Building the Future

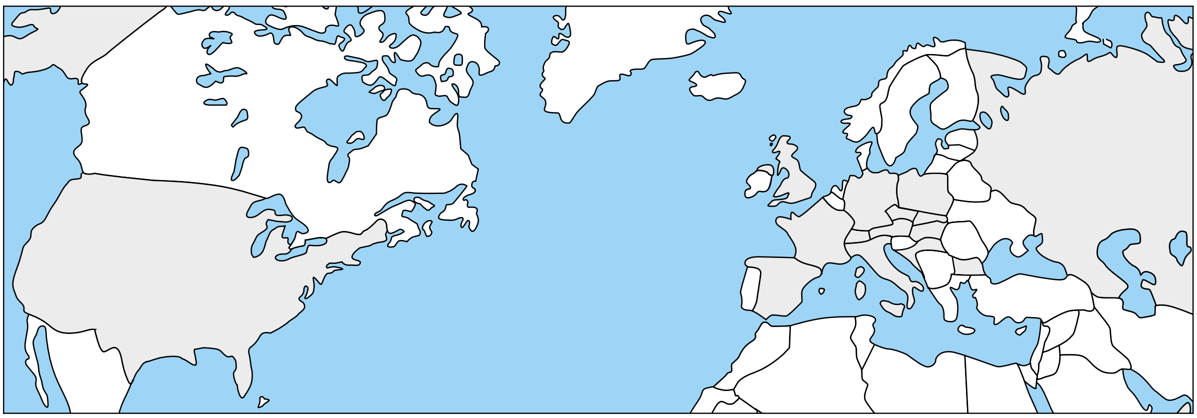
Annual Report | 2001

Nemetschek Group at a Glance

	2001 in million DM	2000 in million DM	Change %
Sales revenue	**243.4**	**247.7**	**– 1.7 %**
Operating income	**247.9**	**253.1**	**– 2.1 %**
Gross profit	**217.6**	**210.7**	**3.3 %**
as % of sales revenue	89.4 %	85.1 %	
EBITDA	**12.2**	**16.4**	**– 25.6 %**
as % of sales revenue	5.0 %	6.6 %	
EBIT	**– 86.8**	**– 8.3**	**945.8 %**
as % of sales revenue	– 35.7 %	– 3.4 %	
Net income/DVFA/SG profit after goodwill amortisation	**– 90.9**	**– 10.7**	**749.5 %**
per share in DM	– 9.44	– 1.11	
DVFA/SG result before goodwill amortisation and equity-results	**– 2.2**	**8.2**	**– 126.8 %**
per share in DM	– 0.23	0.85	

Nemetschek. Present Worldwide

160,000 customers world-wide.
Represented in 142 countries.
14 international subsidiaries.
400 sales partners.
More than 1,000 employees world-wide.
Three European development centers.



Nemetschek Country Representation (without Sales Partners)

Gerhardt Merkel | Chief Executive Officer

Setting the course for the future.

Ladies and Gentlemen,
Dear Shareholders,

Nemetschek AG looks back on a difficult period. While the economy as a whole has been weak, the construction industry and thus our most important target group was hit particularly hard. Investment stops, weak order books and business failures have lead to a serious crisis in the building industry. In addition, we have had to contend with an unexpected rise in reluctance to invest in the IT sector.

As a result of these developments, the sales and profit figures in fiscal 2001 were unsatisfactory. The managing board reacted quickly and rigorously to this situation with a comprehensive package of measures. With our restructuring program we are lowering costs, increasing productivity and increasingly harnessing the syngergies across the Group. The company organization, the sales and marketing departments and the product portfolio are being completely overhauled and tailored to the new needs and requirements of our customers and business partners.

The Group is undergoing a process of restructuring as we set the course for a successful future now. “Building the Future” is more than a slogan – it represents a concrete strategy for the future. We at Nemetschek are convinced that we are on the right track to making Nemetschek AG into a strong, profitable and innovative company in the medium term. The managing board would like to extend its thanks to all those contributing to the future of Nemetschek: the employees for their commitment and the shareholders for their trust. Nemetschek – Building the Future. See for yourself.

Gerhardt Merkel

Building the Future.

Our Philosophy

For 40 years, Nemetschek AG has successfully been developing products for the construction industry. In the future, based on the idea of being a full-service provider, we will offer our customers not just products, but solutions for the entire lifecycle of buildings, from design to construction and management. The construction industry's future is characterized by comprehensive, full range solutions. We support our customers as they meet their daily challenges – architects, civil engineers, building contractors or facility and real estate managers. We are dedicated to finding the right solution with real added value for all of our respective customers.

Our Core Competencies

Our Group's core competence is defined by providing intelligent products and solutions for the design, construction and management of buildings. The scope of our product palette is unique and compatible with almost all of our customers' software environments. The construction industry will remain the focus of our business strategy in the future, too. In addition, it is Nemetschek's goal to enter new markets and thus expand our competencies.
In addition to our leading products, our employees are the key to our success. They are familiar with our customers' needs and are instrumental in recognizing new trends. Moreover, during the last year, the Nemetschek Group has added new leadership and management talent. Internationally experienced sales and marketing managers, as well as sales and innovation strategists support Nemetschek's powerful team and will help advance our strategy in collaboration with our long-time industry experts.

Our Strategy

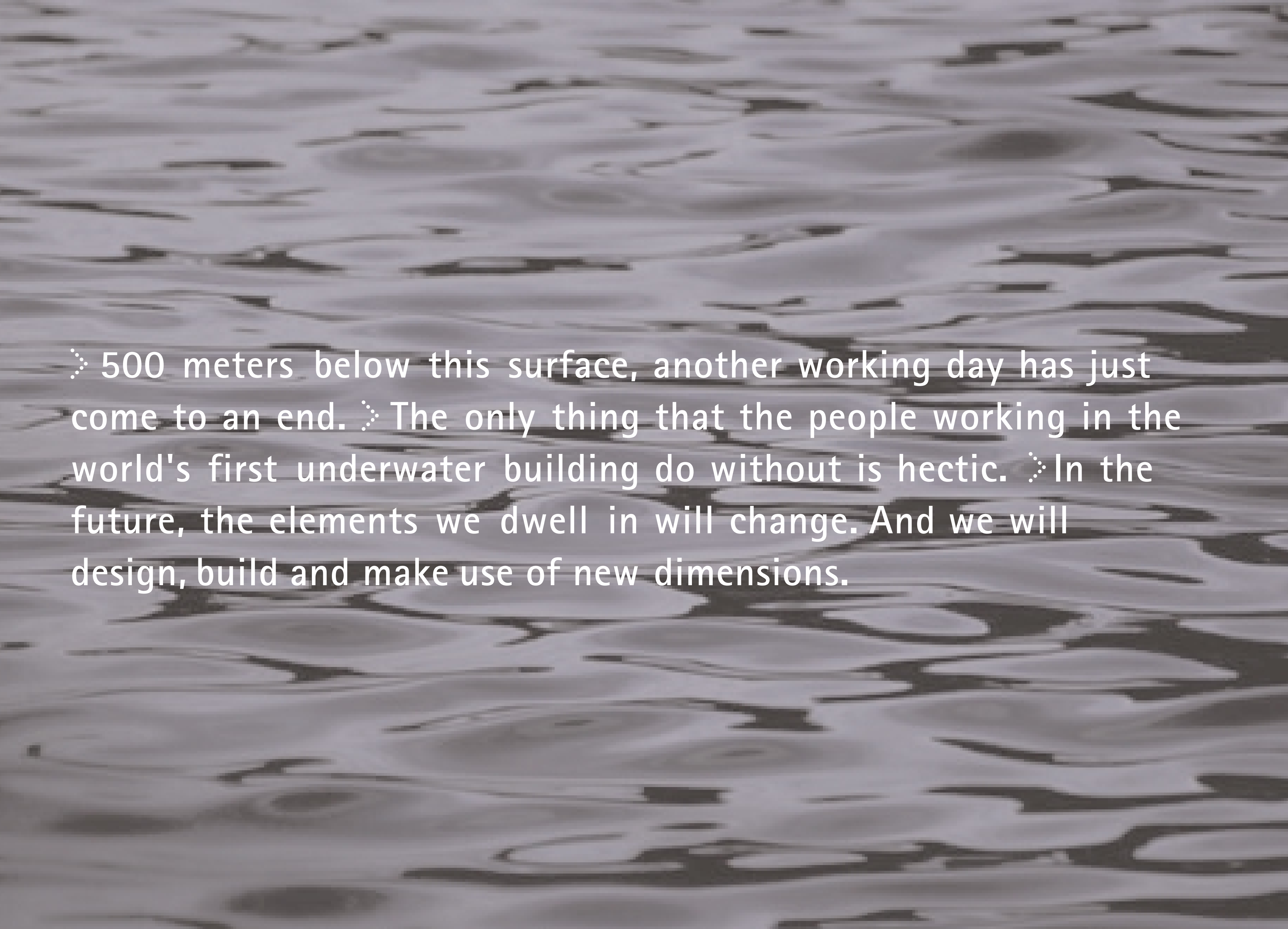
Today, with more than 160,000 customers in more than 140 countries, Nemetschek is Europe's largest and best performing AEC software vendor, with high market penetration, recognized product quality and experienced employees. In the future, we will approach and support our customers even more effectively. In the area of key account customer management, we will strengthen our sales and offer integrated software solutions along with consulting services to leading industry companies, banks, insurance companies and to the public sector. We will also streamline our organizational structure so that we can serve our market even

more effectively. Close management of the companies acquired since our IPO has resulted in better integration of these companies with the Nemetschek Group, with the objective of reaping more benefits from potential synergies. Due to the new management division "Technology" and the newly created "Corporate Development" division we control product development within the Group and focus our powers of innovation even more closely on the market's requirements. Our modern, unified market presence will emphasize our solution competence in building design, construction and management during outside communications as well.

We have already secured a significant share of the German market. It is now time to advance our international expansion. For example, we consider Great Britain one of Europe's central markets for AEC software and multimedia, a market that we are entering through the foundation of Nemetschek (UK) Ltd. and Maxon Computer Ltd., respectively. We will target the Spanish market more aggressively as well. There are also success stories from overseas: Nemetschek North America, Inc. can look back on the most successful year in the company's history. In the medium term, other promising markets of the future include Belgium, The Netherlands, Luxembourg, Scandinavia, Eastern Europe and Russia. Thus, in coming years, we will actively advance our internationalization plans and increase the international share of our sales to 50 % from its current 34 %. To this end, we will ready our IT solutions for the global market and focus even more closely on internationalization during product development.

New markets also hold growth potentials for us: For example, we are targeting new groups of customers outside the construction industry with cost management and controlling tools from Apsis and with Maxon's multimedia animations. Our core target groups include consultants, IT service providers, marketing and Internet agencies, as well as the film and TV industry.

A powerful organization that is in close touch with the market and exploits synergy potentials, an organization with a consistent international expansion strategy and a dedication to opening new business areas as well as to the continuous evolution from product vendor to solution provider – these are the central elements of Nemetschek's strategy. All of this stands for "Building the Future".

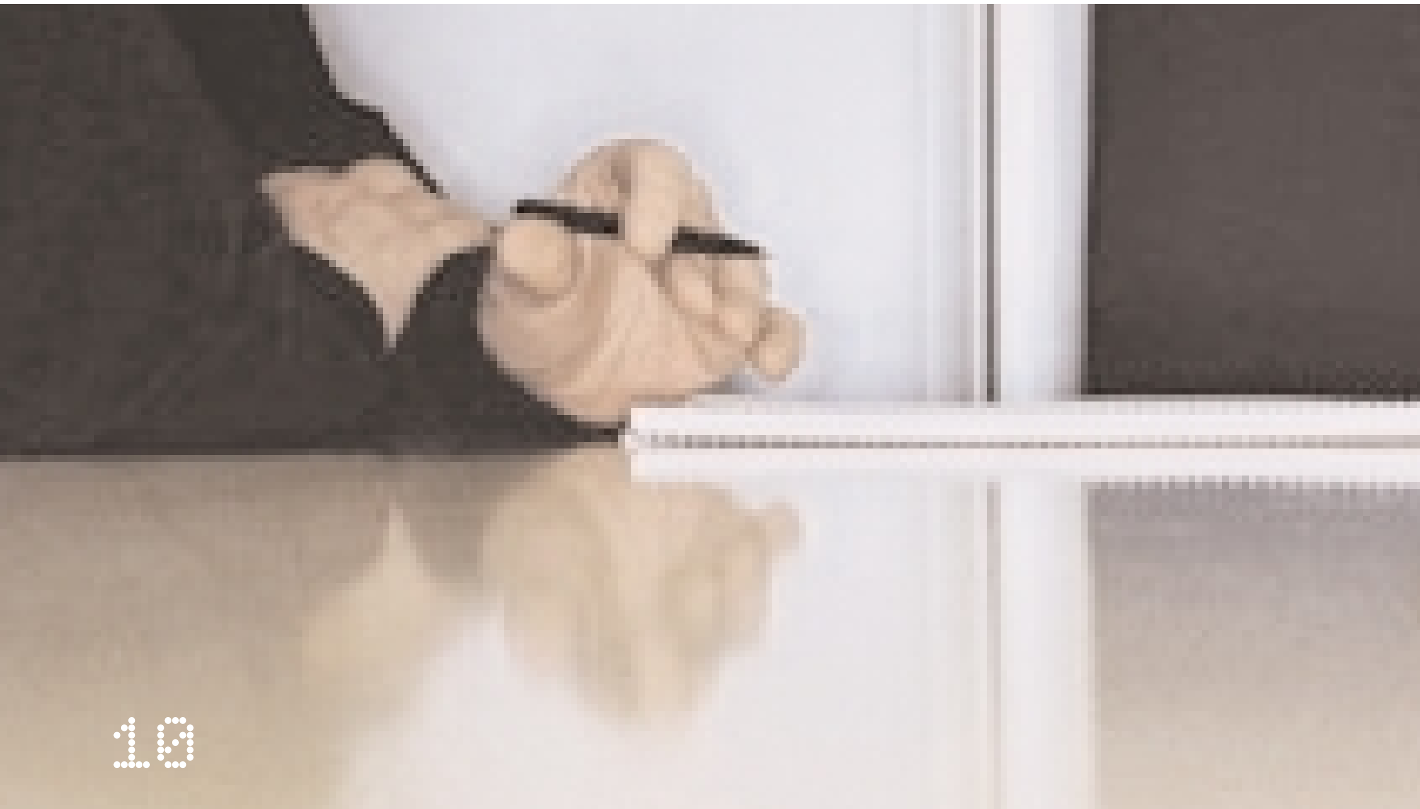


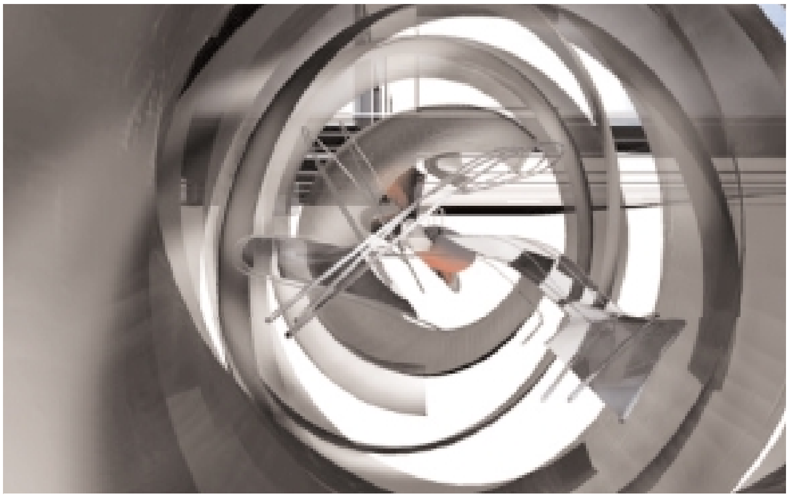
500 meters below this surface, another working day has just come to an end. The only thing that the people working in the world's first underwater building do without is hectic. In the future, the elements we dwell in will change. And we will design, build and make use of new dimensions.

Comprehensive solutions with added value for architects and engineers.

Highly demanding quality and creativity requirements, tight schedules and cost-related pressures are challenges that architects and engineers face on a daily basis. Given rising economic pressure in the construction industry, our customers increasingly rely on professional, practical software solutions. Drawing upon many years of experience in the construction industry, the Nemetschek Group offers comprehensive software solutions to its customers. Together with our high performance subsidiaries – acadGraph CADstudio GmbH, Friedrich + Lochner GmbH, Glaser -isb cad- GmbH and Nemetschek North America Inc. – we offer a range of products that is compatible with almost all software environments. In the future, we will continue to develop these solutions with an even stronger focus on our customers and further expand our market position.

Nemetschek has already achieved a successful market position, with products such as Allplan FT for design, presentation and detailed planning, Allplot FT for structural engineering and construction and Allright FT for costing, tendering and accounting. Around the world, about 100,000 customers working in architecture and planning rely on our comprehensive solutions and we are devoting hard work to the further development, expansion and optimization of these solutions. Considering the current economic slump within the industry, time and costs are becoming increasingly crucial competitive factors for our customers. In addition, there are growing requirements with respect to graphics and visualization, but also with respect to qualitatively superior results, in order to define and guarantee construction costs, for example. We embrace





[s]pacemaker project: Michael Carstens

these conditions and trends and convert them into software solutions. For example, the new Allplan FT version features optimized graphics and visualization options, faster program sequences and a new integration option with Allright, which enables users to consistently create plans, site documentation or calls for tenders in their entirety.

We work quickly and flexibly when it comes to further development of our software solutions: Our competent developers worked without delay to incorporate new legal provisions in our Allright FT and C3 Bauphysik products, such as the construction deduction tax and energy conservation directive. Our solutions' innovative power was showcased when readers of the Deutsche Architektenblatt voted Allplan FT "Product of the year".

With the debut of MyOffice in late 2001, Nemetschek introduced a new office management system that lets our customers control and organize processes, documents and project costs. This product can significantly lower office and internal project management costs. Another example of a current innovation is the second generation of our digital drawing table D-Board, which we introduced at the ACS 2001 computer tradeshow. ACS was also the venue where we announced our cooperative partnership with ICIDO GmbH. In the future, we will work closely with this company to develop software tools for virtual building inspection.

During these difficult economic times we not only support our customers with new products, we also offer inexpensive starter models. Since last fall, we have been offering more affordable versions of our CAD programs Allplan LT and Allplot LT, so that our customers do not have to forego the use of state-of-the-art software during difficult economic times.

As the leading provider of comprehensive solutions in the area of planning, we will further bolster our market position in the future and expand our key account business. The new contract with DaimlerChrysler AG already illustrates our first successful endeavors in this area. From now on, DaimlerChrysler's planning department will rely on an integrated, comprehensive Nemetschek solution that displays the entire planning process, from CAD and calculation to tendering. The document management system Allaska provides an additional example. Allaska is in use at Europe's largest construction site, Terminal 2 at Munich Airport. The system administers about 300,000 plans and more than 25 planning and engineering offices exchange data using it. Thus, the Group's strategy of offering a broad spectrum of software and consulting services "from a single source" proves to be a sound one. Nemetschek will continue to pursue this strategy consistently. With a powerful international sales network, we are determined to increase our products' market share abroad as well. Additional components of this strategy include the successful positioning of Nemetschek North America and the foundation of Nemetschek UK.

The school of the future is being built here. A bold design, perfectly thought out. Filled with state-of-the-art technology. The generation of tomorrow is thus a step ahead of its time.

Software as a success factor: A clear competitive advantage in the building industry.

Construction companies are facing more and more complex demands from their customers. They are increasingly taking on the role of general contractors, offering their customers complete solutions from the construction concept to facility management services. At the same time, all of the industry's processes and business activities are speeding up – accompanied by increasing competition. Given these developments, there is a growing need for quick and goal-oriented exchanges of information among all participating project partners. Thus, software solutions are becoming the key to competitive success, since they can significantly boost process efficiency and professionalism for construction projects. This is an area where the industry can realize significant savings potentials. Nemetschek is setting the standards in this area, developing solutions and tools which are acclaimed because they are tailored to meet individual customer and industry needs.

With its products Baufinancials and Bau für Windows, Nemetschek Bausoftware GmbH has successfully positioned itself within the market for integrated AEC software solutions. These two software tools cover the entire construction services process, from tendering and costing to payroll accounting and solve the day-to-day technical and business tasks that are part of the construction industry. Moreover, with last year's market debut of Rivera, Nemetschek has introduced a high performance solution for workflow management. Rivera is a construction management project control system with a modular design that supports its users from the project acquisition phase to warranty services. This means that Nemetschek customers can save time on project management tasks and thus realize a marked increase in efficiency. Only a year after its introduction, 1,000 users are already working with the system in Germany, Austria, Switzerland, the Czech Republic and Hungary.

Nemetschek's Austrian subsidiary Auer Bausoftware GmbH was particularly successful during the past year. Auer Bausoftware GmbH is by far Austria's leading company for technical and business management systems in the construction industry. About 85 % of construction industry businesses rely on solutions offered by the Nemetschek subsidiary. Auer will continue to bolster its dominant position with the introduction last fall of Version 2.0 of the hit product AUER Success. With STRABAG AG, Austria's largest construction company has now switched to AUER Success as well.

In the future, the "Construction" business unit will continue to emphasize expansion into the European market. The first indicators of success are already evident in the market for pre-fabricated buildings. With Allready, Nemetschek has created an innovative software solution that covers everything from planning to production control for pre-fabricated units. During the past year, Nemetschek made inroads in this area particularly in Belgium, The Netherlands, Luxembourg, Great Britain and the U.S. Since last year, Preinco S.A., one of Spain's leading companies in the pre-fabricated units industry, has been working with Allready.

Moreover, it is our strategic goal to make more efficient use of synergies within the Nemetschek Group in the future. An important step in this direction was the January 1, 2002 merger of our two subsidiaries IBD GmbH and Henke & Partner GmbH & Co KG into Nemetschek Bausoftware GmbH. It is our medium-term goal to turn the merged company into Europe's IT market leader for medium-sized businesses in the construction industry. The merger consolidates our resources in sales, service and development. In the future, both companies will enter the market as a single unit.

In addition to internationalization and the creation of synergies, the "Construction" business unit is also logging its first successes in its endeavor to focus sales strategies on key account customers. In the future, one of Switzerland's largest construction companies, Marti AG, will rely on the Nemetschek solution Baufinancials to conduct its business. In addition to basic software installation services, Nemetschek also devoted its many years of industry know-how to this project by supporting the customer during the process of implementing and realizing the integrated IT concept.

The building being constructed here will produce all of its energy requirements itself. Its inner life will be controlled via the Internet. At last, a property that is almost as intelligent as the people who use it.

Savings potential and additional benefits: Solutions for facility and real estate managers.

Facility and real estate management faces steadily increasing demands with respect to quality and profitability. The volume of data to administer and analyze continues to increase while facility and real estate managers perform tasks that grow ever more complex. Today, professional facility and real estate management is no longer possible without the assistance of current information technology. The Nemetschek Group offers comprehensive IT products and consulting services for facility management. The advantages of our comprehensive approach – from planning and construction to management – are clearly evident. The planning phase already includes plans for future building management so that redundant data entry can be avoided. These time and cost savings inherent in Nemetschek's IT solutions increase the profitability of facility and real estate management.

With the software tool Allfa, Nemetschek's "Management" business unit is positioning itself for these multilayered tasks, from building management to area management, including analysis, visualization and management tools. The products offered by Nemetschek subsidiaries SpeedWare Software and X-World are ideal enhancements. While SpeedWare has been the specialist in commercial real estate management for more than 20 years, X-World's focus has been on consulting services for modeling complex organizational and management systems.

Due to the closer collaboration in development and sales at Nemetschek's locations and subsidiaries, we are increasing market proximity and customer benefits. This year, we will also intensify the working relationship between SpeedWare, X-World and Nemetschek AG. The objective is to build a powerful competence center to develop IT solutions for facility and real estate management.

In addition to utilizing synergy potentials, we are also counting on a strategy of innovative leadership in the "Management" business unit. Allfa iSIS, a solution designed to request relevant data in case of catastrophic emergencies, is an example that illustrates Nemetschek's potential for innovation. Thus, our developers react quickly and flexibly to current trends. Allfa iSIS enables management or individuals at decentralized locations, such as emergency crews, to request all crucial data on buildings, the employees in the building, equipment and hazardous materials. The new Internet-able solution has been customized to meet current security requirements. The connection of Nemetschek's Allfa FM Manager to AutoCAD is another example of our practical solutions. In the future, users can already store data about future management during the planning phase. That is how we meet the needs of construction clients and investors, who want comprehensive software solutions that encompass a building's entire lifecycle. Our customers thus receive information technology for planning, construction and management of buildings from a single source.

We will use this innovative approach to aggressively increase our key account customers market shares in the "Management" business unit as well. We have begun an exemplary project of efficient facility and real estate management at ARAG Insurance Group, a leading international insurance company. As part of this project, the products Allfa and CREM by Nemetschek AG and Nemetschek SpeedWare, respectively, are being installed at ARAG's European headquarters in Düsseldorf and optimally combined for the future. This product combination represents a trend-setting, comprehensive system for the technical and business aspects of real estate management.

ARAG Insurance Group thus relies on seamless software solutions – one of Nemetschek Group's strengths that we will use in the future to improve our market position even further.

Thinking ahead: Solutions for new markets.

In addition to our core competence in building design, construction and management, we are also pursuing growth sectors outside the constructing industry: Our subsidiaries Apsis and Maxon are entering new market segments in project and cost management and the multimedia market. During 2001, Apsis Software AG was among the Nemetschek Group's rapid growth companies. Apsis is a market leader in project and cost management for building/engineering and in IT accounting systems. The product palette includes standard software solutions and consulting services for large companies and the public sector, as well as standardized products for architecture and engineering offices. Apsis solutions for project controlling succeeded at winning over customers outside the construction industry, including CommerzLeasing und Immobilien AG, SIAT, Hausbau Wüstenrot and the state administrations of Brandenburg and Hessen. According to leading market research companies, the potential for growth is particularly good within the public sector and industry: Expansion from a software provider to a market-oriented solution provider is also reflected by a sales increase. During the most recent business year, Apsis sales rose by more than 60 % for a total of EUR 5.4 million.

Our multimedia subsidiary Maxon Computer GmbH also services market segments with large growth potentials. With this stake in Maxon, we have integrated in the Nemetschek Group an already very successful company with global reach. The highly sophisticated tool CINEMA 4D lets users implement excellent visualizations and animations in a professional and efficient manner. Technical experts have recognized this product with more than 50 awards and test victories. Most recently, CINEMA 4D won MacWorld Magazine's "Editor's Choice" award and was recognized as the year's best 3D program. In Germany, CINEMA 4D already enjoys a 25 % market share, with a global market share of about 3 %. We expect to see significant growth in this market, especially in the U.S. Maxon Computer Inc. is headquartered near Los Angeles, so that we are in close proximity to the biggest potential customers in the film and television industry. We will aggressively advance the internationalization of our sales in this area as well. In addition to the U.S., we are also looking towards promising markets in Japan, England and France. 3D displays for advertising and Internet agencies, e-learning tool vendors and the medical field also represent areas with significant growth potential. Moreover, linking CINEMA 4D to our CAD systems gives architects access to high quality visualizations and animations in their work. This translates into competitive advantages and economic benefits. Early on, the construction client can already visualize the result of his investment. Once again, Maxon realized a sales increase of almost 50 % for a total of EUR 6 million.

Use of modern Internet technology in the construction industry holds promising possibilities that we will see to exploit through our affiliated company MyBau AG. MyBau positions itself as a trade and communications platform for the entire construction and real estate industry. The product palette includes a tendering database, various ASP offers (software leasing), a procurement system with product catalog, as well as a MYBAU project room. The latter is a Web-based office to promote efficient collaboration of all project participants. The e-business market requires substantial investments. In order to provide a broader base for these investments, we have won the support of two strong companies, STRABAG AG and Bilfinger + Berger Bauaktiengesellschaft. Retroactive to January 1, 2001, all partners hold one third of the shares each. Bilfinger + Berger Bauaktiengesellschaft and STRABAG AG und Bauholding are two industry giants with total sales of EUR 10.5 billion during 2000 and 60,000 business partners each. MyBau will now reap the benefits of this vast customer potential.

Reorganization – putting us back on track.

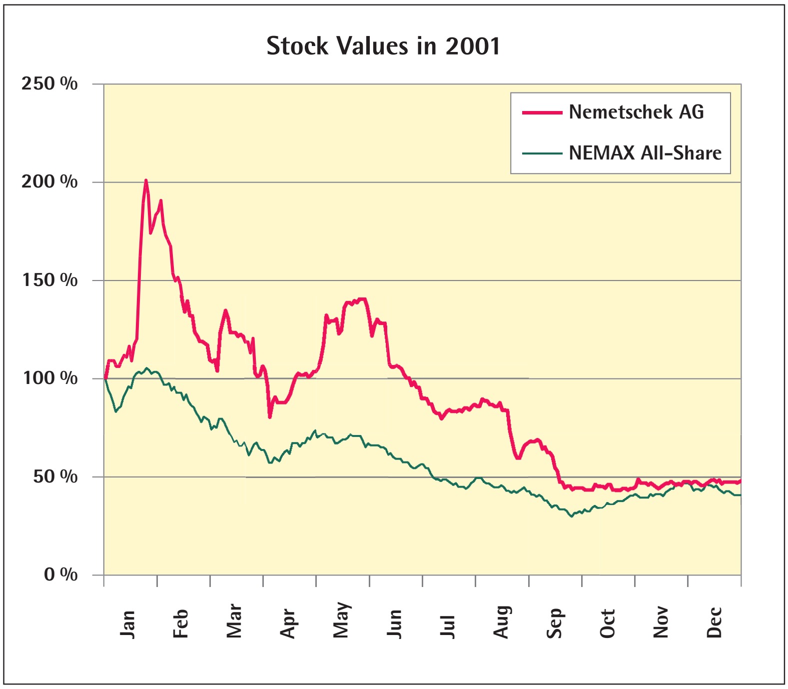
The stock markets, which got off to such a euphoric start at the beginning of the year 2000, collapsed dramatically in 2001. NEMAX and DAX suffered significant losses, the Neuer Market saw numerous bankruptcies, fundamental corrections were made to business goals and missed sales and profit prognoses were everyday events.

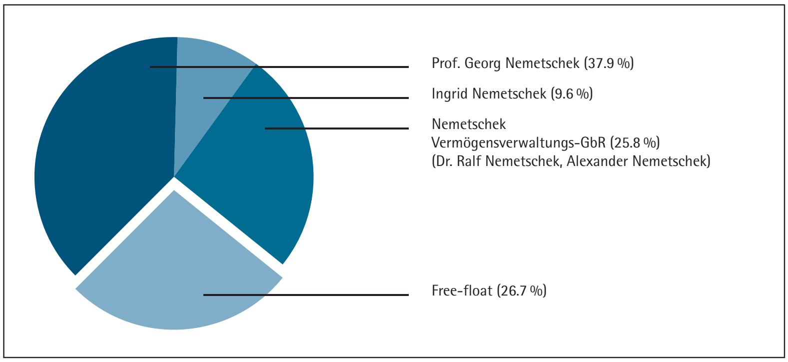
Nemetschek AG could not remain unaffected by this stock market situation and the negative developments in the construction industry. Unexpectedly, the construction industry's economic situation took another turn for the worse. Thus, we were forced to correct our planning for the year 2001 and we did not meet our sales objectives. Due to the high level of fixed costs typical for software companies and due to falling sales, the overall profit also fell below our planned goal.

Compared to the indices – NEMAX All-Share and NEMAX 50 – Nemetschek's stock value suffered a less punishing loss during 2001. Both of these indices lost about 60 % of their value, while Nemetschek AG's stock value fell by 51 %. While Nemetschek stock opened at EUR 9.10 at the beginning of the year, the stock closed at EUR 4.50 on December 29, 2001, following a year of varied developments. We are not satisfied with this result, as the stock is clearly valued below its potential. We are Europe's market leader for building design, construction and management with sales amounting to EUR 124 million, while our stock capital was valued at merely EUR 43 million at the end of 2001. We have introduced far-reaching turnaround measures in order to return to profitability. "Building the Future"

stands for reorganization, cost savings and a dedication of focus on our core competencies. The Nemetschek Board has thus put the company on track for significant performance increases. Despite the continued negative economic conditions we are convinced that the results of this strategy will already become apparent during the current year.

The Nemetschek family also supports this course of action. As the majority stockholder, the family has not sold any shares. Our stockholder structure thus remains essentially unchanged: Prof. Georg Nemetschek (37.9 %), Ingrid Nemetschek (9.6 %), Nemetschek Vermögensverwaltungs-GbR (25.8 %) and free-float amounting to 26.7 % (including 0.15 % held by Nemetschek AG). The employee shares that were in secure holdings from the time prior to the IPO were mostly released during May 2001 and have been transferred to employee accounts.





Consolidated Financial Statements of Nemetschek AG

As of December 31, 2001

Group Management Report

During the fiscal year 2001, the Nemetschek Group faced difficult market conditions. The consequences of a weak economy were particularly severe for the construction industry, which represents the Nemetschek Group's most important customer segment. Moreover, the retrenchment in IT investments presented an unexpected challenge for Nemetschek Group. Due to these adverse market conditions, we were forced to revise our sales and profit figures downwards. Domestic sales in the Architecture and Civil Engineering business units in particular remained below target figures. The Nemetschek Board quickly reacted to this changing situation with the introduction of a comprehensive restructuring program to lower costs and increase productivity. Initial positive results from the restructuring efforts are already becoming evident. NEMETSCHEK NORTH AMERICA Inc. enjoyed its most successful year in the company's history. NEMETSCHEK UK Ltd. and MAXON Computer Ltd. were founded in Great Britain to enter the English market. Nemetschek will pursue its international expansion course in 2002, too. Moreover, with MAXON Computer GmbH and Apsis Software AG, the Group is also serving growing markets outside of the construction industry.

The Sector Market

Continued Economic Downturn in the Construction Industry

Once again, during 2001, the construction industry was mired in recession, with no end in sight. With its poll of architects during the fourth quarter of 2001, the Ifo Institute revealed the chilliest business climate in 15 years. According to the German Construction Industry Association (Zentralverband des Deutschen Baugewerbes), last year's investments in construction projects fell by six percent or about EUR 14 billion, compared to the previous year. The residential building sector experienced the biggest drop with more than seven percent. Commercial and public construction investments fell by a total of four percent. The situation is particularly dramatic in Germany's newer states: For the eighth year in a row, companies in the East of Germany were faced with significant drops in demand for construction projects. 2002 looks no better: Construction investments are expected to drop by a total of two percent, with a three percent drop in residential construction. In contrast to Germany, the remaining Western European countries experienced slight increases in construction investments. At the same time, construction investment dropped in Eastern Europe, especially in Poland. Euroconstruct expects another improvement in the situation in Western Europe, and also expects to see positive growth rates once again in Eastern Europe, starting in 2003.

The End of the IT Boom

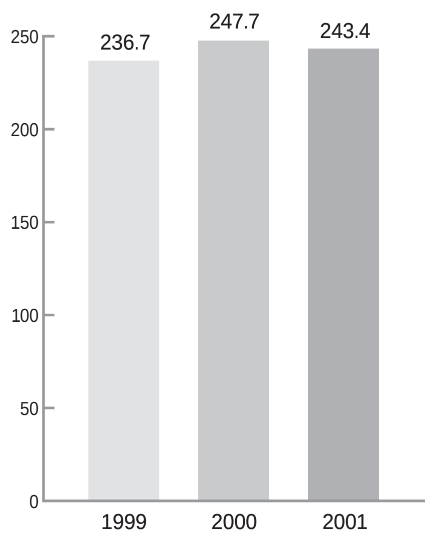
Following a prolonged boom phase in the IT sector, the demand for information technology products entered a phase of stagnation at the beginning of the year 2001. In general, sales of hardware, as well as software products and solutions were expected to pick up again during the second half of 2001. This positive development proved overly optimistic, as the situation actually worsened: During the traditionally strongest fourth quarter, almost all of the IT market's sectors and segments experienced another significant drop in demand. Private users and especially commercial users froze their IT investments and all non-essential projects were put on ice. The general economic downturn and the uncertainty in the wake of the September 11, 2001, terrorist attacks caused even further retrenchment among already reluctant investors. However, leading market research institutes such as Dataquest or the Ifo Institute do expect the market to recover during the second half of 2002.

Market Trends

As the economic situation worsened, Nemetschek customers continued to feel increasing economic pressure. Architects, civil engineers, building contractors as well as facility and real estate managers are forced to further optimize their processes to save costs. At the same time, our customers' economic considerations go far beyond individual construction process sectors. Customers are not only concerned with lowering construction costs, but are also taking an overall critical look at all costs that occur during a building's lifecycle. Thus, there is the potential for growth in offering a better product line of integrated IT solutions for building design, construction and management designed to help meet these challenges.

Nemetschek Group Revenues

in DM million



Restrained Development of Business Units

Architecture

The Architecture business unit situation was characterized by continued weakness in Germany's construction industry, which caused a notable increase in economic pressure for architects. Unemployment among Germany's architects rose by 10 % last year and the Ifo architect's poll revealed that the current new order situation is considered worse than it has been in 15 years. This negative development clearly impacted the Architecture business unit, as sales continued to fall, especially in Germany. Due to the unfavorable sector market, many architecture firms have scaled back their planned investments. Nemetschek is supporting its customers during these difficult economic times by providing inexpensive LT starter versions of Allplan and Allplot. The market reacted favorably to the new pricing models. With the second generation of its digital drawing board D-Board, Nemetschek has also demonstrated its technological leadership, offering architects a tool for the future that integrates proven planning methods with new technologies.

In terms of international business, sales to architects remained stable in comparison to the previous year. NEMETSCHEK NORTH AMERICA Inc. (previously Diehl Graphsoft Inc.) played a significant role in achieving this result. The company was integrated successfully and enjoyed the most successful year in its history. The Nemetschek Group also made progress towards increasing internationalization with the foundation of NEMETSCHEK UK Ltd. in Great Britain, one of the most important European markets for AEC software.

Apsis Software AG was able to further expand its project and cost management solutions business, posting a 60 % increase in sales, despite the unfavorable economy. However, fourth quarter sales and profits fell short of target as customers were notably reluctant to invest. In contrast, acadgraph CAD STUDIO GmbH successfully launched the new version of its PALLADIO X 5.0 program and thus returned to profitability.

Civil Engineering

Declining sales in structural engineering were balanced by project business increases, so that total sales in this sector matched the previous year's results. Overall, the Civil Engineering business unit also suffered due to the weak economy. However, Nemetschek did successfully acquire several new customers and large orders. The Halfen Group, the market leader in fixing technology, integrates intelligent catalogs with the Nemetschek CAD system Allplot. From now on, Oberndorfer and BFI, leading manufacturers of prefabricated units, will rely on Allplot and the prefabricated units software program Allready in conjunction with mesh welding systems in optimized form. YTONG and Kesting Massivhaus have collaborated with Nemetschek to make progress on several joint projects.

In the Civil Engineering business unit, Nemetschek has also made progress towards utilizing Group synergies. Nemetschek AG, Friedrich + Lochner GmbH and Glaser ISB CAD Programmsysteme GmbH further consolidated their activities. This reorganization has already resulted in the introduction of new shared products, such as, for example, stress analysis software and the C3 Bauphysik tool, which significantly facilitates heat insulation calculations for planners.

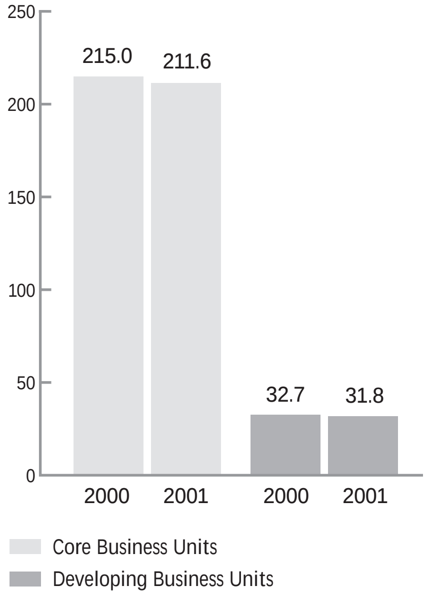
Contractor Systems

The Contractor Systems business unit ended the fiscal year 2001 with sales and profits figures comparable to those of the previous year. Nemetschek's Austrian subsidiary, Auer Bausoftware GmbH, posted positive results, as the company's sales volume was high and results increased slightly over the previous year. There are also success stories from the Swiss market: Marti AG, one of Switzerland's largest construction companies will soon begin to rely on Nemetschek Bausoftware GmbH's product Baufinancials. In addition, with the successful introduction of Rivera, a high-performance solution for workflow management, Nemetschek has achieved a favorable market position. More than 1,000 users are already working with Rivera.

The merger of subsidiaries IBD GmbH and Henke & Partner GmbH & Co. KG into Nemetschek Bausoftware GmbH became effective on January 1, 2002. During the fiscal year 2001, we prepared for this strategically important step to bundle competencies in AEC software development. The goal of bundling these competencies is to turn the merged company into the IT market leader for medium-sized businesses in the construction industry.

Nemetschek Group Revenues Core Business Units/ Developing Business Units

in DM million



Facility and Real Estate Management

The Facility and Real Estate Management business unit is still in its initial phase and did not meet expectations in the current weak economic climate. During the fiscal year 2001, two new products, Allfa TTi and Allfa iSIS were successfully introduced to the market. The Allfa TTi module enables facility and real estate managers to access all building data through the Internet. Allfa iSIS is an innovative solution for requesting relevant data in case of catastrophic events.

Nemetschek subsidiary SpeedWare-Software GmbH & Co. KG reported a positive development. The company met its operating earnings target and even posted a double-digit percentage increase in sales over the previous year. In the future, we will also further consolidate our stake in X-WORLD GmbH with the Nemetschek Group, in order to take advantage of additional synergy potentials.

Multimedia
Positive trends in sales and results continued in the Multimedia business unit during the fiscal year 2001. Sales increased by about 50 % and earnings showed a double-digit percentage increase. MAXON Computer GmbH, in which Nemetschek owns a 70 % stake, continued on its successful path: The CINEMA 4D tool is not only the business unit's most successful product, it has also won numerous awards and prizes as a globally recognized visualization and animation tool. During the fiscal year 2001 business year, the new Version 7 was introduced, along with various extensions, including CINEMA 4D Dynamics, an extension module for the simulation of physical forces. BodyPaint 3D, the new award-winning program for texturing 3D surfaces, has also established itself successfully in the marketplace.

During the fiscal year 2001, we also continued to advance international sales by founding a MAXON branch in Great Britain that resulted from the takeover of long-time successful distributor HiSOFT Systems. By opening a liaison office, we also expanded service and marketing in Japan, and are providing additional support for the local sales partner TMS Corporation.

E-Business
In the E-business unit, the merger of MYBAU.COM AG with Congate AG (retroactive to January 1, 2001) created a large construction industry online communication platform. The project is backed by three powerful partners, Bilfinger + Berger Bauaktiengesellschaft, STRABAG AG and Nemetschek AG. Each partner holds one third of the shares and the partners are also sharing the high capital spendings in the e-business market.

The goal of the company is to position an open trade and communications platform for the entire construction and real estate industry. During the most recent business year, MyBau AG has released various offers: A tendering database, a procurement system with product catalog, various ASP offers (software leasing) and the MYBAU project room. There were initial market successes, even though sales figures were below expectations.

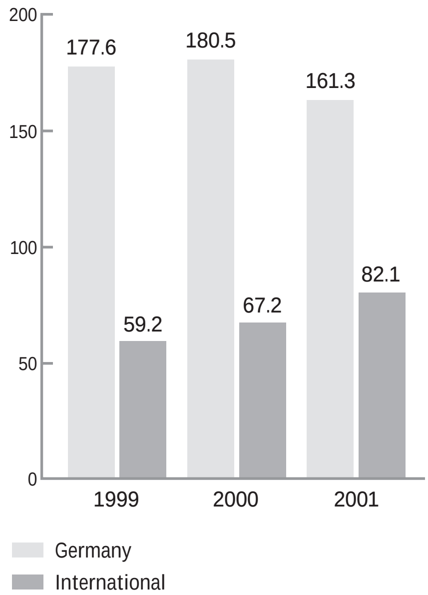
The Nemetschek Group withdrew from its company involving Nemetschek AG and Bechtle AG, Nemetschek direct GmbH. The Group sold its 51 % stake to Bechtle AG.

Continued Economic Weakness in the Construction Industry Has Marked Consequences
The weakening economic situation, especially during the second half of 2001, caused a notable reluctance to invest, especially in the IT sector. It was impossible for the Nemetschek Group to avoid this trend domestically, so that fourth quarter results showed a 8.9 % decrease. Total sales revenues for 2001 in the amount of DM 243.4 million meant a 1.7 % decrease over the previous year (DM 247.7 million).

Domestic sales dropped by 11 %, while international sales posted a 22 % increase to a total of DM 82.1 million (partially due to consolidation).

Nemetschek Group Revenues Germany/International

in DM million



Thus, the amount of total sales attributable to international sales rose from 27 % in the previous year to 34 % in 2001.

In the Architecture core business unit, we were able to make up for domestic losses, at least in part, with increases elsewhere, especially in the U.S. and the Nemetschek subsidiary Apsis Software AG. The developing business unit Facility and Real Estate Management did not meet expectations. The Multimedia business unit posted a very positive result with a 47 % increase over the previous year.

Profit affected by provisions set aside in balance sheet
A slight decrease in sales revenue with almost identical operating expenses (without special amortization of goodwill) lowered earnings before depreciation (EBITDA) by DM 4.2 million for a total of DM 12.2 million (previous year: DM 16.4 million). It should be noted that operating expenses include restructuring costs in the amount of approximately DM 5 million. Moreover, cost-cutting measures first introduced during 2001 were overshadowed by cost increases in growth companies Apsis Software AG, NEMETSCHEK NORTH AMERICA Inc. and

MAXON Computer GmbH. By contrast, operating costs already dropped by 7 % during the fourth quarter of 2001. In light of the recession in the German building industry and the drop in market value for software companies, the balance sheet valuation of several subsidiaries was reduced. This resulted in a one-time goodwill amortization in the amount of DM 71.3 million, with associated companies accounting for DM 10.4 million of the total.

As of December 31, 2001, the operating profit amounted to minus DM 69.5 million, and minus DM 8.6 million without special depreciation (previous year: minus DM 2.5 million). The expenses from associated companies also had an additional effect on the result – without special depreciation – in the amount of DM 6.4 million in total, most of which was incurred by expenses related to the set-up of MyBau AG.

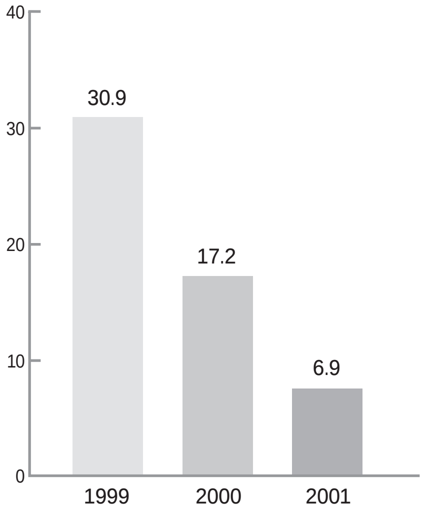
Group earnings amount to a deficit of minus DM 90.9 million; minus DM 19.6 million without special depreciation (previous year: minus DM 10.7 million).

Period Cash Flow by DVFA/SG Method Clearly Positive
With a period cash flow by DVFA/SG method in the amount of DM 6.9 million (previous year: DM 17.2 million), operating activity clearly shows a positive result.

The negative cashflow from investments in the amount of DM 27.2 million in total results primarily from the setting up of MyBau AG, payments of variable purchase prices for company acquisitions from 1998 and 1999 and investments in the infrastructure of the new company headquarters in Munich-Riem. Under these influences, liquid assets in 2001 decreased by DM 21.4 million in total and as of December 31, 2001, amount to DM 33.2 million. Accounts receivable amount to DM 43.6 million.

Period Cash Flow by DVFA/SG Method

in DM million



As of December 31, 2001, the equity capital amounts to DM 128.1 million (previous year: DM 216.3 million); the equity ratio is 68 %. The change in equity is shown in the consolidated statement of changes in equity.

Research and Development
With more than 270 employees in Research and Development, and 50 employees in Product Management, Quality Control and Documentation, the Nemetschek Group has a rich pool of knowledge, which it can tap for developing intelligent and forward-looking products. The new “Technology” management division, which was created in Q4 2001, and the new Corporate Development division provide additional support for Research & Development as well as assuming a central position within the Group for strategy and synergy management. A Design team was also established with the aim of researching new technologies, acting as an innovation consultant and integrating these within the organization.

At our international development facilities in Bratislava and Sofia, we employ more than 120 highly qualified employees who are specialized in the latest technologies. In 2001, eight of the subsidiary companies made use of these facilities to produce high-quality software in a cost-efficient manner. For example, Nemetschek Bausoftware GmbH develops its tendering software and NEMETSCHEK NORTH AMERICA Inc. develops different modules for VectorWorks in Sofia, while the system programming for the real estate management solution CREM by SpeedWare-Software GmbH & Co. KG is done in Bratislava. In addition to this, the development services in Sofia and Bratislava are also offered for external projects.

Besides developing new software and working on updates to existing standard software, custom developments are also part of the company’s project business. The Nemetschek Group continues to play an active role in different EU research projects as well as projects sponsored by the German federal ministry for economic affairs.

Employees
As of December 31, 2001, the Nemetschek Group had 1,017 full-time employees (previous year: 1,193 employees), with 610 employees in Germany.

Risks in Future Development
As a software vendor and provider of services for building design, construction and management, the company is affected by the level of building activity, in particular as far as the first two, building design and construction, are concerned. The industry has been in a phase of consolidation in the last few years, leading to a predatory market. Should the current level of building activity persist or deteriorate, significant disadvantageous effects on the sales revenues and profitability, and thus the company’s liquidity, cannot be excluded.

To reduce the concentration and thus the dependency on fields close to construction, Nemetschek is increasing its investments and efforts in the Multimedia, Facility and Real Estate Management business units as well as Internet and e-business. Activities in these fields are constantly being intensified with the aim of attaining a good market position in the long term.

Nemetschek offers software that it develops itself as well as software developed by third parties. The market segments in which the group is active are marked by rapid technological change. Changing customer needs and the continuous launch of new products go together. New software standards often result in products with short life cycles. The success of the company will depend on its ability to introduce new and improved products into the market on a constant basis. It is essential to keep pace with technological developments on the market, to comply with the latest software standards while meeting increasing customer requirements.

To accomplish this, highly-qualified employees in the area of information technology have to be employed on a long-term basis. Nemetschek aims to retain and attract suitably qualified employees with attractive and modern jobs in Germany and the early establishment of two foreign development facilities in Bratislava and Sofia.

Nemetschek acquired numerous companies between 1998 and 2000. The success of these acquisitions depends on their integration into the Nemetschek Group. Failure to integrate or delayed integration can have a negative impact on the profit situation. Nemetschek is reducing the risks with increased management support and rigorous controlling.

The investments into a stake of MyBau AG will require additional financial resources until the platform is marketable. According to the basic agreement with Bilfinger + Berger, Bauaktiengesellschaft, and STRABAG AG, the financial costs are shared by three financially strong partners and the customer base increases at the same time.

Events after the end of the fiscal year 2001

Our subsidiary NEMETSCHEK UK Ltd. opened for business in January 2002. On January 18, 2002, a payment in the amount of EUR 50,000 was applied to the company's common stock.

Outlook

2001 was a year characterized by a weakening construction industry in Germany as well as by organizational restructuring efforts coupled with massive cost cutting measures. In particular, this was reflected in the Group-wide staff cuts of approximately 150 employees, streamlining at the head office in Munich and the company's branches as well as the reduction in external consultants and services. The company thus adapted to economic developments, with the goal of reattaining lasting profitability in the medium term.

Due to the continuing stagnation in the construction industry, it is unlikely that Nemetschek will see an increase in sales in Germany. It is our goal to make up for decreasing sales in our core business units by redoubling our efforts with respect to key account management and project development, so that we can secure and possibly expand our substantial share of the German market.

In the medium term, there are expansion opportunities, particularly in the international arena, such as entering the markets in Great Britain, Scandinavia and Eastern Europe, along with stronger concurrent efforts to internationalize our product development business. MAXON Computer GmbH remains poised for continued growth, as it plans to take advantage of new market potentials among customer segments outside of the construction industry.

Given the persistent weakness of the economy, the Nemetschek Group expects slightly lower sales for the fiscal year 2002, but a marked improvement in operating earnings.

Munich, March 2002

Gerhardt Merkel
Chief Executive Officer

Report of the Supervisory Board

For the fiscal year 2001 of Nemetschek AG

The Supervisory Board of Nemetschek AG kept itself informed about the business development of the company and significant events during the course of fiscal year 2001. In 2001, the Supervisory Board held four meetings where it was informed about the development of the business and, in particular, advised about strategic plans for the future, human resources development, participations and significant capital expenditure projects. The reports from the management were discussed by the Supervisory Board in joint meetings with the management. Approval was given for projects requiring approval.

The annual financial statement of Nemetschek AG prepared by the Managing Board according to the German Commercial Code for the fiscal year 2001 and the consolidated financial statements prepared according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as of 12/31/2001 and the consolidated annual report, taking into account the accounting principles and the annual report of the company, have been audited and approved without qualification by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Munich.

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

The Supervisory Board has also examined the annual financial statements, the management report as well as the Group financial statements and the Group management report. The Supervisory Board approves the result of the auditor's examinations based on its own examinations and raises no objections. The Supervisory Board explicitly endorses the annual financial statements for fiscal year 2001 of Nemetschek AG. The annual financial statements are thus final.

In the past year, Mrs. Ingrid Nemetschek and Mr. Alexander Nemetschek resigned from the Supervisory Board. Mr. Professor Georg Nemetschek and Mr. Professor Hans-Jörg Bullinger were appointed new members of the Supervisory Board as per the AGM resolution of 05/29/2001 and the order of the Munich District Court of 10/15/2001, respectively.

Mr. Jürgen Bürtsch resigned from the Managing Board. Mr. Wolfgang Hilpert joined the Managing Board.

The Supervisory Board would like to thank the Managing Board and all the staff for its remarkable commitment in the past year; particularly in light of the difficult economic environment, this is the foundation for the company's success.

Munich, March 2002

Dr. Jürgen Peters
Chairman of the Supervisory Board

Consolidated Balance Sheet

As of December 31, 2001 and as of December 31, 2000

Assets	12/31/2001 KDM	12/31/2000 KDM	Note
Current Assets			
Cash and Cash Equivalents	33,227	55,737	(25)
Trade accounts receivable – net	43,637	60,790	(13)
Accounts receivable due from associates	124	582	
Inventories	2,176	2,748	
Prepaid expenses and other current assets	9,981	17,393	(15)
Total current assets	**89,145**	**137,250**	
Non current assets			
Property, plant and equipment at cost – net	14,683	13,756	(12)
Intangibile assets	14,848	17,744	(12)
Goodwill	64,913	130,355	(12)
Investments in associates	0	4,134	(12)
Notes receivable/loans	373	882	
Deferred tax assets	4,646	4,599	(10)
Other non current assets	762	1,010	(15)
Total non current assets	**100,225**	**172,480**	
Total Assets	**189,370**	**309,730**	

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

Liabilities, Minority interest and Shareholders' equity	12/31/2001 KDM	12/31/2000 KDM	Note
Current liabilities			
Short-term debt	2,541	3,308	(20)
Trade accounts payable	11,539	16,389	(20)
Advance payments received	182	1,940	(20)
Accrued expenses and provisions	16,151	16,915	(19)
Deferred revenues	7,695	26,361	(22)
Tax accruals	228	3,108	
Other current liabilities	13,100	11,448	(20)
Total current liabilities	**51,436**	**79,469**	
Non-current libilities			
Long-term debt net of current portion	3,227	4,611	(20)
Deferred tax liabilities	3,560	4,128	(10)
Pension accrual	1,223	2,004	(19)
Total non-current libilities	**8,010**	**10,743**	
Minority interest	**1,839**	**3,206**	
Shareholders' equity			
Share capital	18,825	18,825	(17)
Additional paid-in capital	187,525	187,730	(18)
Treasury stock	0	101	(18)
Accumulated deficit/retained earnings	– 85,268	2,653	
Earning surplus	7,003	7,003	(18)
Total Shareholders' equity	**128,085**	**216,312**	
Total Liabilities, Minority interest and Shareholders' equity	**189,370**	**309,730**	

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

Consolidated Profit and Loss Account

For the years ended December 31, 2001 and December 31, 2000

	2001 KDM	2000 KDM	Note
Revenues	**243,361**	**247,676**	(1)
Decrease of work in progress	0	– 1,099	
Other operating income	4,567	4,439	(3)
Own work capitalized	0	2,104	(2)
Operating income	**247,928**	**253,120**	
Cost of purchased materials and services	– 30,348	– 37,021	(4)
Personnel expenses	– 126,639	– 120,415	(5)
Depreciation and amortization on intangible and tangible assets (except goodwill)	– 9,842	– 8,674	(6)
Amortization (and impairment) of goodwill	– 71,876	– 10,203	(6)
Other operating expenses	-78,741	– 79,301	(7)
Operating expenses	**– 317,446**	**– 255,614**	
Operating loss	**– 69,518**	**– 2,494**	
Financial results	– 409	2,940	(9)
Investment result	– 16,873	– 8,698	(8)
Loss on ordinary activities	**– 86,800**	**– 8,252**	
Income tax	– 2,951	– 643	(10)
Loss after tax	**– 89,751**	**– 8,895**	
Minority interests	– 1,147	– 1,819	(11)
Net loss	**– 90,898**	**– 10,714**	
Earnings per share (in DM)			(23)
Basic	– 9.44	– 1.11	
Diluted	– 9.44	– 1.11	
Weighted average shares outstanding (basic)	9,625,000	9,625,000	
Weighted average shares outstanding (Diluted)	9,625,000	9,625,000	

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

Consolidated Statement of Changes in Equity

For the years ended December 31, 2001 and December 31, 2000

	Share capital KDM	Capital surplus KDM	Earnings surplus KDM	Currency translation KDM	Accu-mulated retained earnings KDM	Total KDM
As of 01/01/2000	**18,825**	**187,730**	**2,513**	**26**	**19,195**	**228,289**
Transfer to earnings surplus			4,500		– 4,500	0
Transfer to treasury-stock			91		-91	0
Change in group organisations				62	–1,139	– 1.077
Change in currency translation				–186		–186
Net loss					–10,714	– 10,714
As of 12/31/2000	**18,825**	**187,730**	**7,104**	**– 98**	**2,751**	**216,312**
Effect of first implementation IAS 39					121	121
As of 12/31/2000 after IAS 39	**18,825**	**187,730**	**7,104**	**– 98**	**2,872**	**216,433**
Additional IPO costs		–188				–188
Transfer to treasury stock		–17	17			0
Treasury stock			–118			–118
Change in group organisations					710	710
Change in currency translation				2,146		2,146
Net loss					– 90,898	– 90,898
As of 12/31/2001	**18,825**	**187,525**	**7,003**	**2,048**	**– 87,316**	**128,085**

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

Consolidated Cash Flow Statement

For the years ended December 31, 2001 and December 31, 2000

	2001 KDM	2000 KDM	Note
			(25)
Net loss for the year	– 90,898	– 10,714	
Provisions for pension accurals	– 781	570	
Depreciation of fixed assets	81,718	19,307	
Expense from investments accounted for by the equity method	16,873	8,084	
Period cash flow by DVFA/SG method	**6,912**	**17,247**	
Change in deferred taxation	– 614	– 2,058	
Change in tax accruals	– 2,880	– 924	
Change in other accruals	– 764	2,052	
Changes in inventory, trade receivables, other assets	24,156	– 4,092	
Changes in trade payables, other liabilities	– 20,220	4,638	
Cash flow from operating activity	**6,590**	**16,863**	
Investments in intangible and tangible assets	– 30,188	– 83,036	
Change in liabilities resulting from acquisitions	3,033	– 6,000	
Cash flow from investment activity	**– 27,155**	**– 89,036**	
Silent partnership	0	– 5,000	
Change in bank borrowings	– 2,151	1,781	
Change in capital surplus	– 307	0	
Distribution / Currency translation	2,980	– 1,139	
Adjustment items for shares of other shareholders	– 1,369	– 837	
Cash flow from financing activity	**– 847**	**– 5,195**	
Changes in cash with payment effect	**– 21,412**	**– 77,368**	
Retirement of financial funds from exchange of shares in MYBAU.COM AG	**– 1,098**	**0**	
Funds at beginning of period	**55,737**	**133,105**	
Funds at end of period	**33,227**	**55,737**	
Supplemental data:			
Cash paid during the period:			
Income taxes	4,096	2,528	
Interest	1,770	1,267	
Cash received during the period:			
Income taxes	4,012	0	
Interest	3,010	4,174	
Acquisition of property and equipment through capital leases	0	0	
Other non cash investing activities	0	0	

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

Notes to the Consolidated Financial Statements as of December 31, 2001

The Company

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

The full solution offering spans the entire planning, building and real estate construction and management process. As such, it is a mediator and a link between the world of information technology and the specialist world of building clients, architects, engineers, construction companies and facility and real estate managers.

Nemetschek AG was founded on September 10, 1997. On March 10, 1999 the Company completed an initial public offering (IPO) of its share capital in Germany and listed its shares on the 'Neuer Markt' of the Frankfurt Stock Exchange, a German stock exchange. The registered office of Nemetschek AG is 81829 Munich, Germany, Konrad-Zuse-Platz 1.

General disclosures

As in the prior year, the consolidated financial statements as of December 31, 2001 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). The figures for the prior year were calculated according to the same principles. The consolidated statements prepared in accordance with IFRS make use of the exemptive provisions according to the law to facilitate the raising of capital included in sec. 292a of the German Commercial Code (HGB).

Moreover, the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) were observed.

They are prepared under the historical cost convention, except that:

- investments held for trading and available-for-sale are stated at their fair value

as disclosed in the accounting policies hereafter.

The income statement was prepared using the expense method. Expenses are aggregated in the income statement according to their nature, (for example depreciation, purchases of material, transport costs, wages and salaries, advertising costs) and are not reallocated amongst various functions within the Company.

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

Affiliated companies included in the consolidated financial statements

Name, place of registration	Shareholdings %	Equity DM	Net result DM
Nemetschek Aktiengesellschaft, Munich		122,672,953	– 96,498,823
Direct participations			
NEMETSCHEK FRANCE SARL, Asnières, France	100.00	1,349,231	186,946
NEMETSCHEK ITALIA SRL, Trient, Italy	100.00	1,520,989	28,014
NEMETSCHEK Ges.m.b.H., Salzburg, Austria	100.00	575,720	– 15,738
NEMETSCHEK ESPANA S.A., Madrid, Spain	100.00	– 409,266	– 246,327
NEMETSCHEK Slovensko s.r.o., Bratislava, Slovakia	100.00	307,885	– 11,078
NEMETSCHEK s.r.o., Prague, Czech Republic	100.00	– 239,105	11,820
NEMETSCHEK Polska Sp. Zo.o., Warsaw, Poland	100.00	– 1,546,275	– 268,082

Name, place of registration	Shareholdings %	Equity DM	Net result DM
acadgraph CAD STUDIO GmbH, Munich	100.00	– 1,489,084	0
NEMETSCHEK Fides & Partner AG, Wallisellen, Swiss	81.00	455,927	– 238,721
IBD GmbH, Karlsruhe	80.00	221,497	– 110,375
Friedrich + Lochner GmbH, Stuttgart	100.00	842,155	742,150
Glaser ISB CAD Programmsysteme GmbH, Wennigsen	70.00	5,688,475	– 1,357,811
SpeedWare-Software GmbH & Co. KG, Velbert	99.75	200,000	274,962
SpeedWare-Software Verwaltungs GmbH, Munich	100.00	100,930	2,087
X-WORLD GmbH, Munich	100.00	– 746,687	189,370
NEMETSCHEK EOOD, Sofia, Bulgaria	100.00	129,864	28,411
NEMETSCHEK d.o.o., Rijeka, Croatia	100.00	203,817	892
NEMETSCHEK OOO, Moscow, Russia	100.00	– 213,946	62,374
APSIS Software AG, Munich	80.00	– 353,818	– 1,284,853
Henke & Partner GmbH & Co. KG, Achim	95.00	658,309	1,163,936
Werner Henke Beteiligungs-GmbH, Achim	100.00	50,435	726
Auer Bausoftware GmbH, Mondsee, Austria	59.00	4,456,382	3,914,784
MAXON Computer GmbH, Friedrichsdorf	70.00	1,713,955	602,834
NEMETSCHEK kft., Budapest, Hungary	80.00	– 275,421	– 256,999
NEMETSCHEK NORTH AMERICA Inc., Columbia, USA	100.00	44,108,718	1,586,866
Indirect Participations			
MAXON COMPUTER Inc., Thousand Oaks, USA	63.00	– 147,498	408,711
MAXON Computer Ltd., Bedford, Great Britain	63.00	– 93,597	– 123,035

Associated companies valued according to the equity method and their participations

Name, place of registration	Shareholdings %	Equity DM	Net result DM
DocuWare AG, Germering	30.00	3,056,184	8,080
Sidoun GmbH, Freiburg (06/30/2001)	16.26	– 829,804	– 3,169,312
MyBau AG (previously MYBAU.COM AG), Munich	33.33	9,022,823	– 24,226,894
Info-Techno-Baudatenbank GmbH, Mondsee, Austria (MyBau AG)	23.10	45,699	– 370,464
DocuWare Corporation, Montgomery, USA (Docuware AG)	30.00	1,387,909	– 2,029,956

The information shown complies with local individual financial statements prepared under local GAAP, translated into DM. Subsidiaries with different balance sheet dates prepare interim financial statements.

Changes in the consolidation group

The composition of the companies included in the consolidated financial statements changed during the course of the fiscal year 2001.

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

- A further 10 % of shares in Henke & Partner GmbH & Co. KG were purchased in December as part of the merger of Henke & Partner GmbH & Co. KG into IBD GmbH. The merger has not been filed with the Commercial Register yet.
- 20 % of X-WORLD GmbH was repurchased at nominal value.

Variable purchase prices totaling DM 5.9 million were paid for acquisitions of companies purchased prior to 2001 (Friedrich + Lochner GmbH DM 2.3 million, DocuWare AG DM 2.4 million, Henke & Partner GmbH & Co. KG DM 0.5 million and MAXON Computer GmbH DM 0.7 million).

The following shares were sold or the companies were removed from the consolidation group in 2001:

- The 51 % of shares in Nemetschek direct GmbH, Munich, was sold on July 1, 2001, and the company was removed from the consolidation group at this time.
- After the merger of MYBAU.COM AG and Congate AG was registered with the Commercial Register, Nemetschek AG held 33.3 % of the shares in the newly created MyBau AG effective January 1, 2001. The shares were consolidated using the equity method.

In addition, Apsis Public GmbH, Freiburg, was merged into Apsis Software AG, Munich, on September 30, 2001.

Changes in the consolidation group (sale of MYBAU. COM AG and Nemetschek direct GmbH) did not have any significant effect on sales; the balance sheet total decreased by DM 9.9 million.

Goodwill is amortized on a straight-line basis over the expected useful life of seven to fifteen years. In response to the sustained slowdown in the German construction industry and the fall in the market values of software companies, the goodwill of several subsidiaries was adjusted downwards ('Impairment loss IAS 36'). The value in use was calculated using the discounted cash flow method to calculate the impairment loss. A capitalization rate of between 13.2 % and 13.8 % was taken as a base.

Goodwill developed as follows:

	2001 million DM	2000 million DM
Brought forward Jan 1	130.4	75.0
Additions/reclassification	6.4	65.6
Impairment loss	– 60.9	0.0
Depreciation	– 11.0	– 10.2
Status Dec 31	64.9	130.4

Goodwill from the purchase of associated companies was also amortized by DM 10.4 million to DM 0.

Consolidation principles

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

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of the acquisition or to the date of disposal.

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

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All other investments are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

Use of estimates

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

Currency translation

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

Where the operations of a foreign company are integral to the operations of the Company, the translation principles are applied as if the transactions of the foreign operation had been those of the Company, i.e. foreign currency monetary items are translated using the closing rate, non-monetary items are translated using the historical rate as of the date of acquisition. Income and expense items are translated at the exchange rates in place on the dates of the transactions. Resulting exchange differences are recognized in the income statement during the year.

The foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

For consolidated companies located within the area of European Monetary Union, the official DM/Euro exchange rates provided by the ECB have been applied.

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

Currency	Average exchange rate in 2001	Exchange rate as at December 31, 2001
EUR/USD	0.8956	0.8813
EUR/CHF	1.5105	1.4829
EUR/SKK	43.3000	42.7800
EUR/CZK	34.0680	31.9620
EUR/PLN	3.6721	3.4953
EUR/RUR	26.1550	26.9150
EUR/HUF	256.5900	245.1800
EUR/HRK	7.4819	7.3492
EUR/BGL	1.9482	1.9463
EUR/DEM	1.9558	1.9558
EUR/GBP	0.6219	0.6085

Accounting and valuation principles

Following the introduction of IAS 39, Financial Instruments: Recognition and Measurement, available-for-sale investments are carried at fair value and all derivative financial instruments have been recognized as assets or liabilities. The opening balance of equity as at January 1, 2001 has been adjusted. Prior year comparative figures have not been restated. In 2001, the fair values of the cross-currency swap changed.
This resulted in a net loss of DM 0.6 million in 2001.

Derivatives with positive (negative) fair values designated as hedges are classified as other current assets (accruals) or other non-current assets (accruals) depending on the maturity of the corresponding financial instruments.

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

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

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

Capitalized development costs are amortized on a straight-line basis over their expected useful lives. The period of amortization does not normally exceed five years. The recoverable amount of development costs is estimated whenever there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exists.

Government grants are recognized as other operating income in line with local requirements.

Property, plant and equipment have been valued at acquisition cost less scheduled depreciation. The useful life is three to ten years. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

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

The recoverability of book value is examined at the end of each fiscal year for all intangible assets (including capitalized development costs and goodwill) and tangible assets. Extraordinary depreciation is carried out (IAS 36) if the collectible sum of the asset falls below the book value. If the reason for carrying out extraordinary depreciation in earlier periods no longer applies, then an addition is made.

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

Inventories are stated at acquisition or manufacturing cost. As a rule, average values are used for the valuation. Risks on surplus stocks arising from decreased saleability are covered by appropriate allowances. If net realizable value is lower on balance sheet date, then the lower value is stated. If the net realizable value increases for inventories that have already been devalued, the resulting reinstatement of original value is recorded as a reduction of the cost of materials.

Borrowing costs are immediately recorded as an expense.

Payments received on account from customers are recorded as liabilities.

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after provision for impairment.

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivables and payables, long-term receivables and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective policies found in this Note.

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

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs (IAS 39.66).
Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs (IAS 39.69) by reference to their quoted market price at the balance sheet date.
Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time cumulative gain or loss previously recognized in equity is included in net profit or loss for the period (IAS 39.103). (note 26)

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

Capital Reserves are created in accordance with requirements of local laws and articles of association. (note 18)

Translation Reserve is intended for reflection of translation differences arising on consolidation of financial statements of foreign entities and equity accounted associated.

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

The Company provides defined **benefit pension plans** for selected management members based on local practices and regulations. The obligations are valued every year by professionally qualified independent actuaries. The obligation and costs of pension benefits are determined using a projected unit credit method (IAS 19). The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is recorded as an accrual in the balance sheet. The provisions are shown as expenses in the profit and loss statement for the year then ended.

All other **accruals** take into account all commitments recognizable on the balance sheet date that are related to transactions or events that have already taken place but for which the amount or due date is uncertain.

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

Liabilities are reported at repayment values.

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

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognized upon acquisition of a subsidiary.
The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered (IAS 27.27).

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

Basic information on revenue recognition

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

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

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

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

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

This has the following implications for the Nemetschek Group:

a. Software and licenses

aa. Standard software

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

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

The granting of rights of use in return for fixed remuneration (one-off licenses) or a deposit retained by the licensor in return for a non-cancelable contractual agreement which grants the licensee unrestricted use is an act of sale from an economic perspective and is thus recognized in full as revenue.

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

ab. Customized software

If the development of customized software is divided into specifically defined development stages, revenue is recognized using the percentage of completion method. Costs are calculated and recorded accordingly.

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

ac. Sales transactions via sales representatives/agents

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

b. Hardware

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

c. Consulting

ca. Manufacturing contract

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

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

cb. Service contract

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

d. Maintenance

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

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

e. Training

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

Business segments: for management purposes the Group is organized on a world-wide basis into two major operation businesses (core business and developing business unit). The core business unit is divided into Architecture, Civil Engineering and Contractor Systems. The divisions are the basis upon which the Group reports its primary segment information.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is unlikely.

Post-year-end events that provide additional information about the company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material (IAS 10.7, 10.20).

Explanations to the consolidated income statement

(1) Sales

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

(2) Own work capitalized

Own work capitalized contains the capitalization of software that is mainly produced in the development companies in Slovakia and Bulgaria (DM 2.1 million).

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

The Company was involved in non-project related product development in 2001. The development costs of projects that have not fulfilled the criteria of IAS 38.45 are recorded as an expense. If the development activities were related to usable products the expenses incurred were capitalized. These included direct personnel costs plus allocable overheads.

The useful life of capitalized development costs is taken as being five years. Depreciation starts upon commercial exploitation of the development results in the year the costs were incurred using the straight-line method. Disposal is recorded in the fixed assets movement schedule after the economic useful life has elapsed. Total R & D expenses amounting to DM 53.8 million (2000: DM 46.5 million) in fiscal year 2001 whereof DM 0 million (2000: DM 2.1 million) where capitalized for non project relating product development.

(3) Other operating income

	2001 million DM	2000 million DM
Development grants for EU projects	0.0	0.5
Income from the disposal of assets	0.3	0.5
Income from bad debts received and from the reversal of the specific bad debt allowance	0.4	0.6
Income from the dissolution or settlement of contracts	0.0	0.7
Income relating to other periods from subsidiaries	0.5	0.5
Income from the release of provisions	0.7	0.0
Income from subleases and offsetting other services	0.6	0.0
Sundry other operating income	2.1	1.6
	4.6	**4.4**

(4) Cost of materials

	2001 million DM	2000 million DM
Cost of merchandise	17.5	24.9
Cost of purchased services	12.8	12.1
	30.3	**37.0**

(5) Personnel expenses

	2001 million DM	2000 million DM
Wages and salaries	108.0	101.7
Social security and other pension costs	18.6	18.7
	126.6	**120.4**

Pension costs contain benefit claims of DM 0.2 million.

The average number of employees for the year was:

	2001	2000
No. of employees	**1,102**	**1,151**

As of the balance sheet date, December 31, 2001, the headcount totaled 1,017 (2000: 1,193 including MYBAU.COM AG).

(6) Amortization/depreciation

	2001 million DM	2000 million DM
Amortization of intangible assets	4.0	2.8
Amortization of goodwill	71.9	10.2
Depreciation of property, plant and equipment	5.8	5.9
	81.7	**18.9**

Amortization of goodwill contains an impairment loss of DM 60.9 million in response to the sustained slowdown in the German construction industry and a fall in the market values of software companies.

(7) Other operating expenses

	2001 million DM	2000 million DM
Expenses for third-party services	9.9	7.0
Advertising expenses	12.1	15.9
Rent / leases	13.6	10.3
Commission	8.0	7.2
Legal and consulting fees	6.9	6.7
Travel costs	5.2	5.7
Vehicle costs	4.7	4.9
Communication	4.4	4.6
Other operating expenses	13.9	17.0
	78.7	**79.3**

(8) Investment result

The investment result contains special amortization of goodwill of associated companies (DM 10.4 million), normal amortization of goodwill of associated companies and the profit contributions of MyBau AG, DocuWare AG and Sidoun GmbH

(9) Financial result

The financial result can be split up as follows:

	2001 million DM	2000 million DM
Other interest and similar income	3.0	4.3
Interest and similar expenses	– 1.9	– 1.3
Effect of implementation IAS 39	– 1.0	0.0
Depreciation of current securities	– 0.5	– 0.1
	– 0.4	**2.9**

Amortization of financial assets relates to the sale of Nemetschek direct GmbH as of July 1, 2001.

(10) Income taxes

	2001 million DM	2000 million DM
Actual income taxes	3.3	2.5
Taxes from prior years (tax field audit)	0.9	0.0
Deferred taxes	– 1.3	– 1.9
	2.9	**0.6**

The income tax rates of the individual companies range between 34 % and 40.5 % (2000: 53.3 %). The income tax expense is based on the applicable tax income of Nemetschek AG in Germany. This is based on a tax rate of 40.5 %, which is calculated as follows:

	%	%
Result before taxes	100.0	
19.2 % trade tax	19.2	19.2
	80.8	
25.0 % corporate income tax	20.2	20.2
5.5 % solidarity surcharge	1.1	1.1
	59.5	**40.5**

	2001 million DM	2000 million DM
Result before taxes	– 86.8	– 8.3
Applicable tax income 40.5 % (2000: 53.3 %)	– 35.2	– 4.4
Differences to foreign tax rates Tax effects on:	+ 0.6	– 0.7
Amortization of goodwill from capital consolidation	29.0	3.7
At equity consolidation of associated companies	4.4	0.2
Difference in deferred assets recorded for losses of Nemetschek AG	3.3	0.0
Effect of tax field audit	0.5	0.0
Non-deductible expenses	0.1	0.1
Loss carryback and adjustment of 1999 taxes	0.0	1.8
IFRS revaluation (including IAS 39)	0.2	– 0.1
Effective tax expense	**2.9**	**0.6**
Effective tax rate (in %)	–	–

Deferred tax assets and liabilities are summarized as follows:

	2001 million DM	2000 million DM
Deferred tax assets		
Tax loss carry-forward	4.2	4.0
Valuation differences	0.5	0.6
	4.7	**4.6**
Deferred tax liabilities		
Valuation differences of software capitalization	1.8	2.8
Valuation differences of goodwill depreciation	1.7	1.4
	3.5	**4.2**
Net deferred tax assets/liability	**1.2**	**0.4**

Deferred taxes from subsequent issuing costs of DM 0.1 million are credited to equity (capital reserve). The effect of adopting IAS 39 came up to positive deferred taxes of DM 0.4 million.

No deferred tax debits are created for supplemental confirmed tax loss carry-forwards of DM 4.6 million from prior years.

(11) Minority interests

	2001 million DM	2000 million DM
Minority interest profits	1.9	2.3
Minority interest losses	0.8	0.5
	1.1	**1.8**

The minority interest profits and losses are shown net in the profit and loss statement.

Explanations to the consolidated balance sheet

(12) Fixed assets

A fixed assets movement schedule is presented on the last page of these notes to the financial statements. The 'Additions/disposals from consolidation activities' column principally contains the removal of MYBAU.COM AG and Nemetschek direct GmbH from the consolidation group.

(13) Trade receivables

	2001 million DM	2000 million DM
Accounts receivable, trade	62.3	60.8
Software service fees deducted from receivables and already invoiced	– 18.7	0.0
	43.6	**60.8**

In fiscal year 2001 software service fees have been deferred in the amount of DM 18.7 million. This amount was deducted from trade receivables and will lead to revenue in the first half of 2002.

(14) Deferred tax assets

These items mainly contain deferred tax assets on tax loss carry-forwards which are likely to be realized in future (see explanation under note 10).

(15) Other assets

	2001 million DM	2000 million DM
Tax receivables for income taxes	5.6	9.5
VAT receivables	0.0	1.5
Reinsurance policy	0.8	1.5
Short-term loan receivables	0.0	1.5
Prepaid expenses	2.0	2.9
Other	2.3	1.5
	10.7	**18.4**

(16) Equity

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

(17) Share capital

As of December 31, 2001 the capital stock of Nemetschek Aktiengesellschaft amounts to DM 18,824,863.75 (EUR 9,625,000.00). There are 9,625,000 no par value shares.

According to a resolution passed on February 19, 1999, the management board was authorized, with the approval of the supervisory board, to increase the capital stock by January 31, 2004 by issuing new shares, once or several times, in return for a contribution in cash or kind up to a total of DM 9,412,431.88 (EUR 4,812,500.00).

The annual general meeting of February 19, 1999 passed a resolution for a contingent increase of the subscribed capital of the Company by up to DM 1,498,165.78 (EUR 766,000.00) which serves to guarantee option rights to board members and executives.

The total number of option rights in 2001 was still 144,100 as of the balance sheet date, December 31, 2001. Due to the share price as of the balance sheet date, no personnel expenses have to be recorded for the fiscal year 2001.

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

Option rights can only be exercised against payment of the exercise price. The exercise price, in the case of the issue of option rights before the initial quotation of Nemetschek shares, is equal to the selling price fixed during flotation on the stock market in 1999.

For a later issue, the exercise price corresponds at most to the average closing prices of the last five trading days on the Frankfurt Stock Exchange before the resolution regarding the issue of the relevant option rights was passed by the Board of Management (upper limit) and at least, an amount 20 % less (lower limit).

(18) Revenue reserves/capital reserves

Revenue reserves contain a statutory reserve of KDM 3 (2000: KDM 3) and other revenue reserves of DM 7.0 million (2000: DM 7.0 million).

In 2001 the company owns 14,245 no-par value shares at a purchase price of KDM 118. The total amount was absorbed by equity for the first time. In 2000 the company reported the amount separately (KDM 101).

Subsequent expenses from the IPO in 1999, which were determined by the tax field audit, will be deducted directly from the capital reserve after accounting for net deferred taxes of DM 0.2 million.

(19) Accrued expenses and provisions

The obligations resulting from defined benefit pension plans are determined using the projected unit credit method. Unrecognized gains and losses resulting from changes in actuarial assumptions are recognized as income (expense) over the expected remaining service life of the active employees. There were no plan terminations, curtailments or settlements for the year ended December 31, 2001.

The following table reconciles the status of defined benefit plans to the amount recognized in the balance sheet:

	2001 KDM	2000 KDM
Present value of obligations	1,293	2,258
Unrecognized actuarial gains	– 70	– 254
Net liability in the balance sheet	**1,223**	**2,004**

Pension expense is comprised as follows:

	2001 KDM	2000 KDM
Current service cost	51	51
Interest expense on obligations	68	124
Net actuarial loss recognized	82	2
Total pension expense	**201**	**177**

Principal actuarial assumptions used to determine pension obligations as of December 31, 2001:

	2001	2000
Discount rate	5.5 %	5.5 %
Salary increases	2.0 %	2.0 %
Retirement benefit increases	1.0 %	1.0 %

The other accruals include the following items:

	2001 million DM	2000 million DM
Accrual for vacation	4.1	3.9
Outstanding invoices	2.4	3.2
Commission/bonuses	3.0	4.1
Credit notes to be issued	1.2	1.8
Cross currency swap (IAS 39)	0.8	0.0
Consulting & legal fees	1.0	0.9
Other	2.4	1.7
	14.9	**15.6**

The other accruals (exclusively pension accrual) set up as of December 31, 2000, were fully used in 2001.

Provision:

	2001 million DM	2000 million DM
Warranties	**1.2**	**1.3**

The provision for warranties is calculated with 0.5 % of the total revenue. The addition and utilization correspond with the prior year.

(20) Liabilities

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

	Total amount million DM	up to one year million DM	1 year – 5 years million DM	Over 5 years million DM
Liabilities to Banks	5.7	2.5	0.3	2.9
Prepayments received on account of orders	0.2	0.2	0.0	0.0
Trade payables	11.5	11.5	0.0	0.0
Other liabilities	13.2	13.2	0.0	0.0
Of which taxes	5.5			
Of which relating to Social security	2.4			
December 31, 2001	**30.6**	**27.4**	**0.3**	**2.9**
December 31, 2000 (prior year)	**37.7**	**33.1**	**1.5**	**3.1**

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

As of December 31, 2001 the group has a registered land charge for DM 2.0 million in favor of Credit- und Volksbank e.G. Wuppertal to secure a liability due to SpeedWare-Software GmbH & Co. KG. Further encumbrances or collateral assignment of secured liabilities did not exist as of December 31, 2001.

(21) Deferred tax liabilities

Within the group, deferred tax liabilities of DM 3.5 million have been accounted for at the future anticipated tax rate of 35 % – 40 % (see explanation under note 10).

(22) Deferred income

Deferred income is in total DM 7.7 million (2000: DM 26.4 million). In fiscal year 2001 software service fees have been deferred in the amount of DM 18.7 million. This amount was deducted from trade receivables. The total amount will lead to revenue in the first half of 2002.

(23) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

For the purpose of calculation of diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares from conversion of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the dilutive potential shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date when the options were granted. No potentially diluting securities were included in the calculation of diluted earnings per share for all periods included in these financial statements as the impact would have been anti-dilutive in periods in which losses were reported. The total number of potential ordinary shares that were left out of the calculation of diluted loss per share was 144,100 as of December 31, 2001 which relate entirely to stock options.

	2001	2000
Net earnings in million DM	– 90.9	– 10.7
Weighted average no. of outstanding ordinary stock	9,625,000	9,625,000
Total of weighted average no. of shares used for diluting EPS	9,625,000	9,625,000
Basic earnings per share / DM	**– 9.44**	**– 1.11**
Diluted earnings per share / DM	**– 9.44**	**– 1.11**

(24) Financial commitments

	Total million DM	due 2002 million DM	due 2003 – 2006 million DM	due from 2007 million DM
Rental agreements	59.2	10.8	29.5	18.9
Lease agreements	5.5	2.6	2.9	0.0
Purchase price adjustments from acquisitions/put options	29.9	13.5	15.9	0.5
Total financial commitments	**94.6**	**26.9**	**48.3**	**19.4**
	Total	**2001**	**2002 – 2005**	**from 2006**
December 31, 2000 (prior year)	**123.2**	**26.6**	**71.2**	**25.4**

By the acquisitions of previous years variable purchase price components were committed depending on future results of the purchased company. Main issue for the variable components are the equity and net results of operating business.

(25) Explanations to the cash flow statement

The cash flow statement is split up into cash flows from operating, investing and financing activities. Cash flow from ordinary activities amounts to DM 6.6 million (2000: DM 16.9 million). Cash flow from investing activities of DM – 27.1 million is mainly attributable to purchase price payments made for acquired companies and a contribution to the capital of MyBau AG (2000: DM 89.0 million).

The income taxes paid and received are part of the cash flow from operating activity. The interest paid and received are part of the cash flow from financing activity.
The change in bank borrowings results from a repayment of DM 2.6 million and a new loan of DM 0.6 million.

In total, the Group has the following cash and cash equivalents:

	12/31/2001 million DM	12/31/2000 million DM
Cash and cash equivalents	33.2	44.7
Securities	0.0	11.0
	33.2	**55.7**

(26) Financial Instruments

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

Liquidity risks
Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk the Company periodically assesses the financial viability of customers. Liquidity risk arises from the possibility that a market for derivatives may not exist in some circumstances.

Credit risks
Credit risks, or the risk of counter-parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the corporation obtains collateral in the form of rights to securities or arranges master netting agreements.

The Company does not expect any counter-parties to fail to meet their obligations, given their high credit ratings. The Company has no significant concentration of credit risk with any single counter-party or group counter-parties.

Fair value of Financial Instruments
Financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount as appropriate. The recorded amount is known as book value.

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

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

Cash and cash equivalents, marketable securities and other non-current assets
The carrying amount of cash and other financial assets approximates fair value due to the relatively short term maturity of these financial instruments. The fair values of publicly traded instruments are estimated based on quoted market prices for those or similar investments where there are no quoted market prices are available. All other instruments for which there are no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

Long-term borrowings
The fair value of the long term loans is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current loans, borrowings and other payables with variable interest rates approximates their carrying amounts.

Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31, 2001 was minimum since their deviation from their respective fair values was not significant.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in respective Notes in these financial statements, when applicable.

Derivative financial instruments
Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative ;
- the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss.

(27) Segment information

The Company divides its operations in a core business unit and in developing business unit. Specifically, the core business unit is again divided into Architecture business unit, Civil Engineering business unit and Contractor Systems business unit.

Details according to the consolidated income statement:

	2001 Revenues million DM	EBITA million DM	Depreciation million DM	2000 Revenues million DM	EBITA million DM	Depreciation million DM
Architecture	143.5	5.2	40.5	145.4	13.8	7.9
Civil Engineering	38.7	3.6	4.2	39.9	4.4	2.3
Contractor Systems	29.4	4.4	21.7	29.7	3.8	4.3
Total Core business units	211.6	13.2	66.4	215.0	22.0	14.5
Developing business units	31.8	– 10.8	15.3	32.7	– 14.3	4.4
Total	**243.4**	**2.4**	**81.7**	**247.7**	**7.7**	**18.9**
Goodwill depreciation		– 11.0			– 10.2	
Impairment loss		– 60.9				
Operating income		**– 69.5**			**– 2.5**	

The impairment loss relates to the following segments:

Architecture	28.9
Civil Engineering	1.9
Contractor Systems	18.2
Developing business units	11.9
Total	**60.9**

Details according to the balance sheet:

	2001 Assets million DM	Capital expenditure million DM	Liabilities million DM	2000 Assets million DM	Capital expenditure million DM	Liabilities million DM
Core business units	70.3	29.4	25.1	127.3	71.9	44.7
Developing business units	24.1	3.5	5.5	34.6	12.6	15.0
Total	**94.4**	**32.9**	**30.6**	**161.9**	**84.5**	**59.7**

Disclosures in the balance sheet distinguish between the main segments, core and developing business units only.

Split up in geographic areas are as follows:

	2001 Revenue million DM	Assets million DM	Capital expenditure million DM	2000 Revenue million DM	Assets million DM	Capital expenditure million DM
Germany	161.3	62.7	30.5	180.5	97.0	31.8
Foreign	82.1	31.7	2.4	67.2	64.9	52.7
Total	**243.4**	**94.4**	**32.9**	**247.7**	**161.9**	**84.5**

(28) Subsequent events

The capital stock of NEMETSCHEK UK Ltd. was paid in January 2002 and the company commenced business operations in January.

(29) Related party transactions

The Company has a pension provision of DM 0.6 million (2000: DM 1.2 million) for a former member of supervisory board. Nemetschek AG concluded a rent agreement with Concentra GmbH & Co. KG (limited partners: member of supervisory board Dr. Ralf Nemetschek as well as former member of supervisory board Alexander Nemetschek) for office space. The agreement has a 10-year term and results in net rent of DM 4.5 million per year.

The group has entered into transactions with its associates. The company enters into transactions in the normal course of business on an arm's length basis. The most significant transactions are license fees in the amount of DM 0.3 million.

Total remuneration paid to Management Board members amounted to DM 2.5 million in the fiscal year 2001.

Remuneration of Supervisory Board members amounted to DM 0.2 million.

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

	2001 million DM	2000 million DM
Trade receivables and other assets	0.2	1.1
Trade and other liabilities	0.1	0.1

(30) Additional local disclosure requirements

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

The attached consolidated financial statements have been prepared in accordance with IFRS. The Company is a publicly listed company ('Neuer Markt') as defined by sec. 292a HGB and thus exempted from the provisions of secs. 290 et. seq. HGB to prepare consolidated financial statements. The consolidated management report has been prepared in harmony with sec. 315 HGB.

The exemption for the consolidated financial statements to be in accordance with the 7th EC Directive is based on the interpretation of the Directive by GAS 1 "Exempting Consolidated Financial Statements in accordance with sec. 292a of the German Commercial Code".

(31) Date of authorization for issue

The consolidated financial statements were authorized March 18, 2002 by the supervisory board.

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

Supervisory Board

Dr. Jürgen Peters
Chairman
Attorney and tax advisor

Member of following supervisory boards:
AWITAG AG

Mr. Kurt Dobitsch
Vice Chairman
Certified engineer

Member of following supervisory boards:
United Internet AG (Chairman)
Bechtle AG
FINEX AG
GMX AG (Chairman)
Adlink AG, R & S AG

Prof. Clemens Jochum
Degrees in chemistry and mathematics

Member of following supervisory boards:
Deutsche Bank S.A., emagine GmbH
Dt. Software Ltd.

Dr. Ralf Nemetschek
Degree in physics

Prof. Georg Nemetschek
Certified engineer,
as from May 29, 2001

Prof. Hans-Jörg Bullinger
Prof. Dr. Ing., Prof. Dr. h.c.,
as from October 15, 2001

Member of following supervisory boards:
Infoman AG
Knorr Capital Partner AG
Thyssen Krupp Serv AG
Heiler Software AG, Arri AG

Ms. Ingrid Nemetschek
Clerk,
until June 30, 2001

Mr. Alexander Nemetschek
Degree in sociology,
until May 29, 2001

Board of Directors

Mr. Gerhardt Merkel
Chairman
Degree in commercial economics

Member of following supervisory boards:
MyBau AG

Mr. Uwe Wassermann
Certified engineer

Member of following supervisory boards:
Apsis Software AG

Mr. Gerhard Weiß
Degree in commercial economics

Member of following supervisory boards:
Apsis Software AG (Chairman)
NEMETSCHEK Slovensko s.r.o.
DocuWare AG

Mr. Wolfgang Hilpert
Degree in industrial engineering,
as from November 1, 2001

Mr. Jürgen Bürtsch
Certified engineer,
until September 30, 2001

Prof. Georg Nemetschek
Certified engineer,
until May 29, 2001

Munich, March 2002

Nemetschek Aktiengesellschaft

Gerhardt Merkel

Consolidated Assets Statement

For the years ended December 31, 2001 and December 31, 2000

	Development of acquistion/manufacturing costs						Development of accrued depreciation						Net book value	
	As of 01/01/2001	Exchange differences	Additions taken over	Additions/ reclassi- fications	Disposals	As of 12/31/2001	As of 01/01/2001	Exchange differences	Additions taken over	Depreciation	Disposals	As of 12/31/2001	As of 12/31/2001	As of 12/31/2000
	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM	KDM
I. Intangible assets														
Patents, licences, trade marks and similar rights and assets	13,767	2	– 2,102	6,707	2,318	16,056	6,643	4	– 143	2,434	2,287	6,438	9,618	7,337
Own work capitalized	7,769	0	0	0	0	7,769	1,116	0	0	1,602	0	2,718	5,051	6,653
Goodwill	149,781	2,330	– 2,834	7,902	875	156,304	19,426	160	– 71	71,876	0	91,391	64,913	130,355
Pre payments	3,754	0	– 663	– 2,911	0	180	0	0	0	0	0	0	180	3,754
	175,071	**2,332**	**– 5,599**	**11,698**	**3,193**	**180,309**	**26,972**	**164**	**– 214**	**75,912**	**2,287**	**100,547**	**79,762**	**148,099**
II. Tangible assets														
Land and buildings	2,089	0	0	0	0	2,089	114	0	0	252	0	366	1,723	1,975
Fixtures, fittings, tools and equipment	29,783	270	– 1,548	8,419	4,064	32,860	18,002	194	– 415	5,554	3,435	19,900	12,960	11,781
	31,872	**270**	**– 1,548**	**8,419**	**4,064**	**34,949**	**18,116**	**194**	**– 415**	**5,806**	**3,435**	**20,266**	**14,683**	**13,756**
III. Financial assets														
Investment in associates	13,497	0	0	12,775	8,231	18,041	9,363	0	36	16,873	8,231	18,041	0	4,134
	13,497	**0**	**0**	**12,775**	**8,231**	**18,041**	**9,363**	**0**	**36**	**16,873**	**8,231**	**18,041**	**0**	**4,134**
Total	**220,440**	**2,602**	**– 7,147**	**32,892**	**15,488**	**233,299**	**54,451**	**358**	**– 593**	**98,591**	**13,953**	**138,854**	**94,445**	**165,989**

Report of Independent Auditors

We have audited the consolidated financial statements of Nemetschek Aktiengesellschaft as of December 31, 2001 including the consolidated balance sheet and the related consolidated statements of income, cash flows, changes in shareholders' equity and notes for the year then ended. The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

Our audit which also includes the group's management report for the fiscal period from January 1, 2001 to December 31, 2001 which is the responsibility of the Board of Directors has not given rise to any reservations. In our opinion the group's management report conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1, 2001 to December 31, 2001 meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code.

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Isele	Fuchs
Wirtschaftsprüfer	Wirtschaftsprüferin

Munich, March 14, 2002

Additional information

As of December 31, 2001, regarding the shares and subscription rights held by directors of Nemetschek AG (unaudited)

	Number of shares	Subscription rights
Management board		
Gerhardt Merkel	0	40,000
Wolfgang Hilpert	0	0
Uwe Wassermann	24,667	7,700
Gerhard Weiß	26,092	7,700
Supervisory board		
Dr. Jürgen Peters	15,400	0
Prof. Dr. Hans-Jörg Bullinger	0	0
Kurt Dobitsch	0	0
Prof. Dr. Clemens Jochum	600	0
Prof. Georg Nemetschek	3,646,732	0
Dr. Ralf Nemetschek	1,241,625	0
Own shares in the possession of Nemetschek AG	14,245	0

The Managing Board of Nemetschek AG

The Board Members
Picture from left to right:

Dipl.-Ingenieur Uwe Wassermann,
CAO – International Business,
Affiliated Companies

Dipl.-Betriebswirt Gerhard Weiß,
CFO – Finance & Administration

Dipl.-Betriebswirt Gerhardt Merkel,
CEO – Chairman of the Managing Board

Dipl.-Wirtschafts-Ing. Wolfgang Hilpert,
CTO – Chief Technology Officer

Executive Management Team:

Frank Wuschech,
Sales Germany

Werner Maass,
Sales International

Peter J. Kroyer,
Corporate Marketing

Gunther Wildermuth,
Corporate Development

Thomas Warnke,
Human Resources & Legal

Masthead:
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