

Group Management Report for the 2009 Financial Year

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 and engineers as well as specialist engineers – including 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 real estate 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 offered by the group cover a large part of the value chain in the construction industry – from the planning and visualization of a building to the construction process to building management. With its 10 product brands, the group offers a broad range of software solutions for a heterogeneous market. The software solutions, some of which are tightly interlinked, facilitate interdisciplinary collaboration among all those involved in the building process and thus make the process itself more efficient.

The company was founded in 1963 and employs 1,064 people worldwide. In 2009, Nemetschek achieved revenues of 135.6 million euros and an operating result (EBITDA) of 30.4 million euros.

Business segments

Under the Nemetschek Group umbrella, the 10 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 unit, the largest in the group, have a global presence and offer software solutions for architects, civil engineers, structural designers, specialist designers and landscape designers. They therefore primarily offer programs for CAD and CAE (computer aided engineering) – for planning in 2D or for 3D (3-dimensional) object-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 many good examples in the design business segment, for example the seamless interaction between CAD programs and structural calculations.

Design - focus on architecture

The companies in the Design business unit include Nemetschek Allplan; the Hungarian company Graphisoft, with its core product Archicad; and Nemetschek North America, with the Vectorworks product. Nemetschek Allplan, which has had a strong presence primarily in Europe, forms 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 to execution to subsequent building management. The integration of specialist design solutions and their seamless connection to the software of the Engineering Group make the product attractive, not least of all for general contractors and for projects in the area of public-private partnerships.

In the past year, Allplan took its first steps on the Asian market and won new sales partners in Japan and Korea. With Allplan 2009, the company has launched a new software version, which focuses on the subjects of energy efficiency and renovation. Allplan makes full use of partnerships here: for example, the cooperation with a provider of timber construction software makes it possible to offer an end-to-end solution that covers practically all tasks in the design and construction of timber structures. Together with a renowned provider of building services, Allplan is also working on an integrated solution for architecture, engineering and building services.

Archicad, the CAD solution from the Hungarian firm Graphisoft, is designed primarily for architects and covers the entire value chain in a design office, from the initial draft to the final details of the working drawings. In 2009, Graphisoft expanded its presence in the Middle East (along with other areas) primarily in Egypt, the United Arab Emirates and Saudi Arabia.

In 2009, Graphisoft also focused on the subject of green building: EcoDesigner, on the market since the spring, provides architects in the design phase with reliable information on the probable energy requirements and CO₂ emissions of their buildings. In September, the new version Archicad 13 was launched with a new Teamwork function that enables users to work jointly on projects in a network, regardless of their actual location. The BIM Server – a model-based server solution, which can also be accessed via the Internet – allows constant access to a central building model which is maintained and updated online. This is the only one of its kind to date, and it enables greater efficiency, transparency and data security when working in a project team.

Vectorworks, the core product of Nemetschek North America (NNA), is a CAD solution for design and execution planning which offers a broad spectrum of specific industry solutions for architects, interior designers, landscape designers as well as stage and lighting designers. NNA also has an international presence; Vectorworks is the

most widely-used CAD program on Apple Macintosh in the world and is also available for Windows.

At the end of 2009, NNA launched the new version, Vectorworks 2010. This has turned the capabilities offered by the new Parasolid kernel from Siemens PLM Software into new functionality – the focus being on optimizing work processes in the context of the 3D building model. For example, it is now possible to work across floors, and the integration of an extra software program from Siemens PLM Software permits the intelligent linking of objects and geometries so that changes automatically trigger adjustments to the context.

Design - focus on engineering

The companies that focus on engineering include Nemetschek Allplan (with the product line for engineering), Nemetschek Scia, Nemetschek Engineering, Friedrich & Lochner and Glaser. The group offers solutions for all areas of engineering including CAD, structural analysis, logistics and project management – from easily learnable basic products to high-end solutions. For two years, the five providers in the Nemetschek Engineering Group have been working together to address relevant topics and coordinate their marketing activities. For example, the group holds an international user competition every two years. Together, the companies that focus on engineering have around 20,000 customers and are therefore the leaders in engineering software in Europe.

Nemetschek Scia, after Allplan the largest company in the group, offers solutions for high-end engineering which are used by engineers in stress planning to analyze and measure general two- and three-dimensional steel as well as reinforced concrete structures containing other materials. Scia incorporates its specific engineering expertise into the design process by employing CAD products from Nemetschek that operate on the basis of a digital building model. The core product, Scia Engineer, permits the modeling of large and complex structures, such as bridges, towers, energy plants and tower blocks. In 2009, the Belgian Nemetschek subsidiary was able to further expand its presence in Europe, the Middle East and Brazil. Scia also took its first step on the American market: Together with Nemetschek North America, the company opened a new sales branch in the US state of Maryland, which will also provide product support.

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 rapid results. The implementation of European building standards and their individual, national provisions were one focus of development in 2009. In addition, an earthquake check and a complete collection for masonry checks were added to the Frilo building model.

The Build business segment

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

All together, with more than 8,000 customers from the areas of design (architects and engineers) and construction management – including construction companies – they support more than 50,000 user licenses. Auer is the undisputed market leader in Austria. Nemetschek Bausoftware, with its primarily commercial solutions, has a strong position in Germany and is market leader in Switzerland.

In 2009, the Nemetschek Construction Group, led by a new business unit manager, was formed to integrate its products more closely and to jointly develop a new technical software generation, which will be launched on the German-speaking market in 2012 and will also be available outside the German-speaking market over the medium term.

The Manage business segment

The Manage business segment consists of Nemetschek Crem Solutions. Its product portfolio is designed for the management and settlement of real estate and property within the commercial and residential real estate industries. The main product, iX-Haus 2008, is an integrated solution for the management of large assets with complex business requirements. The business segment also offers management software for residential and commercial real estate companies and large property managers. For the implementation of its solutions, the company follows an integrated approach, from process analysis to adaptation for customer requirements to user training. To address new target groups, the focus of development in 2009 was on the enhancement of functionality in software for the management of residential property owner associations and special property management.

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 maintaining closeness to the customer and ease of product use. The

software, which is available in 10 languages, is marketed in more than 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 2009, Maxon once again received numerous awards in the press, e.g., its eight award for best 3D software from the British Macintosh Press. The product highlight in 2009 was the new Cinema 4D Broadcast Edition, which allows creative professionals in TV and advertising to create spectacular motion graphics effects in the shortest space of time. The key to success is its seamless connection to established 2D systems in the industry and its flexibility in working with various image formats, such as HD or 3D Stereo.

Strategy and market position

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 seeks to continue generating 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 heterogeneity of the market, which is characterized by the numerous disciplines involved in the building process, different philosophies and different regional rules and standards

Close to customers' requirements

Unlike its competitors, Nemetschek concentrates on the AEC market (architecture, engineering, and 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 to the actual construction process to management, 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 vendor is closer to the needs of its clientele – this is part of the company's mission and philosophy.

To continue generating profitable growth and meet the wide variety of customer requirements, Nemetschek is increasingly counting on collaborations with partners from the industry who offer "best-in-class" solutions in special areas. The most recent partnerships – such as the cooperation with Finnish company Tekla – bear this out. And in connection with this, the group is actively involved in establishing industry-wide standards for manufacturer-independent data exchange.

Building Information Modeling as a central topic

Smooth data exchange is a basic prerequisite for Building Information Modeling (BIM), the central topic throughout the construction industry. According to this, the construction process is not simply the sum of individual work, but rather the integrated overall performance of all the disciplines involved, on the basis of a central building model. This model – created using object-oriented, 3-dimensional CAD software – integrates both geometric and descriptive information and is enhanced with other details by all those involved in the process. The focus is not merely on the actual process of design and construction; rather, the entire life cycle of buildings is also taken into account. In other words, at an early stage the architect is able to analyze the effects of his planning decisions on the subsequent management of the building.

This integrated approach is a prerequisite for efficient, sustainable building. 80 percent of all decisions relating to a building's energy requirements are made early on in the design phase. Around the world, requirements concerning the sustainability of buildings are increasing, which poses significant challenges for designers and construction companies.

The Nemetschek Group sees it as its central task to make it easier for its customers to overcome these challenges and provide them with the tools they need. The companies in the group already offer a broad range of solutions for green building, and this topic will continue to be at the very top of the agenda for the research departments in the future.

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 philosophy: the environment, employees and society.

Sustainable and efficient building

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. Environmental protection is also taken seriously within the company: measures include the use of modern office fittings and the increased use of video conferences to keep business trips to a minimum.

Even beyond its own products, the group is committed to the matter 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). The group also supports new generation initiatives, such as the Solar Decathlon Europe 2010. In this European competition, around 20 selected university teams will compete to design and build a house run by solar energy alone by June 2010.

For years, Nemetschek has 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 there with its software and the corresponding support. Since 2009, all the large product companies have been providing free software licenses and online training materials to students as part of their campus programs.

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 educational program; the specific offers vary from country to country. As a matter of principle, the Nemetschek Group places great importance on the correct conduct of its employees and on a good working relationship. The principles for this are laid down in the internal code of conduct and are made accessible to employees in, among other opportunities, special training courses.

Report on enterprise controlling and declaration on corporate management

As a holding company with registered offices 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 company management of the group is based on the group strategy jointly approved by 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 goals are coordinated with and agreed upon by the group companies in the annual planning process at profit center level, are substantiated by them and are 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 revenue situation. Central controlling values for Nemetschek Aktiengesellschaft are sales by regions, the sales structure, and the contribution margins of the organizations.

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.

Declaration in accordance with § 161 of the Stock Corporation Act

The declaration in accordance with § 161 of the Stock Corporation Act is published within a separate section of the annual report 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) of the German Commercial Code and explanatory report

(1) Composition of the issued capital

Nemetschek Aktiengesellschaft's share capital as of December 31, 2009 stands at 9,625,000.00 euros (unchanged on 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 that exceed 10 percent of the total voting right

Direct and indirect investments in the issued capital (list of shareholdings) are listed below:

Prof. Georg Nemetschek	14.66 %	(previous year: 14.66 %)
Dr. Ralf Nemetschek	11.51 %	(previous year: 11.51 %)
Alexander Nemetschek	11.51 %	(previous year: 11.51 %)
Nemetschek Foundation	10.39 %	(previous year: 10.39 %)
Free float (below 10 %)	51.93 %	(previous year: 51.93 %)

All shareholders with holdings in excess of 10 percent of the voting rights are resident in Munich.

(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 statutes on the appointment and dismissal of members of the managing board and amendments to the articles of incorporation and by laws

The appointment and dismissal of managing board members is governed by §§ 84 and 85 of the German Stock Corporation Act and § 7 of the articles of incorporation and bylaws of Nemetschek Aktiengesellschaft. Accordingly, managing board members are appointed by the supervisory board for a maximum of five years. Re-appointment 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 incorporation and bylaws is subject to § 179 of the Stock Corporation Act and §§ 18 and 13 of the articles of incorporation and bylaws of Nemetschek Aktiengesellschaft. These stipulate that the Annual General Meeting must pass a resolution to amend the articles of incorporation and bylaws 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 incorporation and bylaws of Nemetschek AG, the supervisory board is authorized to pass resolutions that only affect the wording of the articles of incorporation and bylaws.

(7) Authorization of the managing board to issue or redeem shares

(7a) According to the resolution of the Annual General Meeting on May 21, 2008, the managing board was authorized as follows until November 20, 2009 (it did not make use of this authorization):

- “To purchase up to 962,000 treasury shares of the company, equivalent to just under 10 percent of the current share capital, in full or in part amounts, once or in several installments, subject to the following conditions: at no time may the shares acquired on the basis of this authorization together with other treasury shares already purchased and held by the company, or which are attributable to the company under §§ 71a et seq. of the Stock Corporation Act, constitute more than 10 percent of the capital stock of the company. The authorization may not be used for trading with treasury shares.

This authorization replaced the authorization adopted by the Annual General Meeting of Nemetschek Aktiengesellschaft on May 23, 2007 as agenda topic six concerning the acquisition of treasury shares, which was thereby cancelled to the extent that no use was made of it.

- The shares can be purchased on the stock exchange or by public offer addressed to all shareholders of the company. 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 Xetra exchange (or a comparable successor system) by more than 10 percent

If a public purchase offer is made, the offer price for a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall short of the average closing price on the Xetra exchange over the five days of trading prior to publication of the purchase offer by more than 20 percent. If the total subscription exceeds the volume of the purchase offer, shares are issued 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.”

- The managing board is authorized to use the treasury shares purchased pursuant to this authorization for any legally permitted purpose. According to § 71 (1) No. 8 of the Stock Corporation Act, the managing board is authorized to use treasury shares purchased pursuant to this authorization for purposes other than the sale on the stock exchange or via an offer to all shareholders precluding the subscription rights of the shareholders:

(a) The managing board is authorized to offer treasury shares purchased by exercising the above authorization to third parties as consideration for the acquisition of entities, investments in entities or parts of entities.

(b) The managing board is authorized to use treasury shares acquired by exercising the above authorization to satisfy share subscription rights under the 2003 stock option scheme. The 2003 stock option scheme is based on resolutions passed by the Annual General Meeting on July 29, 2003 on No. 7 (b) of the agenda (published in the electronic Federal Gazette on June 18, 2003) and on May 20, 2005 on No. 7 (a) of the agenda (published in the electronic Federal Gazette on April 12, 2005). Please see the resolutions of the respective Annual General Meetings and the latest managing board report for more details.

The supervisory board must decide on any assignments of treasury shares to members of the managing board.

(c) The managing board is authorized to redeem treasury shares acquired by exercising the above authorization, with the approval of the supervisory board, without any further resolution of the Annual General Meeting being required for the redemption to take effect.”

(7b) According to the resolution of the Annual General Meeting on May 25, 2009, the managing board was authorized as follows until November 24, 2010 (it did not make use of this authority):

- “To purchase up to 962,000 treasury shares of the company, equivalent to just under 10 percent of the current share capital, in full or in part amounts, once or in several installments, subject to the following conditions: at no time may the shares acquired on the basis of this authorization together with other treasury shares already purchased and held by the company, or which are attributable to the company under §§ 71a et seq. of the Stock Corporation Act, constitute more than 10 percent of the capital stock of the company. The authorization may not be used for trading with treasury shares.

This authorization replaced the authorization adopted by the Annual General Meeting of Nemetschek Aktiengesellschaft on May 21, 2008 as agenda topic six concerning the acquisition of treasury shares, which was thereby cancelled to the extent that no use was made of it.

- The shares can be purchased on the stock exchange or by public offer addressed to all shareholders of the company. 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 Xetra exchange (or a comparable successor system) by more than 10 percent.

If a public purchase offer is made, the offer price for a Nemetschek share (excluding incidental acquisition costs) may not exceed or fall short of the average closing price on the Xetra exchange over the five days of trading prior to publication of the purchase offer by more than 20 percent. If the total subscription exceeds the volume of the purchase offer, shares are issued 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.

- The managing board is authorized to use the treasury shares purchased pursuant to this authorization for any legally permitted purpose. According to § 71 (1) No. 8 of the Stock Corporation Act, the managing board is authorized to use treasury shares purchased pursuant to this authorization for purposes other than the sale on the stock exchange or via an offer to all shareholders precluding the subscription rights of the shareholders:

- (a) The managing board is authorized to offer treasury shares purchased by exercising the above authorization to third parties as consideration for the acquisition of entities, investments in entities or parts of entities.
- (b) The managing board is authorized to redeem treasury shares acquired by exercising the above authorization, with the approval of the supervisory board, without any further resolution of the Annual General Meeting being required for the redemption to take effect.”

(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:

Thousands of €	Fixed salary	Profit-based remuneration	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 Supervisory Board Remuneration	67.5	55.5	123.0

Thousands of €	Fixed salary	Profit-based remuneration	2008
Kurt Dobitsch	2500	7.5	32.5
Prof. Georg Nemetschek	22.5	9.0	31.5
Rüdiger Herzog	17.5	9.0	26.5
Alexander Nemetschek	2.5	1.5	4.0
Total Supervisory Board Remuneration	67.5	27.0	94.5

Managing board

The remuneration for members of the managing board consists of a base salary and variable remuneration. The variable remuneration component is largely dependent on the attainment of corporate objectives with respect to sales 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 is currently being revised.

Remuneration of the managing board breaks down as follows:

Thousands of €	Fixed salary	Profit-based remuneration	2009
Ernst Homolka	219	195	414
Total Management Board Remuneration	219	195	414

Thousands of €	Fixed salary	Profit-based remuneration	2008
Ernst Homolka	218	170	388
Michael Westfahl	75	0	75
Total Management Board Remuneration	293	170	463

The fixed component contains the basic salary and other taxable salary components, such as health and nursing insurance as well as provisions for company cars. Mr. Homolka waived his right to share-based remuneration in October 2008. In fiscal 2008, termination benefits paid to Mr. Westfahl came to four hundred ninety-nine thousand euros. Mr. Westfahl left the company in May 2008.

Employees

As of December 31, 2009, the Nemetschek Group employed 1,064 people worldwide (previous year: 1,114). In the last fiscal year, a few companies outside Germany that were particularly affected by the economic crisis cut jobs – particularly in the area of sales and marketing. In the fiscal and previous year, the statistical calculation and assignment of the headcount figures were adjusted for employees on parental leave, freelancers, temporary workers and people on long-term sick leave and updated in accordance with the existing cost center structure. The Nemetschek Group employed an annual average of 1,085 people (previous year: 1,083).

The Nemetschek Group employed 60 percent (previous year: 61 percent) of its workforce outside Germany. On average, 480 people (previous year: 445) were employed in the area of research and development in the Nemetschek Group. An average of 463 employees (previous year: 491) worked in sales, marketing and hotline. 142 employees (previous year: 147) worked in administration – including 19 trainees, who were primarily employed in 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.

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 percent of the workforce are architects and engineers, which demonstrates the company's strong roots in the industry. 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.

Performance-related pay also contributes to the high level of employee motivation. This is the norm in most of the companies. The sales 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 depends on the achievement of individual or team targets.

Research and development

The development and enhancement of products and solutions is the basis for Nemetschek's success. The company will only be able to generate profitable growth in the future with continuous product and process innovations. In 2009, the group invested 33.6 million euros (previous year: 33.1 million euros) in research and development, equivalent to 24.8 percent (previous year: 22.0 percent) of sales. On average, the group employed 480 people (previous year: 445) in this area, which is 44.3 percent (previous year: 41.1 percent) of the total headcount of the Nemetschek Group.

Nemetschek is one of the pioneers of Building Information Modeling. BIM is the integrated process of planning, building and management, supported by a consistent, digital building model. This model – created using object-oriented, 3-dimensional CAD software – integrates both geometric and descriptive information and is enhanced with other details by all those involved in the process. Data is no longer lost, and does not have to be entered anew for each process step.

Nemetschek counts on BIM and supports open data exchange via IFC

For smooth data exchange industrial standards on which every involved party can rely are required. The industry association buildingSmart, which wants to promote BIM on an international level, has therefore developed the "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 from the outset. All the group's architecture programs and the Scia Engineer structural analysis software are IFC-certified. This means that the Nemetschek development departments can implement IFC with a high level of quality. At the same time, the group is active in a number of committees of the buildingSmart alliance, and Nemetschek is also involved in the practical implementation of the IFC format. In the cooperation with the Finnish company Tekla, for example, which was agreed at the end of 2009, the primary aim is to jointly optimize data exchange between various software solutions on the basis of IFC. In 2009, Vectorworks also focused its development on the BIM workflow and the systematic support of data exchange via IFC.

Focus on sustainable building

One central focal point of the company's R & D efforts in 2009 in the area of design was environmentally friendly building. All CAD vendors under the roof of Nemetschek have developed solutions for this and are driving these forward. With Allplan 2009, for example, architects and engineers can offer their clients a comprehensive range of consulting services thanks to numerous functionalities. These include applications for the initial analysis of the future energy requirement as well as modules for the creation of energy certificates in line 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.

In 2010, green building will continue to play an important role for Allplan, with the focus on optimized collaboration between architects and building service providers (design professionals for heating, ventilation and sanitation) – an important topic, particularly for complex buildings. The cooperation between Allplan and Plancal, a Swiss provider of building services software, is therefore concerned with the 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.

"Environmental product of the Year"

With EcoDesigner from Graphisoft, architects are also able to determine the likely energy requirements of their buildings in the early design phase and compare different designs with each other. The analysis of the building model is carried out automatically and the results are displayed in the architect's familiar working environment. At the end of 2009, EcoDesigner was crowned "Environmental Product of the Year" by Construction Computing Magazine, a renowned UK journal for IT in

the construction industry. The readers of the magazine voted on the prizewinners.

In 2010, Graphisoft will continue to optimize EcoDesigner and also integrate new modules. For example, in the future, architects should be able to calculate the effects that devices specifically designed for shielding sunlight have on the demands placed on the air conditioning system. They should also be able to calculate the annual energy costs for their customers arising from their connection to the district heating supply.

Vectorworks users also receive targeted support when designing energy-efficient buildings. Architects can use a special spreadsheet to determine relevant building data such as requirements for light intensity or ventilation. In addition, they can simulate different positions of the sun to estimate the impact of the geometry of the planned building. There are also special local solutions, such as the Vectorworks-based ThermoRender from the Japanese sales partner, which can be used to accurately determine the complete carbon footprint balance of a building – from the energy requirement to the CO₂ emissions.

The Underlying Conditions

Underlying economic conditions

As predicted, the leading economies and emerging economies suffered from the effects of the global financial crisis in 2009. Worldwide, economic output fell by 1.1 percent, following growth of 3.0 percent in the year before.

North America, the eurozone, Russia and Eastern Europe were the regions primarily affected. The raw materials and stock markets experienced a considerable decline into the 2nd quarter of 2009.

The central banks in Europe and North America implemented counteractive measures by dropping interest rates to a historically low level at the start of the financial crisis and by considerably simplifying the options for refinancing in the banking sector. In addition, many governments set up comprehensive, debt-financed economic recovery programs, the success of which was in some cases already felt during 2009.

In the second half of the year, the global economic climate improved as a result of more optimistic outlooks for the first six months of 2010. Thus, the Ifo World Economic Climate Index rose from 78.7 in July to 90.4 in October. With the announcement of the European economic data for the 3rd quarter, growth of 0.2 percent for the gross national product was reported for the first time following five quarters with negative growth in the European Economic Area. However, a further, rapid economic recovery is not expected. Forecasts for growth in the eurozone in 2010 stand at around 0.7 percent, and economic research institutes have not set the figure significantly higher for subsequent years.

Although unemployment in the EU increased by 4.3 million people in 2009, the highest values here are not expected until 2010.

Developments in the industry

In 2009 the building industry was directly affected by the financial crisis in multiple ways. Economic output in the construction industry was subject to high turbulence as a result of the drop in real estate prices, the fall in demand from private and institutional investors, financing shortages and a higher aversion to risk on the part of banks. The USA was particularly affected, as were countries in Europe, such as the UK, Ireland, Spain, Eastern Europe and the Scandinavian countries.

The indicators for the mood in the construction industry published by the EU were also considerably lower in Spain, Italy, France and Eastern Europe in 2009, while in Germany, confidence in the development of the construction industry remained at a level similar to previous years. Up to the end of the year, the mood in the EU construction industry did not improve significantly.

In Germany, investments in residential building in 2009 were 0.8 lower than in the previous year, while public building benefited from the federal government's funding measures. As a result, the economic climate in the industry brightened somewhat in the 4th quarter. A positive impact was also achieved through the historically low mortgage rates. The expectation of freelance architects and civil engineers in Germany continued to improve at the start of the 4th quarter, according to the Ifo Institute.

Report on the Earnings, Financial, and Net Asset Situation

Earnings situation

Group revenue at 135.6 million euros

In fiscal 2009, the Nemetschek Group achieved revenues of 135.6 million euros (previous year: 150.4 million euros). The fall in revenue of 9.8% is due to a reduction in license revenues, which amounted to 64.3 million euros compared to 80.8 million euros in the previous year. Revenues from software service contracts, on the other hand, rose from 58.8 to 62.0 million euros. At 58.3 million euros, revenues in Germany were slightly higher than in the previous year (57.4 million euros), while abroad, a fall in revenues to 77.3 million euros was reported (previous year: 93.0 million euros).

Group EBITDA at 30.4 million euros

Despite the fall in revenue, the group's earnings before tax, interest depreciation and amortization (EBITDA) was 30.4 million euros, only slightly below the previous year's level (previous year: 31.4 million euros). As a result, the operating EBITDA margin rose from 20.9% in the previous year to 22.4%.

This good result is due to systematic cost management in all group companies. Overall, the group reduced operating costs by 10.4% from 132.1 million to 118.3 million euros.

The company significantly reduced other operating costs: they fell from 50.9 million to 40.1 million euros. The focus here was on expenditure for advertising and marketing, as well as legal and consult-

ing costs. External personnel costs also fell considerably, because important activities that were previously outsourced were performed by Nemetschek employees. Personnel measures were also carried out by the companies particularly affected by the crisis: in total, the group laid off 50 employees. As a result, personnel expenses fell to 60.4 million euros (previous year: 61.3 million euros). For fiscal 2010, the group expects steady personnel costs.

Amortization from purchase price allocation was reduced by 3.8% to 7.1 million euros (previous year: 7.4 million euros).

Consolidated net income up by 14.2 percent

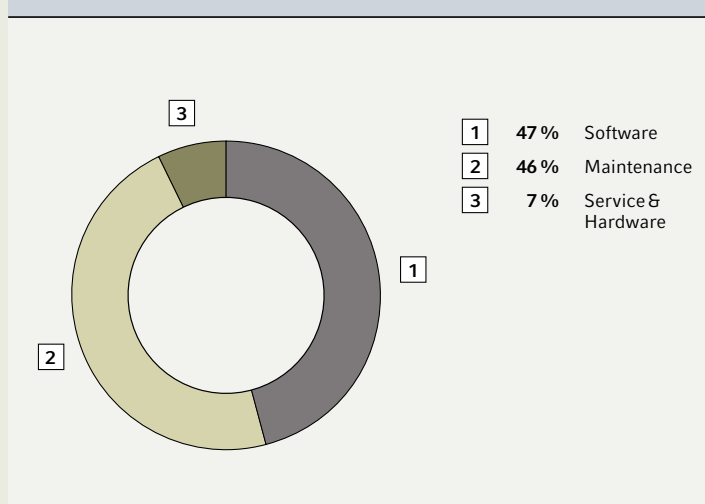
At 20.9 million euros, the group earnings before interest and taxes (EBIT) was at the previous year's level (21.0 million euros). As a result of prompt repayment of debts, the interest expense fell from 6.8 million to 3.7 million euros. This includes accrued, non-cash interest expense from a revaluation of the interest rate swap of 1.2 million euros (previous year: 2.5 million euros). In fiscal 2009, the group's effective tax rate was 27.1%, as in the previous year.

Against this backdrop, the annual profit (consolidated shares) rose from 10.4 million to 12.2 million euros. The minority interests in the net income were 0.7 million euros (previous year: 1.0 million euros). The earnings per share were 1.27 euros (previous year: 1.08 euros).

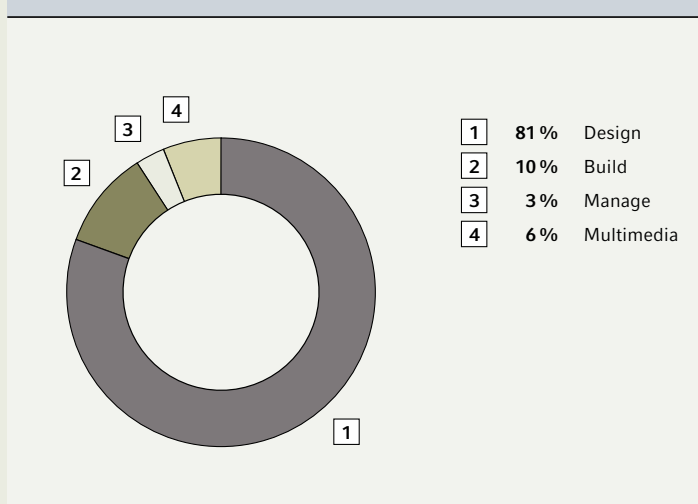
Profitable business segments

In fiscal 2009, the Design business segment achieved revenues of 109.5 million euros (previous year: 124.3 million euros). The EBITDA amounted to 22.0 million euros (previous year: 24.3 million euros), the EBITDA margin of 20.1% was slightly higher than in the previous year (19.5%).

Revenues by Elements in %



Revenues by Segments in %



Thanks to strong project business, revenues in the Build business unit rose by 8.6% to 14.0 million euros (previous year: 12.9 million euros). With an EBITDA of 5.4 million euros (previous year: 3.5 million euros), the operating EBITDA margin in this segment rose from 27.3% to 38.2%.

In fiscal 2009, the Manage business segment contributed to the group's results with an EBITDA of 0.7 million euros (previous year: 0.5 million euros), and its operating margin was 17.3%, compared to 11.6% in the previous year. This business segment achieved revenues of 4.0 million euros (previous year: 4.2 million euros).

The Multimedia segment achieved revenues of 8.1 million euros (previous year: 9.0 million euros). With an EBITDA of 2.4 million euros (previous year: 3.1 million euros) and a margin of 29.3% (previous year: 34.4%), this business segment also made a relevant contribution to the success of the Nemetschek Group.

Financial situation

Cash flow for the period 28.6 million euros

In fiscal 2009, the cash flow for the period was 28.6 million euros (previous year: 29.9 million euros). Interest expense from the interest rate swap of 1.2 million euros (previous year: 2.5 million euros) is included in the non-cash transactions. Cash flow from operating activities dropped to 23.4 million euros (previous year: 30.4 million euros). The main reason for this is the reduction of trade payables, provisions and accruals, as well as an increase in accounts receivable as a result of strong project business at the end of the year.

The cash flow from investment activities amounted to -3.69 million euros (previous year: -4.7 million euros). Besides investments in the

replacement of fixed assets, this includes final payments for the variable purchase price debts already reported in the balance sheet for the acquisition of the Scia Group as well as Nemetschek Bausoftware GmbH.

Net debt reduced to 9.3 million euros

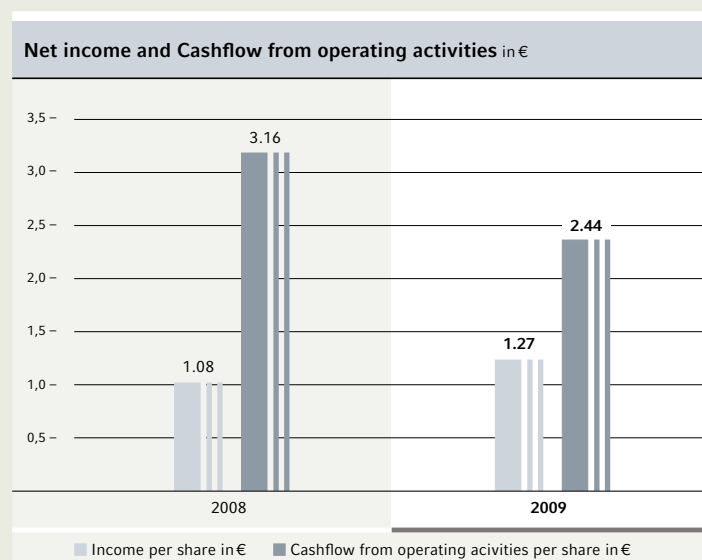
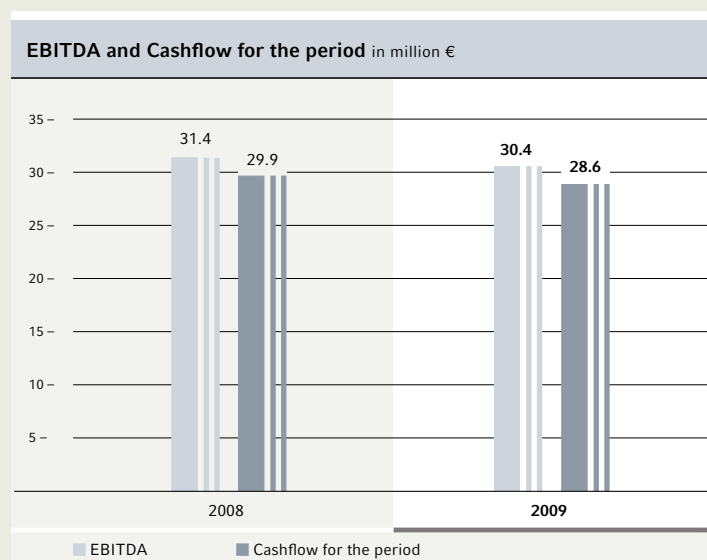
The cash flow from financing activities primarily contained the loan repayments from the financing of the Graphisoft acquisition of 17.1 million euros (previous year: 20.2 million euros) as well as the interest payments of 2.5 million euros (previous year: 4.2 million euros). Within three years, Nemetschek has repaid a total of 67.8 million euros of the bank loan of 100 million euros taken out to finance the Graphisoft acquisition.

At balance sheet date, cash and cash equivalents were 22.9 million euros (previous year: 23.2 million euros) with a remaining loan liability of 32.2 million euros (previous year: 49.3 million euros). The group expects to be free of net debt within fiscal 2010.

Net asset situation

Equity ratio at 50 percent

On the assets side of the balance sheet, current assets increased from 52.0 million euros to 52.8 million euros as a result of the slightly higher receivables generated by strong trading at the end of the year. Non-current assets decreased by 8.9 million euros to 106.5 million euros, primarily due to the systematic depreciation and amortization of assets from the purchase price allocation. The sum of intangible assets, including goodwill, thus decreased from 106.7 million euros to 99.5 million euros.



Of the current liabilities, 8.7 million euros (previous year: 8.0 million euros) are attributable to the current portion of bank loans from the acquisition of Graphisoft. The non-current liabilities contain further loan liabilities of 23.5 million euros. Financing from the acquisition of Graphisoft was long-term, so no credit changes are currently expected. The other long-term financial commitments relate to the interest rate swap accounted for at market value.

The equity capital totals 79.6 million euros on the balance sheet date (previous year: 67.9 million euros). On December 31, 2009, the balance sheet total was 159.4 million euros (previous year: 167.4 million euros). The equity ratio rose accordingly from 40.6% to 49.9%.

Investment analysis

The group regularly makes investments to replace fixed assets. A new ERP system is currently being introduced to efficiently map the core commercial processes within the group. The group anticipates an initial investment of 2.2 million euros in this regard. Investment in this project to date has totaled 1.5 million euros. The project is scheduled for completion in all material respects within the next two years.

Principles and aims of financial management

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 49.9% (previous year: 40.6%), current liabilities 28.5% (previous year: 27.7%), and non-current liabilities 21.6% (previous year: 31.7%). 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 three 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 in excess of 93% of the debt capital borrowed.

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 21.5 million euros 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 (e.g., accounts receivable, fixed-term deposits) and projected cash flows from operating activities. The group's objective is to maintain a balance between continuity of funding and flexibility.

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.

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, 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 efficiency 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 from 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 to the consolidated financial statement with all processes relevant to the preparation of the financial statement. The controls relevant to 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 principles 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 2009 by the internal audit department. In addition to the internal audit department, the 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-related internal controlling system. As part of his audit, the 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. This 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 as stringent and efficient business processes. Opportunities to further develop the business base and expand the portfolio are systematically identified and managed.

Market

The main opportunities and risks, which could lead to a significant change in 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 from 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 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 emerging from the current phase of consolidation as an industry winner.

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 is the risk that the global economic conditions will take another turn for the worse. Apart

from the general weakness of the credit markets of relevance to the construction and real estate industry and their conditions (liquidity, interest rates and risk premiums), the general conditions of the markets in which Nemetschek is active can permanently impair the purchasing power of our target groups. In addition, negative expectations about the possibilities for the economic growth could lead to a significant reduction in investment activity in the short and medium term. The Nemetschek Group tracks such changes by analyzing the early key indicators. From a medium term perspective, there is the possibility that the construction industry will continue to recover, particularly as the construction of new residential buildings in Germany and parts of Europe is at a low level.

Risks are diversified at Nemetschek through its involvement in multiple markets in various 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.

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 might arise in this context as a result of the pace of technological change, competitors' innovations or the entry of larger software companies into the market.

As a provider of specialist skills that cover its customers' particular requirements and that extend across the entire life cycle of buildings, Nemetschek is exposed to a lower degree of risk than other market players.

Products

There is a basic risk that the Nemetschek Group's innovative edge might be eroded by the competition through copying or by introducing their own innovations, or by the company's failing to adjust in time to changing client requirements and technological innovation. Nemetschek counters this risk by generally maintaining annual release cycles for its software products. There is the opportunity of winning additional shares of the market here 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 to comply with internal quality standards. Because of its innovative edge, Nemetschek is in a good position to gen-

erate profitable growth in the future. Particularly the increasing international orientation towards Eastern European markets and the Middle and Far East offers growth potential.

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 available resources or new 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 factor for success 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 issue is particularly sensitive if it also means 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.

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 significant, positive cash flow, which is used to reduce liabilities and 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 using the methods described. The group generally pursues a conservative strategy with a cautious approach to risks.

Currency risk and risk management

In the course of ordinary operations, the Nemetschek Group is particularly exposed to exchange rate fluctuations. It is company policy to exclude or limit these risks by entering into hedge transactions. The cur-

rency risks of the group are due to the fact that the group operates and has production and sales centers in different countries worldwide. All hedging activities are coordinated or performed centrally by group treasury. Exchange rate fluctuation only has a limited effect at the 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 the foreign exchange risk that results from cash flow from (anticipated) business activities and financing arrangements denominated in foreign currencies. On the balance sheet date, there are no forward exchange contracts in the group.

Risk of default 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 master netting agreements.

The company does not expect that any of its business partners with high credit ratings will fail to meet their obligations. The Nemetschek Group has no significant concentration of credit risk with any single customer or customer group. 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, such as cash and cash equivalents, the group's maximum exposure to the risk of default arising from default of the counterparty is equal to the carrying amounts 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 and 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.

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. 93 percent of the interest expenses on borrowed capital had been hedged as of December 31, 2009. A revaluation of the interest rate swap on the key date resulted in an interest expense of 1.2 million euros (previous year: 2.5 million euros), which did not however have any impact on cash flow.

Summary assessment of the group's opportunity and risk situation

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

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 will take place in the future. These forward-looking statements are identified by formulations such as "expect," "intend," "plan," and similar terms. These forward-looking

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

Outlook for 2010/2011

Improved global economic climate

As of the second half of 2009, the economic climate improved worldwide. Key indicators on the development of the consumer and business climate in the USA and Europe rose significantly. The USA reported clear economic growth of 6 percent for the 4th quarter of 2009. In view of this, in January the International Monetary Fund (IMF) raised its most recent forecast for the global economy in 2010 by almost one percentage point to plus 4 percent. Growth at this level is also expected for 2011.

Regionally, however, there are very different development estimates. Growth will be primarily generated by a consumer-driven upturn in the emerging economies in Asia, South America and the Middle East. In contrast, the growth outlook for the established industrial nations is far lower. Economic growth of 2.7 percent is forecast for the USA, 1.7 percent for Japan. The IMF forecasts below-average growth rates of between 1.0 percent and 1.5 percent in 2010 for the major European economies of Germany, UK, France and Italy. Spain is expected to remain in recession.

There is still the risk of a further downturn of the global economic situation in 2010, as the US real estate market could experience a further price drop. In addition, the refinancing options of large financial market institutes and individual public debtors could deteriorate once again, which would impact the global financial system. The consequences of the financial crisis for the job market are also only now being revealed. The unemployment figures will probably peak during 2010.

Cautious prospects for the construction industry in Europe

Because the commercial and residential construction sectors will be lacking significant investment stimuli in 2010, the research association Euroconstruct expects a slight fall in construction output of -2.2 percent in its annual forecast for the EU-19 countries (fall in 2009: -8.4 percent). While the funds from economic recovery programs are also being invested in public-sector building measures, these can only partially compensate for the drop in demand for construction elsewhere.

According to Euroconstruct, the reduction in construction of new residential and commercial buildings will be in the mid single-digit range in 2010, while infrastructure will see weak growth. In the European construction industry overall, slight growth of 1.6 percent cannot be expected again until 2011. Similarly, in the traditionally high-revenue EU markets for the Nemetschek Group, such as France and Italy, slight growth cannot be expected until 2011.

In Germany, economic research institutes expect a slight increase in construction sector output of 0.6 percent in 2010, according to their expert report published in the fall. Industry associations also attribute the comparatively positive development in Germany to the federal government's economic programs. However, association representatives fear that the construction industry could feel the effects when these programs expire in 2011.

Different expectations in the business segments

From today's perspective, the market environment for the Design business unit is relatively inhomogeneous. Thanks to the effects of the economic programs, the economic expectations of freelance architects and civil engineers in Germany have improved since the start of the 4th quarter, according to the Ifo Institute, even if they are still clearly below the values from 2006 - 2008. The companies in the Design business unit see opportunities for growth in the individual Eastern European countries, such as Poland, and in the emerging economies of Asia and South America. In contrast, market growth is initially not expected in the group's most important European markets.

The companies in the Build and Manage business segments, which primarily operate in German-speaking countries, expect the 2010 results to stabilize at the 2009 level. Cyclical project business is comparatively dependent on individual large orders. For the Multimedia business segment, on the other hand, growth is expected in 2010, because the economic recovery should have a positive impact on the media and advertising industry.

Substantial investments in research and development

In 2010 and 2011, investments in research and development will remain at the high level of previous years. All the group's software solutions will be systematically enhanced in order to find innovative solutions for the current topics such as Building Information Modeling and sustainability. The company will also continue to drive forward medium- and long-term development projects; the focus here will be on ease of software use, customers' specific work processes and greater integration of the Internet. In the Build business segment, development will begin on the new generation of technical construction software, which will be driven forward jointly by the development teams in the member companies.

Gradual international expansion and new partnerships

The Nemetschek Group's relatively moderate fall in revenue in the past year, compared to the industry as a whole, is due not least of all to its strong position in German-speaking countries. In contrast, the situation in some EU countries, and particularly outside Europe, was extremely difficult. As the economic situation eases, the group companies will once again focus on the international markets in the coming fiscal year. They will approach this gradually and in a highly targeted manner. Where the opportunity arises, they will also exploit synergies in the group, for example the new Scia sales branch, which shares offices with Nemetschek North America.

Nemetschek will also continue to expand its network of partnerships. This applies both to local partners who will support international expansions, and to the integration of special software solutions that will satisfy wide-ranging customer requirements.

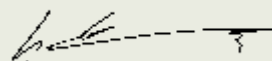
Stable earnings situation expected

Overall, Nemetschek expects the revenue level of 2009 to at least remain stable for 2010. In view of the slowly improving economic situation, the companies in the group are on average planning growth in the low single-digit percentage range. Revenues from license sales are expected to increase, but income from maintenance contracts should grow too.

Despite the fall in revenue, Nemetschek was highly profitable in crisis year 2009, and the high operating margin should be maintained in 2010. The managing board and group controlling will consistently monitor the efficiency of the individual organizations and if necessary react flexibly to business development in the subsidiaries. However, in order to meet the objectives of long-term corporate management, Nemetschek will not only keep investments in research and development at a high level, but will also invest again in the expansion of its market presence.

In the future, the managing board will continue to ensure that the operating result is reflected in a corresponding cash flow. Thanks to the high cash flows, the company was able to reduce its bank liabilities from the Graphisoft acquisition within a very short period. As a result, the interest expense in 2010 and 2011 will be considerably lower, which will also be reflected in the net income.

Munich, March 5, 2010



Ernst Homolka
CEO