010. The revised standard is effective for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. With the amendment of IAS 24 the definition of a related party has, in particular, been revised. A further focus of the revision was on the introduction of a simplification rule for entities controlled, or significantly influenced, by government (so-called government-related entities). The simplification rule, which only requires certain minimum disclosures, covers disclosures regarding transactions of the reporting entity itself with government, as well as disclosures relating to transactions with other government-related entities. The Nemetschek Group will apply the new rules from January 1, 2011. According to the application of this standard, the group will have to disclose information on transactions between subsidiaries and associates. The group is currently in the process of ensuring that such information is systematically recorded. Consequently, it is presently not possible to report on the exact effects of the new standard.

AMENDMENT TO IAS 32 “CLASSIFICATION OF RIGHTS ISSUES”

The amendments to IFRS 32 were issued in October 2009, adopted into EU law on December 23, 2009 and are applicable for the first time to fiscal years beginning on or after February 1, 2010. This amendment addresses the accounting for certain rights issues that are denominated in a currency other than the functional currency of the issuer. If such instruments are offered to the current owners proportionally at a fixed amount, then these should also be classified as equity instruments if their rights price is denominated in a currency other than the functional currency. The changes are not relevant to the Nemetschek Group.

IFRS 7 “FINANCIAL INSTRUMENTS”

In October 2010, the IASB published an amendment to IFRS 7, “Financial Instruments: Disclosures”. The amendment is applicable for fiscal years beginning after July 1, 2011 and was not adopted by the EU. The amendments consists of disclosure requirements which must be made in connection with a transfer of financial assets. A transfer of assets occurs, for example, where trade accounts receivable are sold (factoring) or where there are transactions of so-called asset-backed securities (ABS).

IFRS 9 „FINANCIAL INSTRUMENTS”

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

IFRIC 14, “IAS 19 – PREPAYMENTS AS PART OF MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION”

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

IFRIC 19, "EXTINGUISHING FINANCIAL LIABILITIES WITH EQUITY INSTRUMENTS"

IFRIC 19 shall apply to financial years which begin on or after July 1, 2010. The interpretation addresses the accounting by the debtor, if newly negotiated contractual conditions of a financial liability allow the financial liability to be settled, in full or in part, by issuing own equity instruments (so-called debt for equity swaps) and the creditor is an independent third-party. In accordance with IAS 39.41, the difference between the carrying values of a settled liability and the consideration payment should be recognized in profit or loss. In addition, IFRIC 19 has now clarified that equity instruments issued by the debtor to settle a financial liability, in full or in part, should be seen as part of the consideration paid. The equity instruments should be measured at their fair values. If these cannot be reliably determined, they should be measured at the fair value of the fully or partially settled liabilities. Measurement of the issued equity instruments at the carrying value of the fully or partially settled financial liabilities, i.e. a simple reclassification of the financial liability to equity, is no longer possible under IFRIC 19. The Nemetschek Group is still analyzing the full impact of IFRIC 19.

IMPROVEMENTS TO IFRS 2010

As part of its annual improvement project in May 2010, the IASB published changes to existing IFRS. These include both amendments to various IFRS affecting recognition, measurement and the disclosure of business transactions, as well as terminology or editorial corrections. Most of the amendments relate to fiscal years beginning on or after January 1, 2011. Earlier application is permitted. The EU-commission adopted the changes into European Law on February 19, 2011. Nemetschek is currently checking the potential effects of implementation of the changes on the consolidated financial statements.

Companies Consolidated and Basis of Consolidation

SUBSIDIARIES

The consolidated financial statements comprise Nemetschek Aktiengesellschaft, Munich and all of the domestic and foreign subsidiaries. Subsidiaries are consolidated in full from the date of acquisition, i.e. the date on which control is transferred to the group. They are deconsolidated when the parent ceases to have control. Control exists if the group is able to govern the financial and operating policies of an entity so as to gain benefits for the group from its activities. Control is assumed if the group owns, either directly or indirectly, more than half of the voting rights of an entity.

Minority interests represent the portion of net income/loss and net assets not attributable to the group. Minority interests are disclosed separately in the consolidated statement of comprehensive income and in the consolidated statement of financial position. In the consolidated statement of financial position, minority interests are disclosed in equity, separately from the equity attributable to owners of the parent company. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the carrying amount of the share of the net assets acquired is recognized as goodwill. IFRS 3 "Business Combinations" is applied to future mergers.

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

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

SHARES IN ASSOCIATED COMPANIES

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

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

ASSOCIATES ACCOUNTED FOR USING THE EQUITY-METHOD

Name, registered office of the entity — Thousands of €	Shareholding in %	Equity Dec. 31, 2010	the year 2010
DocuWare Aktiengesellschaft, Germering	22	3,682	1,060

ADDITIONAL DISCLOSURES ON DOCUWARE AG *)

	Dec. 31, 2010	Dec. 31, 2009
Current assets	6,738	7,045
Non-current assets	2,696	2,843
Current liabilities	5,752	5,033
Non-current liabilities	0	104
Total assets	9,434	9,888
Revenue	10,228	9,136
Net income for the year	**1,060**	**785**

*) Full presentation 100 %

FINANCIAL ASSETS

Name, registered office of the entity Thousands of €	Shareholding in %	Equity Dec. 31, 2010	**Net income/loss for the year 2010**
Sidoun International GmbH, Freiburg i. Breisgau *)	16.27	445	107
NEMETSCHEK EOOD, Sofia, Bulgaria	20.00	1,104	198
rivera GmbH, Karlsruhe via Nemetschek Bausoftware GmbH	20.00	– 14	15

*) Fiscal year ends as of June 30, 2010

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 either NEMTSCHEK EOOD, Sofia, Bulgaria, or rivera GmbH, Karlsruhe, since influence is neither exercised within 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.

AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

AFFILIATED COMPANIES

Name, registered office of the entity	**Shareholding in %**
Nemetschek Aktiengesellschaft, Munich	
Direct equity investments	
Design segment	
Nemetschek Deutschland GmbH, Munich *)	100.00
NEMETSCHEK Allplan GmbH, Munich *)	100.00
NEMETSCHEK Vectorworks Inc. (prior NEMETSCHEK NORTH AMERICA Inc.), Columbia, Maryland, USA	100.00
NEMETSCHEK FRANCE SARL, Asnières, France	100.00
Nemetschek Fides & Partner AG, Wallisellen, Switzerland	91.68
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00
NEMETSCHEK s.r.o., Prag, Czech Republic	100.00
NEMETSCHEK OOO, Moskau, Russia	100.00
Friedrich + Lochner GmbH, Stuttgart *)	100.00
SCIA International NV, Herk-de-Stad, Belgium	100.00
Glaser isb cad Programmsysteme GmbH, Wennigsen	70.00
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	100.00
DACODA GmbH, Rottenburg	51.00
Build segment	
Nemetschek Bausoftware GmbH, Achim	98.50
AUER – Die Bausoftware GmbH, Mondsee, Austria	49.90
Manage segment	
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	100.00
Nemetschek CREM Verwaltungs GmbH, Munich	100.00
Multimedia segment	
MAXON Computer GmbH, Friedrichsdorf	70.00
Other	
Nemetschek Austria Beteiligungen GmbH, Mondsee, Austria	100.00
Nemetschek Verwaltungs GmbH, Munich	100.00

CONTINUED

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

*) In fiscal year 2010, the entities exercised the exemptions of Sec. 264 (3) HGB as follows:

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

Changes in Consolidated Companies in Fiscal Year 2010

The group of companies consolidated is the same as at December 31, 2009 except for the following changes:

MAXON COMPUTER LTD., BEDFORD, GREAT BRITAIN

Effective April 19, 2010 MAXON Computer Ltd., Bedford, Great Britain, purchased all capital shares held externally at a purchase price of EUR 24 k. After performing a capital reduction, MAXON Computer GmbH, Friedrichsdorf holds 100 % of MAXON Computer Ltd. as of December 31, 2010. Compared to December 31, 2009 Nemetschek AG still holds a total of 70 % of the shares in MAXON Computer GmbH. Accordingly, as of December 31, 2010 the indirect holding of Nemetschek AG in MAXON Computer Ltd. amounts to 70 % (previously: 63 %.

DOCUWARE AG, GERMERING

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

NEMETSCHEK FIDES & PARTNER AG, WALLISELLEN, SWITZERLAND

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

NEMETSCHEK (UK) LTD., LONDON, GREAT BRITAIN

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

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

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

Changes in Consolidated Companies in Fiscal Year 2009

NEMETSCHEK BAUSOFTWARE GMBH, ACHIM

After drawing a put option on the payment of a variable purchase price liability, Nemetschek Aktiengesellschaft purchased a further 3.5 % of the shares in Nemetschek Bausoftware GmbH, Achim under the notarized contract dated December 22, 2008. The shares were transferred with economic and material effect as of January 2, 2009. The payment of EUR 0.5 million was made on January 22, 2009. This had no effect on the group, since, when acquired Nemetschek Bausoftware GmbH was already fully consolidated in the first-time consolidation and the put option included as a liability.

Goodwill

Goodwill developed as follows:

GOODWILL DEVELOPMENT

Thousands of €	**2010**	2009
Amount carried forward as of January 1	51,958	52,079
Additions	0	0
Disposals	0	0
Currency differences	313	– 121
Amount carried forward as of December 31	**52,271**	**51,958**

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

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

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

GOODWILL ALLOCATION

Thousands of €	**2010**	2009
Graphisoft SE European Company Limited by Shares, Budapest, Hungary	25,500	25,500
AUER – Die Bausoftware GmbH, Mondsee, Austria	6,486	6,486
Nemetschek Bausoftware GmbH, Achim	5,541	5,541
NEMETSCHEK Vectorworks Inc., Columbia, Maryland, USA	4,317	4,004
MAXON Computer GmbH, Friedrichsdorf	3,008	3,008
SCIA Group NV, Herk-de-Stad, Belgium	2,785	2,785
Nemetschek CREM Solutions GmbH & Co. KG, Ratingen	2,028	2,028
Friedrich + Lochner GmbH, Stuttgart	1,293	1,293
Glaser isb cad Programmsysteme GmbH, Wennigsen	697	697
DACODA GmbH, Rottenburg	404	404
Other	212	212
Total Goodwill	**52,271**	**51,958**

The carrying amounts of the goodwill allocable to Graphisoft SE European Company Limited by Shares, Budapest, Hungary, AUER – Die Bausoftware, GmbH, Mondsee, Austria, Nemetschek Bausoftware GmbH, Achim, and NEMETSCHEK Vectorworks Inc., Columbia, Maryland, USA, are material compared to the total carrying amount of goodwill. The recoverable amount of the cash-generating unit of the respective group entity is based on a calculation of its value in use. This is derived from the cash flow projections for the next four years based on the financial planning approved by management. The discount rate underlying the cash flow forecasts ranges between 11,42 % and 13.81 % before tax (prior year: between 11.25 % and 14.93 %). Cash flows after the period of four years are stated as a perpetuity. When calculating the values for the perpetuity, growth deductions of 2 % to 5 % were assumed for the purpose of calculating the value in use to test the goodwill for impairment. This procedure was used for all carrying amounts.

FUNDAMENTAL ASSUMPTIONS FOR SIGNIFICANT CASH-GENERATING UNITS

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

PLANNED REVENUE / GROSS PROFIT MARGIN

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

DISCOUNT RATES

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

ASSUMPTIONS PERTAINING TO MARKET SHARE

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

INCREASE IN PERSONNEL EXPENSES

The cost of employee remuneration reflects industry developments.

CAPITAL EXPENDITURES

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

SENSITIVITY OF ASSUMPTIONS MADE

Management believes that at present no reasonably foreseeable changes of the key assumptions made to determine value in use of the cash-generating units could increase the carrying amount of cash-generating units materially beyond their recoverable amount.

Significant Discretionary Decisions, Estimates and Assumptions when Preparing the Consolidated Financial Statements

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

DEFERRED TAX ASSETS

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available in the future against which the losses can be utilized. Significant judgment is required of management to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

PENSIONS

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

DEVELOPMENT COSTS

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

Currency Translation

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

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

Currency translation differences on foreign currency borrowings represent the exception to this where these are accounted for as hedges to a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement. Deferred taxes attributable to exchange differences on those borrowings are also dealt with in equity.

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

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

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

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

EXCHANGE RATES

Currency	**Average exchange rate in 2010**	**Exchange rate as of December 31, 2010**	Average exchange rate in 2009	Exchange rate as of December 31, 2009
EUR / USD	1.33	1.34	1.40	1.44
EUR / CHF	1.38	1.25	1.51	1.48
EUR / CZK	25.28	25.06	26.52	26.48
EUR / RUB	40.26	40.82	44.31	43.65
EUR / JPY	116.24	108.65	130.66	133.06
EUR / HUF	275.48	277.95	281.12	270.15
EUR / GBP	0.86	0.86	0.89	0.89

Accounting Policies

TANGIBLE ASSETS

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

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

USEFUL LIFE OF TANGIBLE ASSETS

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

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

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

BORROWING COSTS

Borrowing costs are recognized as an expense when incurred, since there are no qualifying assets.

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS

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

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

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

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

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

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

USEFUL LIFE OF INTANGIBLE ASSETS DUE TO PURCHASE PRICE ALLOCATION

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

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

RESEARCH AND DEVELOPMENT EXPENSES

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

– the technical feasibility of completing the intangible asset so that it will be available for use or sale,

– the intention to manufacture, use or sell the intangible asset,

– the ability to manufacture, use or sell the intangible asset,

– how the asset will generate future economic benefits,

– the availability of resources to complete the asset,

– its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied. This requires that the asset be carried at cost less any accumulated amortization. Amortization is charged upon completion of the development phase as soon as the asset can be used. It is amortized over the period in which future benefits are expected (estimated 3-7 years). The assets are tested for impairment once a year.

DEVELOPMENT SUBSIDIES

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

INVENTORIES

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

PREPAID EXPENSES

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

TREASURY SHARES

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

CASH AND CASH EQUIVALENTS

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

GOODWILL

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

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

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment at least once a year, by December 31 at the latest, either individually or at the cash generating unit level, as appropriate and when circumstances indicate that carrying value may be impaired. Testing is also carried out if circumstances indicate that a value may be impaired.

ASSOCIATES

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

FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

INITIAL RECOGNITION

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

Financial assets are recognized initially at fair value.

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

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

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

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

LOANS AND RECEIVABLES

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

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the group intends and is able to hold these to maturity. Upon initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that accurately discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process. The group did not have any held-to-maturity investments in the years that ended December 31, 2010 and 2009.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

FAIR VALUE

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

AMORTIZED COST

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

IMPAIRMENT OF FINANCIAL ASSETS

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

AMOUNTS DUE FROM CUSTOMERS

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the income statement.

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

ASSETS CARRIED AT AMORTIZED COST

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

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

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

FINANCIAL LIABILITIES

INITIAL RECOGNITION

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

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

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

SUBSEQUENT MEASUREMENT

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

Financial liabilities at fair value through profit or loss

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

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

Loans

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

Derecognition of Financial Liabilities

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

LIABILITIES

Trade payables and other liabilities are recognized at amortized cost.

DEFERRED REVENUES

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

PROVISIONS AND ACCRUED EXPENSES

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

CONTINGENT LIABILITIES

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

PENSIONS AND SIMILAR OBLIGATIONS

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

RESERVES

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

MINORITIY INTERESTS

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

LEASING

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

THE GROUP AS A LESSEE

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

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

THE GROUP AS A LESSOR

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

TAXES

CURRENT INCOME TAX

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

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

DEFERRED TAXES

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

except in the following instances:

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

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

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

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

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

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

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

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

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

VALUE ADDED TAX

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

except:

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

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

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

REVENUE RECOGNITION

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

BASIC INFORMATION ON REVENUE RECOGNITION

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

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

- The significant risks and rewards incidental to ownership of the goods and merchandise sold have been transferred (transfer of title)

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

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

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

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

This has the following implications for the Nemetschek Group:

1. Software and licenses
1.1 Standard-Software
The aforementioned criteria for the sale of goods and merchandise are generally applied, i.e. revenue is recognized when the software is sold.

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

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

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

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

3. Consulting
3.1 Contract for Services
The aforementioned criteria for the sale of services generally apply. Revenue is recognized using the percentage of completion method.

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

4. Maintenance/Software Service Agreements

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

5. Training

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

INTEREST INCOME

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

DIVIDENDS

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

SEGMENT REPORTING

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

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

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

POST BALANCE SHEET EVENTS

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

Notes to the Consolidated Statement of Comprehensive Income

[1]
Revenues

REVENUES

Thousands of €	2010	2009
Software and licenses	74,892	64,331
Maintenance (software service agreements)	66,755	61,963
Services (consulting and training)	7,638	8,804
Hardware	460	520
	149,745	**135,618**

Revenues include EUR 1,964 k (prior year: EUR 3,677 k) from application of the percentage of completion method. These revenues are matched by expenses amounting to EUR 1,058 k (prior year: EUR 2,386 k). In the fiscal year 2010 profit from projects based on application of the percentage of completion method amounts to EUR 906 k (prior year: EUR 1,291 k). At the balance sheet date deferred revenue included customer prepayments amounting to EUR 1,132 k. Contract costs include the costs that are directly and indirectly attributable to the contract, as well as costs specifically chargeable to the customer under the terms of the contract. The progress of the project is determined based on the costs incurred to date compared to planned costs. The stage of completion of the project is determined by the current project controlling. Revenue recognition is based on this. A security deposit appropriate for the market is accounted for. The balance sheet date customer contracts with a debit balance amounted to EUR 51 k and customer contracts with a credit balance amounted to EUR 17 k.

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

[2]
Own work capitalized

Pursuant to IAS 38, development costs must be capitalized unless they are incurred for basic research or are not related to projects, provided that the prerequisites of IAS 38.57 are fulfilled (see also accounting policies). The group was involved in non-project related product development in the fiscal year 2010. These included direct personnel costs plus directly allocable overheads. The development costs of projects that have not satisfied the criteria of IAS 38.57 are recorded as an expense.

The group capitalized its own work amounting to EUR 1,242 k (prior year: EUR 481 k). Of which in the fiscal year 2010 EUR 895 k (prior year: EUR 244 k) related to internally developed software and EUR 347 k (prior year: EUR 237 k) related to ancillary acquisition costs as part of the implementation of an ERP-System. Amortization starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method.

[3]
Other operating income

OTHER OPERATING INCOME

Thousands of €	2010	2009
Foreign exchange rate gains	1,183	790
Offsetting other services	485	657
Income from subletting property	441	516
Development subsidies for EU projects	220	271
Other	569	870
	2,898	**3,104**

[4] Cost of materials/Cost of purchased services

COST OF MATERIALS AND PURCHASED SERVICES

Thousands of €	2010	2009
Cost of purchased materials	6,958	7,079
Cost of purchased services	1,155	1,287
	8,113	**8,366**

Cost of merchandise mainly includes purchased software licenses.

[5] Personnel expenses

PERSONNEL EXPENSES

Thousands of €	2010	2009
Wages and salaries	53,289	49,976
Social security, other pension costs and welfare	11,033	10,388
	64,322	**60,364**

The headcount developed as follows:

HEADCOUNT

	2010	2009
Sales/marketing/hotline	456	463
Development	484	480
Administration	123	142
Average headcount for the year	**1,063**	**1,085**
Headcount as of December 31	**1,076**	**1,064**

[6] Depreciation and amortization

DEPRECIATION AND AMORTIZATION

Thousands of €	2010	2009
Amortization of intangible assets	928	819
Depreciation of property, plant and equipment	1,613	1,611
Depreciation/amortization of tangible and intangible assets	**2,541**	**2,430**
Amortization due to purchase price allocated intangible assets	**7,050**	**7,105**
Total depreciation and amortization	**9,591**	**9,535**

OTHER OPERATING EXPENSES

Thousands of €	2010	2009
Commissions	9,266	8,346
Rents	7,789	7,390
Expenses for third-party services	6,933	5,584
Marketing expenses	5,594	4,881
Legal and consulting costs	3,289	2,494
Travel expenses	2,725	2,633
Vehicle costs	2,099	1,974
Communication	1,130	1,129
Other	5,536	5,649
	44,361	**40,080**

[7]
Other operating expenses

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

Contractually fixed rental expenses are offset by income from subletting office space of EUR 441 k (prior year: EUR 516 k) (see note 3 – Other operating income).

[8]
Income from associates

The income from **Associates** of EUR –1,731 k (prior year: EUR 235 k) comprises, on the one hand, income from the sale of 8 % of DocuWare AG amounting to EUR 1,646 k, as well as the income from at-equity-accounting for associates.

[9]
Interest income/expenses

INTEREST INCOME / EXPENSES

Thousands of €	2010	2009
Other interest and similar income	279	331
Interest and similar expenses	– 2,979	– 3,661
	–2,700	**–3,330**

Interest expenses include the market valuation of the interest derivative as well as interest from the loan for financing the Graphisoft acquisition.

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

[10]
Income taxes

INCOME TAXES

Thousands of €	2010	2009
Income from deferred tax	4,276	2,226
Expenses from deferred tax	– 2,819	– 999
Total deferred tax result	**1,457**	**1,227**
Current income from income tax	1,010	1,238
Current expenses from income tax	– 8,928	– 7,283
Result from current income tax income / expenses	**–7,918**	**–6,045**
Total income tax	**–6,461**	**–4,818**

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

INCOME TAX RATES

in %	2011		2010		2009	
Earnings before taxes	100.0		100.0		100.0	
Trade tax (weighted)	16.8	16.8	16.8	16.8	16.8	16.8
	83.2		**83.2**		**83.2**	
Corporate income tax	15.0	15.0	15.0	15.0	15.0	15.0
Solidarity surcharge	0.8	0.8	0.8	0.8	0.8	0.8
	67.4	**32.6**	**67.4**	**32.6**	**67.4**	**32.6**

Deferred taxes 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 the fiscal year 2011 applied by Nemetschek Aktiengesellschaft is 32.6% (in fiscal year 2010: 32.6 %).

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

Deferred taxes at the balance sheet date are as follows:

DEFERRED TAXES

	Consolidated balance sheet		Consolidated income statement	
Thousands of €	**2010**	2009	**2010**	2009
DEFERRED TAX ASSETS				
Unused tax losses	3,977	3,870	107	572
Valuation differences goodwill	98	105	– 7	– 141
Elimination of intercompany profits spin-off	172	258	– 86	– 87
Software development costs	435	504	– 69	– 261
Measurement of receivables	15	113	– 98	44
Deferred revenue	102	38	64	– 7
Potential losses from rent	0	12	– 12	– 27
Warranty provision	0	0	0	– 133
Vacation provision	128	100	28	– 16
IFRS pensions	81	23	58	3
Elimination of intercompany profits on non-current assets	105	152	– 47	– 42
Prepaid rent	29	9	20	– 14
Measurement of liabilities	217	175	42	96
Provision for archiving costs	16	16	0	0
Compensations	0	0	0	– 106
Other	9	10	– 1	6
Offsetting	– 4,147	– 4,041	– 106	– 586
Total deferred tax assets	**1,237**	**1,344**		
DEFERRED TAX LIABILITIES				
Measurement difference from purchase price allocation				
– Non-current assets of Graphisoft	6,726	8,432	1,706	1,356
– Non-current assets of SCIA	545	634	89	107
Measurement difference for goodwill	599	599	0	0
Warranty provision	80	17	– 63	69
Measurement of liabilities	578	765	187	– 214
Non-current assets	226	98	– 128	– 14
Recognition of internally developed software	289	48	– 241	– 48
Measurement of receivables	57	12	– 45	1
Other	0	0	– 47	83
Offsetting	– 4,147	– 4,041	106	586
Total deferred tax liabilities	**4,953**	**6,564**		
Deferred tax expenses			**1,457**	**1,227**

A reconciliation between the reported income tax expense and the expected income tax expense (measured using the tax rate for 2010) for the fiscal years ended December 31, 2010 and 2009 is as follows:

INCOME TAX RECONCILIATION

Thousands of €	2010	2009
Earnings before taxes	**26,529**	**17,763**
Theoretical tax rate 32.6 %	8,656	5,796
Differences to German and foreign tax rates	– 1,081	– 905
Tax effects on:		
At equity consolidation of associates	20	0
Use of unrecognized deferred taxes on unused losses carried forward	– 1,535	– 1,275
Reduction of deferred taxes on losses carried forward	1,155	1,617
Effect of taxes, prior years	505	– 41
Non-deductible expenses	502	902
Tax free income	– 1,718	– 1,214
Tax rate changes	7	– 35
Other	– 50	– 27
Effective tax expense	**6,461**	**4,818**
Effective tax rate	**24.4 %**	**27.1 %**

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

DEFERRED TAX ON TAX LOSSES

Thousands of €	2010	2009
Losses according to entities	56,766	35,932
Deferred tax assets, gross	13,797	10,427
Allowances on tax losses carried forward	– 9,820	– 6,557
Deferred tax assets on unused tax losses, net	**3,977**	**3,870**

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 budgeting of the Nemetschek Aktiengesellschaft (parent company) and its subsidiaries for the fiscal year 2011. The detailed budgeting of the companies relates to a one-year period. Management has stated that the recognition of deferred tax assets on unused tax losses for a longer period generally cannot be substantiated. In addition, deferred tax assets of EUR 2,550 k (prior year: EUR 2,306) were recognized by the Graphisoft sub-group. These are based on the deferred tax liabilities recognized in the connection with the purchase price allocation. A decision was made to not recognize deferred tax liabilities of EUR 310 (prior year: EUR 131 k) on profits carried forward amounting to EUR 36,765 k of a subsidiary which will only be subject to taxation of 5% if the profits are distributed and which can be offset against tax losses carried forward.

On the non-tax deductible pending loss from the valuation of an interest hedge no deferred tax asset has been accounted for on 32.6 % of the market value since an estimation of the future market price development is not realistically possible due to its high uncertainty. The deferred tax assets not accounted for in the market valuation as of the balance sheet date amounted to EUR 1,215 k (prior year: EUR 1,139 k) and these are disclosed as follows:

INTEREST HEDGE

Thousands of €	**2010 Measurement**	**2010 Deferred taxes**	2009 Measurement	2009 Deferred taxes
Interest hedge	3,724	1,215	3,490	1,139

There were no income tax consequences attached to the payment of dividends in 2010 by Nemetschek Aktiengesellschaft to its shareholders.

[11]
Earnings per share

EARNINGS PER SHARE

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

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

EARNINGS PER SHARE

	2010	2009
Net income attributable to the parent (in thousands of EUR)	18,945	12,230
Weighted average number of ordinary shares outstanding as of December 31	9,625,000	9,625,000
Weighted average number of ordinary shares to be included in the calculation of diluted earnings per share as of December 31	9,625,000	9,625,000
Earnings per share in EUR, undiluted	**1.97**	**1.27**
Earnings per share in EUR, diluted	**1.97**	**1.27**

Notes to the Consolidated Statement of Financial Position

[12]
Fixed assets

A statement of fixed assets is presented on the last page of these notes to the consolidated financial statements. Amortization and depreciation do not include any impairment losses against fixed assets. Explanations to internally generated software are included in the notes on own work capitalized.

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

INTANGIBLE ASSETS DUE TO PPA SCIA GROUP

Thousands of €	Fair value at time of acquisition Feb. 28, 2006	Useful life in years	Annual amortization	**Net book value as of Dec. 31, 2010**	Net book value as of Dec. 31, 2009
Software	1,000	3	0	0	0
Customer relationships	2,700	10	270	1,395	1,665
Intangible assets	**3,700**		**270**	**1,395**	**1,665**

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

INTANGIBLE ASSETS DUE TO PPA GRAPHISOFT GROUP

Thousands of €	Fair value at time of acquisition Dec. 31, 2006	Useful life in years	Annual amortization	**Net book value as of Dec. 31, 2010**	Net book value as of Dec. 31, 2009
Brand name	5,300	15	353	3,888	4,241
Trademarks	2,800	10	280	1,680	1,960
Software	27,100	7	3,871	11,616	15,487
Customer relationships	27,300	12	2,275	18,200	20,475
Intangible assets	**62,500**		**6,779**	**35,384**	**42,163**

[13]
Trade receivables

TRADE RECEIVABLES

Thousands of €	**2010**	2009
Trade receivables (before bad debt allowances)	26,215	25,018
Specific bad debt allowance	– 3,248	– 3,877
Trade receivables	**22,967**	**21,141**

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

Bad debt allowances developed as follows:

DEVELOPMENT BAD DEBT ALLOWANCES

Thousands of €	January 1	Utilization	Release	Charges	**December 31**
Bad debt allowances 2010	– 3,877	634	337	– 342	– 3,248
Bad debt allowances 2009	– 3,621	505	386	– 1,147	– 3,877

The ageing structure of trade accounts receivable is as follows:

AGEING STRUCTURE TRADE RECEIVABLES

Thousands of €	Not past due	past due by (<30 days)	past due by (30–60 days)	past due by (60–90 days)	past due by (90–180 days)	past due by (180–360 days)	past due by (>360 days)	**December 31**
Trade receivables 2010	12,720	6,702	1,154	746	1,305	340	0	22,967
Trade receivables 2009	12,531	5,043	1,296	383	760	1,128	0	21,141

ASSETS

Thousands of €	**2010**	2009
Inventories	**607**	**827**
Tax refunded claims	**2,381**	**2,286**
Current financial assets	**279**	**537**
Other current assets	**6,235**	**5,181**
Non-current financial assets	**521**	**763**
Other non-current assets	**709**	**640**
	10,732	**10,234**

[14] Inventories, Tax refund claims, Other assets, Financial assets

Inventories mainly consist of hardware EUR 497 k (prior year: EUR 361 k) and finished goods and work in process of EUR 95 k (prior year: EUR 363 k). As in the prior year no allowances were recorded as an expense.

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

Current financial assets mainly consist of prepaid expenses of EUR 5,074 k (prior year: EUR 3,967 k), which will be reclassified to expenses in the next twelve months.

Other non-current assets mainly comprise primarily of the purchase price receivables from the sale of acad-Graph CAD Studio GmbH of EUR 390 k (prior year: EUR 500 k). The carrying amount of financial assets corresponds to their fair value. Other non-current assets mainly include rental security deposits.

[15] Equity

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

[16] Subscribed capital

Nemetschek Aktiengesellschaft's share capital as of the balance sheet date stands at EUR 9,625,000.00 (unchanged compared to the prior year) and is divided into 9,625,000 no-par value bearer shares. Each share is attributed with EUR 1.00 of share capital. The capital is fully paid up.

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

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

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

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

DIVIDENDS

In the fiscal year 2010 a dividend of EUR 4,813 k, which represents EUR 0.50 per share, was paid out to the shareholders. The management board and supervisory board propose that a dividend be paid in the fiscal year 2011 amounting to EUR 9,625,000.00. This represents EUR 1.00 per share.

[18] Provisions, Accrued liabilities, Pensions and rekated obilgations

As an entity with international operations working in various business fields, the group is exposed to a whole range of legal risks. These include especially risks in the areas of warranties, tax law and other legal disputes. The outcome of currently pending and, perhaps, of future litigation cannot be predicted with certainty and thus expenses may be incurred from decisions that are not fully covered by insurance and that may have significant effects on the business and its results. Management is of the opinion that litigation currently pending is not likely to result in decisions that will significantly and negatively influence the net asset position and earnings performance of the group.

PROVISIONS AND ACCRUED LIABILITIES

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

PROVISIONS AND ACCRUED LIABILITIES

Thousands of €	2010	2009
Commission/bonuses for employees	6,090	3,792
Outstanding invoices	2,567	1,400
Vacation accrued by employees	1,952	1,963
Legal and consulting fees/cost preparing the financial statements	333	307
Guarantees and liability risks	341	380
Other accrued liabilities	957	1,529
	12,240	**9,371**

Based on targets being reached, commissions and bonuses for employees increased in 2010. Outstanding invoices mainly relate to subsequent commission calculations due to achievement of targets. The warranty and liability provisions have been set up in the current fiscal year based on individual assessment by company. In the fiscal year 2010, EUR 246 k (prior year: EUR 326 k) was utilized, EUR 134 k (prior year: EUR 422 k) released and EUR 341 k (prior year: EUR 380 k) added. Other provisions and accrued liabilities contain other individual items under EUR 250 k.

OTHER OBLIGATIONS IN ACCORDANCE WTH IAS 19

In the fiscal year 2010 the group implemented, for the first time, a long-term-incentive programme. This programme comprises long-term (until 2013), profit-related components based on corporate objectives. Additionally, a part-time pre-retirement contract was concluded for 8 years. In total EUR 276 k was recorded under personnel expenses.

PENSION PROVISIONS

The obligation resulting from pension plans to a subsidiary's general managers is determined using the projected unit credit method. Actuarial gains and losses are recognized immediately in the income statement. There were no curtailments in the year ending December 1, 2010. The plans were continued beyond this period. The pension plans provide a benefit after reaching the age of 65 amounting to 60% of the last net salary, however up to a maximum amount of EUR 3,834.69 (DEM 7,500.00) per month. All claims are vested.

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

The table below shows the development of the pension obligations:

PENSION PROVISIONS

Thousands of €	January 1	Changes	December 31
Defined Benefit Obligation 2010	533	260	793
Plan asset 2010	333	28	361
Status of coverage (= Pension provisions) 2010	**200**	**232**	**432**
Defined Benefit Obligation 2009	513	20	533
Plan asset 2009	307	26	333
Status of coverage (= Pension provisions) 2009	206	**−6**	**200**

PRESENT VALUE

Thousands of €	2010	2009
Present value of the obligation	793	533

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

BENEFIT EXPENSES

Thousands of €	2010	2009
Current service cost	24	25
Interest cost	32	29
Less actuarial losses (previous year gains)	204	– 34
Expenses for employee benefits	**260**	**20**

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

PLAN ASSETS

Thousands of €	2010	2009
Company contribution	25	24
Expected interests plan assets	16	14
Less actuarial losses	– 13	– 12
Income plan assets	**28**	**26**

The net benefit expense resulting from current service cost, interest and actuarial gains amounts to EUR 260 k (prior year: EUR 20 k). The change is mainly due to the declining discount rate. Plan assets income from employer contributions, the expected income from plan assets and the actuarial losses recorded amount to EUR 28 k (prior year: EUR 26 k). These are included respectively in personal expenses.

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

ASSUMPTIONS

in %	2010	2009
Discount rate	4.56	5.90
Future pension increases	1.00	1.00
Expected interest plan assets	4.50	4.50

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

DEVELOPMENT

Thousands of €	2010	2009	2008	2007	2006
Defined benefit obligation	793	533	513	639	590
Experience adjustments of defined benefit obligation – = loss/+ = gain	8	8	8	8	49
Value of plan asset	361	333	307	281	255
Experience adjustments of plan asset – = loss/+ = gain	– 13	– 12	– 12	– 8	– 9

The group expects pension expenses for the fiscal year 2011 of EUR 70 k as well as capital income of EUR 17 k.

Liabilities, categorized by due date, comprise the following:

[19] Liabilities

LIABILITIES

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

2009 Thousands of €	Total amount	Less than 1 year	1 to 5 years	More than 5 years
Loans	32,287	8,731	23,556	0
Trade payables	5,007	5,007	0	0
Tax liabilities	2,431	2,431	0	0
Other liabilities	5,486	4,868	618	0
thereof taxes	2,991	2,991	0	0
thereof relating to social security	597	597	0	0
December 31, 2009	**45,211**	**21,037**	**24,174**	**0**

LOANS TO FINANCE THE GRAPHISOFT ACQUISITION

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

FINANCING GRAPHISOFT ACQUISITION

Source of funds	Fiscal Year 2007 Mio. EUR	Term	Repayment	Interest rate	Repayments as of Dec. 31, 2009 Millions of EUR	Repayments in Fiscal Year 2010 Millions of EUR	**Net book value as of Dec. 31, 2010**	thereof current due within 1 year Mio. EUR	thereof non-current over 1 year Mio. EUR
TRANCHE 1 “Bridge Loan”	20.0	Sep. 30, 2007	At the end of the term and max. EUR 5 million per interest period prematurely	3-M-EURIBOR plus 1.0 %	20.0	0	0	0	0
TRANCHE 2 “Term Loan”	35.0	Jun. 30, 2012	Half yearly installments of EUR 3.5 million and min. EUR 5 million per interest period prematurely	3-M-EURIBOR plus 1.5 %	17.5	7.0	10.5	7.0	3.5
TRANCHE 3 “Revolving Credit Facility“	45.0	Dec. 31, 2012	Per withdrawal at the end of the respective interest period, no later than at the end of the term	3-M-EURIBOR plus 1.5 %	30.3	5.7	9.0	9.0	0
Total	100.0				67.8	12.7	**19.5**	16.0	3.5

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

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

In connection with the agreed syndicated loan for the third tranche, Nemetschek Aktiengesellschaft has undertaken to repay 50% of the group excess cash flows of the fiscal year 2011 by the June 30 of the following year. Excess cash flows are calculated based on the cash budgeting and are defined as follows: Net income of the group for the year, plus amortization and depreciation, less obligatory repayment for the second tranche, less planned capital expenditures. Carrying amounts correspond with fair value.

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

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

DEFERRED REVENUE

[20] Deferred revenue

Deferred revenue amounts to EUR 17,555 k (prior year: EUR 14,938 k). The total amount will lead to revenue in the first half of 2011.

[21] Non-current financial obligations

NON-CURRENT FINANCIAL OBLIGATIONS

Within the framework of the contractually agreed syndicated credit facility with WestLB AG, Düsseldorf, Nemetschek Aktiengesellschaft has entered into an interest hedge. The fair value of the interest derivative is calculated using recognized financial mathematical models based on market data available at the date of valuation. The gains and losses of fair-value measurement are recognized in net interest in the income statement. The negative market value of this interest hedge is shown as of December 31, 2010 at EUR 3,724 k (prior year: EUR 3,490 k) under other non-current financial liabilities. In total an expense of EUR 234 k (prior year: EUR 1,164 k) was recorded in the fiscal year 2010. The following table shows the conditions agreed and the current carrying value, which is equal to fair value:

SWAP-CONDITIONS

Thousands of €	Reference amount	Date of agreement	Date of closing	Base interest rate/ Factor	Interest limit (for differences)	Interest cap/floor	As of Dec. 31, 2010
Participation interest rate swap	30,000	January 25, 2007	July 15, 2014	3-Months-EURIBOR /0.95	5.25 %	5.53 % / 3.17 %	**3,724**

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

[22] Financial commitments/ Contingent liablities

FINANCIAL COMMITMENTS

Thousands of €	Total	Less than 1 year	1 to 5 years	More than 5 years
Rental agreements	22,195	4,779	16,487	929
Leases	3,238	1,183	2,050	5
Total financial commitments as of December 31, 2010	**25,433**	**5,962**	**18,537**	**934**
Rental agreements	21,584	5,619	12,993	2,972
Leases	2,483	1,010	1,473	0
Total financial commitments as of December 31, 2009	**24,067**	**6,629**	**14,466**	**2,972**

The rental agreements consist almost exclusively of rental agreements for office space with limited periods. The leases are subject to the customary escalation clauses and renewal options. Rent obligations are offset against expected income from non-cancellable subleases for the year 2011 totaling EUR 0 k (prior year: EUR 482 k). The lease obligations mainly consist of leases for vehicles and telecommunications equipment.

CONTINGENT LIABILITIES

As of the balance sheet date, contingent liabilities amount to EUR 1,486 k (prior year: EUR 695 k) and mainly relate to rental agreements and bank guarantees. From a tax perspective, there are contingent liabilities of EUR 0 k (prior year: EUR 570 k) which could lead to payments over the next five years.

[23] Notes to the cash flow statement

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

The cash flow from **operating activities** amounts to EUR 32,269 k (prior year: EUR 23,428 k). The item non-cash transactions mainly includes EUR 234 k (prior year: EUR 1,164 k) from the revaluation of interest hedges.

The cash flow from **investing activities** amounts to EUR – 3,776 k (prior year: EUR – 3,575 k). In the current fiscal year, expenditure relates primarily to the replacement of fixed asset acquisitions, to software for the implementation of an international ERP system, as well as to payments for product development in the Build business segment. Furthermore, the Nemetschek Group received a payment of EUR 1.6 million from the sale of DocuWare parts.

The cash flow from **financing activities** of EUR – 21,351 k (prior year: EUR – 20,073 k) is dominated by the repayment of bank loans of EUR – 12,787 k (prior year: EUR – 17,114 k). Further cash outflows were recorded from interest on bank loans amounting to EUR – 2,210 k (prior year: EUR – 2,457 k) and the payment of profit shares of to minority interests of EUR – 1,171 k (prior year: EUR – 502 k). The **group's cash and cash equivalents comprise cash** and short-term deposits and break down as follows:

CASH AND CASH EQUIVALENTS

Thousands of €	2010	2009
Bank balances	29,138	21,589
Fixed term deposits (contract period up to 3 months)	1,496	1,272
Cash and cash equivalents	**30,634**	**22,861**

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS AND CASH DEPOSITS AT BANKS

The credit risk from balances with banks and financial institutions is managed by group Treasury in accordance with the group's policy. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The group's maximum exposure to credit risk for the components of the balance sheet as of December 31, 2010 and 2009 are the carrying amounts as illustrated in note 23, except for financial derivative instruments.

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

It is, and has been throughout the fiscal years 2010 and 2009, the group's policy that no trading in derivatives shall be undertaken.

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

FOREIGN EXCHANGE RISK AND RISK MANAGEMENT

In the course of ordinary operations, the Nemetschek Group is exposed to exchange rate fluctuations in particular. The group's policy is to eliminate or reduce these risks by entering into hedging transactions. The currency risks of the group occur due to the fact that the group operates and has production sites and sales establishments in different countries worldwide. All hedging measures are coordinated and 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 that are guided by the minimum requirements for bank trading issued by the German Federal Financial Supervisory Agency (BaFin). Only first-class national banks whose credit rating is checked regularly by rating agencies may act as partners for hedging transactions.

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

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

SENSITIVITY ANALYSIS OF SELECTED FOREIGN CURRENCIES

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

SENSITIVITY OF USD / EUR

Thousands of €	Change of exchange rate USD	Sensitivity effect to Revenues	Sensitivity effect to EBIT
Fiscal year 2010			
(average USD / EUR exchange rate = 1.33)	+ 5 %	– 1,051	– 329
	– 5 %	1,162	364
Fiscal year 2009			
(average USD / EUR exchange rate = 1.40)	+ 5 %	– 765	– 139
	– 5 %	845	153

SENSITIVITY OF HUF / EUR

Thousands of €	Change of exchange rate HUF	Sensitivity effect to Revenues	Sensitivity effect to EBIT
Fiscal year 2010			
(average HUF / EUR exchange rate = 275.48)	+ 5 %	– 789	– 205
	– 5 %	872	227
Fiscal year 2009			
(average HUF / EUR exchange rate = 281.12)	+ 5 %	– 910	– 355
	– 5 %	1,006	392

LIQUIDITY RISKS AND MANAGEMENT

The group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Nemetschek Group under normal trading conditions. The credit rating of the group allows sufficient cash to be procured. Furthermore, as in the prior year, the group had undrawn credit lines totaling EUR 21,500 k as of December 31. 2010.

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

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

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

DEFAULT RISK AND RISK MANAGEMENT

Default risks, i.e. the risk of contractual parties not meeting their payment obligations, are managed by means of credit approvals, limits and monitoring procedures. Where appropriate, the Company obtains additional collateral in the form of rights to securities or arranges global netting agreements.

The company does not expect that any of its business partners 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. The terms of payment fall within the customary 30 to 90 days for the industry.

CAPITAL MANAGEMENT

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

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or return capital payments to shareholders. No changes were made in the objectives, policies or processes as of December 31, 2010 and as of December 31, 2009. The group meets externally imposed minimum capital requirements.

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

Gearing ratio

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

Equity ratio

The equity ratio is the ratio of equity to total equity and liabilities. The Nemetschek Group's equity ratio amounts to 56.5 % (prior year: 49.9 %).

CREDIT RISK AND RISK MANAGEMENT

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

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

INTEREST RISK AND RISK MANAGEMENT

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

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

On the other hand, the group's interest expenses are managed by hedging interest expenses on borrowed capital. As of December 31, 2010 over 100 % (prior year: 93 %) of the interest expenses on outstanding loan liabilities were hedged using interest swaps.

SUMMARY OF INTEREST RATE RISKS

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

INTEREST RATE RISKS

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

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

2009 Thousands of €	Base interest rate (average)	Change in base/base interest rate after changes	Reference amount	Sensitivity effect to Net income
Sensitivity interest income	1-month EURIBOR (0.89 %)	+ 0.10 % / 0.99 %	331	37
		− 0.10 % / 0.79 %		− 37
Sensitivity interest expenses	3-month EURIBOR (1.22 + 1.5 %* = 2.72 %)	+ 0.10 % / 2.82 %	2,457	− 90
		− 0.10 % / 2.62 %		90

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

[25] Segment reporting

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

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

Income statement disclosures

SEGMENT REPORTING

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

2009 Thousands of €	Total	Elimination	Design	Build	Manage	Multimedia
Revenue, external	135,618	0	109,551	14,014	3,998	8,055
Intersegment revenue	0	– 566	0	10	15	541
Total revenue	**135,618**	**–566**	**109,551**	**14,024**	**4,013**	**8,596**
EBITDA	**30,393**		**21,988**	**5,354**	**693**	**2,358**
Depreciation/Amortization	– 9,535		– 9,165	– 138	– 54	– 178
Segment Operating result (EBIT)	**20,858**		**12,823**	**5,216**	**639**	**2,180**
Interest income	331					
Interest expenses	– 3,661					
Income from associates	235					
Income tax	– 4,818					
Net income for the year	**12,945**					

Depreciation / amortization of the Design segment include amortization of the purchase price allocation amounting to EUR 7,050 k (prior year: EUR 7,105 k).

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

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

Balance sheet disclosures

SEGMENT REPORTING

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

*) Not allocated: Income Tax Assets (EUR 2,381 k), Deferred Tax Assets (EUR 1,237 k) and other Assets (EUR 1,161 k)

**) Not allocated: Loans (EUR 19,500 k), Deferred Tax Liabilities (EUR 4,953 k) and other Liabilities (EUR 2,777 k)

2009 Thousands of €	Total	Design	Build	Manage	Multimedia
Trade receivables	21,141	17,718	2,311	493	619
Inventories	827	695	37	0	95
Other assets	5,909	5,313	126	12	458
Fixed assets	103,118	85,152	12,550	2,096	3,320
thereof additions to fixed assets	2,364	1,921	290	25	128
Segment assets	**130,995**	**108,878**	**15,024**	**2,601**	**4,492**
Cash and cash equivalents	22,861				
Financial assets, associates	660				
Non-allocated assets *)	4,843				
Total assets	**159,359**				
Liabilities	14,147	13,056	433	148	346
Provisions and accrued liabilities	9,371	7,331	912	464	664
Pensions and related obligations	200	0	0	0	200
Deferred revenue	14,774	14,618	174	73	73
Segment liabilities	**38,492**	**35,005**	**1,519**	**685**	**1,283**
Non-allocated liabilities **)	41,282				
Total liabilities	**79,774**				

*) Not allocated: Income Tax Assets (EUR 2,286 k), Deferred Tax Assets (EUR 1,344 k) and other Assets (EUR 1,213 k)

**) Not allocated: Loans (EUR 32,287 k), Deferred Tax Liabilities (EUR 6,564 k) and other Liabilities (EUR 2,431 k)

Segment reporting by geographical region is as follows:

SEGMENT REPORTING – GEOGRAPHICAL REGION

Thousands of €	Revenues 2010	Fixed assets 2010	Additions to fixed assets 2010	Revenues 2009	Fixed assets 2009	Additions to fixed assets 2009
Germany	60,987	17,657	1,934	58,279	17,048	1,021
Abroad	88,758	82,091	3,592	77,339	86,731	1,343
Total	**149,745**	**99,748**	**5,526**	**135,618**	**103,779**	**2,364**

The group's geographical secondary segment assets are based on the location of the group's assets. Correspondingly, total assets of EUR 48,181 k (prior year: EUR 41,133 k) can be allocated to the German segment and total assets of EUR 117,137 k (prior year: EUR 118,227 k) to the foreign segment.

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

[26] Subsequent events

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

[27] Related party disclosures

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

Among the most significant transactions is the rent of space by Nemetschek Aktiengesellschaft from Concentra GmbH & Co. KG, Munich. Since the fiscal year 2000, a rental agreement for office space has been in place between Nemetschek Aktiengesellschaft and Concentra GmbH & Co. KG, Munich (limited partner: Mr. Alexander Nemetschek). The net rent for the fiscal year 2010 amounts to EUR 2,349 as in the prior year. From January 1, 2011 rental agreements have been concluded for each of Nemetschek Aktiengesellschaft, Nemetschek Allplan GmbH and Nemetschek Deutschland GmbH with Concentra GmbH & Co. KG.

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

DISCLOSURES ON TRANSACTIONS PURSUANT TO § 15A WPHG [WERTPAPIERHANDELSGESETZ: GERMAN SECURITIES TRADING ACT]

The management and supervisory boards informed us that there were no purchases or sales of shares in the Company pursuant to § 15a WpHG (so-called directors' dealings) by themselves or by related parties in the fiscal year.

DISCLOSURES ON TRANSACTIONS PURSUANT TO § 15A WPHG [WERTPAPIERHANDELSGESETZ: GERMAN SECURITIES TRADING ACT]

The direct and indirect voting rights of the following persons/institutions in Nemetschek Aktiengesellschaft are as follows:

Professor Georg Nemetschek, Munich: 25.02 % (prior year: 25.02 %)
Alexander Nemetschek, Munich: 11.51 % (prior year: 11.51 %)
Dr. Ralf Nemetschek, Munich: 11.51 % (prior year: 11.51 %)
Nemetschek Foundation, Munich: 10.39 % (prior year: 10.39 %)
Ingrid Nemetschek, Munich: 5.44 % (prior year: 5.44 %)
Financiere de l'Echiquier, Paris, France: 4.91 % (prior year: 4.91 %)
Axxion S.A., Luxembourg-Munsbach, Luxembourg: 2.95 % (prior year: 3.01 %)

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

The sum of direct and indirect voting rights exceeds 100 % since, as a result of his controlling function as Chair of the Foundation; the voting rights of the Foundation are attributed to Professor Nemetschek.

SUPERVISORY BOARD

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

REMUNERATION OF THE SUPERVISORY BOARD

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

2009 Thousands of €	Fixed components	Variable components	2009
Kurt Dobitsch	30.0	18.5	48.5
Prof. Georg Nemetschek	22.5	18.5	41.0
Rüdiger Herzog	15.0	18.5	33.5
Total	**67.5**	**55.5**	**123.0**

MANAGING BOARD

The remuneration for members of the managing board consists of a basic salary and variable compensation. The variable remuneration component is largely dependent on the attainment of corporate objectives with respect to revenues and earnings. A smaller portion of the variable remuneration is paid out upon achieving individual targets. With the coming into effect of the German Act on the Appropriateness of Managing Board Remuneration (VorstAG) on August 5, 2009, the legislators have demanded a remuneration component with a long-term incentive effect. To meet these requirements, the managing board remuneration system has been appropriately revised.

Remuneration of the management board breaks down as follows:

REMUNERATION OF THE MANAGEMENT BOARD

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

2009 Thousands of €	Fixed components	Variable components (short-term)	Variable components (long-term)	2009
Ernst Homolka	219	195	0	414
Total	**219**	**195**	**0**	**414**

The fixed component includes the basic salary and other taxable salary components such as health and nursing insurance as well as a company car benefit. The variable remuneration includes long term (until 2013) components dependent on performance based on corporate objectives and the development of the share. The managing board holds 225 shares in Nemetschek Aktiengesellschaft as in the prior year.

[28] Auditors' fees

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

AUDITORS' FEES

Thousands of €	2009	2008
Financial statements audit services	170	170
Other assurance services	6	6
Other services	105	7
Total	**281**	**183**

[29] Date of approval

The consolidated financial statements were approved for submission to the supervisory board on March 10, 2011.

[30]
Disclosures for the members of the Supervisory board and the Management board of the company

Supervisory Board

Mr. Kurt Dobitsch
(independent businessman)
Chairman

Member of the following supervisory boards:

- United Internet AG (Chairman)
- Bechtle AG
- DocuWare AG
- 1 & 1 Internet AG
- Hybris AG
- Graphisoft SE

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

Mr. Rüdiger Herzog (attorney, general manager)

Member of the following supervisory boards:

- Deutsche Finance AG (Chairman)
- Kaufhaus Ahrens AG

Managing Board

Mr. Ernst Homolka
(businessman)
CEO

Member of the following supervisory boards:

- SCIA International NV
- Graphisoft SE
- NEMETSCHEK Vectorworks Inc.

Munich, March 10, 2011

Nemetschek Aktiengesellschaft

Ernst Homolka

Statement of Fixed Assets of the Group

as of December 31, 2010 and as of Dezember 31, 2009

FIXED ASSETS OF THE GROUP

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

2009 Thousands of €	Development of historic cost				
	As of Jan, 1, 2009	Translation differences	Additions	Disposal	As of Dec, 31, 2009
I. Intangible assets					
Software, Industrial and similar rights	74,824	– 42	1,150	801	75,131
Internally generated software	697	7	244	0	948
Goodwill	52,079	– 121	0	0	51,958
	127,600	**–156**	**1,394**	**801**	**128,037**
II. Property, plant and equipment					
Land and Buildings	0	0	0	0	0
Other equipment, furniture and fixtures	15,172	– 159	970	684	15,299
	15,172	**–159**	**970**	**684**	**15,299**
III. Associates/Investments					
Associates/Investments	10,453				10,453
	10,453	**0**	**0**	**0**	**10,453**
Total fixed assets of the group	**153,225**	**–315**	**2,364**	**1,485**	**153,789**

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

	Development of accumulated depreciation/amortization						Carrying amount	
	As of Jan, 1, 2009	Translation differences	Additions	Equity method	Disposal	As of Dec, 31, 2009	As of Dec. 31, 2009	As of Dec. 31, 2008
	20,589	– 33	7,924	0	263	28,217	46,914	54,235
	333	0	0	0	0	333	615	364
	0	0	0	0	0	0	51,958	52,079
	20,922	– 33	7,924	0	263	**28,550**	**99,487**	**106,678**
	0	0	0	0		0	0	0
	10,845	– 136	1,611	0	653	11,667	3,632	4,327
	10,845	– 136	1,611	0	653	**11,667**	**3,632**	**4,327**
	9,794	0	0	1	0	9,793	660	659
	9,794	0	0	1	0	**9,793**	**660**	**659**
	41,561	– 169	9,535	1	916	**50,010**	**103,779**	**111,664**

Declaration of the legal representatives

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

Munich, March 10, 2011

Ernst Homolka
CEO

Auditor's Report

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

"We have audited the consolidated financial statements prepared by the Nemetschek Aktiengesellschaft, Munich, comprising statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in group equity, and explanatory notes, together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 10, 2011

KPMG AG

Wirtschaftsprüfungsgesellschaft

Rupprecht	Annast
Wirtschaftsprüfer	Wirtschaftsprüferin

A NETWORK OF PARTICIPANTS:

The two high-rises in Sao Paulo, Brazil were designed by architecture firm Candusso Arquitetos with software from Vectorworks. Companies involved in the project included:

Anastassiadis Arquitetos
Tishman Speyer Properties
Brookfield Incorporações S/A
Elkis Paisagismo
NG Engenharia
SKK Projetos Instalaçõese Construções
Escritório Técnico Willen Scheepmaker & Associados
Portella Alarcon Engenheiros Associados
Addor e Associados Projetos e Consultoria
Franco e Fortes Lighting Design
Beltec Engenharia
Proassp - Assessoria e Projetos
Bosco Associados
Mario Nilton Leme Consultoria de Esquadrias
Ghoubar & Ghobar Arquitetura e Planejamento de Garagens
Pacelli, Ragueb e Associados
Acústica & Sônica Consultores em Acústica
Michel Sola
... and many more

FINANCIAL STATEMENTS OF NEMETSCHEK AG (HGB)

Balance Sheet of Nemetschek Aktiengesellschaft

as of December 31, 2010 and as of December 31, 2009 (Statutory Accounts – German GAAP)

ASSETS in €	Dec. 31, 2010	Dec. 31, 2009
A. FIXED ASSETS		
I. Intangible Assets		
Purchased franchises, industrial rights and similar rights and assets and licenses in such rights and assets	**136,534.24**	**134,315.08**
II. Property, plant and equipment		
1. Leasehold improvements	0.00	123,467.94
2. Fixtures, fittings and equipment	67,810.38	64,588.59
	67,810.38	**188,056.53**
III. Financial assets		
1. Shares in affiliated companies	132,715,015.06	140,908,664.74
2. Loans due from affiliated companies	2,328,000.00	2,473,500.00
3. Investments	2,025,303.93	1,712,275.84
	137,068,318.99	**145,094,440.58**
TOTAL FIXED ASSETS	**137,272,663.61**	**145,416,812.19**
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from trading	1,080.62	1,489.38
2. Accounts due from affiliated companies	4,134,239.73	6,315,782.03
3. Other assets	2,352,456.44	1,537,271.85
	6,487,776.79	7,854,543.26
II. Cash and cash equivalents	**12,521,646.87**	**4,944,862.62**
TOTAL CURRENT ASSETS	**19,009,423.66**	**12,799,405.88**
C. DEFERRED AND PREPAID EXPENSES	**94,242.25**	**42,255.85**
	156,376,329.52	**158,258,473.92**

EQUITY & LIABILITIES in €	Dec. 31, 2010	Dec. 31, 2009
A. EQUITY		
I. Subscribed capital	**9,625,000.00**	**9,625,000.00**
II. Capital reserve	**49,404,856.90**	**49,404,856.90**
III. Revenue reserve	**19,085,721.39**	**13,736,481.30**
IV. Retained earnings	**28,683,572.58**	**13,941,209.13**
TOTAL EQUITY	**106,799,150.87**	**86,707,547.33**
B. PROVISIONS AND ACCRUED LIABILITIES		
1. Accrued tax liabilities	619,063.00	347,001.00
2. Other provisions and accrued liabilities	4,837,331.44	4,149,363.78
TOTAL PROVISIONS AND ACCRUED LIABILITIES	**5,456,394.44**	**4,496,364.78**
C. LIABILITIES		
1. Bank liabilities	19,500,000.00	32,200,000.00
2. Trade accounts payable	179,331.51	197,196.00
3. Accounts due to affiliated companies	23,201,200.43	33,734,790.02
4. Other liabilities – thereof taxes: EUR 909,063.98 (prior year: EUR 865,840.49)	1,240,252.27	922,575.79
TOTAL LIABILITIES	**44,120,784.21**	**67,054,561.81**
	156,376,329.52	**158,258,473.92**

Profit and Loss Account of Nemetschek Aktiengesellschaft

for the periond from January 1 to December 31, 2010 and 2009 (Statutory Accounts - German GAAP)

in €	Jan. 1 - Dec. 31, 2010	Jan. 1 - Dec. 31, 2009
1. Revenues	1,881,615.10	1,727,945.60
2. Other operating income	5,647,657.47	3,549,605.52
Operating income	**7,529,272.57**	**5,277,551.12**
3. Personnel expenses		
a) Wages and salaries	– 1,715,320.13	– 1,642,359.81
b) Social security, pension and other benefit costs – thereof for pension: EUR 5.728,87 (prior year: EUR 5.728,87)	– 228,961.89	– 205,846.71
4. Depreciation and amortization of intangible assets, property, plants and equipment	– 184,232.69	– 171,245.01
5. Other operating expenses	– 5,341,512.57	– 5,003,547.90
Operating expenses	**–7,470,027.28**	**–7,022,999.43**
Operating results	**59,245.29**	**–1,745,448.31**
6. Income from investments – thereof from affiliated companies: EUR 22,304,554.33 (prior year: EUR 5,722,738.82)	22,304,554.33	5,722,738.82
7. Income from profit and loss transfer agreements	5,867,302.56	6,187,362.80
8. Income from marketable securities and loans – thereof from affiliated companies: EUR 104,636.51 (prior year: EUR 180,752.20)	104,636.51	180,752.20
9. Other interest and similar expenses	144,981.24	165,212.48
10. Interest and similar expenses – thereof from affiliated companies: EUR 199,635.50 (prior year: EUR 345,517.91)	– 3,018,791.62	– 3,947,572.11
11. Profit from ordinary operations	**25,461,928.31**	**6,563,045.88**
12. Taxes on income	– 557,824.77	– 270,721.62
13. Net income	**24,904,103.54**	**6,292,324.26**
14. Profit carried forward from previous year	6,128,709.13	7,648,884.87
15. Allocation to other Revenue Reserves according to Section § 58 (IIa) AktG	– 2,349,240.09	0.00
16. Retained earnings	**28,683,572.58**	**13,941,209.13**

Financial Calendar 2010

March 28, 2011	April 29, 2011	May 24, 2011
Publication Annual Report 2010	Publication Quarterly Statement 1/2011	Annual General Meeting
March	April	May

PICTURES

cover outside:	German Pavilion, EXPO 2010, Shanghai Architects: Schmidhuber + Partner GbR, Photo: Simulation
cover inside:	copyright: Nemetschek AG
page 2 – 3:	Gotthard base tunnel Administration: Gähler + Partner AG, Photo: AlpTransit Gotthard AG
page 4, 7, 10, 13:	Illustrations Nemetschek Special, Nemetschek AG
page 14 – 15:	Besucherinformationszentrum Grube Messel Architects: Landau + Kindelbacher GmbH, Photo: Jan Bitter
page 26 – 27:	Phoenix Union Bioscience High School Architects: Orcutt Winslow
page 54 – 55:	Finnish Pavilion, EXPO 2010, Shanghai Architects: JKMM Architects, Photo: Derryk Menere
page 122 – 123:	High-rises in São Paulo Architects: Candusso Arquitetos

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Frankfurt/Main

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PUBLICATION DETAILS

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Certification

A NETWORK OF PARTICIPANTS:

The German Pavilion at EXPO 2010 in Shanghai was designed by architecture firm Schmidhuber + Kaindl GmbH with software from Allplan. Companies involved in the project included:

Milla & Partner GmbH
Nüssli (Deutschland) GmbH
he playze
BS Engineering Consulting Shanghai Co.
Shanghai Xiandai Architectural Design (Group) Co.
Happold Ingenieurbüro GmbH
SSF Ingenieure GmbH
K33 Architekten - Steinlehner & Riedner
iPG GmbH Herzner u. Schröder
E^3 Ingenieurgesellschaft mbH
Bayer Sheet Company Ltd.
Beckhoff Automation GmbH
Carpet Concept Objekt Teppichboden GmbH
DURAVIT AG
Evonik Industries AG
Findeisen GmbH
Fohhn Audio AG
Grohe AG
Holzmedia GmbH
Hörmann Beijing Door Production Co., Ltd.
HYDROTEC Technologies AG
ict Innovative Communications Technologies AG
Knauf Plasterboard (Wuhu) Co., Ltd.
Shanghai MATSU Furniture Co., Ltd.
nora systems GmbH
Schott AG
Herbert Waldmann GmbH & Co. KG
Wilkhahn Trading (Shanghai) Co., Ltd.
BaoSteel Shanghai
Stamoid AG A Ferrari Group Company
... and many more

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